

Transmission Price Control Review Ofgem Workshop 5th July 2006

A Generator/Developer's Perspective

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- Context of Review
- What sort of outcome do we want?
- Electricity
 - Planning and Access
 - The SO and the SO/TO
- Gas
 - Gas Entry
 - Gas Offtake
 - Gas infrastructure Investment
- Interim conclusions







Turbulence

- UK Energy Review
- EU Legislation-EU-ETS
- Global Energy Interaction
- Generation investment and retirement decisions
- What do we want from TPCR?





What sort of outcome do we want from TPCR?

- 'The perfect is the enemy of the good'
- Efficient, boring and predictable is good
- Simple and robust is better than complicated and precise
- Long-lasting mechanisms (10-15 years) with programmed review and limited course-correction





Planning & access

- Timely, cost-efficient access
 - Wind generation
 - Stranded assets/Revenue drivers
- Other Issues
 - ARODG
 - Access Products
 - Queue management
 - OTEG
 - DTI/DEFRA/Ofgem support a better planning process





SO and SO/TO

- SO/TO hierarchy emphasizes need for simple transparent regulation
- Future SO Incentive?
- System reliability incentives







- Baseline reallocation may increase efficiency
 - But, details to be worked up
 - Transparency and engagement
 - Confidence in arrangements essential
- Separation of buybacks
 - Clear transparent rules







- Reforms driven by desire to commercialise NTS / DN interface
- But current ARCA regime has served generators well
- Concerns over stranded assets
- Prevailing rights model will protect existing flat capacity rights
- Interruptibles may well go firm
- Incremental capacity commitment
- Flexibility ...much work to be done





Gas Infrastructure Investment

- Timing is a key issue
- Need to consider National Grid and developer planning and commitment timescales to avoid stranded assets
- Current proposals do not do this







So far

- Generators developers feel involved in this review
- A number of proposals such as revenue drivers) are in line with our thinking
- We await details in September
- We hope for a long-term robust outcome that will last 10-15 years.

