

## Charging Issues Standing Group

### Actions & Issues from the Thursday 18<sup>th</sup> January 2007 Meeting

#### Actions from the Wednesday 27<sup>th</sup> September 2006 CISG Meeting

1. **There were no actions from the previous CISG meeting.**

There were no comments on the Summary Report produced. This is available on the National Grid charging website.

<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

#### CISG Meeting on Thursday 18<sup>th</sup> January 2007

2. **GB Charging Conditions**

National Grid provided an update of the GB Charging Conditions. In summary, all of the conditions have now been met by National Grid, with the exception of Conditions 2 and 4 which relate to the calculation of the incremental cost of capacity and long-term fixed access products respectively.

Conclusions reports for both conditions have been furnished to the Authority and National Grid anticipates that a response will be forthcoming in January 2007.

*Post-Meeting Note: Ofgem confirmed that the requirements of charging conditions 2 (incremental cost of capacity) and 4 (long-term fixed access products) have been met on 22 January 2007.*

3. **Adjustment of Seven Year Statement Transmission Entry Capacity data for calculating 2007/8 TNUoS tariffs**

National Grid presented the details of the consultation document regarding the generation background to be used in the DCLF ICRP Transport Model to calculate TNUoS tariffs for 2007/8, which was published on Monday 8<sup>th</sup> January. The deadline for responses is Friday 19<sup>th</sup> January 2007, reflecting a shorter consultation period than the standard 28 days to facilitate implementation prior to the publication of 2007/8 tariffs within the timescales set out in the transmission license.

The presentation can be found on the National Grid Charging website.

<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

In summary, the current Use of System Charging Methodology is used to calculate TNUoS tariffs based on the contracted generation position at the time of publication of the October update to the GB SYS in the preceding charging year. Essentially, tariffs are therefore calculated using an information dataset based on the best information available six months prior to the beginning of a charging year. This allows the publication of indicative and final tariffs in line with the timescales determined by National Grid's licence obligations.

Although there is potential for the dataset to change between October and the beginning of the charging year which would not normally be accounted for in the

calculation of tariffs, this has not historically represented a problem in terms of calculating tariffs which are cost reflective. The calculation of 2007/8 TNUoS tariffs however, has presented National Grid with thus far, a unique set of circumstances.

Subsequent to publication of the October update to the GB SYS, National Grid was notified of changes to the contracted generation position upon which tariffs will be calculated for the 2007/8 charging year, with three significant generation projects delaying their respective commissioning dates via modification applications. A combination of the magnitude and location of these generation projects prompted National Grid to consider whether the indicative tariffs already calculated based on the data contained in the October update to the GB SYS would meet National Grid's license objective of producing tariffs for 2007/8 which are cost reflective.

The consultation invites industry views on whether it would be more appropriate to omit these generation projects from the tariff calculation process on a one-off basis for 2007/8, with a view to consulting later in the year on modifying the Use of System Charging Methodology to cater for future occurrences. National Grid highlighted the impact that such an action would have on demand and generation tariffs, in addition to some minor amendments that would be required to the 2007/8 generation zones in the three locations.

One industry attendee questioned whether, if these generation projects are to be omitted, the inclusion of the Pembroke generation zone was consistent with the conclusions of the generation zoning consultation which was presented at the October TCMF meeting.

**Action: National Grid to consider whether a Pembroke generation zone should be included if these generation projects are to be omitted**

The consultation document can be found on the National Grid Charging website.  
<http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

#### **4 Charging Arrangements for SQSS Design Variations**

National Grid highlighted that the Authority are currently undertaking an impact assessment regarding National Grid's proposals for the modification of the charging arrangements for SQSS design variations, with the deadline for industry responses being Friday 26<sup>th</sup> January, 2007. The deadline for non-veto of the proposals is Friday 16<sup>th</sup> February, 2007.

The impact assessment can be located on the Ofgem Website.  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152\\_215\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152_215_06.pdf)

#### **5 AOB**

##### **Offshore charging arrangements**

National Grid presented some illustrative examples of how TNUoS tariffs might be calculated for some offshore generation projects if the proposed modification for design variations were to be applied to offshore. It was noted however, that the illustrative discounts included in the examples are based on those calculated for onshore and island connections and would require further calculation for offshore connections. The presentation can be found on the National Grid charging website.

<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

It was also noted that OTEG have recommended a move from 1320MW to 1500MW as the limit for offshore projects to have a double circuit connection. This is due mainly to the fact that all offshore connections will be wind projects which are unlikely to operate at full output. The cost-benefit analysis undertaken to determine the limit of offshore generation that could be connected to a single-circuit when considering the costs of reserve and response to that of providing an additional circuit, has not yet been published. National Grid agreed to investigate as to when this information will be made available.

**Action: National Grid to investigate the publication of the cost-benefit analysis.**

#### **Inter-TSO Compensation (ITC) Scheme**

An attendee enquired as to the current position regarding the implementation of an ITC scheme. National Grid noted that there remains a great deal of uncertainty regarding the scheme and could therefore not provide any further information at this time.

**Date of next meeting:** Tuesday 13 March at National Grid House, Warwick.