

Summary of Working Group Meeting 9 November 2011

1 Introduction

This note summarises discussion of Redpoint Base Case modelling results presented at the TransmiT Working Group meeting on 9 November. We split the comments into direct feedback on the results in section 2, and presentational points and requests for additional information in Section 3.

2 Feedback on results

2.1 Constraint costs and transmission reinforcements

The Working Group commented extensively on the constraint costs results, particularly for the Socialised charging option. It was noted that constraint costs increased significantly in the post 2025 period in Socialised Stage 1 and that despite these high constraint costs, no additional reinforcement investment occurs after 2025.

As was discussed, the explanation is that the possible reinforcements on the constraint boundaries have all been committed in earlier years. This list is based on known projects as identified in the RIIO submissions as well and further reinforcements that have been mooted, as well as set of generic reinforcements which are available once all named projects on a particular boundary have been exhausted.

We note that the Socialised Stage 1 is a scenario in which the percentage of GB demand met by renewables exceeds 50% in 2030.

The Working Group noted that the level of constraint costs is low under Status Quo after 2020 (averaging ~£50m), and questioned whether the Status Quo results had “over-reinforcement” – that is, contain more reinforcement than is optimal. We note the following points:

- The transmission investment decision rules are based on a comparison of the levelised cost of an individual reinforcement with the expected savings in constraint costs. If the savings outweigh the costs, the reinforcement is committed.
- Transmission investments are discrete large project (“lumpy”). The investment may be larger than the optimal size, but still present a benefit relative to not doing the reinforcement at all.

The Working Group noted that the constraint volume results should be presented alongside constraint cost results.

2.2 Perfect foresight

Perfect Foresight results were not reviewed at the meeting. The Working Group were of the opinion that the Imperfect Foresight results should be the primary model results and the Perfect Foresight results were at most an interesting test of the stability of results.

3 Presentational points

The Working Group made a number of helpful suggestions on presentation of results, both for the wider stakeholder event and for the final report, and made a number of requests for additional information to be made available. We note how we intend to approach these issues both at the stakeholder event and in the final report.

There is a suggestion to bring the results “up a level” for the stakeholder event.

We will note the Working Group’s input into the modelling process – feedback on provisional results led to change in available generation projects & build constraints, and change to CfDs under Stage I to bring forward nuclear investment under all options.

Tariffs:

- Participants at stakeholder event will be interested in “what’s my tariff?”
- Make clear that the modelling assumes static zones. No rezoning throughout modelling
- Suggestion for stakeholder event: bundle tariff results to include GTNUoS, DTNUoS and MAR for each charging option.
- Improved ICRP: clarity on baseload versus intermittent definitions. Suggestion that charts could be revised to show only highest and lowest tariffs
- Clarity on load factors used to present tariffs. It was noted that current slides use 28% for the example of intermittent tariffs for Improved ICRP , whereas 38% is used for offshore tariffs (to match offshore load factor)
- Further details on island tariffs/build relevant for stakeholder event
- Slide 12. Reinstate Socialised tariff on offshore tariff chart for comparison (important to state load factor assumptions). Suggestion that colour scheme on offshore wind tariff slide be revised

Generation:

- Publish spot year results. Redpoint suggestion is to publish an excel data file of results (aggregated) with the final report..
- Request for Levelised costs of generation technologies to be shown. We expect to publish these in the final report.
- Clarity on CfD levels and costs is essential. Show CfDs as a percentage scalar from Status Quo against 100. Show total CfD support tariff * quantity.
- Show CfDs for all years. We expect to publish this as part of the data package with the final report
- Suggestion that capacity credit used to present wind should be 8%, consistent with Improved ICRP, rather than 15%.
- Stage I – Status Quo meets targets by design – make clear in commentary that this is an input not a result.
- Note that we are not using the latest proposed RO bands in modelling
- Slide 20: clarify commentary on carbon intensity
- Explain why there is no OCGT investment in the modelling results
- Be clear on treatment of embedded generation

- Percentage of renewables
- Clarity on Gas transmission charges.
- Consider change in aggregation of zones, for example to separate North Wales and South Wales

Transmission

- Slides 24 & 52: show capacity & costs of HVDC bootstraps.
- Rename “onshore” reinforcements as MITS reinforcements
- State interconnector assumptions