

**Minutes and Actions Arising from Meeting No.10
Held on 6th December 2002
AEP Offices, 17 Waterloo Place, London**

Present:

Malcolm Taylor	MT	Acting Chairman
Charles Davies	CD	National Grid
Nigel Cornwall	NC	Cornwall Consulting
Nick Frydas	NF	EDF Trading
Mike Harrison	MH	Scottish Power
David Tolley	DT	Innogy
Keith Miller	KM	
David Lane	DL	Clear Energy
Dick Cecil	DC	London Electricity Group
Hugh Conway	HC	Energywatch Representative
John Capener	JC	British Energy
Barbara Vest	BV	Gaz de France
Steve Drummond	SD	EDF Trading
Phil Lawton	PL	National Grid
Richard Dunn	RD	Secretary

In Attendance:

Danielle Lane	DL	British Gas
Richard Ford	RF	Ofgem

1 Introductions/Apologies for Absence

1. Apologies were received from Phil Russell (TXU Europe), Paul Jones (PowerGen), John Stewart (Campbell Carr), Nick Frydas (EDF Trading) and Tim Russell. The Chairman indicated that in the light of the presentation to the Group that National Grid would make to the meeting he had decided to incorporate any final comments on the draft report by the Group to the CUSC Panel meeting on 13th December as soon as possible after the meeting and then circulate it for information. There would be no discussion of the original agenda items concerned with the draft report.

2 Minutes of the meeting held on 22/11/02

2. The minutes of the meeting held on 22/11/02 were agreed (David Lane subsequently provided amendments for clarification to the Secretary which were incorporated into the minutes).

3 NGC Discussions with Ofgem

3. Charles Davies gave the meeting a presentation which had been given to the TCMF the previous day describing the outcome of recent discussions between

NGC and Ofgem about transmission access. It was understood that Ofgem would include their views on access in the forthcoming SO incentives proposals document. NGC believed it was appropriate to provide information to Users on what transmission access might mean in this context as it was different from the focus of TASG to date.

4. Under the model that had emerged from discussions with Ofgem, transmission access arrangements would be based on long term financially firm tradable entry and exit rights. There would be an initial allocation of rights until the end of the next TO price control period on the basis of prices related to costs (perhaps ICRP). These rights would be covered by a capacity buy back incentive over the same period. The key attributes of the model were that those Users giving rise to investment on the system should pay a commensurate price in return for the access rights and the rights should be tradable.
5. A mechanism would be required to provide NGC with signals from Users as to the need for incremental capacity release (from both initial allocation and from secondary market trading). A new Statement - the Incremental Capacity Release Statement would be produced by NGC and would set out the methodology for determining whether to release additional capacity above baseline. Pricing of this capacity would be based on the costs of delivery. There would be incremental capacity release incentives for the sale of long term rights and new capacity buy-back for these long term rights.
6. Other key features of the model were:
 - the product will be the right or the obligation to inject into/offtake from the transmission system up to a specified capacity in a particular zone;
 - would ideally utilise the 11 zones for baseline transfer capability calculations; may have to accept GSP Group zones for demand; zones could change over time;
 - All licensed generators would have access rights/obligations for entry and all suppliers for exit; other entities for consideration;
 - Initial allocations would be for release of baseline capacity only with prices set to recover TO allowed revenues; rights specified in quarterly tranches
 - NGC obliged to make available baseline and any obligated incremental capacity (ICR Statement)
 - Allocation for each zone and each quarter for the years offered; Users will reveal volumes they are willing to buy at different prices in each quarter
 - If only baseline capacity released with no incremental capacity will indicate likely constraint
 - NGC can apply for incremental capacity to be included in capacity release incentive at any time; if no veto NGC will be obliged to offer the incremental capacity and can determine the price
 - Long term/short term allocations
 - Granularity of rights/obligations - initial allocations, secondary trading, monitoring and settlement
 - Pricing structure would involve access charges, "residual transport charge" and "SO capacity charge"; BSUoS and connection charges would remain
 - Trading of access rights would require central registration of holders' access rights required; intra-zone trading unrestricted and intra-zone trading perhaps using exchange rates; settlement level for decision and would need to deal with customers changing suppliers and possible daily settlement

- Zonal product provides a compromise between constraint cost and investment cost capture; residual issues to be resolved; impact on Security Standards
 - Monitoring and Settlement will include anti-hoarding measures, Grid Code obligation not to exceed access rights and overrun/underrun charges
7. During discussion of the presentation it was agreed that it was essential for Users to know as soon as possible the parameters within which they would be expected to consider these access arrangements especially implementation arrangements and timescales. The Group requested that as much information as possible on these issues should be included in the next SO Incentives Proposals document and RF agreed to report this request back to his colleagues at Ofgem. RF confirmed that Ofgem considered that the CUSC forum was still the most appropriate for consideration of transmission access issues.

4 Way Forward

8. The Group agreed that the remainder of the meeting would be best utilised by working up a set of questions on National Grid's transmission access presentation which could help Users to determine their approach to the arrangements and the response to the forthcoming SO incentives proposals document. (A set of questions was agreed and subsequently edited by the Chairman and sent to RF with a request that they should be considered as an early set of comments on the forthcoming SO incentive proposals document. Given the time available the Acting Chairman indicated that it would be useful if Ofgem felt that it could respond to the questions before the end of the consultation period where they are not already dealt with in the SO incentives proposals document).

5 Any Other Business

9. There was no other business.