

# Transmission Access

Towards a Generator's view  
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# Disclaimers

- A view, not the view
- Sketched response
- Next level of the onion
- Questions to lead us forward

# How Should Rights be Defined?

- Commercially - Firm
  - Network Failure recompensed
    - Grid and Distribution networks?
  - Constraint recompensed
- Duration - Project Life
  - Determined by contract
  - Extension - Evergreen
  - Termination process, termination value

# How Should Rights be Defined?

- Gained - Via agreement
  - Signing the Connection Agreement?
  - Capped by Connection capacity
- Transport in/out connection assets and across network (s) in any Settlement Period

# How Should Rights be Defined?

- Charging Structure
  - Simple - to encourage trade?
  - MW-based - probably
  - Mix of postage stamp + Zonal differentiation?
    - but N.B. Zonal losses
  - Resolving tension between tradable zone size and locational price signal?

# Who Can Trade?

- In principle, anyone
- Traders may take positions
- Generators/suppliers need to trade energy
- Does location/access have separable value?
- How do you deal with mothballing?

# The Mothballing Trade

- Generator faces costs of TNUoS
- System is long in generation
- Generator is distressed seller
- Who will buy (apart from NGC), at what price? Collared price?
- Barrier to exit?

# Breaching Rights

- Ultimate sanction loss of licence?
- Everyday breach high or low
  - Targeting of actual costs if incurred
  - Penal approach leading to beer fund or information imbalance cost for inaccurate forecasts to SO
  - But what about transaction costs and complexity?

# Players & Contracts

- Basically as now, but
  - Who is responsible in settlement for traded access?
  - What about DNOs and embedded plant?

# Larger Embedded

- Seek uniformity of service between NGC and DNO
  - constraints
- Access to trade across networks
- Recognition of deep entry connection costs

# Smaller Embedded

- Recognition of contribution to DNO network
  - Triads
  - Losses
- Access to trade within networks
- Active network management

# NGC's Investment signals

- Driven today by Planning Standard
- What about
  - $PV(\text{Constraint Costs}) > PV(\text{Investment Costs})$
  - Against operational standard

# NGC's Investment signals

- Challenges
  - NGC incentive to invest?
  - New generator faces shallow costs
  - Model validation
  - Timescales for assessment
  - Allowable return: what level for how long?
  - Complexity, transaction costs
  - cost benefit compared with status quo?
  - Who/how to oversee?

# Next Steps

- Develop detailed scenario for life of an asset and likely access trades
- Check how 'simple' trade system could work
- Develop new investment evaluation scenario
- Review 7YS vs. HMG policy for likely real-life scenarios