

Transmission Charging Methodologies Forum

Meeting Report: 26th January 2011

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

Patrick Hynes	National Grid (Chair)	Michael Dodd	ESBI
Kate Boreham	National Grid	Joanna Mustoe	Statkraft
William Kirk-Wilson	National Grid	Paul Jones	E.ON UK
Wayne Mullins	National Grid	James Anderson	SP
Alex Thomason	National Grid	Rekha Patel	WatersWye
Andrew Wainwright	National Grid	Karl Maryon	Haven
Garth Graham	SSE	Helen Snodin	Xeroenergy
Anthony Mungall	Ofgem	Louise Schmitz	EDF
Nigel Cornwall	Cornwall Consulting	Frank Prashad	RWE
Ricky Hill	Centrica	Zoe Rivers	Npower
Gavin Baker	Smartestenergy	Guy Nicolson	Renewable UK
Ebba John	DONG Energy UK	Binoy Dharsi	IPM Energy Retail

1. Minutes and actions from previous meeting

The Minutes and Actions were circulated, these are available on the National Grid charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF>.

2. Summary of new actions

Action (New ; Outstanding ; Completed)	Responsibility	Due Date
CUSC housekeeping changes following CAP188 implementation	National Grid	March 2011
Produce a draft ToR for TCMF and circulate for comments	National Grid	February 2011
Review the transport model user guide	National Grid	March 2011
Provide an update on intermittent generation at the next TCMF	National Grid	March 2011
Review the potential improvements suggested for the Condition 5 report	National Grid	March 2011

3. Governance Changes – Alex Thomason

As CAP 188 came into effect on 30th December 2010, National Grid provided an overview of the new governance arrangements that the Charging Methodologies now fall under Section 14 of the CUSC. It was pointed out that the Statement of Use of System Charges does not form part of the CUSC. The parties that can raise changes were discussed, and it was noted that “materially affected parties” can only raise changes in relation to the Charging Methodologies, not other parts of the CUSC.

4. Update of Charging Methodologies – Patrick Hynes

Patrick highlighted a number of areas where National Grid intended to review the Charging Methodologies, both as part of the routine annual review, and also following the revised governance arrangements. It was proposed that only minimal changes would be made to the

Charging Methodologies, both to ensure consistency with the CUSC and also update any temporal references, i.e. the update would be a “top and tailing” exercise.

Wider discussion raised the point that the current review could consider making the Methodologies more user friendly, however it was generally felt that it was best not to undertake a major drafting exercise. The timing of these updates was raised, as to whether they should take place now or after Ofgem’s recommendations for Project TransmiT, but the general consensus was to continue providing that the proposed changes were limited.

As any changes would be non-material, National Grid will produce a draft update with a view to holding a meeting at which interested parties could discuss the draft.

An issue relating to how the SQSS can impact charging was raised, specifically how modifications to the SQSS can affect charging. National Grid noted that the impact to other codes is considered when the SQSS is changed and any necessary modifications will be brought forward. Changes to codes, however, do not necessitate an automatic review of the SQSS.

5. TCMF Terms of Reference – Patrick Hynes

It was mentioned that the TCMF Terms of Reference are to be adopted by the CUSC panel and, as the Terms of Reference are in need of updating, National Grid will bring forward a draft for consideration at the February CUSC panel.

Determination of the membership of TCMF was highlighted as being the main issue at present. There were two options discussed as to how membership could work – a) nominate members or b) leave the process as it currently exists, and leave attendance as largely open. It was agreed that the preferable method was to keep the current system in place, remaining as an open forum rather than becoming a restricted formal process. National Grid also suggested that the frequency of TCMF could increase from bi-monthly if it was felt to be of benefit.

6. 2011/2012 Charges – Wayne Mullins

An update was provided by National Grid regarding the current status of 2011/2012 tariffs. It was noted that draft tariffs were published on 23rd December 2010 and it is planned for final tariffs to be published on 31st January 2011. The assumptions that have been made while producing these tariffs were explained.

Using analysis from the draft tariffs, changes in wider zonal generation tariffs and zonal demand tariffs were explained. With regards to the wider zonal generation tariffs, it was illustrated that to maintain the 27% split, the residual was reducing. This effect is due to a larger proportion of revenue collected from the local element of Offshore connections. The opposite effect for zonal demand tariffs was noted.

7. Condition 5 – Trend of Future Charges – Wayne Mullins

Analysis from the Condition 5 report was presented concerning the transport model changes on wider zonal and local circuit tariffs, as well as the effect of RPI on local substation tariffs.

Due to Beaulieu-Denny forecasts being based on an overhead line solution, a question was raised regarding how much underground cable would be needed before locational generation tariffs were forecast to increase. The agreed understanding was that as the amount of underground cable increases, so would the tariff. As the Expansion constant for cable was approximately 20 it was noted that relatively little cable was required.

OFTO revenues could not be shared due to confidentiality in the licence agreements. Offshore tariffs will, however, be published approximately one month before charging commences.

There was a discussion around the treatment of islands, during which National Grid noted that it was not the proposals to treat them as offshore. However there are similarities in the

network connects for islands with offshore: 1) a large cable section 2) single circuit. Given these two factors National Grid's preferred treatment was a specific expansion constant and applying a security factor of 1.0 (to avoid over charging). The charging methodology for islands will not be finalised until after Project TransmiT concludes. It was suggested that, in the interim, users could contact either the ECAD team or Customer Agreements for a more explicit charging forecast, although it was noted that any estimate was dependant of the forecast information from the TOs

The Condition 5 report has taken note of previous feedback and is aiming to provide users with greater information. Several suggestions were made at the meeting with regards to improving the report for the user, and National Grid took these away for consideration in next year's report.. It was also noted that the user guide for the transport model is now out of date and National Grid agreed to look into this when they prepare the 2011/12 model for external use.

Concerns were raised regarding the possibility of a mid-year tariff change in 2011./12. It was made clear that National Grid do not currently expect to make such a change in 2011/2012, however mid year changes are not being ruled out on the basis of exceptional circumstances. Going forward National Grid intend to increase transparency and minimise the risk of mid-year changes. In the event that mid-year changes are anticipated, proposed revisions will be discussed during customer seminars and TCMF.

The Condition 5 report will be published on 31st January.

8. Project Transmit Update – Anthony Mungall

Ofgem provided an update on the progress of Project TransmiT and the recently published open letter on the Ofgem website. From the call for evidence process the consensus was that both electricity charging and connections will be the main topics considered going forward in Project TransmiT. Responses to Ofgem's call for evidence indicated that electricity connections, in particular, are considered to be a priority, and works in this area are being fast tracked. To that end National Grid are currently working on a proposal for enduring User Commitment arrangements, with a view to submission at the February CUSC Panel. Ofgem intend to consult on connections options in April 2011.

In terms of charging, Ofgem were disappointed in the level of evidence received during the call for evidence, and reiterated their request for stakeholders to provide evidence to support their views. TCMF attendees were also reminded of the round table discussion taking place on 4th March in London.

9. Analysis of generator System Usage – Andrew Wainwright and William Kirk-Wilson

National Grid presented preliminary results of analysis to investigate the relationship between a generator's load factor and the annual transmission constraints incurred. This analysis followed the GB ECM-25 review of intermittent generation last year, and the understanding that other generation types could give rise to similar transmission system impact as intermittent generation, subject to their running order.

Initial results of the analysis, using a 2011/12 system background, suggested a linear relationship between load factor and constraints. However, it was recognised that further work is required to establish whether this relationship is maintained in future years. A number of additional complexities such as generation diversity, bid price and availability also need further consideration. Any interactions with the Electricity Market Reform proposals have yet to be considered. It was agreed that an update will be provided at the next TCMF.

10. User Commitment – Adam Sims

National Grid gave an update on the progress of User Commitment with an overview of the two temporary solutions – Interim Final Sums and Interim Generic User Commitment Methodology (IGUCM).

The perceived goals of an enduring regime were presented, along with some initial analysis. National Grid intend to develop an enduring solution, with the aim of submitting a proposal to the CUSC panel in February, with a target implementation date of 1st April 2012. Agreement with Ofgem has been made for the current interim solution to be maintained until this date. Concern was raised that such a proposal was being pushed through too quickly, but after discussion it was the majority understanding that it has been a long term plan for National Grid to take this forward for analysis, and that any proposal would still need to go through external consultation.

National Grid stated that they would welcome any input or comments over the coming weeks as they refine their proposal.

11. A.O.B.

None

Dates of future meetings to be held at National Grid House, Warwick:

Wednesday 23rd March, 2011

Wednesday 18th May, 2011