

# Transmission Access Short Term Working Group 1 CAP161-164 Meeting 6

10.30-15.00 on 18<sup>th</sup> July 2008,  
National Grid House, Warwick, CV34 6DA

## Attendees:

Hêdd Roberts (Chair)  
Kathryn Sorrell (Tec Sec)  
Patrick Hynes  
Paul Jones  
Merel van der Neut Kolfshoten  
Barbara Vest  
Garth Graham  
Tony Diccico  
Paul Hurlock  
Ian Moss

Rekha Patel  
Rob Rome  
David Hunt (Ofgem)  
Bob Brown  
Paul Mott  
Simon Lord  
Helen Snodin  
Graeme Cooper  
Tim Russell  
Gerry Hoggan (alt f. JA)

## Apologies

Jeremy Caplin  
Richard Ford  
Deborah McPherson (STC)  
James Anderson

## Attendance and actions

1.	<p><b>Minutes and actions from previous meeting (see over for outcome and outstanding actions)</b></p> <p>Minutes of the previous meeting were agreed with a number of minor changes.</p>	
2.	<p><b>Feedback from other working groups and CUSC panel</b></p> <p>HR provided feedback from other WGs. Consideration to be given to the WG3 work plan and a joint meeting. This will enable output from WG3 to feed into WGs1 and 2.</p> <p>There is a cross group zoning meeting on the 24<sup>th</sup> July, as detailed in an e-mail from Tom Ireland.</p> <p>On the 24<sup>th</sup> &amp; 30<sup>th</sup> July the marginal and simple costing sub group will be meeting.</p> <p>An extra WG1 meeting is to be arranged for the 18<sup>th</sup> September, location to be confirmed (no room at NGH or AEP).</p>	HR
3.	<p><b>CAP148 IA, parallels and lessons for CAP164 assessment</b></p> <p>The working group considered Ofgem's recently published CAP148 regulatory impact assessment. The general view was that CAP164 would have less of a benefit than CAP148. This was on the basis that CAP148 was low carbon based, whereas CAP164 was available to all plant. Therefore the differential between the new plant and the replaced plant would be greater in CAP148 than CAP164. One member indicated there may be certain conditions when this was not true, such as when CAP164 brought forward plant that would not have come forward under CAP148. The group discussed that whilst the absolute saving in carbon reduced in this case, the per MW comparison between carbon reduction and constraint increase would be less. Clearly this would be dependant on the particular constraints caused by the new plant. Given the nature of constraints they are relatively specific, however if the plant was not renewable and thus could be connected within the existing grid there is a possibility that the constraints would not be as extreme as under CAP148 analysis. However, if the constraint costs were significantly less because the CAP164 plant (i.e. a new CCGT) connected within the main body of the transmission system, the wider works would also be much less</p>	

	<p>and so therefore less need for CAP164.</p> <p>It was discussed whether an alternative to CAP164 might direct costs. National grid indicated this was the basis of CAP161 to 163, and in particular overrun (162).</p> <p>It was noted that CAP148 did not assume a fixed 'POT' for ROCs, but that the POT would be expanded to maintain the incentive as more parties connected. This assumption would be feed in the cost benefit analysis.</p> <p>It was also noted that the carbon costing should be performed on an number of scenarios, including Shadow prices of carbon and the EU ETS price. However as the EU ETS price was market driven this was more subjective.</p>	
<p>4.</p>	<p><b>Assumptions, risks and issues register</b></p> <p>Action on all to go through the register. Some time at a meeting devoted specifically to these would be useful.</p>	<p>All</p>
<p>5.</p>	<p><b>Sub group reports</b></p> <ol style="list-style-type: none"> <li>Carbon costing - A WG member asked when the sub group report was expected to be finished. National Grid indicate it was not a simple task and that may take quite a long period. Initial estimates are in the region of 4 weeks. However this would be reviewed in light of progress at the next meeting. <ul style="list-style-type: none"> <li>The eligibility criteria is key in determining the volumes, National Grid would make assumption until the sub group provided these.</li> </ul> </li> <li>Targeted cost pricing- A WG member questioned the discrepancy between pricing models i.e. Overrunning generators do not get paid for overrun when it helps the system in the targeted cost model but in the LMP model they do. The WG member suggested that the principles for all 3 models should align. National Grid did not agree that all had to be aligned, but that all had to be understood. Accepting that the key criteria is simple is simple, the main difference in the other two models is whether it is a cost recovery exercise or a signal. <ul style="list-style-type: none"> <li>Discussion as to whether we need to decide high level principles for overrun.</li> <li>Key Principles included: <ul style="list-style-type: none"> <li>Hold everyone whole / target cost to those who cause them</li> <li>Level playing field between long &amp; short term – correct incentives (links to return signals)</li> <li>Removing subjectivity</li> <li>Simplicity, transparency,</li> <li>Facilitate efficient signals for investment (transmission and generation)</li> <li>Appropriate allocation of risk</li> </ul> </li> <li>In the case of overrun National Grid should still be incentivised to minimise costs rather than just passing them through. Ofgem agreed incentives important on National Grid in delivering workable and efficient products.</li> </ul> </li> <li>CAP164 eligibility criteria <ul style="list-style-type: none"> <li>This group are considering any restriction on CAP164 and whether the local definition coming out of working group 3 was applicable to CAP164, and if not propose a new definition specific for CAP164.</li> <li>No progress as yet. [PJ] to circulate a draft note on the rational for 3 or 4 years, all WG members to consider.</li> </ul> </li> <li>Simple and marginal pricing – discussed under item 7.</li> </ol>	<p>PJ/ALL</p>



	<p>this would not prevent the donor sharing with someone else and trading which would not be punitive if it had been the donor that had breached.</p> <p>3. Both stations precluded from doing any sharing.</p> <p>4. Scaling back the shared TEC arrangement: by some manner scale down the size of the sharing arrangement. If they breached again the arrangement would be scaled down again.</p> <p>5. Post event dispute – to identify who breached, and then de-energise the breaching party as per the current process. What would the parties do during the dispute process? Should NG police this?</p> <p>A question raised by a WG member was whether these options applied to only parties sharing TEC or for all parties?</p> <p>General agreement for either option 4 or 5. Further development required on these options as discussed.</p>	
12.	<p><b>Identification and discussion of alternative amendments</b></p> <p>Not discussed due to time constraints</p>	
13.	<p><b>Review work plan, consider an extra meeting 30 July.</b></p> <p>The proposed extra meeting on the 30<sup>th</sup> July cannot be accommodated by WG members. The work plan was not reviewed due to time constraints.</p>	
14.	<p><b>AOB</b></p> <p>Draft report to go to the CUSC panel although it has not been seen or approved by the whole WG (the CUSC panel are to be made fully aware of this).</p> <p>Proposal for extension to work plan requiring two more months.</p>	PH
15.	Date and location of next meeting, 10am, 6 <sup>th</sup> August, AEP offices, London.	

<b>Summary of actions</b>			
<b>Mtg</b>	<b>Action</b>	<b>Lead</b>	
2	Impact on Energy prices	All	To be covered in final cost benefit
2	Analysis of pinch points	KS	To be included as part of the zonal costing methodology
2	Socialised costs – realistic scenarios	ALL	To be covered as scenarios in the
3	Part load / frequency response	KS	Outstanding
3	Sub group report – Targeted cost model	JC	Included in meeting 5. Proposal to be updated based on WG discussion
4	Administered breach issue and options	PJ	Discussed at meeting 5, proposal to be circulated to WG
4	Summary of alternative SO release model –CLDTEC	PH/ SL	Circulated prior to the meeting
	Transparency of reserve prices, bid prices ex-ante and ex-post – further information release to support SO release	PH / KS	Ongoing
5	Some TEC had been released this year, WG members queried why it does not appear to have been re allocated?	PH	Ongoing
5	Confirm assumptions from	DH	Completed

	CAP148 IA		
5	To confirm carbon price assumptions – social, carbon or abatement	DH	Memo circulated
5	Carbon costing – carry out analysis on agreed methodology, Carbon sub group to confirm assumptions	PH	Ongoing, expected 2 to 3 meetings
5	Consider Overrun under emergency instructions	PHy	Comfortable given the restrictions on emergency instructions that they would not attract an over run charge
5	Update targeted cost model based on WG discussions	PHu	Slides circulated, on agenda
5	Propose eligibility criteria consistent with original and highlight any alternatives –sub group C&M Eligibility Criteria, RF to lead	RF	Ongoing, clarified that the group should be identifying any restrictions, confirming the definition of local from WG3 is applicable – if not propose alternatives, and looking at rational for lead time.
5	Reissue work plan	PH	Completed, note dependant on the granting of a two month extension by Ofgem
5	Consider SO release at day ahead	KS	Ongoing
6	Consideration given to WG3 work plan and a joint meeting	HR	
6	Review assumptions, risks & issues register	All	
6	CAP164 eligibility criteria	PJ/ALL	
6	Target cost model – clarify negative charges, metered output vs FPN & sterilised margin issue	PHu	
6	Investigate SEDG view on our marginal pricing model which does not include demand. Summarize Goran Strbac's recent presentation	PH	
6	Draft report to the CUSC panel	PH	