

Connect & Manage

DEPARTMENT FOR BUSINESS
ENTERPRISE & REGULATORY REFORM

Principle

- Underlying principle is that generators would acquire firm access rights from a particular date and be allowed to generate or receive compensation from that date, subject to;
 - Local works complete
 - Plant commissioned & available
- In principle, similar to the buy back arrangements in gas

Issues

- Period before access rights are acquired
- Renewables or all generation?
 - CAP 148 or TASG?
- Can a ceiling be applied?
 - Outcome has to be replacement of conventional output?
- Full or limited Access rights
- Costs & benefits

When would Access Rights be Allocated?

- X years from the date on which connection agreement signed, assuming local connections complete
- How to define X?
 - Period over which consents valid
 - More equitable sharing of risk

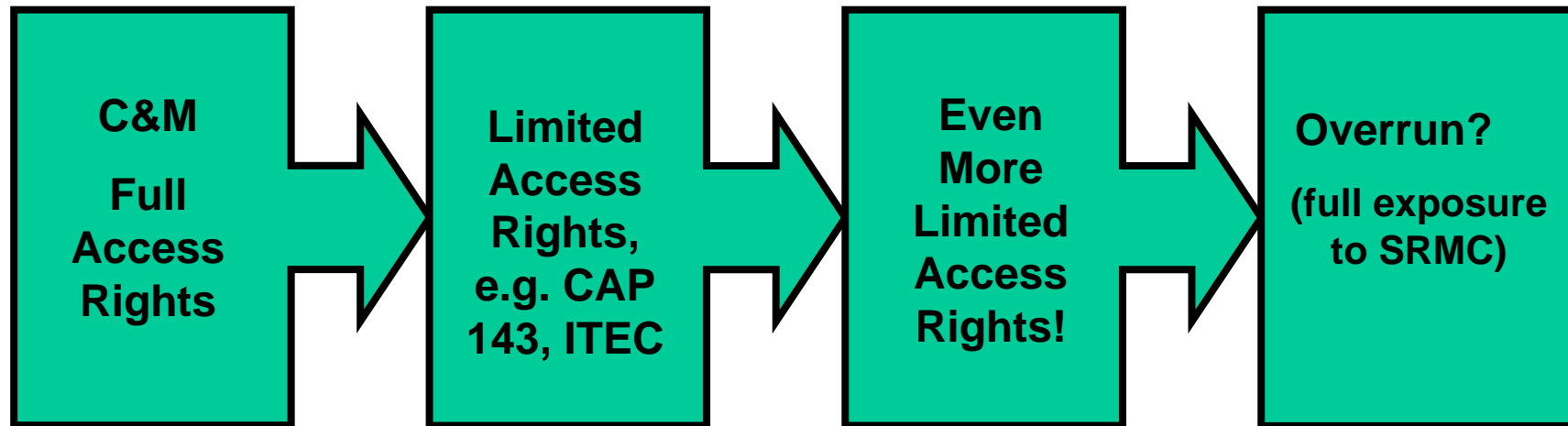
CAP 148 or TASG

- CAP 148, renewables only
 - Implications in terms of security of supply?
- TASG, all generation
 - Greater impact in terms of constraint volumes & costs?

Applying a Ceiling

- Commissioning renewables makes sense if outcome is reduction in energy from conventional generation
- Commissioning renewables doesn't make sense if outcome is reduction of energy from existing renewables
 - ROCs get paid twice
 - No impact in terms of renewable targets

Full or Limited Access Rights

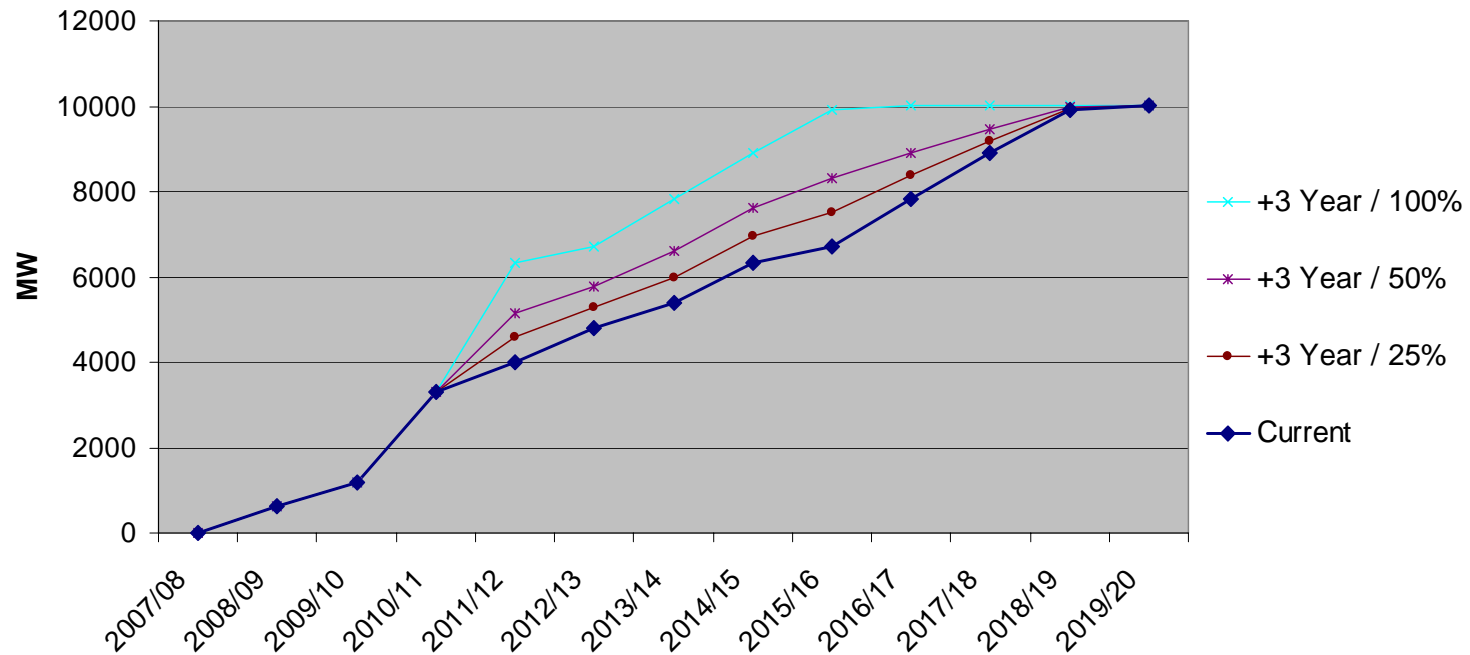


Costs & Benefits

- Need to quantify potential increase in constraint costs
 - How will connection profile be impacted?
- Additional sources of TNUoS income – reduced charges for existing generators.
- Impact on energy prices?
- Impact on project costs?

CAP 148 Analysis

Potential volume for connect & manage with 3 year lead time starting from 2008, take up based on % backloaded ignoring local works



CAP 148 Analysis

Projects advancing	2011 /12	2012/ 13	2013 /14	2014/ 15	2015/ 16	2016/ 17	2017 /18	2018/ 19	Total cost £/m
100%	79	65	83	89	109	75	38	3	542
50%	39	33	42	44	55	38	19	2	271
25%	20	16	21	22	27	19	9	1	135

TAR Review Criteria

Facilitate Renewable Development	Yes if network able to accommodate additional renewable output
Promote Competition	Yes, but as above
Efficient Network Development	More robust investment signals, but with shorter notice?
Allocation of Risk	Moves risk from developers to customers
Simplicity & Transparency	Yes, but variations could introduce complexity
Security of Supply	No change, but increased operational complexity due to need to manage higher levels of congestion
Cost to Consumers	Increased constraint costs
Legal Compliance	?

Specific Comments

- Many renewable generators agreed that this was the optimal model to maximise utilisation of the network
- Renewables parties agreed it would provide strong transmission investment signals and a temporary solution for transmission access
- However, some argued high risk of increased constraints would place unacceptably higher costs on consumers
- General concern over operational and wider impact on the transmission system
- Some believed that its use should be limited to where it does not result in large number of generators being constrained off
- Some concern over the possible cross subsidy in favour of renewable generation