

CAP161

Transmission Access Review

SO release of short-term access rights

nationalgrid

The power of action.™

Original amendment proposal

Seeks to allow National Grid to release additional entry rights in operational timescales

- ◆ Only released when price exceeds cost
- ◆ Allocation via auction
 - Arrangements developed by Working Group:
 - 5 week ahead auction for weekly block
 - 2 day ahead auction for daily block

Rights associated with short-term access are same as any other entry access product

- ◆ Optional buy-back price to maximise potential capacity release

Rights and obligations associated with “local” access established

Envisaged that access rights would be defined on a zonal rather than nodal basis

Working Group Discussions (Specific to CAP161)

Buy back

Timescales for release and product duration

- ◆ Originally based on 5 weeks ahead, WG sought something closer to real-time

Transparency of arrangements

- ◆ Consideration of information that could be published (either ex ante or ex post)

Fixed volumes and prices

- ◆ Development of Commercial Limited Duration TEC (CLDTEC)

Credit / security and payment

Methodology

Supporting Working Group Discussions

Zoning

- ◆ Unacceptable risk of increased constraint costs associated with unfettered sharing within pre-defined zones at a 1:1 exchange rate
- ◆ Node to node sharing arrangements developed

Local Capacity Nomination

- ◆ Deterministic definition of “local” works
- ◆ Local capacity nomination provides a cap on aggregate access rights (including overrun)

Working Group Alternative Amendments

Original

- ◆ Zonal; 5 week ahead and 2 day ahead auctions

WGAA1

- ◆ Nodal; 5 week ahead and 2 day ahead auctions

WGAA2

- ◆ Nodal CLDTEC

WGAA3

- ◆ Nodal; 5 week ahead and 2 day ahead auctions and CLDTEC

Views and representations

Working Group

- ◆ A majority of the Working Group did not support the original amendment proposal
- ◆ The Working Group unanimously supported WGAA1
- ◆ A majority of the Working Group supported WGAA2 and WGAA3
- ◆ A majority of the Working Group supported WGAA1 as best

Working Group Consultation

- ◆ 20 responses were received
- ◆ A majority of the responses expressed support for the original amendment and/or one of the WGAAs

Consultation

- ◆ 12 responses were received

National Grid's recommendation

National Grid does not support implementation of the original amendment proposal

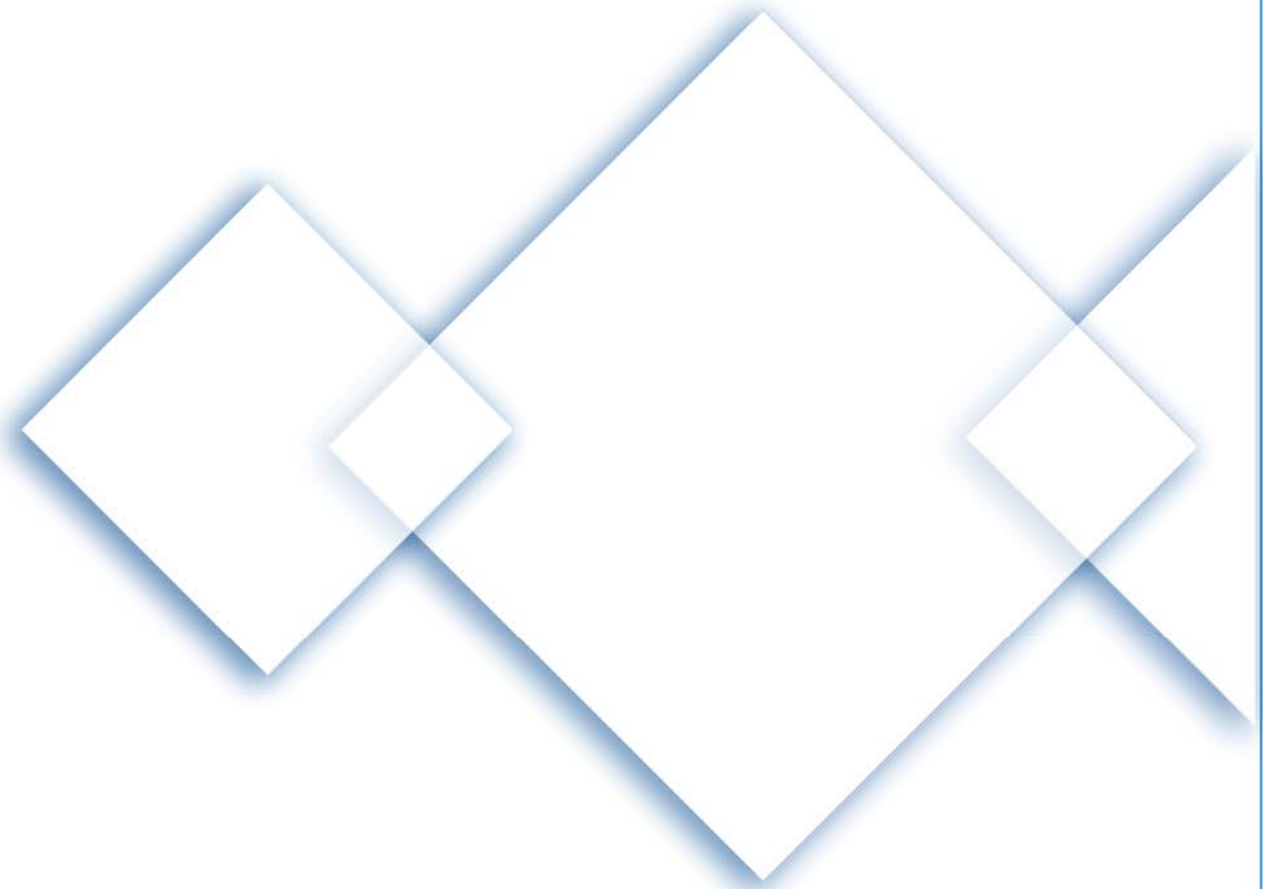
- ◆ Issues associated with zonal definition of access rights
 - Potential increase in operational costs

National Grid supports the implementation of WGAA1

- ◆ Efficient use of existing assets
- ◆ Improved signal for new transmission investment associated with long-term access rights
- ◆ Alternative transmission access options and potential to free up long-term access rights

National Grid has concerns about the longer-term form of SO release (CLDTEC) in WGAA2 and WGAA3, but believes it would be an improvement to the current baseline

- ◆ SO may not be able to manage the risk to third parties through forecasting increased operational costs



CAP162

Transmission Access Review

Entry Overrun

nationalgrid

The power of action.™

Original amendment proposal

Seeks to create a commercial mechanism to allow Users to generate above their total transmission access holding (subject to “local” access limit)

- ◆ Envisaged that a cost-reflective charge (ex post) would be developed

Associated credit arrangements developed

Rights and obligations associated with “local” access established

Envisaged that access rights would be defined on a zonal rather than nodal basis

Working Group Discussions (Specific to CAP162)

Interaction with the provision of Balancing Services

- ◆ Envisaged that an overrun charge will apply, unless access is associated with an Emergency Instruction

Transparency

- ◆ Simulation of historic prices during implementation

Credit / Security and Payment

Working Group Alternative Amendments

Original

- ◆ Zonal

WGAA

- ◆ Nodal

Views and representations

Working Group

- ◆ A majority of the Working Group did not support the original amendment proposal
- ◆ The Working Group unanimously supported the Working Group Alternative Amendment
- ◆ The Working Group unanimously supported the Working Group Alternative Amendment as best

Working Group Consultation

- ◆ 22 responses were received
- ◆ A majority of the responses expressed support

Consultation

- ◆ 12 responses were received

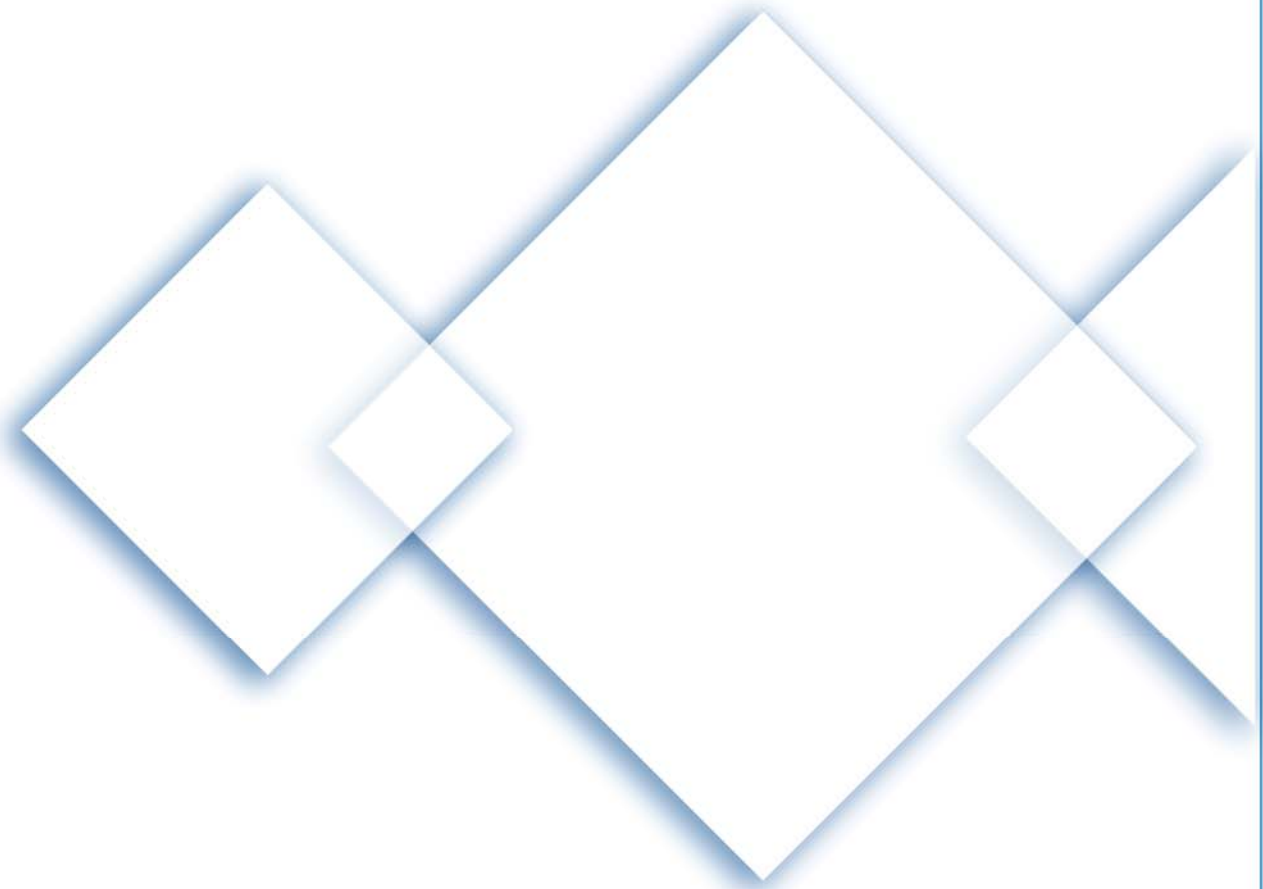
National Grid's recommendation

National Grid does not support implementation of the original amendment proposal

- ◆ Issues associated with zonal definition of access rights
 - Potential increase in operational costs

National Grid supports the implementation of the Alternative Amendment

- ◆ Efficient use of existing assets
- ◆ Improved signal for new transmission investment associated with long-term access rights
- ◆ Alternative transmission access options and potential to free up long-term access rights



CAP163

Transmission Access Review

Entry Capacity Sharing

nationalgrid

The power of action.™

Original amendment proposal

Seeks to allow Users to share access rights

Envisaged that access rights would be defined on a zonal rather than nodal basis

- ◆ Original proposal based on sharing between power stations within pre-defined zones with a 1:1 exchange rate
- ◆ Sharing between power stations same zone / same owner – automatic
- ◆ CAP163 original sought to allow sharing between power stations same zone / different owner

Notification of sharing arrangements to National Grid agreed

- ◆ Sharing arrangements codified in Bilateral Connection Agreement

Rights and obligations associated with “local” access established

Working Group Discussions (Specific to CAP163)

Notification process

- ◆ Ex ante and ex post notification systems considered
- ◆ Codified approach agreed as proportionate day 1 solution

Interaction with overrun

- ◆ Risk of sharing partner causing user to be in breach of CUSC
 - Alternative remedy developed (if CAP162 not approved)

Unacceptable risk of increased constraint costs associated with zonal sharing

Node to node sharing arrangements developed

- ◆ Exchange rate based on (ex post) nodal overruns
 - Reliant on CAP162 and associated marginal charging methodology
- ◆ Fixed exchange rate provided by SO
 - Application process and assessment criteria developed
- ◆ Node to node access right provided by SO
 - Based on transmission investment

Working Group Alternative Amendments

Original

- ◆ Zonal

WGAA

- ◆ Node to node

Views and representations

Working Group

- ◆ A majority of the Working Group did not support the original amendment proposal
- ◆ The Working Group unanimously supported the Working Group Alternative Amendment
- ◆ The Working Group unanimously supported the Working Group Alternative Amendment as best

Working Group Consultation

- ◆ 20 responses were received
- ◆ A majority of the responses expressed support for the original amendment and/or the Working Group Alternative Amendment

Consultation

- ◆ 12 responses were received

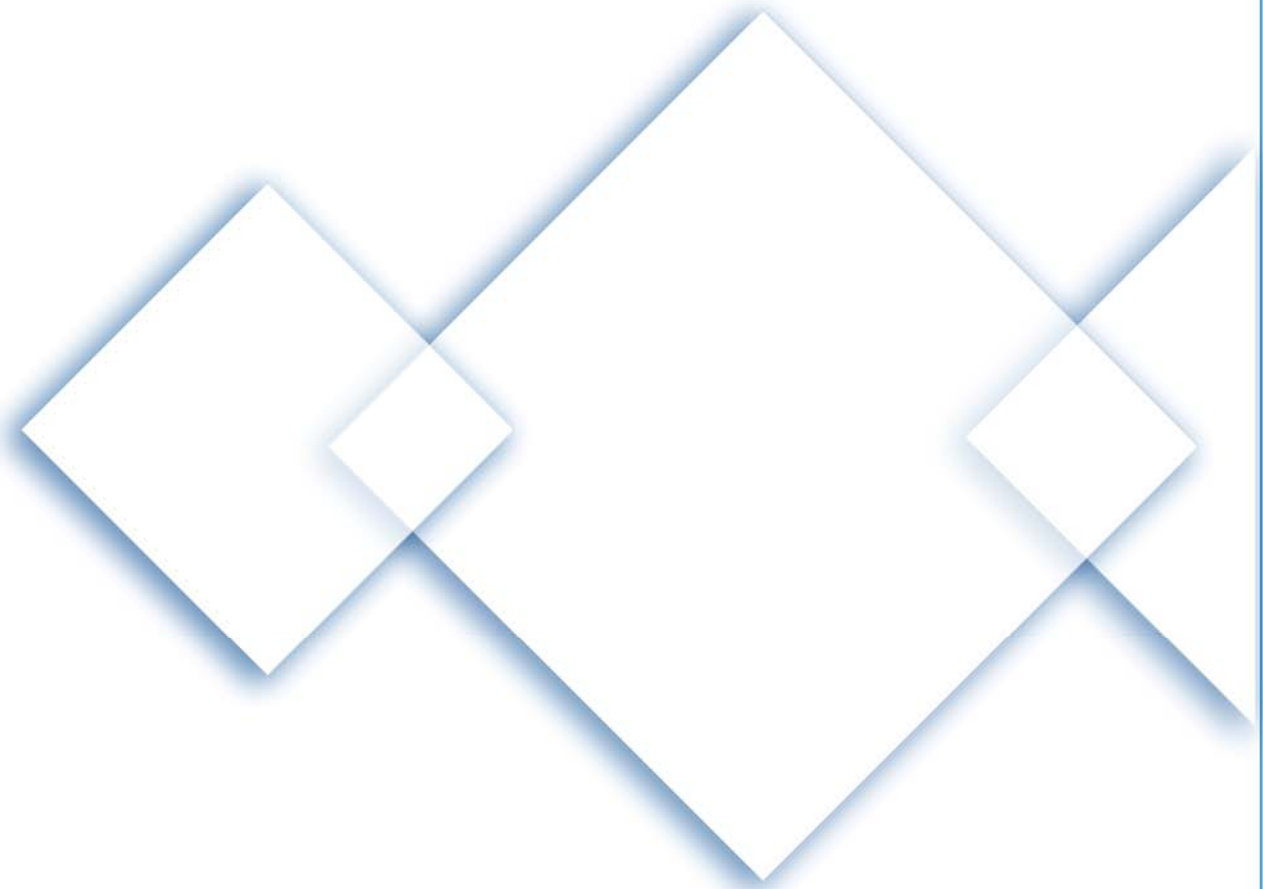
National Grid's recommendation

National Grid does not support implementation of the original amendment proposal

- ◆ Issues associated with zonal definition of access rights
 - Potential increase in operational costs

National Grid supports the implementation of the Alternative Amendment

- ◆ Efficient use of existing assets
 - Allows power stations with different operating regimes to share transmission access
- ◆ Improved signal for new transmission investment associated with long-term access rights
- ◆ Alternative transmission access options and potential to free up long-term access rights



CAP164

Transmission Access Review

Connect & Manage

nationalgrid

The power of action.™

Original amendment proposal

Applicable to all types of generation

Provide a fixed connection date to generators

- ◆ 4 years from signature of connection agreement

Working Group Discussions

Cost benefit analysis

- ◆ Assessment of additional constraint costs vs carbon benefit

Eligibility criteria

- ◆ 3 or 4 years from signature of connection agreement
- ◆ Local works

Working Group Alternative Amendment

Original

- ◆ Connect within 4 years provided local works are complete
- ◆ Socialise additional operational costs caused

WGAA

- ◆ Fixed price during “connect and manage period” based on forecast additional operational costs caused
 - Request capacity
 - SO calculates price based on forecast operational costs caused
 - User has option to accept price

Views and representations

Working Group

- ◆ A majority of the Working Group did not support the original amendment proposal
- ◆ The Working Group unanimously supported the Working Group Alternative Amendment
- ◆ A majority of the Working Group supported the Working Group Alternative Amendment as best

Working Group Consultation

- ◆ 22 responses were received
- ◆ A majority of the responses expressed support

Consultation

- ◆ 15 responses were received

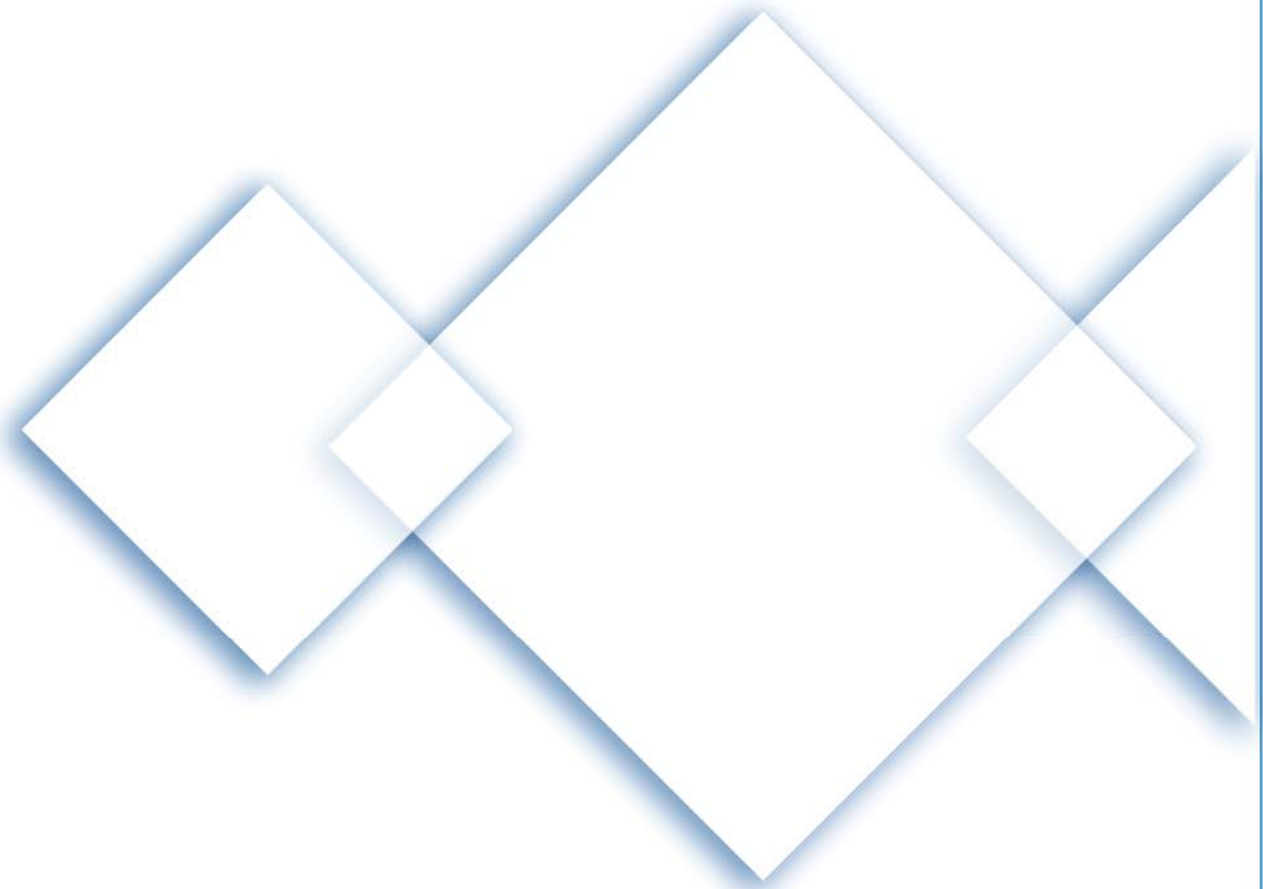
National Grid's recommendation

National Grid does not support implementation of the original amendment proposal

- ◆ Not justified by cost benefit analysis
 - Note guidance on assessments wrt carbon, but unclear that this should extend to charging (which could otherwise be considered as cost-reflective and facilitating competition)

National Grid supports the implementation of the Alternative Amendment in principle

- ◆ Better facilitates early connection with forecast cost reflective charge, promoting competition
- ◆ More efficient use of existing transmission system
- ◆ Note further work required to:
 - Charging Methodologies
 - Revenue flows



CAP165

Transmission Access Review

Finite Long-Term Entry Rights

nationalgrid

The power of action.™

Original proposal

Change the definition of access rights to finite

Generic liabilities for generators

Appropriate security requirements from existing generators to be developed by the Working Group

Rights and obligations associated with “local” access established

Envisaged that access rights would be defined on a zonal rather than nodal basis

Working Group Discussions (specific to CAP165)

Liabilities and securities for generators

- ◆ Achieving a level playing field between pre- and post-commissioning generators
- ◆ Pre-commissioning
 - Refundable final sums liabilities or non-refundable generic liabilities
 - Refundable FSLs could be capped to mitigate uncertainty
 - Generic liabilities can build up to mirror value of work done
 - Security = liability or % liability to reflect reduced risk as project develops
- ◆ Post-commissioning
 - Finite right or rolling right with increased lead-time
 - Liability to pay charges for duration of booking
 - Minimum number of years booking to justify new investment
 - Post-commissioning security to reflect risk of bad debt socialisation

Working Group Alternative Amendments

Original

- ◆ Zonal finite rights

WGAA1

- ◆ Nodal finite rights

WGAA2

- ◆ Nodal finite rights with final sums liabilities for power stations pre-commissioning

WGAA3

- ◆ Rolling right with 4 year notice of reduction

WGAA4

- ◆ As WGAA3 with 15 month notice period

WGAA5

- ◆ As WGAA3 with 8 year notice period, final sums liabilities for power stations pre-commissioning and a descending security liability pre-commissioning

WGAA6

- ◆ As WGAA3 with 2 year notice period

WGAA7

- ◆ As WGAA3 with 7 year limit on pre-commissioning liabilities

Views and representations

Working Group

- ◆ A majority of the Working Group did not support the original amendment proposal, WGAA1, WGAA2 or WGAA5
- ◆ The Working Group was divided on WGAA3, WGAA4 and WGAA7
- ◆ There was no majority support for the original or any of the WGAA's as best

Working Group Consultation

- ◆ 21 responses were received
- ◆ A majority of the responses were not supportive

Consultation

- ◆ 15 responses were received

National Grid's recommendation

National Grid supports the implementation of the original amendment proposal and any of the alternatives

- ◆ Finite right
 - Ability to accurately account for rescission of long-term access rights when planning transmission reinforcement works
- ◆ Rolling right with increased notice period
 - Significantly in excess of current 5 day minimum requirement
- ◆ Equitable system of liabilities for pre- and post-commissioning generators

National Grid has concerns about fixed final sums liabilities

- ◆ Refund where costs incurred are lower than forecast, but no change if costs incurred are higher

On average, a 6 year signal of the rescission of long-term rights is required to avoid potential inefficient transmission costs

In light of the above, National Grid recommends WGAA1 as best