

## Charging Issues Standing Group

### Actions & Issues from the Tuesday 20<sup>th</sup> November 2007 Meeting

#### **CISG Meeting on Tuesday 20<sup>th</sup> November 2007**

##### **Attendees:**

Hêdd Roberts (Chair)	National Grid	Toby Manning	Independent
James Anderson (by phone)	Scottish Power	Felix Mutoonono	EDF Networks
Garth Blundell (by phone)	Scottish Power	Frank Prashad	RWEnpower
Michael Dodd	Ofgem	Louise Schmitz	British Energy
Patrick Hynes	National Grid	David Scott	EDF Energy
Paul Jones	E.ON	Dan Sutton	Intergen
Tom Ireland	National Grid	Andrew Truswell	National Grid
Audrey Luksicek	Centrica	David Walker	West Coast Energy
Craig Maloney	National Grid		

#### **1. Charging arrangements for SQSS design variations (GB ECM-09)**

National Grid provided an update on the consultation regarding the charging arrangements for SQSS design variations. The presentation has been published on the National Grid charging website.<sup>1</sup>

The consultation remains open, with a deadline for responses of Friday 30<sup>th</sup> November. The consultation has been published on the National Grid charging website.<sup>2</sup>

In summary, the main items for discussion were those of the substation discount, circuit discount, applicable circuit length, circuit partial redundancy discount, 132kV uprating factor and offshore users.

Regarding the substation discount, it was generally considered that the decision to connect a single circuit to a single busbar may result in some substantial capital savings. It was noted however, that when considering the appropriateness of a substation discount it is important to consider the GB-wide substation arrangements, the charges for which are currently socialised in the residual element of the TNUoS methodology. It was widely agreed that consistency between the wider methodology and any proposed discount was an important consideration in this instance and that it may therefore be inappropriate to apply a deep discount on shallow, partly socialised charging arrangements.

On the circuit discount, there was significant debate as to whether it would be appropriate to apply a cost-reflective discount which exceeded the locational charge calculated on a MWkm basis. It was noted that this would create a perverse incentive for a potential generator to locate as far away from the Main Interconnected Transmission System (MITS) as possible as this would ultimately result in a negative locational tariff. It was widely agreed that such an approach would be inappropriate.

<sup>1</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

<sup>2</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

Consideration was given as to whether a zonal locational security factor would be an option. National Grid agreed to perform some analysis regarding the locational security factor by generation charging zone.

**Action: National Grid to undertake locational security factor analysis by generation charging zone and report finding at next CISG.**

## **2. Charging arrangements for offshore transmission (GB ECM-08)**

National Grid provided an update on the consultation regarding the charging arrangements for offshore transmission. The presentation has been published on the National Grid charging website.<sup>3</sup> The pre-consultation and responses have also been published on the National Grid charging website.<sup>4</sup>

In summary, National Grid intends to publish a charging consultation in late November / early December, proposing:

- offshore connection charging boundary at the offshore substation LV busbar;
- specific expansion factors for locational elements of offshore connections, and recovery of non-locational through the residual tariff;
- specific expansion factors for HVDC connections, including converter station costs; and
- recovery of charges levied on the GBSO by DNOs for embedded transmission from OFTOs as an excluded service.

## **3. Embedded benefit**

National Grid provided an update on the work thus far undertaken regarding the determination of an appropriate valuation for the reduced transmission expenditure resulting from a Users decision to connect to the distribution system. The presentation has been published on the National Grid charging website.<sup>5</sup>

National Grid proposed that the use of the revenue drivers determined as part of the Price Control Review presented a relevant proxy for determining the value of the transmission expenditure avoided for local generation works. This equates to an annuitised value of approximately £1.50/kW.

National Grid identified that the limited studies undertaken thus far, indicate a wider transmission capital expenditure saving in the region of £5.00/kW resulting from reduced levels of demand. It was noted that further analysis is currently being undertaken using a larger sample size of data, whilst consideration is also being given to how Engineering Recommendation P2/6 might be considered in the context of calculating the embedded benefit.

**Action: National Grid agreed to publish a post-meeting note referencing the revenue driver information with a covering explanation.**

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<sup>3</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

<sup>4</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

<sup>5</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

#### **4. Generation zoning**

National Grid provided an update on some work which has been undertaken on TNUoS generation zoning, following on from the 2006 consultation.<sup>6</sup> The presentation has been published on the National Grid charging website.<sup>7</sup>

The main items for discussion were the relevance of the +/-£1.00/kW zoning criteria and to what circumstances might qualify as exceptional circumstances and trigger the requirement to re-zone within a price control period. Some lengthy discussion followed, which will be captured in the forthcoming zoning consultation, expected to be published in December.

#### **5. Charging for short-term access**

Due to time constraints and the requirement to discuss the Inter-TSO compensation scheme, the charging arrangements for short-term access were not discussed. It is anticipated that this will be covered at the next CISG meeting, in 2008.

#### **6. Any other business**

##### **Inter-TSO compensation scheme**

National Grid presented an update on the ITC scheme. The presentation has been published on the National Grid charging website.<sup>8</sup>

In summary, National Grid as GBSO, have signed up to the ITC scheme, with Ofgem granting a conditional acceptance. 26 of 27 countries are also expected to join with one remaining state having until 22 November to confirm. Should all 27 parties agree, the scheme will become effective of 1 January 2008, with Great Britain expecting to contribute approximately €9.35m in Year 1 of the proposed 2-year scheme. It is anticipated that an industry consultation regarding revenue recovery will be undertaken in early 2008. Further information regarding the ITC scheme can be found on the ETSO website.<sup>9</sup>

##### **Future meeting dates**

No dates for future CISG meeting have yet been determined. Provisional dates will be published shortly.

**Date of next meeting:** TBC.

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<sup>6</sup> <http://www.nationalgrid.com/NR/rdonlyres/16BAAE54-5B07-422F-A419-6A60880C839A/11660/GenerationZoningFINAL.pdf>

<sup>7</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

<sup>8</sup> <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

<sup>9</sup> [http://www.etso-net.org/activities/cbt/e\\_default.asp](http://www.etso-net.org/activities/cbt/e_default.asp)