

# Transmission Access Short Term Working Group 1 CAP161-164 Meeting 5

10.00-15.00 on 8<sup>th</sup> July 2008,  
AEP, 17 Waterloo Place, SW1Y 4AR

## Attendees:

Hèdd Roberts (Chair)

Patrick Hynes

Paul Jones

Merel van der Neut Kolfshoten

Gerry Hoggan (alt f. JA)

Barbara Vest

Garth Graham

Richard Ford

Deborah McPherson (STC)

Tony Diccico

Rekha Patel

Rob Rome

David Hunt (Ofgem)

Bob Brown

Paul Mott

Simon Lord

Helen Snodin

Graeme Cooper

Gaynor Hartwell (Alt f. TR)

Paul Hurlock

Ian Moss

Stuart Cook (f. item 2)

## Apologies

Jeremy Caplin

Tim Russell

James Anderson

Kathryn Sorrell

## Meeting notes and actions

### Minutes and actions from previous meeting (see over for outstanding actions)

Accepted with minor changes.

### Implications of final TAR report

Stuart Cook ran through a presentation on the final TAR report and implications for the CUSC transmission access groups. The slides are available on the CUSC WG web site<sup>1</sup>. A number of actions were discussed, primarily around the nature of the right, although as these are long term issue they will be picked up in WG2.

Interaction with IS works – the fact that IS will have an impact on what we can do in a timescales was noted. The need to consider simple, proportionate options that improve the baseline and can be implemented quickly was discussed. An option the WG may consider is to raise an 'urgent' mod for the 'quick wins' (i.e. April 2009 implementation) and allow the existing Mods to proceed on the basis they are the 'enduring solution' (i.e. April 2010 implementation?) to follow on from the 'quick wins'.] It was noted that an interim or quick win solution should be consistent with the end solution.

Interaction of the mods, i.e. overrun and sharing - if we advance sharing, we would need to deal with the breach issue discussed previously. PJ noted that there were solutions for the breach / overrun issue.

How interim C&M would work under the existing framework (including carbon abatement assessment) was questioned.

It was noted that derogations against the SQSS could be assessed on a case-by-case basis to facilitate earlier connection, with carbon abatement forming part of this assessment. Other options for dealing with the queue could also be considered, particularly for incumbents – e.g. releasing existing TEC capacity back in to the market. The interaction with existing initiatives to manage the queue was discussed, in particular the CAP 150 interaction. The working group questioned the example of Hunterston's release of capacity. Users are being told that there is no capacity available even though Hunterston has released capacity and another party wished to connect at that same location – the working group questioned the approach taken in this example and National Grid took

PH

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<sup>1</sup> <http://www.nationalgrid.com/NR/rdonlyres/F752C067-E8EB-48EE-9DF1-5444343BA2AC/27033/PresentationatindustryWGmeetingsWG1.pdf>

an action to explain how this has been considered.

### Feedback from other working groups and CUSC panel

WG 3 progressing with models for zoning and interaction with local works and costs. Two working models for local charging have been developed and a charging consultation is anticipated on this shortly. The consultation is currently being drafted to propose both competing options, rather than a firm proposal – although this is to be reviewed at next meeting. Now working on defining local capacity. Two working models for residual charging have also been developed; utilisation or capacity (local capacity) – the question of what costs are being recovered by the residual has been raised and more analysis on what makes it up is ongoing. A pre consultation on residual charging is being prepared.

WG2 is investigating auction design and lessons from the introduction/application of auctions for transmission access in Gas.

CAP160 – consultation closed, expecting an extraordinary panel meeting (before the next WG1 meeting) to vote and this to be sent to the Authority shortly after. The CUSC Panel chair is writing to the Industry to explain how this will impact on amendments in progress. NOTE: It is expected that if implemented CAP 160 will apply to amendments in progress.

### Sub group report – Carbon costing

PJ provided feedback on the Carbon costing sub group discussions. Slides are available on the website.

Station closure – how do we take account of this? To consider under assumptions as part of the modelling.

The working group questioned the ability to part load with respect to local environmental consents. Whilst part loading might locally have a negative impact this may be offset by wider gains.

Ofgem to publish a list of assumptions being prepared for CAP148 assessment that can be considered for the CAP164 assessment.

The working group agreed to include the impact on transmission losses and exclude the impact of transmission infrastructure at this stage. Transmission infrastructure is expected to be secondary and therefore will only be included if the results are marginal on first order factors. DH

It was agreed that the costing should be performed using the shadow cost (rather than the social cost) of carbon. This is consistent with Ofgem and government advice - Ofgem to confirm. DH

The working group agreed with the approach proposed in the presentation, including modelling up to 2020 through extrapolation. National Grid to carry out analysis. The sub-group is to continue to provide expert advice to National Grid in performing the analysis. PH

### Sub group report - Targeted cost model

The sub-group provided a presentation. The WG discussed the principles and agreed the need for further information on whether FPN or metered output was to be used; the need to provide updated information on examples; the need to include overrun charging for offers (update principle 2); the need to demonstrate how overrun operates under AS provision, and how overrun works with Emergency Instructions (in particular Maxgen) – National Grid. It was noted that the process should be consistent with zonal access rather than constraint boundaries. PHu  
PH

It was recognised that the final methodology would need to be in much more detail. The methodology statement would be produced as part of implementation {post meeting – governance: all to consider} based on agreed principles.

Concern was expressed about the possible volatility of the charges. National Grid explained that the volatility was driven by short term changes to operating conditions, including the transmission system and other generation and demand, and that participants could hedge completely by purchasing TEC (or other short-term products). It was suggested that an ex ante price could be constructed, but National Grid indicated that ex ante pricing was risk based (unless bid and offer prices were fixed early) and this was the role of SO release. It was noted that fixing bid prices was discussed at part of CAP148 and perceived by some members of the group to be removing rights to act in a competitive market. It was acknowledged that there was an outstanding action on how close to real time SO release could operate, and it was suggested day ahead release should be considered. National Grid agreed to consider and bring back the issues. KS

It was also discussed that National Grid could provide additional information on constraints; again further information provision is an outstanding action associated with SO release. It was mentioned by some members that further information could lead to market abuse and suggested that this may need to be introduced with additional monitoring provisions or regulatory powers.

**Assumptions, risks and issues register – update.**

Latest draft on web site, comments to PH

**Check point (for each amendment proposal)**

The WG discussed the progress to date and the outstanding work. The plan is to prepare a draft report for the July Panel, covering the progress made to date. Four further provisional meetings are planned, and the outline content of these meetings was agreed.

**Review work plan**

In order to fit the work required in, a number of additional sub groups were planned.

Create new sub-group: Simple and marginal costing, lead – Pat H, members - Simon L, Garth G, Tony D, Rob R, Paul J – objective to propose methodology for simple and marginal costing to WG

Create a new sub group C&M eligibility criteria, lead - Richard F, members - Merel VdN K, Pat H, Paul J, Garth G – objective to propose C&M eligibility criteria.

NG to reissue the updated work plan

PH

**Assessment against objectives – not covered**

**AOB – none**

Date and location of next meeting, 10am 18 July, NGH Warwick

<b>Summary of actions</b>			
<b>Mtg</b>	<b>Action</b>	<b>Lead</b>	
2	Impact on Energy prices	All	To be covered in final cost benefit
2	Analysis of pinch points	KS	To be included as part of the zonal costing methodology
2	Socialised costs – realistic scenarios	ALL	To be covered as scenarios in the
3	Part load / frequency response	KS	Outstanding
3	Sub group report – Targeted cost model	JC	Included in meeting 5. Proposal to be updated based on WG discussion
4	Administered breach issue and options	PJ	Discussed at meeting 5, proposal to be circulated to WG
4	Summary of alternative SO release model –CLDTEC	PH/SL	Circulated prior to the meeting
	Transparency of reserve prices, bid prices ex-ante and ex-post – further information release to support SO release	PH / KS	
5	Some TEC had been released this year, WG members queried why it does not appear to have been re allocated?	PH	
5	Confirm assumptions from CAP148 IA	DH	

5	To confirm carbon price assumptions – social, carbon or abatement	DH	
5	Carbon costing – carry out analysis on agreed methodology, Carbon sub group to confirm assumptions	PH	
5	Consider Overrun under emergency instructions	PH	
5	Update targeted cost model based on WG discussions	PHu	
5	Reissue work plan	PH	
5	Consider SO release at day ahead	KS	