

CAP142: “Temporary TEC Exchanges”

TCMF

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Description of CAP142

Original Proposal (I)

- ◆ Raised by British Energy and presently being considered by a CUSC Working Group
- ◆ Seeks to permit short-term trades of entry capacity between a donor (seller) and recipient (buyer) in a Financial Year
 - ◆ operates in a very similar fashion to LDTEC
- ◆ The trade is subject to an “exchange rate” determined by National Grid based on an operational assessment
 - ◆ determines the additional export capacity available to the recipient as result of a specific reduction in the capacity of the donor
 - ◆ subject to not creating or exacerbating operational costs

Description of CAP142

Original Proposal (II)

- ◆ For the duration of the trade
 - ◆ donor has reduced access rights
 - ◆ recipient has increased access rights
- ◆ Donor continues to pay TNUoS for its long-term right, TEC
- ◆ Bilateral agreement between donor and recipient
- ◆ At the end of the trade, all pre-trade access rights restored

Description of CAP142

Candidates for Working Group Alternative Amendments

- ◆ The CUSC Working Group explored how different charging liabilities might impact
 - ◆ the use of the trading arrangements; and
 - ◆ the value of the bilateral agreement between donor and recipient
 - ◆ existing transmission access products (TEC / LDTEC / STTEC)
- ◆ These can be broadly categorised as

Option	Donor liability	Recipient liability	Bilateral
Option 1 (Original)	$TNUoS_D$	0	Yes
Option 2	$TNUoS_D - \text{Discount}^*$	$LDTEC_R$	Yes
Option 3	$TNUoS_D$	$LDTEC_R$	Yes

* range of options identified

Description of CAP142

Working Group Alternative Amendment

- ◆ Presently only one Working Group Alternative Amendment
- ◆ Introduces a liability for the recipient to pay the existing LDTEC Charge for capacity it receives from the trade
- ◆ Why was this raised
 - ◆ concerns regarding transparency of bilateral agreement
 - ◆ concerns that there may be portfolio benefits (i.e. bilateral is zero)
 - ◆ concerns that LDTEC (and STTEC) might be undermined
 - ◆ capacity created by the donor for the recipient is effectively LDTEC
 - ◆ bilateral agreement could assume any value and could “under-cut” the administered charges for existing short-term access products
 - ◆ to ensure bilateral reflects value created by donor

Charging implications of CAP142

- ◆ Application Fee
 - ◆ amendment to create a “Temporary TEC Exchange Request Fee”
 - ◆ required for both the Original and Alternative Amendment
- ◆ Use of System Charge
 - ◆ the Alternative CUSC Amendment creates a liability to pay the LDTEC Charge for capacity received by a Temporary TEC Trade
 - ◆ methodology includes provisions to determine the LDTEC Charge
 - ◆ no change in charging arrangements for TEC that is held by donor
 - ◆ a clarification to the methodology statement would be beneficial

Application Fee

- ◆ Cost reflective charge, refundable in limited circumstances
- ◆ Based on the assessment time duration, which is function of the duration of the trade

Duration of trade (t)	Assessment time (weeks)
t < 3 months	3
3 months < t < 6 months	5
6 months < t < 9 months	6
t > 9 months	9

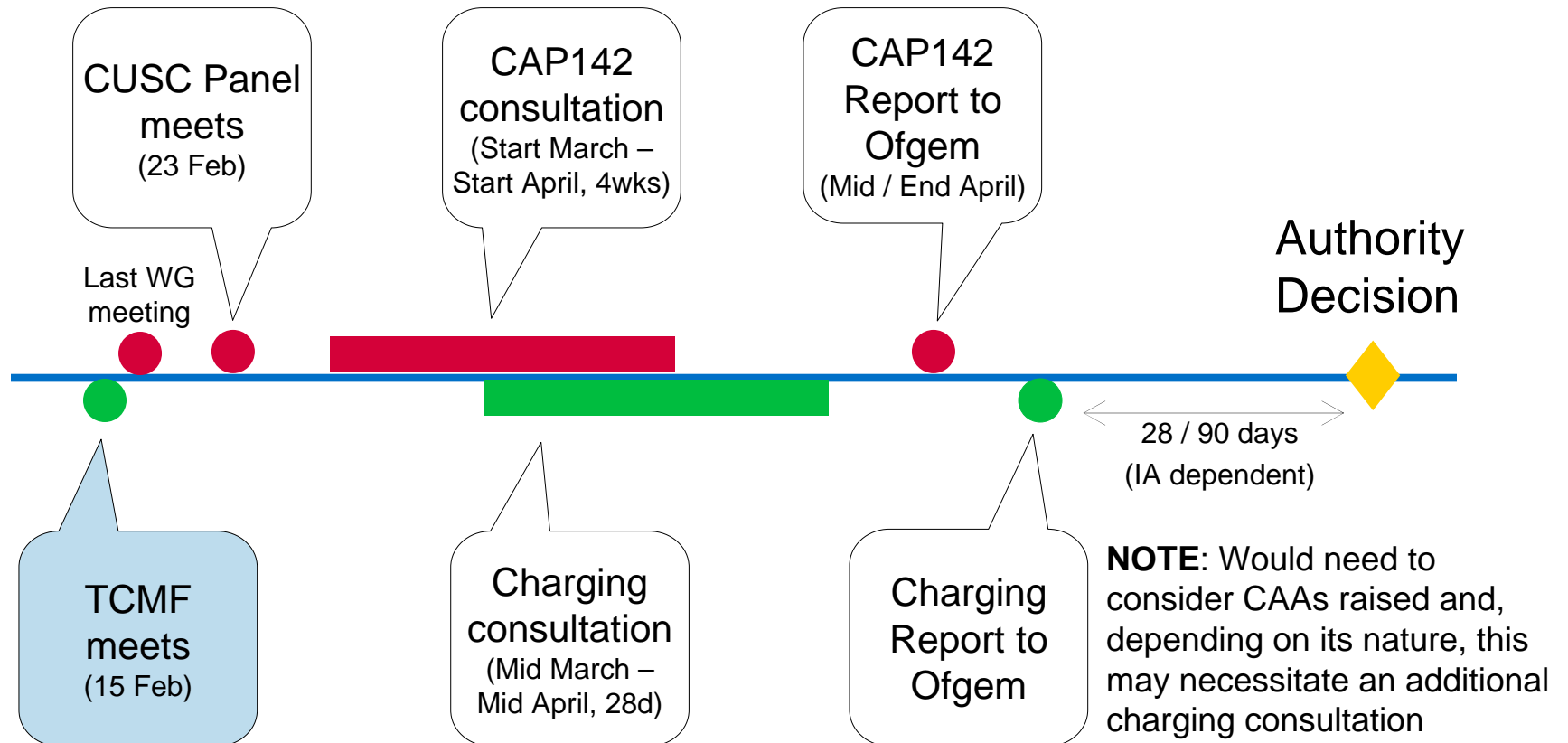
- ◆ Borrow from the arrangements for LDTEC application fees
 - ◆ a schedule of fees payable for different durations of trade

Clarifications

- ◆ Proposing textual changes to clarify
 - ◆ **for both proposals**, that the chargeable capacity for TNUoS will not be affected by a user's participation in a temporary trade
 - ◆ **for the alternative amendment**, that the LDTEC charging arrangements apply to capacity provided by LDTEC & a temporary trade i.e. to reflect the proposed wording in the CUSC
- ◆ Neither of these are methodology changes – just clarifications to how the existing methodology will be applied

CAP142 & Charging Methodology

Proposed Timetable



➔ Intention is to have CUSC and Charging consultations in parallel to enable full consideration of the “package”

Conclusions & Next Steps

- ◆ Proposal based on the present discussions in the Working Group – this could change, as group has not concluded
- ◆ Following completion of the Working Group phase National Grid expects to raise a charging amendment
- ◆ Will seek to maximise overlap of the CUSC consultation and the charging consultation
- ◆ Will seek views on proposed clarifications to statements
- ◆ Option to discuss again at March CISG (13 March)