

GB Charging Condition 1 - Negative Demand Charges

TCMF 08 July 2005

Background

- Condition 1 - NGC requested to invite views and to consult on alternative methods of addressing the issue of negative demand charges
- Proposal to be implemented by April 2006
- Questionnaire published on 27 May 2005 to gauge industry views
- Five alternative options presented

Responses

- 18 responses received
- 11 respondents favoured Option v - Removal of negative demand charges by altering the G:D split
- 2 respondents supported Option i - Negative demand charges with existing charging basis [need to update for nPower response]
- 3 respondents supported the existing methodology of collaring demand tariffs
- 1 respondent supported either of Options i - iv

Option v - Removal of Negative Demand by altering the G:D Split

- 9 respondents commented that Option V would not affect system security
- General view of Option V having a positive impact on embedded generation as the incentive to generate at system peak remains
- Notice periods:
 - 4 respondents favoured a 6 month notice period
 - 1 respondent favoured at least a 4 month notice period
 - 1 respondent suggested 3 months would be sufficient
 - 3 respondents commented that the current 3 month notice period would be acceptable

Option v - Removal of Negative Demand by altering the G:D Split(2)

- Phased implementation - Varied responses
 - 2 respondents favoured a phased move to $G = 0$ over 5 years
 - 2 respondents suggested implementation over 3 years
 - 3 respondents suggested implementation over 2 years
 - 2 respondents requested immediate implementation!
- General perception of minimal impacts on current contractual arrangements and billing systems

Option (vi) - Support for current methodology

- 3 respondents supported the existing methodology of having a zero minimum demand charge
- 2 of these respondents noted that there would be no effect on embedded generation and existing system security incentives would be maintained
- 2 respondents commented that at least 12 months notice periods would be required to implement any alternative options

Option (i) - Negative Demand Tariffs with existing charging bases

- 2 respondents favoured option (i) on the basis that it gives an effective means of encouraging industry to reduce consumption at peak demand
- The respondents suggested that there would be no system security implications and no effect on embedded generation
- Notice periods for alternative methodologies were suggested as at least 12 months whereas one respondent commented that adequate notice period would be required.

Least Preferred Options

- 3 respondents were against any option which retained negative demand charges (Options (i) - (iii))
- 1 respondent stated Option (i) was the least preferred Option
- 4 respondents least preferred Option (iii) on grounds of the removal of security of supply drivers
- 3 respondents least favoured Option (iv)
- 1 respondent was against any Option which removed the Triad as the basis for charging.
- 1 respondent did not support Option v on the basis of it being an inappropriate response to the issue

Other Issues..

- Phased implementation only supported for Option v
- Adequate notice periods requested for implementation of alternative Options to remove negative demand charges
- General view of proposed solution should be robust against all possible future price changes