

**Key Points and Actions Arising from Meeting No.12
Held on 9th May 2003
London Euston Novotel Hotel, NW1 2AJ**

Present:

Malcolm Taylor	MT	Chairman
Charles Davies	CD	National Grid
Dick Cecil	DC	London Electricity
Rupert Judson	RJ	London Electricity
Keith Miller	KM	
David Lane	DL	ClearEnergy
Tim Russell	TR	
Paul Jones	PJ	PowerGen
Mike Harrison	MH	Scottish Power
John Capener	JC	British Energy
Richard Dunn	RD	Secretary

In Attendance:

Richard Ford	RF	Ofgem
Simon Thornton	ST	National Grid
Danielle Lane	DL	British Gas
Bob Brown	BB	Cornwall Consulting
Ian Topliss	IT	Edison Mission Energy
Jan Devito	JD	Jade Energy

1 Introductions/Apologies for Absence

Apologies were received from Hugh Conway (Energywatch), Nigel Cornwall (Cornwall Consulting), Nick Frydas (EDF Trading) and Steve Drummond (EDF Trading). Bob Brown (Cornwall Consulting) was attending on behalf of Nigel Cornwall.

2 Minutes of the Meeting held on 10th January 2003

There were no comments on the draft Minutes of the meeting held on 10th January 2003. Any final comments should be provided to RD as soon as possible. Future minutes would concentrate on key points and actions arising.

3 Terms of Reference

a). Revisions to TOR

The revisions to the Group's Terms of Reference were AGREED.

b). Work Plan and Meeting Programme

The Work Programme was AGREED. TASG would need to assess from time to time any impact on Transmission Access arising from developments on BETTA, the Energy Bill, charging methodologies, GB CUSC consultations and European developments. It should also not replicate work by related Groups e.g: CAP 048 Working Group.

c). Any Related Matters

None.

4 Generation Entry Access

Competition for Access

CD gave a presentation covering issues on competition for access and remedies for breach (on website).

Key points

- (i) Two new options seek to maximise NGC investment efficiency when there are competing access applications.
- (ii) Publicising all applications on receipt would be new feature of access arrangements (option 1).
- (iii) Opportunity to purchase existing rights off an existing user (option 2).
- (iv) Value of rights would be how much new user willing to pay to avoid queuing not value of rights themselves as TNUoS is separately payable. Value arises from time value of money, and developers' expectation of changes in risk with time.
- (v) NGC still obligated to offer access sometime in future, but do not bear planning timescale risk.
- (vi) Question: What happens to the money?
- (vii) Clear exposition of current rights of Gs needed.
- (viii) (Option 3) Daily publication by NGC of Transmission Access opportunities on a nodal or zonal basis could be provided to inform access application decisions by generator developers.

Actions

- (i) NGC to set out examples of options 1 & 2 - **Action CD (for 6 June).**
- (ii) NGC and MT to describe G's current rights - **Action CD & MT (for 6 June).**
- (iii) NGC to describe any issues arising from implementation of CAP043 - **Action CD (for 6 June).**
- (iv) Explore scenario whereby existing user potentially avoids guaranteeing

new asset construction - **Action PJ (for 6 June)**.

Remedies for Breach

Key Points

- (i) Should there be commercial incentives on Gs to avoid breach of TEC/CEC?
- (ii) If no value can be ascribed to the right at the time and no implications for SO of breach by G should there be any penalty (non-firm rights in benign system conditions)?
- (iii) Demand side needs to establish principle of rights first - need incentives to avoid breach as disconnection probably unacceptable on demand side.
- (iv) One model for breach could be G pays TNUoS for actual use plus a proportion of balancing services cost attributable to his action.
- (v) Treatment of thermal/renewable combined generation?
- (vi) NGC to describe how this might work for southern generator zones - **Action CD (for later)**.

5 Exit Capacity Contracting Parties

TR reprised his presentation of July 2002 (on website).

Key Points

- (i) Who can best signal demand for new and efficient NGC investment (currently DNOs for connection and suppliers for infrastructure)?
- (ii) DNOs know and need to know more than anybody about future pattern of demand thus best placed for use of rest of NGC network. Need not affect customer/supplier relationship or triad charging.
- (iii) Straight pass-through of access charges or regulated incentive scheme? Latter better for encouraging efficient investment and accurate forecasting. But may now be too late for inclusion in 2005 price control review.
- (iv) CUSC can create contractual framework to deliver efficient investment but framework of incentive scheme the key.

6 The Role of the DNO

DL reprised his Distribution template from the January 2003 report from the TASG (on website).

Key Points

- (i) Template consistent with March 2003 Ofgem SO incentives consultation.
- (ii) DNOs moving towards "plugs and sockets" approach by NGC and also more consistent approach to competing access requests.
- (iii) Need for a body associated with final customers to assess their requirements for Transmission Access.

- (iv) Accurate forecasting will be key feature and thus supplier could be best placed to act as access link with customers. Difficult to see how supplier could influence customer in UK model (possible in US).
- (v) Model that treated demand as negative generation may provide best links with generation model.
- (vi) Model will need to be consistent with NGC's non-discrimination licence condition C7C.
- (vii) DNOs are not resourced (skills or systems) to actively manage access. This would require additional resource beyond that likely to be covered by the next Price Review.

Actions

- (i) Note analysing benefits/drawbacks to NGC of incentivised access regime on demand side - **Action CD (for 19 May if possible)**.
- (ii) Note analysing benefits/drawbacks to suppliers of incentivised access regime on demand side - **Action PJ (for 19 May if possible)**.
- (iii) Note analysing prospects for Gs and DNOs to participate/compete in an incentivised access regime - **Action KM (for 19 May if possible)**.

7 General Points on (5) & (6) Above

- (i) Suppliers mainly interested and competent to forecast demand over their customer group, not the gsp, or gsp group. DNOs competent to forecast demand over the gsp and gsp group in aggregate.
- (ii) DNOs forecasting competence is higher, but they can only be incentivised if they can affect the outcome. Suppliers are already incentivised to forecast accurately for their customer base because of the cash-out value of the imbalance energy, probably 10x the value of access.
- (iii) How much value is available from more accurate forecasting of demand and who can influence that value?
- (iv) Getting demand side capacity sorted is important in so far as demand is negative generation and therefore demand participation in access, where possible, needs to be under similar rules and processes to generation.

8 AOB

None.

9 Way Forward

Next meeting would be held at 1.30pm on Monday 19th May at Brandon Hall Hotel after the CAP048 Working Group Meeting. Thereafter, Meetings in London will commence at 10am and meetings in the Midlands will commence at 1015am. Any comments from Group Members/attendees on any of the material/issues discussed at or arising from Group meetings should be copied to the Secretary.