Transmission Access
Demand Side Strawman

Question 1. How should rights be defined?

DNO/NGC Route	Supplier/NGC Route
Distribution Business to purchase access requirements on a GSP Group basis with all charges (plus administration fee) collected from Supply side via current DuoS billing route. Supplier then passes through costs to Customers based on actual consumption per site	**Supplier to purchase access requirements from NGC on a GSP Group basis charges apply based on actual metered consumption per site for exit rights only. Site specific arrangements per large customer (firm v interruptible) maybe appropriate.** **Defining rights on a GSP Group basis mirrors the current SVA and NETA arrangements.**
Issues	**Issues**
1. Cost recovery route to be defined. 2. Is charging on a Half-Hourly basis by unit used? Are there seasonal variations (STOD) and locational variations built in? 3. If exit rights defined as connection capacity of GSP how do we handle potential for excess entry allocation to generators? 4. How do we deal with Change of Supplier variations? 5. Certification of rights is this a requirement?	1. Cost recovery route to be defined? 2. Is there a requirement for different treatment between HH/NHH customers? Could Suppliers negotiate interruptible contracts for Half-Hourly customers if desired giving an opportunity to support secondary trading of access rights. Is this necessary for the domestic consumers?

General Issues

1. **Allocation?** Is this capacity or consumption based? Who decides initial quantities, length of allocation and at what cost?
2. **Duration/Timing?** How long a contract is envisaged? Start date important re April/October contract rounds. Settlement/reconciliation process (14 months).
3. **Change of Supplier?** How will site closures be treated if mid contract?
4. **Ex-ante v Ex-post?**

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Question 2. Who buys and Sells and Trades those rights?

DNO/NGC Route	Supplier/NGC Route
Issues	**Issues**
1. What happens re secondary trading as envisaged by Ofgem? Does this really apply for the whole of the demand side – potentially for large players but what about domestic consumers? 2. Distribution Businesses do not at present have a relationship with Power Exchanges – to be established if required. Do they need to be FSA approved? 3. What communication lines used to support new software systems to central billing to NGC? 4. Credit Cover arrangements what's required? 5. 24x7 Operation?	1. What communication lines used to support new software systems to central billing to NGC? 2. Credit Cover arrangements what's required? 3. 24x7 Operation?

General Issues

1. **Who buys from whom?** NGC/DNO; DNO/Supplier; Supplier/NGC; Supplier/Supplier
2. **What is traded?** Once allocation has been made is it traded as a whole block or can it be broken down into smaller units? If so, what's the minimum size per unit? Can different demand sites within a company (potentially different GSP Groups) or within a GSP Group trade together? Or merge their units together? If flexibility supported will there be bands introduced to support variations in demand at short time-scales.
3. **Where is it traded?** Over a power exchange?
4. **Who trades it?** An Agent v. a Supplier v. NGC v. customers?
5. **When?** Do we need a Gate Closure for Access? Link to contractual arrangements.
6. **How will this be traded?** Screen based system, telephone trades, bilateral agreements?
7. **How do we track/monitor actual access against purchased volumes real time?** Is this a function of the central service provider? If so, how could this be managed across (?) millions per GSP group?
8. **How will this be introduced?** Do we start with a short-term administered price (soft-landing) v. market based price? Features and time-scales to be developed for roll-out
9. **Do we need to develop a GTMA for Access?** Standard v. non-standard?
10. **What's the interaction with the BM/Wholesale prices?**
11. **What CAPs on limits to avoid hoarding if any?** Ofgem's role to be defined

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Question 3. What are the consequences of breaching rights?

DNO/NGC Route	Supplier/NGC Route
Issues	**Issues**
1. What is the effect if the DNO/NGC GSP Group demand forecast is incorrect? How often is this submitted to NGC at present? Would additional forecasts be required? 2. What are current forecasting error margins? Are there rules within the Grid Code? If so how enforced?	1. How much credibility given by NGC for Supplier demand forecast? 2. What are current error margins? Are there rules within the Grid Code? If so how enforced? 3. What happens if the Supplier has not secured any access at all?

General Issues

1. **Breaches?** Are there likely to be many or any breaches bearing in mind NGC's system is over-engineered i.e. capacity exceeds current demand requirements. Capacity is not a scarce commodity.
2. **Incentive v. Penalty?** What is most appropriate? Do we need to develop imbalance cash-out mechanism for access? Use it or lose it provisions to avoid hoarding. Overrun or underrun charges to apply.
3. **What is the effect on 'the system' where too little or too much energy is used?** Does this have potential effect on Security of Supply? Who affects the status quo and what is the effect of the actions? Who pays? How is this identified?
4. **Forecast volumes?** Is the forecast to be interchangeable with access right purchase? Should this be linked to the energy forecast?
5. **Interaction with NGC/DNO actions?** How are system constraints, TX and DNO failures taken into account?

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Question 4. Who are the players and what are their contractual obligations/rights?

DNO/NGC Route	Supplier/NGC Route
Issues 1. DNO signatory to the CUSC. Licence obligation to sign. 2. DNO/Supplier DUoS agreement may need to be amended to reflect change in charging methodology.	**Issues** 1. Supplier signatory to the CUSC. Licence obligation to sign. 2. DNO/Supplier DuoS agreement may need to be amended to reflect change in charging methodology.

General Issues

1. **What are the current contracts in place? What is their duration?**
2. **What is appropriate to keep?**
3. **What is not required?**
4. **What would be required for new arrangements?**
5. **What would be the contractual relationship between customers and non-physical players?** Only valid if agent or supplier route not used.
6. **How do we deal with Embedded Arrangements and Renewable Obligations?**
7. **Contractual Obligations re site closures?** Stranded costs for demand

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Question 5. How should NGC's investment decisions be driven? In relation to cost recovery mechanism or investment costs?

DNO/NGC Route	Supplier/NGC Route
Issues **1.** Driven by size of connection. **2.** Determined by growth in embedded generation**.**	**Issues** 1. Driven by demand requirements to enhance capacity size.
General Issue **1. Costs recovered through allowable revenue under price control or market related charges?** **2. Forecast growth in generation or demand?** **3. Life and state of assets of network?** **4. Constrained areas?** **5. Deep v. shallow charges?** **6. Avoidance of transmission costs from the power sourced from embedded generation sites?** **7. How would DNO investment signals align with NGC investment signals and vice versa?** **8. Transparency and interaction with price control arrangements?**	