

**Minutes and Actions Arising from Meeting
Held on 4th May 2011**

Present:

David Smith	DS	Chair, National Grid
Emma Clark	EC	Technical Secretary, National Grid
Tariq Hakeem	TH	National Grid
Shaf Ali	SA	National Grid
Stephen Curtis	SC	National Grid
Neil Rowley	NR	National Grid
Steve Lam	SL	National Grid
Nigel Fox	NF	National Grid
Guy Philips	GP	E.ON
Raoul Thulin	RT	RWE
John Costa	JC	EDF

Apologies:

Lisa Waters	LW	Waters Wye
Garth Graham	GG	SSE

1 Introductions

Introductions were made around the group.

2 Approval of Minutes

JC advised that he had some amendments to the minutes from the previous meeting held on 2nd February 2011 and would send them through shortly. There were no other comments from the group.

Action: EC to publish minutes on National Grid website upon receipt of comments from JC.

3 CAP48 and CAP144 Compensation Methods

TH provided some background and gave a brief summary of the paper he had sent to the group on compensation paid under CAP48 and CAP144. TH summarised that the main issues were around the types of interruption, the level of compensation paid and whether alignment of CAP48 and CAP144 is appropriate. DS noted that Ofgem's Project TransmiT could have an impact in terms of how this issue is taken forward and asked the group for their views. JC highlighted that TransmiT may impact on the level of compensation in so far as it affects TNUoS charges, but that the calculations and methodology should not be impacted. SC queried if TransmiT could challenge the firmness of access and noted that if it did, it may have a significant impact. JC commented that he believed that one element of CAP48 compensation National Grid were looking at should be the impact on different generating plant of an outage and the differing time each generation type may take to return to service following an outage. Therefore, JC felt that to achieve the correct level of compensation, it would be pragmatic to work out averages for the different generation types and that the compensation needs to be reflective of exposures that certain generators have.

SC highlighted that lack of access is an important element as to how compensation is paid for example, if compensation is dependent on the type of plant. GP noted that each plant may have a different return to service time, regardless of whether it is the same type of generator. GP also noted that there are small inconsistencies between CAP48 and CAP144 but broadly the level of compensation is correct for the Workgroup to discuss the detail and solution at that stage of the process.

TH confirmed that CAP48 compensation is on a cost pass through basis.

Action: Include in paper the detail of CAP48 compensation cost pass through. TH

JC noted that the two main principles in this issue seem to be market exposure and plant damage. RT felt that if the original intention had been to compensate for consequential losses, then TNUoS is not a good proxy and that if technology specific compensation arrangements are going to be considered, then consideration should be given to who should carry the risk for choosing a certain type of technology.

Discussions moved on to the initial time period for compensation and SC asked the group for their view on a reasonable time period and if they believe that it should be increased beyond 24 hours. It was noted that the 'uncertainty' element had been raised at previous discussions with regard to an ongoing disconnection and when it may be reconnected. NF advised that there could still be a generic period of time to represent the practicality of the time to reconnect, which is not technology specific. The group considered the 'trigger' issue and it was noted by JC that it needs to be clear in the wording as to where the trigger is as a result of National Grid's loss of service. SC noted that a partial shutdown is not included in the applicability of CAP48.

The general view of the group was that CAP48 and CAP144 compensation methods should continue to be progressed and DS summarised four main elements:

- (i) Trigger point;
- (ii) Length of trade out period and possible view that 24 hours is insufficient;
- (iii) Recognition of time to recommence generator in terms of technology type;
- (iv) Payment levels of post-24 hour compensation period.

With regard to the trigger point, the group considered what is meant by a "relevant interruption" and TH gave some examples from the paper he had produced which show the type of instances which would not be compensated under CAP48 due to the application of the word "solely" in determining if the outage is a "relevant outage". TH advised that this list is not exhaustive. The group agreed with SC that the definition in the CUSC could be clearer as to when it is applicable. NF expressed a concern that the discussions on this were getting into the complexities of the electrical configuration of the plant and that this may be too intricate. JC felt that this level of detail was required. SC advised that the principle of what the compensation is for has not yet been agreed and this needs to be the starting point. NF noted that 'de-energisation' replaced the term 'firm access' in the CUSC and that this was not necessarily a good term to use. RT asked if planned and unplanned interruptions could be looked at with regard to at what point they align.

Action: Examine key elements and wording of the trigger point and circulate a note to the group. SC

GP suggested that with regard to the trade out point, it was not a universal view that 24 hours is not sufficient and it could be posed as a question in the consultation. RT commented that part of the reason for extending the 24 hour period is due to the uncertainty issue and that it may be possible to establish a mechanism that does not involve a fixed period.

In terms of recognition of time to recommence generation in terms of technology type, TH explained that it was regarding the question of whether there should be an additional period of time for the generator to return to the system once access has been restored by National Grid. DS asked the group if they had a general view that a more generic period was suitable. JC highlighted that it is important to consider that if National Grid causes an interruption for 1 hour, for example, but it takes the generator 4 hours to reconnect, should the compensation be paid for the full 4 hours as it was caused by National Grid. JC also noted that there may be consequential loss through damage to equipment.

DS advised that in terms of the time to recommence generation, the general view seems to be that it should not be technology specific. It was acknowledged by the group that it is difficult to account for every type of situation and JC suggested that it may be reasonable to introduce a claims system in order to deal with compensation effectively and as fairly as possible. DS advised that wider questions could be asked as part of a consultation as to views on how the notice period should be calculated and the levels of compensation beyond 24 hours.

DS advised that the next steps would be to include the four elements mentioned above in a draft consultation and to debate each point further in order to get a consensus view on each element. RT suggested that it would be helpful to have several examples in the consultation to assist understanding.

Action: Draft consultation to be circulated to the group for discussion at next meeting. TH

4 Update on Reactive Power Modification Proposal

SL gave a brief recap of the key elements in the reactive power proposal. SL advised the group that a concern had been raised at the Grid Code Review Panel (GCRP) in February regarding a conflict of instructions, in particular the view that a DNO's reactive instruction to an embedded generator should take priority over National Grid's instruction. SC advised that he had spoken to the DNO representative who raised this issue and noted that it mostly arises in Scotland. In order to take forward the concern at the GCRP, SC and the DNO representative agreed to separately model key events on the transmission system and highlight historically where DNO instructions would have been in conflict with the instructions from National Grid. SL asked the group if they felt that this proposal is the right place to include a clause as to whose instruction should be followed in the rare case where there are conflicting instructions. It was noted by some members of the group that this was a Grid Code issue rather than a commercial issue. NF highlighted that there is also an information issue involved in this. NR questioned if two separate proposals could be produced for the Grid Code as an alternative

way to deal with the issue. RT agreed that this issue should be separated otherwise there would be a danger of the modification being potentially rejected by the Authority if the extra clause was included and there could also be unintended consequences.

DS advised that the next steps would be to separate out the DNO issues and put forward the suggestions to the next GCRP.

Action: Carry out further work on proposal and discuss at next GCRP in May 2011. SL

5 Responses to the Offshore Reactive Draft Consultation

NR gave the group a summary of all the responses received to the Reactive Power Offshore Consultation that had closed on 3rd March 2011. NR advised that six responses had been received in total and that there was a variety of opinions in respect to the consultation questions.

The specific comments discussed within the meeting included, amongst others:

- a. Effects on competition within the reactive market as a result of the appearance of OFTO reactive equipment
- b. How will instructions work given joint contribution from OFTO assets and the generator
- c. Possible over use of OFTO assets as compared to other TO assets
- d. Paying the generator for all MVArS produced regardless of whether the generator or the OFTO assets provides
- e. Whether the technical solutions governed under the STC and Grid Code should be revisited

When discussing the consultation question on alternative commercial arrangements, the group queried how the governance works with regard to the generator build option.

Action: Look into the governance of how the generator build option works. NR

Generally there was acceptance that the commercial offshore regime is comparable to the commercial regime. While the group agreed that some of the responders comments were not without merit, when considered in relation to the whole reactive market a number of the points can be considered a continuation of the current mechanism. For example use of TO assets which are paid for as a whole on a rate of return basis and the associated impact on the generator reactive market is larger topic than just offshore. It is believed that topics like this which have a wider impact than just offshore should be considered within the Grid Code review of reactive power (Emma can you some detail on the review here)

DS advised that for now the recommendations from the consultation would be compiled and circulated to the group and NR advised that views on the consultation responses and the initial National Grid position would be welcomed in the meantime.

6 Next Steps

DS advised that the next meeting was scheduled to take place on 8th June 2011 at National Grid House, Warwick.

7 AOB

There was no AOB.