

TAR Enabling Sub Group

Meeting Name	Transmission Access Review (TAR) Enabling Sub Group
Meeting No.	6
Date of Meeting	16 th July 2008
Time	10:00 – 15:00
Venue	AEP, London

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

1. Introductions/Apologies for Absence

1. Apologies for absence were received from Paul Mott, Paul Jones & Nigel Scott.
2. Progress from other Working Groups was reviewed. Nb the use of Sub Groups has been effective in other WGs. TEC sharing or short term SO release to be looked at being implemented by April 2009. WG3 needs to be mindful of this and see what can be done by April 2009.
3. Previous minutes were agreed and actions were updated.

2. Decisions made and key points

“Principles behind TAR” presentation – Stuart Cook (Ofgem)

1. Slides presented, posted on NG TAR webpage. Ofgem have agreed to present case, at WG2 meeting, for why generators do not have a legal right to evergreen rights. SE - Don't want to undermine the credibility of future projects by putting a question over long term access rights.
2. Need to work up how interim connect and manage will work. It is anticipated that in the long term all short term access products will disappear, e.g. not be needed any longer. Ofgem would like to hear any bright ideas of how to facilitate more generation. ACTION on NG to report whether there is a mechanism for assessing how well the existing Q management arrangements are working. BERR has previously suggested that if TAR cannot be delivered then a legislative option will be applied; do we know what this might look like and are they actually working up a high level design?

Charging for the Residual

3. Draft preconsultation circulated earlier this week.
4. Local Capacity Nomination (LCN) – What are the appropriate basis on which to charge the various charging components? Residual and Local Charge; LCN and Wider Locational element may be TEC or LCN or a combination of both. FP – can be broken down into two parts; the DCLF (transport) and the tariff part: CM and Sub Group to further examine which terms should be used to charge for each part.
5. Sub Group formed to answer the following question: “For which aspects of the DCLF transport and tariff model, would it be most appropriate to calculate tariffs based on TEC or LCN”. TEC for wider transport model and residual based on LCN” Sub Group members to be SL, FP, CB, AM, RL and SE and the first meeting is on Thursday 24th July at Warwick. Phone conferencing option to be available. PJ needs to be contacted to see if he is interested.
6. It was agreed that increases in LCN should require an application process and security for LCN will be on the same terms as TEC. The question was asked: “is the 50:50 sharing factor of risk between risk and demand still appropriate for Local Charges? WG agree that LCN cannot exceed CEC and that changes can be notified once a year by a set date [23 DEC]. Application fee needed for requests to increase LCN but not down.

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Is LCN tradable? HR – Good question, maybe, to be reviewed at a later point. LCN will sit in both the Preconsultation and the Consultation.

7. LS asked: Surely such a substantial change as altering the basis on which the residual is charged, needs compelling justification. Where is it presented? CM – Currently at a suitable time to test the current approach e.g. introduction of short term access. All options must be considered and the one that best meets the Relevant Objectives should be proposed. LS – Commoditisation takes away the incentive to generate in negative zones HR – don't the current arrangements over charge peaking plant that only generate for a couple of hours a year.
8. CM – Two parts to the rationale discussion. (i) Rationale for change is that we are moving to potential access regime where users have both long and short term access, and with the existing methodology not all such users would contribute to the residual. (ii) Rationale for changing on a MWh basis: Users are using system differently to how it has been used in the past, different plant, location and load factors. Is current approach still the most cost reflective? An example was given by LS where charging on an energy basis does not work; In a negative charging zone a peaking plant that just generates during triad wouldn't only pick up a very small residual charge and therefore wouldn't be incentivised to generate at other times. It was noted that negative transmission charges are not the only incentive for a generator to generate. HR- the flip side of that is that is it fair that a peaking unit pays the same annual charge as base load? Need to explore how transmission investment would be effected by both approaches. Also need to consider charging by peak output, as this has been discussed but is not in the Preconsultation.
9. WG agrees there are two valid sub options; kWh at peak or kWh over the whole year. The test is which one better meets the charging Relevant Objectives.
10. Working Group members are to provide comments to CM by 23rd July, which hopefully will allow a revised draft for the next WG meeting (29th July).

Zoning Methodology

11. Work completed assumed the depth of 'local works' at "layer 3" (adjacent circuits, next substation and next circuit after that). It was found that in some cases, a highly inefficient transmission design will have to be employed to solve particular system constraints. This was shown with examples in the Humber region following Keadby-Creyke Beck double which overloads the Drax-Fenwick-Tee circuit and the Harker-Hutton double which overloaded circuits on the Eastern side of the Anglo-scottish interconnector. This inefficiency will lead to trading being delayed until reinforcement of these assets which does seem to detract from the aim of connecting generation faster.
12. The depth of Local Works were increased to Layer Five, (all circuits in the zone and some adjacent circuits). Layer 3 wasn't effective so this deeper definition was initially deemed to increase liquidity. While this was true for particular examples such as the e NE ring, this depth would have allowed a Blyth-Hartlepool trade by reinforcing the overloaded circuit of Norton-Hawthorn Pit, it did not solve the issue of inefficient design described above. It was noted that when zoning is done by expectation large power stations are always at the top of the zones.
13. FP commented on the use of the phrase "small zone". Not sure this is necessary accurate as size is not just function of number of generation nodes as total MWs of generation and geographic size should be concluded. Several examples were examined.
14. The cost of constraint analysis was presented as one of 3 variables together with local works and tradability in previous Working group meetings, Meeting 4 and 5. It is recognised the large uncertainty particularly with the frequency and type of trade that might occur in the future will provide a cost of constraint analysis that could have a large variance. As such, it was concluded that it was not appropriate to use this as an

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input measure but rather as an output for impact assessment. The issue of employing a local works assumption on inefficient designs showed that local works could not be used as a possible solution to allowing flexible TEC sharing.

15. DW - What about zones for offshore trading? BHT – currently they are being modelled at the landing point i.e. assuming a radial connection. As long as the offshore connection is defined as local should be OK.
16. Stability with future changes at nodes is important. It isn't academic to place generation free nodes in zones as its important to provide signal to future generators. Aren't these the important ones as existing generators already have access. FP – doesn't believe stability is that important it's just another way of socialising costs.
17. Example of GB zones shown. Only small number of nodes can be zoned together with a lot of the country simply nodal. Assumption that has been made that the maximum effect to circuits outside a node is 20%.
18. To achieve work, more scenarios are needed (+500), full automation should be achieved and it will take at least three months. It is possible to set a constraint pot and work backwards but relies on a lot of assumptions. Gut feel is working forward is best. HR – Maybe a backwards approach will help produce a starting position.
19. Further work: next two weeks to look at nodal exchange rates and cost of constraints analysis once zones are defined. Long term work: refine zones and automate scenarios.
20. A Sub Group is required to progress the issues raised by the Zoning Methodology presentations – Invite to go out across all TAR Working Groups, WG3 members, BHT, QZ, SL, PJ, FP, SE, Nigel Scott (tbc), AM, DW or Alternate. Also scheduled for Thursday 24th July.

Local Charging

21. TI discussed the draft Consultation that was circulated to the Working Group the previous week, including a high level summary of the comments received. Most either structure or correction of detail.
22. WG members felt that with some additional analysis the existing draft could be used to make an assessment against the two straw-men presented within it.
23. SL – Should the number of options in the Consultation be reduced to two? WG felt that at this point and with the document written there is still value in keeping the two options open.
24. Definition of LCN needs to be made consistent with that in the Residual Charging document.
25. Should the substation local charge be brought out as a separate Charging Mod? HR – it seems that the circuit and substation components are so interlinked that there is benefit in considering them together.
26. DW – In the past (Cash out consultation – Elexon) complex document have used been condensed down into a simplified version for a broader audience. Could be applied here. NG to review – “Local charging for Dummies”.
27. HS – does not feel the Consultation reflects sufficiently the discussions around the ‘Generator only assets’ option.

Any Other Business

28. WG1 are producing revenue flow diagrams and it may be useful to discuss in WG3.

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29. Work Plan: A two month extension has been requested with the CUSC panel. WG3 needs to figure out exactly what more needs to be done.

3. Actions and Next Steps

1. Ofgem legal team to confirm that parallel/ conflicting charging modification proposals are feasible – Ongoing
Action: AM
2. Investigate mechanism for reporting effectiveness of new GB Queue management strategy
Action: National Grid
3. Compare definitions of 'local works' within Local Charging, Charging of the Residual and Zoning Methodology and standardise
Action: CM/ TI/ QZ/ BHT
4. Produce a second draft Preconsultation for Charging for the Residual by 23rd July to allow WG comment by the meeting of the 29th July
Action: CM
5. Update Preconsultation so the sub-option of charging on a Peak kWh basis
Action: CM
6. Explore nodal exchange rates and find an estimated cost of constraints for one approach
Action: QZ/ BHT
7. Circulate a draft Local Charging consultation by 25th July in order for final comments to be given at the next Working Group meeting on 29th July.
Action: TI
8. Comment on draft LC consultation by Friday 29th July
Action: All
9. Investigate writing a 'simple consultation summary'
Action: TI
10. Email out provision dates and locations for future meetings
Action: TI
11. Set up Sub Groups for 'Model implications for Charging of the Residual' and 'Zoning Methodology – including contacting PJ to check availability'
Action: TI

The location of the next meeting on 29th July, is at National Grid House, Warwick:

Warwick Technology Park
Gallows Hill
Warwick
United Kingdom
CV34 6DA

Tom Ireland: 0776698314 or 01926 656152

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Appendix 1 – Working Group Attendance

Members Present:

Allan Kelly	AK	Scottish Power
Craig Maloney	CM	National Grid
Dave Wilkerson	DWi	Centrica
Hédd Roberts	HR	Chair
Dennis Timmins	DT	RWE npower
Frank Prashad	FP	RWE npower
Louise Schmitz	LS	British Energy
Anthony Mungall	MD	Ofgem
Robert Longden	RL	Airtricity
Simon Lord	AR	International Power
Barbara Vest	BV	AEP (Gas de France)
Sebastian Eyre	SE	EdF Energy
Helen Snoddin	HS	SSE (SRF)

In Attendance:

Emma Luckhurst	EL	EdF Energy
Tom Ireland	TI	National Grid
Qiong Zhou (Jo)	QZ	National Grid
BeeHun Tan	BHT	National Grid
Chris Barrass	CB	Centrica
David Walker	DWa	Magnox
Stuart Cotten	SC	Drax Power
Stuart Cook	SC	Ofgem

Apologies:

Paul Jones	PJ	E.On
Paul Mott	PM	EDF Energy
Nigel Scott	HS	SSE (SRF)