

CAP131 Working Group

Meeting Name	CAP131 Working Group
Meeting No.	4
Date of Meeting	17 th November 2006
Time	10:00am – 03:00pm
Venue	Boardroom, National Grid Offices, Northampton

This note outlines the key action points from the most recent meeting of the CAP131 Working Group.

1. Introductions/Apologies for Absence

117. Apologies for absence were received from Steve Eyre (British Energy), Mike Kay (United Utilities) and Mark Copley (Ofgem).

2. Trigger Date

118. National Grid presented a paper which outlined various trigger date options. The trigger date is the point at which a generator moves from the User Commitment Amount to the Cancellation Amount. The original CAP131 Amendment Proposal defines the trigger date as either the 'Key Transmission Consent Date' where consents are required for the works, or a specified date where no consents are required with the proviso that such date is not more than 4 years ahead of the completion date.
119. The paper outlined 6 possible options which were discussed by the Working Group in turn:
- Power Station Section 36 consent
 - First Transmission Consent
 - Last Transmission Consent
 - Key Transmission Consent Date
 - Contract Let Date
 - A fixed date before completion
120. The Working Group noted that each option would have their own advantages and disadvantages.
121. The Working Group acknowledged there was to be a legislative review of the planning provisions e.g. possible single planning process to obtain section 36 and 37 consent.
122. The Working Group acknowledged that in practice the process of obtaining User and TO consent would be done in parallel to avoid unnecessary delay. The Working Group accepted that this working practice would only be an issue if a delay occurred in obtaining either consent.
123. The Working Group queried the need to provide security for wider reinforcements, if the work had already been accounted for within the Transmission Owners price review e.g. Beaulieu-Denny and were not linked to actual individual project spend. Some Working Group members indicated that, in these circumstances, monies should only be secured against local works.
124. If the trigger date was defined as Section 36 consent, the Working Group queried what the process would be if no consent was required.
125. Some Working Group members indicated that if there were no works associated with the offer, the associated liabilities should be capped at the £3/kW level.

CAP131 Working Group

126. Another Working Group member indicated that if Section 37 consent was to be used as the trigger date, then there was no requirement for the user to provide £3/kW prior to consent as this was linked to project risk. National Grid explained that the £3/kW prior to consent was intended to be reflective of the costs incurred, but that it was anticipated that this would also serve as a disincentive for speculative applications (in line with the ARODG discussions).
127. National Grid to provide justification of £3/kW as a collar.
Action: NP
128. One Working group member questioned whether requiring users to provide £3/kW prior to consent would incentivise users to terminate projects as soon as possible. National Grid explained that the ramp-up of the pre-trigger date liability from £1/kW to £3/kW should provide this incentive.
129. The Working Group discussed variations of the trigger dates options e.g. combination of Section 36 consent and fixed date before completion, Key Transmission Event/Milestone, Section 36 or Section 37 consent (which ever one came last).
130. The Working Group discussed what would constitute a Key Transmission Event/Milestone. The Working Group agreed that users would need to know what the trigger milestone was and what the expected date that this milestone would be reached was. The Working Group also agreed that a 'cooling off' period would be required, during which users could decide whether or not to proceed.
131. All Working Group members to provide examples of what does or does not constitute a Key Transmission Event/Milestone.
Action: All
132. The Working Group indicated their preferred trigger date:
- Power Station Section 36 consent - 3 members indicated that this was their preferred option
 - First Transmission Consent – no members indicated that this was their preferred option
 - Last Transmission Consent– no members indicated that this was their preferred option
 - Key Transmission Consent Date – 1 member indicated that this was their preferred option
 - Contract Let Date - no members indicated that this was their preferred option
 - A fixed date before completion - 1 member indicated that this was their preferred option
 - Key Transmission Event/Milestone – 5 members indicated that this was their preferred option
133. In the event of CAP131 being implemented, the Working Group queried how Users currently on the interim arrangements would be transferred over to the new process.

3. Cost Analysis

134. National Grid provided a revised presentation on the cost reflectively of investment proxies. The associated presentation slides will be circulated to Working Group members for reference.
Action: LM
135. National Grid's presentation clarified the following queries, which had all been raised by Working Group members at previous meetings:
- UCA data was updated to reflect the number of regions, projects within each region and the size of the projects
 - The data was updated to reflect Scotland. It was highlighted to the Working

CAP131 Working Group

- Group that the information on Scotland was limited and National Grid could only base its analysis on the contracted background for each Transmission Owner
- iii. National Grid confirmed that re-zeroing tariffs at Zone 16 does result in the lowest Standard Deviation when compared to all other areas
 - iv. National Grid did investigate other locational TNUoS proxys
 - v. National Grid presented the feasibility of a local only proxy
136. National Grid to clarify where differences exist between the regional areas used and the TNUoS generation charging zones.
Action: NP
137. The Working Group was informed that the inclusion of the Scottish data increased the average number of years to cover capital costs from 12.3 to 12.8. National Grid confirmed that the analysis was based on a project terminating their contract in the year before commissioning.
138. National Grid confirmed that the £3/kW tariff collar was comparable with the UCA value for the negative or marginally positive zones based on the assumptions that local works would predominate in these areas.
139. A Working Group member queried whether the £3/kW collar was being artificially inflated by the inclusion of particular marginally positive zones within the analysis.
140. The Working Group discussed an alternative investment cost proxy which was based on:
 - capacity requested, TEC (MW)
 - length of local line required to connect, L (km)
 - minimum of 15km for substation assets TO and voltage / circuit specific
 - expansion factor, EF
 - expansion constant, EC (£/MWkm)
141. NP and DS to discuss proxy analysis outside the meeting.
Action: NP & DS
142. National Grid presented their conclusion that the analysis presented highlighted that Zonal TNUoS tariff was the most suitable proxy available for User Commitment.
143. Some Working Group members indicated that it would be beneficial to analysis the UCA proxy further. It was acknowledged that this would require the UCA for every Scottish zone.
144. National Grid indicated that obtaining this data from the Scottish Transmission Owners would be problematic and highlighted that any data collation of this magnitude could not be accomplished with the Working Group timescales.
145. The Working Group queried whether this type of data provision was covered by the SO-TO Code. National Grid indicated that the SO-TO Code was restrictive on data exchange between the relevant parties. National Grid to investigate what additional Scottish data could be obtained within the relevant Working Group timescales.
Action: NP
146. National Grid to investigate whether there are any other approaches that would address these concerns.
Action: NP
- 4. Negative Charging Zones**
147. The Working Group accepted that the original CAP131 Amendment Proposal did not incentivise Users in negative charging zones. HR asked members to consider any ideas/thoughts for incentivising Users in negative zones.
Action: All

5. Working Group Extension

- 148. HR informed members that a formal request to extend the Working Group timescales would be made to Ofgem at November's CUSC Panel Meeting.
- 149. The Working Group agreed that an extension of two months would be required due to the impact of the Christmas holidays on members availability for future meetings.

6. Next Meeting

- 150. The next Working Group meeting will be held on Tuesday, 28th November 2006 at National Grid offices in Warwick. The meeting will commence at 10am.
- 151. The main agenda items will be:
 - i. Asset Re-Use
 - ii. Risk Analysis
 - iii. SO Key Consents/Trigger Dates
 - iv. Review of Actions from Previous Meetings
- 152. Future meetings of CAP131 Working Group have been confirmed as follows:
 - i. Monday, 4th December 2006 (National Grid's offices at Warwick)

CAP131 Working Group

Appendix 1 – Working Group Attendance

Members Present:

Hedd Roberts	HR	Chairman
Lilian Macleod	LM	Secretary
Nick Pittarello	NP	National Grid
Angela Quinn	AQ	National Grid
Robert Brown	RB	Cornwall Energy Associates
Mike Davies	MD	Wind Energy
Richard Ford	RF	RES Ltd
Garth Graham	GG	Scottish and Southern
Paul Jones	PJ	E.ON
Simon Lord	SL	International Power
Merel Van der Neut Kolfshoten	MK	Centrica
Bill Reed	BR	RWE
David Scott	DS	EDF Energy
Malcolm Taylor	MT	AEP
David Ward	DW	Magnox

In Attendance:

Karron Baker	KB	Ofgem
Richard Miller	RM	Ofgem
Charles Ruffell	CR	RWE

Apologies:

Mark Copley	MC	Ofgem
Steven Eyre	SE	British Energy
Mike Kay	MK	United Utilities