

Transmission Charging Methodologies Forum



Wednesday 14th January 2015

Introduction & Welcome



Patrick Hynes

Agenda

- 11:00 Introduction – Patrick Hynes
- 11:10 Safety Moment and Fire Procedure
- 11:15 Code modifications update – David Corby
- 11:30 Treatment of Western Isles anticipatory investment in the TNUoS charging Methodology – David Corby
- 11:50 Draft TNUoS Tariffs for 2015/16 – Stuart Boyle
- 12:30 Implications on Charging of p272 – Stuart Boyle
- 12:45 Update on Offshore Issues – Mary Owen / Wayne Mullins
- 13:00 Offshore Interlink Charging – Mary Owen / Wayne Mullins
- 13:15 AOB
- 13:30 Lunch
- 14:00 Close

Ongoing modification proposals



David Corby

Ongoing modification proposals page 1 of 4

- **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.

- **CMP227 - Reduce 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.

Ongoing modification proposals page 2 of 4

- **CMP234 – Incorporation of Biddable Indexation of OFTO revenues in TNUoS**
 - The appeals window for this self-governance proposal closed on 21/11/14 with no appeals received.
 - The modification will be implemented on 01/04/15.

- **CMP235 / CMP236 – Introduction of a new Relevant Interruption Type / 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.

Ongoing modification proposals page 3 of 4

- **CMP237 – Response Energy Payment for Low Fuel Cost Generation**
 - The workgroup has met twice so far.
 - The workgroup consultation opened on 19/12/14.

- **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.

Ongoing modification proposals page 4 of 4

- **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 on 16/04/15.

- **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.

Ongoing Strategic Issues Update

■ Exporting GSPs

- The consultation is expected in May 2015.

■ BSUoS

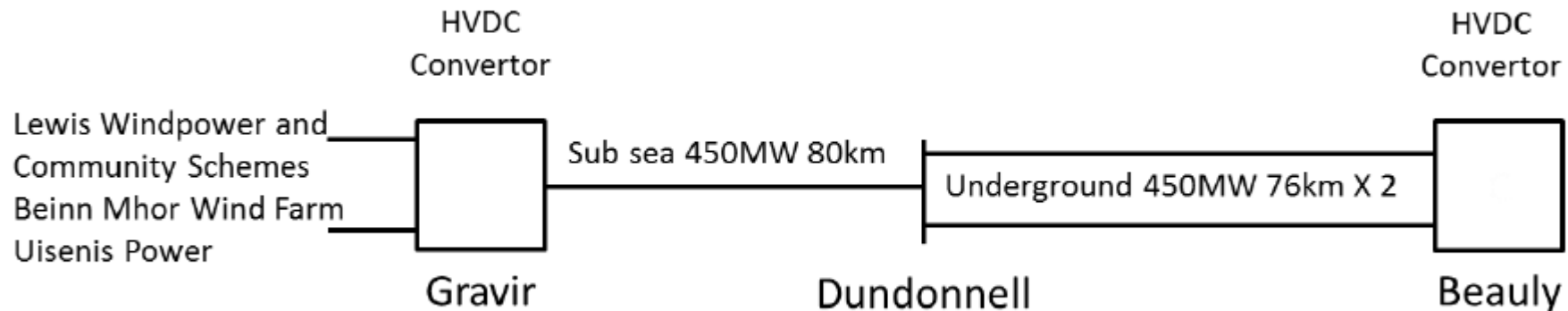
- Nick Pittarello is continuing to meet bilaterally with interested customers on this topic (please contact Nick directly if you would like to shape any initial proposals). Nick expects to return to March TCMF with possible options.

Treatment of Anticipatory Investment in Determining the Local TNUoS tariff for the Western Isles Link



David Corby

Background



- Proposed link consists of 2 x underground cables
 - 2nd cable understood to be purely anticipatory investment
- CMP213 lays out methodology for derivation of local circuit charge for link
 - Further clarity required on treatment of 2nd cable

At September 2014 TCMF

- Baringa Partners (on behalf of Uisensis Power Limited) presented an option for this treatment
 - 50% of costs between Beauly and Dundonnell included in local circuit tariff

- Following discussion we agreed to publish an open letter

Open letter

- Published on 15th December;
<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=38331>
- Describes 2 potential options;
 - 50% of costs between Beaulieu and Dundonnell included in local circuit tariff
 - Costs of single circuit solution between Beaulieu and Dundonnell included in local circuit tariff
- Views invited;
 - On options
 - On need for formal codification
 - Any other comments
- Consultation closes on Friday 30th January;
 - Responses to: David.Corby@nationalgrid.com

2015/16 Draft TNUoS Tariffs



Stuart Boyle

TCMF

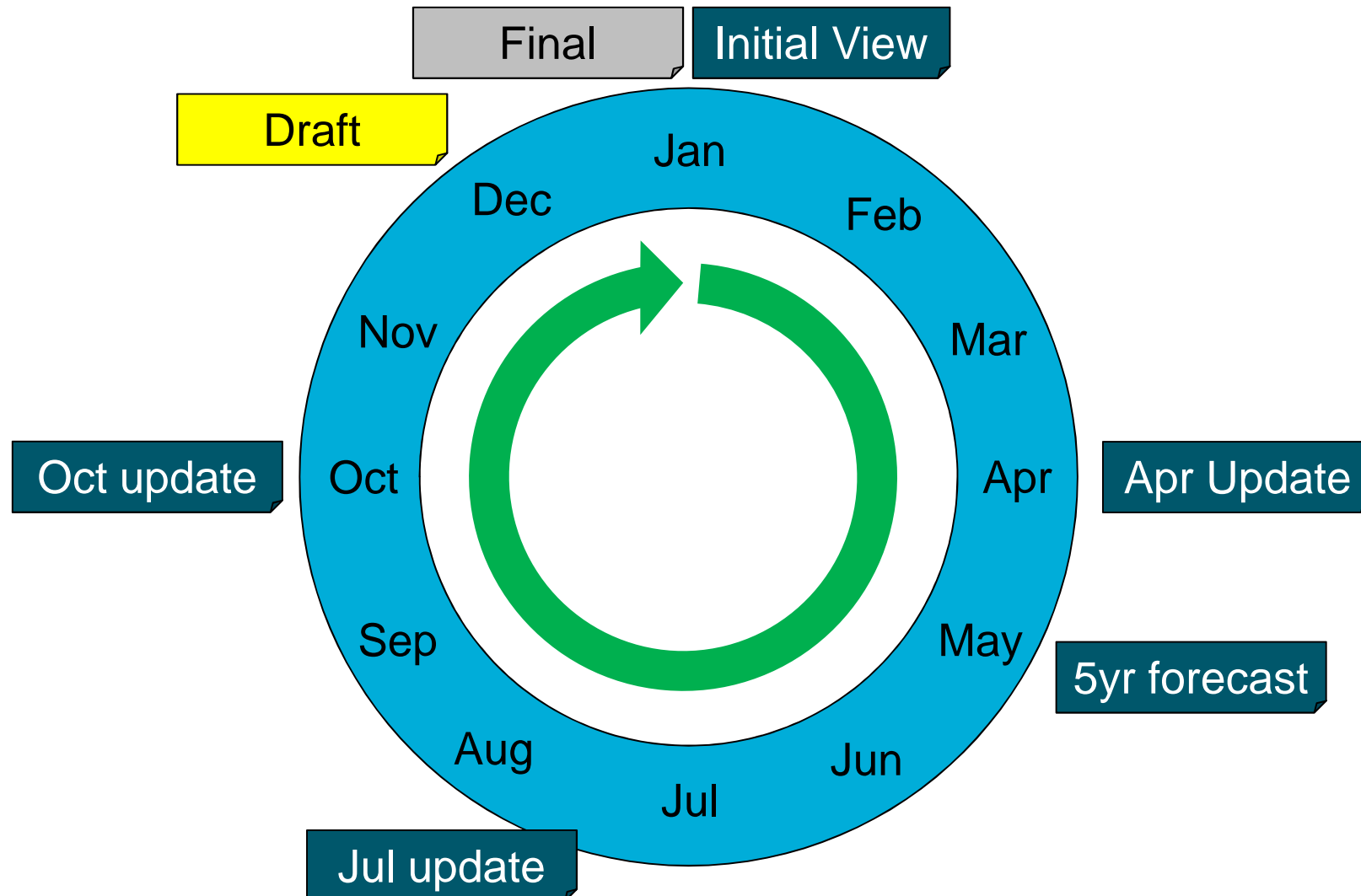
14 January 2015

Agenda

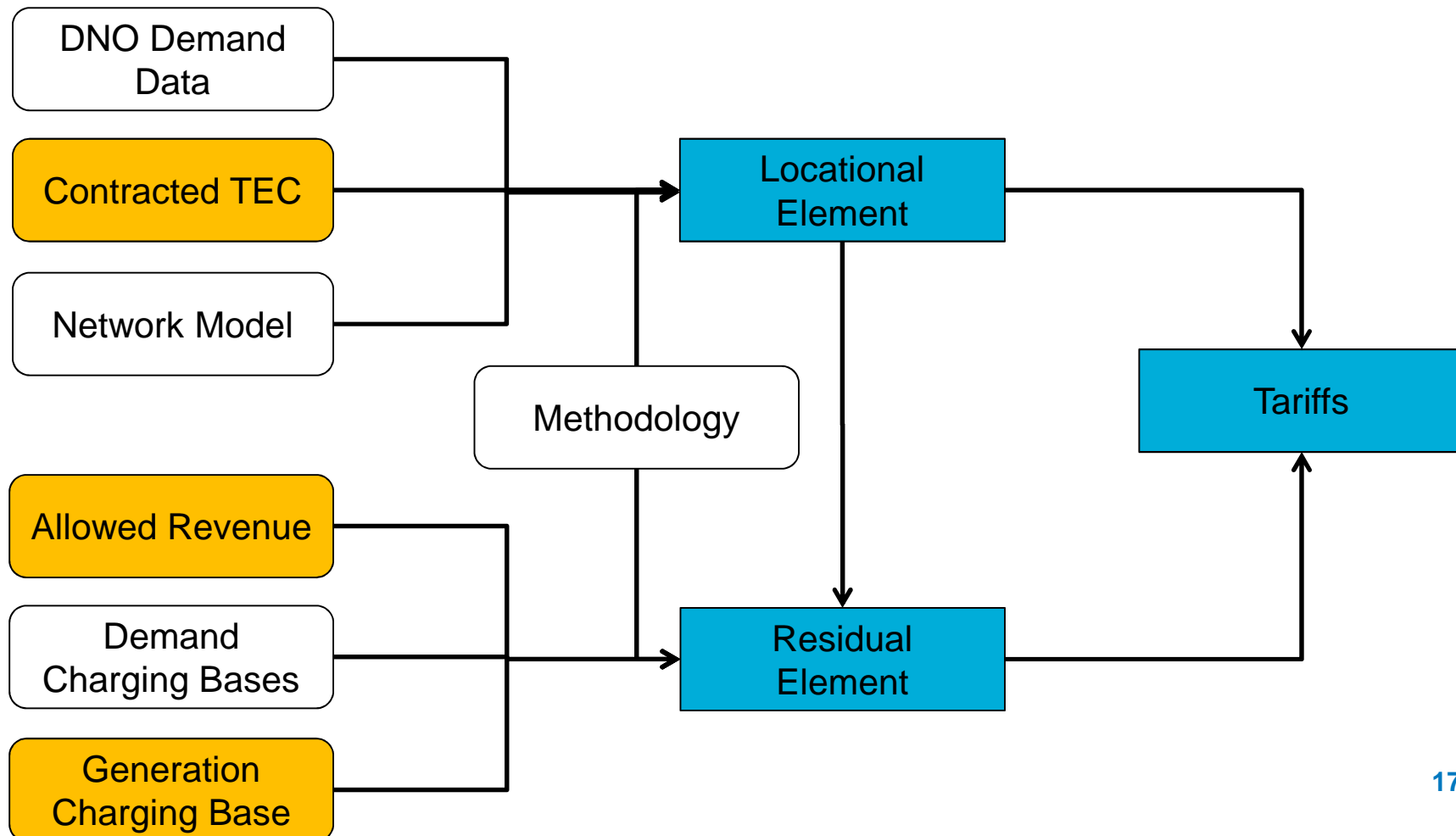
- Where we are in the forecasting cycle?
- What's changed in this forecast?
- What is still subject to change?
- Q&A

<http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Approval-conditions/Condition-5/>

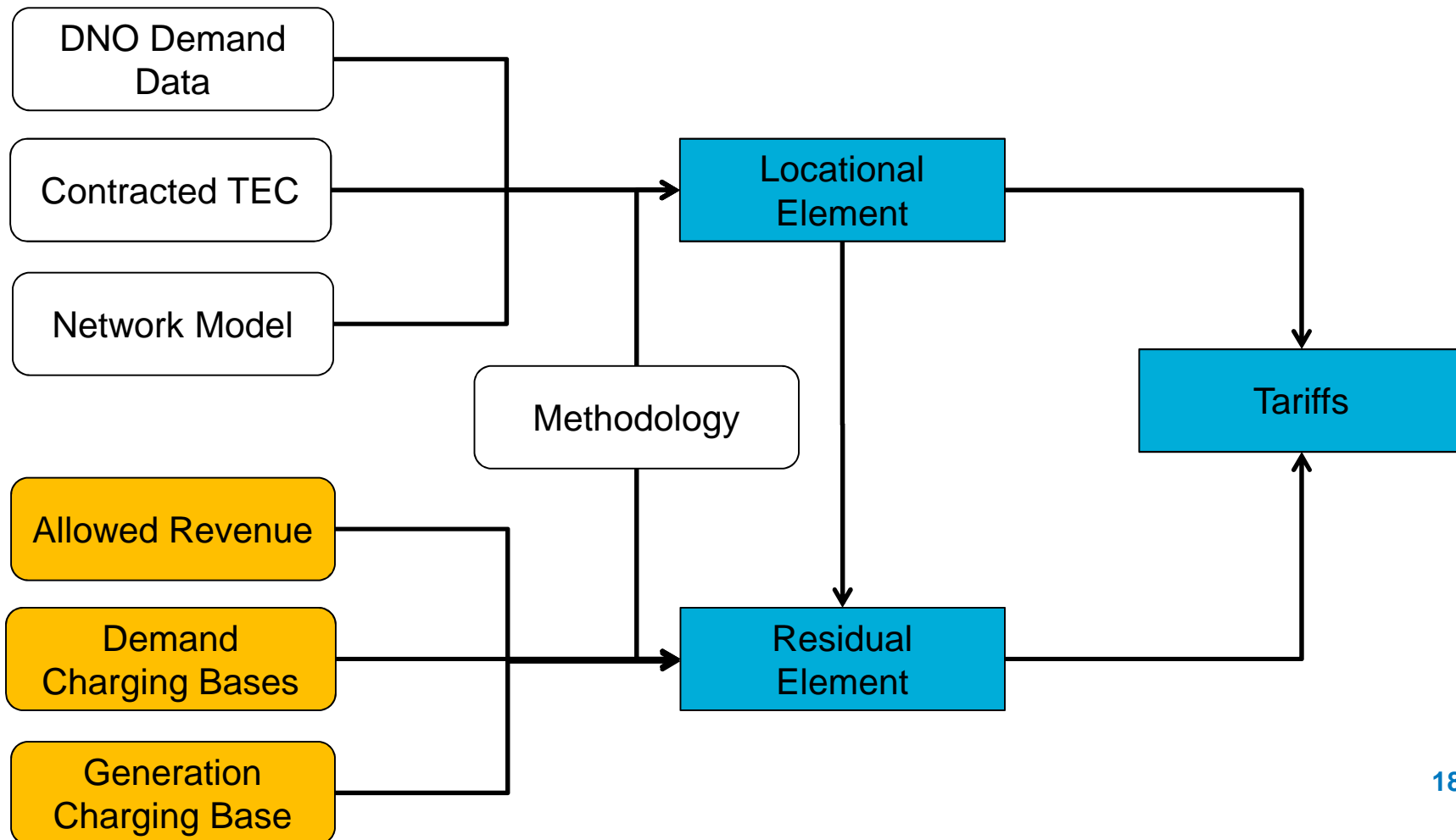
2015/16 TNUoS Tariffs



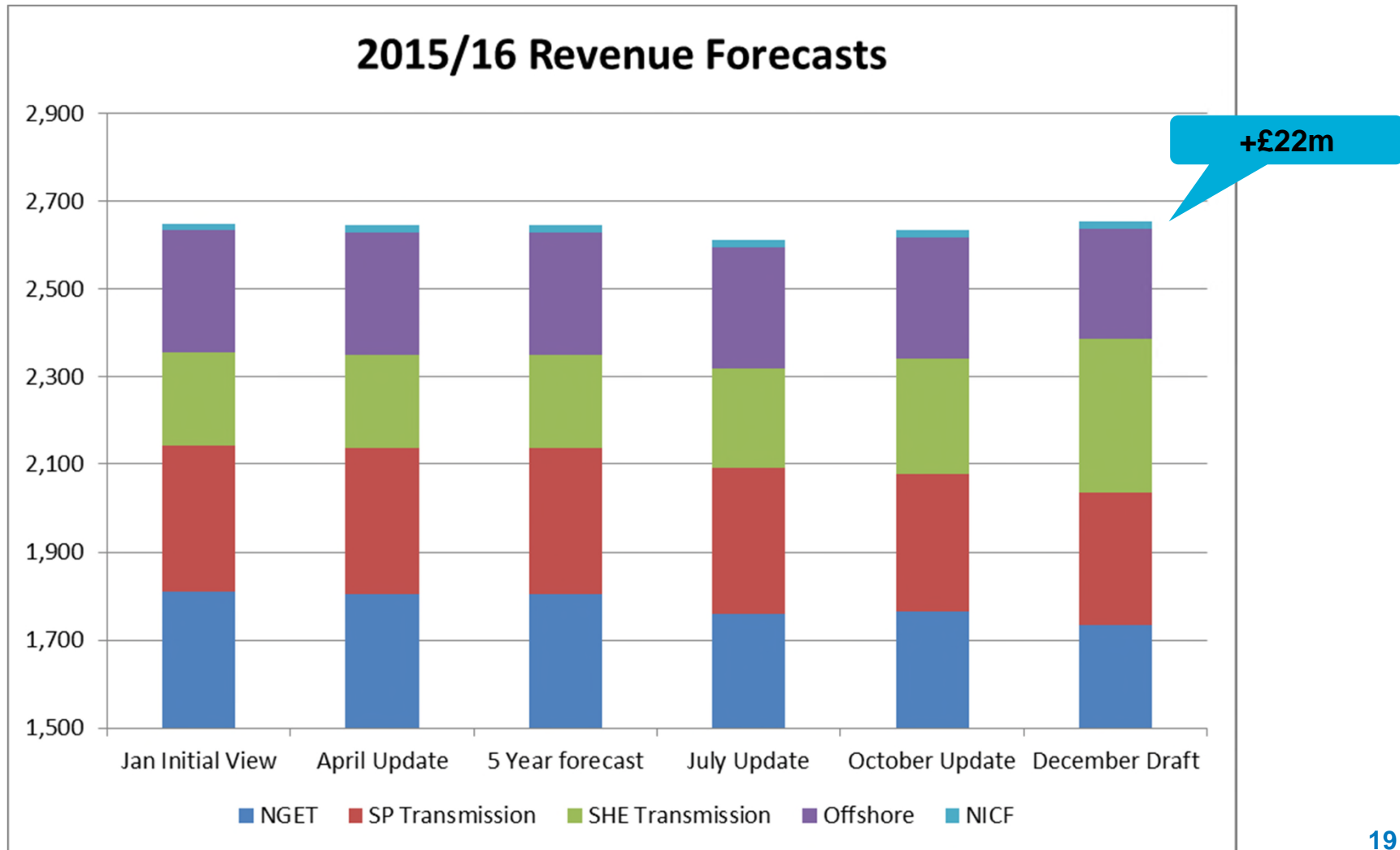
What's changed since October?



What could change before January?



2015/16 Revenue Forecasts



Revenue

£m Nominal	October Forecast	December Draft
TNUoS Revenue	2,633	2,655
Demand	2,020	2,042
Generation	614	613

- Network Innovation Competition awards of £18.8m for electricity transmission (Distribution NICF from 2016/17)
- Lower inflation forecasts reducing onshore revenues
- Offshore TO asset transfers forecast later in year
- Caithness-Moray funding included
- Generation contribution unchanged (allowing for rounding) due to cap on average annual generation charges

Caithness-Moray

- 17 Oct: Quarterly TNUoS update excluding funding for Caithness-Moray
- 27 Oct–24 Nov : Ofgem consultation
- 31 Oct: SHE Transmission submitted 2015/16 revenue forecast for draft tariffs including estimated funding for Caithness-Moray
- 28 Nov: Ofgem's determination on SHE Transmission's base allowance adjustment delayed from November to January
- 16 Dec: Ofgem confirmed funding from 2015/16

Revenue Uncertainties

- SHE Transmission updated their revenue forecast following the Caithness-Moray decision (-£9m).
- SHE Transmission and Scottish Power will confirm impact of base allowance adjustment and other awards by Ofgem in January.
- Difference between income and payments for Scottish connection assets and terminated agreements (+/- £2m).
- OFTO Asset Transfers:
 - Thanet transferred on 17 December 2014.
 - Gwynt Y Mor received Section 8 on 19 December 2-14 and expected to transfer within eight weeks.
 - West of Duddon Sands forecast to asset transfer in 2014/15. It will add around £4m to 2015/16 if it doesn't.
 - Humber Gateway and Westernmost Rough forecast to asset transfer in 2015/16 (-£6m/+£9m)

TEC Changes

Station Name	Node	31 October TEC Register (MW)	Change from October forecast (MW)
Andershaw Wind Power	LINM1Q	0	-35
Arecleoch	AREC10	114	-6
Carrington	CARR40	910	+910
Kilgallioch	KILG20	0	-274
Mark Hill	MAHI20	53	-3
Race Bank	WALP40_EME	0	-500

- Reduced north to south flow reduces northern and increases southern generation tariffs
- Increased west to east flows increases SW and reduces SE generation tariffs

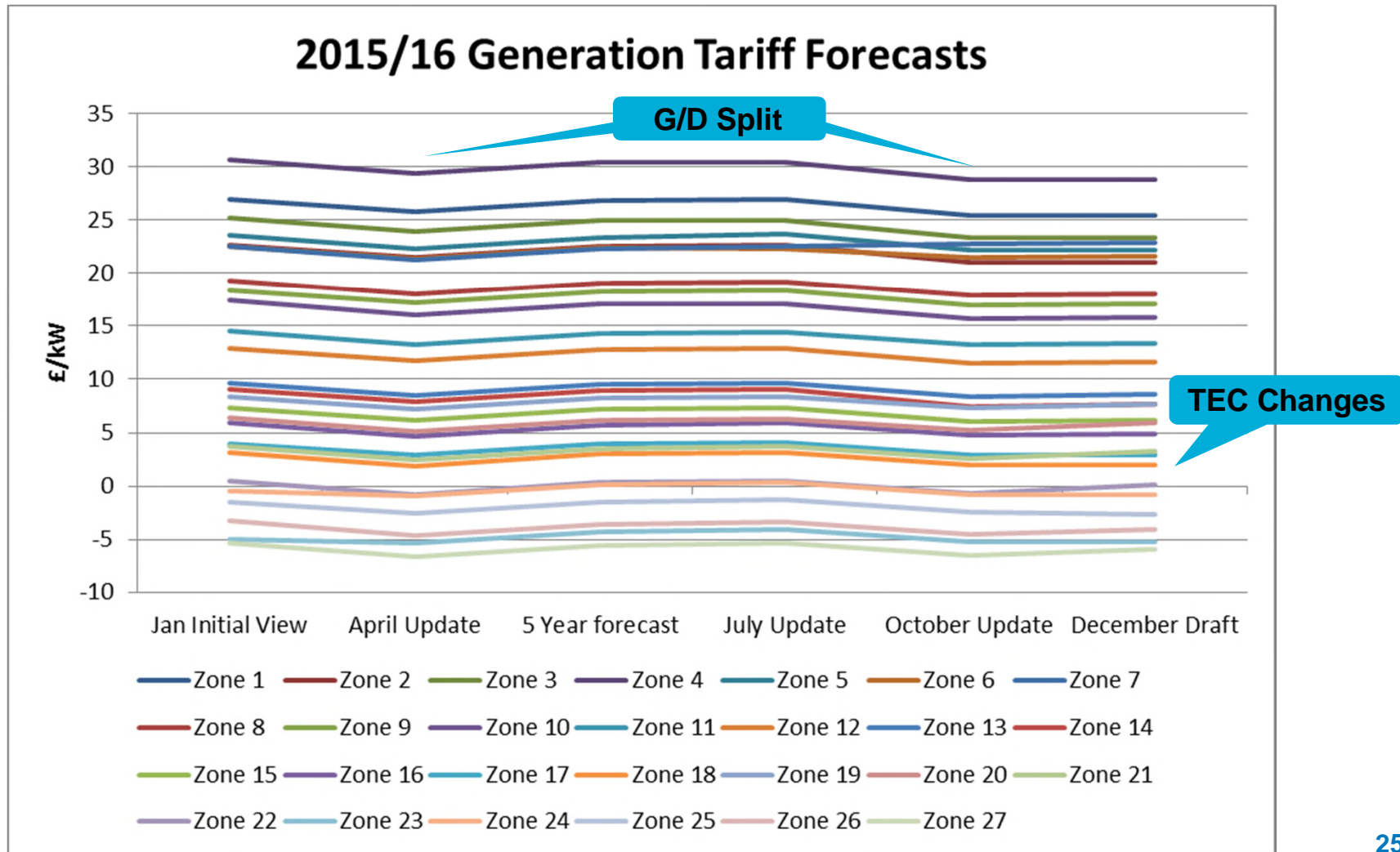
Generation Charging Base

2015/16 Draft TNUoS Tariffs	MW
Contracted TEC in the locational model	78,740
Interconnectors	-3,995
Closures, delays, advancements	-3,119
Chargeable Generation	71,626

31 October TEC Register:

<http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data/>

2015/16 Generation Tariff Forecasts



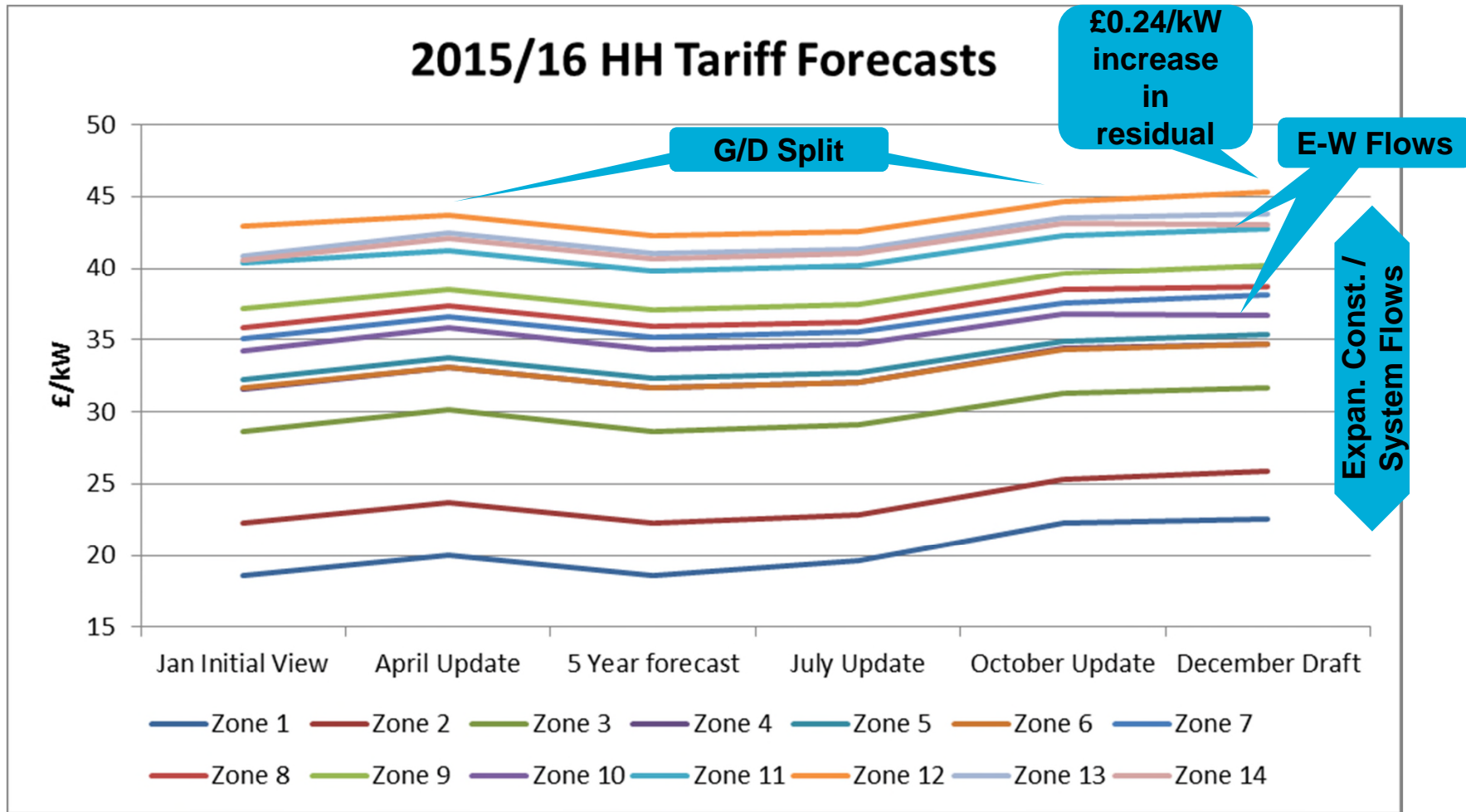
Demand Charging Base

2015/16 Draft TNUoS Tariffs	2014/15	2015/16
System Peak Demand (Triad average)	55.3GW	54.2GW
HH Demand (Triad average)	15.9GW	15.5GW
NHH Energy (Annual 4pm to 7pm)	28.6TWh	28.3TWh

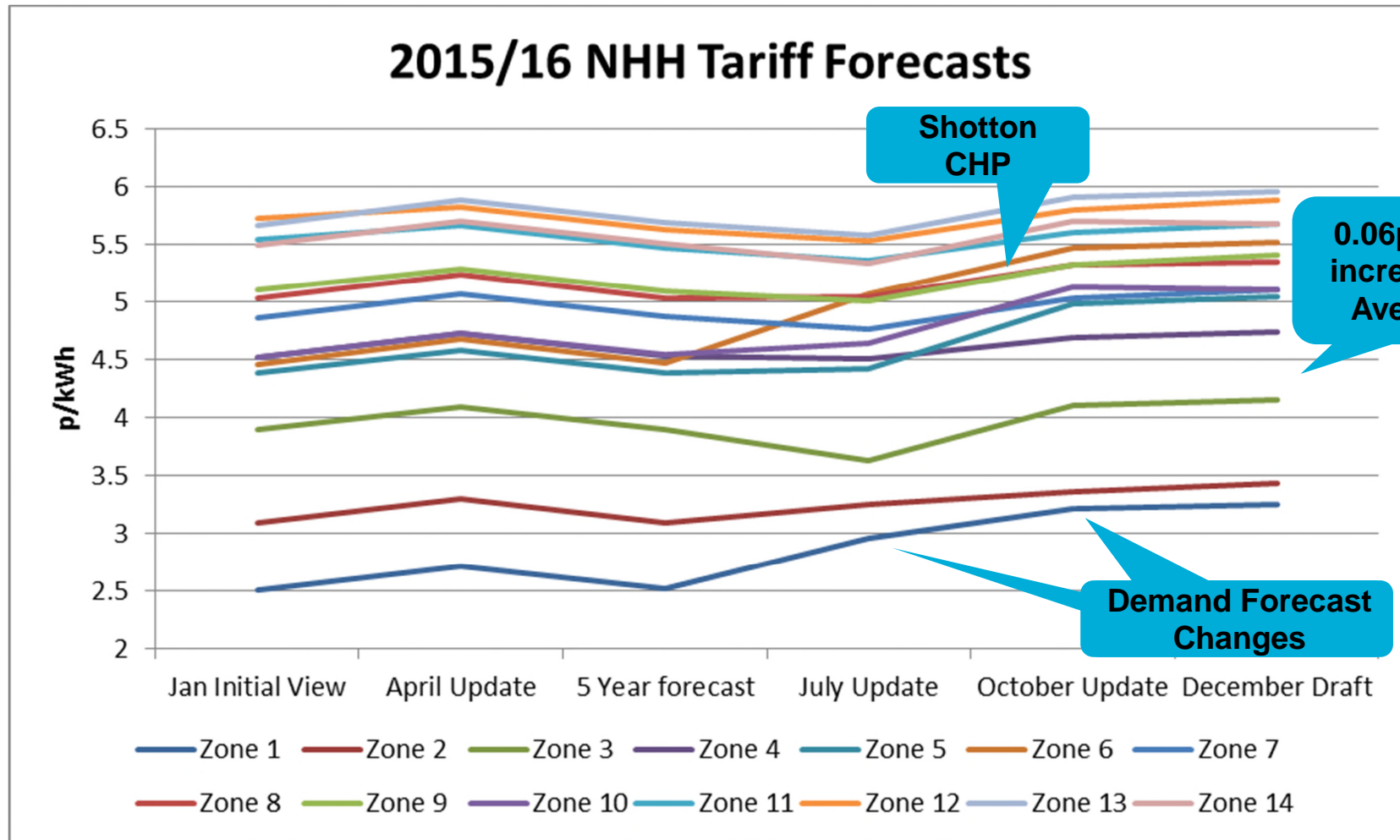
- The demand charging base for 2015/16 was reviewed in July to reflect recent trends and ETYS forecasts.
- NHH Energy in 2014/15 is currently forecast at 27TWh and peak demands in December were less than 50GW. Whilst largely due to mild weather, the weather corrected underlying demand is now trending about 2% lower due to increased embedded generation.
- This suggests that the HH and NHH demand bases should be reduced by about 2%.

Lower Demand x Higher Tariff = Revenue Unchanged

HH Tariff Forecasts



2015/16 NHH Tariff Forecasts



Next Forecasts

- 2015/16
 - Final tariffs to be published by 30 January 2015
- Five year ahead (2016/17 to 2019/20)
 - Revenue updates from Scottish Transmission Owners in January
 - Refresh TNUoS forecasts in the second half of January 2015
 - Initial view of 2016/17

Q & A



Team phone	01926 654633
Mary Owen	01926 653845
Stuart Boyle	01926 655588
David Russell	01926 655654

P272 – Effect on TNUoS Tariffs



Stuart Boyle

TCMF

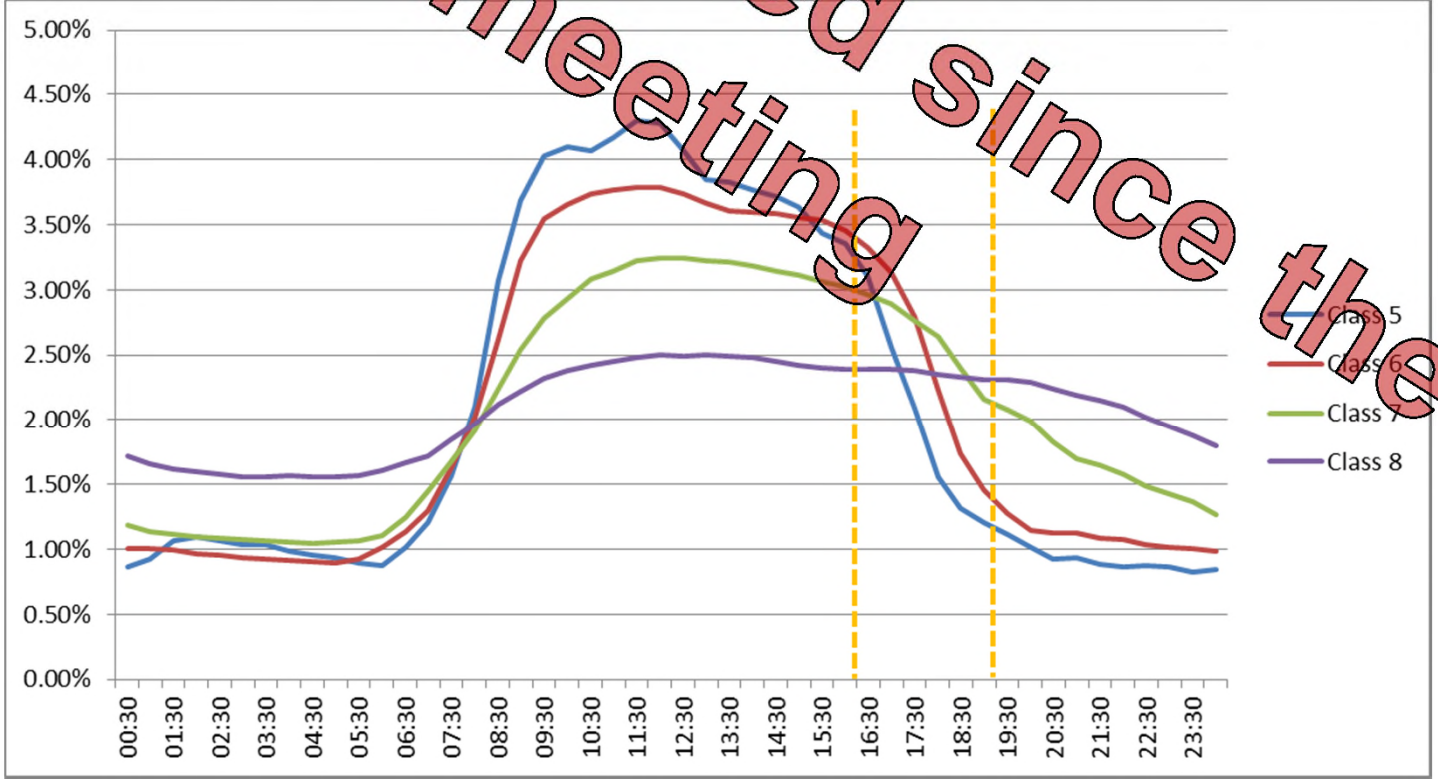
14 January 2015

Background

- Customers in profile classes 5-8 moving from Non-Half Hourly (NHH) to Half Hourly (HH) settlement
 - Non-domestic maximum demand customers
 - NHH settlement based on metered consumption between 4-7pm every day of the year
 - HH settlement based on metered demand during the Triads, which occur between November and February
- Mandatory change effective from 1 April 2016 but customers can move earlier if they choose

Impact on NHH Tariffs

- Classes 5 to 8 are approximately 200MW (0.5%) of NHH Triad Demand
- Therefore revenue recovered from NHH is reduced by 0.5%.
- However, Classes 5 to 8 are approximately 2.4TWh (9.4%) of chargeable NHH energy (4-7pm) and therefore NHH tariffs increase by approx. 9.8%



Impact on 2016/17 NHH Tariffs

- Classes 5 to 8 are approximately 3.7GW (10%) of NHH Demand at Triad therefore the revenue to be recovered from NHH will be reduced by 10%.
- Classes 5 to 8 are approximately 2.6TWh (9.3%) of chargeable NHH energy (4-7pm).
- As the reduction in revenue is slightly greater than the reduction in chargeable volume NHH tariffs reduce by 0.01 to 0.08p/kWh depending on zone.
- We have assumed that Class 5 to 8 demand as a proportion of NHH demand is constant across demand zones. Further data is being requested from Elexon to test this assumption.

Impact on HH tariffs

- Allowing for some triad avoidance, Classes 5 to 8 will add approx. 180MW (1.2%) to HH Triad demand.
- Net 20MW reduction in Triad demand and therefore demand charging base will have negligible effect on HH tariffs.
- Further data being requested from Elexon to determine the effect on individual zones

Impact on HH tariffs

- Approximately 3.7GW of peak demand will transfer from NHH to HH settlement but we assume there will be no additional triad avoidance in the first year (2016/17).
- Peak demand is unchanged and therefore HH tariffs are not affected by P272.

Early Transfers

- What happens if customers move from NHH to HH settlement before April 2016?
- Scenario 1: Move October 2015
 - Pay 6 months NHH charges and full year HH charges
 - Customer pays more
- Scenario 2: Move March 2016
 - Avoid NHH charges in March
 - Avoid all HH charges as there are no triads in March
 - Customer pays less
- Impact on tariffs
 - Proportion of customers who move early?
 - Approximately 0.2TWh of NHH energy and therefore 1% of NHH revenue at risk in 2015/16

Update on Offshore Issues



Wayne Mullins / Mary Owen
TCMF - January 2015

Charging

- Reflection of tender fee reconciliations in local offshore tariffs:
 - Reconciliation of tender round 1 falls below manifest error limit.
 - Modification put on hold following feedback from November's TCMF.
 - Being considered as part of work on the interaction between timings of other OFTO revenue adjustments and the fixing of local charging parameters.

- Charging for Bespoke Elective Spares:
 - Seems appropriate to charge as an annuitised charge for one-off works.
 - Potential secondary effects on availability of offshore spares being considered.
 - Could form part of a wider review of charging for non-standard costs offshore (including additional costs due to new technology trials, etc.).

User Commitment

- UC for Generator Focussed Anticipatory Investment:
 - No perfect solution for developer build of shared assets.
 - Current arrangements can be adopted for OFTO build of shared assets.
 - Ofgem recently published updated thinking on OFTO build options.
 - Open letter to highlight National Grid's current thinking.

- Action from previous TCMF:
 - Concern that the CfD auction process will result in a security requirement prior to financial commitment being made.
 - National Grid agreed to investigate
 - The CfD auction process specifies a date by which a project's Final Investment Decision (FID) should be made, but there appears to be no restriction when the FID can be made prior to this point.
 - It therefore appears that the timings of the CfD process provides no additional issue.

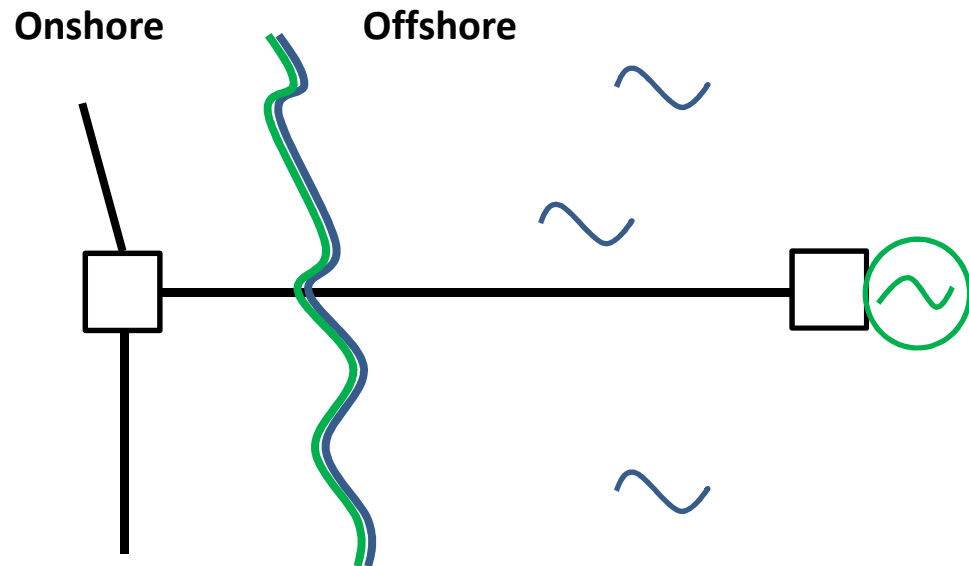
Offshore Interlinks



Mary Owen / Wayne Mullins
TCMF - January 2015

Radial Offshore Connection Example

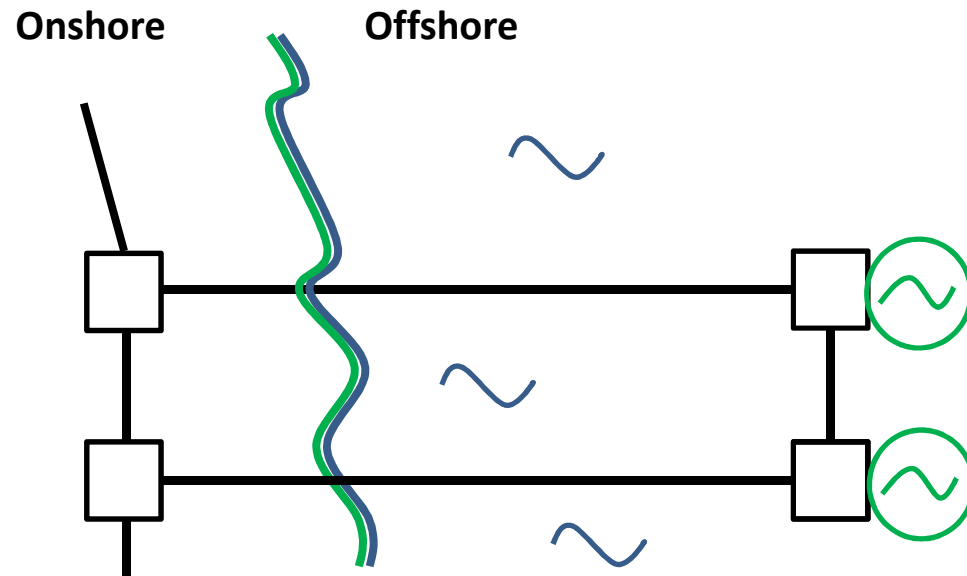
- Generation accesses MITS via a single onshore substation.
- Capacity built to facilitate generation only.



- The current offshore charging methodology was developed to consider radial solutions.
- Generators pay for useable capacity on the offshore local assets:
 - Takes additional capacity provided for security into account via a security factor; and
 - Costs relating to other over-sizing are recovered via wider tariffs.

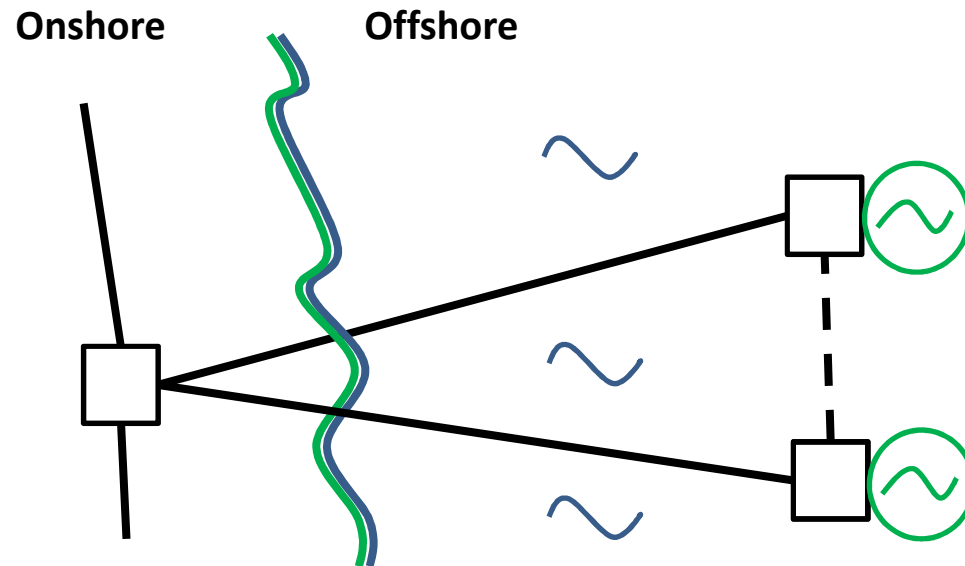
Integrated Offshore Connection Example

- Generation can access MITS via multiple onshore substations.
- Capacity built to facilitate generation and wider energy flows.
- Changes to the current offshore charging methodology will be required.
 - Informal workgroup held to highlight issues and principles that could be applied.
 - Solution likely to take significant industry resource to develop.



Interlinked Offshore Connection Example

- Multiple generators access MITS via a single onshore substation.
- Capacity built to facilitate generation.
- Additional transmission circuit installed between platforms.



- Provides a level of security with the interlink being held in open standby until a circuit to shore becomes unavailable.
- May result in no additional transmission capacity.
- Under the current charging methodology, the cost of providing the additional security would not be reflected in the local circuit charge.

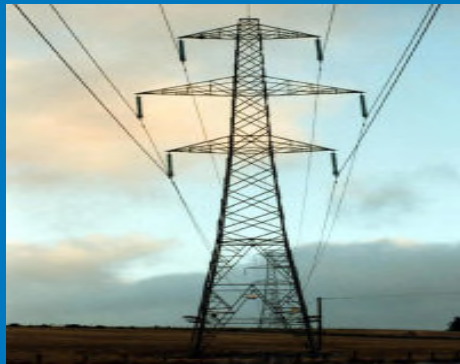
Current status

- Some offshore developers have highlighted that they are looking at interlinking some of their forthcoming projects;
 - It has been indicated that some projects are nearing the stage at which assets will be purchased; and
 - Clarity on the charging regime has been sought to increase certainty.

- It would seem appropriate for the cost of the interlink circuit to be shared between the two generators in question.

- We are looking to work with interested stakeholders to develop a solution with a view to raising a proposal in the coming months
 - Separately from an integrated charging solution due to timing.

Potential Future Topics



David Corby

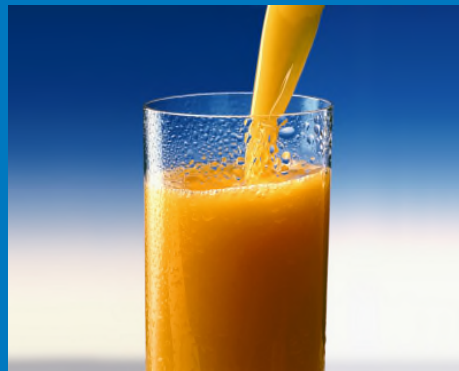
Revised Priority Potential Topic list

Topic	Ranking
BSUoS stability and forecasting transparency	1
[Flexible TNUoS products]	2
8 year Price control	3
TNUoS fixed tariffs	4
[G/D split]	5
Triad	6
Integrated offshore	7
User Commitment (Section 15) Flexibility Developments	8
[Gross charging]	9
BSUoS Forecasting transparency	10
Methodology Housekeeping	11
User Commitment for GFAI	New
Other offshore issues	New

Any Other Business



Lunch



Next TCMF

March

12

Wednesday

Venue: National Grid House, Warwick

Future TCMF Dates

May

13

Wednesday

September

9

Wednesday

July

8

Wednesday

November

11

Wednesday

Venue: National Grid House, Warwick

We value your feedback and comments

If you have any ***questions*** or would like to give us ***feedback*** or share ***ideas***, please email us at:

Cusc.team@nationalgrid.com

Also, from time to time, we may ask you to participate in surveys to help us to improve our forum – *please look out for these requests*

Close

