

Transmission Access Standing Group

Standing Group Report

Transmission Access Standing Group

Objectives

- ◆ Discuss the further development of entry access arrangements that would facilitate use of the system in a more flexible manner than currently available today
- ◆ Consider how any revised arrangements could better facilitate the efficient and non-discriminatory integration of renewables
- ◆ Bring industry expertise together to understand:
 - ◆ The benefits and pitfalls of suggested arrangements
 - ◆ The potential impact of differing access arrangements on all industry parties

High-level conceptual models

National Grid models

- ◆ Temporary TEC transfer
 - ◆ Further facilitation of the temporary transfer of previously allocated long-term access rights between power stations
- ◆ Extra TEC (ETEC)
 - ◆ System operator identifies additional short-term access (available in operational timescales) and an associated ex ante price set to reflect the forecast constraint cost caused
- ◆ Overrun
 - ◆ Power stations allowed to generate above their long-term access right holding (TEC). This short-term access is charged ex post to reflect the actual constraint cost

High-level conceptual models

Connect and manage models

- ◆ Connect and manage
 - ◆ Long-term access rights (priced at TNUoS) available following a fixed period (e.g. 3 years) after a connection offer is signed, regardless of the progress of identified transmission reinforcements
- ◆ Connect and manage plus
 - ◆ As above with administered bid prices in export constrained areas and postage stamp charging for long-term access rights

High-level conceptual models

Other models

- ◆ Moderated sharing of capacity
 - ◆ Users that can elect to have their long-term access rights reallocated to other new users
 - ◆ The users that surrender access rights face no TNUoS charges and can remain in the BM
 - ◆ The new users that gain access rights pay TNUoS but do not access the BM
- ◆ Shared TEC
 - ◆ Long-term access rights shared between two nodes, such that sum of exports does not exceed shared access right holding (Shared TEC), with charges based on a multiple of TNUoS
- ◆ Nov TEC
 - ◆ Facilitation of temporary transfer of current or future long-term access rights to generation from novel renewable sources

High-level conceptual models

Common issues

- ◆ Definition of “local” infrastructure works
 - ◆ Capability of and charges for “local” infrastructure assets would need to be defined
- ◆ Treatment of the TNUoS residual tariff
- ◆ Interaction of short and long-term access products
- ◆ Implementation costs
 - ◆ The need for a positive cost benefit case
- ◆ Transmission incentive arrangements
- ◆ Definition of long-term access rights
 - ◆ Outside scope

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Temporary TEC transfer

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
Optimises use of transmission system	Improvement limited by need to use exchange rates	Further competition in access	Incumbents have an advantage

- ◆ Extra TEC

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
Optimising availability on an economic basis – efficient and cost reflective	Cost is forecast Process for release and pricing will not be perfect	Prevents hoarding to the extent NG can forecast and price product	Limited volume at a reasonable price

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Overrun

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
<p>Improves choice for generator</p> <p>Facilitates more efficient investment [not agreed by all]</p>	<p>Undermines TEC [not agreed by all]</p>	<p>Facilitates competition in access</p> <p>Removes a barrier to entry (but at a cost reflective price)</p> <p>Prevents hoarding and encourages existing parties to release access rights</p>	<p>Parties are charged differently (although cost reflectively) for the different service they are receiving</p> <p>Not providing a bankable access product, it does not enhance competition by new renewables</p>

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Connect and manage

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
<p>Greater use of available system</p> <p>Not building until there is a signal will avoid excess transmission capacity</p>	<p>Allocation beyond capacity could be uneconomic</p> <p>3 years is faster than transmission capacity can be constructed</p> <p>SoS impacted if decision to build is based solely on economic assessment</p>	<p>More parties on the system would improve competition in the energy market at certain times</p>	<p>Socialising the increased operational costs rather than passing on to the generator does not promote efficient decisions by the generator</p>

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Connect and manage plus

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
<p>Greater use of available system</p> <p>Not building until there is a signal will avoid excess transmission capacity</p>	<p>Allocation beyond capacity could be uneconomic</p> <p>3 years is faster than transmission capacity can be constructed</p> <p>SoS impacted if decision to build is based solely on economic assessment</p>	<p>More parties on the system would improve competition in the energy market at certain times</p>	<p>Socialising the increased operational costs rather than passing on to the generator does not promote efficient decisions by the generator</p> <p>Restricts the ability of parties to freely submit bids and offers</p>

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Moderated sharing

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
	<p>Allocation beyond capacity could be uneconomic</p> <p>Removing mandatory requirement to be in BM restricts System Operator in managing the system</p> <p>Explicit BSUoS cross-subsidy</p>	<p>More parties in the market – reduced barrier to entry</p>	<p>Existing parties that do not pay TNUoS can trade at a lower cost</p> <p>Favours existing portfolio players</p>

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Shared TEC (facilitated)

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
<p>Could enhance use of the system</p> <p>Parties inform NG prior to gate closure that they do not intend to use the system allowing more efficient operation</p>	<p>Implementation and system costs need to be considered against benefits</p> <p>It may increase operational uncertainty</p> <p>Release of access near to real time creates BSUoS costs</p>	<p>Trade is not fixed in advance</p> <p>Parties could be competing for released access – the counter party is not known</p> <p>NG would compete for access released in short-term (BSUoS cost)</p>	<p>Favours incumbents and portfolio players</p> <p>Favours predictable plant</p>

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Shared TEC (advanced)

Efficient discharge of duties		Facilitates competition	
Promotes	Demotes	Facilitates	Frustrates
Allows for more efficient use of available system			Two parties are agreeing not to compete
More information available in design regarding generation mode of operation, this may allow more efficient design of wider works			More suited to large portfolio players
			Better for existing generator to expand rather than for new parties seeking earlier connection

High-level conceptual models

Assessment against applicable CUSC objectives

- ◆ Nov TEC
 - ◆ This form of distinct discrimination is unlikely to meet NG's licence obligations or wider duties and is unlikely to promote competition
 - ◆ The standing group considered that the promotion of Nov TEC should be at the Government level and would require licence changes to implement

TASG

Summary

- ◆ Connect and manage models (additional cost of connecting generation prior to the completion of reinforcements socialised) provide the most effective means of connecting renewable generation earlier than currently planned
- ◆ Models that target this additional cost to the users that cause it are less likely to be useable by new generators due to the associated risk, although their use by existing generators may release capacity that could then be used by new generators
- ◆ Arrangements that encourage sharing of entry capacity may provide additional access where there are complimentary technologies in the same area

TASG

Next steps

- ◆ Individual CUSC members invited to consider the issues discussed in this report when formulating new access arrangements
- ◆ The standing group:
 - ◆ Believes that the terms of reference have been completed;
 - ◆ Believes that the issues associated with the entry arrangements have been fully considered; and
 - ◆ Recommends TASG be disbanded