
TASG Revised Terms of Reference and Work Programme for 2003 2004

Introduction A draft version of some revised Terms of Reference and work programme for the TASG was presented to the CUSC Panel on 11th April. The terms of reference have been revised to reflect discussions at the Panel. Since the last meeting of the TASG there have been many developments in a number of relevant areas such as: CAP043, CAP048, P80, P87 the SO Incentive decisions by Ofgem and the statement by NGC of their programme of work under the TCMF. With all these in mind, there are a number of relevant areas of work that fall into the vires of the CUSC Panel and can help progress in the transmission access area. This note sets out the original terms of reference of the TASG as Appendix 1 and invites the CUSC Panel to agree a revised work programme for 2003_2004.

Work programme

The work programme will take forward a number of issues that are consistent with the TASG's original terms of reference and are not currently being addressed elsewhere. They fall into two groups: structural and demand-side issues, and infilling smaller issues that complement progress on the generation side.

Structural and Demand-side Issues

- There are a number of big issues that are not currently being addressed. The TASG will try to develop them.
 - Firm Exit Capacity: Recognising that last year's work lead to a clarification of this issue without reaching a resolution of it, it would be worthwhile having another go at this problem this year. In particular, the TASG will consider the attributes of firm exit capacity.
 - Structural aspects of exit capacity: The approach to date has been incremental change from the current position focusing on the generation side. In order to deal with exit capacity, a number of members of the TASG have suggested a more radical approach, including a re-structuring of the contracting parties for exit capacity. One solution would be for the DNO to take on the role of contracting with NGC. An alternative is that the Supplier has this role. Again the TASG unpacked some of the issues last year without being able to deliver solutions.

Smaller Issues

- CAPs 043 and 048 set out areas of work that includes the specification of the transmission access product for the generation side and will develop proposals for generator compensation in the case of non-delivery (note P80/P87 await Ofgem decision). In the same timescale as the review of connection and transmission charging the TASG could usefully consider two additional areas:
 - The process for entry: CAP 43 effectively places 'mothballing' generators who decide to reinstate their original access in the same position as new entrants seeking transmission access. Processes need to be developed to deal with this issue.
 - Remedies for Breach: CAP048 describes options for recompense in the event of access being denied to a generator (see also P80 and P87 awaiting Ofgem decisions). At the moment the other side of the coin has not been considered. What should be the appropriate response for breach of access by a generator?

Timetable

The Panel wished to progress both the bigger and the smaller issues simultaneously. The outline programme is as follows:

<u>Date</u>	<u>Action</u>
April	CUSC Panel agree revised terms of Reference for TASG
May 9 th + ½ 19 th	Reprise positions reached on Big issues and sketch developments

June 6 th & 23	Focus on Smaller issues with update as appropriate on Big issues
July 18 th	Update on Big & small issues, verbal report to CUSC
August 11 th	Draft report on smaller issues and discuss
September	Finalise report on smaller issues, submit to September CUSC
12 th & 22 nd	Draft report on bigger issues
October TBA	Finalise report on bigger issues, submit to October CUSC NGC &/or others raise amendments

- **Membership**

List of previous members in attached Appendix. Members invited to re-confirm their interest at April Meeting, and call for others. Membership revised at first meeting.

- **Terms of Reference**

The TASG original terms of reference are set out in Paragraph's 8-10. These are still substantially relevant. In addition the work in 2002 led to the development of 5 fundamental questions that served as criteria to ensure any models were consistent and coherent, and to the development by NGC of a jigsaw diagram that set out the component parts of a fully functioning transmission access system. These are included as Appendix 2 to aid members in their deliberations.

Appendix 1 – TASG Terms of Reference and revised Terms of Reference

Introduction

1. Ofgem's Revised Proposals document on Transmission Access and Losses was published on 26 February 2002. The content of the document was discussed at the CUSC Amendments Panel meeting on 22 March 2002. At the meeting, the Panel agreed that a Standing Group should be established under the CUSC governance to consider further the reform of the transmission access arrangements and to identify and take forward the appropriate contractual framework to provide for the new arrangements.
2. This paper outlines the working arrangements and terms of reference for the Transmission Access Standing Group (TASG).

Proposed Membership of the Transmission Access Standing Group

3. The CUSC Amendments Panel agreed to establish the TASG with the following membership:

Chair: Phil Russell (TXU)
Other Members: John Capener (British Energy)
Dick Cecil (London Electricity Group)
Peter Clubb (GDF)
Hugh Conway (Energywatch Representative)
Nigel Cornwall (Cornwall Consulting)
Richard Court (National Grid)
Charles Davies (National Grid)
Nick Frydas (EDF Trading)
Mike Harrison (Scottish Power)
Duncan Jack (St Clements)
Paul Jones (PowerGen)
David Lane (Clear Energy)
Phil Lawton (National Grid)
Simon Lord (First Hydro)
Keith Miller (Teesside Power)
Brian Sequeira (British Gas)
John Stewart (Campbell Carr)
Malcolm Taylor (AEP)
David Tolley (Innogy)
Barbara Vest (RWE Trading Direct)

Note: The above membership was expanded and the actual attendees at each of the meetings are recorded in the Minutes, available on the NGC CUSC Website.

Meeting Administration

4. The frequency of TASG meetings shall be defined as necessary by the TASG chair to meet the Terms of Reference and time scales as defined below.
5. National Grid will provide technical secretary resource to the TASG and handle administration arrangements such as venue, agenda and minutes etc.
6. The TASG will have a dedicated page under the CUSC section of the National Grid Industry Information website. This will enable TASG information such as minutes and presentations to be available to a wider audience in a timely manner.

Terms of Reference

7. The TASG has been established and actioned to consider further the reform of the transmission access arrangements and to identify and evaluate the options for changes (consistent with Ofgem's 'Transmission access and losses under NETA - Revised Proposals' document) and their implications for the CUSC and other industry documents.

8. The Standing Group should review the points set out in Section 4 of Ofgem's February 2002 paper on Transmission Access & Losses as they relate to the current access arrangements and in particular should review:
 - The 'firmness' of the allocated rights to all Users who use the transmission system (also need to clarify the Maximum Export Capacity and demand side rights of Parties and clarify what obligations exist with regards which category of transmission charge that has to be paid by Parties for the allocated rights);
 - How allocated rights for use of the transmission system are enforced (i.e. how it is ensured that Users have the correct agreements in place with National Grid and how they comply with them) and how the allocated rights are monitored and settled;
 - Compensation for constraints, failures and disconnections;
 - The duration and quantity of the rights allocated;
 - The inter-relationship and linkage to other industry arrangements, and
 - The potential for the trading of any allocated rights between Parties (e.g. facilitating novation of connection agreements);
9. In progressing the issues raised above, the TASG should be cognizant of any work undertaken in relation with arrangements for Transmission Access in other industry work streams (e.g. transmission losses under the BSC, cost signalling under the Charging Forums and SO Incentives under the Licence). Furthermore, the TASG should be mindful of any interaction between the Transmission Access arrangements and any other relevant issues being considered by the industry (in particular those relating to BETTA, European Developments e.g. Cross Border Tariffs and the Government's Energy Review).
10. The Standing Group Chairman will be responsible for providing a verbal report on the Standing Groups progress with regards the issues raised above at each Amendments Panel Meeting. Furthermore, the Standing Group Chairman will be responsible for producing a Standing Group Report. The report should be submitted to the Panel Secretary by 8th August 2002 for circulation to Panel Members and the Conclusions of such report should be presented to the Amendments Panel meeting scheduled for 16th August 2002. The report should be written with reference to Section 8.18 of the CUSC.
11. It should be noted that, in accordance with Section 8 of the CUSC, the TASG itself, as a Standing Group under the Amendments Panel, is unable to propose an amendment to the CUSC.

Relationship with Amendments Panel

12. The TASG shall seek the views of the Amendments Panel before taking on any significant amount of work.
13. Where the TASG requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Standing Group Chairman should contact the CUSC Panel Secretary.

Meetings

14. The Standing Group shall develop and adopt its own internal working procedures and provide a copy to the Panel Secretary.

Appendix 2: Transmission Access Round Two - Relevant Points

1. CUSC Applicable Objectives

- a. The efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and
- b. Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

2. 5 Fundamental Questions - Criteria for assessment of Consistency of Candidate Models

- a. How should rights be defined?
- b. Who buys and sells and trades those rights?
- c. What are the consequences of breaching those rights?
- d. Who are the players and what are their contractual relationships?
- e. How should NGC's investment decisions be driven, in relation to cost recovery or investment costs?

3. Ofgem's Expectations of Transmission Access:

Ofgem document 'R19/02 Transmission Access & Losses under NETA – Revised Proposals' 26/2/2. Para 4.26

4.26 Ofgem considers that there are a number of key elements to any transmission access regime. These are as follows:

- Firmness: once allocated, access rights can only be interrupted by the SO buying back the rights. Equally, participants who have been allocated rights will be committed to paying for them for the length of time for which they have been allocated.
- Duration: it would be desirable for access rights to be allocated for several years at a time in order to ensure that signals of the need for new transmission capacity can emerge.
- Trading: for market signals to emerge, some form of trading will be necessary. Tenders for constraint contracts would be one such form of trading but it would be desirable for participants also to be able to trade between themselves.
- Cost signaling: to inform participants' trading decisions, it will be important that they are exposed to the locational costs that NGC incurs in resolving constraints.
- Linkage to SO incentives on investments: the access regime should enable the SO to be incentivised to respond to market signals of the need either for new transmission capacity in excess of that agreed as part of the TO price control or for intended investments to be delayed.

4. NGC Roadmap for Transmission Access

(1) Initial Allocation of rights	(4) Entity acquiring access rights	(6) Volume of access rights	(8) Trading of rights
(2) New Provision of rights			(9) Compensation for Non-Provision
(3) Surrendering of rights	(5) Time period of access rights	(7) Price of Access Rights	(10) Remedies for breach of rights