

CAP131 Working Group

Meeting Name	CAP131 Working Group
Meeting No.	11
Date of Meeting	5 th February 2007
Time	10:00am – 1:45pm
Venue	Boardroom, National Grid Offices, Northampton

This note outlines the key action points from the most recent meeting of the CAP131 Working Group.

1. Introductions/Apologies for Absence

271. Apologies for absence were received from Karron Baker (Ofgem), Mark Copley (Ofgem), Mike Kay (United Utilities), Garth Graham (SSE), Richard Miller (Ofgem), David Ward (Magnox) and Charles Ruffel (RWE – observer).

2. Assessment Against Applicable CUSC Objectives

272. The Working Group noted that the document outlining the assessment against application CUSC objectives would be circulated to members for comment.

Action: NP

273. One Working Group member requested more detail on the rationale for the 50/50 sharing factor for the risks of new investment between new generators and all users.

Action: NP

3. Legal Text

274. The Working Group discussed the proposed changes to the Construction Agreement and associated Appendices. Working Group members are to review the proposed legal text and associated issues, providing appropriate comments.

Action: All

275. The Working Group noted that the CAP131 process would be outlined in the associated methodology which would form part of the CUSC. The Working Group noted that the legal text would refer to the methodology and it was therefore important that the methodology clearly described the process and associated obligations for users.

276. The Working Group discussed the various possible placements of the information within the CUSC: i) contained within a separate CUSC section or schedule, ii) form part of any existing section or iii) included in an appendix.

277. The Working Group discussed the format of the Construction Agreement and whether or not it should be split into separate documents which would reflect the arrangements for each type of user e.g. Generators – CAP131 arrangements, DNO/Demand Customers – Final Sums arrangements. The Working Group agreed, given the similarities in the process that there should be a single version of the Construction Agreement which would clear specific the final sums/user commitment obligations for each subset of user.

278. The Working Group discussed the proposed 'Anticipated Key Transmission Milestone Date' definition. The debate focused on whether the Key Transmission Milestone trigger which would move a user from the £3/kW to the TNUoS multiplier would be best defined as a 'date' linked to associated project works or a specified 'event'.

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279. The Working Group noted if the trigger was an event, the User would have a notice period to confirm their intention of continuing with the project and providing credit for the increase in securities.
280. The Working Group noted that there would be no associated notice period if the trigger was a specified date agreed when the Construction Agreement was signed.
281. The Working Group agreed that National Grid would have provisions to amend the trigger date which would reflect any project delays e.g. obtaining Section 37 consent.
282. The Working Group noted that the key difference between the trigger being specified as a date or an event would be under the circumstances where the order in which reinforcement works were progressed changed, such that the trigger event was no longer relevant.
283. National Grid informed the Working Group that Secured Amounts Statements would not form part of the CAP131 process. Appendix R would specify the secured amounts and the associated dates.
284. The Working Group noted that whatever the basis of the trigger, it would signify a significant amount of investment in the project by the relevant TO which would have to be justified accordingly. The Working Group noted that the justification provided would be important in the event of any disagreements between the relevant parties regarding the project completion date.
285. National Grid to provide a working example of a project with multiple reinforcements outlining how the CAP131 process would be applied.

Action: NP

286. The Working Group agreed that the definition for Cancellation Amount should refer to project years and not financial years as currently specified.
287. The Working Group agreed that the proposed 'Capacity Reduction Charge' must dovetail with the User Commitment provisions. Working Group queried whether the payment terms would be similar for pre and post commissioning in order to avoid any misuse of the provisions i.e. Users reducing their TEC to avoid higher payment of liabilities.
288. The Working Group agreed that the 'Capacity Reduction Charge' would incentivise Users to reduce unwanted TEC allocation earlier on in the commissioning process to avoid the payment of higher final sums liabilities as long as it was enforceable.
289. National Grid to confirm what rights it has for instructing a User to reduce their proposed TEC allocation.

Action: AQ

4. Cost Reflectivity/Risk Analysis

290. National Grid provided additional information regarding CAP131 cost reflectivity and risk analysis. The associated presentation slides will be circulated to Working Group members for reference.

Action: LM

291. The Working Group noted that the cost reflectivity had been recalculated using the TPCR information. It was noted that although the amended figures changed the associated standard deviations for each proxy, there was in fact little difference between the options and that therefore, in National Grid's opinion, the TNUoS proxy remained the most suitable choice.
292. The Working Group noted that the value of 'x' increased from 12 to 14 using the

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revised figures. National Grid to confirm the value of 'x' which will be used as the TNUoS multiplier.

Action: NP

293. National Grid to confirm whether the £3/kW floor is applicable in negative charging zones. Working Group members expressed concern that the £3/kW was being adversely affected by the inclusion of marginally positive zones. Working Group queried whether any differential existed between positive and negative zones.

Action: NP

294. National Grid informed the Working Group that the risk analysis data included monies associated for Transmission Investment for Renewal Generation (TIRG). The Working Group queried what percentage of the monies were allocated to TIRG works, National Grid to confirm.

Action: NP

5. SQSS Design Variations

295. The Working Group queried whether the cost reflectivity analysis was based on double or single circuits in Scotland. The Working Group noted that there may be implications for CAP131 if single circuits had been used as the baseline.

Action: NP

6. Next Steps

296. Group members noted that the Working Group Report would be submitted to February's CUSC Amendments Panel. The Working Group agreed that an extra meeting would be scheduled for Friday, 16th February 2007 in order to finalise the content of the Report.

297. The latest version of the Working Group Report and associated legal text would be circulated to members for comment by Friday, 9th February 2007.

Action: HR

7. Next Meeting

298. The next Working Group meeting will be held on Monday, 12th February 2007 at National Grid offices in Northampton. The meeting will commence at 10:00am.

299. Future meetings of CAP131 Working Group have been confirmed as follows:
- Friday, 16th February 2007 (Courtyard Marriott Hotel, Leamington Spa)

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Appendix 1 – Working Group Attendance

Members Present:

Hedd Roberts	HR	Chairman
Lilian Macleod	LM	Secretary
Nick Pittarello	NP	National Grid
Angela Quinn	AQ	National Grid
Bob Brown	RB	Cornwall Energy Associates
Mike Davies	MD	Wind Energy
Steven Eyre	SE	British Energy
Richard Ford	RF	RES Ltd
Paul Jones	PJ	E.ON
Simon Lord	SL	International Power
Bill Reed	BR	RWE
David Scott	DS	EDF Energy
Malcolm Taylor	MT	AEP
Dave Wilkerson	DW	Centrica

Apologies:

Karron Baker	KB	Ofgem
Mark Copley	MC	Ofgem
Mike Kay	MK	United Utilities
Garth Graham	GG	Scottish and Southern
Richard Miller	RM	Ofgem
Charles Ruffel	CR	RWE Npower
David Ward	DW	Magnox