

Developmental GB Transmission Charging Methodologies Forum

14 March 2005 – Brandon Hall Hotel, Coventry

Meeting Report

This report outlines the key discussions held at the latest Developmental GB TCMF meeting. Full minutes of the meeting will be agreed at the next meeting, prior to being published on the website.

GB Charging Issues

❖ Ofgem Decision

Ofgem presented the Authority's recent decision to approve National Grid's revised proposals for a GB Charging Methodology. With regard to the TNUoS methodology, Ofgem confirmed that five conditions had been attached to the approval. Three of these conditions relate to maintaining cost reflectivity whilst the latter two conditions concerned facilitating competition. The first condition on approval related to the issue of negative demand charges. The condition obliged National Grid to invite view, consult on and propose an alternative way of addressing negative demand charges, with proposals for implementation expected no later than April 2006. The second condition required National Grid to identify, review and assess further technical basis for modelling assumptions regarding the incremental cost of capacity. Again, similar to Condition 1, a two-year time line has been imposed with reporting requirements to rest with NGC. The third condition related to the treatment of intermittent generation in the DCLF model, with a two-year time line imposed. The provision of longer term charging options was the fourth condition with the fifth and final condition relating to the publication of longer term information on possible paths of tariffs under different scenarios. Timelines for the fourth and fifth conditions were two-years for the former with a one-year timeline on the latter. It was noted that two of the five conditions attached to the approval required a change to the methodology with the remaining three conditions solely relating to a review. With regard to the GB Connection Charging methodology, the Authority confirmed that NGC's September 2005 proposal was approved with the condition that site specific maintenance is reviewed within two years. The Authority also reported that no conditions had been attached to the GB BSUoS methodology but expected that NGC will keep the case for and against locational BSUoS under review.

❖ Next Steps

National Grid confirmed that Statements for the Charging methodologies and Statement for the Use of System Charges had been published for Industry comment in February and March 2005. A full set of updated Statements with Industry comment are being prepared to be sent to Ofgem for approval at the end of March.

❖ Charging Issues Standing Group (CISG)

National Grid reported on the proposed Charging Issues Standing Group which is expected to convene on 23 March 2005. National Grid identified six possible issues for discussion at the first meeting which included Non Half Hourly and Half Hourly Demand switching, charging for one-offs and the charging regime for the STTEC product. National Grid noted that options for progressing these issues would be discussed at the May TCMF. The TCMF also approved the assessment of these issues and the scope of CISG's work over the next few months.

❖ Current E & W Charging Issues

National Grid presented an overview of the Assistance for Areas with High Distribution costs (Hydro Benefit Scheme). National Grid confirmed that the scheme is expected for implementation on 1 April 2005, with £41.95m to be collected from GB suppliers on a quarterly basis. The 2005/06 tariff expected for suppliers is 0.013 p/kWh.

❖ European Charging Issues

National Grid reported a brief update on European charging issues, highlighting that the EU have commissioned consultants to recommend the type of Inter TSO Compensation scheme to be adopted from 2006.

❖ Date of Next Meeting

The next meeting is scheduled for 12 April 2005.