

GB Transmission Charging Methodologies Forum

Meeting Report: 26 May 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.nationalgridinfo.co.uk/charging/mn_tcmf.html

ATTENDEES

Richard Court	National Grid Transco (Chair)	Jim McCulloch	SP Power Systems
Jamil Ahmed	National Grid Transco (Secretary)	Mo Sukumaran	Scottish and Southern Energy
Stuart Easterbrook	National Grid Transco	Stefan Leedham	Chemical Industries Association
Richard Lavender	National Grid Transco	Rekha Patel	Conoco Philips
Craig Maloney	National Grid Transco	Mike Harrison	Scottish Power UK Division
Mark Copley	Ofgem	Gayle Cairns	British Energy
Malcolm Taylor	Association of Electricity Producers	Frank Prashad	RWE Npower
Pat Wormald	Yorkshire Electric	Bob Brown	Cornwall Consulting
Shona Watt	Npower	Russell Reading	Gaz de France
Paul Jones	E.On Uk	Keith Munday	Bizz Energy
Stephen Moore	Edf Energy	Simon Lord	First Hydro
Scott McKenzie	Natural Power	Stephen Woodhouse	Ilex Consulting

1 Actions from previous meeting

Action: NGT to communicate results of comparing the SF & RF Settlement runs

National Grid reported that the data for the 3 months 1 April - 30 June 2003 of the two settlement runs had been analysed and in conclusion, it was found that for BM Units, the average change between SF and RF data runs was less than 1%. Additionally, comparing on the basis of BSC parties, the average change was also found to be less than 1%.

Action: NGT to present workshop findings at May 2005 TCMF

Covered in the meeting agenda.

Action: NGT to publish timeline of NGT proposals

Covered in the meeting agenda.

Action: NGT to provide examples of how weightings are affected by exporting GSPs

Covered in the meeting agenda.

Action: NGT to include ITC scheme as a CISG agenda item from June 2005

National Grid noted that a CISG meeting has been arranged on 20 June and confirmed that the impacts of the ITC scheme on the TNUoS methodology would feature in the agenda for the meeting.

Action: NGT to clarify interpretation of the charge base for 'Hydro Benefit' as an agenda item in May TCMF

Covered in the meeting agenda.

2 GB Charging Conditions

❖ **Conditions on Methodology Approval**

National Grid confirmed that a workshop focussing on alternative methods for calculating the incremental cost of capacity (Condition 2) had taken place on 4 May and was attended by 16 industry members. The aims of the workshop were to enable an industry led approach to identify alternative methods for assessing the incremental cost of capacity, discuss the pros and cons of each option and to consider areas of the current methodology for further development. Issues discussed at the workshop by participants included

transparency, cost reflectivity of the expansion constant, thermal ratings and commoditisation. NGC also confirmed that a workshop conclusion's report would be published¹ shortly. As part of the next steps for progressing the issue, National Grid proposed arranging a second workshop to help facilitate the understanding of the existing charging principles in detail prior to a third workshop to review and develop further the alternative options identified in the first workshop.

In relation to Condition 1 (Negative Demand Charges) National Grid confirmed that a questionnaire to gauge industry views on the issue would be published² shortly. The closing date for responses is 24 June 2005.

National Grid also distributed an indicative timeline to illustrate how the work involved with each of the issues will be progressed.

Post meeting note: The timeline has been published³ on the new GB Charging Approval Conditions web page of the National grid Industry Information website..

3 Charging Issues Standing Group (CISG)

The CISG convened at NGT House on 16 May and was attended by 14 industry members. National Grid noted that five issues were discussed at the meeting which included alternative STTEC charging regimes, NHH – HH demand switching, negative weights in the transport model, notice periods for charge changes and the application of a more deterministic set of generation zoning criteria.

In relation to alternative STTEC charging regimes, National Grid reported that there were merits and weaknesses in the alternative regimes discussed at the CISG but concluded that there is no clear argument to date to justify a change to the charge. Furthermore, National Grid also highlighted that the product had only been in operation over Winter 04/05 and suggested that this may be an insufficient period to fully assess the merits of the product, stating that the product can be reviewed again post Winter 05/06.

On the issue of NHH – HH demand switching, National Grid reported that interested parties would be invited to join a sub group to progress the issue. The sub group would be responsible for obtaining the supporting demand data, assessing the materiality of the problem and to consider possible solutions.

In relation to an extension of notice periods for changes to tariffs, the Authority reported that it was unconvinced with the merits of relaxing National Grid's relevant licence conditions governing under/over recovery and widening the tolerance band for revenue recovery. National Grid also highlighted the risks and uncertainties associated with increasing notice periods to six months and stressed that the restrictions on revenue recovery would need to be relaxed in order to introduce the change. However, National Grid also stated that they would endeavour to complete any charging modifications for the end of November to apply a period of stability during the charge setting process.

With regard to deterministic zoning criteria, National Grid noted that there had been requests for further transparency on confirming zonal definitions and stated that any zonal changes to established zonal definitions would be consulted on prior to the January notification of tariffs where possible. National Grid also noted that future year tariffs with potential zonal changes would also be published in October 2005.

On the issue of negative weights in the transport model, National Grid presented an example on how negative weights resulting from negative demand in the transport model affects the zonal calculations in the DCLF model. Several options were discussed to mitigate the impacts of the negative weights but it was concluded by the CISG that the only credible option of 'averaging' had a small but noticeable effect on the tariffs, which was viewed as a disproportional response to the issue. Therefore, the work should be considered at a later date with the review of embedded generation.

4 Current Charging Issues

National Grid presented on the Assistance for Areas with High Electricity Distribution Costs scheme (Hydro Benefit) which came into effect on 1 April 2005. Parties liable for the charge, which has been provisionally calculated as 0.012812 p/kWh, included supplier BM Units (i.e. SVA registered) and any other BM Units relating to demand supplied by licensed suppliers by means of a distribution system. Parties exempt from the charge included BM Units relating to station load, pumping demand and additional load powers stations, Interconnector User BM Units and non-embedded consumers. Users noted that directly connected demand users are not liable for the charge until section 179 of the Energy Act is enacted by Parliament. National Grid

¹ Available at: http://www.nationalgridinfo.co.uk/charging/pdfs/Workshop_Conclusion_Report.pdf

² Available at: http://www.nationalgridinfo.co.uk/charging/pdfs/Questionnaire_Final.doc

³ Available at: http://www.nationalgridinfo.co.uk/charging/mn_TNUoS.html

National Grid Company

also reported that the draft Charging Statement for the scheme had been issued for industry consultation with the closing date for responses being confirmed as Friday, 17 June.

5 European Charging Issues

National Grid reported that the European Regulators Group for Electricity and Gas (ERGEG) had recently published guidelines on Transmission Tarification and the Congestion Management scheme and agreed to take an action to circulate to the TCMF for information.

Action: NGT to circulate ERGEG guidelines on Transmission Tarification and Congestion Management schemes

6 Events before Next Meeting

- ❖ Hydro Benefit charging statement closes for comments on 17 June
- ❖ CISG meeting on 20 June
- ❖ National Grid questionnaire on Negative Demand Charges (Condition 1) closes 24 June

7 Any Other Business

National Grid proposed to amend the reporting style for the minutes and summary report for the TCMF by suggesting a more concise format.

- ❖ **Date of Next Meeting**
 - ❖ 8 July 2005

End of Report