



An alternative to the current charging model

TCMF 28th October 2008

nationalgrid

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Background

National Grid has received a letter from the First Minister of Scotland setting out an alternative charging model

Developed in conjunction with Scottish and Southern Energy, Scottish Power and Scottish Renewables Forum

Requests National Grid to consider undertaking an Industry consultation

Suggested implementation April 2009

Scottish Government has had correspondence with Ofgem urging them to consider this new approach

Transmission Charging - a new approach

Context of proposal:

‘GB charges result in high charges for Scottish based generators which are unstable, unpredictable and highly volatile year on year’

‘highest charges levied on generators sited in areas of the best renewable resource’

‘transmission charging adversely impacts on both the development of renewables and on future investment in thermal generation’

‘current system of charging is not fit for purpose’

Transmission Charging - a new approach

Proposal:

'transmission charges for generators that use the Great Britain transmission system are levied at a uniform rate for each unit of energy that enters the system, irrespective of its location'

Move from reservation to usage model, MW to MWh, resulting in a charge of around £1/MWh

The charge for a windfarm in the North of Scotland which currently pays around £2.2m would be £0.3m under this model

The proposal lists a number of 'benefits'

Transmission Charging - a new approach

Proposed 'benefits':

Simplicity

Predictability

Non-discriminatory

Cost neutral

Cost reflective

Supporting government objectives

Developing a European energy market

Transmission Charging - a new approach

Conclusion:

'There is a significant risk that the current review of charging within the Transmission Access Review will completely overlook the need for reform of the locational charging model and will miss a 'window of opportunity' to deliver a solution which fully aligns with UK and Scotland energy policy objectives...'

Scottish Power

Scottish and Southern Energy

Scottish Renewables Forum

Scottish Government