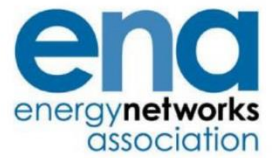


The Voice of the Networks



# Energy Networks Association

## Industry-led Access Rights Allocation Working Group 2019 Product Two Description

June 2019

Energy Networks Association

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Restriction: Public

## 1 Product Two Definition

This document focusses on the scope and timeline for Product 2 'exchange of capacity between users with non-curtable capacity' under the Industry-led Access Rights Allocation Working Group.

The key work identified for this project is to explore options for the exchange of 'access rights' between users. The first two products have been designed to achieve this. Product 1 has considered the most pressing use case (trading of non-firm distributed generation curtailment obligations). Product 2 considers the exchange of capacity between demand and generation users with non-curtable capacity.

### 1.1 Product 1: Trading of Non-firm distributed generation curtailment obligations

This product has identified and assessed options for the trading of curtailment obligations by non-firm generation with other relevant parties (including demand and/or generation).

### 1.2 Product 2: Exchange of capacity between users with non-curtable capacity

This product will provide recommendations on the extent to which the principles developed under Product 1 can be amended in order to be applied to the exchange of capacity between users with non-curtable capacity. Where possible, the principles established under Product 1 will be modified to enable deployment for the exchange of capacity.

#### 1.2.1 Distribution Context

Large distribution connected users<sup>1</sup> currently have a maximum import capacity (MIC) and/or maximum export capacity (MEC) defined in a connection agreement with the network operator. The connection agreement will also specify the extent to which the user can expect to be curtailed – for example, the curtailment obligations of users connected to Active Network Management (ANM) schemes will be detailed.

The only way in which a user can increase its MIC and/or MEC is by requesting an increase from the network operator. Product 2 seeks to enable a user to increase its MIC and/or MEC by exchanging with another user.

It only considers those users with no curtailment obligations (i.e. those who will only ever be curtailed under unplanned fault conditions). This is an intentional simplification to enable principles to be developed and considered in a relatively simple scenario.

#### 1.2.2 Transmission Context

Transmission connected generators currently have a transmission entry capacity (TEC) agreed with the Electricity System Operator (ESO). Transmission connected demand customers do not have a defined capacity but are restricted by the physical capability of the network.

Mechanisms exist in the Connection and Use of System Code (CUSC) for the temporary exchange of TEC but these are rarely used. Product 2 will consider whether the principles established for the

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<sup>1</sup> Typically those with current transformer (CT) metering have maximum capacities defined in a connection agreement, whilst those with whole current (WC) metering do not. CT metering is typically in place for customers with capacity above around 55kVA.

exchange of capacity between non-curtable distribution-connected users could also apply for the exchange of TEC and for transmission connected demand.

### 1.2.3 Product Scope

<b>Inclusions</b>	<ul style="list-style-type: none"> <li>Describe current arrangements (baseline)</li> <li>Investigate reasons for low utilisation of TEC exchange – can lessons be learnt for the definition of this product</li> <li>Consideration of the applicability of principles established under Product 1</li> <li>Establish principles for exchange of capacity based on principles from Product 1 where possible</li> <li>Consider feasibility of exchanges across network boundaries, including IDNOs</li> <li>Definition/visibility of constraints and when this is made available to users</li> <li>Consideration of timeframe for exchanges (short-term or permanent and when exchanges can happen)</li> <li>Consideration of network companies’ and ESO role in facilitation of exchanges</li> <li>Consideration of risks and potential unintended consequences of capacity exchanges, including possibilities for gaming</li> <li>Reference to work being conducted elsewhere</li> <li>Consideration of use of trials to assess outcomes</li> </ul>
<b>Exclusions</b>	<ul style="list-style-type: none"> <li>Exchange of curtable access rights</li> </ul>
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Assumes current network charging and access arrangements (i.e. not considering changes proposed under the SCR)</li> </ul>
<b>Constraints</b>	

### 1.2.4 Product Activities & Timeline

Product Activities		Timeline	Deliverable	Stakeholder Engagement	Approval
A	Describe current arrangements including the options available to customers for exchange of capacity	Jun 19	Report section	n/a	
B	Investigate possible reasons for low uptake of TEC exchange. Identify issues with current arrangements to be addressed under this product.	Jun 19	Report section	Engage with users who have used TEC exchange	
C	Consider the applicability to this product of the principles and rules established for trading of curtailment obligations under Product 1.	Jun 19	Report section	n/a	
D	Define the principles to facilitate the exchange of capacity, building on Product 1 where possible. To include, but not limited to: <ul style="list-style-type: none"> <li>Visibility and frequency of information sharing,</li> <li>Exchange rules,</li> <li>Pricing and competition guidelines,</li> <li>Others (as yet undefined)</li> </ul>	Jul 19	Report section	n/a	

Product Activities		Timeline	Deliverable	Stakeholder Engagement	Approval
E	Provide early view of principles for capacity exchange to TRANSITION and project LEO <sup>2</sup> for inclusion in 'war gaming'	Jun 19	Solution development	n/a	
F	Develop hypothetical use cases for testing principles	Jul 19	Solution development	n/a	
G	Test principles and rules against hypothetical use cases and revise principles, where appropriate	Jul 19	Solution development	n/a	
H	Evaluation of principles (e.g. through 'war gaming') based on TRANSITION/LEO	Summer 19	Solution Evaluation	Possible inclusion of stakeholders in projects	
I	Consider potential refinements following project TRANSITION/LEO, in particular to clarify: <ul style="list-style-type: none"> <li>• Exchange across network boundaries (including IDNOs and TEC exchange for distribution connected customers with TEC)</li> <li>• Role of network companies</li> <li>• Rules and compliance obligations and changes to contracts</li> <li>• Risks of unintended consequences</li> </ul>	Autumn 19	Report section	n/a	
J	Report/consultation complete and shared with Stakeholders	End 19	Publishable report / consultation	Report shared as widely as possible	

### 1.2.5 Dependencies

Body of work	Input/output Required	When
Project TRANSITION/LEO	Meaningful output from project TRANSITION and project LEO required to enable full development of solution.	Summer 19
Stakeholders' engagement	Development and usefulness of solution is reliant on engagement from well-informed stakeholders, whose time and expertise is already in demand for other areas.	Autumn 19

### 1.2.6 Delivery against Guiding Principles

Guiding Principles	How this product is delivering against them
Arrangements support efficient use and development of network capacity	Exchange of capacity may enable access to be allocated to those users who value it most, and may create incentives for users to give up unused capacity. However, there is a risk of users being incentivised to hold onto unused capacity in anticipation of future exchange value – this and other possible unintended consequences need careful consideration.

<sup>2</sup> <https://ssen-transition.com/>

Guiding Principles	How this product is delivering against them
Arrangements reflect the needs of consumers as appropriate for an essential service	Capacity exchange will only be enabled between larger distribution connected users (those with an explicit capacity defined in a connection agreement) and transmission connected users, and so will not directly impact smaller users.
Any changes are practical and proportionate	To be assessed as product develops – dependent on implementation costs.

### 1.3 Product 3: Queue Management

This product will be defined and developed under the Open Networks Project. The Product Description can be found in the Open Networks Product Initiation Document on the ENA website. The Product Reference is Product 2 within Customer Information Provision & Connections workstream (WS2).

### 1.4 Product 4: Active Network Management Charging

This product has developed a consistent approach across all DNOs for charging associated with Active Network Management (ANM) schemes.