

CAP142 Working Group

Meeting Name	CAP142 Working Group
Meeting No.	5
Date of Meeting	5 th February 2007
Time	01:30pm – 03:15pm
Venue	Boardroom, National Grid Offices, Northampton

This note outlines the key action points from the most recent meeting of the CAP142 Working Group.

1. Introductions/Apologies for Absence

57. Apologies for absence were received from Garth Graham (SSE), Simon Lord (International Power), Beverley Viney (National Grid) and David Wilkerson (Centrica).

2. Review of Outstanding Actions

58. AB provided an updated on the outstanding actions relating to:
- Assessment Timescales
 - Min/Max Information in Application
 - Single Donor – Multiple Recipients
 - Acceptance Period for Offers
 - Exchange Rate vs TEC Donated
59. The updated had been circulated to members prior to the meeting for reference.
60. The Working Group discussed whether the notification board which would inform the industry of availability of TEC for a Temporary TEC Exchange should be optional or obligatory. The Working Group agreed that the requirement would be dependant on the nature of the product and the associated liabilities and, based on discussion thus far, should be optional.

3. Assessment Against Applicable CUSC Objectives

61. The Working Group assessed the following options against the applicable CUSC objectives.
- Option 1 - Donor Pays TNUoS; Receptor pays bilateral arrangements
 - Option 2/3 - Donor Pays TNUoS - X; Receptor pays LDTEC and bilateral
 - Option 4 - Donor Pays TNUoS; Receptor pays LDTEC and bilateral
62. The assessment against applicable CUSC objectives and the associated pros and cons for each amendment would form part of the Working Group Report.
63. The Working Group noted that options 1 and 2/3 would undermine LDTEC due to the differing values that any bilateral arrangements between the trading counterparties could assume and incentives this created. The Working Group agreed that in option 4, the undermining of LDTEC was not relevant as LDTEC was already included within the baselines.
64. The Working Group queried whether Option 1 would result in the undermining of TEC. The Working Group noted that TEC would be devalued by allowing temporary TEC trades.
65. The Working Group noted that option 2/3 may result in the receptor obtaining LDTEC at a reduced rate which would not facilitate competition in the industry and would have

associated cash implication for all market players.

66. The Working Group indicated their preference for each option when assessed against the Applicable CUSC Objectives:
- Donor Pays TNUoS; Receptor pays bilateral arrangements only
 - ⇒ JM and MD
 - Donor Pays TNUoS; Receptor pays LDTEC and bilateral arrangements
 - ⇒ PJ
67. DS and BR indicated that option 4 (Donor Pays TNUoS; Receptor pays LDTEC and bilateral arrangements) better facilitated the Applicable CUSC Objectives when compared to option 1 (Donor Pays TNUoS; Receptor pays LDTEC and bilateral arrangements).

4. Working Group Alternative Amendments

68. There was support from Working Group members for the following proposals:
- Donor Pays TNUoS; Receptor pays bilateral arrangements only (Original Amendment Proposal)
 - ⇒ Support from JM and MD
 - Donor Pays TNUoS; Receptor pays LDTEC and bilateral arrangements (Working Group Alternative Amendment)
 - ⇒ Support from PJ and BR
69. There was no support from Working Group members for the option which would see the Donor paying TNUoS – X (rebate to be agreed) and the Receptor paying the costs associated to LDTEC allocation and bilateral arrangements.
70. Working Group members absent from the meeting, would have opportunity to indicate their support for the amendments currently proposal or any alternatives prior to the completion and submission of the Working Group Report to the CUSC Amendments Panel.

Action: MT

5. Alternative Model

71. The Working Group discussed further the alternative model which would require National Grid to undertake a larger, more central, role. This would involve Donors telling National Grid of x MW TEC to trade. National Grid would include this in operational base-line and therefore any offers profiled LDTEC could include one or a number of offers from Donors. Each Donor would have a rebate of its TNUoS charge for amount given up and forming part of an accepted LDTEC offer, but retains rights for next year.
72. The Working Group queried whether National Grid was classified as a party under the TEC Exchange process given that National Grid did not have any TEC or CEC.
73. The Working Group agreed that the proposal had merit but would involve a complex process which was not akin to the process developed for CAP142. The Working Group noted that additional time would be required to discuss the proposal more fully.
74. The Working Group agreed that the proposal would be noted in the Working Group Report. The proposal would be subsequently brought forward via new amendment proposal or by National Grid.

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6. Legal Text

75. The associated legal text for the original Amendment Proposal and the Working Group Alternative Amendment will be circulated to members for comment. The legal text will form part of the Working Group Report.

Action: AB

7. Working Group Report

76. A revised Working Group Report incorporate discussion/agreement on assessment against applicable CUSC objectives and Working Group Alternative Amendment will be circulated to group members for comment by Wednesday, 14th February 2007.

Action: MT

8. Next Meeting

77. The next and final meeting of the Working Group meeting will be held on Friday, 16th February 2007 at Courtyard Marriott Hotel, Leamington Spa. The meeting will commence at 01:30pm (after CAP131 Working Group meeting).

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Appendix 1 – Working Group Attendance

Members Present:

Malcolm Taylor	MT	Chairman
Lilian Macleod	LM	Secretary
Adam Brown	AB	National Grid
Paul Jones	PJ	E.ON
Bill Reed	BR	RWE
David Scott	DS	EDF Energy
John Morris	JM	British Energy
Mike Davies	MD	Wind Energy

In Attendance:

Richard Miller	RM	Ofgem
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Apologies:

Garth Graham	GG	Scottish & Southern Electricity
Simon Lord	SL	International Power
Beverley Viney	BV	National Grid
Dave Wilkerson	DW	Centrica