

## Charging Issues Standing Group

### Actions & Issues from the Friday, 09<sup>th</sup> September 2005 meeting

#### Actions from the June 2005 CISG Meeting

1. **National Grid to establish a CISG sub group to progress the issue of NHH – HH demand switching.**

National Grid informed CISG that the NHH – HH demand switching sub-group had met on Thursday 25 August. In summary, the group concluded that for Users in zones with the highest demand tariff, switching from NHH to HH could represent an increase of 10% on their annual bill in the year that they switch. It was noted that the impact of 2,000 Users switching from NHH to HH metering would be less than 0.1% of National Grid's annual income. The highest cost for NHH to HH switching would be just prior to the beginning of the Triad period, with the over-payment equating to approximately 7/12 of the annual charge (assuming an even profile over the year). Additionally, a User that switches from HH to NHH could avoid charges by switching prior to the first triad.

A number of potential solutions to the issue were identified which involved amending the CUSC, BSC or charging methodology, or creating a parameter in the SVA mechanism. The sub-group concluded that there was no quick fix to this issue and the costs of implementing any of the options may not be proportionate to the relatively small benefit that would be gained. The CISG attendees concluded that there should be no further work carried out on this issue, due in part to the materiality but primarily by the existence of options for suppliers to manage this risk themselves either contractually or by proposing suitable BSC changes. National Grid agreed to publish the meeting notes on the National Grid website.

[www.nationalgridinfo.co.uk/charging/index.html](http://www.nationalgridinfo.co.uk/charging/index.html).

2. **National Grid to publish contingency list for SECULF.**

National Grid provided a list of SECULF contingencies used to calculate the 2005/6 Security Factor. The list is available upon request to Patrick Hynes at [Patrick.hynes@uk.ngrid.com](mailto:Patrick.hynes@uk.ngrid.com)

3. **National Grid to confirm how SECULF considers contingencies that disconnect demand.**

National Grid explained that contingencies that split the transmission network are not considered in SECULF in calculating secure marginal costs. Where a particular contingency is ignored because it disconnects demand from the network and it would have caused the worst possible flow on a circuit, the effect of this is a reduction in the security factor. The effect of disconnection contingencies being ignored is therefore to reduce the security factor, however, the relatively small number of such contingencies combined with the low probability that any would contribute to a higher secured flow, indicates that the effect on the security factor will be small.

**4. National Grid to look at the pros and cons of potential methodology changes to Interconnector charges on joining the EU ITC scheme.**

National Grid provided an update on the current state of play of the ITC scheme and the impact that this might have on TNUoS charges (primarily for interconnectors). In summary, there remains a lot of uncertainty, particularly with regard to the detailed operation of the ITC mechanism. It is also yet to be decided whether the scheme will be joined as Great Britain, or as Great Britain and Northern Ireland. National Grid identified a number of charging options looking at the possible impact on both TNUoS and BSUoS, and discussed whether it might be possible to undergo the necessary license and charging consultation before the ITC guidelines were formally approved. It was concluded however, that it would be necessary to understand exactly what the ITC scheme will involve prior to developing a charging methodology around it. National Grid agreed to revisit this issue once there was more certainty on the operation of the mechanism. National Grid's presentation can be viewed on the National Grid Charging website.

**5. National Grid to circulate Security Factor chart.**

National Grid provided a best-fit example of the secured SECULF marginal kilometres against the DCLF unsecured marginal kilometres. This can be viewed on the National Grid charging website. Following the discussion, it was concluded that no further work in this area was required.

**CISG meeting on 09<sup>th</sup> September 2005**

**6. Approval Condition 1 – Negative demand questionnaire**

National Grid informed CISG that responses to the negative demand questionnaire published in May 2005 are in the process of being collated and that the conclusions report should be ready for publication to the industry by the end of September 2005.

**7. Approval Condition 3 – Intermittent generation questionnaire**

National Grid provided a summary of the industry responses to the questionnaire on intermittent generation that was published in June 2005 (presentation can be found on the National Grid charging website). National Grid agreed to provide an update on how Condition 3 will be taken forward at the next TCMF. It was agreed during the discussion that the biggest driver for change in this area was likely to be any changes to the Security and Quality of Supply Standards (SQSS). It was discussed amongst the group that industry studies have been commissioned on SQSS, and although it was uncertain as to when these findings will be published, conclusions may not be published until next year. National Grid agreed to explain the process and timetable for any changes to SQSS at the next meeting.

**Action: National Grid to provide an update at the September TCMF of how it is intended that Condition 3 will be progressed.**

**Action: National Grid agreed to explain the process and timetable for any changes to SQSS.**

**8. Approval Condition 4 – Long Term TNUoS questionnaire**

National Grid provided a summary of the industry responses to the questionnaire on long term fixed price products published in June 2005 (presentation can be found on the National Grid charging website). During the discussion a clear view emerged from attendees that they did not believe a system of long-term charges would be welcomed, where the users were taking the risk of tariff movements. It was noted however that the alternative of National Grid taking the risk might be similarly unpalatable as it would require significant changes to the commercial and regulatory framework and would require intense scrutiny of National Grid by Ofgem. It was also noted that this charging condition required National Grid to bring forward proposals, with attendees expressing concern that this placed National Grid in a very difficult position, as there seemed to be negligible support from the industry for long-term charges. National Grid agreed to provide an update at the next TCMF on how it is intended that Condition 4 will be taken forward.

**Action: National Grid to provide an update at the September TCMF of how it is intended that Condition 4 will be progressed.**