

# MEMO

FOR INFORMATION

**To:** TASG  
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**RE:** Firm or BM: Transmission Access concept

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## OUTLINE OF THE CONCEPT

1. Firm access is given to all Users that request it and charged accordingly
2. In principle Firm Access does not allow access to BM...
  - ....or existing Users with capacity can retain it by paying TNUoS
3. Users that have access to the BM submit Bid-Offer prices for BOAs
4. GB SQSS Section 4 revised with all Firm Users treated the same (to ensure unused capacity of Firm Users can be used by Unfirm Users)
5. Firm Users cannot be bid down in BM, GBSO would use ancillary payment arranged for what would be extreme circumstances
6. Unfirm Users, within BM follow BOAs under constrained or unconstrained conditions
  - considering constrained conditions infrequent (due to firm Users not using capacity)

## ASSUMPTIONS FOR THE CONCEPT

- Access is not available to new generators in queue; this model does not propose over-allocation of capacity
- It proposes reallocation of capacity if an existing generator accepts sharing the network
- If some existing Users give up access, it can be reallocated, but the next firm applicant will need capacity built for it, so this is not a "connect and manage" model
- There could be increase in constraints (or SRMC) through sharing
- It aims to prevent some generators from accessing the BM, thus reducing the cost/risk of constraints (or SRMC)
- Contracted positions exist for all generators
- Increased capacity margin will not linearly increase constraints as: Contracted energy = (demand +/- imbalance) and new plant is higher merit
- Generators will not give up firm rights if they are exposed to the cost of constraints, especially if constraints could involve ROC subsidised generators

## THE TWO CLASSES OF GENERATOR

	Unfirm (Balancing Mechanism User)	Firm User (Pay TNUoS no BM)
Constrained payments	Bid down in the BM, or agreements with administered prices	No constrained payments as Tx allocation should ensure Firm capacity (maybe administered agreed prices for NRAPM, etc)
Charges	In principle no charges (or may be some pro-rata charge)	In principle LPMC of the investment in current (or additional) Tx capacity required by the connection
Allocation of capacity	No capacity is allocated to these Users, (may need a firm buyer to be able to give up / share capacity in first place)	Tx capacity allocated to Users on the basis of compliant system under SQSS (where all plant has some availability)
Reason for choosing	Avoid LPMC of charges without risk of constraint costs being allocated to them	Gain capacity (access to the network) that is relinquished or built for them by GBSO/TO
Commitment	No commitment – if there is a User willing to pay for Firm capacity then these Users can "share" by being unfirm	May need to commit to buy (for period) firm capacity to instigate investment by TO
Constraint costs	These Unfirm generators represent the SRMC of the access regime (the sharing may increase costs)	Firm generators are effectively removed from the SRMC of the scheme (they will have to pay some SRMC in BSUoS)
Contracted positions	Allowed to contract and sell into energy markets	Allowed to contract and sell into energy markets
BM	Bid-Offer data submitted – Should be	MEL&SEL = FPN. no Bid offer prices (no

## FURTHER CONSIDERATIONS

Why would a User be Firm if there is no disbenefit from being unfirm?

- Transmission Access is not available to new generators in queue, so in getting existing generators to relinquish firm rights, access can be reallocated
- Should the new generator "commit to buy" firm access?
- Should reallocation of capacity would only come after the Tx system is compliant?
- Is it a requirement for unfirm BM Users to be technically able to fulfil BOAs?

To share the system, existing Users have to be "Unfirm": how does this encourage sharing?

- A User will not "give-up" capacity if it is exposed to the SRMC of constraints if it does so, instead it needs some incentive, such as avoiding the LPMC
- No TNUoS is a proxy of some incentive for Users to allow other generators onto the system by removing charges, rather than "no TNUoS" it could be a "pay as you use"
- If the TNUoS charge reflects the "demand" for capacity and investment in the area, as more generators require capacity, the charges go up, thus existing generators are predisposed to assess the cost of TNUoS and give up capacity.

What happens in constrained conditions, where Firm and BM Users are generating?

- Should the Firm User and BM User both be generating, then the BM User would be constrained off in the BM: the main aim of this model is to avoid the firm users being constrained off as the worst thing that can happen is to let lots of renewables on the system and then constrain them off.
- Existing Users may only be able to give up firm access if there is a Firm User willing to share capacity (maybe the new User has a choice over sharing or firm capacity?)