

Charging Issues Standing Group

Actions & Issues from the Wednesday 31st May 2006 Meeting

Actions from the Wednesday 26th April 2006 CISG Meeting

1. There were no actions from the previous CISG meeting.

There were no comments on the Summary Report produced. This is available on the Charging Website. <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

CISG Meeting on Wednesday 31st May 2006

2. Inter TSO Compensation (ITC) Scheme

National Grid provided an update on the options available for recovering the costs of the ITC scheme through the relevant charging methodologies. There are two elements to the ITC scheme, for which it is anticipated that Great Britain (GB) will be required to make a net payment to the scheme for both; infrastructure and losses.

Infrastructure compensation is expected to be calculated using hourly 'reference exchanges' multiplied by a network cost and a 'sensitivity factor', whilst losses compensation will be calculated on the difference in transmission losses with and without transits based on 72 snapshots of the transmission system. These elements are fully explained in the discussion paper which can be found on the National Grid Charging website. <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

National Grid is discussing the issue of funding with Ofgem, with payment likely to be made by an adjustment to the Maximum Allowed Revenue (MAR) in TNUoS. National Grid is proposing that modifications to the charging methodologies should be made to remove the charges for transits that are currently levied on interconnectors and allow for revenue recovery through the residual element of the TNUoS tariff. The justification for this is set out in the discussion paper, to which National Grid welcomed all comments by Friday 9th June for these to be incorporated into the forthcoming charging consultation.

Note: Following the CISG, National Grid provided a detailed explanation of the how the ITC scheme works and how the various elements of the scheme are derived. National Grid noted the discussion concerning the apportionment of the 'correction' between interconnectors and, in particular, that they should be contribution and MWkm weighted.

3. GB SQSS and charging methodologies interaction

National Grid presented some initial thoughts on the potential ways forward for dealing with the issue of TNUoS charges levied on a User requesting a single circuit design. The presentation and an associated paper can be found on the National Grid Charging website. <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

National Grid noted that following the implementation of the 'Plugs' charging methodology in April 2004, there is less incentive for a User to request a design

variation as savings in a Users connection charges can no longer be made. Any length of circuit greater than 2km is socialised into infrastructure and TNUoS charges are calculated using a single global security factor of 1.8.

This applies for several areas, including Scottish island connections and highland generation spur connections. National Grid believes that each should be treated as a separate issue as there may not be a single charging solution. National Grid sought views of the CISG on a favoured option for taking this issue forward. All comments should be emailed to Tom Ireland at Thomas.Ireland@uk.ngrid.com

4. Incremental cost of capacity

National Grid published a review of the incremental costs of capacity within the GB Charging methodology at the end of April 2006.

<http://www.nationalgrid.com/uk/Electricity/Charges/gbchargingapprovalconditions/2/>

The deadline for responses was Wednesday 31st May, 2006. National Grid is currently considering the responses received and will inform the June 2006 TCMF of the conclusions drawn, indicating the areas of the methodology which National Grid proposes to change and so consult on over the summer.

5. Condition 6 – SSM Questionnaire

National Grid published a questionnaire on the charging arrangements for site specific maintenance at the end of April 2006, with a deadline for responses by 26 May 2006.

<http://www.nationalgrid.com/uk/Electricity/Charges/gbchargingapprovalconditions/6/>

National Grid intends to publish initial conclusions in July, following discussion at the June 2006 TCMF. Any changes to the connection charging methodology that may be proposed will then be subject to a further formal consultation.

6. Manifest errors – initial thoughts consultation

Having calculated 2005/6 TNUoS tariffs, an error in the data used to calculate the tariffs has subsequently been identified. The current charging methodologies do not provide a mechanism by which such discrepancies can be reconciled. National Grid informed the industry that an initial thoughts document will be published in mid-June, leading into a formal consultation which will determine the appropriate methodology for addressing such errors in the calculation of tariffs for both 2005/6 and any future errors should they arise.

7. Any other business

An attendee questioned if the current discussions on offshore connections could be widened to incorporate industry-wide consultation. National Grid noted that the offshore connections issue will be taken forward with relevant input from the CISG.

Date of next meeting: Wednesday 26 July at National Grid House, Warwick.