

CAP131 Working Group

Meeting Name	CAP131 Working Group
Meeting No.	12
Date of Meeting	12 th February 2007
Time	10:00am – 1:30pm
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

300. Apologies for absence were received from Bob Brown (Cornwall Energy Associates), Mike Kay (United Utilities), Garth Graham (SSE), Richard Ford (RES Ltd), David Ward (Magnox), Dave Wilkerson (Centrica) and Charles Ruffel (RWE – observer).

2. Assessment Against Applicable CUSC Objectives

301. The Working Group noted the document outlining the assessment against application CUSC objectives.
302. Working Group members are to review the document and provide any appropriate comments. Comments received will be incorporated into the final version of the Working Group Report.

Action: All

3. Legal Text

303. The Working Group discussed the revised changes to the Construction Agreement and associated Appendices. The legal text has been revised to reflect comments received from the Working Group. Working Group members are to review the proposed legal text and associated issues, providing appropriate comments.

Action: All

304. The Working Group discussed whether the 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'.

305. After much debate by the Working Group it was agreed that the trigger would specify a date. Provisions are to be included such that National Grid would have an obligation to review the trigger date when appropriate.

306. The Working Group discussed whether changes to the trigger date should be reflected via an Agreement to Vary and therefore entitled to an Ofgem referral (if applicable).

307. National Grid to confirm whether Users are entitled an Ofgem referral even if there was no Agreement to Vary or whether the issue would have to be resolved via arbitration.

Action: AQ

308. The Working Group noted that changes to works or changes to the programme of works do not require an agreement to vary as it requires National Grid to use reasonable discretion when making any appropriate changes.

309. The majority of the Working Group agreed that Users should not incur a Capacity Reduction Charge for a TEC reduction prior to commissioning that is linked to

CAP131 Working Group

technical/planning constraints not envisaged at the time when the original application was submitted.

310. National Grid reiterated that it was important for Users to provide an accurate submission of their TEC, in order for National Grid to have sufficient information to design, plan and build an efficient Transmission System. 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.
311. The Working Group notes that the Capacity Reduction Charge formed part of the original CAP131 Amendment Proposal.
312. The Working Group discussed a possible alternative. If the TEC reduction was received four years out, the liabilities would be based on new TEC allocation. If the TEC reduction was received within four years of the commissioning date, there would be a proportional decrease to the liabilities (if the notice was received within the year of commissioning).
313. The Working Group discussed an alternative amendment which would not include the Capacity Reduction Charge. There was support for this option amongst Working Group members.
314. The Working Group discussed existing provisions within the Consag which National Grid were entitled to use if a developer was not fulfilling their User works.
315. The Working Group noted that any Capacity Reduction Charge should incentivise Users to be honest about their TEC requirements and allow TEC changes which are reflective of the contractual environment.
316. The Working Group noted that for User Commitment project years would be used up to the trigger date. Post-trigger date, the project year would count back from the TEC Effective Date and the associated liabilities applied in yearly blocks.
317. It was acknowledged that during the year when securities cross the trigger date, the applicable security may be required for less than one calendar year. It was noted that this scenario was not reflected in the current version of the proposed legal text, which refers to the fact that the credit would be required for 12 month blocks
318. The Working Group noted that the credit required for the associated securities should refer to a column in Appendix R (specifies the applicable secured amounts and the associated dates).
319. National Grid informed the Working Group that the credit needed to be in place for a minimum period in order for National Grid to go through the process of collecting the monies in the event of a User terminating their agreement.
320. The Working Group is to review the proposed changes to Appendix M, providing any appropriate comments.
Action: All
321. The Working Group is to review the TEC Reduction legal review and provide any appropriate comments.
Action: All
322. The Working Group queried whether security was required for VAT. The Working Group noted that the figures included in Appendix R were inclusive of VAT. Clarification of VAT process to be confirmed.
Action: AQ

4. Review of Outstanding Actions

323. National Grid to circulate presentation which will provide background information for the 50/50 sharing factor for the risks of new investment between new generators and all users. The presentation also discharges further actions in relation to the £3/KW floor, the value of X and removal of TIG numbers from the overall FSL v Generic exposure.

Action: LM

5. User Commitment Methodology

324. The associated User Commitment methodology will be revised to align with the legal text and circulated to Working Group members for comment.

Action: NP and AQ

6. Next Steps

325. The latest version of the Working Group Report and associated legal text would be circulated to members prior to Friday, 16th February 2007.

Action: HR

7. Next Meeting

326. The next Working Group meeting will be held Friday, 16th February 2007 at Courtyard Marriott Hotel, Leamington Spa. The meeting will commence at 10:00am.

CAP131 Working Group

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
Mike Davies	MD	Wind Energy
Steven Eyre	SE	British Energy
Paul Jones	PJ	E.ON
Simon Lord	SL	International Power
Richard Miller	RM	Ofgem
Bill Reed	BR	RWE
David Scott	DS	EDF Energy
Malcolm Taylor	MT	AEP

Apologies:

Bob Brown	BB	Cornwall Energy Associates
Richard Ford	RF	RES Ltd
Mike Kay	MK	United Utilities
Garth Graham	GG	Scottish and Southern
Charles Ruffel	CR	RWE Npower
David Ward	DW	Magnox
Dave Wilkerson	DW	Centrica