

## Charging Issues Standing Group

### Actions & Issues from the third meeting on Monday, 20<sup>th</sup> June 2005

#### Actions from the May 2005 CISG Meeting

1. National Grid to present on a worked SECULF example.

National Grid reported that the action would be covered in the meeting agenda.

**Action: Closed**

2. National Grid to discuss the next steps for STTEC charging at May TCMF.

National Grid reported to the TCMF that they did not believe there was sufficient evidence to justify proposing a change to the charging arrangements for STTEC. National Grid suggested that a further review could take place of the product in early 2006, after a second winter in operation.

**Action: Closed**

3. National Grid to establish a CISG sub group to progress the issue of NHH – HH demand switching.

National Grid confirmed that it had written to the Industry on 16 June 2005 to formally request membership for the sub group. A number of attendees of the CISG had commented that the request had been passed internally and were currently waiting for responses. National Grid noted that the deadline for responses is 1 July 2005.

**Action: Ongoing**

4. NGT to provide a voluntary timetable for changes to the charging methodologies. National Grid circulated a timetable at the CISG meeting.

**Action: Closed**

#### CISG meeting on 20 June 2005

##### Seculf Overview

5. National Grid presented a worked example to illustrate the mechanics behind the SECULF methodology used to calculate both intact and secured nodal marginal costs. These calculated costs are used to calculate the Security Factor which is used in the TNUoS charging methodology. A worked example on SECULF and paper on the calculation of the Security Factor have been published on the CISG website<sup>1</sup>. National Grid reported that the SECULF programme employs a set of contingencies, which are considered in turn and the maximum flow on each circuit is recorded. Contingencies which give rise to a maximum flow on a circuit are then used to calculate the secured nodal marginal cost. Further information on SECULF can be obtained by referring to the papers published on the CISG website. During the debate on the issue, several attendees raised questions on the list of contingencies and SECULF's treatment of contingencies that split the network. National Grid agreed to consider publishing a full set of contingencies used by the SECULF programme and to confirm how contingencies that disconnect demand are treated.

**Action: National Grid to consider publishing contingency list for SECULF**

**Action: National Grid to confirm how SECULF considers contingencies that disconnect demand**

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<sup>1</sup> [http://www.nationalgrid.com/uk/indinfo/charging/mn\\_cisg.html](http://www.nationalgrid.com/uk/indinfo/charging/mn_cisg.html).

ITC Scheme impact on TNUoS

5. At the April TCMF, National Grid agreed to take an action to discuss the potential effects of Inter TSO Compensation (ITC) mechanism on the GB TNUoS methodology at the June CISG. National Grid highlighted that EU Regulation 1228/2003 governing the ITC Scheme came into force on 1 July 2004, but the articles potentially impacting the GB TNUoS methodology are not formally enacted until the guidelines are agreed among member states (expected no earlier than 1 January 2006). National Grid highlighted that on joining GB would be the first scheme member to operate a locational charging regime. Additionally, existing EU participants presume all individual country CBT charges are removed on joining the scheme to avoid 'pancaking' of charges. With regard to the effect on charges for Interconnectors, National Grid reported the initial thoughts from 2004, that the 'flat' element of TNUoS charges would be removed to eliminate inefficient 'pancaking', with the locational element of TNUoS continuing to be levied. It was noted that the removal of the non-locational element on Interconnector charges may distort the locational signals and could be viewed as being discriminatory as the non-locational element is not "purely" residual revenue recovery but also included substation and reactive compensation costs. During the debate on Interconnector charges, National Grid agreed to take an action to list the options and to consider their pros and cons
- Action: NGT to look at the pros and cons of potential methodology changes to Interconnector charges on joining the EU ITC scheme.**

Approval Conditions 1,3 & 4

6. National Grid reported that it had published three questionnaires to gauge industry views and comments on Condition 1 (Negative Demand Charges), Condition 3 (Intermittent Generation) and Condition 4 (Long Term Fixed Access products) of the methodology approval conditions. National Grid highlighted that the closing date for the questionnaire on Condition 1 was 23 June 2005, with the closing dates for questionnaires on Condition 3 and 4 being 15 July 2005. In relation to the supporting evidence appended to the questionnaire on Condition 1 (Negative Demand Charges), one attendee highlighted that there is still scope for negative demand charges to exist, even in the scenario of moving to a 0:100 Generation/Demand Split.
7. Finally, one attendee requested that National Grid publish the Security Factor chart which employs least squares method to "best-fit" a straight trend line. (The R-squared value will be included as this represents the % variation of the data explained by the fitted line or "goodness of fit") National Grid highlighted that the chart had been previously published during at a DCLF Expert User Group meeting but agreed to re-circulate to the CISG attendees.
- Action: NGT to circulate Security Factor chart**

**End of Report**