

User Commitment for Non-Generation Users



Meeting 3

6th February 2014

Agenda

- Introduction and Safety Moment
- Review of Consultation Responses
- Alternatives
- Review Legal Text for Original Proposal
- Voting
- Next Steps

Safety Moment

Safety Moment



Summary of CMP222

	Pre-Commissioning	Post-Commissioning
Interconnectors	CUSC Section 15 (using higher of import/export capacity)	None
Direct Connections	Final Sums (Local)	None
DNO GSPs	Final Sums (Local)	None
Pumped Storage	CUSC Section 15	CUSC Section 15

Consultation Responses

Summary of Responses

- 4 Responses received: Greenwire, UK Power Networks, SSE, EDF Energy
- All supportive of original proposal for three of the four user types (Directly Connected Demand, Distribution Network GSPs and Pumped Storage)
- SSE not supportive of proposal with respect to Interconnectors; other three responses supportive of the proposal for this user type
 - SSE perceive proposal to “give discriminatory treatment to post commissioning interconnectors” therefore argue it fails to better facilitate the Applicable CUSC objectives

Consultation Questions

Q1: The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors

- No new evidence brought forward in responses to suggest these security percentages should not be used.
- Three respondents agreed these percentages should be used; fourth gave no view.

Consultation Questions

Q2: The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.

- 2 respondents agreed that post-commissioning interconnectors have a “slightly smaller risk profile than a generator of equivalent size”
 - EDF Energy: “on balance, we do agree that due to different risks, there is no requirement to introduce additional User Commitment for post-commissioning interconnectors”.
- 1 respondent perceives merchant interconnectors to have the same (if not worse) perceived risks, post commissioning, as generators:
 - “both types of project are based on a commercial view of the market...and as such there is an inherent risk that their commercial judgement is flawed”
- 1 respondent had no view on the question.

Consultation Questions

- Q3: The Workgroup invites views and evidence as to whether post-commissioning Interconnectors, in the event that they are required to provide User Commitment, have a greater ability to forecast market conditions than generators.**
- No further evidence to suggest Interconnectors have a greater ability to forecast market conditions than generators.

Consultation Questions

Q4: The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how.

- No comment made by two respondents.
- Agreement from two respondents (“no evidence to suggest otherwise”).

Any further concerns to raise following the Consultation?

Alternatives



Alternatives

- None raised as a result of the Workgroup Consultation
- Would any member of the Workgroup like to raise an alternative now?

Legal Text



Finalise Original: Summary of CMP222

	Pre-Commissioning	Post-Commissioning
Interconnectors	CUSC Section 15 (using higher of import/export capacity)	None
Direct Connections	Final Sums (Local)	None
DNO GSPs	Final Sums (Local)	None
Pumped Storage	CUSC Section 15	CUSC Section 15

Legal Text

- Amendments to CUSC Sections 11 (definitions) and 15 (User Commitment Arrangements).
- New terms to be defined:
 - **Transmission User Capacity:**
 - the **Transmission Entry Capacity** for all other users which are not **Interconnectors**; and
 - maximum of **Interconnector Export Capacity** or **Interconnector Import Capacity** for all users who are **Interconnectors**
 - **Interconnector Export Capacity:** as set out in Sect 9.4
 - **Interconnector Import Capacity:** as set out in Sect 9.5

Is “Transmission User Capacity” appropriate name for the term?

Transitional Arrangements

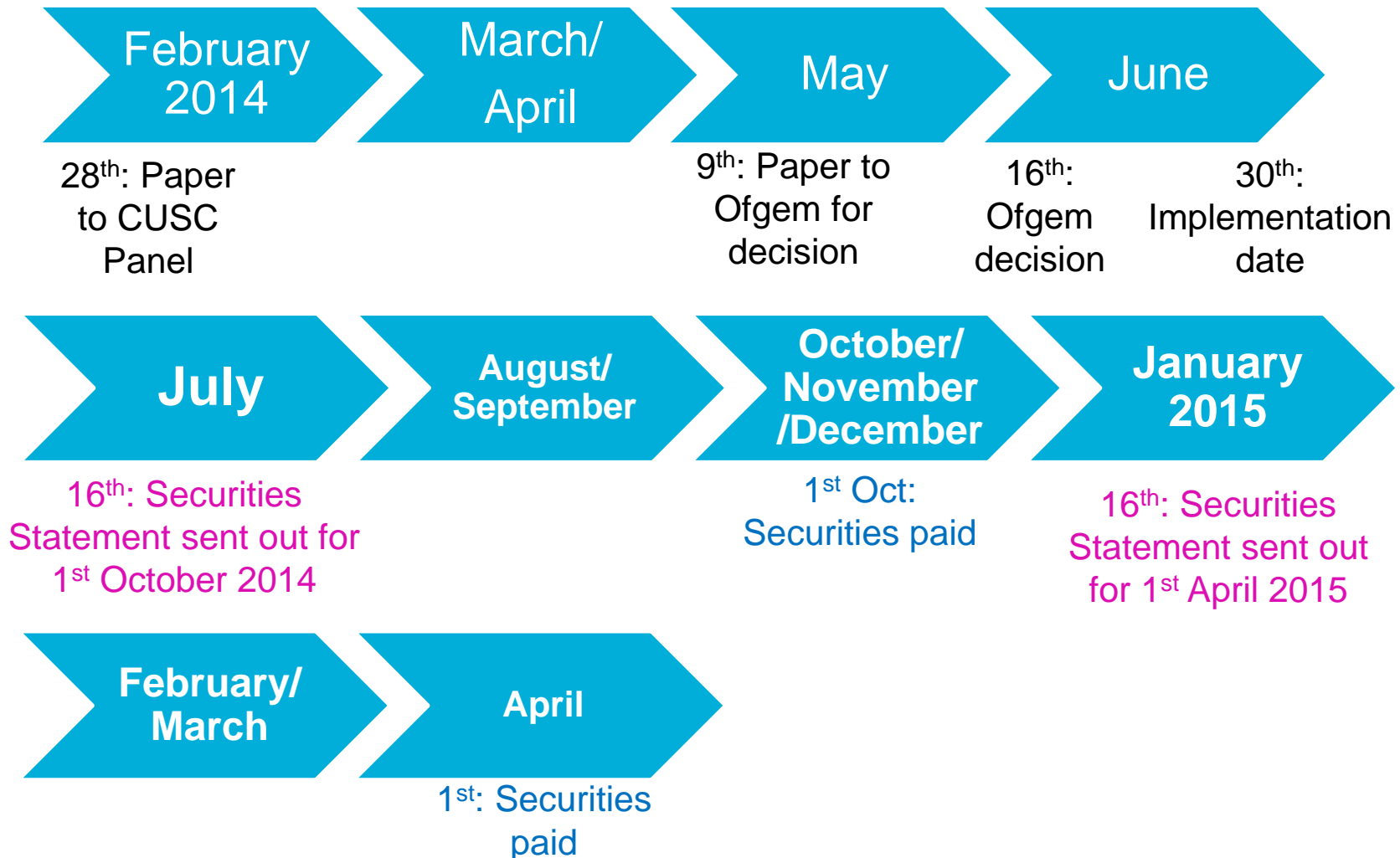
- Similar to CMP192 arrangements:
 - Transition Period, by the end of which all User's will have been provided with:
 - necessary information in respect of the Cancellation Charge and Cancellation Charge Secured Amount;
 - Construction Agreements as in line with new arrangements;
 - Security arrangements in line with Cancellation Charge Secured Amount are in place
 - Termination of Existing Construction Agreement or reduction in TEC prior to Transition End Date will be dealt with as in the Existing Construction Agreement

Transitional Arrangements

- New applicants will receive Offers such that:
 - Prior to the Transition Period End Date the arrangements for security and liability within the arrangements are consistent with those prior to CMP222
 - But such that on the Transition Period End Date the arrangements for security and liability within the arrangements are consistent with those under Post CMP222

Transitional Arrangements: Timeline

- Based on Ofgem working to the earliest timescales:



Voting



Voting

- *Vote 1:* whether each proposal better facilitates the Applicable CUSC Objectives;
- *Vote 2:* where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
- *Vote 3:* which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

Applicable CUSC Objectives

- a) the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence;
- b) facilitating effective competition in generation and supply of electricity and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
- c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Next Steps

Next Steps

- Draft Workgroup Report for comment to go out early next week
- 5 working days for the Workgroup to comment
- CUSC Papers Day 20th February