TAR Enabling Sub Group

Meeting Name	Transmission Access Review (TAR) Enabling Sub Group
Meeting No.	9
Date of Meeting	22nd August 2008
Time	10:00 – 15:00
Venue	AEP

This note outlines the key action points from the ninth meeting of the TAR Enabling Sub Group.

1. Introductions/Apologies for Absence

1. Apologies for absence were received from David Wilkerson, Dennis Timmins, Simon Lord, Nigel Scott, Stuart Cotten and Paul Mott.

2. Update and circulate meeting 8 minutes. Previous minutes were agreed and actions updated.

2. Decisions made and key points

Zoning Methodology

1. **Generation zoning –** Cost of constraint analysis for the Zonal Alternative approach, as introduced in meeting 8. Found maximum headroom per zone that would result from the maximum transfer in the zone that still resulted in a minimal effect outside the zone. It has been refined to take into account the full SQSS requirements. There are locational and utilisation components. Locational takes into account how different locations have a different effect on circuit loading. The utilisation component is the utilisation of long-term access rights.

2. Assumptions: SYS ranking order used to pick up possible TEC donors and recipients. Aligned with CAP164 and 2012 SYS background used. New generators assumed to buy full TEC from donors. Local works consistent with Local Charging definition. Generation scaled to meet demand. Increased constraint costs estimated from 2006 & 2007 historical costs. Trades always occur when generators not generating. Specific steps shown in slide pack. Load factors are used to calculate the minimum of donor TEC or recipient TEC in a zone.

3. The zero point for the utilisation / cost graph is found by taking the worst case operating condition in a zone then determining the max input that would not increase the costs. A straight line is drawn based on historic costs.

4. Locational component comes into effect when trading above the headroom e.g. when locational constraints kick in. A graph is produced showing the divergence of costs after trades occur about the headroom (or multiples of). Two diverging exponential lines as trades increase. A suggestion was made to look at actual individual trades rather than develop the generic methodology. Additional costs of constraints are based upon a baseline cost with Grain running. There are some zones where the costs of constraints will go down if more trading occurs e.g. importing zones. CAP164 assumes that capability is fixed across the system, this assumption has not been made here and it is important that they are comparable – HS. PJ – if a mid case/ expected constraint cost line is assumed then it's consistent with CAP164 and is a reasonable assumption. Assumption has been that logical trades have occurred although in reality people will trade to increase their revenue.

5. The working group considered it was worth carrying on with the work and develop a cost of shares from a baseline (based on last three years) but take out some of the exceptional costs, would like to see the actual 'red lines' and talk again to the CAP164

WG, using another technique to get some more 'points' so we're not trying to draw a line with a single point.

6. Conclusion: If you cap trading at headroom, there isn't a lot of trading. FP – not sure that it's true to say that trading up to the head room is 'minimal impact' e.g. Thames Estuary. If constraints are kept down by limiting trading to below the headroom then its not necessarily bad.

7. **Nodal alternative**: Three models:

8. 1) Exchange rate based on ratio of (ex-post) overrun prices. There is an issue with a bilateral exchange being affected by a third party generating and consequently affecting the overrun prices and therefore exchange rates. Consequently you could set an exchange rate on overrun prices rather than actual overrun prices. Calculate overrun prices, then calculate exchange rates for all parties known to be sharing. Perhaps on a half hourly basis. Holders of long term access are actually getting some value for this right when it's not being used and Short-term Users get some benefit too.

9. **2**) SO calculates fixed point to point exchange rates fixed on volume and duration. User lets SO know about timescales and volumes, SO would assess against baseline and then determine exchange rates. Does not effect specific circuits by more than, say, 20%. Subsequent offers would take into account previous offers. Quite first come, first served. Charge would probably be a cost reflective admin fee.

10. **3**) So releases point to point access rights in investment timescales. If fixed rate is too low, then a user may want to invest via TO in order to get a better capability. Investment may be minor compared to full entry rights. Charging – what if assets are both local and wider? Also, how long must the cost last for e.g. 5 years.

Local Capacity Nomination

11. The characteristics for the Local Capacity Nomination (LCN) were discussed, including whether it should be ever-green or a finite right. It was suggested that maybe it should roll forward for 3 or 5 years e.g. to align with CAP165. It was highlighted that the proposals must work with or without the implement of CAP165.

12. It was suggested that connection asset charges could be used as a signal for User intent for Local connection for instances such as substation asset replacements.

13. If Local assets are shared and the same as wider assets then a measure such as Fixed Sum Liability may be appropriate. A termination charge should also be considered.

14. The question was raised as to whether a suite of application fees will be developed to reflect the connection applications (local/ wider/ connection) that may occur in different timescales.

15. TI discussed the scenarios of Users wanting to share their local circuit assets as well as wider. Current proposals (GB ECM-11) assumes that unique local assets are always required. Several options were presented for charging for shared local circuits and 'option 4' was selected to be developed further. Under such an option one party would book and be charged for the local connection and there would be an independent bilateral agreement between the two parties. This was agreed to be appropriate as either party could always book and pay for their own independent capacity.

16. CM discussed a CUSC definition for LCN and took a number of comments including, overrun is not an access product, definition needs to be updated for shared local connections and that Users with a local connection have to pay a charge. Definition to be updated and circulated.

3. Actions and Next Steps

1. Produce a second draft Preconsultation for Charging for the Residual to allow WG comment

   Action: CM

2. Compose a strawman for point to point right

   Action: HR

3. Briefing note to be produced on LCN and be circulated

   Action: CM

4. Update meeting 8 meeting notes and circulate

   Action:TI

5. HR to write up three models and pass to Working Group 1

   Action:HR

The location and date of the final meeting is:

1. 12th September (AEP)

   AEP Offices,
   17 Waterloo Road,
   London

   The location and date for the post consultation meeting is:

   National Grid Control Centre, Wokingham, Wed 22nd October

Appendix 1 – Working Group Attendance

Members Present:		
Allan Kelly	AK	Scottish Power
Craig Maloney	CM	National Grid
Hêdd Roberts	HR	Chair
Frank Prashad	FP	RWE npower
Louise Schmitz	LS	British Energy
Michael Dodd	MD	Ofgem
Robert Longden	RL	Airtricity
Paul Jones	PJ	E.On
Helen Snodin	HS	SSE (SRF)
In Attendance:		
Tom Ireland	TI	National Grid
Qiong Zhou (Jo)	QZ	National Grid
Bee Hun Tan	BHT	National Grid
Dennis Timmins	DT	RWE npower
Apologies:		
Paul Mott	PM	EDF Energy
Barbara Vest	BV	AEP (Gas de France)
Nigel Scott	HS	SSE (SRF)
David Wilkerson	DW	Centrica
Stuart Cotten	SC	Drax
Simon Lord	SL	First Hydro