

## **Charging Issues Standing Group**

### **Actions & Issues from the Wednesday 26<sup>th</sup> April 2006 Meeting**

#### **Actions from the Tuesday 31<sup>st</sup> January 2006 CISG Meeting**

- 1. There were no actions from the previous CISG meeting.**

National Grid invited comments on the Summary Report produced, there were no comments. The Summary Report is available on the National Grid Charging Website: <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

#### **CISG Meeting on Wednesday 26<sup>th</sup> April 2006**

- 2. Condition 2 – Incremental Cost of Capacity**

National Grid provided an update on Charging Condition 2, which requires National Grid to review the technical basis for a range of alternative methods of estimating and reflecting in locational charges, the incremental cost of capacity. Condition 2 also requires National Grid to publish a progress report in April 2006.

In a verbal update, National Grid confirmed that the progress report is on track to be published by the end of April 2006 with industry views to be invited prior to the end of May 2006.

- 3. Condition 6 – Site Specific Maintenance (SSM)**

National Grid presented an overview of how it is intended that Charging Condition 6, which requires National Grid to review the calculation of charges relating to the maintenance of connection assets, will be taken forward with the objective of implementing any proposals by 1 April 2007. This is available on the National Grid Charging website: <http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

The current SSM charge aims to recover the costs and overheads associated with the maintenance of a User's connection assets, based on the overall costs of maintaining these assets expressed as a percentage of the total connection GAV for Great Britain. The SSM factor is re-calculated annually and there is presently no reconciliation process against actual costs incurred by a TO. For 2006/7 the SSM factor is 0.47% and, on average, this component of the connection charge represents about £30k per connection site.

National Grid intend to shortly publish a 'tick-box' style questionnaire to gauge industry opinion on how it is perceived that the current SSM charging arrangements fit in with National Grid's licence obligations, and also to seek views on the relative balance between the perceived benefits and risks of contestable maintenance and to gauge the degree of support for a range of options for charging for SSM.

Respondents will be given 28 days in which to complete the questionnaire and following receipt of these responses, National Grid intends to publish an initial

conclusions report in June/July 2006, considering whether any changes to the connection charging methodology should be progressed, which would then become part of a formal charging consultation.

The Authority is currently intending to review contestability in the distribution and transmission networks for construction and maintenance. This consultation is separate from National Grid's Charging Condition 6. It was noted that the Authority's consultation will focus on the issue of contestability only, whereas National Grid's consultation will focus predominately on the charging arrangements for SSM.

#### **4. Proposed Charging Methodology Modification to cater for manifest errors in the calculation of tariffs**

A User has queried the data used to produce 2005/6 TNUoS tariffs. An error in the provision of the data fed through to the User's final TNUoS tariff resulting in a significantly increased zonal tariff for that individual User. National Grid expressed their willingness to address this situation in a manner that is satisfactory to all affected parties, but noted that the current charging methodologies do not provide a vehicle for this.

National Grid proposed that a modification to the methodology be considered to enable reconciliation for such events, with a pre-consultation document to be published in the near future to gauge industry opinion of the appropriate way to deal with such events. The responses to this will be discussed at a forthcoming TCMF and following this, lead into a charging methodology modification consultation.

The presentation can be found on the National Grid Charging website:

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

#### **5. The Statement of the Connection Charging Methodology**

National Grid noted that there had been an error in the 2006/7 Statement of the Connection Charging Methodology with regard to the published Site Specific Maintenance figure of 0.43%. The Site Specific Maintenance figure for 2006/7 is actually 0.47% and the Statement of the Connection Charging Methodology has subsequently been modified to reflect this.

National Grid stressed that the error related only to the Statement of the Connection Charging Methodology. Connection charges for 2006/7 were calculated using the Site Specific Maintenance figure of 0.47% and all affected Users had been notified of the change in accordance with National Grid's licence conditions.

The updated Statement of the Connection Charging Methodology is available on the National Grid Charging website:

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

## 6. Inter-TSO Compensation Mechanism

National Grid provided an update of the Inter-TSO Compensation (ITC) mechanism.  
<http://www.nationalgrid.com/uk/Electricity/Charges/cisg/meeting/>

In summary, National Grid is required to join the ITC scheme when the guidelines become active on the proposed date of 1 January 2007. The proposed mechanism is made up of three elements; costs, infrastructure and losses.

National Grid will be required to take account of this regulation by calculating tariffs that are consistent with ITC principles, which presents a number of options that are highlighted in the presentation. It is envisaged that National Grid will seek industry views on these options at the May 2006 CISG which will be presented to the June 2006 TCMF, leading into a summer consultation to facilitate the implementation of appropriate methodology changes in time for 1 January 2007.

A public consultation by the European Regulator's Group for Electricity and Gas (ERGEG) on the ITC guidelines is currently in progress, with responses to be received by 22<sup>nd</sup> May 2006. Further information can be obtained from the ERGEG website: [www.erggeg.org](http://www.erggeg.org)

**Action:** National Grid to distribute CISG slides as soon as practicable to facilitate an informed discussion of agenda items.

## 7. GB SQSS and Charging Methodologies Interaction

National Grid raised the issue described in Ofgem's December 2005 letter regarding the interaction between the GB SQSS and the GB Charging Methodologies with regard to single circuit connections.

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

Concern has been raised by parties in relation to the requirements for TO's to construct a double circuit where under the circumstances prior to the introduction of the shallow connection charging methodology and BETTA, a single circuit would have been constructed.

National Grid have undertaken extensive consideration of the issue and noted that there are several solutions, but none of these are simple and present the opportunity of a quick win. National Grid therefore intends to undertake further analysis of the options available, with either an initial thoughts consultation or a charging methodology modification proposal to be published in the near future.

**Action:** National Grid agreed to publish Ofgem's letter on the Charging website.

## 8. Any Other Business

Industry attendees were invited to raise any other issues that had not been covered in the agenda. There was no other business.

**Date of next meeting:** Wednesday 31 May at National Grid House, Warwick.