

Charging arrangements for SQSS design variation connections

Conclusions

Charging for SQSS design variation connections

Agenda

- ◆ Consultation document
- ◆ Summary of responses
- ◆ National Grid position
- ◆ Way forward from 1 April 2008
 - ◆ Options
 - ◆ National Grid view

Consultation Document

November 2007

- ◆ Substation discount
 - ◆ Project specific
 - ◆ Generic
 - ◆ **No substation discount**
- ◆ Circuit discount
 - ◆ Project specific
 - ◆ Consistent with methodology
 - ◆ Generic, derived from seculf program
 - ◆ **Generic, derived from formula**
- ◆ Partial redundancy connections
 - ◆ Project specific
 - ◆ Consistent with methodology
 - ◆ **Generic, derived from formula**
- ◆ **Applicable to connections compliant with offshore SQSS**

Summary of responses (1)

	Substation	Circuit	Partial	Offshore	Other
British Energy	Lack of discount discriminatory	Generic formula	Generic formula		Would welcome 2008/09 figures
Centrica	No substation discount	Generic formula	Generic formula	Not appropriate, prefer onshore charging boundary	Design variations undermine SQSS concept
EDF	No substation discounts	Generic formula	Does not support Discount without surcharge		Adequate discount for developers
E.ON	No substation discounts Already see socialised benefit	Generic formula	Generic formula	Appropriate if charging methodology similar	Assume that discount would cease if connection became compliant?

Summary of responses (2)

	Substation	Circuit	Partial	Offshore	Other
Falck Renewables	Project specific	Project specific – Loc signal overplayed	Project specific		Charging boundary anomaly
Intergen	Saving shared between affected user and all users?	Project specific – Loc signal overplayed Generic an improvement	Project specific Generic an improvement		Consider alongside CAP149
RWE	Project specific	Project specific – loc signal must remain intact	Project specific		Review charging treatment of substations
SSE	Proposal does not solve problem and is inconsistent with NG LC5 obligations. TNUoS solution welcome, or interim (20% of North Scotland tariff)				
SP	Project specific	Project specific			Charging boundary anomaly; Impact of future connections

Summary of responses (3)

	Substation	Circuit	Partial	Offshore	Other
SRF	Generic? Should be reinstated	Project specific? Should be cost reflective			Discounts linked to named circuits
West Coast Energy	Project specific	Project specific			Existing connections neglected; Refusal to change to compliant design
Wind Energy	Project specific	Project specific	Project specific		Alternative is to provide all users with full access; Charging boundary anomaly

Summary of responses (4)

- ◆ Significant difference of opinion over way forward
- ◆ Broadly split between:
 - ◆ those that believe proposals are broadly appropriate
 - ◆ Discount should be consistent with charge to avoid inappropriate incentives
 - ◆ those that believe more directly cost reflective discounts are required to achieve efficient outcomes
 - ◆ Proposed discount not sufficient to influence generator decisions

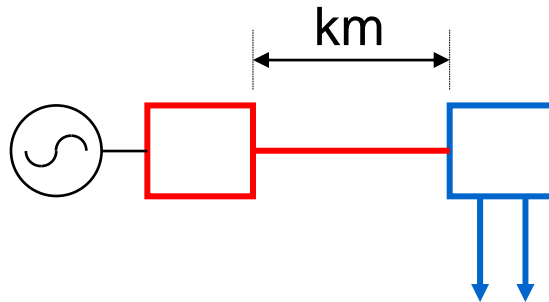
National Grid view (1)

- ◆ Why is TNUoS sometimes not sufficiently cost-reflective for “local” assets?
 - ◆ Charge/discount based on capacity booking (TEC) rather than assets installed
 - ◆ Charge/discount based on average expansion factors
 - ◆ Based on bulk transport of power rather than “local” generation connections
 - ◆ Charge/discount for substation assets socialised 27:73 as part of residual element
 - ◆ Charge based on zonal weighted average of nodal charges

National Grid view (2)

- ◆ Are more cost-reflective charge (& discount) arrangements for “local” assets the way forward?
 - ◆ Aim to keep benefits of “shallow” methodology but address any issues of cost-reflectivity
- ◆ Separate charging arrangements for “local” assets within TNUoS?
 - ◆ Definition of “local” assets
 - ◆ Entry substation and “spur” circuit?
 - ◆ Distance from zonal hub?
 - ◆ Based on TEC, CEC or other?
 - ◆ Specific expansion factors?
 - ◆ Include substation costs?
- ◆ Users should note that absolute charges may be higher than those under current proposals
- ◆ Significant change which would require further analysis and consultation with industry at CISG & TCMF
 - ◆ Not possible by 1 April 2008

National Grid view (3)



Charge currently based on: $\text{km} \times 1.8 \times \text{EF}$

Proposed charge based on: $\text{km} \times 1 \times \text{EF}$

Should this be based on $1 \times \text{EF}'$?

If $\text{EF}' \gg \text{EF}$, higher absolute charge than GB ECM-09 proposal

Way forward from 1 April 2008

Options (1)

- ◆ What are the appropriate interim discount arrangements from 1 April 2008?
 1. As proposed
 2. As proposed, with generic substation discount
 - ◆ Substation discount is not consistent with charge, but does not interact with locational signal
 3. As proposed, with generic substation discount and generic formula for circuit discount with specific expansion factors
 - ◆ Specific expansion factors for discount will provide transparent, cost reflective discount
 - ◆ But, this will undermine locational signal

Way forward from 1 April 2008

Options (2)

- ◆ Option 1
 - ◆ Consistent with methodology
 - ◆ Does not fully reflect cost savings
- ◆ Option 2
 - ◆ Substation discount inconsistent, but does not undermine locational signal
 - ◆ Step changes in absolute charges are minimised
- ◆ Option 3
 - ◆ Immediate decisions regarding design variations vs location
 - ◆ Step towards specific expansion factors for “local” assets prior to wider consultation

Views?

- ◆ National Grid seeks views from TCMF on:
 - ◆ Proposal to change charging/discount arrangements for local assets
 - ◆ Way forward from 1 April 2008

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Conclusions report to be published by
14 December 2007