

Transmission Access Working Group 2

Meeting Name	Transmission Access Working Group 2
Meeting No.	22
Date of Meeting	19 th November 2008
Time	10:00 – 16:00
Venue	Hilton, Warwick

This note outlines the key discussions, decisions and action points from the twenty second meeting of Transmission Access Working Group 2.

1. Introductions/Apologies for Absence

1. Apologies for absence were received from Sebastian Eyre, Nick Frydas, Paul Jones, Ed Reed and Barbara Vest (Alt. Dennis Gowland).

2. Investment Analysis

2. The Working Group voted on which of the proposals they felt best facilitated the CUSC objectives. The results of the vote can be found below.

Proposal	Best
Original	0
WGAA1	1
WGAA2	2
WGAA3	2
WGCR1 (WGAA4)	3
WGCR2 (WGAA5)	1
WGCR3 (WGAA6)	0
WGCR5 (WGAA7)	3

3. CAP166 Alternatives

3. The group reviewed the alternatives proposed by Welsh Power and National Grid.
4. CM suggested that over allocation was a misleading term. The group consider what was meant by over allocation of capacity and exact allocation of capacity. Over allocation would mean allocating the currently allocated capacity or more. Exactly allocating will mean that less capacity than is currently released would be allocated in the long-term auction. The group considered it would be helpful to use the model to work out how much capacity would be included in the baseline if access was exactly allocated. HR noted that the group needed to have a debate about the baseline. GG believed it was important that the group have figures for how much capacity would be available for allocation under both examples.
5. CM asked what the next steps are. HR suggested three scenarios should be considered: current allocation, current allocation except without derogations and physical system limits. The capacity available should be considered on a regional and national basis.
6. The group agreed the analysis should also include revenue recovery. The group noted the relationship between revenue recovered from Users buying long-term and short-

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term access should be considered. The interaction between Users who bid in one year to Users who bid in another year should also be considered.

7. JA noted that the interest in the short-term products was low in the responses to the consultation. HR noted this was against a background of evergreen long-term rights.
8. HR noted that the point of this suite of amendments is not for everyone to use long-term access products. In areas where people buy short-term access products this would lead to efficient investment signals. CM pointed out that the less you allocate in the long-term auctions the more there is available to allocate in short-term. HR added that this leads to the balance of how much of the costs are socialised and how much are directed. HR added that the short-term price would be higher if the network is over allocated. This does not give a level playing field between short and long term.
9. GG suggested we needed to be clear if we were going to move away from a decision which was agreed at BETTA i.e. to not allocate the current derogated level of access rights in Scotland. GG noted that in the new world if I book 40 years they are my rights for 40 years.

4. Working Group Alternative Amendment 2

10. BR noted that WGAA2 needs further development to be a full alternative. GG suggested that this alternative has been on the table for a long time and should be worked up before the new alternatives. BR asked if the Working Group wanted to take the alternative forward. JH noted the alternative had support in the responses to the consultation. CM asked why the group hasn't already put effort into working up the alternative.
11. SC noted there wasn't time to complete work on all the alternatives. The work needs to be prioritised. BR noted if you have an alternative you need to be able to do legal drafting. SC noted that it could be taken forward as a separate amendment.
12. If the panel thinks that the report requires more work the report would need to go back to the Working Group for further development. GG suggested that you would not require an extension from Ofgem if the Panel sent the report back to the Working Group. HR had sought legal advice on this matter which suggested that if an extension would make the group breach its timescales an extension from Ofgem would be required.
13. The group voiced concern about writing legal text with the amendment at the current level. GG noted that once we had handed in the report that was all Ofgem could approve. HR noted that the amendment can be further developed during implementation.
14. BR noted concerned about the business rules surrounding an auction. He pointed out these had not yet been considered by the group.
15. HS suggested that the "connect and manage" alternative under CAP164 was similar enough that we did not need to put WGAA2 forward. HR noted that WGAA2 model was more complex than the CAP164 alternative, there are more rounds and Users can "lock in" to short term signals for longer.
16. LW asked what the minimum work the group needs to do is. GG noted the working group was duty bound to produce the necessary work for all the alternatives so that any could be implemented. The alternatives need to be developed to a level of detail that legal text can be written.
17. LW asked if it would help with the time constraints if Welsh Power removed its alternative. HR noted that the legal text for Welsh Power's alternative would not be hugely different to WGAA1 where as WGAA2 was completely different.

18. SC suggested we should focus on completing WGAA1. We could tell the panel if they would like to see the alternatives completed we require more time. BR noted that if we did not fully write up WGAA2 we need to explain in the report why WGAA2 was not further evaluated. HR agreed to mention this at the panel meeting. GG noted we should ask if we can have an extension to do the second proposal. The group considered how much time would be required to develop WGAA2. The group suggested that HR should request for six weeks to develop and consult upon WGAA2.

5. Further Work Required

19. The group considered what further work was required to complete WGAA1 and how best to take forward this work.
20. **Closure Rules** - To be discussed at teleconference on Friday afternoon.
21. **Baselines** – Consider different baselines and the impact of this on the interaction with the short term regime and security of supply.
22. **Revenue Recovery** – Consider the possible change in the revenue recovery mechanism under an auction. Consider interaction between Users holding short and long term access and the interaction between users holding access from one year to the next.
23. **LCN** – Review which of the two approaches for dealing with the interaction between local and wider works is most appropriate.
24. **Incremental release, Auction method and principles**
25. The group agreed that these topics should be discussed in a series of sub group meetings on 25/11/08.
26. The group agreed to consider transition and implementation at the next meeting. SB agreed to provide IS timescales. The group noted it would be helpful to industry if we could suggest what IS would be required in industry.
27. GG agreed to write a section on security of supply to be included in the Working Group report.

6. Charging for Auctions

28. MD presented slides on charging for auctions.
29. SC noted that the locational signals could be quite flat under auctions. SC noted you wouldn't know if other new people wanted to bid where you were in an auction.
30. HR noted that TNUoS ignores spare capacity so it provides a different signal to that provided in an auction. LW asked if the industry believed we need a locational signal, she added that she did.
31. SL suggested that we want to encourage people to connect where there is spare capacity. Auction signal would provide this. CM noted that a standard auction signalled value and TNUoS signalled cost.
32. BR argued that TNUoS should be used as a reserve price in the auctions. CM argued that you would always over recover compared to the locational. BR suggested that the over recovery should be hypothocated to investment or constraint costs.

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7. AOB

33. GG asked for an update on DECC's position on the participation of non-physical players. SH reported back that DECC had noted that they believed Ofgem were best placed to lead on answering this concern. MZ noted that their lawyers were currently looking at this issue.
34. The group agreed to have a further meeting during the week commencing 01/12/08.

8. Date and Location of Next meeting

35. The next Working Group two meeting will be on the 27th of November at the Warwick Hilton.

Appendix 1 – Working Group Attendance

Members Present:

Hêdd Roberts	HR	Chairman
Sarah Hall	SH	Technical Secretary
Mark Duffield	MD	National Grid
James Anderson	JA	Scottish Power
Stuart Cotten	SC	Drax Power
Garth Graham	GG	Scottish and Southern Energy
Dennis Gowland	DG	Fairwind Statkraft (Orkney) Ltd.
Simon Lord	SL	First Hydro
Cathy McClay	CM	British Energy
Fiona Navesey	FN	Centrica
Bill Reed	BR	RWE npower
Helen Snodin	HS	Scottish Renewables
Lisa Waters	LW	Welsh Power

In Attendance:

Stephen Barnett	SB	National Grid
Elaine Calvert	EC	National Grid
Jerrald Hauber	JH	RWE Renewables
Rob Rome	RR	British Energy
Min Zhu	MZ	Ofgem

Apologies:

Sebastian Eyre	SE	EDF Energy
Nick Frydas	NF	Merril Lynch
Paul Jones	PJ	E.ON
Edward Reed	ER	Smartest Energy
Barbara Vest	BV	Gaz de France