

## **Charging Issues Standing Group**

### **Actions & Issues from the Friday, 02<sup>nd</sup> December 2005 Meeting**

#### **Actions from the Friday 09<sup>th</sup> September 2005 CISG Meeting**

- 1. National Grid to provide an update at the September TCMF of how it is intended that Charging Condition 3 will be taken forward**

Covered as Item 7 below.

- 2. National Grid to provide an explanation of the process and timetable for any changes to SQSS**

An explanation is contained in this summary report as item 11.

- 3. National Grid to provide an update at the September TCMF of how it is intended that Charging Condition 4 will be progressed**

National Grid has completed an initial review of the responses and identified the main issue raised as that of who should take the risks associated with long-term charges. It was identified that there was no real appetite from the industry for a long-term tariff option, but there does exist a concern over the stability of tariffs.

National Grid agreed to discuss the interpretation of Charging Condition 4 with Ofgem to determine whether there is an obligation on National Grid to develop long-term charges despite some fundamental concerns from the industry as it may be more appropriate for National Grid to develop options for delivering greater stability.

The presentation can be viewed on the National grid website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF/>

**Action: National Grid to update CISG at the January 2006 CISG.**

#### **CISG Meeting on Friday 2<sup>nd</sup> December 2005**

- 4. Negative demand tariffs**

National Grid communicated that the Authority had decided to veto National Grid's proposed modification to the Use of System methodology (GB ECM-02) regarding the treatment of negative demand tariffs on the grounds of concerns over proportionality and the fact that consumers may be negatively affected as a result of the proposal being implemented.

National Grid confirmed that although the proposal to address Charging Condition 1 had been vetoed, the Authority agreed that Charging Condition 1 had been fulfilled. Although this is the case, National Grid believe that the current treatment of negative demand tariffs should only be regarded as a

short-term fix and will continue to explore alternative methodologies that would allow a more permanent solution to the problem.

National Grid is currently investigating the IS implications of changing the charging base for NDT zones to a kWh basis. It was noted that having varying methodologies for HH charges (kWh and kW) between zones presented problems for supplier systems.

The consultation can be viewed in its entirety on the National Grid charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/modifications/>

## **5. Condition 5 report**

National Grid presented a summary of the Information Paper published in November 2005 containing the indicative future path of locational generation and demand tariffs under a range of scenarios, in accordance with the August update to the GB SYS. The Information Paper addresses Charging Condition 5 and can be viewed on the National Grid charging website at: <http://www.nationalgrid.com/uk/Electricity/Charges/gbchargingapprovalconditions/>

The presentation invited views from the industry regarding the treatment of two specific zoning issues for 2006/7. In 2006/7, the current Zone 3, Skye, will contain zero generation. It was discussed whether it would be most appropriate to modify the current generation zones in this region as a result of this, or whether it would be most appropriate to leave the zones as they currently are. Bearing in mind that the treatment of the Zone has no potential impact on other Users, it was decided that the most appropriate course of action would be to leave the zones as they are for 2006/7 in the interests of providing stability in the generation zones.

The second issue for discussion was the treatment of Zone 6, Cruachan. Having received updated transmission system circuit data it is no longer necessary that Cruachan is in its own zone. The impact of the change in data on the marginal km at this node is such that it could be incorporated into the existing Zone 7, Argyle. The discussion considered whether it would be appropriate for Cruachan to remain in a zone of its own for 2006/7, or whether it should be incorporated into Zone 7. Bearing in mind the decision would have a potential impact on the generation tariffs of other Users, it was decided that the most appropriate course of action would be for Cruachan to form part of Zone 7, Argyle, as would have been the case in 2005/6 had the system data been correct and as would most likely be the case in the future. In the interest of providing some stability, it was decided that the current zones should maintain their current names and number for 2006/7 despite this.

The presentation made to CISG can be viewed on the National Grid charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/>

## 6. Condition 2 – incremental cost of capacity

National Grid presented progress on reviewing the cost of incremental capacity. Of the items highlighted in the first workshop National Grid indicated that commoditisation and applicability of variable locational signals for demand and generation were outside the scope of this specific review. The scope covers how locational signals are applied rather than how the cost of incremental capacity, which establishes the extent of locational signal, is calculated.

National Grid indicated that it was actively reviewing the following areas:

- Forward looking vs. historic costs / forecasting
- Transparency
- Cost reflectivity of expansion constant
- Thermal ratings
- Spare capacity
- Disaggregation of calculation and application into circuit specific, zonal or nodal basis for EC, EF & SF

National Grid gave a brief review of the direction and progress in each area and invited members to comment on the approach taken. National Grid will continue with the analysis and present initial conclusions to the January CISG and where appropriate worked up examples for how elements could be incorporated.

The presentation made to CISG can be viewed on the National Grid charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/>

## 7. Condition 3 – intermittent generation

Due to time constraints, National Grid were unable to provide an update on the NHH and HH demand switching issue at the meeting.

**Post meeting comment:** National Grid has completed an initial review of the responses. The understanding that intermittent generation causes less transmission investment is driven by interpretation of one area of the SQSS. This indicates that wind should be modelled with a lower availability in establishing the required transfer. National Grid notes that the required transfer establishes the minimum required capability for system peak. However, the SQSS also requires that an economic assessment is carried out, and that the transmission systems take account of year round issues e.g. system access requirements and minimum demand periods. This assessment includes potential operational costs. The wider review of capacity can often initiate investment above the minimum required transfer. In addition it should be noted that for 'local' investment (groups of less than 1500MW) the required transfer does not apply and generally the requested TEC would form the baseline for investment.

National Grid notes that responses also indicated the treatment of low load factor plant and commoditisation were also issues that concerned respondents, however as these are more general than the condition they will not be cover by this review.

National Grid has reviewed the interpretation of the SQSS, and the presentation shows how assumptions for intermittent generation are interpreted in establishing the minimum capability. National Grid has commissioned a review of the SQSS treatment of all types of generation to establish the appropriate treatment of each. The conclusion of this study is not expected to be available until March 06.

National Grid has analysed the impact of different ways of modelling intermittent generation in the transport and tariff model. The initial conclusion for this is that demand tariff and hence suppliers appears to be the most affected.

National Grid intends to discuss investment processes and procedures with the transmission owners to understand further the actual investment drivers in differently parts of the system.

National Grid will provide an update on progress at CISG in January 2006.

A presentation can be viewed on the National grid website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF/>

## **8. Non Half Hourly and Half Hourly demand switching update**

Due to time constraints, National Grid were unable to provide an update on the NHH and HH demand switching issue at the meeting.

**Post meeting note:** National Grid has been in contact with suppliers to establish a process and data requirements. The current understanding is:

For each individual supply point where a change of measurement class has been made:

1. Evidence of supply point is registered to a supplier for the relevant period (later of registration date or 1st April).
2. Evidence of date of change.
3. Evidence of the energy volume for that period.
4. Evidence of profile class for that supply point

Estimated values can be derived and agreed on the percentage of units of the volume in the charging period for the relevant period. From this, the number of UoS chargeable units can be derived and multiplied by the charging rate. Evidence can be provided by D Flows for registration.

These data flows are not available to National Grid. National Grid intends to meet interested suppliers to try and establish a more detailed process and data requirement.

## **9. FMS Assets**

Due to time constraints, National Grid were unable to present a forthcoming proposal to modify the Statement of the Connection Charging Methodology dealing with the treatment of FMS assets. The modification proposal will be

published by National Grid later in December and will be presented to the TCMF.

**Action: National Grid to present proposal at December TCMF**

The presentation intended for CISG can be viewed on the National Grid charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/>

**10. LDTEC**

National Grid presented a summary of the LDTEC and multiple STTEC charging proposals consultation. The deadline for responses to the consultation is 6<sup>th</sup> January 2006.

**Post meeting note:** National Grid would like to make clear, for the avoidance of doubt, that an intention of the charging proposals is to ensure that the total charge for the maximum duration of LDTEC is equal to 52 weeks of an equivalent amount of TEC. We note the algebra contained in these proposals will need to be amended to achieve this.

The consultation can be viewed on the National Grid Charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/modifications/>

The presentation can be viewed on the National Grid Charging website at <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/>

**11. SQSS Process**

Due to time constraints, National Grid were unable to provide an explanation of the process and timetable for any changes to SQSS during the meeting.

**Post meeting update:** The licence condition covering the SQSS is a joint requirement on both National Grid and the Transmission Owners. The review process is not indicated in the licence condition. At the TCMF Ofgem took an action to indicate their understanding of the review process. National Grid understands that the development of the SQSS would need to be on a tri-party basis, although one party could take the lead. Following industry consultation by the licensees it would be a licence issue between National Grid, the Transmission Owners and the Authority to bring into force a revised SQSS.

**12. Any Other Business**

Due to time constraints, it was not possible to discuss the agenda in its entirety. National Grid therefore agreed to publish all of the information on the National Grid Charging website at:

<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/>

In addition to the presentation further updates on these issues has been included in this summary report.

National Grid were also requested to review the length of future CISG meetings taking into account the lengthy agenda of this meeting.

**Action: National Grid to ensure that the length of future meetings allows for a full discussion of the all the items on the agenda.**