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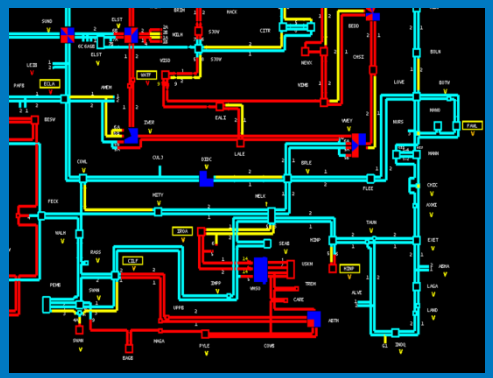
Queue Management Workshop (21/02/2017)



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SUMMARY OF DISCUSSIONS

Thank you for your valued feedback on the queue management proposals. The following slides summarise all the comments from the workshop which will help us refine our proposals further.

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PROBLEM STATEMENT

- Transmission capacity is offered on a first come first served basis but as the projects develop, the timing of these connections is very different to the initial acceptance of offer.
- This causes a barrier for the generators who are willing and able to connect to the network but are further back in the queue to get access to the system early.

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PROBLEM STATEMENT - COMMENTS

1. Security penalties for reducing capacity.
2. Uncertainty of TEC and timescale when connection application is made, should it be first come first served?
3. Developers incentivised to apply ASAP to secure capacity. This builds a large queue either behind a particular reinforcement or in a region.
4. Developers are driven to apply early as it's 'first come first served'.
5. First come first served principle encourages early application. It's more efficient to apply at a later stage as all parties then work on a firmer basis. Capacity applied at an early stage is often larger than needed, leading to a churn via Mod App etc.

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PROBLEM STATEMENT - COMMENTS

6. Given TO works are primarily long lead times, some projects may be more advanced than others and a more effective queue could delay/reduce TO spend.
7. Early applications are over estimated on application as unknown at the time.
8. Is the issue queue management or to build?
9. Queue management is two fold : either provision of earlier date and no/less works, or, same date with less/no works.
10. What is the size of the project? Has this been quantified by the three TOs?
11. Market access.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Advantages

1. Clear and unambiguous.
2. Simple process to manage.
3. Clearer view on contracted generation background.
4. Removal from queue gives TO better investment signals from stalled projects.
5. Frees up capacity quickly.
6. Helps grid clear out queue.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Limitations

1. How to be reasonable, will there be grace periods, notices, etc.?
2. Could terminate a lot of customers today, need to be careful for National Grid reputation.
3. Extreme for developers, how could potential consequences be mitigated?
4. Costly for developers.
5. How to bank a project?
6. How to overcome increased development risk?
7. Unacceptable for developer. If developer wants to terminate, it can do that, it shouldn't be enforced.
8. What are the termination liabilities? How are they passed on?
9. Why will a project terminate and pay?

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Limitations

10. Current CUSC Consag/BCA terms and conditions offer limited powers for termination
11. How can we manage terminations to ensure the right projects fall out of the process?
12. What's to stop a terminated party reapplying the same day?
13. What's the SO appetite to terminate?

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Opportunities (How to overcome limitations)

1. Very clear project management with notice periods and grace periods.
2. Clearer communication at the onset to explain consequences of stalling.
3. Option could have opportunity to Mod App with reduced liabilities.
4. Is it possible to swap works/liability if another party can take on the works? This could lessen the pain of a stalled party being terminated.
5. Is it possible to have a security liability waiver?
6. National grid to define current viable and current stalled projects so a straight swap is possible for stalled projects.

OPTION 1 (Stalled projects are terminated, progressing projects move ahead)

Uniqueness

1. Gives SO/TO best control over queue.
2. Capacity being released quicker.
3. We already have termination rights.
4. Forces radical queue clear out.
5. Too extreme and too onerous for developers.
6. Only option with termination.

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Advantages

1. Clear application of new position.
2. Deals with stalled projects without termination.
3. There is a potential to get quicker connection dates for progressing projects, projects further down may need less work.
4. Clear and precise.
5. Develops a more effective queue of progressing projects.
6. Reduces TO works and delays unnecessary spend.
7. Reduces developer securities and liabilities.
8. Not complex, easier for NGET/SO to facilitate.
9. All advantages for schemes looking to progress.
10. Equity between stalled projects.
11. Avoids termination.
12. A more systematic process.

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Limitations

1. What are the changes to enabling works when moved back?
2. What if the projects don't want to move ahead?
3. How would this option affect new applicants? Are they regarded as 'Progressing'?
4. How to define stalled?
5. How are stalled projects compensated for upgrades they have contributed to?
6. How would this work if a progressing project didn't wish to change date or queue position?
7. Who pays for studies done by TO?
8. Still blocks capacity.
9. New project risk as delay may be outside project's control.

OPTION 2 (All stalled projects move back and all progressing projects move ahead in the queue)

Limitations

10. How does this benefit the TO as it would be a cleaner option if TO/SO could terminate.
11. Resource intensive option as queue needs to be managed continually.

OPTION 2 (All stalled projects move behind and all progressing projects move ahead in the queue)

Opportunities

1. Need a clear and defined process for how you deal with stalled situations.
2. Potential financial risk to the delayed party.
3. Introduce temporary TEC queue positions and availability of capacity.
4. Introduce period of grace for stalled project to resolve issues.
5. Get out if delay in CfD agreement.
6. Business case impacts for changing works and securities(needs thought)
7. Need to be mindful of how Mod Apps will impact stalled projects.
8. TEC amnesty to be part of the tools to work towards final solution.

OPTION 2 (All stalled projects move behind and all progressing projects move ahead in the queue)

Opportunities

09. Look at the methodology for how the securities are applied.
10. Combine all 4 options.
11. Clearer definition of project milestones and options if developers miss them.

OPTION 2 (All stalled projects move behind and all progressing projects move ahead in the queue)

Uniqueness

1. Harsh process.
2. Puts developers at risk.
3. Unknowns for stalled projects.
4. Favours progressing projects.

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OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Advantages

1. Better use of capacity.
2. Keeps queue change to a minimum.
3. Stalled project remains in the next best position.
4. Manages queue with no termination.
5. Minimum effort. Only look at projects when they need to move.
6. Avoid untimely or unnecessary investment by TO.
7. Fairer than option 1 as it affects minimum number of projects.
8. Bankable option.
9. Possible financial benefit to schemes that make timely progress.
10. Potentially reduces enabling works for progressing projects.
11. If a project works to plan then it's advantageous, if it rolls behind then it is penalising.
12. Keeps everyone in queue and matches liabilities.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Advantages

13. Potential for a progressing project to win twice by getting an earlier connection date and fewer enabling works .
14. Good for late projects joining the queue.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Limitations

1. How can we overcome the difficulty of finding similar projects to fill the gap?
2. Advantage to smaller capacity projects.
3. How to bank a project as queue position may change securities?
4. How to swap securities?
5. Potential disadvantage to larger connection developers.
6. What happens to liabilities paid to date by progressing parties now covered by stalled parties?
7. Who pays for additional studies if required?
8. Will the ever changing order give certainty to the funders?
9. How to overcome killing your project/business case if you end up with new, not foreseen enabling works costs when moved back in the queue?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Limitations

10. Grandfathering rights.
11. How can we make a judgement about a stalled project?
12. What incentive is there for a project with a later connection date to progress?
13. How do we prevent creation of never ending queue?
14. How to link queue positions to connection dates?
15. What if a progressing project that is moved ahead subsequently stalls? Does it mean increased enabling work liabilities? How is security changed? Does this prompt a Mod App?

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Opportunities

1. Consider easing Mod App and security implications.
2. Offers progressing project to negotiate with stalled project to take over liability.
3. Opportunity to open book of works at GSPs and show queue positions.
4. Clearly defined milestones for different technology types etc.

OPTION 3 (A stalled project moves behind only if there is a progressing project ready to connect)

Uniqueness

1. Winner (progressing project) takes it all.
2. Liabilities get swapped.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Advantages

1. Provides early access.
2. Doesn’t unfairly impact any users in the long term.
3. Stalled project doesn’t permanently loose its queue position and works don’t change.
4. Beneficial to developers as they get temporary firm access rather than non-firm.
5. Available today as an option.
6. Offers flexibility for some customers.
7. Easier to implement as its contractually ‘softer’.
8. Better option as a stalled project.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

1. How does this option become bankable?
2. How does this become easy for SO/TO to manage?
3. Still blocks capacity for new applicants.
4. Advancing project cannot progress to construct with risk of future disconnection while enabling works are carried out.
5. How would this be managed? Seems massively complex.
6. What advantage does it offer to TO?
7. Provides only limited advancement and is less bankable.
8. How to ensure consistency to defining a re-progressing project.
9. Creates further problems in long run regarding commercial terms and conditions.
10. How does this solve the problem?

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Limitations

11. SO is under secured once progressing project is connected.
12. How to balance the increase in paper/administrative work by potentially increasing costs?
13. Timeliness of building enabling works at the right time.
14. Will require a lot of TO management to ensure consistency.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Opportunities

1. Publish the queue and link to Transmission Works Register.
2. More balance of power between stalled and progressing projects.
3. Pass costs onto developers in the longer term.
4. Need to be simple and easy to administrate.
5. Contractually enforce better terms and conditions on level of access and timescales.

OPTION 4 (A stalled project moves behind and a progressing project connects on a temporary basis)

Uniqueness

1. Temporary TEC queue position and capacity.
2. Introduces delayed enabling works.
3. It's like connect and manage and doesn't change the liabilities of works.
4. Nothing unique as it's already an option.
5. Experience of what already works and what doesn't.

Criteria/milestones for progression

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1. Wayleaves – Who secures the wayleaves, developer or TO/DNO?
2. Wayleaves – Is this in land rights?
3. Should land rights be up with milestone 1?
4. Definition of land rights.
5. Should milestone 1 be about EIA scoping?
6. TO investment timescales Vs. customer FID timescales.
7. How does CfD link to milestones?
8. Should there be termination for missing early milestones?

Car park comments

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1. Share generic facts and figures around size of the problem/queue issues.
2. Care needs to be given to developer's FID date versus TO governance FID dates and provision of evidence.
3. How often will the queue management principles be applied – will these be applied after every missed milestone?
4. If a project which already has an agreed connection, terminates that agreement, is it still liable for a cancellation charge even if another project steps in immediately to take over the capacity and infrastructure which the terminating project has relinquished? Is the position any different where the project has elected for a fixed cancellation change rather than estimates?
5. None of the examples provide benefits to interconnectors who are on invest and connect.

6. Development and clear definition of queues needed upfront.
7. Planning system does not work to either developer or grid operator – needs change to meet objectives of gone green and transformation of electrical sector.
8. How does a stalled process work with grid programme uncertainty?
9. Refinement of when to be flexible, when to terminate and when to change queue position needed.
10. TEC amnesty.
11. Thoughts needed around liabilities as most options penalise stalled party with new liabilities.
12. Mod app fee reduction.