

Charging Review Initial Proposals

TCMF 17 July 2003

Background

- Initial Charging Consultation document published on 7 July 2003
- Identified areas where National Grid propose to bring forward modification proposals
- Also clarified where National Grid does not propose to bring forward modification proposals
- Closing date for comments on initial proposals 1 August 2003

Introduction

- Summary of proposals
 - Connection
 - TNUoS
- Opportunity for users to clarify the content of consultation document to assist with their formal responses
- Formal responses in writing by 1 August

Connection Proposals

Proposals (1)

- Connection Boundary
 - Shallower “Plugs” connection/infrastructure boundary
 - No shared connection assets
 - Generation only spurs within infrastructure
- Site Specific Maintenance
 - Plug assets are contestable
 - Cost pass through basis
 - Costs booked against assets plus apportioned “overheads”.
 - Post event reconciliation

Proposals (2)

- Land Charges recovered through infrastructure
- Termination Charges
 - Removal of Type “B” termination charges for shared connection assets
- Transmission Running Costs
 - Currently based on internal business forecast
 - Modify to based on the price control costs

Connection Proposals

Any questions?

TNUoS Proposals

National Grid Transco

UK Transmission

TNUoS models

- 3 separate modification proposals suggested
 - Introduce simple DC loadflow model in place of basic transport model
 - Introduce “forward looking” representation of circuits and remove substation element from calculation of expansion constant
 - Introduce “security factor” to expansion constant to represent security on locational basis
- Implementation of all 3 modification would lead to strawman 5 model
- Locational differentials vary from widest, with more than 25 generation zones (implementation of first and third proposal only) to flattest with less than 8 generation zones (implementation of second proposal only)
- No changes proposed to generation zoning criteria

Long term charges

- National Grid do not propose to bring forward a modification to implement long term charging regime
 - Issues of sharing of over/under recovery raised
 - Significant amount of industry change, particularly BETTA
 - Potential for any long term tariff contracts to need to be reopened
 - Should be considered further following BETTA implementation

Within Year Charges

- Propose modification to implement Within Year charging
 - Collect 10% of TNUoS revenue through a flat MWh charge on each day of the year in the period 0700 to 1900
 - Applied to both G and D, with G:D split maintained
 - If “Plugs” connection regime implemented, G charge would be approximately £0.12/MWhr, D charge would be approximately £0.36/MWhr
 - Remaining 90% of revenue would be based on capacity type charge as now
 - Zonal £/kW tariffs would reduce by approximately £0.34/kW for G and £1.11/kW for D

Impact on £/kW tariffs (Strawman 5)

Generation			Demand		
Zone No.	Zone Name	Zonal Tariff £/kW	Zone No.	Zone Name	Zonal Tariff £/kW
1	Scot Border	9.50	1	Northern	3.63
2	North East	8.12	2	North West	6.09
3	North West	6.32	3	Yorkshire	6.16
4	Humberside	5.54	4	N Wales & Mersey	6.57
5	Mersey, Pennines & Notts	3.79	5	East Midlands	8.57
6	Nearly North Wales	5.81	6	Midlands	9.47
7	Dinorwig	9.64	7	Eastern	9.03
8	East Anglia	2.52	8	South Wales	13.34
9	Midlands	1.63	9	South East	12.40
10	South wales	-2.06	10	London	14.65
11	Thames Estuary & Herts	1.16	11	Southern	14.55
12	Kent sliver	-0.38	12	South Western	15.53
13	Central & SW London	-7.00			
14	South Coast & Oxon	-1.00			
15	Wessex	-5.28			
16	Peninsula	-8.01			

Within Year tariff basis

- Charges based on metered volume between 0700 and 1900
- Charge generators on a station basis, consistent with TEC (I.e. net export of all generation, station demand and additional load BMUs forming a power station)
- Generators pay demand £/MWhr tariff if importing
- Interconnectors pay generation tariff when importing to England and Wales, demand tariff when exporting from England and Wales
- BMUs forming demand charge base pay demand tariff when taking demand, paid negative demand tariff when exporting

Demand base and basis

- No modifications proposed to demand base
 - Charging TNUoS to DNOs no better
- No modifications proposed to half hourly demand charges
 - No better alternative to Triad method
- No modification proposed to non-half hourly demand charges
 - Alternative method would give uncertain tariff to suppliers at the start of the year
 - National Grid do not believe that the alternative method would better meet the relevant objectives

Interconnector charges

- National Grid believe that it is cost reflective to apply half hourly demand charges to interconnectors
- Some interconnector users have continued to raise the issue of the application of Triad charges to interconnectors
- Requested comments from interconnector users on the extent to which they believe there to be a competition issue in relation to the application of Triad charges to the interconnector
- Alternative method would involve spreading charges over a wider period
- Only if users identify that there is clearly a competition issue to address will a modification proposal be considered

TNUoS Proposals

Any questions?

Next Steps

- Responses to initial consultation by 1 August
- Discuss conclusions from initial consultation at August TCMF
- Formal Modification Reports at end of August
- Formal consultation period in September
- Conclusions Report to the Authority in October
- Proposals vetoed or implemented Oct/Nov

