
UNC Transmission Workgroup Minutes
Wednesday 19 December 2012
ENA, 52 Horseferry Road, London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Charles Ruffell	(CR)	RWE npower
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
Julie Cox	(JCo)	Energy UK
Lorna Lewin	(LL)	DONG Energy
Louise Aikman	(LA)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Shelley Rouse	(SR)	Statoil UK
Steve Fisher	(SF)	National Grid NTS
Steve Pownall	(SP)	National Grid NTS

* via teleconference

1. Introduction

TD welcomed all to the meeting.

2. Review of Minutes and Actions

2.1 Minutes

The minutes of the previous meeting (09 November 2012) were accepted.

2.2 Actions

TR0801: *Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA)* – Provide worked examples of the PARCA approach under differing scenarios.

Update: Under development. **Carried forward**

TR0903: *Capacity and Connections* - Produce an expanded document (based on a modification proposal template) to clearly demonstrate the need for change, how this might be achieved, and giving consideration to wide ranging industry impacts.

Update: Under development. It was noted that this should also include an explanation and justification of why any options had been discounted. **Carried forward**

TR1101: *Long term non-firm capacity:* Draft a new modification.

Update: Under development. **Carried forward**

TR1102: *PARCA Business Rules* - Consider the pros and cons of a specific PARCA window.

Update: Presentation provided. **Closed**

3. Issues

3.1 Aligning the connections and capacity processes:

3.1.1 Action TR1102 – EnergyUK Presentation

In response to Action TR1102, JCx had provided a presentation summarising the potential pros and cons of the PARCA triggered processes, and potential impacts.

PARCA Window

The benefits and risks were outlined and discussed. JCx pointed out that the risks do not necessarily negate the benefits. It was suggested that a major issue concerned interacting projects. Any opportunities for 'bundling' to progress as one DCO would be contingent on all parties being ready and able to sign a PARCA at the same time. Complexities can quickly proliferate, and a 'queuing' system may develop. CR described similar issues associated with Renewables (eg wind farms) – do you move at speed of the slowest party? What happens if one party decides to terminate?

Discussion gave rise to other questions. Would one pipe serve more than one party? SP observed that it would be being built to the specific requirements of a particular party and National Grid NTS would not necessarily provide any headroom above this. Some suggested there was a need to understand the incremental sizing of pipes and how much leeway might be provided in respect of the different sizes, But SF emphasised this is dependent on a multitude of factors ie which part of the network it is in and what else is around it.

Action TR1201: Establish the specifications, eg size and delivery capabilities, of available pipes, and any associated caveats relating to potential multi-party use.

It was suggested that a PARCA window might not in fact be necessary. Following good business practice National Grid NTS will know what is potentially being planned in any vicinity and will be in proactive contact with active and potential developers. A developer would only sign when in a position to do so and not before.

It would be important to publish information that a PARCA had been signed as this would signal to other parties contemplating projects/steps that they may need to reassess their position and take appropriate action and/or contact National Grid NTS. Pointing out that other parties' planned dates might be affected, GJ suggested that National Grid NTS should also be actively reviewing and reassessing all known parties' positions and contacting them if necessary. This would probably be a continual cyclical review, so was a defined PARCA window really necessary? There should be a fairly high degree of transparency; what could be published to indicate a change in circumstances (that would give a sufficient level of information to spur and enable other parties to reassess their positions) and what should remain confidential?

What happens if the 1st application could be met by substitution, but a second leads to a need for reinforcement? What happens if a project in vicinity comes along for a PARCA 2/3 years into preparation for a DCO application? How are simultaneous applications for capacity in different timescales handled? What does the Planning Inspectorate expect with respect to linked applications?

It was all about delivering the capacity and what triggers reinforcement; timings of all projects will have to borne in mind and reassessed at every stage for potential interactions/implications. JCx suggested that a high degree of clarity around the handling of this scenario was required, ie what actions can be expected from National Grid NTS, and how these can be demonstrated to be non-discriminatory.

Assuming a PARCA window was to be in place, the amount of time required by National Grid NTS for 'sudden' reassessments was discussed – 28 days might not be sufficient in such cases. Other questions arose. What should be the timeframe allowed after the first PARCA is signed, during which a second or third should be considered (or not)? MW suggested potential requirements should be assessed and taking an informed view on whether the proposed target date(s) could be met (indicative capacity delivery date) and this can be progressively reassessed and firmed up. During stage 1a it may be decided that reinforcement is not required and it can be achieved through substitution. SP gave a high level example. MW believed there would be no 'stock' answer (eg 8 years) to how long was needed to meet capacity requirements before the end of stage 1a, at which point analysis would have been done and there would be a better idea of the period and whether substitution is a possibility.

JCx commented that developers need more certainty than is currently on offer; could the window run in parallel with the stage 1a process? GJ asked if it could be identified fairly early on in the process from where substitution might be sourced? MW thought this might have to be discussed internally. Timeframes and the potential for doing things in parallel may require review; ring fencing capacity for the first party, and then looking at the requirements for the second party, might be considered. It was noted that on Exit the ad hoc window is open all the time and there is no guard against capacity being sold. JCx pointed out that at some stage National Grid NTS needed to commit something to the developer. TD observed that windows and processes already exist, and bidding in auctions signals the capacity required – a clear and transparent signal to all parties.

JCx again questioned the need for a window. National Grid NTS publish information on the signing of a PARCA and use existing processes to indicate other parties' requirements if they need to. SR suggested that at some point there should be some economic test that the capacity was wanted. TD explained how he saw the process might work through existing mechanisms: I want this amount from X, and I *may* want this amount from X, and sign a PARCA; book up to certain years, and reserve it after that.

CR referred to the objective of alignment of process with a developer's processes. Would using existing processes be better for the developer? Having bid upfront on the assumption that it is 8 years, would committing upfront in a PARCA reduce that period?

GJ noted that the reservation of capacity was a key issue for Ofgem, ie transparency of what is happening to obligated capacity and what is still unsold and what is already reserved. Was there a need to specifically flag up to Users at affected donor exit points? SP referred to greater transparency being more obvious on the electricity side, and JCx said that, although it was there, detail was harder to find on the gas side, and National Grid NTS' current view of what was going to happen was needed. GJ suggested existing processes might be acceptable with better information provision (may need something different at exit).

JCx pointed out that not having experience of interacting projects (potential examples were given) it is hard to know what would be the best approach for

handling the situation. Developers may be looking to build more in future, in closer proximities to other projects, in compressed periods of time. All parties including Ofgem will require extreme clarity regarding the details of how such instances will be handled.

JCx pointed out that Boards could not be made to make decisions to comply with an auction timetable. TD suggested that ad hoc auctions could be used. A process needs to be in place that deals with 'first come, first served'.

Different scenarios were discussed. Multiple options can be considered. TD asked, what happens if the Planners say no, and other scenarios involving circumstances beyond National Grid NTS' control because of certain external decisions.

The challenge is to construct a set of guidelines demonstrating how some of these scenarios might be appropriately handled. There may be different system impacts to be considered; better information provision would give greater transparency to parties, eg a bulletin board that highlights intentions and spurs others to reassess their positions/actions and communicate with National Grid NTS to update their positions/intentions.

MW asked, assuming a PARCA window to be in place how long should this remain open once the PARCA had been signed? JCx was still questioning the need for a window, but thought that clarity would be required on what would happen in the event that a second party came along and whether this should be considered at the same time, or at a different time.

SP referred to an interactive offers process in place on the electricity side, which it might be of benefit to review, compare and assess with what is being proposed on the gas side.

Action TR1202: Review, compare and assess the interactive offers process in place on the electricity side with what is being proposed on the gas side, and report on any useful findings that can be considered for inclusion.

SR highlighted retainer process issues.

CR highlighted user commitment implications. If it is decided that two parties initially need reinforcement and then one party terminates, what happens to the remaining project and where do responsibilities/liabilities for any costs sit? SF responded that the party that is pulling out must pay for all activities up to that point, but consideration needs to be given to what happens afterwards. MW suggested there were two issues to consider - capacity user commitment, and pre capacity aspects. CR commented that it would be important for all parties to clearly understand the risks/degree of exposure involved to the remaining party, if one of the parties terminates for whatever reason, or fails financially.

PARCA triggered ad hoc processes

Benefits, risks and issues were discussed.

- *Risks:* If you are facing a substitution risk, capacity can be moved without warning. Everyone might be given notice that it might be lost; parties might decide to go for off peak. It might depend where you are on the network.

- *Issues:* GJ referred to a moratorium process, and gave an example. It was suggested that ad hoc be made available all year round, or perhaps it should not be permitted to sign the PARCA at certain times. MW explained the ad hoc process and the prompts for National Grid NTS. JCx suggested it would need to run anytime in the year. MW suggested that the progress of

the PARCA could be stopped for certain periods. JCx pointed out the importance of ensuring that nothing was lost because of 'wrong' timings.

Off peak availability and within day Firm were briefly discussed.

MW reiterated the need for a transparent process and for it to be sufficiently clear for a party to understand the risks of doing/not doing something.

It was questioned, what would a retainer protect a party from, and how do timeframes fit together/interact? The existing retainer process and timings were discussed. There was a risk that capacity could be substituted away. SR queried if this was a relatively cheap process compared to the cost of a PARCA process? TD explained his view, and suggested a retainer fee could be made to be of equal cost to a PARCA fee. This was discussed. It was noted that a retainer does not prevent capacity from being booked by others, whereas a PARCA would.

Off peak capacity was discussed. It was recognised there could be a risk that a party might rely on off peak capacity but then look to buy firm again which may not be available. For an off peak capacity holder, being able to protect firm rights may be better, but is it the right thing? Perhaps a wider audience needs to be told that X is going on rather than just those in the immediate vicinity. Increased transparency would be welcomed. SF queried whether if an ad hoc process was not announced/held then the existing process should remain? TD reiterated the need for clarity around the rules and transparency to highlight risks – it must not be assumed that capacity will be available if a party has not booked it (a party can always take the chance and pay less).

GJ expressed the view that current processes could be adapted to work subject to increased information provision.

3.1.2 PARCA - Issues

MW gave a presentation outlining issues and approaches for consideration.

PARCA Capacity requirement

The scope for making adjustments to this was discussed. A 'zero to infinity' range was to be avoided. TD suggested adding an adjustment range of, say, +/- 10% to promote the provision of initial sensible estimates and to give flexibility to adjust as a project progressed. SP suggested the range might depend on the solution, ie build, substitution, or other means. SF believed a genuine range/numbers was required. JCx suggested that more accurate information was likely to be available at the time the party was letting the build contract. MW reiterated that the objective at this point was to try and avoid booking significantly more or less quantities and just offering an opportunity for minor adjustments.

It was pointed out that there should be flexibility to accommodate a scenario whereby an increase/decrease was eventually necessary and the initial estimate had been 'borderline' on either the top or bottom of the range of capabilities that can be delivered, and especially if at the top. Multiple PARCAs might be accommodated under wider ranges/options. Bearing in mind Ofgem's concerns, JCx asked how it could be demonstrated that it was *not* capacity hoarding. MW believed that the demonstration information would provide greater comfort with regard to this concern.

TD asked, should it be just a once a year adjustment (volume and starting year)? There may be optimum times for release back to the market of what is not required. JCx asked, should there be the opportunity to confirm/adjust

the quantity required at each PARCA stage? GJ suggested it might be left until the point of final user commitment, assuming it remained within the permitted range. MW questioned if the range should be under continual assessment, this could be practical assuming there was continual and prudent dialogue between parties; or perhaps a cost reflective fee would be more appropriate, to be levied each time a quantity was adjusted. SP observed that a connection would probably be built in faster timescales than the reinforcement, and questioned what figures might be available at that time; would that provide more accurate information earlier?

At the conclusion of this phase of the discussion it was suggested that a capacity range should be included/indicated in the PARCA.

Impacts on unsold capacity levels were considered. GJ asked if it would result in any more unsold capacity being reserved. MW believed it could go either way. If it can all be provided through substitution then the PARCA beyond stage 1A is not required; the further stages would only be required for the review of the demonstration information, or if capacity cannot be delivered through unsold, substitution, etc. A discussion ensued but there was no consensus on the impacts on Users. It was suggested that it might be helpful to provide some scenarios for consideration.

TD observed that fine tuning in a 'boundary' or 'borderline' scenario could make a significant difference, and it may be in a party's interest to overbook or 'mis-state' requirements. It may be preferable to have a process that was not open to abuse, and offered no opportunities for gaming nor an incentive to overstate true requirements.

Interacting Projects

MW welcomed the beneficial discussion that had taken place earlier in the meeting (at 2.1.1 above).

Consideration was given to what might happen if a project drops out post DCO submission but prior to the formal allocation of capacity. JCx thought this is the major point of risk; the demonstration information did not guard against this and she explained her view. GJ asked, if a party dropped out and other projects were remaining, who would pick up the costs? Would these be socialised, or placed on the remaining parties. It should not be possible to place costs on the rest of the community.

It was questioned whether Ofgem might have an issue with National Grid NTS building something that eventually may not be required; there may be no alternative to having to build even though one or more parties may have dropped out, as it would still have to accommodate and honour commitments to any remaining parties. TD observed this was not a problem for the PARCA to resolve; this was for Ofgem and National Grid NTS to agree a solution.

Interacting projects may have different timeframes; the consensus was not to insist that formal allocation occurs for all at the same time

Events/triggers for releasing reserved Capacity back to the market

These were considered. It was questioned whether a PARCA could be traded or transferred to another party. Novation might well occur as parties may change names as well as being subsumed altogether by another party. In certain circumstances the original PARCA might have to be terminated and a new PARCA signed. Should the whole process have to restart? Should timescales be applied to such actions?

If the capacity delivery date changes, eg if the date slips by a year, it was thought that any unwanted capacity should be released back to market for that interim period.

EU Compliance

The approach set out by National Grid NTS to take account of EU requirements and potential changes was considered, and it was agreed to be a reasonable way forward under current circumstances to progress the PARCA solution. Any subsequently required changes would be discussed and addressed at an appropriate point.

PARCA reservation fee

This was briefly considered. It was expected to discuss this in greater detail in the New Year; MW would welcome views prior to the January meeting.

Reasonable grounds for altering a delivery date

The scope for both parties to alter a delivery date was discussed. In bringing a date forward GJ noted it was important to consider the impact on other parties. TD believed this was best covered through the existing processes.

It was observed that once started a building project could also be subject to delays, but that this risk was to be managed by National Grid NTS.

The amount of time to be allowed between stages to enable a party to consider its position and decide whether to progress to the next PARCA stage was considered. Whilst recognising the need to keep the process rolling, JCx indicated that 28 days at the last stage is not really enough time for parties to marshal everything into place. TD pointed out that, in practice, if a party knows it is at the last stage, it would surely have been planning in the majority of any finishing requirements to meet the final expectations.

What would be an appropriate length of time following a DCO? Affecting factors were discussed. TD suggested a provision for "28 days, or such time as each party may agree". JCx agreed to give consideration to appropriate timescales between stages, and especially the last stage.

Action TR 1203: PARCA Stages - Consider appropriate timescales between stages, and at the last stage.

Potential principles surrounding a proposed deferral of delivery date by the PARCA signatory were discussed. It was noted that external drivers could also affect projects, eg legislative changes, planning decisions, etc.

It was questioned *to whose satisfaction* must PARCA signatory demonstrate why the deferment is required (any criteria?); would National Grid NTS also have the right not to accept the request/question the validity of the reasons put forward.

Impact of deferral on other parties' delivery dates was discussed. SP confirmed the natural timeout of a DCO was 5 years, but there may be time limits on all planning consents; SP will check this.

Action TR1204: Planning consents – Check and confirm all time limits.

If capacity is held out of the market for longer or another User's project is impacted might not require a business rule, but might need more thought.

SP suggested that consideration of impacts to Revenue Drivers might be required.

The number of deferments by a party might need to be monitored and reviewed to reassure that deliberate abuse of process was not intended. GJ

suggested that Ofgem be kept aware of or become the arbitrator for any proposed deferment.

Discussion concluded at this point due to time constraints; the Workgroup agreed to consider the points raised on Slides 15 and 16 and contact National Grid NTS with any suggestions or comments. If necessary these will be reviewed at the next meeting on 31 January 2013.

4. Any Other Business

None raised.

5. Diary Planning

The following Transmission Workgroup meetings are scheduled for 2013:

Date	Time	Location
Thursday 10 January 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW
Thursday 31 January 2013 (Transmission Workgroup – Capacity/Connection Issues)	10:30	31 Homer Road, Solihull B91 3LT
Thursday 07 February 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW
Thursday 07 March 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW
Thursday 04 April 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW
Thursday 02 May 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW
Thursday 06 June 2013	10:00	Elexon, 350 Euston Road, London NW1 3AW

Action Log – UNC Transmission Workgroup: 19 December 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0801	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) – Provide worked examples of the PARCA approach under differing scenarios.</i>	National Grid NTS (MW)	Carried forward
TR0903	18/09/12	2.1.4	<i>Capacity and Connections: Produce an expanded document (based on a modification proposal template) to clearly demonstrate the need for change, how this might be achieved, and giving consideration to wide ranging industry impacts.</i>	National Grid NTS (MW/SP)	Carried forward
TR1101	01/11/12	3.1.1	<i>Long term non-firm capacity: Draft a new modification.</i>	National Grid NTS (MW)	Carried forward
TR1102	09/11/12	2.1.2	Consider the pros and cons of a specific PARCA window.	Energy UK (JCo)	Closed
TR1201	19/12/12	3.1.1	Establish the specifications, eg size and delivery capabilities, of available pipes, and any associated caveats relating to potential multi-party use.	National Grid NTS (MW)	Pending
TR1202	19/12/12	3.1.1	Review, compare and assess the interactive offers process in place on the electricity side with what is being proposed on the gas side, and report on any useful findings that can be considered for inclusion.	National Grid NTS (SP)	Pending

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR1203	19/12/03	3.1.2	<i>PARCA Stages</i> - Consider appropriate timescales between stages, and at the last stage.	Energy-UK (JCx)	Pending
TR1204	19/12/03	3.1.2	<i>Planning consents</i> – Check and confirm all time limits.	National Grid NTS (SP)	Pending