

Transmission Access Standing Group (TASG)

Minutes and Actions Arising from Meeting No.4 Held on 5th July 2002 The Thistle Kensington Palace Hotel, London

Present:

Standing Group Members

Phil Russell	PR	Chairman
Barbara Vest	BV	RWE Trading Direct Ltd
Brian Sequeira	BS	British Gas
Charles Davies	CD	National Grid
David Lane	DL	Clear Energy
David Tolley	DT	Innogy
Hugh Conway	HC	Energywatch Representative
John Capener	JC	British Energy
Keith Miller	KM	Teesside Power
Malcolm Taylor	MT	AEP
Mike Harrison	MH	Scottish Power
Nick Frydas	NF	EDF Trading
Nigel Cornwall	NC	Cornwall Consulting
Paul Jones	PJ	PowerGen
Peter Clubb	PC	GDF
Phil Lawton	PL	National Grid
Simon Lord	SL	First Hydro
Tim Russell	TR	
David Friend	DF	Technical Secretary

In Attendance:

Jan Devito	JD	St Clements
Min Zhu	MZ	National Grid
Peter	P	
Patrick Hynes	PH	National Grid
Richard Ford	RF	Ofgem
Rupert Judson	RJ	London Electricity Group
Simon	S	

Introductions/Apologies for Absence

102. Apologies were received from Dick Cecil (London Electricity Group), John Stewart (Campbell Carr) and Richard Court (National Grid).

Approval of Minutes

103. The minutes of the last meeting held on the 21st June 2002 were approved.

Review of Actions

104. The actions from the previous meeting were addressed as follows:

- Action 97: CD presentation on further generation considerations. (Agenda Item 3) - **Action Complete**
- Action 99: JD presentation on further demand considerations and TR presentation on further contractual considerations (Agenda Item 3) – **Action Complete**

Matters for Discussion

Presentation 1 – Further Generation Considerations (CD)

105. CD's paper "Transmission Access – Further Thoughts on Strawman A – Generation" provided additional detail to the Strawman A model (from a generator's perspective) on areas that had been discussed at the last meeting. Key points/highlights of the paper included:

- Rights to generate up to an agreed contractual level at a specific node;
- Rights acquired by allocation to existing generators on basis of MEC (or equivalent);
- New generators acquire rights by following application process or by purchasing rights from existing generators;
- Compensation paid by National Grid through Connection Agreement (for withdrawal of rights due to disconnection) or through constraint contracts or purchase in BM (for withdrawal of rights due to constraints);
- Rights reserved by paying TNUoS charges;
- Rights freely traded at same node or via National Grid at different nodes;
- Basic approach is that rights are essentially evergreen (provided charges are paid);
- Non-firm rights available;
- Basis of charging remains similar to that currently in existence although could be appropriate to move to nodal charging.

<http://www.nationalgrid.com/uk/indinfo/cusc/pdfs/further%20generation%20considerations.pdf>

Discussion

106. There was much discussion relating to compensation payments and how access rights should be valued under different circumstances (i.e. compensation due to withdrawal of rights due to disconnection (i.e. unplanned events) and compensation due to withdrawal of rights due to constraint management (i.e. planned events to resolve transmission constraints). CD explained that in the case of unplanned events, only one User was likely to be effected (meaning the 'value' of any compensation would probably need to be agreed via some regulatory mechanism). In the case of constraint management however, it was more probable that a number of participants could be instructed to take action to resolve a particular constraint meaning the 'value' of access rights could be determined via some market mechanism (e.g. established via a tender process).

107. PL noted that although withdrawal of rights due to disconnection was a rare

occurrence, a mechanism to determine such compensation was required.

108. KM questioned whether an access right could have a different value under different circumstances and whether it could vary throughout the day (e.g. on a period by period basis)? CD was also questioned how compensation for withdrawal of rights due to the operation of an intertrip (installed for transmission system protection reasons) should be valued? CD accepted an action to consider intertrip compensation further. A general action was also placed on all TASG members to further consider compensation payments.

Action: CD/All

109. JD questioned whether a generator should be able to purchase partial access capacity (rather than access based on MEC or equivalent)? CD suggested there could be instances where such treatment could be beneficial (e.g. plant retained on a non-firm basis could, under certain circumstances, be beneficial for system security). However, CD noted that if partial access was permitted, the issue of overrun penalties would need to be addressed (and ideally it would not require the development of an expensive Settlement System). CD invited views from TASG as to how such overrun penalties should be determined.

110. The group then moved onto the matter of the issuing of access rights for generation. CD had suggested that by paying TNUoS in one year would give access rights for that year + the option to buy the same access rights the next year (i.e. as existing arrangements). However, TR suggested rights should be firm and if a generator requests access rights, he should then be obliged to pay for those rights whether he uses them or not (i.e. buy the rights or buys the option to the rights). This would mean that assuming a new generator was 'transmission contracted' to connect in say 10 years time, the generator would be obliged to pay charges from that date regardless of whether the power station was commissioned or not. The group noted that in the gas industry, evergreen rights are not provided and instead, rights are issued and remain applicable for a particular auction period. TR queried how any system is developed if only short-term rights were provided? CD noted that Transco's planning methods differed to those of National Grid (and included obligations relating to the supply and distribution as well as transmission). RF volunteered to find out why there were these subtle differences between the gas and electricity planning obligations.

Action: RF

111. The group also discussed the trading of rights. CD had explained that access rights could be freely traded if they were at the same node (i.e. a new generator could purchase access rights from an existing generator if he wished to connect at the same entry point). However, National Grid would need to facilitate if rights were to be traded between different nodes (as National Grid would need to undertake certain analyses to determine the access capability at one node due to the removal of access capability at another node i.e. it is not a 1:1 relationship).

112. CD introduced some alternative options for allocating new access rights (ref. para 15 of CD presentation). NC commented on option (a) that it could be confusing if new connections paid on a deep connection basis (i.e. where the new generator pays for the whole costs of required infrastructure instead of TNUoS charges) and existing generators continued to pay on a shallow connection basis. With regards the 'auction' approach, CD explained if a new generator requested new access rights, a market value for access could be established by encouraging existing generators to tender prices to 'give-up' their access rights. This information could

then be used to establish whether it was economic to reinforce the transmission system. It was agreed that further consideration of this area was required.

Presentation 2 – Further Demand Side Considerations (JD)

113. JD explained that her presentation added further ‘demand side’ detail to the National Grid Strawman A. JD also explained that the views outlined in the presentation should not be taken as the general view of all suppliers. Key points/highlights of the paper included:

- Small players collectively have an impact;
- Introduction of a new concept, a GSP Agent Role (probably National Grid) who acquires all GSPG rights on an implicit or explicit basis. Rights then allocated to Suppliers (at the Supplier level) on an implicit basis (ex-post) probably on basis of peak demand (kW) or consumption (kWh);
- Suppliers also have option to acquire explicit rights from the agent (ex-ante). Explicit rights can be traded (and also allow embedded generators to receive benefits directly rather than through a Supplier);
- Benefits and charging obligations based on explicit rights or “proportionate share” of implicit rights
- TNUoS charges derived from the following:
 - $\text{GSP Agent Charges} = \text{Total GSPG Vol} * \text{TNUoS Tariff}$
 - $\text{Explicit Holder Charges} = \text{Explicit Vol} * \text{TNUoS tariff} + \text{any overrun charge}$
 - $\text{Implicit Holder Charges} = \text{GSPG Agent Charges} - \text{Explicit Holder Charges}$

<http://www.nationalgrid.com/uk/indinfo/cusc/pdfs/demand-presentation.ppt>

Discussion

113. JD noted that although the GSP Agent Role was currently conceptual, she believed it could be developed into a genuine role although recognised that there were certain complications that would need to be resolved.

114. The group noted that the major benefit of a Supplier acquiring explicit rights was that it would allow that supplier to trade. In spite of this, it was also noted that unless rights were defined down to the GSP level, such trading could not be used to resolve transmission system constraints. TR added another incentive to acquire explicit rights could be related to charging (i.e. a supplier could acquire explicit rights cheaper than implicit rights). KM noted that, assuming a similar charging regime (i.e. triad based) existed as now, rights would only have ‘value’ at time of triad.

115. There was some discussion relating to the charging arrangements (TNUoS equivalent and any overrun/underrun charges). JD explained that the original concept had been that the GSPG Agent would not be a risk taker (i.e. rights acquired implicitly). However, JD noted that an Active GSPG Agent could also be developed, who could take the commercial risk of Suppliers overrunning (and could have some commercial incentive arrangements in place). CD noted if the GSPG Agent acquired rights implicitly (i.e. after the event) no compensation would be applicable. HC questioned whether end consumers would have less price certainty? PR suggested that provided customers entered into fixed price contracts, the risk would all be with the Suppliers. PR also suggested, that the model had the added attraction that the risk profile on Suppliers would be similar to that under the existing arrangements.

116. JD summarised that there were three basic models. The National Grid Strawman A model was one extreme where for demand there was little change. At the other extreme, there was the model where all Suppliers would need to buy explicit rights (up-front). The middle ground was an Active GSPG Agent Role. JD noted however, that development of an 'Active Agent' would not be possible by April 2003.
117. In spite of time restrictions, the majority of the group agreed that in the longer term, the DNO's seemed to be the logical candidates for GSPG Agents as such arrangements should provide for better targetting of costs and could possibly improve the signals to National Grid for reinforcement. In view of the time restrictions, it was proposed that changes could be 'phased' in (i.e. introduce the Strawman A model + specific other attributes for implementation from April 2003 (National Grid effectively taking on the role of GSPG Agent), then develop and introduce the role of Full GSPG Agents (the DNO's) at a later stage).
118. The group noted that in order to develop detailed compensation/charging rules, further details relating to the equivalent TNUoS charge out mechanism + form of charging would be required.

Presentation 3 – Further Contractual Considerations (TR)

119. TR explained that the conclusions of his presentation 'complemented' JD's GSPG Agent concept. Key points/highlights of the paper included:
- The customer always pays in the end but if industry is more efficient overall, end customers pay less;
 - Not implying a change from Triad charging;
 - Two charging/contractual options available; as current arrangement (National Grid has contracts with Suppliers (who pay TNUoS) and DNO's (who pay Connection) or suggested arrangement (National Grid has contracts with just DNO's who pay both TNUoS and Connection);
 - DNO's charge Suppliers via straight pass-through or via a regulated incentive scheme to encourage efficient use of National Grid's system;
 - DNO's best placed as they need to know more than National Grid (1MW at 11kV is significant but not at GSP level). Can help to optimise investment in both DNO and National Grid systems (financial incentive arrangement);and
 - Such arrangements should also encourage the connection of distributed generation and would provide DNO's with an additional income stream.

<http://www.nationalgrid.com/uk/indinfo/cusc/pdfs/contractual-presentation.ppt>

120. TR noted that although the CUSC could create the contractual framework to allow efficiencies to be made via suitable DNO incentive arrangements, other changes (beyond the CUSC) would be required.
121. CD questioned what contractual relationship would exist for other Directly Connected Customers (DCC's). It was agreed that it would seem most appropriate for the DNO's + other DCC's to have a contractual relationship with National Grid.

Date of Next Meeting/AOB

122. PR reminded the group of the need to prepare and present the TASG Report to the August CUSC Amendments Panel Meeting. In view of this PR agreed to circulate a draft Report by close of play 19 July.
123. The next meeting of TASG is scheduled for 23 July 2002 (Brandon Hall).