

## GB Transmission Charging Methodologies Forum

### Draft Meeting Report: 10 December 2007

*This report outlines the key discussions and actions of the GB TCMF meeting. All presentations, agendas, meeting notes and future meeting dates are available at the TCMF web page of the National Grid Industry Information website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF>*

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#### ATTENDEES

Chris Bennett	National Grid (Chair)	Nigel Fox	National Grid
Hêdd Roberts	National Grid	Aileen McLeod	SSE
Patrick Hynes	National Grid	William Kirk-Wilson	National Grid
Laura Jeffs	Centrica	Paul Jones	E.ON
Sarah Jukes	National Grid	Michael Dodd	Ofgem
Mathew Hofton	National Grid	Anthony Mungall	Ofgem
Craig Maloney	National Grid	Andy Manning	RWEnpower
Graeme Cooper	BWEA	James Anderson (by phone)	ScottishPower
Louise Schmitz	British Energy	Peter Waghorn	Cornwall Energy Associates

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#### 1 Actions from previous meeting

**Action:** The meeting agreed the Minutes and Actions, these can be located on the website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF>.

#### 2 **Current Charging Issues**

- **Condition 5 – Forecast of TNUoS tariffs**

William Kirk-Wilson provided an overview of the recently published condition 5 paper. The paper and the data sets are available on the website<sup>1</sup>. It was clarified that the report focuses on the differentials derived from the transport model rather than the absolute tariff (differential + residual). SSE queried the level of variance due to Transmission incentives, National Grid indicated that this was relatively minor – the main change year on year in revenues was due to the ‘x’ factor that leads to annual increase of 2% above RPI.

William presented an overview of the main forecast changes for each year. The common theme was that material changes in tariffs were expected either when large generators connected to the periphery of the transmission system, or significant transmission system reinforcements were commissioned.

National Grid confirmed the indicative tariffs for 2008/9 are expected to be released on 24<sup>th</sup> December. A number of specific changes were discussed and this highlighted how a change in the direction of flow in the base case can have a significant (and justified) impact from an incremental MW derived from the transport model, thus whether the tariff increases or decreases. It was also noted that a key benefit of Condition 5 data sets and a simple, transparent model is that users can predict charge changes themselves. It was further noted that the generation used was contracted, so it included

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<sup>1</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/gbchargingapprovalconditions/5/>

new units but did not provide a good indication of generation closures – this information is currently only available at very short notice.

William described the format of the report and that the scenarios included allowed users to modularise the various scenarios. William requested feedback on the usefulness or otherwise of the various aspects of the report to allow it to be improved in future years.

- **Offshore**

Hêdd Roberts gave a presentation on the recent Offshore pre-consultation. The three main issues covered in the pre-consultation were: definition of connection boundary, use of specific or generic expansion factors and the treatment of HVDC. Hêdd discussed the responses; the pro and cons on each issue were presented and discussed. The forthcoming consultation will not cover embedded transmission as Ofgem have recently set up a separate group to discuss this specific issue. Following consideration of the responses to the pre-consultation National Grid's view on the three issues was presented as:

- Boundary: LV busbar
- Expansion factors: Initially specific with a locational non-locational split, with an enduring aspiration to move to generic
- HVDC: Specific Expansion factors, including convertor station costs

Hêdd noted that each node was expected to form a separate zone given the likely expansion factors and the zoning criteria. Aileen Mcleod queried the read across to the Scottish Island connections, Hêdd agreed there was strong read across and would consider if this could be made clear in the forthcoming consultation.

**Action: National Grid to consider read across to Scottish Island connections.**

- **SQSS Design variations**

Hêdd gave a presentation covering the recent consultation, the responses and National Grid's thoughts on the issues raised, along with the next steps. In particular, Hêdd discussed the 'other' issues raised by respondents. In terms of the proposals the responses were broadly split between those that feel the proposals are appropriate (a discount consistent with the charge) and those who felt that a sharper discount was required (in order to influence behaviour).

Hêdd reviewed why a TNUoS based methodology did not provide sharp discounts for local assets. National Grid indicated it was considering the way forward in light of the responses. These suggested that in order to provide a sharper discount then a sharper local charge may be required. This would involve developing a charge that related to 'local assets'. National Grid noted that this approach may mean that the level of absolute charges to some generation customers may actually increase. It was noted that this is also being considered under the access discussions and consistent with the Offshore (and possibly Island) proposals, however such a significant change could not be developed and implemented by April 2008. There was broad support for a review of the charging and discount arrangements for local assets from both sides of industry opinion. However, it was noted that this should not erode the main benefits of the 'plugs' methodology.

Andy Manning queried how much revenue National Grid collects as a result of the locational element of the model. National Grid noted that revenue recovery was not the objective of the transport model however it would confirm the revenue splits.

**Action National Grid: Confirm the revenue splits in the transport and tariff models**

Given the support for a wider review of charges the possibility of 'interim' arrangements were discussed.

Discussion took place on whether users actually had a choice of single or double connection, given that the driver for single circuit was from the TPCR and BCAs were already signed. National Grid noted a discussion with users on the ability to move to a double circuit connection. National Grid noted that many of the connections either existing or planned, were either pre-BETTA or part of the wider connection process initiated through the BETTA connection policy decisions, nevertheless, National Grid believed it appropriate to provide a discount whilst recognising that this must be consistent with charges.

Aileen noted that the most important issue was that users choosing connection have the appropriate signal. National Grid noted that Users are likely to look to future charges not any interim measure that they are unlikely to be subject to. Paul noted that options 2 and 3 as present appeared to put the incentive first (over the charge) although recognised that option 2 was less likely to undermine the charge, but would still have an impact. National Grid noted option 2 limits the possibility of undermining the locational signal so could be possibly be implement with generic substation discount. Paul noted that substation costs were split 27:73 in the methodology and applied through the residual. Aileen indicated that it may be not be approparite to change the methodology for next year (pre-empting the final solution), however something had to be implemented to recognise the benefits (through other arrangements e.g. Cap 48 payments). Paul agreed that as a fallback there should be no change next year.

- **ITC**

Patrick Hynes gave a presentation on the current status of the ITC mechanism. National Grid have joined a voluntary ETSO agreement with all other TSOs (39 TSOs in 27 countries). This agreement is supported by the commission (to prevent the introduction of border fees). A condition of the agreement was that all TSOs were granted permission by their Regulators, this includes Ofgem. The presentation covered the reasoning behind the agreement and why National Grid believed it was in GB interests to join and the materiality of joining or otherwise. The presentation highlighted the need for a revenue change (exact process yet to be agreed with Ofgem) on which a term already existing in National Grid's licence. Possible changes to the charging methodology to take account of funding for transited assets and the probable impact on interested parties were also discussed. National Grid indicated it intended to discuss exact proposals at the next CISG.

- **AOB**

**3 Events before Next Meeting**

It was noted that future dates for both the TCMF and CISG were yet to be confirmed.

**Post Meeting Note:**

Future dates for industry meeting have subsequently been confirmed as follows:

<b>TCMF</b>	<b>CISG</b>
Friday 22 February, 2008	Thursday 31 January, 2008
Tuesday 29 April, 2008	Wednesday 26 March, 2008
Wednesday 18 June, 2008	Wednesday 28 May, 2008
Wednesday 27 August	Monday 28 July, 2008
Tuesday 28 October, 2008	Tuesday 23 September, 2008
Monday 22 December, 2008	Tuesday 18 November, 2008

All meeting will take place at National Grid House, Warwick.

**4 Any Other Business**

Paul requested that National Grid provide a presentation at the next TCMF on the arrangements for deciding how charges are apportioned to one off and miscellaneous charges and the difference between these two.

**Action on National Grid to provide a presentation covering 'one offs' and miscellaneous charges**

- **Date of Next Meeting:** CISG, Thursday 31 January at National Grid House, Warwick.

**End of Report**