



Transmission Charging for Exemptable  
Generation Connected to Embedded  
Offshore Transmission Networks

Presentation to TCMF – 30 September 2009

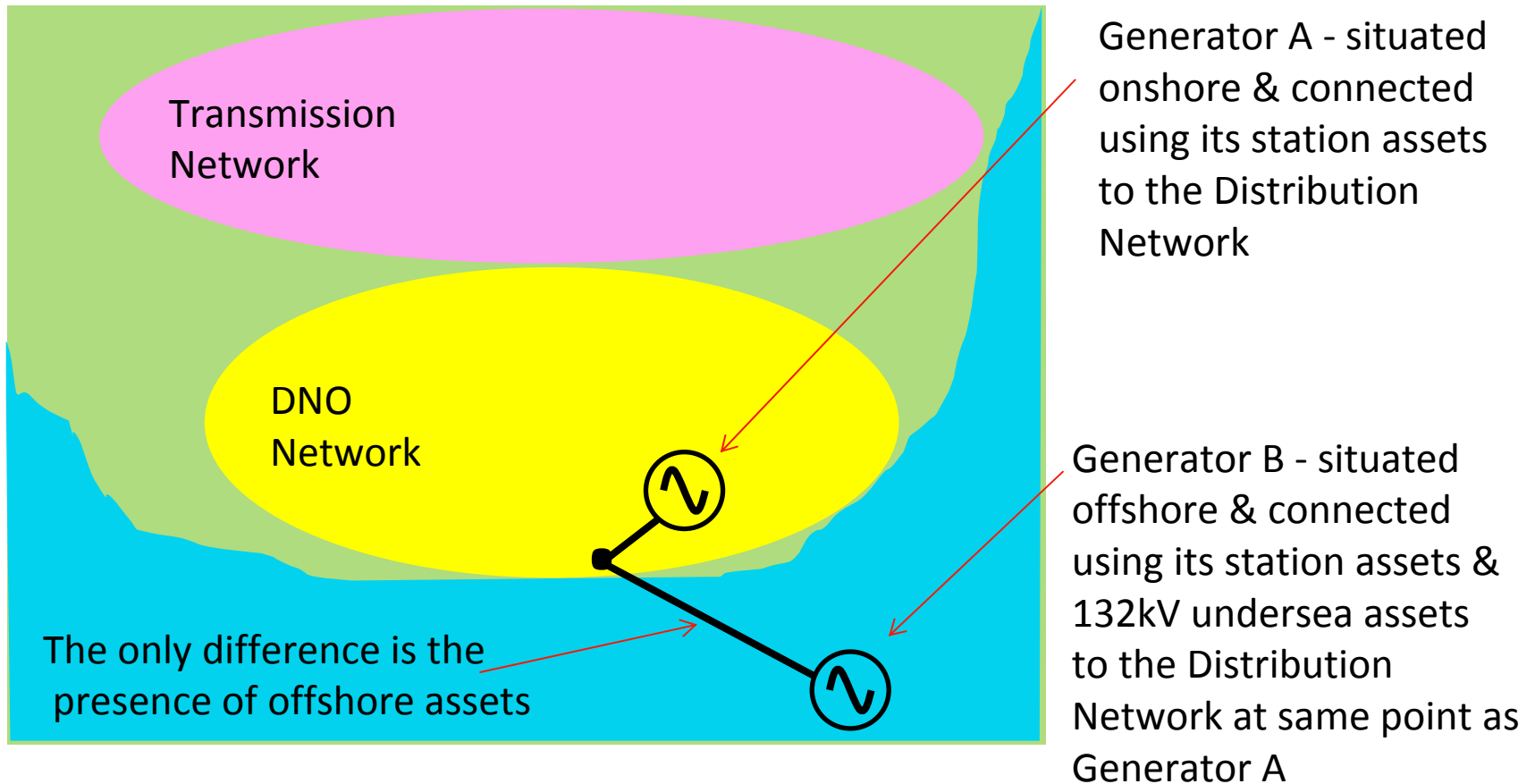
## Agenda

- Some background information
- The issue
- The defect
- The solution
- Benefits of the solution

## Some background information (1)

- This presentation covers the treatment of Exemptable Generators connected to Embedded Transmission Assets (it doesn't consider Licensable Generation)
- Embedded Transmission is where offshore Transmission Assets connect directly to an onshore Distribution Network
- Offshore transmission comes into effect at Go Live of the Offshore Transmission Regime (currently June 2010)
- This presentation focuses on transmission charging
- Presented by E.ON, but the views are supported by Centrica
- A BSC modification (P242) is being progressed that covers the BSC related elements that need to change

## The issue - consider two identically sized generators



## Pre Go Live - What does this mean?

Pre Go Live	Onshore Embedded Generator (Gen A)	Offshore Embedded Generator (Gen B)
DNO Charges	Liabile	Liabile
Wider Onshore TNUoS	Not liable	Not liable
Offshore Transmission Asset Costs	Not applicable	Liabile (own assets)
Supplier TNUoS	Offsets charges equivalent to output at Triad	Offsets equivalent to output at Triad

Difference due to offshore assets

## Post Go Live - What does this mean?

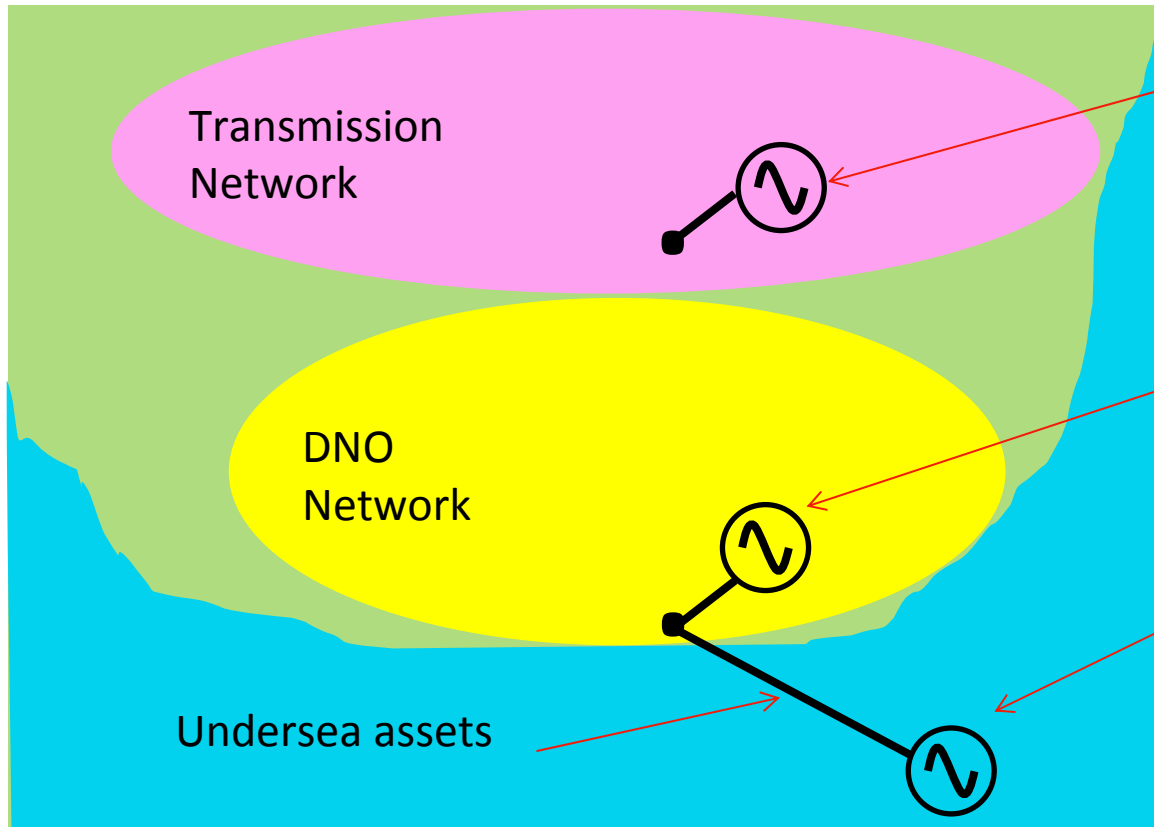
Pre Go Live	Onshore Embedded Generator (Gen A)	Offshore Embedded Generator (Gen B)
DNO Charges	Liable	Liable
Wider Onshore TNUoS	Not liable	Liable
Offshore Transmission Asset Costs	Not applicable	Liable (Offshore TNUoS Charge)
Supplier TNUoS	Offsets charges equivalent to output at Triad	No offset of charges at Triad

Differences due to Go Live

## The difference in treatment

- Surely, E.ON and Centrica are looking at this in the wrong way?
- Post Go Live these assets will become part of the Transmission Network, so shouldn't Generator B be treated the same as a directly connected generator onshore?

## Let's consider a third identical sized generator



Generator C - situated onshore & connected using its station assets directly to the Transmission Network

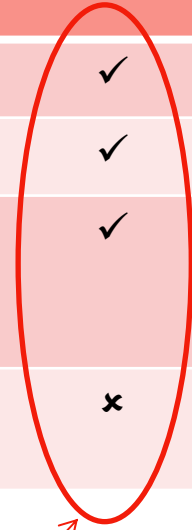
Generator A

Generator B

## A comparison of all three classes – post Go Live

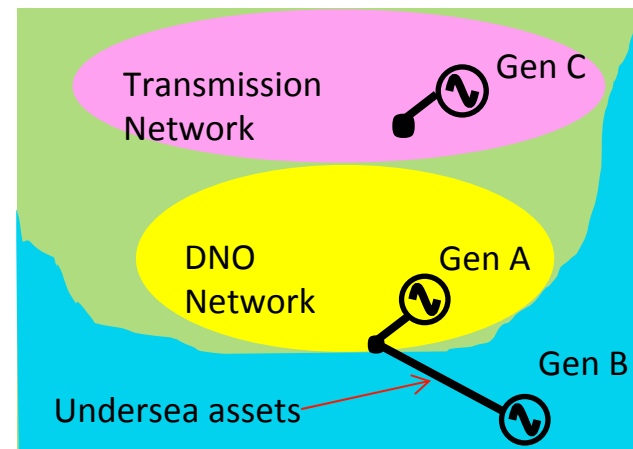
Costs	Gen A - Onshore DNO Connected	Gen B – Embedded Transmission	Gen C – Onshore Directly Connected to Transmission
DNO Charges	✓	✓	✗
Wider TNUoS	✗	✓	✓
Offshore Transmission Network Costs	✗	✓	✗
Offsets Supplier TNUoS at Triad?	✓	✗	✗

The worst of all worlds



## Appropriate treatment of B

- We believe that Generators A and B are the closest comparison
- The only difference between the two is the presence of the offshore assets
- Both feed directly into the local Distribution Network onshore
- They both impact the DN and the wider onshore Transmission Network in an identical manner
- We believe that the present treatment post Go Live is unduly discriminatory
- They should therefore be treated in an identical manner except where they differ (ie the 132kV offshore assets)



## The solution – post Go Live

Costs	Gen A – Onshore DNO Connected	Gen B – Embedded Transmission	Gen C – Onshore Directly Connected Transmission	Gen B - E.ON/Centrica Model
DNO Charges	✓	✓	✗	✓
Wider TNUoS	✗	✓	✓	✗
Offshore Transmission Network Costs	✗	✓	✗	✓
Offsets Supplier TNUoS at Triad?	✓	✗	✗	✓

The generator would be responsible for the full cost of the relevant offshore network

## Benefits

- Generation projects designed and built to one regime are not unduly disadvantaged by the new arrangements, promoting investor confidence
- Similar cases are not treated differently removing discrimination in present baseline
- N.B. It is understood that the baseline for embedded generation may change in due course. The aim of this change is to achieve equivalence with the baseline, not to debate the benefits or otherwise of the present arrangements for embedded generation. This should be the subject of National Grid's review for 2011