

## CAP131 Working Group

Meeting Name	CAP131 Working Group
Meeting No.	5
Date of Meeting	28 <sup>th</sup> November 2006
Time	10:00am – 02:30pm
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

153. Apologies for absence were received from Bob Brown (Cornwall Energy Associates), Steve Eyre (British Energy), Mike Kay (United Utilities) and Richard Miller (Ofgem).

### 2. Asset Re-Use

154. National Grid provided a discussion paper which outlined the proportion of re-usable assets associated with a typical project. The analysis found that on average, a small fraction of total project costs might have the potential to be re-used namely reactive plant costs e.g. MSCs and SVCs. National Grid acknowledged that it would be appropriate to factor in that re-use into the generic user commitment.
155. It was confirmed that the term 'stranded assets' was being used to describe unnecessary or avoidable investment, some of the costs for which would be passed through to all users.
156. The Working Group noted that National Grid's analysis assumes that the project terminates when all the costs of the relevant transmission works have been completed. This was regarded as at the extreme end of the spectrum and that the associated sunk costs of a project could be lower due to projects terminating earlier. In addition, it was considered that in some instances assets may require replacing anyway, regardless of whether a new project is connecting and that this should also be factored in.
157. The Group also noted that the paper appeared to focus principally on local rather than wider infrastructure works, but it was recognised that developing a generic re-use value that considered both of these aspects was very difficult to calculate given the uncertainty in when a terminating project would be replaced by equivalent capacity applications.
158. One Working Group member suggested the value of inefficient investment would be lower in the event of a project termination where unnecessary overhead line or cable reinforcements have been made since this could lead to a reduction in transmission losses and therefore represent wider economic benefit. The Group agreed the impact would be small but that it would be worthwhile including this benefit in the analysis if possible.
159. National Grid to include analysis assumptions and review the paper in the light of comments made.

**Action: NP**

### 3. Risk Analysis

160. National Grid provided a revised presentation on the risk assessment of CAP131. The presentation focused on the risk of unnecessary investment and the allocation

of that risk amongst all users. The associated presentation slides will be circulated to Working Group members for reference.

**Action: LM**

161. National Grid's presentation provided additional clarification on the following issues::
- i. clarification of the assumptions used in the risk analysis
  - ii. value of overall risk allocation to new and existing parties

162. The Working Group queried National Grid's rationale for projecting future closure by using the last 10 years of historical data. The Working Group considered that the historical period may not provide adequate representation of projected closures due to the age of the generation fleet and the implementation of relevant European Directives e.g. LCPD. National Grid agreed that although it can make any number of assumptions in projecting future closures, it is generators that understand their business much better than National Grid, and is one of the reasons why CAP131 could be effective in delivering ongoing capacity requirements earlier.

163. National Grid agreed to provide additional information in relation to the risk analysis slides.

**Action: NP**

#### 4. Trigger Dates

164. National Grid presented a revised Appendix Q which outlined potential trigger events.

165. The Working Group discussed and agreed on three options regarding potential trigger date:

- 4 years before the completion date or another date as specified in the Bilateral Connection Agreement
- The earlier of Section 36 consent (or equivalent) or Key Transmission Consent plus 1 year (trigger date would automatically defer to Section 36 if consent was obtained within one year of Section 36)
- Latter of Section 36 consent (or equivalent) or Key Transmission Event

166. It was accepted that all three options would incorporate a 'cooling off period' to allow the developers extra time to consider the feasibility of their project before committing themselves to substantial liabilities.

167. National Grid to investigate the implications surrounding each of the preferred trigger dates.

**Action: NP**

168. Working Group members to consider the pro and cons of each opinion which will be of assistance in reaching a consensus regarding trigger dates.

**Action: All**

#### 5. Review of Previous Minutes

169. The Working Group reviewed and agreed the minutes from the previous meetings:

- 27<sup>th</sup> October 2006
- 7<sup>th</sup> November 2006
- 17<sup>th</sup> November 2006

170. It was agreed that the following actions remain outstanding and require further clarification and/or Working Group discussion:

- Comparison between existing Grid Code OC2 provisions and CAP131 Amendment Proposal
- What mechanisms would be in place to stop 'double dipping' of the liabilities monies in the event of an unexpected Power Station closure

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- Whether £3/kW is a fair representation of local connection works in marginally positive zones
- Justification for the assumption that all Users will be responsible for 50% of the total liability costs
- Clarify user commitment for incremental TEC in instances where there are no user works.
- The applicability/incentivisation of CAP131 in negative charging zones
- National Grid to clarify where differences exist between the regional areas used in their analysis and the TNUoS generating charging zones
- Further discussion regarding the alternative investment cost proxy suggested by Working Group member.
- National Grid to investigate what additional Scottish data could be obtained to inform the analysis

### **6. Working Group Extension**

171. HR informed members that Ofgem had accepted the formal request to extend the Working Group timescales by two months.
172. The Working Group will report back its findings and recommendations to the CUSC Amendment Panel on 23<sup>rd</sup> February 2007.

### **7. Next Meeting**

173. The next Working Group meeting will be held on Friday, 8<sup>th</sup> December 2006 at National Grid offices in Warwick. The meeting will commence at 10am.
174. Future meetings of CAP131 Working Group have been confirmed as follows:
  - Monday, 18<sup>th</sup> December 2006 (National Grid's offices at Northampton)

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## 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
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
Mark Copley	MC	Ofgem
Charles Ruffell	CR	RWE

### Apologies:

Robert Brown	RB	Cornwall Energy Associates
Steven Eyre	SE	British Energy
Mike Kay	MK	United Utilities
Richard Miller	RM	Ofgem