

CAP150-155 Working Group

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| Meeting Name | CAP150-155 Working Group |
| Meeting No. | 3 |
| Date of Meeting | 7 th September 2007 |
| Time | 10:00 – 15:00 |
| Venue | National Grid Offices, Warwick |

This note outlines the key action points from the second meeting of the CAP150-155 Working Group.

1. Introductions/Apologies for Absence

Jenny Boothe (Ofgem).

2. Previous Meetings Notes

The notes from the previous meeting it was stated that some of the details addressed at the second working group meeting were incomplete.

Progress of meetings to date

The Chairman outlined that CAP 150 is the least developed and should feature as the main focus of this Working Group Meeting. It was suggested that this might prompt the requirement to seek an extension of the working group timescales to cover this proposal in full.

3. CAP 152 to 155 Revision of CUSC Exhibits B, D, F and I

The proposer explained that the changes requested at the last meeting and by correspondence had been incorporated in Exhibit B to give effect to the Working Group Alternative proposal.

Members discussed issues related to design variations from the GBSQSS and feasibility studies that applicants should carry out in advance of submitting an application.

Clarifications were requested on a number of points as follows:

Timescales/process for the provision of interface agreements (Section C)

Members felt that further explanation was required under Programme setting out the definition/guidance of the related to the key milestones.

There was also a need to identify the correct references to the Town and Country Planning Act applicable in Scotland.

Working Group View

Members agreed that whilst the Original Proposal was better than the current position the majority were in support of the Working Group Alternative proposal.

4. CAP 150 Capacity Reduction

The proposer presented an outline process flow for the approach to capacity reduction. The process detailed the steps that would be followed in advance of any steps being taken in advance of a user's capacity being reduced. The proposer indicated that when National Grid became aware of incorrect data the user would be contacted for an informal discussion in the first instance. It had been indicated by Ofgem that a record of both the formal and informal process would need to be retained.

Some members referred to CEC reductions and the lack of options open to Users to increase their CEC. It was stressed that there was a need to differentiate between the TEC and CEC and that the key driver in the process was a Users application of TEC which was the basis for investment in the Transmission Network. It was added that a CEC only application would not act as a trigger for investment and this type of speculative application would require a significant one-off charge. There was misinterpretation of the purpose of CEC. Members added that there were conflicts related to CAP 131 and the requirement for Securities based on CEC. It was stressed this was a future issue after CAP 131 implementation. Members requested that the debate on CEC reductions was reflected in the Working Group report.

Members requested further clarity in some of the steps in the process including contracted capacity at completion date. Members felt there was a need to apply a level of reasonableness and safeguards/checks were in place ensuring that actions were not taken on the basis of hearsay evidence. This issue had been debated at length at the second meeting. There was also a need to clarify the timescales for the provision of responses to the company by users to ensure consistency. It was suggested that the counter notice should be within 15 rather than 5 days. It was felt that this process was aligned with the STC, the process would be cross checked.

Members agreed that the process for Notice of Intent/Counter Notice needed to be clear and unambiguous and the steps that would be taken if a User did not respond within the set timescale. It was explained that the user can respond to the notice or challenge with the authority. Alternatively if the User is in agreement with the notice the route is to submit a Modification Application to revise TEC. One member asked why this process was not included in the legal text for CAP150. It was explained that as the route for referral was an existing process set out in the Licence so it was unnecessary to duplicate. The Licence only envisages a referral process post Offer or post Mod App.

Members questioned the costs related submission of a Mod App however it was noted that if the process triggered works there would be cost implications on National Grid.

It was indicated that the process of notifying the Authority was aimed at making the Authority aware of an ongoing dispute between the TO and a user prior to any possible referral.

Discussions progressed on a number of scenarios that might prompt issuing a reduction notice. If there is knowledge that a user has not applied for consent and there is no clear progress or development ie. a paper only project with no clear dates. In these instances the user tends to repeatedly delay their connection date pushing back the backstop date.

In the instance of a BELLA where capacity is reduced National Grid can not terminate as the contractual interface is with the DNO. Details of any relevant embedded generation can only be picked up via the generator/DNO quarterly reports. With a BELLA there are no Use of System rights but data provision requirements are in place via the Grid Code. The tripartite contractual arrangement needs to be addressed via the legal position. The action that could be taken to remove capacity from the DNO who would have to notify the embedded generator as the DNO can not export the generation from that generator. It was discussed whether this issue should be placed in the CUSC or whether it should be backed up in the Distribution Code. Members were to be asked to give consideration to this issue.

Action: Members

Members gave consideration to the proposals. The original proposal was based on reduction of capacity by a reasonable amount via a defined process through a modification application.

Some members felt that this route required a stronger penalty indicating that if a User is in breach of their construction agreement their project should be terminated. Other members felt that if a user fails to respond to the notice with an appropriate Mod App a Users TEC should be reduced to zero. It was felt that this second option would be more acceptable to the generators.

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Members agreed that these two alternative proposals should be progressed further and the the guidance/proforma for the Capacity reduction process needed to be revised following members comments

It was felt that an extension to the timetable should be sought from the Authority to address these issues. **Action: National Grid**

5. CAP 151 Construction Agreement Works Register

The proposer went through the legal text of the register.

Members questioned the exclusion of relevant Seven Year Statement Works from the proposed definition of Transmission Works within the Construction Agreements. The group was informed that if this was not excluded it would result in the register being unable to published all of the relevant transmission works This would result in the drafting of a new definition of Transmission Works (in addition to Transmission Works Register) to be added to Section 11 of the CUSC as part of the Amendment.

Subsequently this would need to be tied up in separate mod.

Working Group view to be provided by email.

6. Next Steps

The Draft Working Group Reports for CAP152-155 and CAP151 to be circulate to members for comments **Action: National Grid/Working Group**

Further meetings on CAP 150 to further develop the WG alternatives and address the comments from members on the capacity reduction process. **Action: National Grid. A one month extension to the timetable will be sought from the Authority.**

7. Date of Next Meeting

Meetings to cover: CAP150 21st September and 5th October.

Members Present:

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| Duncan Burt | DB | Chair |
| Clare Talbot | CT | Technical Secretary |
| Phil Collins | PC | National Grid |
| John Norbury | BR | RWE Npower |
| David Scott | DS | EdF Energy |
| Laura Jeffs | LJ | Centrica |
| John Morris | JM | British Energy |
| Garth Graham | GG | Scottish and Southern |
| Tim Russell | TR | Russell Power |
| Ben Sheehy | BS | EON |
| Alec Morrison | AM | Scottish and Southern |
| Dennis Gowland | DG | Fairwind Orkney Ltd |
| Robert Longden (dial in) | RL | Airtricity |

Apologies:

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| Jenny Boothe | JB | Ofgem |
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