

TAR Enabling Sub Group

Meeting Name	Transmission Access Review (TAR) Enabling Sub Group
Meeting No.	4
Date of Meeting	16 th June 2008
Time	10:00 – 15:00
Venue	National Grid House, Warwick

This note outlines the key action points from the fourth meeting of the TAR Enabling Sub Group.

1. Introductions/Apologies for Absence

1. Apologies for absence were received from Barbara Vest, Nigel Scott and Paul Mott.

2. Decisions made and key points

1. Previous minutes were agreed and actions were updated.
2. HR updated the WG on **progress from other TAR WGs**. WG1 discussed overrun pricing, e.g. a degut technique for linking overrun with SO costs. SO short term release was also covered and a strawman presented: – 5 weeks out access is bid for, then GBSO assesses bids and provides a decision a week ahead. 2 sub groups were set up to deal with the cost of carbon and to assess what costs should be included to determine an averaged overrun price.
3. WG2 discussed finite rights. Ongoing question: If people pay/ commit for long term access, should their TNUoS tariffs be fixed as well? Main agenda item was new Users and the recently published impact assessment on CAP131. CAP131 concluded that TNUoS may not be a sufficiently cost reflective for a proxy of infrastructure investment. Security requirements for local works will be covered by Working Group 3. SEDG held a workshop session on Monday 9th June at Imperial University. Comparing TAR with a Locational Marginal Pricing model. Slides to be distributed when available.
4. **Zoning Methodology**: The SZM methodology is likely to produce zones that are different from today. One reason for this is the different treatment of substations that are typically run split. It is likely that short term trading zones can be larger than the smaller sub-zones for long term trading. The question was asked of what should trigger a rezoning? Additionally the comment was made that the zoning methodology must work for all post-TAR access products.
5. There is a trade off between operation costs, limits to absolute trades in a zone and the number of nodes in each zone. Operational cost is calculated from the volume of active constraints x cost of constraints. Zones should be based upon capability (e.g. local connection capacity) rather than booked long term access (TEC). A small zone will lead to less trading options which won't necessarily be a low level of trading. Views were invited on the appropriateness of a % cap of total zonal trades. Ideally this would be the same for all zones although different zones may permit a far larger proportion of trades for the same total operational cost risk. Caps on trades should allow larger zones with more nodes. Limit could be set as a function of MWh, MW or load factor.
6. The existing system has been built according to assumptions within the SQSS and during the implementation/ transition period of TAR, these may not be the same as the assumptions for system design / system operation going forward i.e. only the interim is likely to be problematic. Making large zones socialises costs whereas overrun targets costs.
7. Next steps:

TAR Enabling Sub Group

- a. Incorporate load factor assumptions.
 - b. Produce some analysis to show operation cost / liquidity / size of zone interaction for various scenarios. A zone could be picked if it is felt it represents the network.
 - c. Nodal exchange rates have not been ruled out and National Grid is to produce a Strawman. It was highlighted that nodal exchange rates are volatile and derived using the same technique as the SZM approach but without the final step of collating similar nodes.
8. Assumptions need to be narrowed down to focus analysis e.g. how nuclear units behave or what large infrastructure projects are imminent. Rather than base the assumptions on generation technology it may be better to consider Load Factor.
 9. Geographic considerations may also need to be considered rather than just electrical when zoning because of diversity of wind output. SC (NG) to talk to Demand Forecasting for wind predictability assumptions. HS will also look for relevant information. A hybrid of NZM and SZM may be also feasible.
 10. **Treatment of the Residual** – Discussed discussion paper. CEC was discounted as a good proxy for use of network or specifically costs covered by the residual e.g. re-powering units have a higher CEC but will never generate above TEC. A nominated amount (i.e. local nominated capacity) would be better. LS – Before commoditised residual is considered it should be noted that it must work for all TAR access products and not just TEC. PJ/ FP – Not sure that a residual on either an energy basis or capacity is obviously the 'right' answer. It should be noted that a commoditised residual should be on an annual generation basis and not annual demand because of Transmission losses. Can charging the residual on different basis for demand and generation both be cost reflective?
 11. The three options need to be narrowed down. Can we quantify the various 'pots' that make up the residual? Based on TEC relies too much on the remaining long-term access holders. Strawmen should be brought along for the next meeting.

Local Charging

12. The Specific Treatment of Generator Connections approach was tested for nine illustrative examples. For a number of the examples there was some debate around whether the full local cost from each generator was being considered and whether the approach was too much of a simplification. An alternative approach was suggested of finding the marginal flow differential along all the local circuits with and without the connection of the generator in question. TI to examine this proposal. The key to this approach is the accurate identification of the 'MITS' substation and TI to further develop a MITS definition.
13. An illustration of the 'local circuit' assets using the Distance to Zonal Hub approach was shown for TNUoS Generation Zone 14, where it was broadly agreed that the correct circuit assets appeared to be identified. The two high levels approaches are to be compared especially which assets are identified as local.
14. **Substation local charge.** A methodology was shown for calculating a substation local charge from 16 generic substation designs for which a capital cost is calculated. This could then be converted into a £/kW charge either by capacity used or so that the total absolute cost is recovered at each site. TI to further verify the robustness of the generic design and assumption behind the costing analysis.

3. Actions and Next Steps

1. Ofgem legal team to confirm that parallel/ conflicting charging modification proposals are feasible - ongoing

Action: AM

2. Send offshore letter hyperlink around Industry distribution list

TAR Enabling Sub Group

Action: TI

3. The first headline report is to be completed for the 20th June, for CUSC panel meeting submission.

Action: TI/ HR

4. Charging ToR to go to TCMF on the 17th June and Access ToR to be submitted to the CUSC panel meeting on 20th June.

Action: CM

5. Ensure that security/ commitment requirements for local assets are included for the Working Plan of WG3.

Action: TI

6. Progress zoning methodology:
 - a. Incorporate Load Factors
 - b. Test trade offs between operation cost/ tradability/ liquidity for a number of scenarios
 - c. Nodal exchange straw men

Action: QZ/ BHT

7. Further examine various options for treatment of residual options & create a strawman

Action: CM

8. Determine the relative size of the various components of the residual

Action: CM

9. Update ToRs for next meeting and circulate

Action: CM

10. Confirm assumptions and costs behind substation local charge

Action: TI

11. Test differential MWkm variation of the marginal investment approach

Action: TI

12. Define and test a definition for MITS substations as required for the marginal investment approach.

Action: TI

13. Compare both Local Asset approaches for the same network

Action: TI

14. Email SEDG Slides when available

Action: TI

The location of the next meeting 5 on 1st July, is at the National Grid Warwick office:

Warwick Technology Park
Gallows Hill
Warwick
United Kingdom
CV34 6DA

Tom Ireland: 01926 656152 or 0776698314

TAR Enabling Sub Group

Appendix 1 – Working Group Attendance

Members Present:

Allan Kelly	AK	Scottish Power
Craig Maloney	CM	National Grid
Dave Wilkerson	DW	Centrica
Hédd Roberts	HR	Chair
Dennis Timmins	DT	RWE npower
Frank Prashad	FP	RWE npower
Louise Schmitz	LS	British Energy
Anthony Mungall	AM	Ofgem
Robert Longden	RL	Airtricity
Simon Lord	AR	International Power
Paul Jones	PJ	E.On
Helen Snoddin	HS	SSE (SRF)

In Attendance:

Stefan Leedham	SL	EdF Energy
Tom Ireland	TI	National Grid
Chris Barrass	CB	Centrica
Jo (Qiong Zhou)	QZ	National Grid
Bee Hun Tan	BHT	National Grid
Stephen Curtis	SC	National Grid

Apologies:

Barbara Vest	BV	Gaz de France
Paul Mott	PM	EDF Energy
Nigel Scott	HS	SSE (SRF)