

GB ECM-13: Treatment of residual TNUoS generation tariff

Pre-consultation update

29 July, 2008

nationalgrid

GB ECM-13 Pre consultation Comments

- ◆ Various comments on:
 - ◆ Structure of the document
 - ◆ Transitional issues
 - ◆ Greater clarity on process
 - ◆ Interaction with local asset charging
 - ◆ Impact on Transport & Tariff model
 - ◆ How do we deal with over-recovery?
- ◆ Provision of additional information
 - ◆ Implementation issues
 - ◆ Breakdown of TNUoS revenue 'pots'
 - ◆ Indicative tariffs for new Users with only LCN
 - ◆ Indicative tariffs for existing users for all products
 - ◆ Indicative tariffs going forward for multiple years

GB ECM-13 Pre consultation

Where are we now?

- ◆ Three options:
 1. Commoditisation
 2. Local Capacity Nomination
 3. 'Non-Half-Hourly Generation'

GB ECM-13 Pre consultation

Local Capacity Nomination (1)

- ◆ The term used by a generator to notify the GBSO of its desired maximum local capacity holding in a charging year
- ◆ Represents the aggregated sum (and cap) of the access derived from a combination of all long and short-term access products
- ◆ Will not exceed Connection Entry Capacity (CEC)
- ◆ LCN is evergreen
- ◆ Notified by [23 December] for the charging year beginning in the following April
- ◆ Application process
 - ◆ Required for increase in LCN
- ◆ Security
 - ◆ Consistent with locational
- ◆ Tariffs to be calculated and levied based on LCN?
 - ◆ Residual generation tariff ✓
 - ◆ Local charge ✓
 - ◆ Locational generation tariff (long-term access) ✗

GB ECM-13 Pre consultation

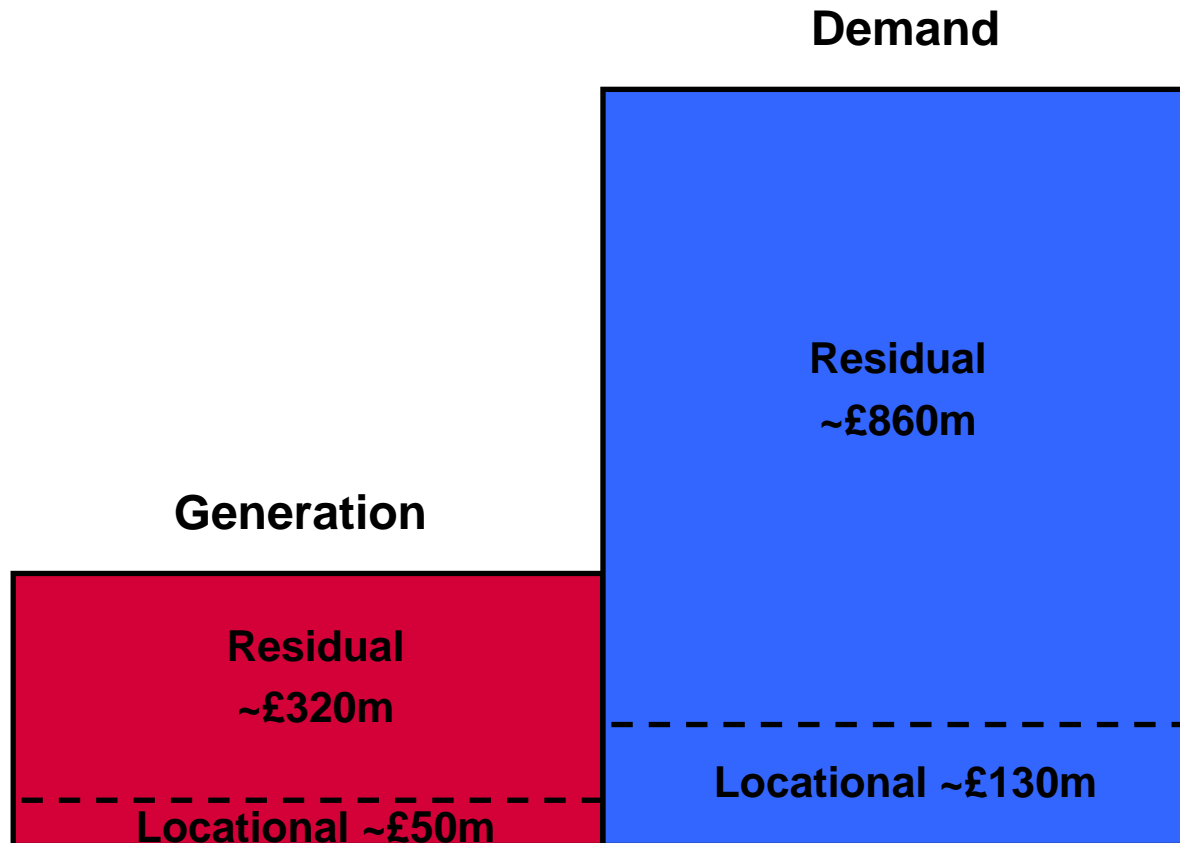
Local Capacity Nomination (2)

	Existing	Proposed	
		Locational	Residual
DCLF Transport Model	TEC	"TEC"	N/A
Tariff Model	TEC	"TEC"	LCN

GB ECM-13 Pre consultation

TNUoS Revenue

- ◆ 2008/9 revenue of £1.35bn



GB ECM-13 Pre consultation

Non-Half-Hourly Generation

- ◆ Works in the same way as NHH demand tariffs
 - ◆ Levied between 1600-1900 (i.e. settlement periods 33-38) throughout the charging year
 - ◆ £/MWh

GB ECM-13 Pre consultation

Implementation Issues

- ◆ For Local Capacity Nomination
 - ◆ New CUSC definition
 - ◆ Defined process
- ◆ For commoditisation and Non-Half-Hourly, minor CUSC changes required:
 - ◆ CUSC 3.10 Data Requirements
 - ◆ CUSC 3.11 Validation of forecasts during financial year
 - ◆ CUSC 3.12 Validation of demand forecasts
 - ◆ CUSC 3.13 Reconciliation statements
 - ◆ CUSC 3.14 Revision of charges

GB ECM-13 Pre consultation

Dealing with over-recovery

- ◆ May seem unlikely, but need to consider
 - ◆ Negative residual tariffs?
 - ◆ Pass back to consumers?
 - ◆ Retrospective reconciliation?
- ◆ For consideration:
 - ◆ NTS GCM 10 'TO Entry Commodity Rebate Mechanism'
 - ◆ NTS GCM 11 'Retrospective Negative TO Entry Commodity Charge' vetoed on the grounds that:
 - ◆ Would apply in the situation where auction revenues alone have exceeded the sum of target allowed revenue
 - ◆ Cost reflectivity not the primary concern in the context of capacity auctions which reveal market value of capacity
 - ◆ Removes symmetry of risk and be discriminatory to exit users
 - ◆ 27/73 G/D Split