

ITC November 2007

CISG

20 November 2007

nationalgrid

Current position

- ◆ National Grid as GBSO has signed ETSO scheme
- ◆ Ofgem have granted conditional acceptance
 - ◆ 26 countries also expected to join
 - ◆ 1 not yet confirmed (Estonia)
- ◆ Support from European Commission
 - ◆ No scheme leads to pancaking
 - ◆ Not good for free trade
- ◆ Estonia granted until 22 November to confirm

Basis of National Grid acceptance

- ◆ Scheme has moved on from simple CBT
 - ◆ More accurate compensation mechanism
 - ◆ Losses based on WWT
- ◆ Scheme is expect to be basis for guidelines under 1228/2003
- ◆ Perimeter fee to be charged for import and export
- ◆ UK contribution as perimeter country in the order of €18m
- ◆ UK through GBSO contribution approx €9.35m
- ◆ Best interest of consumers and consistent with NGET licence to join

Next steps

- ◆ To consult on scheme, seek industry views as to efficiency of costs incurred
 - ◆ Revenue consultation
- ◆ Send report to the Authority requesting changes to ITC term in licence
- ◆ Carry out charging consultation on proposed changes to TNUoS to remove charges for transits (review previous work)
- ◆ Support further development of ITC methodology to be taken forward by EC.

ITC scheme 2008/09

Overview

Development

- ◆ Accepted (ETSO, EC, ERGEG & most users..) that an ITC scheme is necessary and that border fees are not a viable solution
- ◆ Over a number of years several models have been reviewed by several bodies
 - ◆ CBT, WWT AP, MP & IMICA
 - ◆ WWT was front runner – but based on ex post not commitment
- ◆ Different approaches
 - ◆ Technically correct model v's pragmatic
 - ◆ Losses & Infrastructure same mechanism or different
- ◆ What is 'fair'
- ◆ Complex technical and economic issues, interaction with border congestion and local charging regimes

ETSO position

- ◆ Current methods may not be fully suitable for immediate guidelines
 - ◆ No perfect technical and economic solution
 - ◆ Need to retain stability and predictability
- ◆ Voluntary agreement for 2 years to allow development of more robust arrangements with ALL members (mandatory condition)
- ◆ If its not mandatory there is no agreement
- ◆ Support from commission for temporary solution

2008/9 agreement

1. Compensation for losses based on WWT (cost and volumes for 2008 & 2009 ex ante to agreement)
 - ◆ Contribution flow based
2. Compensation for infrastructure based on cost incurred from hosting cross border flows.
 - ◆ Value of assets based on regulatory costs used in national tariffs
 - ◆ Calculation based on IMICA results developed over 2006/07 – basis of interim scheme
 - ◆ Capped and smoothed
 - ◆ Contribution based on flows

Perimeter countries

- ◆ Perimeter fee is €1.4/MWh on netted schedule
 - ◆ Pay for flow in both directions
- ◆ Edge country responsible for recovering costs
 - ◆ RTE absorbed costs for interim
- ◆ RTE as edge country in difficult position
 - ◆ Could be left recovering GB perimeter fees from its users
 - ◆ Expect
- ◆ Baltic countries join as one party due to weak link
 - ◆ Fixed fee based on forecast usage

Country	Ex Ante Total Net Result [M€]
Albania	-1,283
Austria	24,813
Belgium	-1,264
Bosnia	2,959
Bulgaria	-5,642
Croatia	7,051
Czech Rep.	1,633
Denmark (NORDEL)	4,623
Denmark (UCTE)	7,694
Finland	-11,999
France	-56,948
Germany	51,624
Great Britain	-9,305
Greece	-0,940
Hungary	8,582
Ireland	-1,616
Italy	-48,554
Estonia	
Latvia	-2,200
Lithuania	
FYROM	-1,215
Montenegro	-0,617
Netherlands	-20,658
Northern Ireland	-0,480
Norway	-16,975
Poland	-6,946
Portugal	-5,240
Romania	-5,524
Serbia	4,235
Slovakia	2,286
Slovenia	7,888
Spain	2,786
Sweden	1,433
Switzerland	70,000
Total	0,000

(-) Payer

(+) Receiver

Infrastructure principles

- ◆ IMICA, improved ETSO scheme
 - ◆ Compensation cost reflective - MWkm impact
- ◆ Sensitivity factors for each combination
 - ◆ E.g. France to Portugal – effect on Spain
- ◆ Calculation based on ‘reference exchanges’
- ◆ Contribution based on net flows
- ◆ Minimum of 72 snapshots for SF
- ◆ Hourly reference exchanges
- ◆ Revenues fixed for stability and predictability for interim scheme
- ◆ GB losses mechanisms are far different from European principles – all revenue treated through TNUoS

Review charging methodology

- ◆ Required to take account of regulation in ‘charges for network access’
- ◆ Currently –
 - ◆ Interconnector Owners charged on same basis as generators and suppliers
- ◆ Under ITC scheme
 - ◆ ITC provides compensation for transits
 - ◆ Need to review GB charges for transit
- ◆ Not all imports and exports lead to transits

Initial proposal

- ◆ Adjust the TNUoS charge for interconnector parties:
 - ◆ Establish transit
 - ◆ Based on average hourly flow
 - ◆ Subtract from chargeable TEC
 - ◆ Subtract from chargeable demand
 - ◆ Additional rules for more than 2 interconnectors
- ◆ CISG comment on proposals...

Issues / next steps

- ◆ Rules for sharing transit
- ◆ When to consult ?
 - ◆ NGET discussion with Ofgem
 - ◆ Licence changes
 - ◆ Timescales
- ◆ Formal consultation