

TADG Working Group – Note of eighth meeting Millbank, 26 April 2007

Draft working group report

Introduction

Ofgem set out the structure of the meeting, which would discuss the draft working group report and agree its conclusions.

Minutes

The minutes from the previous meeting were finalised, following a brief discussion where an attendee asked for further clarification with respect to the description of the summary of responses to the issues questionnaire. The finalised minutes have been updated in this respect.

Presentation by DTI Centre for DG & Sustainable Electrical Energy

The DTI Centre for DG & Sustainable Electrical Energy (DG & SEE) gave a presentation on its paper "Integration of distributed generation into the UK power system", which was circulated to the group in advance of the meeting. The presentation sought to highlight where work raised issues relevant to TADG and in particular the development of agency models, and:

- Sought to address key questions in the TADG Terms of Reference in terms of the impact of DG on the transmission system and the appropriate access products for DG
- Argued that DG do not impact on transmission system capacity requirements in the same way as conventional generation, relating this to differences in the pattern of operation and the effect of diversity of generation at a GSP
- Argued that while the existing access products (TEC) are appropriate to conventional generation, they are not suitable for DG as they may lead to inefficiency by not permitting sharing of transmission capacity
- Highlighted the general benefits of agency models in terms of reflecting diversity and time of use, and argued in favour of a net model based on the net position at the GSP and with the DNO as agent
- Outlined some areas of further work

5.25. The following summary of points made in the subsequent working group discussion reflects the comments of attendees and should not be taken as representing Ofgem's views:

- With respect to the issues raised with the appropriateness of TEC for DG, it was noted that the key factor is the pattern of output not the point of connection. Attendees considered that the arguments apply specifically to conventional vs. intermittent generation, rather than generally to DG vs. transmission connected generation, and as such are equally applicable to transmission connected windfarms but may not apply to conventional DG.
- The DTI Centre for DG & SEE accepted this point and also acknowledged that all forms of generation are conceptually the same in that they have the same electrical impact on the transmission system.

- It was noted that TEC is a commercial product which gives firm rights to users to generate up to a given level at any time, and they can seek TEC at the level they require. Therefore the current arrangements reflect the fact that any generator with TEC may generate at peak, irrespective of whether they are less likely to, e.g. due to intermittency. The DTI Centre for DG & SEE considered that TEC is too crudely defined and should permit sharing.
- A number of attendees supported the arguments used in favour of a net DNO agency model for DG.

Draft working group report

Ofgem outlined the structure and content of the draft working group report and invited comments on each section. Ofgem also highlighted that, as discussed at previous meetings, the draft report provides a factual account of the group's discussions and findings, and does not represent Ofgem's view. Ofgem further noted that one of the aims of the meeting would be for the group to agree its conclusions with respect to chapters 3 and 4 (see below), and that the draft report would be updated following the meeting to incorporate those conclusions.

General comments

Overall, the group noted that the draft report provided a fair and accurate account of the group's discussions and findings. One attendee commented that the report may be inaccessible to a non-expert audience, and requested that a high level summary be provided. Ofgem noted that the report followed the structure agreed at the previous meeting, it included background information or cross-referred to other documents where appropriate, and the executive summary would be expanded to incorporate the group's conclusions. Ofgem also confirmed that the final report would be published alongside an open letter on Ofgem's views in the light of the work of the group.

Comments on drafting

Attendees raised a number of drafting points and also noted a number of areas requiring clarification or inclusion in the report, including:

- Expand executive summary
- Add reference to the above paper by the DTI Centre for DG & SEE
- Provide further clarification in summaries of respondents' views to the questionnaires
- Add reference to licencing requirements
- Add section on existing arrangements in chapter 4
- Include recent developments in interrelated areas in chapter 5
- Include more detail on way forward in chapter 6

Working group conclusions

Ofgem noted that the report included sections at the end of chapter 3, on the issues with the existing arrangements, and chapter 4, on agency options for change, for the working group conclusions in each of these areas.

Ofgem sought views on the initial drafting of the chapter 3 conclusions section, which sought to summarise the key points raised by the group and to highlight areas of agreement and disagreement. The group agreed that it represented a fair and accurate summary, and suggested some additions for incorporation in the final report.

Ofgem noted that the initial drafting of the chapter 4 conclusions section did not include any conclusions on individual models, but summarised the implementation issues for each model and contrasted DNO and supplier agency models in generic terms, based on points raised by the group. Ofgem sought views on the initial drafting and invited the group to agree its conclusions on each agency model.

The group made a number of comments on the comparison of DNO and supplier agency models, highlighting a number of differences and similarities. The group recognised that either approach could theoretically form a suitable basis for an agency model as they were both amenable to taking diversity into account through aggregation, albeit in different ways, and could accommodate either a net or gross model for access and charging. Some group members noted that the paper by the DTI Centre for DG & SEE pointed towards a DNO agency model.

The group considered the use of a gross or net approach was the primary source of the division of views on individual models, as it is the single biggest commercial issue for industry parties with interests in the transmission arrangements. As such the group recognised that it would never be able reach agreement on individual models. The group agreed that this point should be explicitly noted in the chapter 4 conclusions section and that it should also include a summary of the arguments in support of each approach as used within the group. As a way forward it was agreed that Paul Jones of E.On and Nick Pittarello of NGET would prepare outline summaries of arguments for net and gross charging respectively, for circulation to and comment by the group.

Process going forward

Ofgem confirmed it would update the draft report taking into account comments received and incorporating the group's conclusions, and recirculate to the group for any final drafting comments before it is published alongside a covering letter setting out Ofgem's views.

Ofgem noted that it would be for industry parties to consider whether to take forward any particular model through proposing changes to industry codes, and that the work of the group may help inform parties' proposals in this respect.

An attendee noted that only NGET can propose modifications to the transmission charging methodologies and asked how parties could raise proposals in this area. Ofgem noted that there exist industry fora (TCMF and CISG) through which transmission charging issues are discussed and it is open to industry parties to raise issues directly at those meetings or by proposing CUSC amendments which require consequential changes to the charging methodologies.

Another attendee asked how to raise proposals which cannot be taken forward through change proposals to industry codes, e.g. which require primary legislation. Ofgem noted that all of the strawmen developed by the group involved minimal change to the existing arrangements and none required primary legislation. Ofgem further noted that should parties develop further proposals which require primary legislation then it is open to them to lobby for this.

Next Meeting(s)

Ofgem noted that no further meetings are scheduled at this stage, although the matter will be kept under review and the group may reconvene at a later date should this be deemed appropriate. Ofgem thanked the group for their constructive contributions throughout the process.

Agreed Actions

New actions

- Paul Jones (E.On) and Nick Pittarello (NGET) to provide summaries of arguments used within the group in support of net charging and gross charging respectively, all to provide comments on these summaries
- Ofgem to update the draft working group report and reissue to the group prior to publication

Previous meetings

- All to respond to questionnaire on strawmen to be circulated by Ofgem – *questionnaire issued after meeting 7, responses reflected in draft working group report*
- All to provide comments to Ofgem on interactions with the paper by the DTI Centre for DG & SEE for inclusion in the working group report – *discussed at meeting 8 in the context of the further paper and presentation by the DTI Centre for DG & SEE*

Appendix 1 – Attendees list

	Member	Meeting 1 14/07/06	Meeting 2 17/08/06	Meeting 3 15/09/06	Meeting 4 26/10/06	Meeting 5 22/11/06	Meeting 6 19/12/06	Meeting 7 13/02/07	Meeting 8 26/04/07
1	AEP Malcolm Taylor								
	Stephen Andrews	SUB							
2	Airtricity Robert Longden								
	Iain Wright	SUB							
3	Alcan Bob Nicholson								
	Stephen Andrews	SUB							
4	AMEC Elaine Greig								
5	British Energy Louise Allport								
	John Capener	SUB							
	Rob Rome	SUB							
6	CE Electric Dave Miller								
	Graeme Vincent	SUB							
7	Centrica Merel Kolfshoten								
	Dewi Ab Iorwerth	SUB							
	Laura Jeffs	SUB							
8	CHPA Ian Calvert								
	Paul Gardiner	SUB							
9	CLA Oliver Harwood								
10	Cornwall Energy Associates Nigel Cornwall								
	Bob Brown	SUB							
11	Eclipse Energy Company Ltd Tony Cotton								
12	EDF Energy Matthew Hays-Stimson								
13	E.ON Paul Jones								
14	Fred Olsen Nick Emery								
15	Garrad Hassan Helen Snodin								
	Ari Liddell	SUB							
16	DTI Centre for DG & Sustainable Electrical Energy Goran Strbac								
	Joseph Mutale	SUB							
	Danny Pudjianto	SUB							
	Charlotte Ramsay	SUB							
17	NGET Nick Pittarello								
	Brian Taylor	SUB							
	Patrick Hynes	SUB							
18	REA Gaynor Hartnell								
	Tim Russell	SUB							
19	RES Richard Ford								
20	RWE Npower Terry Ballard								
	Emma Piercy	SUB							
	Bill Reed	SUB							
21	SHETL Max Lalli								
	Nigel Bessant	SUB							
22	SP T & D Paul McGimpsey								
	Jeremy Blackford	SUB							
	Colin Taylor	SUB							
23	SRF Maf Smith								
	Calum McCallum	SUB							
24	United Utilities Mike Kay								
25	West Coast Energy David Walker								
26	Western Power Distribution Nigel Turvey								
	Nigel Lloyd	SUB							
27	KEMA Mike Wilks								
28	Ofgem - Transmission Cheryl Mundie								
29	Ofgem - Transmission Grant McEachran								