

European Tariff Harmonisation

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Background

- EU Regulation 1228/2003 comes into force 1 July 2004
- Concerns conditions of access for cross-border exchanges in electricity
- Possible impact on NGC's charging regimes

Regulation

- Article 3(1) states that TSO's are entitled to receive compensation for costs incurred as a result of hosting cross border flows
- Article 3(2) & 8(2) mention a CBT regime which is likely to provide the method by which compensation payments will be made
- Until the the guidelines envisaged in Article 3(3) & 8 have been agreed and are effective UK TSO's will see no change to their charging arrangements
- CBT charging arrangements post accession will be dealt under the committeeology procedure set out in Article 8.

Regulation (2)

- Article 4 deals with charges for access to networks on assumption that “appropriate & effective locational signals are in place” – article 4(4)
- Article 4(5) prohibits a “specific” charge being applied for declared transits
- NGC’s TNUoS & BSUoS charges are applied to all users and are not specific to Interconnector Users
- From 1 July, NGC considers that it will be entitled to levy charges on Interconnectors under the existing charging rules without amendment

Current Thoughts

- Once UK is part of CBT the TNUoS charges to Interconnectors will be reviewed and changes will be consulted on and approved by Ofgem
- TNUoS Charge: Considering the removal of the non-locational element
- BSUoS Charge: No change

Initial Draft Guidelines on Tariff Harmonisation

- Article 8(3) provides for “appropriate rules leading to a progressive harmonisation of the underlying principles for the setting of charges”
- Initial draft guidelines describing harmonisation of use of system charges for generators proposes that:
 - G charges would be harmonised on the basis of ‘National Average G’ within a specified range
 - **Member States are able to have locational variations around average G charges**
 - UK would have its own range max of 1.3€/MWh until 31/12/2008 (clarification is being sought on the origin of this data)
- EU intention is to move to $G=0$ over time (initial central europe G range would be 0 to 0.5€/MWh)