

# GB Transmission Charging: Initial Methodologies consultation

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# GB Transmission Charging Initial Methodologies

- Second in a series of GB Charging consultations
- Initial Thoughts consultation closed February 2004, provided illustrative tariffs resulting from sensitivities analysis
- Initial Methodologies consultation published 8 April 2004
- Responses received to Initial Thoughts discussed in April consultation
- Some responses covered issues outside scope of Initial Methodologies consultation (Section 4.1)

# GB Connection Charging

- Based on existing E&W connection charging methodology
- Ownership boundaries will be established in Bilateral Connection Agreements
- NGT has asked Ofgem to consider a review of Site Specific Maintenance and contestable maintenance charging arrangements
- NGT proposing an SSM charge based on a simple percentage of GAV based on forecast GB maintenance costs
- NGT proposes a single GB Transmission Running Cost Factor, based on published price control operating expenditure values

# GB TNUoS Charging (1)

- Based on existing E&W methodology
- GB SYS data will be used to derive nodal and network data for the DCLF model
- Two scenarios for usage of multi-voltage expansion factors:
  - Scenario A: Application of single GB 400kV expansion constant to all circuits, to fulfil objective of facilitating competition
  - Scenario B: Application of 400kV expansion constant to proportion of 132kV circuits likely to be uprated to 400kV, with multi-voltage factors retained for all other circuits, to provide cost reflectivity

# Expansion Constants - Facilitating Competition

- Scenario A: Application of single GB 400kV expansion constant to all circuits, to fulfil objective of facilitating competition
- Addresses issues of stability and predictability of tariffs against an uncertain background
- Highest transmission voltage selected to avoid overstating 400kV
- Illustrative tariffs & zones - 20 Gen Zones (5 in Scotland)

# Scenario A: Generation Tariffs

Zone	Zone Name	GB Zonal Tariff (£/kW)
1	Peterhead & Northern Highland	16.53
2	Skye & Western Highland	15.75
3	Central Highlands	13.45
4	Central Belt	11.94
5	Borders	10.05
6	Northern England	8.71
7	Humberside	5.10
8	North West England	5.50
9	Pennines & North Wales	3.55
10	Dinorwig	10.11
11	Anglesey	6.69
12	East Anglia and Estuary	1.82
13	West Midlands	1.51
14	South Wales	-3.05
15	Outer London & Dungeness	0.15
16	Seabank	-2.04
17	Central London	-6.76
18	South Coast	-1.74
19	Wessex	-4.43
20	Peninsula	-7.91

# Scenario A: Demand Tariffs

<b>Zone</b>	<b>Zone Name</b>	<b>GB HH Zonal Tariff (£/kW)</b>
1	Northern Scotland	1.27
2	Southern Scotland	4.45
3	Northern	7.69
4	North West	11.44
5	Yorkshire	11.61
6	N Wales & Mersey	11.95
7	East Midlands	13.84
8	Midlands	15.55
9	Eastern	14.25
10	South Wales	19.32
11	South East	17.27
12	London	19.67
13	Southern	18.73
14	South Western	21.16

# Expansion Constants - Cost Reflective

- Scenario B: Application of 400kV expansion constant to proportion of 132kV circuits likely to be uprated to 400kV, with multi-voltage factors retained for all other circuits, to provide cost reflectivity
- 20% of GB 132kV considered for uprating
- 132kV expansion factor based on 80/20 weighting between 132/400kV
- Illustrative tariffs & zones - 23 Gen Zones (8 in Scotland)

# Scenario B: Generation Tariffs

Zone	Zone Name	Zonal Tariff (£/kW)
1	Peterhead	19.22
2	Northern Highland	21.72
3	Western Highland	19.22
4	Skye & Quoich	17.53
5	Central Highlands	14.83
6	Argyll, Bute & Angus	12.99
7	Central Belt	11.43
8	Borders	9.30
9	Northern England	7.41
10	Humber-side	3.82
11	North West England	4.16
12	Pennines & North Wales	2.17
13	Dinorwig	8.67
14	Anglesey	5.25
15	East Anglia	1.10
16	West Midlands	0.12
17	South Wales & Gloucs	-3.96
18	Oxon & Bucks	-1.85
19	Estuary	-0.04
20	Central & SW London	-8.23
21	South Coast	-3.12
22	Wessex	-5.84
23	Peninsula	-9.33

# Scenario B: Demand Tariffs

<b>Zone</b>	<b>Zone Name</b>	<b>GB HH Zonal Tariff (£/kW)</b>
1	Northern Scotland	0.07
2	Southern Scotland	5.44
3	Northern	9.26
4	North West	12.88
5	Yorkshire	13.01
6	N Wales & Mersey	13.46
7	East Midlands	15.33
8	Midlands	17.13
9	Eastern	15.55
10	South Wales	20.62
11	South East	18.66
12	London	21.07
13	Southern	20.15
14	South Western	22.68

# Expansion Constants - Next Steps

- Not clear which option better meets all the relevant objectives
- Review responses to consultation
- Seek guidance from Ofgem regarding which option to adopt

## GB TNUoS Charging (2)

- Proposal to cease modelling circuits with spare capacity
- All directly connected generation and all licensable generation capable of exporting more than 100MW will be included within the generation charging base
- Concerns raised over increasing number of Grid Supply Points exporting onto transmission system, due to increase in level of embedded generation
- Existing E&W generation zoning criteria will be used for GB
- Single GB security factor to be used, potentially using “least squares fit” approach. Initial Methodologies used factor of 1.83.

## GB TNUoS Charging (3)

- Negative demand charges should be avoided. NGT proposes to adjust G/D split to achieve this, if necessary.
- GB BSUoS charges will be based on E&W methodology, taking account of any changes to SO incentive scheme under BETTA

# GB TNUoS Charging (4)

- DTI's Renewable generation conclusions published March 2004:
  - Some renewable generators to receive discount on generation TNUoS
  - Revenue to be recovered from GB demand users via p/kWh commodity charge
  - DTI to consult further on scale and scope of discount scheme
  - Included within Energy Bill, implementable by Government order

# GB TNUoS Charging (5)

- Hydro Benefit subsidy ceased in January 2004:
  - Subsidy to protect consumers from higher costs of distribution in northern Scotland
  - DTI believes distribution costs should continue to be subsidised
  - GBSO to pay subsidy and recover costs from GB suppliers through p/MWh “GB Demand Commodity Charge”
  - To be included within Energy Bill, implementable by Government order
  - Estimated 0.013p/kWh

# Additional Charging Issues

- Ofgem/DTI's Small Generator Issues conclusions published May 2004:
  - Proposed rebate on residual element of Generation TNUoS for “small” generators
  - Scheme to run for 3 years from BETTA go-live
  - Implemented through stand-alone Transmission Licence condition
- Access to GB transmission system: Ofgem open letter of 4 May instructed NGC to undertake consultation on access rights
- Possible reconciliation of E&W over/under recovery to E&W Users

# Energy Bill

- Following completion of House of Lords stages, Energy Bill received 1st Reading in House of Commons on 22 April 2004
- Energy Bill, published on 22 April, is available on the Parliament website:
  - <http://www.parliament.uk>
- Energy Bill received 2nd Reading in HoC on 10 May 2004
- Once HoC stages complete, Bill may return to HoL for further review, if amendments made
- Once two Houses agree text of Bill, it is submitted for Royal Assent and then becomes an Act

# Next Steps

- Closing date for Initial Methodologies consultation is 21 May 2004
- Non-confidential responses to be published on GB Charging website
- Review responses and consider Ofgem guidance on expansion constants
- Update illustrative tariffs as GB revenue clarified
- GB Transmission Charging Methodologies to be published for 28 days' consultation on 1 September 2004 (after appointment of GBSO & activation of transitional licence conditions)
- Ofgem approval to be sought after industry consultation