

CONSULTATION DOCUMENT

**Modification Proposal to the Use of
System Charging Methodology**

UoSCM-M-04

**Chargeable Generation Capacity for
Mothballed Generating Units**

22 January 2002

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Executive Summary

This paper sets out for consultation National Grid's proposed modification to the Use of System Charging Methodology to take account of Generators wishing to mothball their plant over the period April to February in any Financial Year.

The current charging methodology, coupled with the process within the BSC for registering Generation Capacities, could result in a Generating Unit becoming liable for Transmission Network Use of System (TNUoS) generation charges for a Financial Year, even if it did not generate, or intend to generate, in that Financial Year. This could occur solely as a result of a registration of Generation Capacity for the month of March in the preceding Financial Year.

1. Introduction

National Grid is obliged under the Transmission Licence:

- (i) to make revisions to the Charging Statements in order that the information set out in these statements shall continue to be accurate in all material respects;
- (ii) to keep the Use of System Charging Methodology at all time under review;
- (iii) to make such modifications of the Use of System Charging Methodology as may be requisite for the purpose of better achieving the relevant objectives, which are:
 - a. to facilitate effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
 - b. to result in charges which reflect, as far as reasonably practicable, the costs incurred by National Grid in its Transmission Business; and
 - c. to take account of the developments in National Grid's Transmission Business.

Before making a modification to the Use of System Charging Methodology, National Grid is required by the Transmission Licence to consult CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations, except with the consent of the Authority. Further to a request by National Grid, however, the Authority has directed National Grid, under Licence Condition LC7A 3(d), to allow CUSC Users a period of 21 days within which to make written representations. The reasons for National Grid requesting a shorter consultation period were twofold:

- Firstly, it will enable National Grid to submit the conclusions report to the Authority by 14 February. The information and recommendations within the conclusions report will give the affected Generators some firmer information upon which they can decide what GC to submit for the Spring season for their generating plant (GCs for the Spring season must be submitted no later than 14 February).

- Secondly, a shorter consultation period will allow National Grid to repeat the modification process with an alternative proposal before 1 April 2002, should the Authority for any reason veto the first proposal.

The purpose of this document is to set out for consultation National Grid's proposal to modify the methodology to change the rules for calculating Chargeable Generation Capacity for Generating Units mothballed over the period April to February (inclusive) of any Financial Year. The change would result in Generating Units mothballed over the period April to February (inclusive) of any Financial Year not being liable for TNUoS generation charges solely as a result of registering a GC for March of the preceding Financial Year.

2. Background to the Issue

Before the implementation of NETA, TNUoS generation charges for Generating Units in positive charging zones were based on Genset Registered Capacity, which could be changed daily.

Since the implementation of NETA, a BM Unit situated in a positive charging zone is liable for annual TNUoS generation charges based on the highest Generation Capacity (GC) registered from April to February. A Generator wishing its BM Unit to generate in March would be required by the BSC to submit a GC for the Spring season. The Spring season, as defined in the BSC, covers March, April and May - thereby crossing over into the following Financial Year. In addition, under the BSC, Users may not change their GC to zero during a season.

BSC modification proposal P64 is currently going through the BSC modification process. P64 proposes to allow the reduction of a GC to zero during a BSC season. If the proposal is accepted, however, it is unlikely to be in effect before 1 April 2002. It was therefore deemed necessary to raise this charging methodology modification proposal.

3. Explanation of the Issues

The submission of a GC for the Spring Season means that, even though the Generator may wish to mothball a Generating Unit for the subsequent financial year, a GC is automatically registered for April and May. This triggers a TNUoS generation charge liability for that subsequent Financial Year. The charge liability would be based on the GC registered for the whole of the Spring season and the relevant TNUoS generation tariff.

The charging methodologies were never intended to charge Generators for Generating Units mothballed for the period April to February in a Financial Year. The issue has arisen due to the inflexibility of registering GCs within the BSC and the misalignment of the BSC seasons and the charging year (the Financial Year).

It is National Grid's intention to change the charging methodologies so that a Generator wishing to mothball a Generating Unit for the period April to February in a Financial Year will not be liable for TNUoS generation charges. In order for this to take effect for the 2002/3 Financial Year, the Use of System charging methodology must be changed by 1 April 2002.

Lead Parties of a BM Unit are required, under the BSC, to submit GCs for the 2002/3 Spring season no later than 14 February 2002. In order to provide affected Generators some indication of the progress of this modification proposal, National Grid intends to provide the Authority (and Users) with a conclusions report on this modification proposal no later than 13 February.

4. Proposed Modifications

Proposed Changes to the Use of System Charging Methodology

The modification would change the rules for calculating Chargeable Generation Capacity for mothballed generating units. The change would mean that, if a Generating Unit did not generate in the months April and May, and registered a GC of zero for the months June to February of the same Financial Year, then the chargeable Generation Capacity would be zero. The change would result in Generating Units mothballed for the months April to February in a Financial Year not being liable for TNUoS generation charges for that Financial Year.

Proposed Changes to the Statement of the Use of System Charging Methodology

It is proposed that the Statement of the Use of System Charging Methodology be modified in line with the agreed methodology. Some suggested text in line with the initial proposal is shown in Appendix 1.

Proposed Changes to the Statement of Use of System Charges

None.

Indicative Impact on the Use of System Charges

None.

Impacts on Other Industry Documents

It should be noted that BSC modification proposal P64 is currently going through the BSC modification process. P64 proposes to allow the reduction of a GC to zero during a BSC season. If P64 is accepted, however, it is unlikely to be in effect before 1 April 2002.

5. Responses to this Consultation

Comments and views are invited on all the issues raised in this consultation document. The Authority has directed National Grid, under Licence Condition C7A 3(d) to consult with Users for a period of no less than 21 days, rather than the standard 28 days set out in the Licence.

In order that your comments and views are included in National Grid's report to the Authority, responses must be received by **12 February 2002**. If you wish to provide comments on this consultation, then responses are welcome via e-mail to:

toby.thornton@uk.ngrid.com

Or alternatively, written comments may be addressed to:

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If you have further queries, please do not hesitate to contact Toby Thornton on:
024 7642 3227.

Appendix 1 - Outline of Proposed Modification

Description of proposed modification to the Use of System Charging Methodology <p>The modification would change the rules for calculating Chargeable Generation Capacity for mothballed generating units. The change would mean that, if a Generating Unit did not generate in the months April and May, and registered a GC of zero for the months June to February of the same Financial Year, then the chargeable Generation Capacity would be zero. The change would result in Generating Units mothballed for the months April to February of a Financial Year not being liable for TNUoS generation charges for that Financial Year.</p>
Explanation of the issue <p>A BM Unit situated in a positive charging zone will be liable for annual TNUoS generation charges based on the highest Generation Capacity (GC) registered from April to February. A Generator wishing to generate in March (for example at 400MW), but wishing to mothball the Generating Unit for the subsequent Financial Year would be required by the BSC to submit a GC of 400MW for the Spring season. The Spring season covers March, April and May. This means that, although the generator may have no intention of generating for the subsequent financial year, a GC of 400MW would be registered, which would trigger a TNUoS generation charge liability for that subsequent Financial Year. The liability would be based on the GC registered for the Spring Season and the relevant TNUoS generation tariff. It was, however, never the intention for the charging methodology to charge generating units that were mothballed for the months April to February of a Financial Year.</p>
Justification for proposed modification <p>To better achieve Licence Condition C7A 5(a), the Relevant Objective of facilitating competition in the generation and supply of electricity.</p>
Suggested alternatives <p>None</p>
Implementation date <p>1 April 2002</p>
Proposed changes to the Statement of the Use of System Charging Methodology <p>It is proposed to add a paragraph after 5.8 as follows (existing paragraph 5.8 included for information)</p> <p>5.8 Chargeable Generation Capacity for Power Stations situated in positive charging zones is the sum of the highest Generation Capacity submitted for settlement purposes for each BM Unit associated with Generating Units forming the Power Station from the beginning of April to the end of February for that Financial Year.</p>

5.9 Notwithstanding 5.8 if, for a Financial Year, a BM Unit:

- a) **does not have a positive value of QM_{ij} for any settlement period in the months April and May, and**
- b) **the BM Unit submits a Generation Capacity of zero for the months June to February inclusive,**

then the Chargeable Generation Capacity of the BM Unit for that Financial Year will be zero.

Proposed changes to the Statement of Use of System Charges

None.

Impacts on existing Use of System charges

None.

Impacts on other Industry Documents

It should be noted that BSC modification proposal P64 is currently going through the BSC modification process. P64 proposes to allow the reduction of a GC to zero during a BSC season. If the proposal is accepted, however, it is unlikely to be in effect before 1 April 2002.