

GB Transmission Charging Methodologies Forum

Draft Meeting Report: 22 June 2006

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/TCMF>

ATTENDEES

Hedd Roberts	Chairman	Ben Sheeny	E.On
Jan Gascoigne	National Grid (Secretary)	Steve Drummond	EdF
Adam Brown	NG Charging & Access	Paul Mott	EdF
Nigel Fox	NG Charging & Revenue	Michael Dodd	Ofgem
Patrick Hynes	NG Charging & Access	Andy Manning	RWEpower
Tom Ireland	NG Charging & Access	Mo Sukumaran	SSE
Keith Munday	Bizzenergy	Nigel Cornwall	Cornwall Energy – by telephone
Louise Allport	British Energy	Simon Lord	First Hydro – by telephone
Merel van der Neut	Centrica	Helen Snodin	Garradhassan – by telephone
Kolfschoten			
Kirsten Elliott-Smith	ConocoPhillips UK		

1 Actions from previous meeting

Action: The meeting agreed the Minutes and Actions and these will be placed on the website at <http://www.nationalgrid.com/uk/Electricity/Charges/>.

2 **GB Charging Conditions**

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

National Grid indicated that it has received 4 responses to the Condition 2 report circulated in April (available on the information web site). Most of the responses were positive and agreed with National Grids conclusions. One response questioned the conclusions and suggested a top down approach rather than a bottom up approach to the calculation of incremental cost of capacity. National Grid indicated that it believed a top down approach would be less cost reflective and more historically based and therefore was not adopted.

The responses will be put on the website shortly. National Grid will then draft changes to the methodology statement that make the methodology more transparent. This draft will be released to the industry for comment.

- **Condition 3 – Intermittent Generation**

National Grid indicated that it was expecting to release the Condition 3 report in July. As indicated at previous TCMFs National Grid confirmed it would not be taking any methodology changes forward. The analysis indicated that equivalent infrastructure was being installed for wind as for conventional plant. Economic assessment based on the rights associated with TEC quantifies the risk of incurring constraints. In the case of wind this risk is sufficient to justify additional infrastructure over the deterministic or 'required' transfer level.

- **Condition 4 – Long-Term Fixed Access Products**

National Grid provided a re-cap of the process followed, the conclusions drawn and the proposed next-steps for Condition 4. National Grid noted that it had focused on means to promote stability and predictability of charges, rather than fixing TNUoS tariffs, and that it would shortly be publishing a draft report for industry comment that presented the conclusions of its review and its proposals to promote stability and predictability of tariffs. National Grid also described the existing arrangements in the methodology to promote stability, including

restrictions on changes to certain parameters of the methodology such as expansion factors and zones during a price control period, and noted that these would be reviewed in accordance with the methodology for the next price control period.

It was noted that wider access arrangements associated with fixed tariffs were being taken forward as part of the transmission price control review and the work being undertaken by the Access Reform Options Development Group (ARODG). Michael Dodd from Ofgem advised that there were two meetings proposed on 6 July in Scotland and 7 July in London to discuss ARODG.

- **Condition 6 – Site Specific Maintenance**

National Grid presented a note summarising the views received from users following its recent consultation on the charging arrangements for site specific maintenance. This note is available on the charging website.

Responses to the questionnaire supported the view that competition in the maintenance of connection assets is not effective. Against this background, National Grid believes that investment by it and Scottish TOs to develop systems and processes to capture maintenance costs on an asset, user and site-specific basis would be inefficient. Furthermore, given the prevailing views expressed by users that present charging arrangements are proportionate to the costs being recovered and the arrangements for contestability, National Grid is not proposing to change the current arrangements for site specific maintenance but will keep them under constant review.

In discussion, Mo Sukumaran reiterated SSE's position that the anticipated costs to develop cost capture systems far exceeded the any potential benefit to users.

As National Grid believes no methodology changes are justified, it proposed that a report be prepared for Ofgem during the summer setting out the conclusions of the review. In response to a user's request, the report will include an assessment of whether there is value in providing enhanced information of work scheduled and completed.

Action: Responses to the consultation will be put on the website shortly at <http://www.nationalgrid.com/uk/Electricity/Charges/>

3 Charging Issues Standing Group (CISG)

Hedd Roberts gave a summary of the meetings on 26 April and 31 May.

4 Current Charging Issues

- Highlands and Islands:

National Grid presented a number of options aimed to enhance the cost reflectivity of the charging arrangements where single circuit connections have been provided, as opposed to a double circuit which is assumed by the TNUoS charging model. The presentation is available on the charging website.

Of the four options for change considered, National Grid's preferred solution was the introduction of nodal security factors for only the "spur" element of single circuit connections to reflect the lower security provided by the connection compared with the national average. Examples were provided to illustrate the impact this methodology would have on tariffs for single circuit highland and island connections. In the case of a highland connection a 26p/kW discount would be provided, and in the case of island connections to Orkney and Shetland discounts of £11/kW and £41/kW, respectively, would be provided.

SSE stated the proposed discount for highland connections did not reflect the true capital savings made by the TOs in providing such a connection.

National Grid expects to consult on revised proposals to change the charging methodology and will seek to implement these for 1 April 2007.

5 European Charging Issues

National Grid Electricity Transmission plc

National Grid provided an overview of the proposed ITC scheme. It has reviewed the potential impact of the draft guidelines on the GB charging arrangements and discussed these at CISG. Current thoughts are that transmission use of system charges should be 'corrected' by adjusting the chargeable volume for interconnectors by a proxy value representing the transit volume accounted for in the ITC scheme. This approach avoids double accounting with the revenue from the ITC scheme. Separately National Grid would need to discuss with Ofgem the appropriate mechanism for funding any net payment.

Further details on ITC may be found on the CISG website under <http://www.nationalgrid.com/uk/Electricity/Charges/>

6 Events before Next Meeting

The next CISG Meeting is on 26 July 2006. [Post meeting note, this meeting has been cancelled.]

7 Any Other Business

- **CAP097**

National Grid indicated that it was expecting to publish the fixed application fees shortly. These are currently being finalised with the Scottish transmission licensees. In principle it was expecting the charge to be approximately the existing application fee split a third and two thirds for the Statement of Works and associated modification application respectively.

- **Embedded Generation (Ofgem)**

Michael Dodd mentioned that the Transmission Arrangements for Distributed Generation (TADG) Group was due to hold its first meeting on 14 July.

- **Contestability (Ofgem)**

Michael Dodd mentioned the ongoing Ofgem review of contestability.

- ❖ **Date of Next Meeting**

15 August 2006 in National Grid House, Warwick.

End of Report