

GB Transmission Charging Methodologies Forum

Meeting Report: 29 September 2005

This report outlines the key discussions and actions of the GB TCMF meeting. All presentations, agendas, meeting notes and future meeting dates are available at the TCMF web page of the National Grid Industry Information website at: <http://www.nationalgrid.com/uk/Electricity/Charges/chargingforum/>

ATTENDEES

Malcolm Taylor	Association of Electricity Producers (Chairman)	Stefan Leedham	Chemical Industries Association
Jan Gascoigne	National Grid (Secretary)	Stephen Moore	EdF Energy
Stuart Easterbrook	National Grid	Steve Drummond	EdF Trading
Adam Brown	National Grid	Simon Lord	First Hydro
Craig Maloney	National Grid	David Porter	KEMA
Kevin Lee	National Grid ICB	Shona Watt	Npower
Colin Sausman	Ofgem	Frank Prashad	RWE Npower
Bob Brown	Cornwall Energy	Mike Harrison	Scottish Power UK Division
Gayle Cairns	British Energy	Robert Longden	Airtricity
Pat Wormald	CE Electric UK	Dan Jerwood	Gaz de France SS
Sarah Owen	Centrica		

1 Actions from previous meeting

Action: Meeting agreed the Actions and these will be placed on the website.

CAP094 – Limited Duration TEC: Sent for further consultation by the CUSC Panel on 23 September 2005.

2 GB Charging Conditions

❖ Conditions on Methodology Approval

Stuart Easterbrook presented an update on the progress of the GB charging conditions

- **Condition 1- Negative Demand Charges**

The report is to be published on 30 September 2005 with implementation issues for the stage two mechanism (wider charging base) to be discussed at the CISG Meeting on 2 December 2005.

Action: Presentation to be placed on National Grid website.

- **Condition 2 – Incremental Cost of Capacity**

There was general agreement with National Grid's conclusions from the Transparency Workshop held on 22 September:

- No significant holes identified in the methodology
- Level of transparency was generally good
- Clear route to discuss issues with National Grid

National Grid would take forward the areas identified at the first workshop, with initial steps discussed at the CISG Meeting on 2 December.

Action: Presentation to be placed on National Grid website.

- **Condition 3 – Intermittent Generation**

15 responses to the questionnaire were received and presented at the CISG meeting on 9 September 2005.

National Grid to discuss Security and Quality of Supply Standards (SQSS) with other transmission licensees and consider options for modelling low load factor plant in the transport and tariff models. Progress to be discussed at the CISG in January 2006. A report back from the DTI/UMIST/Bath work currently being undertaken will also be discussed at the CISG meeting in January.

Colin Sausman is to report back on governance of SQSS.

Action: Presentation and responses to be placed on National Grid website.

- **Condition 4 – Long-Term Fixed Prices**

12 responses were received from the questionnaire. National Grid would develop options for longer-term tariffs looking at ways of improving tariff stability. The options are to be discussed at the CISG in January 2006. Ofgem noted that the interaction with longer-term investment signals would also need to be considered.

Action: National Grid is to present longer-term tariff options at the January 2006 CISG

Action: Presentation and responses to be placed on National Grid website.

- **Condition 5 – Long-Term Tariff Publications**

An information paper is to be published at the end of October 2005 together with the transport models that have been used to calculate illustrative locational tariffs for the five-year period beginning 2006/7. The information paper will highlight the possible future path of the locational element only, as this removes the uncertainties of the tariff model in terms of predicting the charging base and the maximum allowed revenue for each year. It was confirmed that the baseline will be the current methodology and the August update to the Great Britain Seven Year Statement will be used as the basis of the demand and generation backgrounds. Demand figures will be net of embedded generation based on information provided by the DNO's.

Action: Presentation to be placed on National Grid website.

3 Charging Issues Standing Group (CISG)

The CISG convened at NGT House on 9 September and was attended by 13 industry members. Following feedback from the Non-Half Hourly – Half Hourly Demand Switching sub-group meeting on 25 August, CISG attendees concluded that no further work was needed on the issue due to the cost of obtaining the data and the existence of other means by which a supplier can manage the risk (e.g BSC change).

National Grid advised that following CISG, further work would be undertaken to determine whether a simple supplier driven model could be developed.

With regard to Seculf, National Grid provided a list of SECULF contingencies used to calculate the 2005/6 GB Security Factor and explained that contingencies which split the transmission network are not considered in calculating secure marginal costs. The effects would be to reduce the security factors and the impact on the calculation of the security factor would be small.

The next CISG Meeting is to be held at NGT House on 2 December 2005 and TCMF agreed that the issues for discussion would be the implementation issues associated with stage two of the negative demand charges proposals and the options from the Transparency Workshop on 22 September.

4 Current Charging Issues

- ❖ **One Off Charges**

National Grid provided an update on GB ECM-01, the proposal to clarify one-off charges for system to generator intertripping schemes. Three industry responses were received by the deadline of 12 August and can be viewed on the National Grid Charging website. The conclusions report is currently in progress and will be published in the near future.

❖ **CAP094 - Limited Duration TEC**

At the industry meeting held in August to discuss the charging implications of CAP094, it was agreed that a formal charging consultation could not commence until the consultation period for the CUSC amendment had expired, and any consultation alternative proposals submitted. It was also agreed that whilst a formal charging methodology change could not be published during the CAP094 consultation, National Grid would publish an 'Initial Thoughts' consultation looking at the issues and principles to be considered when assessing the charging implications.

National Grid presented their initial thoughts and advised that the associated consultation would be published as soon as possible after the CAP094 consultation report was issued.

Following the presentation a number of parties reiterated their views previously expressed in earlier charging forums regarding the charging for shorter-term products. Process issues were also raised, and parties were asked to pass on any such concerns to Ben Graff at National Grid (Ben.Graff@uk.ngrid.com).

Action: Presentation to be placed on National Grid website.

❖ **CAP097 – Revision to Contractual Requirements**

CAP097 involves DNOs notifying National Grid when embedded generators above a certain threshold apply for connection, so that any transmission reinforcements can be identified. The Amendment is at the Working Group stage with a report to be taken to the October CUSC Panel. There may be a charging implication if a new type of application fee is required as part of the application/notification process.

❖ **Charging Statements**

The Statement of the Connection Charging Methodology is to be updated in October to include an example of how the Transmission Running Cost Factor is calculated.

Action: Connection Charging Methodology Statement to be placed on National Grid website when published.

5 **European Charging Issues**

National Grid reported that draft guidelines were not discussed at the Florence Forum on 1 September which means that the ITC will now be delayed from January '06 to Winter '06. It was hoped that draft guidelines would be available in time to discuss the charging implications at the next CISG meeting in December.

Colin Sausman confirmed that the ITC arrangements become legally binding as soon as the guidelines are approved. Stuart Easterbrook added that any implementation issues for GB would need to be reflected in the guidelines e.g. the requirement to consult on licence and charging methodology changes prior to implementation.

Action: Presentation to be placed in National Grid website.

6 **Events before Next Meeting**

- ❖ CISG meeting on 21 October is **cancelled**.
- ❖ Next CISG meeting on 2 December 2005 at National Grid House, Warwick
- ❖ **NO** TCMF in October 2005

7 Any Other Business

- Sarah Owen pointed out that the industry TNUoS model contained an error in the calculation of the NHH tariffs.

Action: SE to report back on new model to 8 November TCMF.

- **Action: Malcolm Taylor suggested that Jan update methodology with correct model.**
- **Action: members to identify to Stuart Easterbrook or Toby Thornton of any amendments required.**
- It was noted that the Ofgem consultation on embedded generation was expected on 30 September 2005, and that the outcome of the Judicial Review of the GB charging approval was anticipated w/c 10 October. Colin Sausman agreed to confirm what material from the Judicial Review could be published.
- Gayle Cairns advised that she was leaving her current position and that John Capener would be taking her place at the meetings.

❖ Date of Next Meeting

- ❖ 8 November 2005.

End of Report