



Promoting choice and value
for all gas and electricity customers

Transmission Access Review

Ofgem presentation at TA Working Groups
Stuart Cook
Director - Transmission

WG 1 - 8 July 2008
WG2 – 9 July 2008
WG3 – 16 July 2008

GB transmission network will need to connect a substantial volume of new generation

Existing arrangements are not fit for purpose. Significant queue of generators waiting to connect. Transmission investment lags behind generation investment

- The existing GB transmission system connects **c80GW** of generation to meet around **60-65GW** peak demand
- To meet 2020 targets will require an **additional 60GW+** of renewable capacity plus:
 - thermal (fossil) back up plant given intermittency
 - new nuclear generation
 - around 20GW of existing generation is expected to close by 2020 and distributed generation will also have an impact
- Majority of new connections for **onshore and offshore wind**, but also **nuclear, gas and clean coal**. Connections may be remote from the existing network resulting in potential planning difficulties

Longer term targets create major uncertainties and challenges for Ofgem, HMG and companies . This isn't just a renewables issue. Need for radical reform and innovation.

Ofgem's key principles for enduring transmission access arrangements

- **Protecting customers' interest** through reform is vital
 - Long term user commitment from generators is key – avoids transfer of stranding risk to customers and improve the quality of information of future demand for transmission capacity
- Existing generators **do not have "evergreen" rights** to the system (but we are open to "legal" arguments)
- It is important to have **long-term tradable rights**
 - Users can sell rights on a permanent or temporary basis allowing lower carbon technologies to displace existing and reallocation of spare capacity
- **Overselling capacity/connect and manage** not ruled out can be considered, based on proper assessment of costs (eg constraints) and benefits (eg lower carbon emissions)

The TAR package

*Enduring
access
arrangements*

- Amendment proposals on commercial arrangements and charging methodology
- Modular approach, capable of delivering a range of different regimes
- Possible implementation around April 2010

The TAR package

*Enduring
access
arrangements*

- Amendment proposals on commercial arrangements and charging methodology
- Modular approach, capable of delivering a range of different regimes
- Possible implementation around April 2010

*Short term
measures (a
form of
"connect &
manager")*

- Improving management of existing "queue" of generators
- Measures to release and utilise the full capacity of the system
- Scope to connect more generation through limited derogations from security standards? Criteria include: Benefits > Costs.
- Concerns about market power? Incumbents wanting to advance generation projects asked to auction existing capacity?

The TAR package

Enduring access arrangements

- Amendment proposals on commercial arrangements and charging methodology
- Modular approach, capable of delivering a range of different regimes
- Possible implementation around April 2010

Short term measures (a form of "connect & manager")

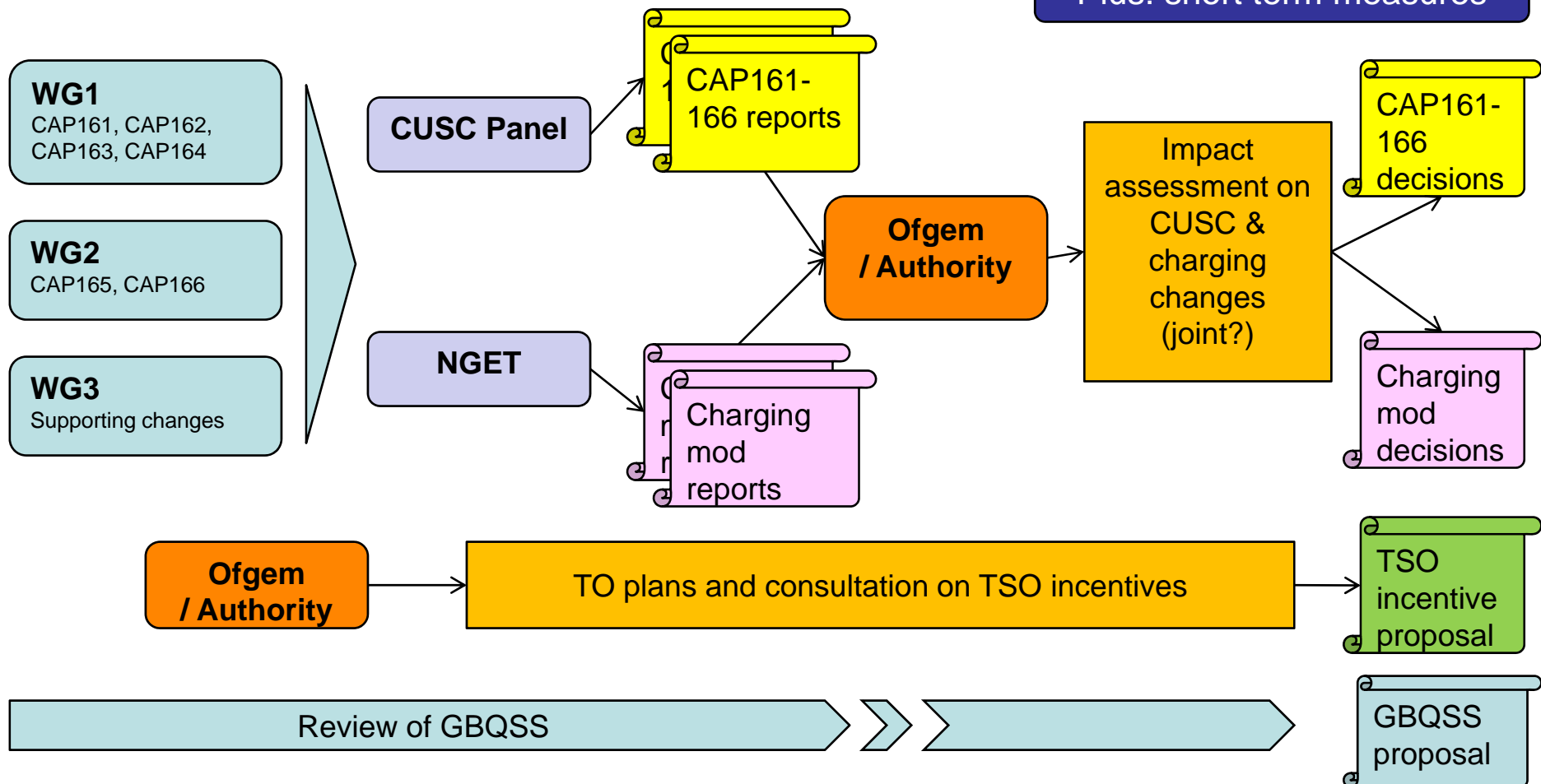
- Improving management of existing "queue" of generators
- Measures to release and utilise the full capacity of the system
- Scope to connect more generation through limited derogations from security standards? Criteria include: Benefits > Costs.
- Concerns about market power? Incumbents wanting to advance generation projects asked to auction existing capacity?

Planning & Incentives

- TSOs to publish a major technical study by end of 2008. Brought together through ENSG
- Ofgem to develop sharper incentives for TSOs, in particular, new investment incentives for TOs to take some of stranding risk (but with higher reward for timely & efficient investment)
- Linked to ongoing review of SO incentives

Parallel Work Streams to Make Changes to Enduring Regime

Plus: short term measures



Our expectations (enduring arrangements)

- WGs are expected to:
 - Consider linkages (eg mutual dependency/enhancement/exclusion) between proposals, bearing in mind the over-arching framework to be established
 - Develop, assess and report on evidence (wherever possible, quantitative) for a manageable number of viable options
 - Be mindful of CUSC and other obligations (e.g. prohibition on undue discrimination)
- CUSC Panel is expected to:
 - Consider WG reports. Submit report to the Authority setting out assessment of options and a recommended option for each CUSC amendment proposal
 - Be mindful of CUSC and other obligations (e.g. prohibition on undue discrimination)
- NGET is expected to:
 - Consult on charging options arising from WGs
 - Submit report to the Authority setting out assessment of options and charging modification proposals
- Ofgem/Authority is expected to:
 - Provide an appropriate steer on analysis and direction
 - Conduct Impact Assessment(s) on proposals, leading to decision on changes

Authority to report on progress to the Secretary of State by end-2008. Government will consider legislation in the event of delay or resistance.



ofgem

Promoting choice and value
for all gas and electricity customers