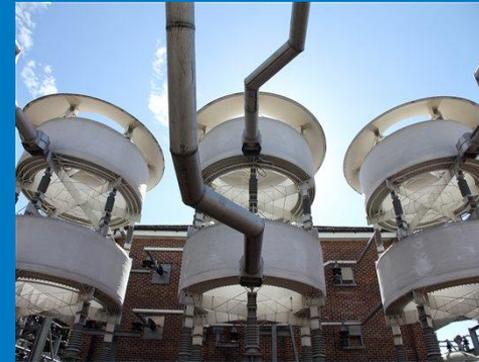
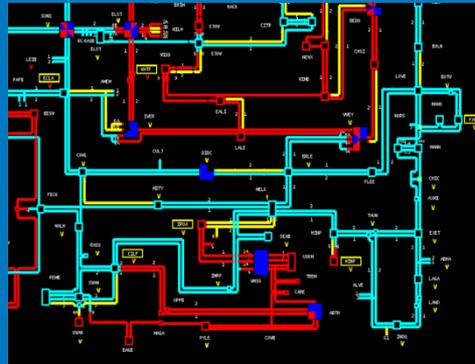


Queue Management Workshop (12/10/2016)



SUMMARY OF DISCUSSIONS

Thank you for your valued feedback on the queue management proposals in the recent workshop. The following slides summarise all the comments from the workshop which are currently being reviewed to help us refine the options further.

PROBLEM STATEMENT

- Transmission capacity is offered on a first come first served basis but as the projects develop, the timing of these connections is very different to the initial acceptance of offer.
- This causes a barrier for the generators who are willing and able to connect to the network but are further back in the queue to get access to the system early.

Summary of discussions

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Advantages

1. Clean rule, very black and white.
2. Queue is cleaned up, problem solved.
3. Clear cut, less administrative work and costs for TO/SO.
4. Clearer view on contracted generation background.
5. Simple, if milestones are clear.
6. Removes risk around building unnecessary transmission assets/reinforcement works.
7. Reduces liabilities for progressing projects.
8. Prevents TEC hoarding.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Advantages

- 9. Frees up capacity for users not currently contracted.
- 10. Proactive customer approach to managing their contracts.
- 11. Better access rights for progressing projects.
- 12. Limits asset build and liability.
- 14. Able to create gaps quickly and more efficiently

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Limitations

1. What is the certainty of connection if customers need to reapply?
2. How can developer maintain any control if project is getting killed?
3. How could NGET utilise termination powers better?
4. Could reapplication process be improved for terminating projects that reapply?
5. How can we improve on Terms & conditions to make better use of termination provision?
6. Does it increase risk and cost of capital?
7. How do we ensure fairness for all, i.e., affects many projects when a milestone is missed?
8. How to manage challenge against stalled status?
9. How can TO manage money spent on terminating projects?
10. How to have flexibility around enforcing a termination?

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Limitations

11. How to ensure too much risk is not added to the projects?
12. How do we ensure viable projects are not terminated and made to reapply?
13. Would it be open to legal challenge?
14. How much notice will a stalled project be given of its impending contract termination.
15. Does this really provide TO certainty on build?
16. As progressing projects may not be able to move their connection date forward, there is a risk for stranded assets.
17. Will any projects ever get connected?
18. OFTO, CfD, etc. regimes are based on having a grid connection agreement, what happens if the agreement is terminated?

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Limitations

19. How to manage stalled projects which have no way back except by reapplication?
20. Are NGET ruthless to stall projects?
21. How could we give stalled users confidence in new date/TEC upon application?

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Opportunities (How to overcome limitations)

1. Option not to advance.
2. Very clear milestones and chance to rectify, .i.e., reasonable amount of time.
3. Not used enough at transmission, we should start using it.
4. TO/SO to grow a pair.
5. Early warning system to avoid unhappy customers.
6. Milestone definitions are clear.
7. Improve mod app process and fee reconciliation.
8. Transparency about the milestones needs to be accomplished and not to get terminated.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Opportunities (How to overcome limitations)

9. Have better defined principles on termination, i.e., up to a milestone.
10. Clarity
11. Legal framework in place to provide clarity around process.
12. Clear process and appeal channel.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Uniqueness

1. TO/SO is judge and jury.
2. Simplicity.
3. Nothing – existing powers for TO/DNOs.
4. Straight forward and easy to manage for SO/TOs.
5. Clearer process around allowing entry to market.
6. Termination is a much more used contracted tool.

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Advantages

1. Provides strong signals to apply for realistic dates.
2. Advantages in timely project progression(enabling works removed).
3. Strong motivation to meet milestones.
4. A project retains contracted position without requirement to reapply (over option 1).
5. Relative to options 3 and 4, clear and simple to understand.
6. Incentive to progress as less security for progressing party.
7. Less discretion.
8. Cleaner staged structure.
9. Enables progressing projects to move forward.

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Limitations

1. How to prevent stalled projects becoming unviable by moving to the back of the queue?
2. What happens if two projects have stalled but one of them has progressed further?
3. More severe impact on stalled projects.
4. How to manage inevitable disputes/challenges?
5. How to take account of other projects' status in contracted queue?
6. How to defend arbitrary nature of 'back of the queue' rules.
7. How to overcome mod app timescales and interactivity?
8. How to overcome the assumption that offered connection point is the best solution?

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Limitations

9. Will progressing project E be ready if it gets a quicker connection date?
10. What happens to queue position of progressing project C if it stalls after projects A and D?
11. What happens to queue position when a stalled project becomes progressing?
12. What if planning permission capacity is different to TEC or not specified?
13. Examples do not show capacity. In reality, some smaller projects may be able to move forward but large projects may not.
14. Is there an element of luck in relation to avoiding enabling works and queue length?

OPTION 2 (All stalled projects move behind and all progressing projects move ahead in the queue)

Opportunities

1. Is there scope for ranking stalled projects by how progressed they were before being stalled?
2. Clear methodology for ranking stalled projects.
3. Have backstop dates to reflect queue size.
4. An arbitration process for queue advancement with all affected parties.
5. Generators collaborating to manage queue and their positions. Is this collusion?

Uniqueness

1. Predictability

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Advantages

1. Minimises sterilisation of capacity.
2. Increases efficient use of the system.
3. Supports progression of projects most likely to be able to use system soonest. Ready projects given the ability to connect.
4. Developer retains a degree of certainty compared to other options.
5. Stalled project goes back but does not go all the way back in the queue, i.e., limited impact on stalled project.
6. Stalled project only delayed to allow others that can advance to move forward, i.e., sensible delay.
7. Stalled project does not terminate as in option 1.
8. Advances ready projects, stalled project remains in next best place.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Advantages

8. Provides DNOs and SO with an agreed and common process by which contracted queues can be shaken up.
9. Grants those in the queue a more efficient market entry.
10. Enables, through an agreed mechanism, shovel ready projects to advance.
11. Complements ENA work on progression milestones.
12. Surety for advanced parties, i.e., a bankable solution.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Limitations

1. How can we define stalled?
2. How will NGET more actively manage contracts?
3. How will NGET build on ENA or open milestones?
4. How will a generator manage the increased risk of grid delay/grid liabilities?
5. How do I have visibility of the queue?
6. How do I have visibility of milestones in other projects so I can assess my queue risk and opportunity?
7. How to overcome lengthy timescales for application (if a project is stalled and someone else needs to be connected)?
8. How do we manage the scenario when one of the parties that can progress doesn't want to?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Limitations

9. Stalled project A needs to apply for enabling works when moved behind in the queue, how can this work if they are unwilling to move?
10. Will this inhibit transparency?
11. How do developers manage potential negative impact on financeability of a project?
12. Is it appropriate for a stalled project to pay mod app fee?
13. Increased risk and security payments for stalled project A undermines their business case.
14. How does it work if a stalled project then advances and is ready to connect before a project that was progressing but is now held up?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Limitations

15. What if I am ready to connect but no one ahead of me is stalled?
16. How does SO manage complexities of agreeing treatment of additional liabilities for parties moving back – new requirements?
17. Assumes offered connection point is the best and financially most viable option? How will this be accounted?
18. Will stalled project still be viable with increased securities?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Opportunities

1. It may not always be straight forward to calculate who can advance. TOs and DNOs need to adopt a consistent methodology.
2. Improving visibility of grid queue interaction. Publish queue position in TEC register.
3. Have a queue tsar.
4. Sell and buy capacity.
5. SO to coordinate capacity gaps on new and existing.
6. Consider an increase from 30 days' milestone allowance to, e.g, 60 or 90 days.
7. Automatic process with no or free mod app.
8. Could generation staging become an option (connect projects at partial capacity if available)?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Opportunities

9. Can we give appropriate incentives for parties to give adequate notice of disconnection ?
10. Can we connect parties and take the risk of network constraints, then use Connect and Manage to solve the problems if they arise, i.e., at NOA process for generators.
11. Key issue is milestone definition and application of rules.
12. Alternative to CUSC sec 15 regarding security mechanism.
13. How does it work if a project is not stalled by any milestone but is still not connected and ahead of me in the queue?
14. Investor education.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Opportunities

15. Maximising use of smart grid technology.
16. Be impartial. Consider best GB solution.
17. Will ENA milestone definitions be used by NGET?
18. Will user milestone dates be accepted without challenge? Is there a need for arbitration?
19. Effective industry communication/consultation.
20. New framework for infrastructure investment.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Uniqueness

1. Limited impact on stalled party.
2. Contract signals most reflective of system impact.
3. Closest to what Ofgem had in mind.
4. Maximises use of system capacity.
5. Developer accountability (all options).

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Advantages

1. Fair and flexible option, lots of new capacity connected.
2. Accelerated project may be happy or confused.
3. More bankable than interim restrictions on availability.
4. Minimal risk to the stalled project.
5. Timely access provided where gap exists.
6. Only benefit to original contracted positions.
7. Easier option for developers.
8. Protects position on liability and costs.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Advantages

9. Gets projects on if ready and real gap is available.
10. Offers mechanism to advance projects.
11. Protects position on liability and costs.
12. Less scope for legal challenge.
13. Easier to implement.
14. Familiar process.
15. More dynamic and flexible management of the queue as projects are moved around.
16. As we are today so CUSC mod not needed.
17. Provision of temporary firm during queue swap timing.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

1. It may not work with the CfD regime (what are the payments during the time progressing project is on hold after having generated for some time on temporary basis?)
2. How to get the balance between a temporary and permanent connection?
3. How do we track and manage access rights, i.e., SO and TO?
4. How to overcome uncertainties for accelerated project (time and length of restricted period)?
5. How could we overcome funding queries?
6. How do we ensure transparency for developers?
7. How can customers retain capacity following second customer's connection date?
8. How can enabling works be complete when required?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

9. How to deal with temporary basis snaps (Administrative speaking)?
10. How to get the contract modified?
11. What if you can't move forward? Moving stalled projects back will help new entrants to the queue, it may not help projects already in the queue.
12. How will users be given visibility of their future access rights once the temporary period is over?
13. Can customers pay for EMS/LMS annually/differently (Can they avoid cap con?)?
14. How can solution (LMS/EMS) be provided cheaper/quicker/more standard?
15. Does this drive the right behaviour long term?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

16. How do we track the liabilities and costs with each contract?
17. How do we make this option bankable?
18. How do you manage risk of previously stalled project, then being ready to connect after moving back?
19. How do we mitigate against termination risk caused by stalled projects?
20. How do you utilise the gap if projects in the queue are not ready to advance?
21. How long is acceptable to allow the delay?
22. How do developers manage risk related to the future reduction in access, i.e., third party connects and/or TO delay?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

- 23. How could we avoid building unnecessary assets?
- 24. Why do enabling works not change, liabilities do?
- 25. Why can't all progressing projects be reshuffled above stalled?
- 26. NGET to still build to new connection date?
- 27. What if a progressing party may not be ready/able/willing to advance?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Opportunities

1. More transparent TEC/EC register, i.e., stages; firm Vs non firm, etc.
2. What about date of contract signature or queue order?
3. What is the incentive for delayed project to delay further?
4. Can the current CfD/ROC regime be fit for this?
5. Gap capacity assessment NGET/TO.
6. Needs development of new capacity product.
7. Is there an option to keep capacity?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Uniqueness

1. Introduces non-firm capacity.
2. If a big project is moved, it could release significant capacity.
3. No customer penalties.
4. Using available capacity where it exists and can be utilised.

Criteria/milestones for progression

FEEDBACK

1. All milestones should require written confirmation to the SO as evidence.
2. Should we include securing capacity under EMR as a milestone?
3. What constitutes meeting a milestone?
4. Agree criteria.
5. Consider ENA work on milestones.
6. I liked SPEN's views on where to terminate, where to be flexible and where to change status to stalled.
7. Is stalled project D genuinely 'stalled'? Could it catch up?
8. For evidence required to meet a milestone, use ENA work as the starting point.
9. Milestones should be agreed with the customers to match the technology of the development.

Car park comments

1. In the future, this won't just be an issue for generators, how to treat storage in queue?
2. Should we move to a world where enabling works in agreements are based on consented contractual parties?
3. Interactivity between DNO queue and TSO queue.
4. If stalled, does trigger date move back if trigger passed already?
5. CfD auction timings are not known.
6. Customer wants to terminate but restricted by cash flow.
7. Agreements are based on consented, contractual parties.
8. TEC (BCA/BEGA) Vs. rights (BELLA and SoW)
9. Do we need a two stage process?
10. Nuclear will never get terminated regardless – non discrimination issue.

11. Need to make clear distinction between attributable and enabling.
12. Need to make clear distinction between payments and connection capex costs.
13. More use of active network management on both Transmission and Distribution systems.
14. How does reallocation of queue position affect fixed case charge liabilities.
15. Misalignment between NGET FID and user FID causes investment uncertainty and risk.
16. NOA type process, probabilistic assessment to advance projects without delaying others with connect and manage.

18. Arbitration with all affected projects when a project wants to connect and jump the queue.
19. CfD : Significant financial commitment required three months after winning CfD.
20. Once CfD is awarded, then FID and 18 months to deliver.
21. Planning only lasts for 5 years.
22. Can small projects without TEC get interim R.A.A.?
23. Will there be a TEC amnesty soon?
24. Chicken and egg : Grid agreement required for CfD : Date must be good.