

# Charging for LDTEC

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TCMF

29 September 2005

*Adam Brown*

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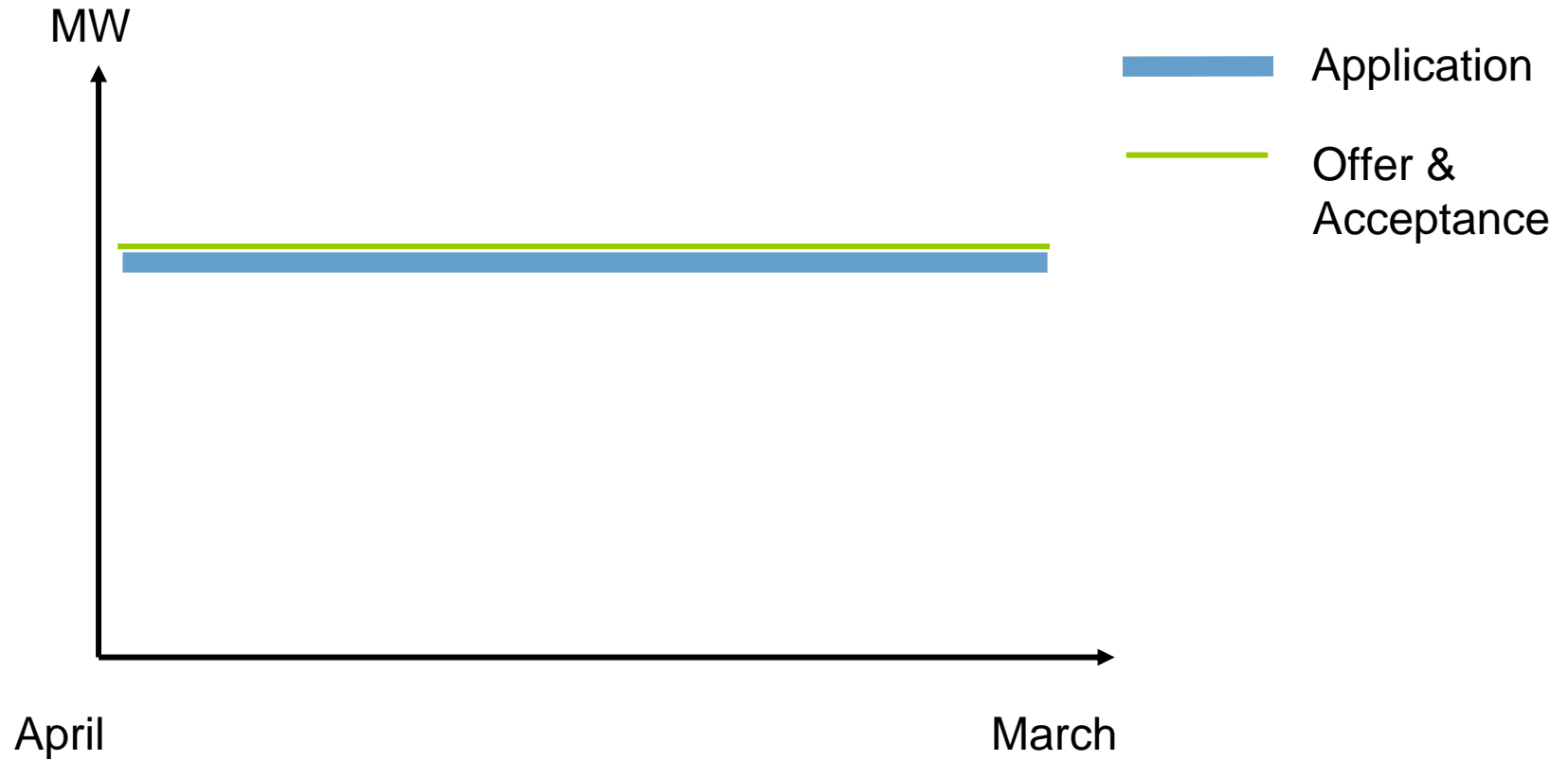
# What is LDTEC?

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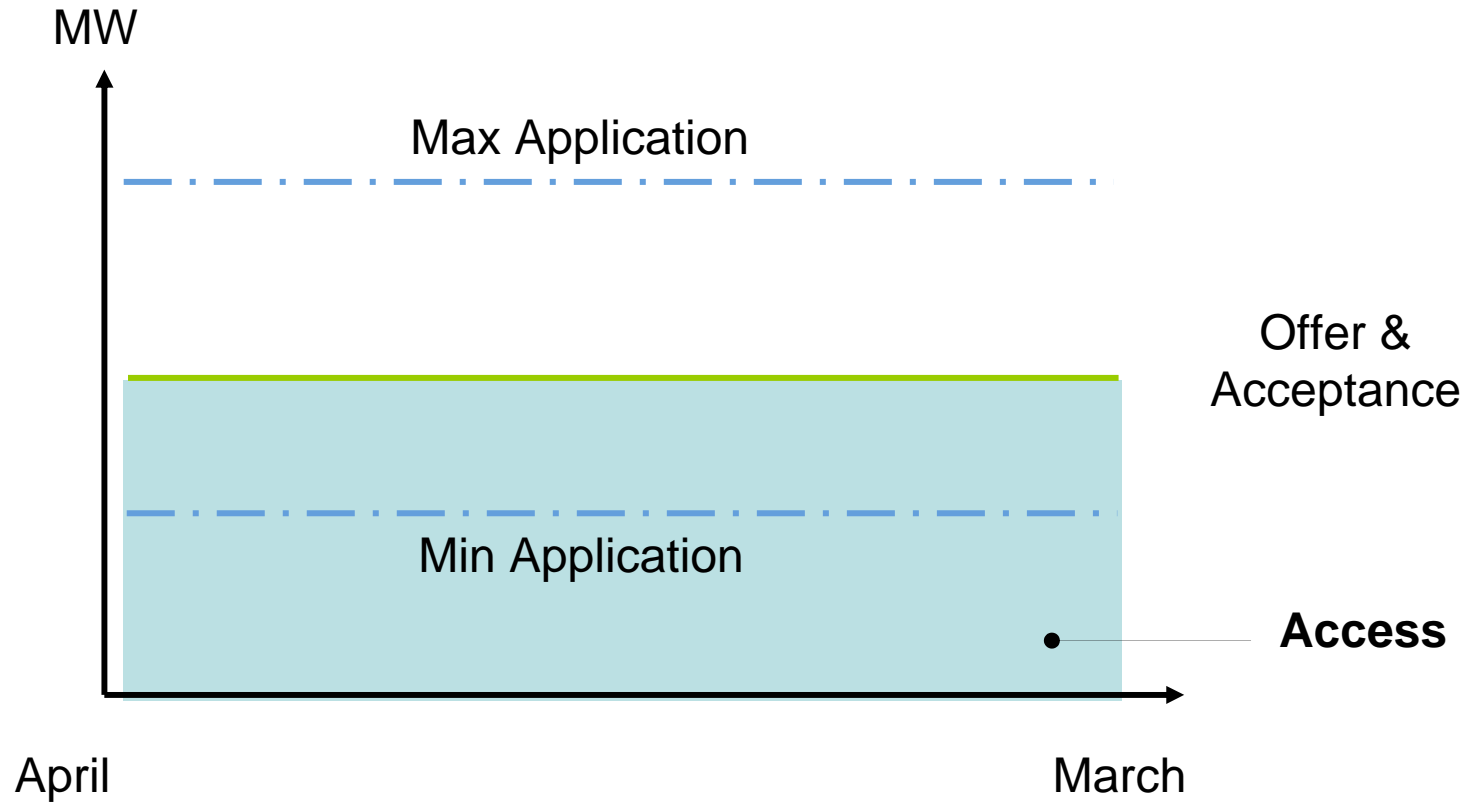
- ◆ Various forms of LDTEC
  - ◆ Original
  - ◆ Simple Block
  - ◆ Profiled Block
  - ◆ Indicative Profile Block
- ◆ Multiple contiguous blocks of STTEC

# Original proposal

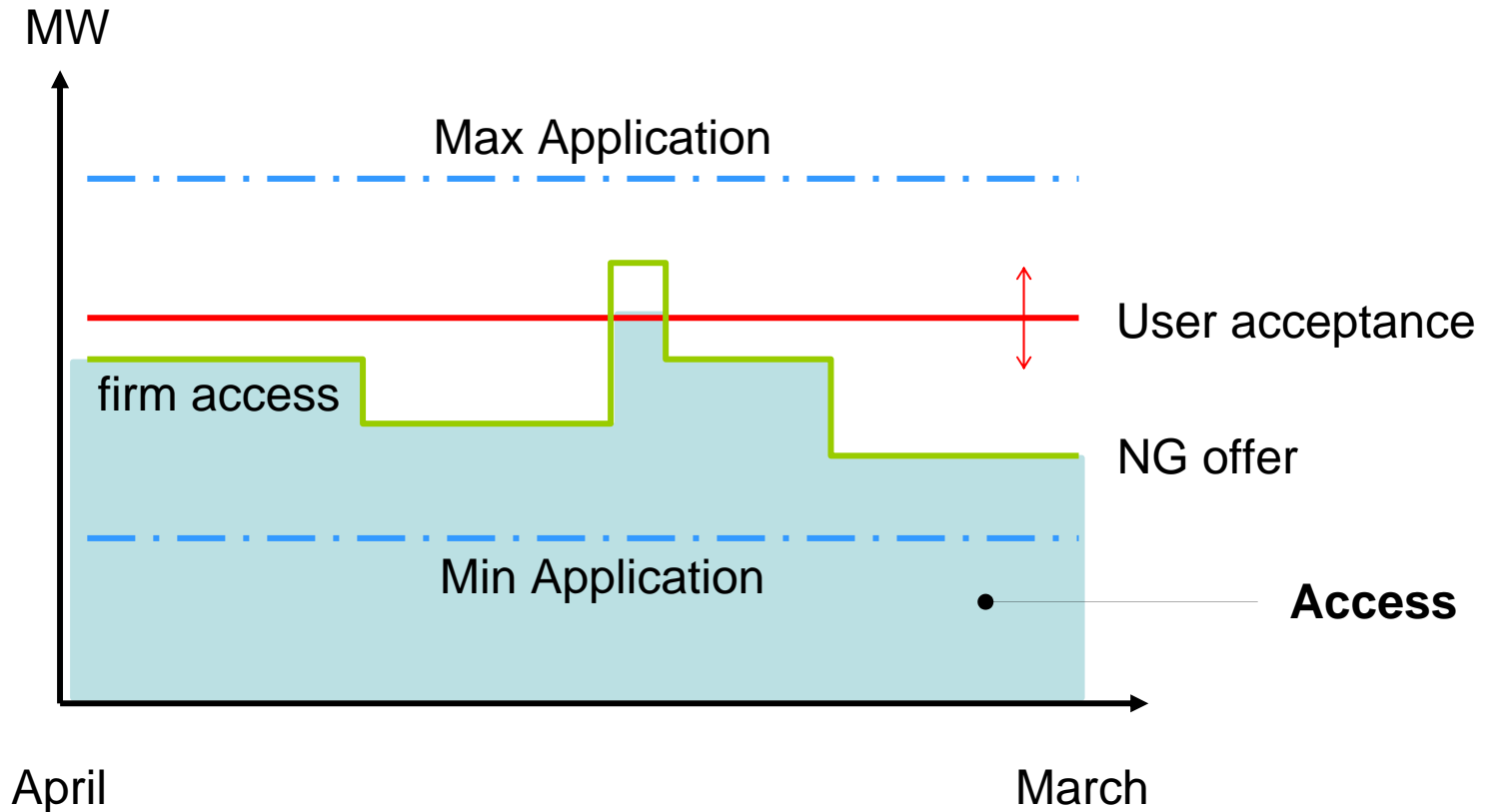
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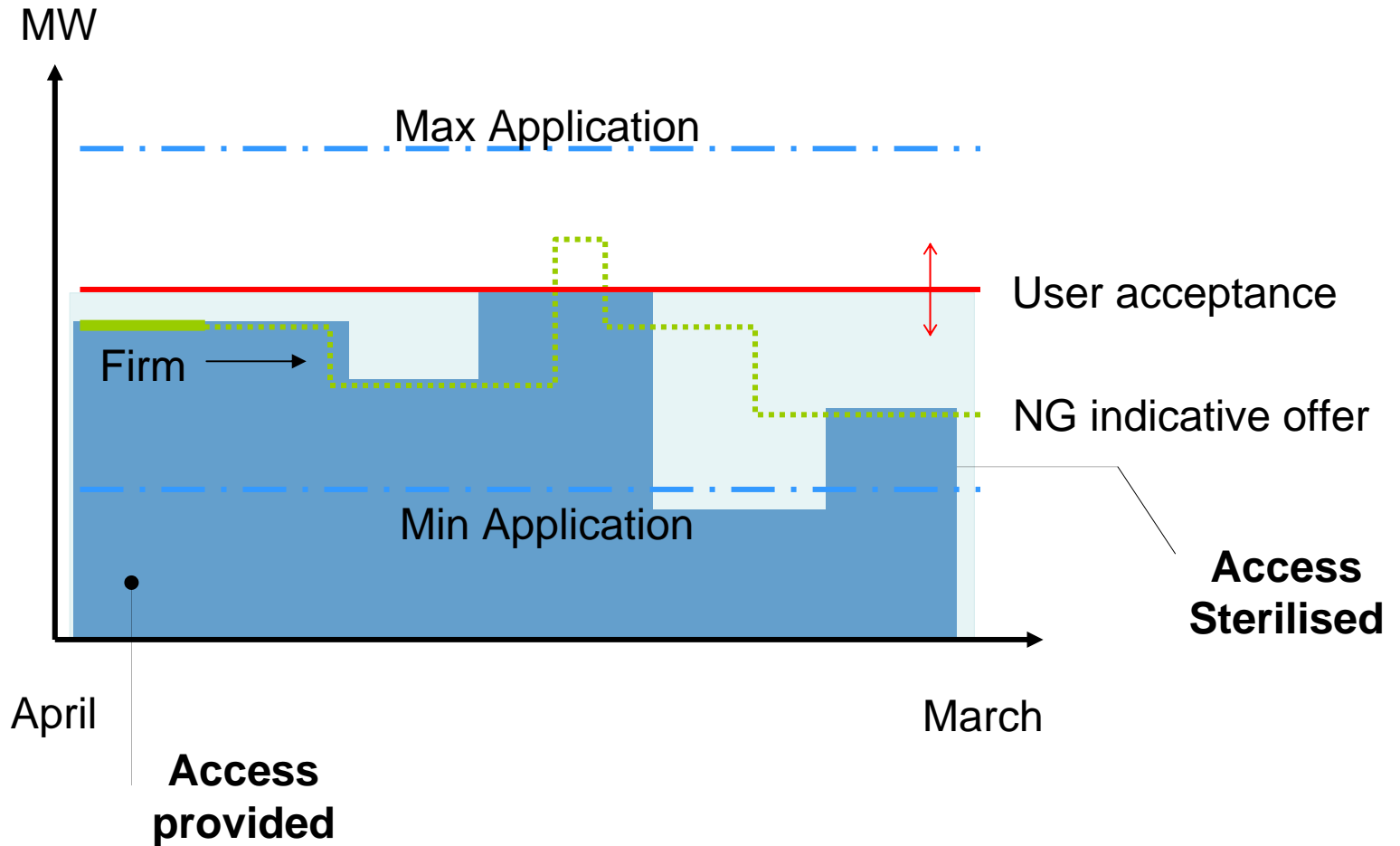
# Simple Block



# Profiled Block



# Indicative Profiled Block



# Other key features

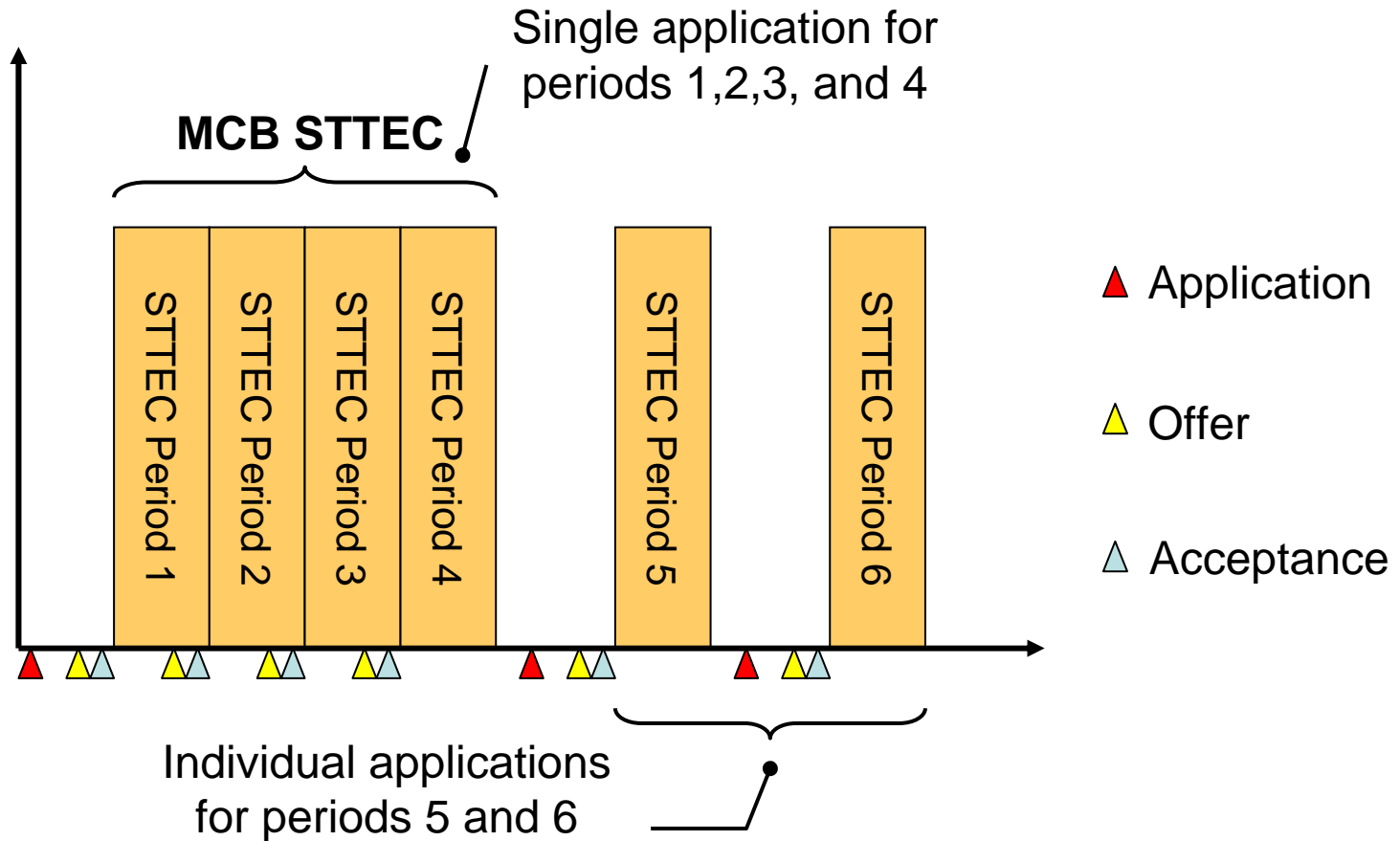
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- ◆ Variable assessment time

<b>Access duration (t)</b>	<b>Assessment time</b>
t > 9 months	6 weeks
9m > t > 6m	4 weeks
6m > t > 3m	3 weeks
t > 3m	2 weeks

- ◆ Variable start and end dates, minimum period 7 weeks
- ◆ Maximum access period in single application is 45 weeks

# MCB STTEC



# Working Group Alternative Amendments

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- ◆ Simple Block (SB)
- ◆ Profiled Block (PB)
- ◆ Indicative Profiled Block (IPB)
- ◆ Multiple contiguous blocks of STTEC (MCB STTEC)
  
- ◆ PB + IPB (one application, two offers, one acceptance)
- ◆ IPB + MCB STTEC (co-exist alongside each other)

... and maybe more products following CUSC consultation.

# Initial thoughts consultation

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- ◆ Discussed and agreed with industry
  - ◆ meeting held 17 August 2005
  - ◆ appropriate given the uncertainty in the products
- ◆ Focus on principles rather than detail
  - ◆ will inform National Grid's formal charging proposals
- ◆ Considers a number of key areas

# Charging Principles from STTEC

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- ◆ Number of similarities between STTEC and LDTEC
  - ◆ both within year
  - ◆ neither confer an access right the following year
- ◆ Sense in the charging arrangements for LDTEC adopting the key principles that were established by STTEC
- ◆ LDTEC charges should not undermine the use of TEC or destabilise the cost-reflective charging of TEC

# Is a premium required?

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- ◆ Premium would be justified to prevent undermining TEC
- ◆ Need to consider whether there are differences between TEC and LDTEC that make this more or less probable

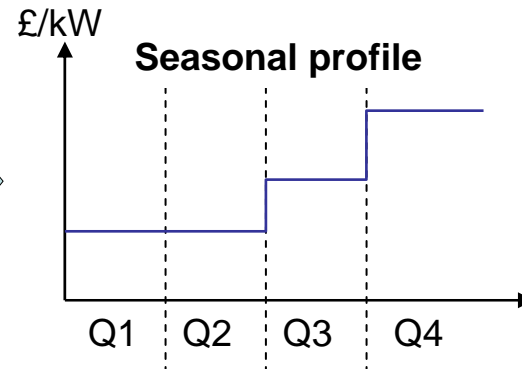
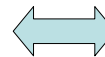
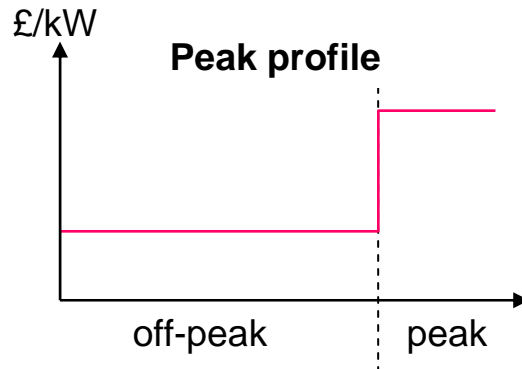
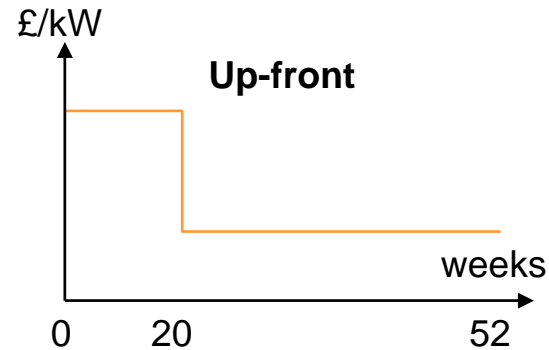
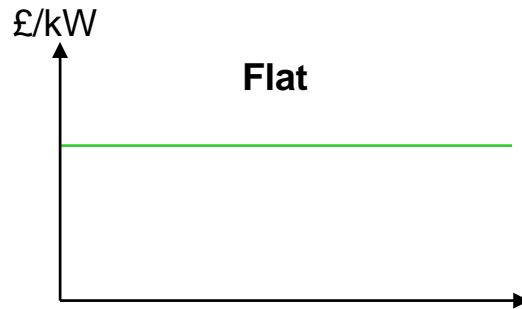
## **Difference that protect TEC**

- ◆ TEC is an evergreen product whereas LDTEC is not
- ◆ LDTEC is more risky – rights can vary / be withdrawn
- ◆ LDTEC may not provide access at most desirable level

## **Difference that undermines TEC**

- ◆ LDTEC may provide discounted firm access
- ◆ LDTEC provides a rapid route to system access
- ◆ LDTEC enables parties to respond to short-term prices

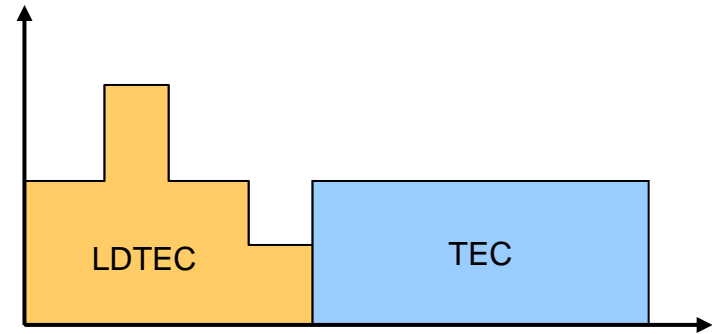
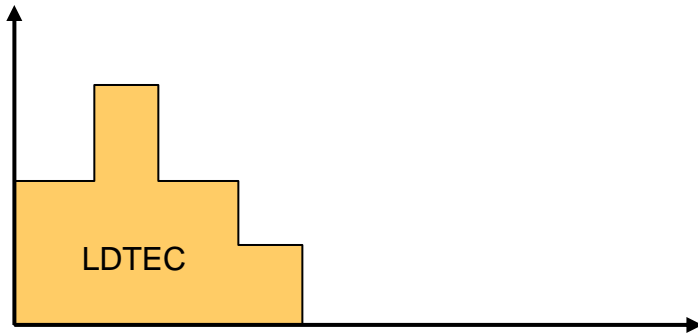
# Temporal tariff structures



- ◆ Interaction with STTEC and when any premium is collected

# TEC and LDTEC in the same year

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- ◆ Different treatment within the charging methodology?

## Totally independent

LDTEC and TEC are entirely different products and should be treated separately in the charging methodology

## Should interact

No evidence that TEC has been undermined therefore a premium is not justified

# Cost reflective application fee

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- ◆ One-off, non-refundable
  - ◆ returned if user withdraws application prior to assessment phase commenced
- ◆ Fixed charge that depends on:
  - ◆ duration of access requested
  - ◆ MW range applied for
  - ◆ requirement for ongoing assessment (IPB only)
  - ◆ number of offers user wishes to receive (PB + IPB)

# Next Steps

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CUSC consultation	September / October
CUSC report to Authority	November

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Initial thoughts consultation	October
Formal charging consultation	mid-November
Charging report to the Authority	early January
Authority decision expected	early February

Benefit in aligning charging conclusion report with the expected Authority decision on the CUSC amendment

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