



GB ECM-17: Transmission charging – a new approach

TCMF

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nationalgrid

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Background (1)

September 2008, National Grid received a charging proposal on behalf of:

- Scottish Power
- Scottish and Southern
- Scottish Renewables Forum
- Scottish Government

The proposers state that it provides:

“a greater fairness and predictability to the charging system and would provide a greater incentive for development of Scotland’s energy potential without altering the amount of money that National grid receive under the current model.”

Background (2)

Points raised in charging proposal

- Transmission charging methodology results in high charges for Scottish-based generators which are unstable, unpredictable and highly volatile year-on-year
- This has an adverse impact on
 - Development of renewable generation
 - Future investment in thermal generation for security of supply
- Transmission charges for generators should be levied at a uniform rate (£/MWh) for each unit of energy, irrespective of location
- Locational signals for generation would be removed
- Subsequently, National Grid published a pre-consultation document in November, inviting industry views on the proposals when assessed against relevant charging objectives
 - Views invited by 4th December

Summary of responses to pre-consultation (1)

19 responses received

- Opinions very much divided

Facilitates competition

- **Supportive**
 - Current methodology results in high charges which are volatile and unstable
 - Locational signals are discriminatory
 - Current methodology discriminates against renewables, with only the lowest cost sites being developed
 - Proposal is more transparent and stable
- **Unsupportive**
 - Proposal is unpredictable for generators as charges levied on volumes of generation
 - Current methodology cannot be a barrier to entry
 - Currently 17GW of generation awaiting connection, ~50% located in Scotland

Summary of responses to pre-consultation (2)

Cost reflectivity

- **Supportive**
 - Proposal is cost neutral to demand and National Grid
 - All generators pay TNUoS, therefore more cost reflective
 - Current methodology does not reflect the true nature of transmission flow
 - Renewables cannot choose location, dictated by wind and land availability
- **Unsupportive**
 - Proposals silent on treatment for demand
 - Inconsistent with actual investment based on SQSS
 - Proposal is a regional cross-subsidy
 - Cross subsidy from high to low load factor generation, when investment is the same
 - No incentive to locate close to demand
 - Transmission requirement will therefore increase
 - Higher costs for the end consumer

Summary of responses to pre-consultation (3)

Developments in the transmission business

- **Supportive**
 - Current methodology inhibits renewable generation projects
 - Does not enable government targets to be met
 - Current economic climate already poses a risk to renewable developments
 - Proposals are appropriate for the new generation mix
- **Unsupportive**
 - Quantification sought on how the current proposals have discouraged renewable developments
 - No evidence that current methodology prohibits market entry
 - Currently a large queue awaiting connection

Proposed next steps (1)

Further analysis required to fully evaluate proposal against charging objectives

Can we get TCMF agreement on analysis required?

Facilitates competition

- Full quantitative assessment of claims that current methodology is unstable, unpredictable and volatile
- Compare with proposal

Cost reflectivity

- Comparison between charges and transmission investment costs
- Include impact of load factor on transmission investment

Developments in the transmission business

- ?

Proposed next steps (2)

Publish further consultation containing analysis and conclusions

Timescales consistent with other transmission access reform proposals

- Aim to publish further consultation mid-February