

2007/8 TNUoS Generation Zoning

CISG

27 September 2006

nationalgrid

Introduction

- ◆ To consider how TNUoS generation charging zones should be determined for 2007/8 considering National Grid's relevant licence objectives
- ◆ Opportunity to discuss prior to deadline for written responses to consultation on 13 October
- ◆ National Grid will present the proposed application of the zoning criteria at TCMF on 24 October

Zoning Criteria

- ◆ Relevant nodes whose marginal costs are all within $\pm\text{£}1.00/\text{kW}$ across the zone
- ◆ Relevant nodes considered to be those with generation connected to them
- ◆ All nodes within a zone should be geographically and electrically proximate

Application of criteria (1)

- ◆ Applying nodal marginal costs to a substation line diagram
- ◆ Grouping generation nodes into initial zones using the +/-£1.00/kW range
- ◆ Geographically and electrically proximate
- ◆ Established zones inspected
 - ◆ Least number of zones
 - ◆ Minimal change to existing zones

Application of criteria (2)

- ◆ Zones applied to a reasonable range of sensitivities to ensure they are robust
- ◆ Zones typically not reviewed more frequently than once every price control period to provide stability
- ◆ Only reviewed in 'exceptional circumstances' to maintain cost reflective locational signals

2007/8 TNUoS Generation Zones (1)

- ◆ Consultation published on Thursday 14 September
- ◆ Invites responses by Friday 13 October
- ◆ Not consulting on the actual zoning criteria
- ◆ Consulting on the application of the criteria considering how to best meet National Grid's Licence Obligations
 - ◆ Facilitating competition
 - ◆ Stability
 - ◆ Predictability
 - ◆ Transparency
 - ◆ Cost reflectivity
 - ◆ Taking into account developments in the transmission business

2007/8 TNUoS Generation Zones (2)

- ◆ 2007/8 beginning of a new price control period
- ◆ An opportunity to review the generation charging zones from a forward-looking perspective using Condition 5 information

or

- ◆ Determine zones based on minimal change to existing zones, which might require annual 'adjustments'

Condition 5 Report (1)

- ◆ Published in September 2006
- ◆ Based on GB SYS data
 - ◆ Contracted generation (TEC)
 - ◆ DNO demand forecasts
 - ◆ Transmission system developments
- ◆ Provides an insight into how generation zones might 'evolve' over the next price control period
- ◆ Identified a number of generic issues.....

Condition 5 Report (2)

- ◆ Commissioning of new generation which does not meet the zoning criteria for existing zones
- ◆ Commissioning of new generation which has a significant impact on the zone in which it is located (or neighbouring zones) such that +/-£1.00/kW range is exceeded
- ◆ Decommissioning of generation which has a significant impact on the zone in which it is located (or neighbouring zones) such that +/-£1.00/kW range is exceeded
- ◆ Allocating a node to a generation zone which only marginally meets the zoning criteria

Views Invited.....

- ◆ Primary criteria for determining generation zones should be:
 - ◆ Least number of zones?
 - ◆ Least change on previous year?
 - ◆ Forward-looking?
 - ◆ What degree of certainty does the Condition 5 report provide?
 - ◆ Could a weighting system be considered?

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