

# Transmission Access Short Term Working Group 1 CAP161-164 Meeting 7

## Attendance Record & Actions

10.00-15.00 on 6<sup>th</sup> August 2008,  
AEP offices, Waterloo Place, London

### Attendees:

Hêdd Roberts (Chair)  
Kathryn Sorrell (Tec Sec)  
Paul Jones  
Merel van der Neut Kolfshoten  
Garth Graham  
Tony Diccico  
Jeremy Caplin  
Ian Moss (alt. for B.Vest)  
Rekha Patel

Rob Rome  
David Hunt (Ofgem)  
Bob Brown  
Paul Mott  
Simon Lord  
Helen Snodin  
James Anderson  
Richard Ford  
Ian Lomas (BERR)

### Apologies

Deborah McPherson (STC)  
Patrick Hynes  
Tim Russell  
Barbara Vest  
Graeme Cooper

## AGENDA

Item No.	Description	Action
1.	<p><b>Minutes and actions from previous meeting</b></p> <p>Minutes of the previous meeting were agreed with the following minor change: remove action on PJ under section 5.</p> <p>Actions from previous meeting.</p> <ol style="list-style-type: none"> <li>HR to arrange a joint WG3 &amp; WG1 meeting - This has subsequently changed to a 'Day in the Life' meeting for each proposed modification. HR to arrange a meeting for early September. Also consideration is needed as to how the individual modifications will work together.</li> <li>Revised target cost model , overrun negative prices</li> </ol> <p>A WG member raised the issue of the differences between the three charging models for overrun with regards to the treatment of negative overrun prices. The WG should decide whether overrun charges are negative, zero &amp; positive or just zero &amp; positive. With the 3 proposed models only the Marginal model has all 3 charges while the other models only have zero and positive charges.</p> <p>An issue raised with negative charges is that parties with TEC do not get a negative charge while the overrun party does. However in a future world with overrun, parties may lower their TEC holding and could then get the negative charge. Does this undermine TEC holding? Does the WG want the long term &amp; short term access products to be on a level playing field?</p> <p>For the simple and targeted cost models it is difficult to calculate a negative cost. Possibly the negative TEC zones could be used but users in these areas would go for TEC so therefore is it pragmatic not to include it?</p> <p>The WG agreed that if there are differences between the three charging models this needs to be robustly justified. The WG has to decide whether it is going down the path of different criteria because it has to or because it's chosen to. Discussed further under item 4.</p> <ol style="list-style-type: none"> <li>PH was unable to speak to Goran Strbac but spoke to a colleague. He was of</li> </ol>	HR

	<p>the opinion that our model does consider demand but that we are making an assumption that all demand side is long term and not short term. He commented that he thought Goran's concern was the efficiency of the outcome. Our model does work but concern is about not getting an overall efficient outcome. Action on PH to speak with Goran Strbac.</p>	PH
2.	<p><b>Feedback from other working groups and CUSC panel</b></p> <p><b>WG3</b> – From the analysis carried out so far the resulting zones are very small thereby limited the number of parties per zone to participant in TEC sharing. Large parts of the country are not in a zone and are just nodal. This is causing a number of problems although work continues on defining a zonal methodology which is likely to result in up to 50 zones. WG3 is to decide whether they carry on with a large number of zones which keeps constraint costs down but may not be that useful to users. Alternatively bigger zones could be set and the resulting consequences of increased constraint costs would have to be accepted. WG3 needs to work up a nodal model alternative for auctions &amp; sharing.</p> <p>Also there is a trade off between trading period and exchange rates, i.e. if rates changed every half hour parties would not want to commit to trades for long durations. Local charging details published 1<sup>st</sup> August with two models proposed. Residual tariff, pre-consultation paper drafted but there needs to be more progress on the details about auctions.</p> <p><b>WG2</b> – Fixing charges for multiply years, the model proposed used residual tariff. Some WG members uncomfortable as they saw a cross subsidy between those on a yearly tariff and those on a multi year tariff.</p> <p>Ofgem gave a presentation on evergreen rights &amp; auctions. Followed up at TAR session last week. Talked about objectives of auctions, need for reserve price &amp; zonal interactions. Discussions regarding non physical player's participation in auctions; when users first make a connection application they are non physical until connection, should they be able to participate in auctions, are the WG happy with this? Are parties trying to avoid CUSC obligations? No firm conclusions.</p> <p><b>CUSC panel</b></p> <p>A 2 month extension for the WGs has been agreed with the WGs going back to the CUSC panel in September.</p> <p>TAR information session held last week. Action: A short note of the meeting is to be circulated soon.</p>	HR
3.	<p><b>Assumptions, risks and issues register</b></p> <p>Action: To add to the risk register the issues regarding the zoning methodology. To add to the issues register the complexity of wind forecasting and 24hr trading for small individual parties.</p>	HR
4.	<p><b>Sub group reports</b></p> <ul style="list-style-type: none"> <li>o <b>Carbon costing</b> - work ongoing</li> <li>o <b>Targeted cost pricing</b></li> </ul> <p>Further discussion on negative overrun charges.</p> <p>Action: WG members to decide whether, in principle, there is any reason why someone who benefits the system by overrun should not get paid for that benefit. Arguments for and against to be put forward.</p> <p>Action: WG members to consider what are the practical difficulties in having a negative overrun charge.</p> <p>Discussions regarding using PNs or metered output in calculating overrun charges. Metered is acceptable as long as the SO hasn't taken actions against the PNs and then the overrunning party changes its PN and doesn't get an overrun charge but the SO has still incurred cost due to the actions it took against the original PNs.</p> <p>Consider parties that are overrunning who get paid for being bid off even though they've paid nothing for their access.</p>	ALL  ALL

	<p>○ <b>CAP164 eligibility criteria</b> Presentation by RF</p> <p>Wind farms can start generating early on in construction timetable (as soon as first turbine is installed) unlike conventional plant that starts generating near the end of the construction timetable. Wider &amp; local definition as CAP148. Local (planning) consent risk taken by user.</p> <p>Requirements for granting of connection offer:</p> <p>a. Planning consent for generation – not needed as generator has to pay in signing the connection offer, therefore it is their risk if they sign before they have consent.</p> <p>b. Planning consent for local grid – not needed either as connection dependant on when grid can build.</p> <p>Conclusion:</p> <p>Generator guaranteed access after X years. If that generator isn't ready to start generating they should still start to pay TNUoS charges if the delay is their fault (if the local grid connection isn't ready due to delays by the TO they are not required to pay TNUoS charges). Construction agreement is in breach if the TO cannot proceed with construction due to delays by the generator i.e. generator has not built the access road to the site which thereby delays the construction work of the TO.</p> <p>Action: Clarification needed regarding construction agreements.</p> <p>Discussion regarding timescales, either 3 or 4 years from offer to connection. This could be limited by the length that planning consents last (5 years in England &amp; Wales, 3 years in Scotland). Can the WG use the arguments discussed in CAP148.</p> <p>Action: RF to clarify points discussed</p> <p>○ <b>Simple and marginal pricing</b> Presentation by PJ.</p> <p>The simple model is a multiply of BSUoS based on zones and has an ex-ante signal.</p> <p>A simple model can lead to under or over recover. This risk is passed around all parties as all models have some inaccuracy and therefore cannot target difference to any one party.</p> <p>There was further discussion on negative overrun charges, which cannot be incorporated into the current simple model.</p> <p>Action: Consideration to be given to incorporate a negative overrun charge into a simple model</p>	<p>HR</p> <p>RF</p> <p>PJ</p>
5.	<p><b>Further development of SO release</b> Presentation by KS on alternative timescales for SO release.</p> <p>The SO release auction needs to be completed with adequate time for generators to submit accurate PNs by 11 o'clock on day ahead. From this PN data the SO takes actions to secure the system ahead of real time (warming, delayed de-synch etc.). With these current market arrangements a proposal for an auction at day-2 were put forward.</p> <p>Further work required on a comparison between a five week ahead product and a two day ahead product.</p> <p>Clarification needed on timescales.</p>	KS
6.	<p><b>Revenue flows associated with short-term access</b> Not discussed due to time constraints</p>	
7.	<p><b>Recap of sharing notification options</b> Not discussed due to time constraints</p>	



<b>Summary of actions</b>			
<b>Mtg</b>	<b>Action</b>	<b>Lead</b>	
3	Part load / frequency response	KS	Completed. NG does revise its short term reserve holding depending on the forecast level of wind generation.
	Transparency of reserve prices, bid prices ex-ante and ex-post – further information release to support SO release	PH / KS	Ongoing
5	Some TEC had been released this year, WG members queried why it does not appear to have been re allocated?	PH	Ongoing
5	Carbon costing – carry out analysis on agreed methodology, Carbon sub group to confirm assumptions	PH	Ongoing, expected 2 to 3 meetings
5	Consider SO release at day ahead	KS	Completed as discussed under item 5
6	Consideration given to WG3 work plan and a joint meeting	HR	Completed, see item 1
6	Review assumptions, risks & issues register	All	Ongoing
6	CAP164 eligibility criteria	RF	Ongoing, as discussed under item 4.
6	Target cost model – clarify negative charges, metered output vs FPN & sterilised margin issue	PHu	Completed although some WG members disagreed with assumptions. Further actions as item 4.
6	Investigate SEDG view on our marginal pricing model which does not include demand. Summarize Goran Strbac's recent presentation	PH	Ongoing
6	Draft report to the CUSC panel	PH	Completed
7	HR to arrange a 'Day in the Life' meeting for each proposed modification.	HR	
7	Short note on the recent TAR information session.	HR	
7	Negative overrun charges – in principle is there is any reason why users should not get a negative charge for assisting the system? What are practical difficulties?	ALL	
7	Clarification on construction agreements	HR	
7	Clarification of eligibility criteria	RF	
7	Incorporation of a negative overrun charge into the simple pricing model	PJ	
7	Comparison between a 5 week ahead and 2 week ahead SO release product	KS	

