Provision of restricted access rights

ARODG Seminars

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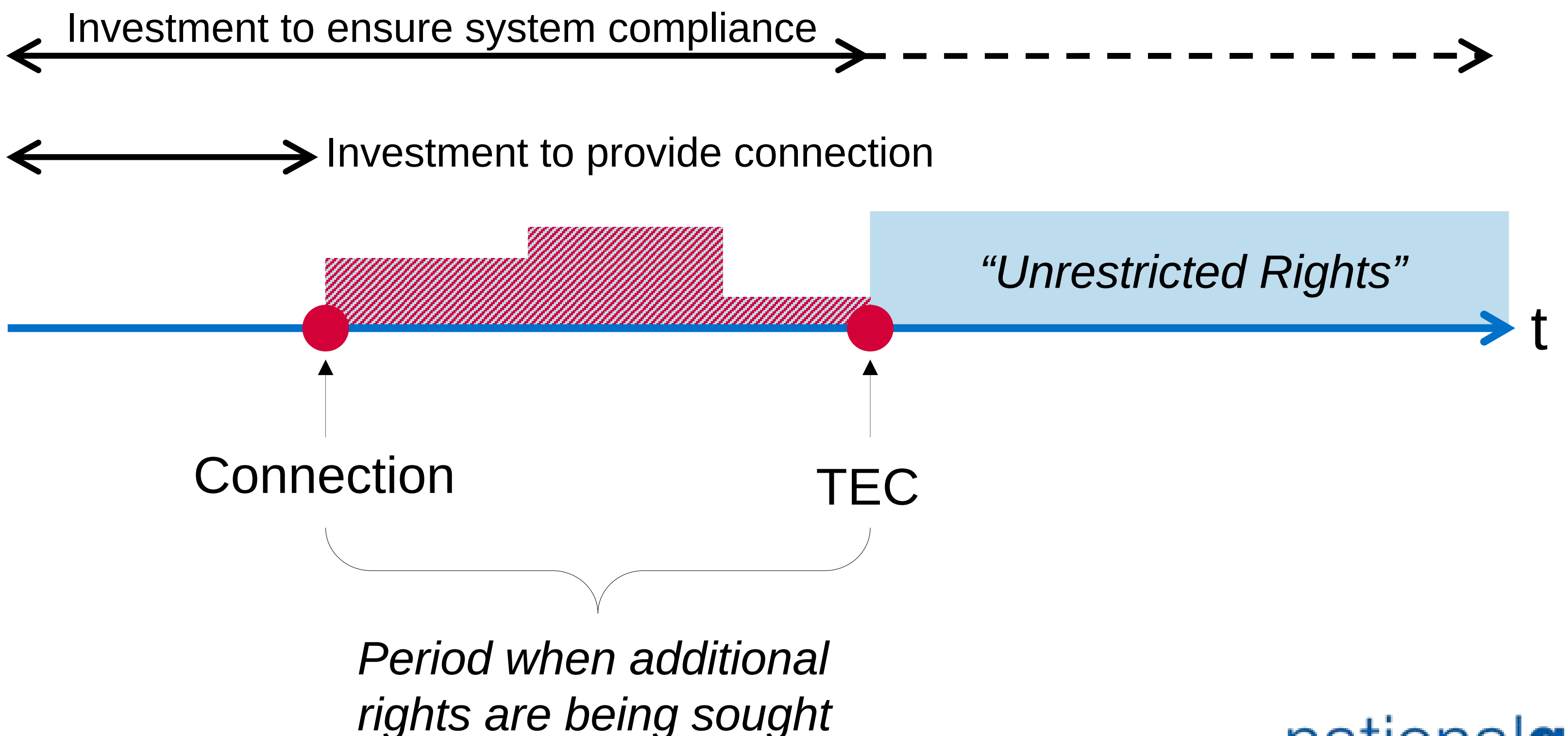
Agenda

- Recap of existing arrangements
  - access products
  - trading arrangements
- High-level options and prerequisites
- Additional access products
- Trading existing rights
- Rights beyond the operational year
- Conclusions & Next Steps

Background

- To provide rights to Users that have a connection but are awaiting completion of the wider reinforcements needed for the network to be compliant with the Security Standards



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Existing short-term firm products

	STTEC	LDTEC
Maximum duration of rights	4, 5, or 6 weeks	45 weeks
Notice of firmness	1 or 2 weeks	7 – 45 weeks
Volume provided	Maximum MW	Profiled MW
Long-term rights (>1 year)	None	None
Compensation if rights withdrawn (CAP048)	Yes	Yes

- Limited duration, capacity and notice of availability
- Allocated on f-c-f-s bases, assuming that:
  - no increase operational costs
  - does not fetter ability to take outages for maintenance / construction

Existing TEC trading arrangements

- Bilateral between two parties:
  - at least one with a non-zero TEC
  - both physically able to export from point of connection
- Exchange rate determined using planning standards
- Trades effective from 1 April in following year
- Two steps to effect a reciprocated trade i.e. A → B → A
  - (no guarantee that exchange rates will be the same)

High-level options

Additional access products

- Prerequisites:
  - unused capacity must exist i.e. no risk of additional constraints, or
  - option to withdraw rights with zero compensation (non-firm)

Transfer existing rights

- Prerequisites:
  - willing seller(s) and willing buyer(s) in electrically similar locations

Additional access products

Availability of un-used capacity

- Export constraints exist when allocated rights exceed network transfer capability
  - significant constraints in Scotland (even when system intact)
- Firm rights allocated prior to completion of reinforcements
  - 4 GW of plant contracted to connect by 2008
  - associated wider reinforcements planned to complete in about 2011
    - significant outage programme required
- Allocation of <u>further</u> additional firm rights will increase operational costs

➡ Volume of unused capacity will be very limited

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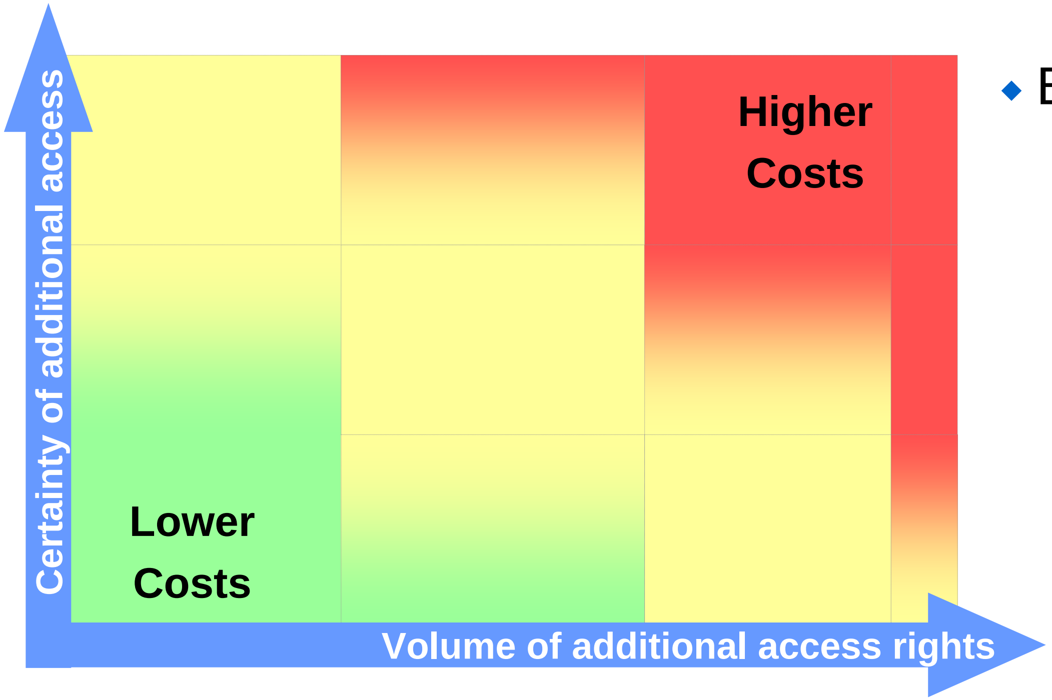
Additional access products

Implications for design of firm products

- Restricted-firm products manage extent of cost increase
- Risk / costs increase as:
  - the volume (including duration) of rights increase
  - the certainty / firmness of rights increase
  - the notice period of firmness increase



- Borne by:
  - new generators?
  - socialised (current model)?

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Additional access products

Implications of <u>non-firm</u> products

- What is meant by "non-firm"?
  - no financial compensation when physical rights removed
- Developers need bankable rights, which requires firmness
  - e.g. defined events to withdraw rights, committed MWh running, etc
- Congestion typically on major boundaries
  - non-discriminatory removal of rights is a non-trivial issue

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Trading existing rights

Introduction

- Many models identified in ARODG report
  - ad hoc facilitated bilateral trades
  - facilitated trades based on pre-published exchange rates
  - centralised trading close to real-time (c.f. TASG discussions)

- Does not increase the volume of rights in circulation
  - only option when no spare capacity
  - mitigates some risk of additional constraints

➡ Focusing on trading rather than releasing additional rights to provide bankable short-term rights

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Trading existing rights

Work in progress

- Investigating frameworks that would:
  - be facilitated by National Grid e.g. exchange rate determination
  - use National Grid as an agent i.e. common terms
  - trade a defined product: complexity vs flexibility vs liquidity
  - seek to allow within-year / multi-year / cross-year trades
  - not necessarily first come first served

- Non-trivial design issues
  - developing adequate description of the network
  - ensuring sufficient liquidity of trades

  nodal vs zonal exchange rates
  - potential interactions with charging e.g. duplicate charges for TEC
  - determination of exchange rates spanning range of time horizons

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Arrangements beyond the operational year

Background & Risks

- Quality of information poorer in planning timescales (+1yr)
  - generation / demand background, network configuration
- Therefore more stringent rules applied to cater for range of scenarios that might occur in operational timescales
- Two classes of option:

Extend operational assessment → Risks releasing capacity that will not be available

Relax planning assumptions → Risks reducing flexibility in operational timescales

Risks of additional operational costs

Arrangements beyond the operational year

Work in Progress

- Need to establish whether these concerns are mitigated by:
  - revised provisions for providing information to GBSO / TOs, e.g.
    - information about generation running
    - information about closures / outages
  - restrictions to trading future rights in different timescales
- Interactions with
  - Security Standards
  - Grid Code
  - CUSC
  - STC
- May need derogations from Security Standards

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Conclusions / Next Steps

- Restricted-firm products manage risk of constraint increase
- Non-firm products are unlikely to be bankable
- Trading existing rights
  - is the only option when there is no spare capacity
  - do not increase rights in circulation
- Overcoming the “operational wall” is a challenge
- Focusing on models to facilitate flexible trading

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