

Transmission Charging Methodologies Forum

Meeting Report: 23rd November 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)	Duncan Carter	Consumer Focus
Jackeline Crespo-Sandoval	National Grid	Frank Prashad	Rwe Npower
Heather Carter	National Grid	Garth Graham	Scottish-Southern
William Kirk-Wilson	National Grid (part)	James Anderson	Scottishpower
Iain Pielage	National Grid (part)	Jenny Higgins	Npower
Ivo Spreeuwenberg	National Grid (part)	Karl Maryon	Havenpower
Andrew Wainwright	National Grid (part)	Louise Schmitz	EDF
Wayne Mullins	National Grid (part)	Matthew Grant	Ofgem
Cem Suleyman	Drax Power	Michael Dodd	ESBI
Damian Bach	Britned	Paul Jones	Eon UK
Dena Barasi	Ofgem	Peter Waghorn	Cornwall Energy Associates

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>.

Action (New ; Outstanding; Completed)	Responsibility	Due Date
CUSC housekeeping changes following CAP188 implementation	National Grid	March 2011
Review the potential improvements suggested for the Condition 5 report	National Grid	March 2011
Extra slide to be added to the “Review of BSUoS charges” presentation with breakdown of elements of BSUoS	National Grid	December 2011
Confirm whether if BSUoS is removed, all European countries will be on a level playing field, particularly Ireland. Post meeting: ¹	National Grid	December 2011
Update slide 32 of “Review of BSUoS charges” presentation to include link to the APX-ENDEX report	National Grid	December 2011
Consider whether a single CUSC proposal can handle both issues re: Treatment of capital contribution in TNUoS – charging and rights / obligations	National Grid	December 2011
Include flow charts showing the cash flows associated with each option relating to the TNUoS and One-off charge interaction	National Grid	December 2011
National Grid to contact generators affected by one-off payment issue to request consent to disclose figures.	National Grid	January 2011
Produce a table of examples to clarify what type of one-off payments fall into the affected category	National Grid	January 2011
Consider publishing an open letter to industry re: condition 5 to canvas wider opinions	National Grid	December 2011
National Grid to speak to Ofgem regarding the content of the Project TransmiT impact assessment report, in order to manage any possible overlap with work undertaken to prepare the condition 5 report.	National Grid	December 2011

¹ https://www.entsoe.eu/fileadmin/user_upload/library/Market/Transmission_Tariffs/TariffSynthesis_2011_FINAL.PDF

2. Capacity Allocation & Connection Management Code Review – Will Kirk-Wilson

National Grid presented an overview on their work of the Capacity Allocation and Congestion Management (CACM) group. The objective is to integrate, coordinate and harmonise congestion management regimes to facilitate European cross border trading.

Three groups were set up to deal with Day Ahead, Intraday and Capacity Allocation. National Grid participates in all three groups. It was noted that the integration of the electricity balancing market was excluded from the work. National Grid advised that the GB market aligns well with the existing European target model and as such no potential issues have been identified, unlike Ireland, Spain and Portugal where derogations until 2016 have been issued. National Grid also advised that there are plans in the near future to form a fourth group to deal with forward markets. Concerns were expressed over whether the market coupling algorithm will be able to produce the most optimal market equilibrium. However, National Grid stated that they are confident that the code will be robust enough. The work is expected to conclude in January. The code then will go through internal ENTSO-E governance followed by industry consultation in early March 2012.

Suggestions were made to contact organisations such as EUROELECTRIC for further industry involvement and National Grid offered to organise workshops to raise understanding on European issues.

3. Review of BSUoS charges – Iain Pielage

BSUoS was shown to be affecting Pan European trading; a disparity between the GB market and other European markets was identified due to the different national arrangements in GB when compared to those prevailing in the continent.

To address these issues National Grid proposed to raise two separate CUSC modification proposals at the next CUSC meeting in December 2011. The first proposal is not to apply BSUoS charges to interconnectors to address the Pan-European defect. The second proposal is to alter the BSUoS sharing factor to 100% on GB Demand thus better aligning the GB market.

Overall there was a general consensus with the proposed approach. However, there were some concerns over the submission of separate proposals as these may be interpreted as mutually exclusive, with the proposal to remove BSUoS from the Generation side being rejected. It was also noted that the CUSC panel potentially may decide to merge the proposals. It was also noted that consideration should be given when developing the proposal to avoid potential windfalls at the implementation stage.

4. Project TransmiT update – Ivo Spreeuwenberg

In July 2011, as part of project TransmiT, Ofgem launched a Significant Code Review (SCR) aimed at reviewing the current TNUoS charging arrangements. A technical working group was set up with the task of identifying two potential options to take forward for economic analysis around 6 main themes. In September 2011 an initial report was published outlining the technical working group's recommendations. These focused on the areas of reflecting the characteristic of users, reflecting new transmission technology and changes to the Generation/Demand split. In addition to the central charging options to be modelled, there was also a mention of two more sensitivity analyses being carried out in parallel: a Postage stamp analysis maintaining the local charge and an improved ICRP and Status Quo analysis that does not include the cost of the HVDC converters.

In addition to the above, a progress update was also given on the enduring arrangements for the user commitment proposal (CMP 192), where the CUSC Panel favoured the alternative CUSC Modification options 8, 10, 11 and 12, with the best overall option being option 8.

Ofgem will be publishing the economic analysis and opening the SCR for consultation in December 2011. Following this, National Grid is expecting Ofgem to direct them to raise CUSC modifications proposals in Spring 2012 with view to implement in April 2013 or April 2014.

It was noted that TransmiT will be the first electricity SCR and may be the first charging modification to go through the CUSC Process. Members of the CUSC Panel are currently engaged into looking at how best to accommodate it to ensure a relatively smooth process.

5. Future requirements for Charging Issues Standing Group (CISG) – Andy Wainwright

Discussions took place over the future of CISG and its potential format. Suggestions were based around raising issues at TCMF first and then conducting further technical work and analysis under CISG. It was highlighted that this would be beneficial particularly for smaller industry players that otherwise may not have the opportunity to develop their own work (i.e. due to lack of resources). There were some concerns that some of the work carried out at CISG may potentially conflict with work done by other working groups (ie. CUSC, JESG) and careful consideration should be taken to avoid duplicating work or becoming a TCMF repeat. Concerns were also expressed regarding people's availabilities and workload. It was therefore suggested that meetings be organised on a 'need to have' basis rather than regularly scheduled, and to focus on specific charging issues.

National Grid will consider further engagement with stakeholders via an open letter to establish the need case and draft terms of reference, as required, for a revised CISG. If appropriate, the draft terms of reference will be taken to the CUSC Panel for consideration. Attendees agreed to bring examples, at the next TCMF, of potential issues that could be taken forward at future CISG meetings.

6. Treatment of capital contributions in TNUoS – Wayne Mullins

An issue relating to how the TNUoS methodology interacts with one-off charges made in respect of infrastructure assets was discussed. The current TNUoS Charging Methodology considers the type of asset actually installed when applying an expansion factor to a circuit. No consideration of any one-off charges paid in relation to infrastructure assets is made. For local circuit charges, this means that a generator will effectively pay the additional cost of undergrounding cost twice.

National Grid is looking to submit a CUSC proposal in December 2011 to bring forward a change to the charging methodology to deal with this issue. There may be some consequential CUSC changes outside of Section 14 and the forum discussed whether two CUSC proposals were required. National Grid agreed to seek clarification of the CUSC process.

An interaction with project Transmit was identified and as such the options to consider are:

- Raise proposal now to become part of SCR;
- Raise proposal now and freeze until SCR finished or
- Wait until SCR is finished.

Given the nature of the proposal and the endeavour for a timely resolution, National Grid indicated a preferred route to raise a proposal and let the Panel and Ofgem have the discussion on how it should be progressed.

7. 2012 Condition 5 report – Wayne Mullins

Potential changes to the TNUoS charging methodology as a result of the Project TransmiT SCR create a number of challenges to the forecast accuracy of the Condition 5 report. Suggestions were sought on how to minimise producing potentially misleading or confusing information when preparing 2012 forecasts in the context of TransmiT.

Several suggestions were raised by forum attendees, among these were:

- a. Produce 5 year analysis for Status Quo, Improved ICRP and Postal Stamp proposed models
- b. Produce 5 year analysis on Status Quo and some elements of the proposed Improved ICRP
- c. Use Redpoint impact assessment published under TransmiT.

It was noted that the earliest expected implementation date for the Transmit SCR is likely to be April 2013 therefore there were 2 years of which there may be an issue of publishing a report due to uncertainty over the charging methodology.

National Grid will seek Ofgem's views and will consider publishing an open letter to industry to canvas wider opinions. National Grid confirmed that regardless of the type of analysis produced, the report

process would still include publishing the relating data tables, if this is not undertaken as part of the TransmiT impact assessment.

8. A.O.B

It was noted that some of the future TCMF dates proposed will include having meeting on Fridays. There was a request to change those dates. The preferred choice was to hold meetings on either Tuesdays or Wednesdays. National Grid agreed to review dates subject to meeting room availability.

Post Meeting note: revised dates have been arranged following feedback. March and May TCMFs are now provisionally to be held at the ENA offices in London. Full revised details are provided below.

Proposed dates of 2012 meeting:

Tuesday 31st January @ National Grid House

Friday 16th March now **Wednesday 21st March @ ENA Offices**

Friday 18th May now **Tuesday 22nd May @ ENA Offices**

Wednesday 25th July @ National Grid House

Wednesday 26th September @ National Grid House

Wednesday 28th November @ National Grid House