

Charging Issues Standing Group

Actions & Issues from the Thursday 17th May 2007 Meeting

Actions from the Thursday 18th January 2007 CISG Meeting

1. **National Grid to consider whether a generation zone should be allocated to Pembroke in 2007/8 if the generation is to be omitted from the DCLF Transport and Tariff model as a result to a delay in the commissioning date.**

Pembroke generation zone omitted following consultation GB ECM-07: Adjustment of Seven Year Statement Transmission Entry Capacity Data for Calculating 2007/8 TNUoS Tariffs.

2. **National Grid to investigate the publication of the cost-benefit analysis regarding the limit of offshore generation that could be connected to a single-circuit when considering the costs of reserve and response to that of providing an additional circuit.**

An update will be provided at the next TCMF in June, 2007.

3. There were no further comments on the Summary Report produced. This is available on the National Grid charging website.
<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

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4. **CAP142 – Temporary TEC Exchanges**

National Grid provided a verbal update on the current state of play for CAP142. The deadline for responses to the open letter providing information on the intended changes to the Statement of the Use of System Charging Methodology in the event that the Authority does not veto either of the CAP142 proposals was 2nd May, 2007. Two responses to the open letter were received from Eon and British Energy and National Grid will publish its conclusions shortly.

The CAP142 Amendment Report was submitted to the Authority on Tuesday 8th May, 2007. This is available on the National Grid website:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

5. **CAP143 – Interim Transmission Entry Capacity**

National Grid presented an overview of CAP143 and the proposals for charging for Interim TEC should CAP143 be implemented. The presentation is available on the National Grid charging website:

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

In summary, National Grid is proposing to charge for ITEC as TNUoS. As such, ITEC will be included in the generation background within the DCLF Transport and

Tariff model when calculating tariffs where possible. In the event that a User is allocated ITEC mid-charging year, National Grid are proposing to calculate a cost reflective tariff for that User by re-running the DCLF Transport model to include the volume of ITEC in the generation background. Other Users tariffs for the relevant charging year will remain unaffected and any resultant over-recovery of revenue will be rolled forward into the calculation of allowed revenue in the subsequent charging year.

National Grid are not proposing that any discount on the TNUoS tariff will be applied to ITEC on the grounds that any such discount could create perverse incentives for Users to delay the date of TEC access. Further information regarding CAP143 can be found on the National Grid website:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

6. Charging Arrangements for SQSS design variations

National Grid presented an update on the charging arrangements for SQSS design variations. The presentation is available on the National Grid charging website:

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

In summary, National Grid identified three options. The first option considers the adjustment to the charging boundaries for sub transmission voltage assets, whereby the connection boundary is established such that these assets (sole User and shared) are charged as connection assets. This option was identified as allowing generators to make an efficient decision based on a cost-reflective discount, requiring sharing rules (by CEC) for shared assets.

The second option identified, is essentially an extension of option one, by considering the removal of generator-only spurs from infrastructure into connection. Again, sharing rules would be required to ensure an accurate reflection of costs in such a charge.

The third option considered the creation of multiple 132kV expansion factors requiring the identification of circuits likely to be uprated, with a lower expansion factor applied to reflect this.

It was noted that all three options address consistency with the methodology, but adjustments to the current TNUoS generation zones would be required. National Grid noted that further analysis based on a more comprehensive data set is required prior to the publication of a formal charging consultation.

7. CAP146 – Third Party Works

National Grid presented an update on CAP146. The presentation is available on the National Grid charging website:

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

In summary, CAP146 seeks to amend the CUSC to clarify National Grid's responsibility for arranging and paying for third party works and to change the provisions in Section 6 of the CUSC so that National Grid is responsible for paying the costs of third party works.

The relative merits of implementing CAP146 were discussed, focussing in the main on whether or not the costs of third party works should be borne by a sole User or socialised as TNUoS. National Grid described that without re-opening the transmission price control, Third Party Works would need to be treated as excluded services and therefore it would not be possible to collect the costs through TNUoS as this is not permitted under the current Licence. In addition, National Grid questioned how it could prove to Ofgem that costs for Third Party Works are efficient given that they are not transmission assets. Opinion was divided.

It was noted that if implemented, CAP 146 is intended to be applied to new agreements only, there is no intention to address any legacy connections. The Working Group report has been published on the National Grid website and it is anticipated that a CUSC consultation will be published during the week commencing 21st May, 2007.

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

8. Any other business

Offshore transmission

National Grid made a short presentation providing an update on the developments for offshore transmission. The presentation is available on the National Grid charging website:

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

In summary, Ofgem published their second scoping document in March 2007, containing initial thoughts regarding policy proposals and the framework for implementation. A lower standard of connection security (offshore SQSS) has been specified and a workstream established for charging, compensation and access.

Discussion centred on whether offshore transmission should be considered as an extension of the Main Inter-connected Transmission System (MITS) or whether it should be considered as separate on the grounds that offshore is exclusively for the connection of new generation with no possibility of demand. It was agreed that a separate workshop to discuss the issue was required.

Action: National Grid to distribute issues list, requesting industry views prior to discussion at the forthcoming TCMF on 21st June, 2007.

Post Meeting Note: Issues list will not be published prior to 21st June TCMF. Instead, a pre-consultation paper will be published in late June and included as an agenda item for the TCMF.

Inter-TSO Compensation (ITC) scheme

National Grid provided a verbal update on the ITC scheme. In summary, a scheme will be in place effective from 1 January, 2008. The ITC committee will shortly be submitting the proposed methodology for comitology. Following this, the scheme will become mandatory and National Grid will issue a charging consultation regarding the recovery of the costs of the scheme through GB transmission charges.

Action: ITC to be added to the Agenda for the TCMF on 21 June, 2007.

Date of next meeting: Tuesday 17th July, 2007 at National Grid House, Warwick.