

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	14 th January 2015
Time	11:00am – 3:00pm
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
Patrick Hynes	PH	National Grid (Chair)
Dave Corby	DC	National Grid (Technical Secretary)
Stuart Boyle	SB	National Grid (Presenter)
Wayne Mullins	WM	National Grid (Presenter)
Mary Owen	MO	National Grid (Presenter)
Sarahlee Kenney	SK	National Grid (Attendee)
David Russell	DR	National Grid (Attendee)
Juliette Richards	JR	National Grid (Attendee)
Cem Suleyman	CS	Drax
Joseph Underwood	JU	Drax
Peter Bolitho	PB	Waters Wye
Zoltan Zavody	ZZ	Renewables UK
Bernard Kellas	BK	SSE
Richard Mawdsley	RM	Haven Power
Nick Screen	NS	Baringa Partners
William Chilvers	WC	ESB
Donald Smith	DS	Ofgem
Nick Kay	NK	Verbeia Energy
Christopher Granby	CG	Infinis
Guy Phillips	GP	EON
James Anderson	JA	Scottish Power
Christoph Horbelt	CH	Dong Energy

Dial In

Name	Initials	Company
Paul Mott	PM	EDF Energy plc
Herdial Dosanjh	HD	Npower
George Douthwaite	GD	Npower
Tom Brekwoldt	TB	Gazprom Energy
Fruzsina Kemenes	FH	RWE
Simon Holden	SH	LR-Senergy

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:
 - i. **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - The Mod has been sent back to the CUSC panel and the working group met on 10/12/14.
 - The working group is aiming to report to the CUSC panel in January 2015.
 - One attendee asked if the extra information request has been satisfied. PH clarified that the request was to clarify debt recovery process for DNO companies, the workgroup has yet to achieve this and so the January target may be optimistic.
 - ii. **CMP227:** Revise the G:D split of TNUoS charges, for example to 15:85
 - The workgroup has been granted a time extension until Feb 2015 to satisfy a need for extra analysis.
 - The next workgroup meeting is scheduled for 15/01/15.
 - iii. **CMP235 / CMP236** – Introduction of a new Relevant Interruption Type and Clarification of when Disconnection Compensation payments can be expected under a Relevant Interruption
 - The workgroup consultation is currently open and finishes on 23/01/15.
 - The workgroup aims to report back to the CUSC panel in February 2015.
 - iv. **CMP237** – Response Energy Payment for Low Fuel Cost Generation
 - The workgroup has met twice so far.
 - The workgroup consultation opened on 19/12/14.
 - v. **CMP238** – Application of Statement of Works Process when a modification application is made
 - The Draft CUSC Modification Report was published on National Grid's website on 05/01/15.
 - This proposal returns to the CUSC panel for a vote on 30/01/15.
 - vi. **CMP239** – Grandfathering Arrangements for the Small Generator Discount
 - The first workgroup meeting took place on 01/12/15, and the second workgroup meeting took place on 13/01/15.
 - The workgroup report is due to be submitted to the CUSC panel on 16/04/15.
 - vii. **CMP240** – Amending the Cancellation Charge liability within a CMP213 Judicial Review Period
 - At the 28/11/14 CUSC panel meeting the members voted that this proposal should proceed directly to Code Administrator Consultation
 - The Code Administrator consultation has closed.
 - One attendee asked if anyone knows when the CMP213 judicial review hearing will be. NG confirmed the date has not been published yet.

3 Treatment of Anticipatory Investment in Determining the Local TNUoS tariff for the Western Isles Link – David Corby

2. NG published an open letter on calculation of expansion factors for future Western Isles link which sought to clarify treatment of additional capacity onshore.
3. One attendee asked when the Western Isles link will complete. NK responded that this is uncertain, but 2019 seems a strong possibility.
4. DC noted that this consideration of methodology is not specific to Transmit or even the Western Isles development, but could be applicable to similar projects in the future.
5. One attendee recalled previous discussions concerning how National Grid set the expansion constant. PH noted there are two questions in this issue, firstly how do the industry think the methodology should be formed and secondly should there be more clarity in the CUSC? The attendee further asked if market participants should have the ability to propose options on this under open governance, also noting it is important that they should. PH responded that they do have this ability under CUSC governance.

4 2015/16 Draft TNUoS Tariffs – Stuart Boyle

6. SB noted the publication of the draft 2015/16 TNUoS Tariffs before Christmas and talked through the slides as presented at the webinar on 19th December 2014.
7. On the *Revenue Uncertainties* slide, one of the attendees asked for a total cumulative figure representing all the uncertainties. SB suggested that this was less than £10M. Another attendee asked if this was focussed geographically? SB confirmed the uncertainties are in the residual and so evenly split geographically.
8. One attendee asked why the generation tariff in Zone 7 (Argyll) increased between July and October forecasts. SB noted this was referred to in the October update, namely that circuit changes around Crossaig has altered flows on the Crossaig to Hunterston subsea cable.
9. One of the attendees asked how this year's under recovery flows over to subsequent periods. SB explained that 2014/15 under (or over) recovery would be reflected in 2016/17 period (y+2). SB further explained that National Grid forecasts an equal chance of under or over recovery. SB noted that in sight of demand trends (net offtake from the MITS) the demand forecast has been reduced to avoid underrecovery. The demand forecast is based on normalised Triad forecast i.e. not as low as recent winters. National Grid will be reviewing its demand and generation forecast processes.
10. One attendee asked about the five year figures and will they be set for 2015/16 by the end of January 2015. SB confirmed they will but noted the impacts of Caithness Moray, etc. The attendee asked for clarification of what projects are included or not in the final figures. SB accepted an **action** to clarify this.
11. The attendees discussed the impact of the Capacity auctions on the five year forecast, considering that the auctions could have a big impact on generators. National Grid will consider an internal view on this issue and will update the forecasts when the outputs of the Capacity Auctions are publically available. It was noted that National Grid provides the model so parties can carry out their own scenario analysis.

12. One attendee asked if National Grid is considering an option for backing out CMP213? The TCMF attendees discussed the uncertainty surrounding the CMP213 judicial review and covering this in forecasts. National Grid considered it too wide an area of uncertainty. The current position is that National Grid have been directed by Ofgem to implement CMP213. PH confirmed that if the judicial review was successful National Grid would consider updating the forecast at the earliest possible time.
13. One attendee considered National Grid's views on which projects turn up or not and how this influences the industry (e.g. shareholders in projects). PH responded that National Grid is not keen to share its view for fear that projects with their own investment views would disagree.

5 P272 – Effect on TNUoS Tariffs – Stuart Boyle

14. SB presented slides on the BSC modification P272 which moves customer classes 5 to 8 from NHH to HH settlement and how this impacts on National Grid and customers charges, in particular in transitions to April 2016.
15. The TCMF attendees discussed slide 35 *Early Transfers* to clarify the impacts. SB agreed to take an **action** to publish an information paper in the next two months. A more in depth discussion will be scheduled for a future TCMF.
16. SB asks for views on the early transfers slide. One attendee noted that there are system constraints on moving volumes of customers, so not all could move in March 2016 and that some customers are expected to move as early as April 2015. SB noted the need to discuss with Elexon to understand this. The attendee highlighted that there is an ongoing timetabled discussion. Another attendee noted P300 and DCP179 which are enabling mods for P272 and may provide a natural limit on timescales
17. One attendee noted regarding scenario 2 when customers move from NHH to HH they will have a 'notional' profile i.e. treated as NHH. SB indicated this would need a methodology change. As the issue lies only in the transition year SB indicated we would be investigating a 'work around' with Elexon. SB noted that National Grid has estimates of demand for customers and how much energy they are taking, so this is used to inform the charging base.
18. One attendee noted possible Ofgem thought on moving classes 1 to 4 to HH. PH noted this would be major change in methodology as it would leave no NHH sector. This would require a fundamental change to charging methodology.
19. One attendee asked if National Grid is confident at this point in time that, given this consequence, whether the charging methodology remains cost reflective? SB noted that classes 5 to 8 in NHH were as cost reflective as charges for any of the HH demand and noted that HH classes have a sharp incentive in the triad. Another attendee noted that the classes 5 to 8 have different profile shapes and so may impact this issue differently. SB confirmed the current forecast is based on the aggregate volumes. National Grid would consider whether different shapes of classes would have an impact.
20. One attendee suggested there could be better shapes to use on the profiles. SB responded that Elexon provides the profile based on historical data. Another attendee noted that Elexon has asked for suppliers to return their transformation plans in February 2015.

21. The attendees discussed the implications of a potential 1% under-recovery. SB explained that this would be recovered in 2017/18 but it seems that some customers may be transferring in October 2016 or earlier and so this would drive some over-recovery. One attendee asked how the under or over recovery would be targeted. SB noted that this will be targeted across all but that CMP224 effectively limits this to demand only.
22. One attendee asked if National Grid has plans to propose a change based on this issue? SB highlighted that National Grid have satisfied a request to present on this impact but has no further plans at present to review the enduring position. However, subject to discussions with Elexon National Grid may need to raise a 'work around' modification for implementation.

6 Update on Offshore Issues – Wayne Mullins

23. WM presented slides detailing an update on thinking for three Offshore Charging Issues. The first is *Reflection of Tender Fee Reconciliations in Local Offshore Tariffs*. The second is *Charging for Bespoke Elective Spares*. The third is *User Commitment for Generators Focussed Anticipatory Investment (GFAI)*. The following discussions related to the third issue.
24. One attendee noted that there seems a high risk in the proposed approach as developers would be asked to put up money prior to acquiring a CfD. Another attendee suggests there is a problem around developers who are working on different timescales and getting them to agree a single financial commitment is unlikely. WM asked if is this down to the timing of build and the second developer potentially having to underwrite the works at an earlier stage of its own project? The attendees confirmed this interpretation. WM then noted that the GFAI thinking at this time is focussed on identified projects for which the timing is more aligned.
25. Another attendee expanded on the above point by explaining that there is also a risk concerning uncertainty surrounding the National Grid offer on CfD. WM asked about the ROC process and if this is similar. The attendee explained that with the ROC process, as long as the build is compliant, then it is eligible for ROCs. If the developer is unsuccessful in securing a CfD they might be unlikely to build. With the ROC process as long as the build is correct then a ROC is certified and there is no disincentive.
26. One attendee asked about assets built above and beyond the requirement for the developer's own project. Under GFAI would the project be charged for the extra capacity? WM did not envisage this. Instead the developer would be charged at his capacity, and the anticipatory or spare investment would be recovered through the wider charge until the second developer connected and picked up their share.
27. One attendee noted that it feels like there is more scoping to be done on CfD impact, and suggest taking this offline. WM accepted an **action** to do this.
28. One attendee asked if this has been discussed with the OFTOs? WM confirmed discussion had taken place. OFTOs see it more of an SO issue than TO as their revenue is separate to TNUoS charges and User Commitment risk.

7 Offshore Interlinks – Wayne Mullins

29. WM presented the slides focussing on a new offshore issue highlighted by offshore developers. This is where two cables from the same onshore point connect to two separate offshore platforms, but there is also a link between the two platforms. National Grid is interested in working with interested stakeholders with a view to raising a proposal in the coming months.

30. One attendee asked to clarify if the intention is to raise a Modification in March 2015 or discuss ideas at March TCMF. WM confirmed the current intention to raise a Modification.
31. One attendee asked if there are any examples with one platform and two export cables, but a link between the cables on the single platform, which might give redundancy? WM suggested that if this were on a single platform it would be charged as a substation asset.
32. National Grid asked TCMF is it reasonable that the two developers, as beneficiaries, should pay specifically, or should the cost be socialised? Following discussion PH summarised that TCMF is comfortable that the generators should pay, but there is discussion needed as how this can be best reflected in the methodology.
33. One attendee asked wider about Transmission benefits. WM suggested this would be dependent upon onshore assets, welcomed views and noted this would be discussed in a CUSC workgroup.

8 Future Topics Prioritisation – Dave Corby

34. DC accepted an **action** to focus on the future topics and revise the priority list by vote at the next meeting on 12/03/15. To facilitate this a form will be circulated with the notes from the January meeting to prompt attendees to consider this in advance.

9 AOB

35. PH noted that the TCMF terms of reference are reviewed occasionally. Some of the issues today have been beyond charging being more CUSC related. User Commitment is, strictly speaking, not charging and so may not belong at TCMF. Can attendees review the terms of reference, and do attendees think we need to broaden the terms, noting this would need to be put to the CUSC Panel? An **action** was accepted on all.
36. ZZ asked for an update on the Statement of Works changes. DC noted that the industry still seems supportive of CMP238 as noted in the responses on the Code Administrator consultation. ZZ noted and acknowledged the support for CMP238 but also noted there is lots of other work outside of the mod on that process still to focus on.
37. DC accepted an **action** to update the date of the next meeting on the website.

10 Actions

The following actions are summarised from the text above:

- I. SB accepted an action to clarify what projects are included or not in the final five year figures.
- II. National Grid (SB) agreed to take an action to publish an information paper on the impact of P272 on TNUoS in the next two months.
- III. SB accepted an **action** to consider the impact of the different shapes of the profiles of classes 5 through 8.
- IV. WM accepted an **action** to consider further the interaction of CfDs on GFAI.
- V. DC accepted an action to focus on the future topics and revise the priority list by vote at the next meeting on 12/03/15.

- VI. An action was accepted on all to review the terms of reference.
- VII. DC accepted an action to update the date of the next meeting on the website.

11 Next meeting

Next meeting: Thursday 12th March

Time : 11:00 – 15:00

Venue : National Grid House Warwick