

CAP 150 - Capacity Reduction

CUSC Panel

29th June 2007

Overview

CAP150 proposes to amend the CUSC to enable
The Company to:

- ◆ Request information related to capability of project to meet milestones dates.
- ◆ Where appropriate, propose changes to project capacity and works.
- ◆ Recover costs as if change were a modification application by User.
- ◆ Benefits:
 - ◆ Release capacity to projects able to use it.
 - ◆ More efficient utilisation of assets.

Issue/Defect

- ◆ Users have a contracted position that is inconsistent with their Project details (e.g. TEC>>planning consent) or the construction programme.
- ◆ Current remedies not timely - a User can hold onto TEC – The Company can only terminate at the “backstop date”
- ◆ Termination may not be proportionate in all cases.
- ◆ Contractual uncertainty over need for investment
- ◆ May result in inefficient investment
- ◆ The Company is unable to utilise this capacity for other Users in a timely manner

Proposal

- ◆ Right to request information regarding project (e.g. to ascertain reason for discrepancy between TEC and planning consent data)
- ◆ If the inconsistency is not resolved (e.g. by Mod App), then reassess works in connection agreement
- ◆ The Company would be entitled to vary the bilateral agreement to reduce the User's capacity (TEC or power station capacity in relation to a BELLA) consistent with appropriate information (change to works, TEC etc.)
- ◆ The agreement to vary would also provide for recovery of any costs of abortive works e.g. resulting from the capacity reduction.

Impact

- ◆ **CUSC**

- ◆ New definitions in CUSC Section 11.3 – Definitions.
- ◆ Schedule 2 – Exhibits 1,2,3,5 (BCA, BEGA, CONSAG, BELLA)

- ◆ **Core Industry Documentation**

- ◆ Possible minor consequential changes to the STC (in particular the procedures relating to connection offers, STCP-18).
- ◆ Charging Methodology changes may also be required for abortive works and deemed application fees.

Justification

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence

- ◆ Currently Users can hoard capacity until the backstop date.
- ◆ New arrangements would allow The Company to release capacity to Projects that are able to use it and thereby facilitate competition
- ◆ Improves certainty over the actual capacity connecting + timing
- ◆ Removes potential risk of over investment

(b) facilitating effective competition in the generation and supply of electricity,

- ◆ Release of capacity from a Project that is manifestly unable to use it
- ◆ Creates opportunity for Projects able to use capacity to do so
- ◆ Present arrangements - barrier to entry to new Users (due to hoarding and due to prolonging connection process)

CAP151 – Construction Agreements Works Register

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Background

- ♦ CAP 151 proposes an amendment to the CUSC place an obligation on the Company to establish and maintain a register of Transmission Reinforcement Works, until such works are completed.
- ♦ It is proposed that this register will provide information contained in Construction Agreements including: the Name of Generator, Connection Site/Completion Date and necessary Transmission Reinforcement Works

Defect

- ♦ A certain amount of information is contained within table 6.2 of the Seven Year Statement however this information is limited and not contract specific.
- ♦ Currently limited information on the works required to connect specific generation projects. Parties with sufficient resource can determine the linkage between projects and works – disadvantages smaller players
- ♦ Providing more information:
 - ♦ Assists developers and potential developers determine impact of any new application, or the consequence/opportunity when other projects fall away
 - ♦ Levels the playing field between large & small

Proposed solution

- ♦ It is proposed to address this issue by maintaining a register of Transmission Reinforcement Works setting out for each project the contingent transmission reinforcements (until such works are completed).
- ♦ The register will provide a more comprehensive and timely picture of the works required to connect a each generation project and their status
- ♦ The Works Register will be published on the Company Website within 10 business days of completing or revising Construction agreements.

Information Provision

- ♦ Example of Construction Agreements Works Register

Company	Station Name	GSP	Capacity	RI-001	RI-002	RI-003	RI-004
Big Wind Ltd	Windy Knoll	Perth	100	YES			
Little Wind Ltd	Windy Gully	Dales Hill	50		YES		
Mighty Hydro Ltd	Orkney Fishing	Orkney	22	YES	YES	YES	
Coal Power Ltd	Clean Coal	Indian Queens	2000				YES

RI-001 = transmission Reinforcement Instruction reference to works

Applicable Objectives and Recommendation

Objectives

- ♦ CAP151 better facilitates CUSC Applicable Objectives by:
providing Users with a more comprehensive and timelier picture of GB transmission capacity and identifying opportunities to connect earlier resulting from changes to the contracted background.

If implemented the proposed changes will further the efficient use of the system and better facilitate competition in generation. Consequently, better facilitating both CUSC Applicable Objective's (a) and (b).

Recommendation

- ♦ National Grid recommends that CAP151 should proceed to Working Group

CAP152/153/154/155 – Revision of CUSC Exhibits B, D and F

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Defect

- ♦ There are a number of inconsistencies that have been picked up in association with the key application forms detailed in Exhibit B, D, F and I and the areas of the CUSC that deal with user applications
- ♦ The suggested revisions include for example revisions to contact telephone numbers/departments, reference to the Company Name (NGET) etc
- ♦ The changes focus on the details of the application forms are to provide greater clarity in the information that the Users are required to complete prior to the submission of their application.

Proposed Solution

- ♦ Proposed revisions as detailed in the drafting of changes to Exhibit B, D, F and I

Applicable Objectives and Recommendation

Objectives

- ♦ CAPs152-5 better facilitate CUSC Applicable Objectives (a) and (b) by providing greater clarity to the application process and thereby ensuring that this process progresses more smoothly for Users and The Company leading to greater efficiency

Recommendation

- ♦ National Grid recommends that CAPs152-5 should proceed direct to consultation.