

CAP168

Transmission access:
Under-use and reallocation

Immingham CHP

About the proposer

- Immingham CHP, subsidiary of ConocoPhillips
- Three roles:
 - existing CHP (and therefore TEC holder)
 - commissioning operator
 - but also developer and new entrant
- Operates the largest CHP in Europe but small participant within the wider GB electricity system
- Proposing a code modification is not a trivial step but results from a real concern that all reasonable options have not been explored through TAR

Defect

- Extensive problems well-documented, including:
 - rational position under current baseline is to book maximum capacity and keep it, as temporary vacation of rights can result in permanent loss
 - no effective short-term TEC market
 - restricts optimisation of use of existing rights
 - other changes have not worked (CAP70; CAP94;CAP142)
 - inhibits new connection opportunities
 - plant not notifying closure
 - aggravated by uncertainties arising from LCPD
- **Current rule book:**
 - entrenches firm rights and restricts non-firm rights
 - distorts desirable economic incentives
 - is bad for incumbents and new entrants alike

Desired outcomes

- Consensus that a workable solution should:
 - encourage release of capacity to ease queue
 - stimulate short-term access capacity markets
 - incentivise more realistic setting of TEC
 - encourage orderly process for giving up unused TEC and notifying closure
 - introduce flexibility for:
 - commissioning generators
 - regulatory constrained generators
 - projects subject to external risk
 - But without inhibiting new investment
- **Answer:**
- under-run charge over short term
 - use it or lose it over the medium term

CAP168

- Several key elements:
 - under-use charge based on [1.5 times] appropriate charge
- Create daily and weekly product
 - to allow more efficient assignment
 - nodal definition so would require exchange rates
- Define minimum usage rules
 - [two years] of documented under-use against thresholds would see review in [year 3]
- Reallocation revenues and under-use charges offset against BSUoS
- Apply user commitment principles
- Introduce capacity reduction charge

Merits – stand-alone

- Better meets applicable objectives
 - efficiency
 - competition
- But also offers broader merits by providing:
 - investment security to developers and National Grid
 - stronger incentives for TEC holders to release unused or surplus capacity
 - more orderly and flexible approach for releasing unused access rights
 - incremental and low cost
 - as such mitigate unnecessary risks and delays
 - increased choice

“Joined up” merits (1)

- CAP161 – incremental SO release but very only short-term focus
 - CAP168 offers more efficient market and choice through
 - market solution (bilateral trades)
 - returning unused TEC to SO for reallocation
- CAP162 – right to “over-run” implies under allocation to some but over-allocation to others
 - but it will be used by existing parties only, and does not provide new entrants with certain route to market
 - CAP168 would help reveal true usage needs, and therefore improve working of “over-run” charge

“Joined up” merits (2)

- CAP163 – capacity sharing should increase entry
 - but CAP168 will create reinforcing incentives (financial or loss of right)
- CAP164 – “connect and manage”
 - CAP168 provides:
 - more options for non-firm right holders
 - new charges to offset against BSUoS
- Firm commitment principles will ensure SO gets right signals
 - firm commitment complemented by “firmer” usage
 - reinforced by CAP150
 - “use it or lose it” for connecting parties

Why urgency?

- TAR represents case-book study of problems facing smaller participants and new entrants
 - multiple modifications
 - several assessment groups
 - many mega-bites of material
- Legitimate question of whether all available solutions addressed - answer clearly “no”
- “Time-related dependency” under Ofgem guidelines
- CAP168 is a timely attempt to improve rules based on gap in current proposals but it needs to be progressed urgently