

GB Transmission Charging Methodologies Forum

Minutes of the Meeting held on 12 April 2005 Brandon Hall Hotel

ATTENDEES

Richard Court	National Grid Transco (Chair)
Jamil Ahmed	National Grid Transco (Secretary)
Stuart Easterbrook	National Grid Transco
Richard Lavender	National Grid Transco
Craig Maloney	National Grid Transco
Colin Sausman	Ofgem
Mo Sukumaran	Scottish & Southern Energy
Mike Wilks	kema
Stephen Woodhouse	Ilex Consulting
Mike Harrison	Scottish Power UK Division
Simon Lord	First Hydro
Shona Watt	Npower
Jan DeVito	Jade Energy
Scott MacKenzie	Fred Olsen Renewables
Sarah Owen	Centrica
Stephen Moore	EdF Energy
Gayle Cairns	British Energy
Steve Drummond	EdF Trading
Paul Jones	Powergen
Stefan Leedham	Chemical Industries Association
Bob Brown	Cornwall Consulting
Frank Prashad	RWE Npower
Russell Reading	Gaz de France Energy

1 Minutes and Actions

- 1109) Richard Court, NGT, welcomed attendees to the April 2005 GB TCMF meeting.
- 1110) Richard asked attendees for any comments on the minutes of the previous meeting. There were no comments.
- 1111) Action 1104: NGT to provide further details on the form of the STTEC Report. Richard Lavender, NGT, explained that the reporting of STTEC information is governed by the CUSC, Section 6.31. For accepted applications, the report may typically include the details of the STTEC period, maximum and minimum amount in MW requested, identity of the User and the Connection site for each respective application. For rejected applications, the report may include the details of the STTEC period and the maximum and minimum amount in MW requested for each respective application. Richard further commented that any changes to the format of the STTEC report would require a CUSC modification. Frank Prashad, RWE Npower, asked when the STTEC report will be published. Richard responded that there had been nothing to report as no STTEC applications had been received during 2004/5.

Action Cleared

- 1112) Action 1105: NGT to present initial plans for progressing work identified in Ofgem's decision document. Stuart Easterbrook, NGT, presented the way in which the conditions attached to the approval of the GB Charging Methodologies will be progressed.
Action cleared
- 1113) Action 1106: NGT to provide further data on settlement runs. Richard Lavender noted that a comparison of Settlement Final (SF) and Reconciliation Final (RF) data was currently being undertaken and that NGT hoped to communicate the results at the next CISG meeting scheduled for Monday, 16 May 2005 and copied to the TCMF shortly after.
Action: NGT to communicate results of SF/RF data runs at CISG and circulate to TCMF
- 1114) Action 1107: NGT to amend the CISG TOR. Stuart Easterbrook confirmed the CISG TOR had been amended to allow a Transmission Owner (TO) to be counted as a separate party from the TO's parent company in the event that NGT has to impose restrictions on attendance should the CISG be oversubscribed.
Action cleared

2 Transitional Charging Issues

Conditions on Methodology Approval

- 1115) Stuart Easterbrook presented the way in which NGT intends to take forward the conditions attached to the approval of the GB Charging Methodologies by Ofgem.
- 1116) The first condition attached to the approval of the GB TNUoS Methodology was that of proposing an alternative method of addressing the issue of negative demand charges, with an implementation date of no later than April 2006. NGT proposes to make progress on this condition by circulating an industry-wide questionnaire to gauge views on possible solutions to the issue of negative demand charges, including the timing of the change. May 2005 was targeted for publication of the questionnaire, with a formal consultation based on the solutions identified expected to be published at the end of June 2005. This would potentially enable an approval date of September 2005, although this was dependent on the strength of views on the implementation timetable.
- 1117) The second condition attached to the approval of the GB TNUoS Methodology was that of reviewing and assessing further technical basis for the modelling assumptions associated with the calculation of the incremental cost of capacity, within a two year timeline. Stuart proposed to commence work on this condition by establishing an industry workshop in April/May to discuss the options. The workshop report will be presented at the May 2005 TCMF and a consultation on the identified options will be undertaken during the summer of 2005.
Action: NGT to present workshop findings at May 2005 TCMF
- 1118) The third condition attached to the approval of the GB TNUoS Methodology was that of addressing the issue of the treatment of intermittent generation, within a two-year timeline. Stuart proposed to address this condition by publishing an industry-wide questionnaire in the summer of 2005, to gauge views on the possible treatments of intermittent generation. A sub-group of CISG will be established in July 2005 to open discussions on the results of the questionnaire. The CISG sub-group will aim to report to the TCMF in late summer 2005, with a formal consultation on the proposals in autumn 2005.

- 1119) The fourth condition attached to the approval of the GB TNUoS Methodology, with a two-year timeline for implementation was the issue of NGT providing longer-term fixed access products to alleviate the problems caused by varying tariffs year on year. Stuart identified a target date of the May 2005 TCMF for NGT to present the issue and discuss the options. Following this, an industry questionnaire will be distributed at the end of June 2005 to gauge views on the preferences of longer-term fixed access products. The proposals developed from the TCMF discussion and questionnaire results will be used as the basis for a formal consultation in summer/autumn 2005.
- 1120) Stephen Woodhouse, Ilex Consulting, questioned whether longer-term fixed access products would be available for generation only, or generation and demand. Stuart responded that NGT would not like to narrow down the issue to generation only at this point and that longer-term products could be considered initially for both generation and demand.
- 1121) The fifth condition attached to the approval of the GB TNUoS Methodology with a one-year timeline was the publication of longer-term information on the potential tariff behaviours based on differing scenarios in future years. NGT proposed to undertake detailed studies in summer 2005 to model the effects on tariffs and zones over the next 5 years. GB SYS data expected for publication in May/June 2005 will be used as the basis for the analysis that is targeted for publication in October 2005.
- 1122) The condition attached to the approval of the GB Connection Charging Methodology was the review of Site Specific Maintenance, within a two-year timeline. Stuart proposed to consult on the issue in Autumn 2005.
- 1123) Mo Sukumaran, Scottish & Southern Energy, asked if Users would be able to assess the financial impacts of the various options identified for each of the conditions. Stuart Easterbrook confirmed that illustrative tariffs would be published where appropriate and noted that the calculation of the impact of the different options on TNUoS tariffs in such areas as negative demand charges should be straight forward.
- 1124) Mike Harrison, Scottish Power UK Division, asked what NGT proposed to circulate prior to the workshops. Stuart Easterbrook responded that NGT will send an agenda and objectives prior to the workshops to ensure that attendees are clear of what is required. Mo Sukumaran commented that NGT had initially issued discussion papers when consulting in the past. Mike Harrison asked if NGT intend to publish a list of items for discussion prior to the workshops, or leave it open to see what attendees bring to the table. Stuart confirmed that it would be the latter option.
- 1125) Richard Court, NGT, summarised the discussion by stating that it was the intention of NGT to ensure that all options were brought to the table to ensure that nothing is disregarded. Richard stressed that the CISG workgroups would not be a closed shop either and would be open to input from the TCMF.
- 1126) Stuart Easterbrook suggested that it might be useful if NGT circulated a timeline of the proposals and questionnaire publication dates.
Action: Publish timeline of NGT proposals
- 1127) Simon Lord, First Hydro, asked if there would be scope for individual meetings on a one-to-one basis to deal with issues that Users may be uncomfortable discussing in a larger forum. Stuart Easterbrook confirmed that there could be scope for this type of meeting at a user's request, although they may be of more value at a later stage when the options have been considered.

TO Charging Methodologies

- 1128) Richard Court introduced Colin Sausman of Ofgem, to present on the subject of the Transmission Owner (TO) charging statements.
- 1129) Colin opened the presentation by stating that the TO charging statements had been approved by Ofgem on 1 April 2005 and were now effective. Colin explained the role of the TO's under BETTA and the licence obligation under Standard Condition J2 of the Transmission Licence on the TO's to publish a statement setting out the basis on which it intends to levy charges. Colin explained that the charges are levied by the TO's on NGT rather than the transmission users, with the System Operator Transmission Owner Code (STC) providing the contractual framework.
- 1130) In terms of the implications for Users, Colin explained that charges are determined by NGT's approved methodologies and revenue restriction and that the TO charging statements themselves would not have a direct impact on User charges. The potential scope for indirect effects such as information in the TO charging statements providing new information regarding the nature of charges was identified, which might trigger NGT to propose a modification to consequentially modify its methodology, particularly the connection charging methodology. Colin explained that such a modification would be treated just like any other NGT methodology change proposal.
- 1131) Richard Court concluded the discussion by noting that there was the potential for an indirect affect on the charging methodologies although this was primarily for connections rather than use of system.
- 1132) Mo Sukumaran highlighted that the TO charging statements are available on the Ofgem website free-of-charge.

3 Charging Issues Standing Group

- 1133) Richard Court reintroduced Stuart Easterbrook to report back from the inaugural CISG meeting that had taken place at NGT House on Wednesday 23 March. Richard explained that CISG updates will become a regular TCMF agenda item. Stuart commented that the CISG had been well attended, with 17 industry members present. During the meeting six issues were discussed, those being one-off charges for operational intertripping schemes; deterministic zoning criteria; NHH and HH demand switching; STTEC; embedded generation and the notice period for charge setting.
- 1134) Stuart provided a summary of how CAP076 categorises intertrips into four main categories and identified that NGT propose to modify the connection charging methodology to establish the charging treatment for each of the four categories, with a consultation to be published shortly. Stuart added that for an intertrip that is required to avoid the overloading of a third parties' assets, any modification would aim to align the treatment of operational intertrips with the commercial arrangements for third party works whereby once the issue and most efficient solution had been identified, the generator would have to contract separately with the DNO to finance and implement the work.
- 1135) Richard Court asked if any change to the connection charging methodology would be subject to Ofgem's approval of CAP076. Stuart confirmed that any changes would be independent of CAP076 as the revised methodology was only using the categories established during the development of the CAP076 proposals. The

charging modification would therefore not be subject to Ofgem's approval of CAP076.

- 1136) On the issue of deterministic zoning criteria, Stuart explained that the industry currently perceive the determination of generation zonal boundaries as an NGT 'black art'. The CISG attendees expressed a need for more transparency in the process and clarification of the 'exceptional circumstances' that might result in boundaries having to be reviewed within a price control period. Views against a 'automated process' for determining zonal boundaries were also expressed. NGT would aim to always consult fully on any change to the zonal boundaries.
- 1137) The CISG identified that the ability of a demand User to switch between a HH tariff and a NHH tariff mid-year could result in the avoidance of a full years charge, whilst a switch from a NHH tariff to a HH tariff mid-year could result in a User paying more than a full year's charge. Stuart presented that NGT will seek further information on demand switching to assess the materiality of the NHH – HH switching problem.
- 1138) Stuart presented that there had been no uptake of the STTEC product for Winter 2004/5 and that this might reflect the STTEC charge being perceived as too high by the industry. Suggestions from the CISG included a revised charge based on an average TNUoS tariff, a MW/h delivery charge and a potential capping of the number of uses per station. Stuart noted that at the next meeting CISG would assess the alternative charging regimes for the STTEC product and discuss the pros and cons for each option.
- 1139) Frank Prashad noted that NGT may want to benefit from bringing back generation in negative zones via the STTEC product. Frank mentioned that there had been a couple of other suggestions and that one of those suggestions was to keep the current charging methodology. Stuart noted Frank's point and stated that there would be an opportunity to identify and discuss all the options at the next CISG meeting.
- 1140) The CISG identified some issues with the modelling of embedded generation in the DCLF model. By modelling embedded generation, this is scaled differently depending on the charge liability. If embedded generation is liable for generation charges, then it is modelled as generation, whereas if liable for negative demand charges, it is modelled as negative demand charges. Unfortunately, no quick wins were identified at the CISG whilst the issue of exporting GSP's was discussed but deemed out of scope. Stuart noted that NGT had agreed to present an example on how the negative weight issue affects the zonal calculation at the April 2005 TCMF and introduced Richard Lavender to do so.
- 1141) Richard presented the TCMF with two examples of how the demand at a GSP can impact on the weighted nodal marginal kilometre within a two-node demand zone. Jan DeVito, Jade Energy, commented that skewing the weight of the average marginal km because of negative GSP's raises the concern of inconsistency in the treatment of demand and generation. Stuart Easterbrook agreed that exporting GSP's are not being treated consistently.
- 1142) Stephen Woodhouse commented that exporting GSP's do not have a material output. Stuart Easterbrook noted that the issue of weighting itself is not straightforward. If exports were to equal demand in a zone for example, there would be a zero in the calculation and the weighted nodal marginal km would therefore tend to infinity.

- 1143) Shona Watt, Npower, questioned if NGT had an idea of how significant this was in terms of tariffs. Stuart responded that the issue should not be significant and NGT will provide examples to show by how much the current weightings are affected.
Action: NGT to provide examples of how weightings are affected by exporting GSP's
- 1144) Paul Jones, Powergen, suggested one scenario to model would be moving all of the embedded generation onto one node to effectively make the demand at the node negative and recalculate the tariffs. Jan DeVito noted that it would depend on the values of the embedded generation.
- 1145) Frank Prashad suggested that any analysis should focus on the nodal marginal cost of each node. Stephen Woodhouse agreed on the grounds that it would examine the impact on specific nodes.
- 1146) Frank Prashad suggested that negative demand should be treated as generation within the DC Load Flow model. Jan DeVito responded that this would result in inconsistent treatment by the model between Scotland and England & Wales, as exporting GSP's are only prevalent in Scotland. Stuart Easterbrook accepted that there are no quick wins to the issue but the issue does need to be considered.
- 1147) Stephen Woodhouse noted that the effects on distribution and transmission would need to be considered in order to determine a consistent approach between the two. Mo Sukumaran added that the impacts on distribution would need to be looked at from the generation side.
- 1148) Colin Sausman noted that the current arrangements are an interim measure and Ofgem plan to consult on the interaction between distribution and transmission charges later this year.
- 1149) Shona Watt noted that the Authority's decision letter stated that NGT would keep the issue of locational BSUoS under review and asked how this would be achieved. Stuart Easterbrook noted that the subject of locational BSUoS charging was discussed during the England & Wales charging review but had not been considered since. Stuart suggested that this was an issue that could be taken forward in the CISG once the initial workload had been completed and the implications of the GB charging conditions understood.

4 Current Charging Issues

- 1150) Richard Court asked if any of the attendees had any further current charging issues to discuss that had not been discussed as part of the CISG agenda item. The forum agreed that these had been discussed as part of CISG.

5 European Charging Issues

- 1151) Richard Lavender provided a brief update on European transmission charging issues. Richard noted that there had been no update of tariff harmonisation and no meaningful update on the Inter TSO Compensation (ITC) scheme, whilst the EU's consultants had met with ETSO to discuss the current ITC scheme, but would not be reporting back until September 2005. Richard also noted that the Florence Forum had been delayed until September 2005.

- 1152) Richard summarised the update by saying that the next major milestone would be September 2005 and whilst NGT have been busy discussing the ITC scheme with ETSO, the likelihood is that the existing scheme will be the fall-back position and will apply from January 2006.
- 1153) Richard Court asked if the guidelines would be in place by January 2006. Richard Lavender confirmed that the draft guidelines would be in place for the Florence Forum in September 2005, where they will begin the approval process. Richard predicted that the guidelines will be approved by the member states and will be effective from January 2006.
- 1154) Richard Court asked if the UK currently expects to join the scheme. Richard Lavender noted that the expected outcome would be for the UK to join.
- 1155) Steve Drummond, EdF Trading, questioned if it would be worth considering what the impact of the guidelines might be in a GB context at a future CISG meeting to assess the implications. Richard Lavender agreed that it would be worth discussing at a future CISG, and that the assumptions should be that the existing framework will be the basis with some minor amendments. Richard noted that one such amendment will be to include the Long Run Average Incremental Cost (LRAIC) in the network costing methodology as this is hard-coded into the regulation.
- 1156) Steve Drummond asked if this is something we should consider prior to September 2005. Richard Lavender agreed that it should be.
- 1157) Stephen Woodhouse asked what the impact would be on the England-France Interconnector (IFA). Richard Lavender reminded the meeting that NGT had previously presented our initial views on the implications of the regulations and guidelines which had included the suggestion that the locational element of TNUoS would continue to be charged on the IFA, but that the residual element would no longer be chargeable.
- 1158) Stephen Woodhouse questioned what the impact would be on the Moyle Interconnector. Richard Lavender noted that it was difficult to assess at this stage, as there is uncertainty over whether the scheme will be joined as the UK or GB and Northern Ireland.
- 1159) Richard Court noted that it would be prudent to assume a TNUoS methodology change in January 2006 and that the issue should be on the June CISG agenda.
Action: NGT to include ITC scheme as a CISG agenda item from June 2005
- 1160) Mike Harrison asked who will be responsible for making the decision as to whether we join as the UK or GB. Richard Court responded that it will be the decision of the DTI and Ofgem, with the proposals to develop an all-Ireland market possibly influencing the decision.
- 1161) Richard Court invited Richard Lavender to provide an update on the Hydro-benefit issue and in particular, who it will apply to. Richard Lavender confirmed that the Hydro-benefit will apply to all suppliers with a supply licence or CVA registered demand and, on this basis, the interconnector will be excluded.
- 1162) Stuart Easterbrook noted that the Hydro-benefit will be charged for the first time in September 2005 but that suppliers will need to pass through these costs from 1 April 2005. NGT are undertaking some work to determine the accuracy of the current tariff estimate of 0.0013p/kWh. Stuart pointed out that consideration was being given to give the industry earlier notice of the tariff than required under the licence.

1163) Mike Harrison noted that there is a lack of clarity on exactly what the charge would be due to the uncertainty of the charge base. Stuart Easterbrook agreed that it would be useful for NGT to clarify the interpretation of what exactly is the charge base at the May 2005 TCMF.

Action: NGT to clarify interpretation of charge base as an agenda item at May TCMF

1164) Steve Drummond questioned what would happen if NGT's interpretation changed and if so, would NGT provide notice. Stuart Easterbrook noted that NGT's interpretation was very unlikely to change. Jan DeVito questioned if the definition of supplier was contained in the Energy Act 2004. Richard Lavender noted that NGT would clarify this. Stuart Easterbrook agreed to publish the hydro benefit statement prior to the May 2005 TCMF and noted that changes to the methodology would require changes to the licence itself rather than the statement.

6 Events Before Next Meeting

- ❖ CISG, Monday 16 May 2005
- ❖ NGT to publish questionnaire on negative demand charges
- ❖ NGT will circulate revised charging statements to the industry that take Ofgem's comments in the approval letter into consideration

7 AOB

1165) Richard Court invited the attendees to discuss any other issues that had not been covered as agenda items. Frank Prashad asked if the latest DCLF model would be made publicly available. Richard Lavender confirmed that the model will be made publicly available to those that sign the licence. Stuart Easterbrook noted that in its current state, the model calculates the expansion constants by manipulating line lengths and that development work was underway to update the model to include regional expansion factors. Stuart noted that the new model will be made available when this work is complete.

1166) No further comments were received. Richard Court thanked the attendees and closed the April 2005 TCMF.

8 Actions

1113) Action 1106: NGT to provide further data on settlement runs. Richard Lavender noted that a comparison of Settlement Final (SF) and Reconciliation Final (RF) data was currently being undertaken and that NGT hoped to communicate the results at the next CISG meeting scheduled for Monday, 16 May 2005 and copied to the TCMF shortly after.

Action: NGT to communicate results of SF/RF data runs at CISG and circulate to TCMF

1117) The second condition attached to the approval of the GB TNUoS Methodology was that of reviewing and assessing further technical basis for the modelling assumptions associated with the calculation of the incremental cost of capacity, within a two year timeline. Stuart proposed to commence work on this condition by establishing an industry workshop in April/May to discuss the options. The

workshop report will be presented at the May 2005 TCMF and a consultation on the identified options will be undertaken during the summer of 2005.

Action: NGT to present workshop findings at May 2005 TCMF

1126) Stuart Easterbrook suggested that it might be useful if NGT circulated a timeline of NGT's proposals and questionnaire publication dates.

Action: Publish timeline of NGT proposals

1143) Shona Watt, Npower, questioned if NGT had an idea of how significant the impact of weighting negative marginal km for exporting GSP's was in terms of tariffs. Stuart responded that the issue should not be significant and NGT will provide examples to show by how much the current weightings are affected.

Action: NGT to provide examples of how weightings are affected by exporting GSP's

1159) Richard Court noted that it would be prudent to assume a TNUoS methodology change in January 2006 and that the issue should be on the June CISG agenda.

Action: NGT to include ITC scheme as a CISG agenda item from June 2005

1163) Mike Harrison noted that there is a lack of clarity on exactly what the Hydro-benefit charge would be due to the uncertainty of the charge base. Stuart Easterbrook agreed that it would be useful for NGT to clarify the interpretation of what exactly is the charge base at the May 2005 TCMF.

Action: NGT to clarify interpretation of charge base as an agenda item at May TCMF

9 Date of Next Meeting

1167) The next meeting is scheduled for Thursday, 26th May at the Brandon Hall Hotel, near Coventry.

End of Minutes