

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	17 th September 2014
Time	11:00am – 3:00pm
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
Stuart Boyle	SB	National Grid (Chair)
Dave Corby	DC	National Grid (Technical Secretary)
Wayne Mullins	WM	National Grid (Presenter)
Nick Pittarello	NP	National Grid (Presenter)
Mary Owen	MO	National Grid (Presenter)
Andy Wainwright	AW	National Grid (Presenter)
Leonida Bandura	LB	EON.UK
Paul Mott	PM	EDF Energy plc
Kenny Stott	KS	SSE
Colin Prestwich	CP	Smartest Energy
James Anderson	JA	Scottish Power
Peter Bolitho	PB	Waters Wye Associates
Nick Kay	NK	Uisenis Power Limited
Bernard Kellas	BK	SSE
Garth Graham	GG	SSE
Marta Krajewska	MK	Energy UK
Nick Screen	NS	Baringa / Redpoint
Deborah Macpherson	DM	SPP Power Systems
Joanna Carter	JC	Centrica
Daniel Hickman	DH	Npower
Peter Russell	PR	Ofgem

Dial In

Name	Initials	Company
Tom Breckwoldt	TB	Gazprom Energy
Zoltan Zavody	ZZ	Renewable UK
Cem Suleyman	CS	Drax
Nick Oppenheim	NO	Uisenis Power
Simon Holden	SH	Lr-senergy
Fruszina Kemenes	FK	RWE
Damon Hewlett	DH	Scottish Government

All presentations and supporting papers given at the TCMF meeting can be found at:
<http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

2 Ongoing modification proposals – Dave Corby

1. Ongoing CUSC modification proposals were presented with updates for each. These were:
 - **CMP201:** Removal of BSUoS charges from Generation
 - Ofgem believe the mod better meets CUSC objectives, but not their wider statutory duties. Ofgem minded to reject
 - PR indicated that Ofgem may release their decision by the end of September.
 - **CMP213:** Project Transmit TNUoS Developments
 - Ofgem approved WACM2
 - We are working towards implementation in April 2016
 - One attendee asked about a potential judicial review. GG clarified that a protocol letter has been issued by a party, but there is not yet an actual judicial review. A copy of this letter has been sent to all interested parties (being the responders to the authority consultation).
 - **CMP222:** User Commitment for Non-Generation Users
 - The Ofgem impact assessment was published on 26/08/14
 - Ofgem have indicated they are minded to approve WACM1
 - Responses to the impact assessment are requested by 23/09/14
 - **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - Sent to Ofgem in July
 - Ofgem published an open letter on 01/09/14
 - Ofgem have indicated they are minded to not approve the original and have sought further information and views in order to inform an overall view
 - Responses to the published letter are requested by 03/10/14
 - **CMP224:** Caps the total TNUoS target revenue recovered from generation users
 - The Ofgem consultation on their 'minded-to' implement position closed in August
 - Currently we await Ofgem's decision
 - PR indicated that the Ofgem decision is due soon.
 - **CMP227:** Revise the G:D split of TNUoS charges, for example to 15:85
 - The Workgroup consultation issued in August contained a number of potential alternatives
 - Workgroup to report to November CUSC panel.
 - **CMP231:** EMR Preparatory Costs (Fast Track)
 - Implemented on 22/07/14
 - **CMP232:** Demand Side Balancing Reserve and Supplemental Balancing Reserve Cost recovery Restriction (Fast Track)

- Implemented on 22/07/14
- **CMP234:** Incorporation of Biddable Indexation of OFTO revenues in TNUoS
 - Raised at the August CUSC panel
 - The Code Administrator Consultation is currently open
 - Responses are requested by 23/09/14

3 User Commitment for GFAI – Wayne Mullins

2. WM provided a refresher of what Generator Focussed Anticipatory Investment (GFAI) is, a summary of the responses to National Grid's open letter, an update on National Grid's thinking and a number of outstanding issues. An example was used of an offshore developer (A) who alters the size of the transmission assets to facilitate an additional developer (B).
3. Part of National Grid's thinking was that the pre-commissioning liability of the shared assets being built by developer A should be based upon each party's MW share. One attendee asked when developer B walks away what happens? WM clarified that if developers A and B were building 100MW each then they would each be liable for 50% of the transmission assets developer A is building, regardless of the transmission capacity. Developer B would be subject to user commitment arrangements for their portion of the cost.
4. One attendee described an alternative example, whereby a developer may look to build additional capacity because they can see potential demand for a generation hub before generators are actually identified (for example because no tender has yet been won from the crown estate). This would be a strategic investment. The TCMF Attendees saw this as a realistic issue. WM stated that it was unclear if such a scenario would be considered as GFAI, but that it was a scenario that needs to be looked at.
5. One attendee suggested that the GFAI example could create a perverse incentive. This was because it may discourage additional developers from announcing their intentions to avoid providing security under the user commitment arrangements. Proper behaviour would be to tell National Grid, etc. as soon as possible to aid planning.
6. WM described a concern one respondent had over timing of infrastructure works against the timing of developer B's generation project under the original example. If developer B's Financial Investment Decision (FID) occurred after the need to provide security, then developer B may prefer to build their own link to the onshore system. The TCMF attendees discussed the balance of risk of early GFAI commitment vs costs of building own links. One attendee noted that a merchant approach would provide an incentive to speculate when building links to shore. However, the GFAI approach commits the generators to each other. The attendees considered that it depends what the Authority wants in terms of a market.
7. One attendee questioned whether the levy control framework in the UK and the expected level of offshore deployment expected by 2020, meant that the GFAI arrangement is academic / redundant. The attendee asked for comment if the current framework could lead to more small offshore wind farms. WM responded that National Grid had received no such comments in response to their open letter although potential blockers in terms of financial issues have been mentioned. WM further noted that for demand for GFAI arrangements to be there the arrangements need to be clear initially; a chicken and egg situation.

8. National Grid stated that it would seem consistent with the existing user commitment arrangements for the difference between any costs incurred and any cancellation fees received to be fed into TNUoS. However, post-Asset transfer (but pre-commissioning of a generator), the materiality of this will depend upon the level of cancellation/termination charge levied by the OFTO. An attendee noted that if the rest of the market socialises the cost of developer who walked away, then it would be appropriate for the market to receive the cancellation charge.
9. In relation to the interaction with TNUoS, one attendee asked if this would be via a one off reduction or a spread over the life of the asset. WM responded that this was yet to be fully considered. Depending on materiality, this may affect the stability of tariffs. In the one-off adjustment scenario, it was highlighted that in the year a cancellation occurs (or shortly thereafter), market leavers could get a reduction in TNUoS, whereas new entrants joining the following year could pay increased charges to fund the reduction. WM suggested that a comparison could be made with existing on shore work to determine the correct balance.
10. The TCMF attendees discussed the potential of a bilateral arrangement based on a CUSC template for the pre-Asset transfer scenario and noted that due to the variables it may be best left to NETSO to administer to ensure consistent application of the arrangements.
11. The attendees discussed whether this is a real issue and what the demand is for GFAl arrangements. One attendee noted there has historically been a demand in the industry. This issue has been discussed for seven years so it is unlikely to go away of its own accord.
12. WM explained that National Grid are continuing to develop their thinking over the next couple of months and will be seeking to discuss the issue with interested parties. Those interested should contact WM directly (email: wayne.mullins@national.grid.com or tel: 01926 653999). National Grid intends to provide an update in November's TCMF with potential for a CUSC mod to be raised following this.

4 Treatment of strategic capacity in determining Local TNUoS for the Western Isles link – Nick Screen

13. NS presented slides detailing Baringa's analysis concerning the treatment of strategic capacity in determining local TNUoS for the Western Isles link. The presenter had developed an approach for treatment of the second mainland cable which is being installed for anticipatory investment purposes.
14. During the CMP213 workgroup process there had been general agreement that this cable should be socialised until it is required rather than incorporated into the local circuit charge. NS presented an approach for how the proportion socialised could be determined. He proposed that half the cost of the two HVDC underground cables be incorporated in the local circuit charge. The presenter favoured this approach as being equitable with regards to all users of the cable.
15. One attendee asked if these principles would apply to other island links. NS responded that this is intended to be specific to the island in question and that he did not believe that any of the other proposed links had elements under consideration as strategic investment.
16. An attendee asked what the next steps would be for this proposal. Whilst one respondent questioned whether this principle should be codified, the National Grid representative believed that the CUSC was currently silent in such areas of expansion factor calculation. It was however agreed that transparency was important, and National Grid agreed to publish an open letter on the subject.

5 Exporting GSPs Update – Andy Wainwright

17. AW presented a brief update on the analysis of potential charging arrangements for exporting GSPs including consideration of the frequency that exporting GSPs exported power onto the transmission system.
18. Some TCMF attendees indicated that they would like to have visibility of information by DNO areas. AW indicated that he was still in the process of discussing the analysis with DNOs and would work with them to understand how information could be best presented and help shape the proposal.
19. The TCMF attendees noted that it would be useful to understand how many GSPs that do not currently export might be reasonably expected to in the future. AW agreed that there may be merit in this.

6 July TNUoS Forecasts – Mary Owen

20. MO presented on the July Forecast.
21. On considering the inputs to the forecast one attendee asked if there is some sort of reconciliation between DNO demand submissions and National Grid's demand forecasts. MO responded that National Grid use DNO demand data for the locational model but the total DNO demand is based on its own forecasts.
22. One attendee asked to clarify that the DNO demand data is from July 13. MO responded noting that July 14 data has not yet made its way into the ETYS so we cannot base our charges upon it. The attendee asked why National Grid only use the ETYS data? MO responded that this is historical from SYS arrangements. The TCMF attendees discussed the possibility of using the more recent data, where available.
23. One attendee asked about further Five Year Forecasts, and asked if National Grid will aim to include whatever decisions Ofgem make? SB responded it was the intention to publish another five year forecast this calendar year using whatever decisions had been made by Ofgem.
24. On considering the annual iteration of base MOD allowances one attendee asked if any of the MOD basis is in the public domain? SB responded that Ofgem decisions that will affect future MOD determinations are on their website. However, not all information that will affect MOD is publically available and in some cases is price sensitive. Nevertheless National Grid is trying to provide indication of the scale of future MOD determinations.

7 Statement of Works Change Timescales – David Corby

25. DC presented an update on the development of a proposal to refine the existing Statement of Works process.
26. The TCMF attendees discussed the timing of the proposal, acknowledging the ongoing trial and the Ofgem letter of comfort. One attendee expressed concern that Ofgem would be expected to make a decision on the proposal prior to the trial delivering the case for change. That attendee considered that the CUSC panel might want to understand the detail of the trial reports when making their decision. The attendees accepted the perceived benefit particularly in Scotland and were mindful that there are no perceived regulatory downsides to the change.

8 Review of Short Term Access Options – Nick Pittarello

27. NP presented slides detailing the conclusion of National Grid's investigation into Flexible Access. This focussed on the lack of industry consensus on any appropriate way forward, recent changes in the commercial regime, approval of CMP 213, publication of EMR rules and the limited appetite from industry for further change. He concluded that National Grid will not be taking this forward at this time.
28. The TCMF attendees discussed the merits and flaws of the options, with particular focus on overruns. There was also discussion on the degree to which National Grid's Licence Condition 26 acts as an inhibitor to cost reflectively allocating the cost of constraints.
29. One attendee suggested there is a case for TEC trading as it may be a sensible commercial decision to trade. NP outlined some of the complexities involved in bringing forward changes to enable trading including enabling overrun, and developing the Local Capacity Nomination (LCN) concept that would require the splitting of wider TNUoS into inter and intra zonal charges.
30. It was noted that, although National Grid would not be bringing forward any changes in this area, industry participants are welcome to bring forward proposals for change at any time.

9 Future Topics – Nick Pittarello

31. NP initiated a discussion on the priority list with the attendees and sought to validate from TCMF that BSUoS Stability was still the most pressing issue for review on its work plan. TCMF members agreed.
32. One attendee asked what National Grid understood by "BSUoS stability" and suggested that this be reviewed at November TCMF. NP agreed that defining the problem statement was absolutely essential and would seek views from industry participants bilaterally and present back at the next TCMF.
33. One attendee noted that stability is often fixing, which transfers risk to other parties and asked who would provide the hedge. Another attendee suggested that BSUoS stability meant cash flow stability and enabling industry participants to respond to signals. There was also some discussion of smoothing of charges, for example, through a daily charge.
34. One attendee asked about the overlap between BSUoS Stability and BSUoS forecasting. It was agreed that predictability could also be interpreted as a feature of "BSUoS stability".

10 AOB

35. DC asked the TCMF attendees to consider the schedule of meetings in 2015. TCMF debated holding the TCMF meeting at different times, but overall support was given to keeping the same schedule, that being the third Wednesday of the month.

12 Next meeting

Next meeting: Wednesday 12th November
Time : 11:00 – 15:00
Venue : National Grid House Warwick