

Transmission Access Distribution Issues

Presentation to the TASG

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TRIAD TNUoS Replacement

- Who buys, sells and trades the access rights?
- Who are the players and what are their contractual obligations and relationships?
- What are the implications for National Grid's investment decisions and Price Control cost recovery?
- Suppose Transmission Access is traded through the Distribution System Operator (DSO).....

Two Options for Charging

- Option One - straight pass through to DUoS and or connection charges.
- Option Two - targeted charges to ensure locational price messages are retained.

Issues – Option One

Straight Pass Through (1)

- Transmission locational price messages will not reach Customers or Users (Generators and Suppliers).
- Customers are keen to retain TRIADS.
- No incentive for DSO to minimise charges.
- Extra step in supply chain:
 - No added value
 - Reduced transparency.

Issues – Option One

Straight Pass Through (2)

- Does not satisfy OFGEM Feb2002 document:
section 4.14 TRIAD replacement
section 4.23 greater demand side participation
section 4.26 key elements regarded as essential
section 4 generally.
- Does not satisfy TASG terms of reference.

Issues – Option Two

Targeted Charges (1)

- How does the DSO know what Customers and Users want and how will the DSO bid?
- Higher DSO costs for:
 - (i) Trading
 - (ii) Participation in access imbalance and settlement
 - (iii) Data processing/communication with Users and National Grid System Operator
 - (iv) Forecasting.

Issues – Option Two

Targeted Charges (2)

- Change from DSO as asset managers to ambiguous role as asset operator and trader.
- DSO will seek higher rate of return to cover new trading risk.
- Extra step in supply chain – costs would be passed through to end users.

Issues – Option Two

Targeted Charges (3)

- Reduces transparency.
- No greater precision than GSP group.
- Co-ordination with Licence, Grid Code and Distribution Code.

Issues – Option Two

Targeted Charges (4)

- DSO incentives required to target and minimise charges = more complexity.

Issues – Option Two

Targeted Charges (5)

- Impedes progress towards OFGEM Feb2002 document objectives:
 - section 4.14 TRIAD replacement
 - section 4.23 greater demand side participation
 - section 4.26 key elements regarded as essential
 - section 4 generally.
- Does not satisfy TASG terms of reference.

Summary- Straight Pass Through

- Straight pass through is easy but does not achieve OFGEM and TASG objectives.
- Does not better meet the Applicable CUSC Objectives:
 - (a) the efficient discharge by National Grid of the obligations imposed on it by the Act and the Transmission Licence
 - (b) Facilitation of competition in the generation and supply of electricity.

Summary- Targeted Charges

- Targeted charges through DSO increases costs and complexity, reduces transparency and impedes OFGEM and TASG objectives.
- Does not better meet the Applicable CUSC Objectives:
 - (a) the efficient discharge by National Grid of the obligations imposed on it by the Act and the Transmission Licence
 - (b) Facilitation of competition in the generation and supply of electricity.