

# GB Transmission Charging: Response to Initial Methodologies consultation

Stuart Easterbrook

TCMF 24 June 2004

# Initial Methodologies Consultation

- GB Initial Methodologies consultation published in April 04
- Views were invited from the Industry on a range of issues concerning GB Charging
- Initial Methodologies consultation closed in May 04
- 23 responses were received

# Responses to the use of Scenario A

- Scenario A represents the use of a single voltage expansion factor
- 6 respondents in favour of Scenario A to provide stability of tariffs
- Predictability and stability of tariffs should take priority over cost reflectivity
- Stability of tariffs better meets the objective on competition
- Scenario A results in a more sensible charging spread across GB

## Responses to the use of Scenario A (2)

- Avoids negative demand tariffs
- Could distort competition by providing inaccurate locational signals
- A move back to a single voltage expansion factor would be a “retrograde” step

# Responses to the use of Scenario B

- Scenario B represents the use of multi-voltage expansion factors
- 9 respondents in favour of Scenario B to provide the basis of cost reflectivity
- Scenario B better meets NGC's relevant objectives
- Cost reflectivity should take precedence over stability
- Scenario B gives a better reflection of the actual marginal costs involved in providing additional capacity at the relevant voltage

## Responses to the use of Scenario B (2)

- The instability of tariffs under Scenario B may have an adverse impact on the ability of small generators to secure long term project financing
- Scenario B will create a riskier market environment in certain regions and could lead to a discouragement of competition
- May have an impact on the financial uncertainty in the renewable energy market
- Increases network instability and introduces an unnecessary risk into the electricity market

# Negative Demand Tariffs

- 10 respondents commented on the use of negative demand tariffs
- 9 confirmed their support for avoiding such charges on the basis that they facilitate perverse signals to the wider market
- Responses were mixed in terms of supporting an adjustment to the G:D split or adopting Scenario A to best avoid negative demand charges

# Renewable Generation

- Respondents with renewable generation interests in Scotland expressed concern over the strength of locational signals from the proposed GB TNUoS methodology
- Additional demand charges relating to the subsidy granted to renewable generators described as “punitive”
- Concerns expressed on Ofgem/DTI’s proposals for subsidies for renewable and small generators

# Zoning Criteria

- 7 respondents commented on the current zoning criteria
- Long term stability of charges questioned
- A shift in the nodal tolerance of +/- £1 kW used to determine zones suggested
- Regular review of generation zones to measure the extent to which the zones meet the zoning criteria
- Evidence requested to support the claim that zoning adds to the stability of charges

# Other Issues

- A number of responses raised concerns on areas described as outside the focus of the consultation
  - 4 respondents forwarded views against the use of a locational security factor
  - 7 respondents proposed an amendment to the current G:D split
  - 4 respondents cited mixed support for the range constraint tariff squeezing approach proposed an earlier respondent
- England and Wales methodology as basis of GB methodology
- Justification against relevant objectives

# Responses Summary

- 23 responses received in total
- 6 in favour of Scenario A
- 9 in favour of Scenario B
- 3 respondents favoured neither scenario
- 5 gave no response to any scenario
- 9 respondents confirmed support for avoiding negative demand tariffs
- 7 respondents proposed an amendment to the current G:D split
- 4 respondents were against the use of a locational security factor

# Next Steps

- A number of interesting responses to the consultation
- Cost reflectivity v Facilitating competition - arguments on both sides
- Final Methodology consultation - currently planned for Sep 04
  - Ofgem guidance
  - Review of consultation timetable
  - Impact on next TCMF