

Transmission Access

The way forward

Agenda

- ◆ Background
- ◆ What can be achieved with access reform?
- ◆ What's wrong with the existing regime?
- ◆ What are the straw man models on the table?
- ◆ How do we take all the models forward together ?
- ◆ Big issues
- ◆ Timeline

Background

- ◆ The need to facilitate renewables in a timely and efficient manner
- ◆ Current regime focuses on large relatively centralised conventional generation
- ◆ Number of industry forums groups
 - ◆ Limited number of changes have come forward
- ◆ Energy White paper
 - ◆ Transmission Access Review
 - ◆ Gov Targets
- ◆ National Grid will facilitate change through existing governance arrangements
- ◆ Proposals are industry models
 - ◆ National Grid does not sponsor all aspects
 - ◆ Alternative is legislation

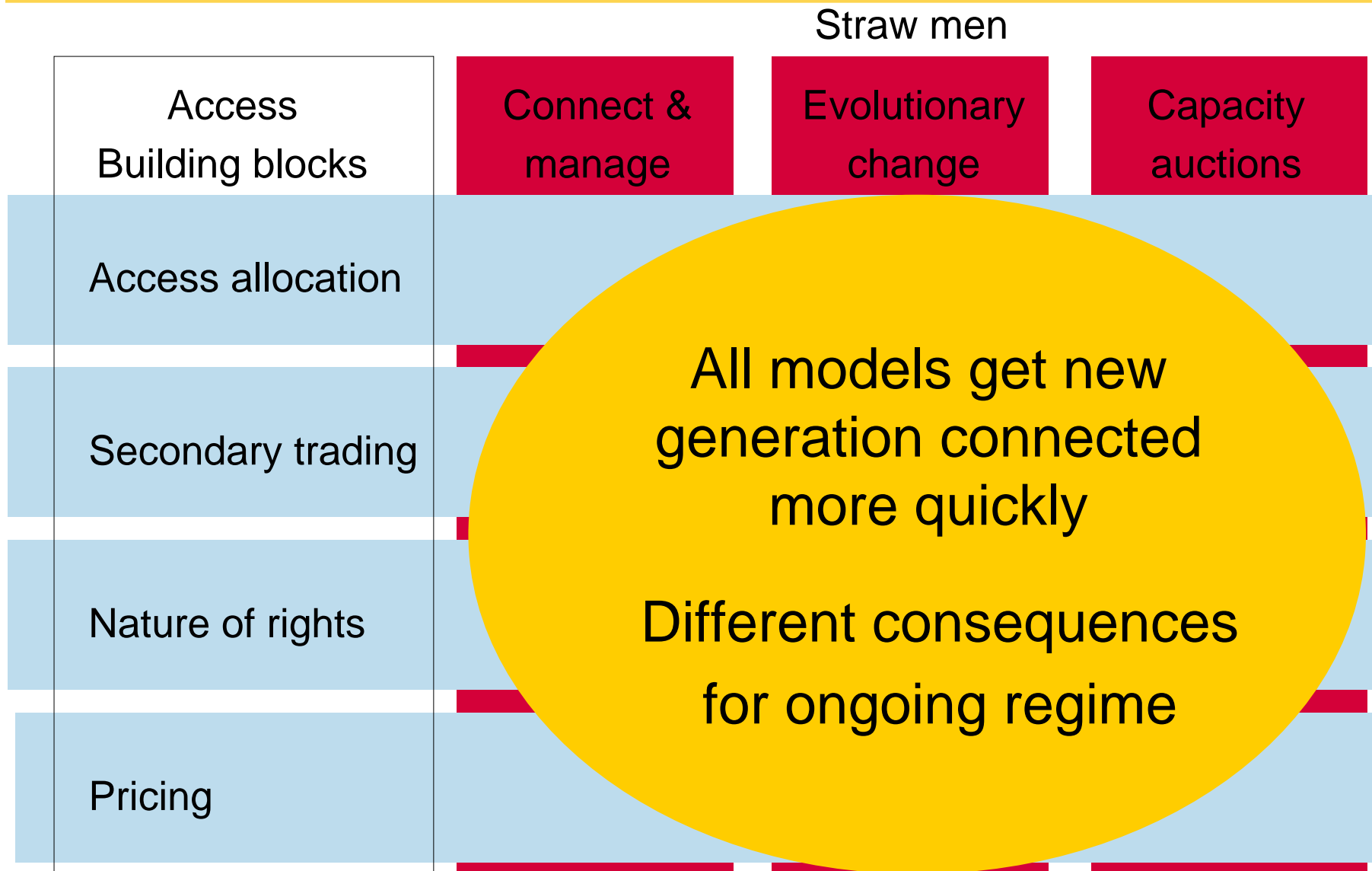
What can be achieved with access reform?

- ◆ Improvements to the access regime can deliver:
 - ◆ A level playing field for all generation technologies
 - ◆ Avoid one sided changes
 - ◆ More efficient use of the existing transmission assets
 - ◆ Improved signals to invest in new transmission assets
- ◆ But cannot deliver additional transmission capacity
 - ◆ Significant investment in transmission system extension still required
 - ◆ Subject to planning, etc.

What's wrong with the existing regime?

- ◆ New generation can't get timely access to the transmission system
 - ◆ GB queue stretching out beyond 2015
 - ◆ Closure uncertainty
- ◆ New build - may not be appropriate with increased volume of renewable generation
 - ◆ Characteristics of wind mean that sharing of capacity (between wind and conventional) much more important
 - ◆ Who will share?

What are the models on the table?



Step back – options for pricing of rights

Wait for build		“Invest then allocate” Long-term rights efficiently priced and allocated
Connect early	“Evolutionary change” Efficient short-term allocation & rationing	“Connect & manage” Existing right holders subsidise new short- term right holders
	Pay short-run (operational) costs	Pay long-run (investment) costs

- ◆ Treatment of residual
 - ◆ £/kW or £/kWh

Connect & manage strawman

Access allocation

- Allocate then invest for long-term rights & long-term commitment
- Minimum eligibility criteria (e.g. [3] years after connection offer accepted; local works complete)

Secondary trading

- No secondary trading

Nature of rights

- Nodal long-term rights

Pricing

- Local asset charge
- Full TNUoS

Evolutionary change strawman

Vision

- ◆ Users tell National Grid what they need....
- ◆ Short-term products are made available by:
 - ◆ the SO; and
 - ◆ other holders of long-term rights
- ◆ Overrun introduced
- ◆ Older conventional plant can make use of short-term products – replacement role
- ◆ New long-term access rights are made available when parties commit
- ◆ Users only purchase long-term rights when short-term rights are more expensive

Evolutionary change straw man

Access allocation

- Invest then allocate for long-term rights & long-term commitment
- Short-term rights auctioned by SO
- Overrun permitted

Secondary trading

- Sharing allowed in pre-defined zones with 1:1 sharing factor

Nature of rights

- Zonal short or long-term rights for a defined period

Pricing

- Residual (£/kWh) and local asset charge
- LRMC for long-term
- “Pay as bid” for SO released
- ex post SRMC for overrun

Capacity auction straw man

Access allocation

- Long-term rights (invest then allocate) auctioned
- Suitable long-term commit required for inc cap
- Short-term rights identified and auctioned by SO
- Overrun

Secondary trading

- Sharing allowed in pre-defined zones with 1:1 sharing factor

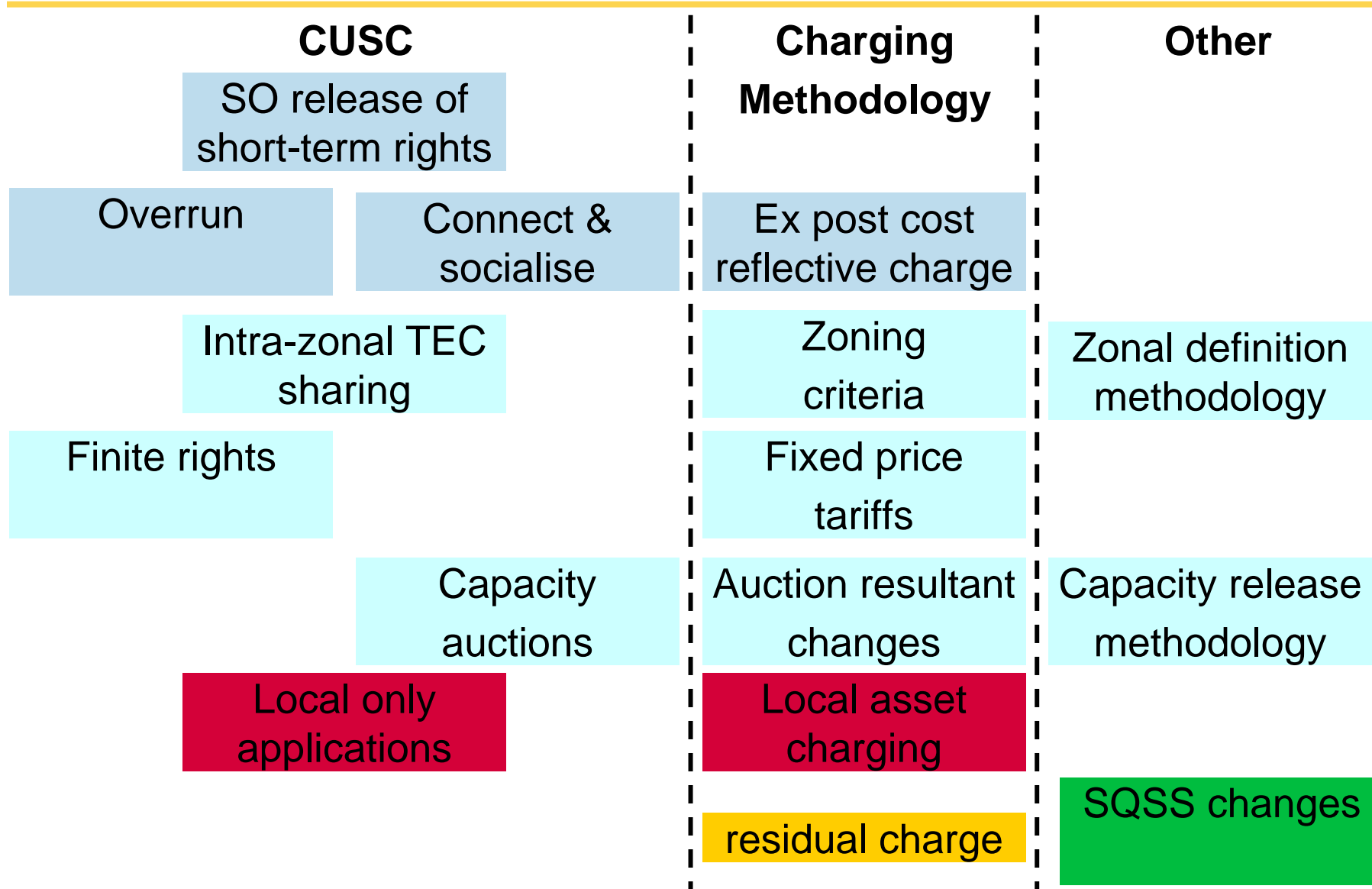
Nature of rights

- Zonal short or long-term rights for a defined period

Pricing

- Residual (£/kW) and local asset charge
- “Pay as bid” for long-term
- “Pay as bid” for SO released
- ex post SRMC for overrun

Framework amendment proposals required



Some of the big issues (1)

- ◆ Earlier connection means increased congestion costs
 - ◆ Should these costs be socialised or targeted at the users that cause them?
- ◆ “Evergreen” rights for existing generators
 - ◆ Leads to closure uncertainty, but basis on which generation investment decisions have been made
- ◆ Impact on transmission investment planning
 - ◆ What are the associated SQSS changes?
- ◆ Long-terms rights transfer
 - ◆ Confers advantage to rights holders. How should rights be allocated?

Some big issues (2)

- ◆ Framework on entry arrangements, although charging changes will have significant impact on demand
- ◆ Mindful of possible extension to demand in the future
- ◆ Transmission arrangements for distributed generation also need to be considered
 - ◆ Two broad models
 - ◆ Gross – treat as directly connected with discount
 - ◆ Net – treat as negative demand
 - ◆ National Grid intend to publish high-level consultation

Draft timeline

2008

2009

Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb

◆ 18 March; High-level industry seminar

◆ 10 April; Workshop on draft mods

◆ 25 April; Raise CUSC mods

CUSC Working Groups

CUSC consultation period

◆ 26 September; CUSC panel vote

Amendment reports to Ofgem

◆ 29 April

Transmission Charging Methodologies Forum (TCMF)

◆ 26 June; TCMF

◆ 22 August; TCMF

Charging Working Groups

Charging consultations

Charging conclusions reports to Ofgem

nationalgrid

For more information

- ◆ Contact Patrick Hynes on 01926 656319
- ◆ See website:
 - ◆ <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/access/>

