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Transmission Charging Methodologies Forum



Thursday 12th March 2015

Introduction & Welcome

Patrick Hynes

Agenda

11:00	Introduction – Patrick Hynes
11:10	Safety Moment and Fire Procedure
11:15	Code modifications update – Juliette Richards
11:30	Implementing potential changes to the G:D split – Stuart Boyle
11.45	BSUoS Stability – Nick Pittarello
12.25	Western Isles Anticipatory Investment – Juliette Richards
12:45	Lunch
13.15	Implementation of P272 – Damian Clough
13.30	Charging for offshore interlinks – Wayne Mullins
13:45	Update on website – Dave Corby
13.55	Overview of priority issues – Dave Corby
14.10	TCMF terms of reference – Patrick Hynes
14.30	AOB and close

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Safety moment

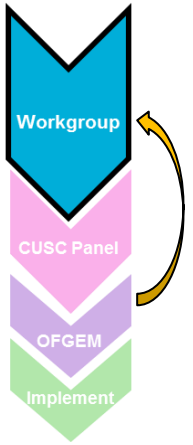
Ongoing modification proposals



Juliette Richards

Ongoing modification proposals page 1 of 4

- **CMP223: Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment**
  - The Modification has been sent back to the CUSC panel and the Workgroup met on 10/12/14 and have had a number of subsequent discussions via teleconference.
  - The Workgroup plan to report to the CUSC panel in March 2015.



- **CMP227: Reduce the G:D split of TNUoS charges, for example to 15:85**
  - The Workgroup has been granted a time extension until April 2015 to satisfy a need for extra analysis.
  - A Workgroup meeting took place on 03/03/15 and the Workgroup will report to the CUSC panel in April.

Ongoing modification proposals page 2 of 4

- **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 closed on 23/01/15.
  - A Workgroup took place on 10/03/15. The Workgroup are considering whether to produce a guidance note detailing the circumstances in which relevant interruption will apply.

- **CMP237 – Response Energy Payment for Low Fuel Cost Generation**
  - A Workgroup alternative CUSC modification request was received in response to the Workgroup consultation. The Workgroup considered this and a further potential alternative may be developed, therefore the Workgroup have requested a 3 month extension from the CUSC Panel.
  - A Workgroup meeting took place on 05/03/15 and a further workgroup consultation will take place later this month (March).

Ongoing modification proposals page 3 of 4

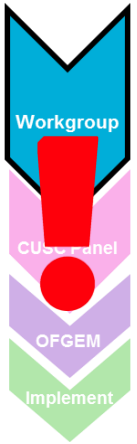
- **CMP238 – Application of Statement of Works Process when a modification application is made**
  - The Final Modification Report was sent to OFGEM on 12/02/15.
  - A decision is expected in early April. If approved the Code Administrator proposes that CMP238 should be implemented 10 working days after the Authority decision.

- **CMP239 – Grandfathering Arrangements for the Small Generator Discount**
  - The Workgroup consultation closed on 04/03/15.
  - The next Workgroup will take place on 13/03/15, and the Workgroup is aiming to report to the April panel.

Ongoing modification proposals page 4 of 4

- **CMP240 – Amending the Cancellation Charge liability within a CMP213 Judicial Review Period**
  - An Authority decision was received on 26/02/15 to implement CMP240. This will be implemented on 12/03/15.

- **CMP241– TNUoS Demand charges during the implementation of P272**
  - OFGEM have agreed this is an **urgent modification** and is progressing through the agreed timetable.
  - The 2nd workgroup meeting took place on 10/03/15.
  - The CUSC panel will be meeting on 13/03/15 to review the Workgroup report and a Code Administrator Consultation will be open for 2 working days from 13/03/15.
  - Target implementation date is 01/04/15.



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Ongoing Strategic Issues Update

- Exporting GSPs
- BSUoS Stability – to be picked up today
- Offshore charging / further offshore considerations
  - Update on interlinks today
  - Future consideration of generator focussed anticipatory investment, spares and tender fee reconciliation

Effect of €2.5/MWh limit on average annual generator TNUoS charges

Stuart Boyle

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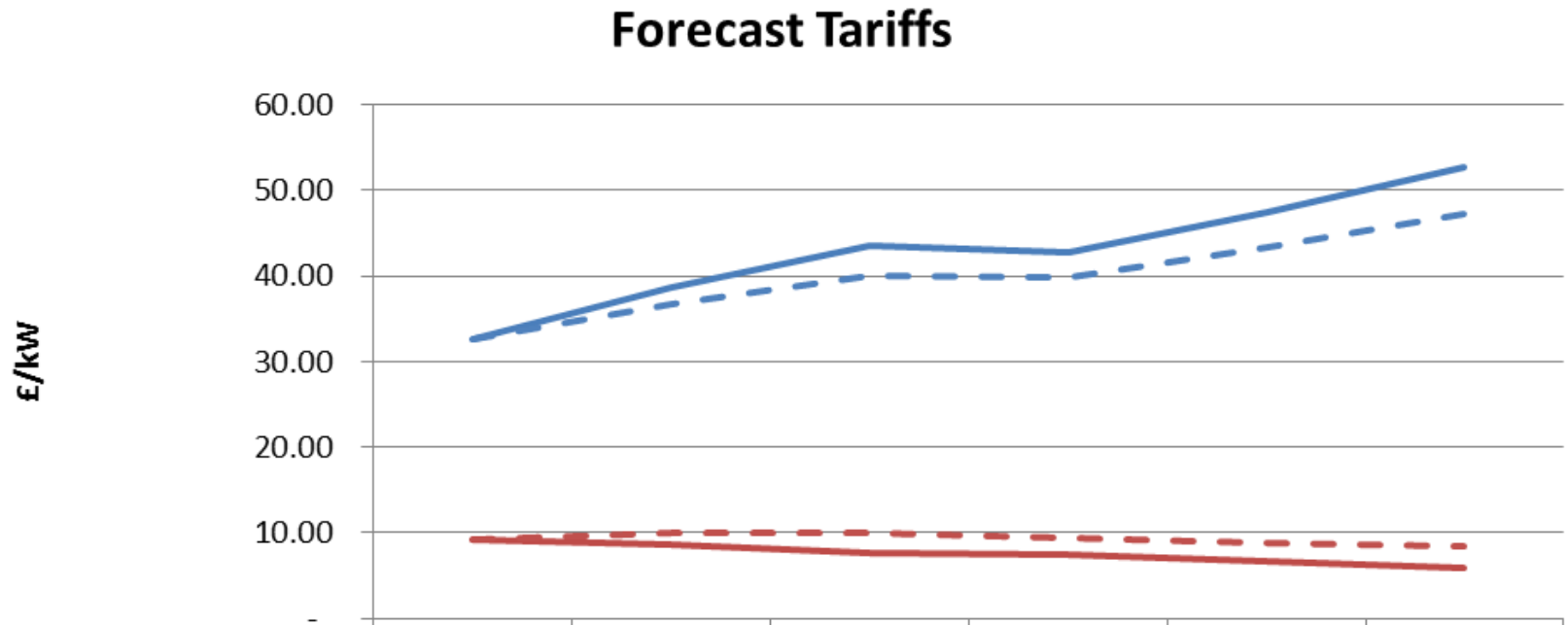
Background

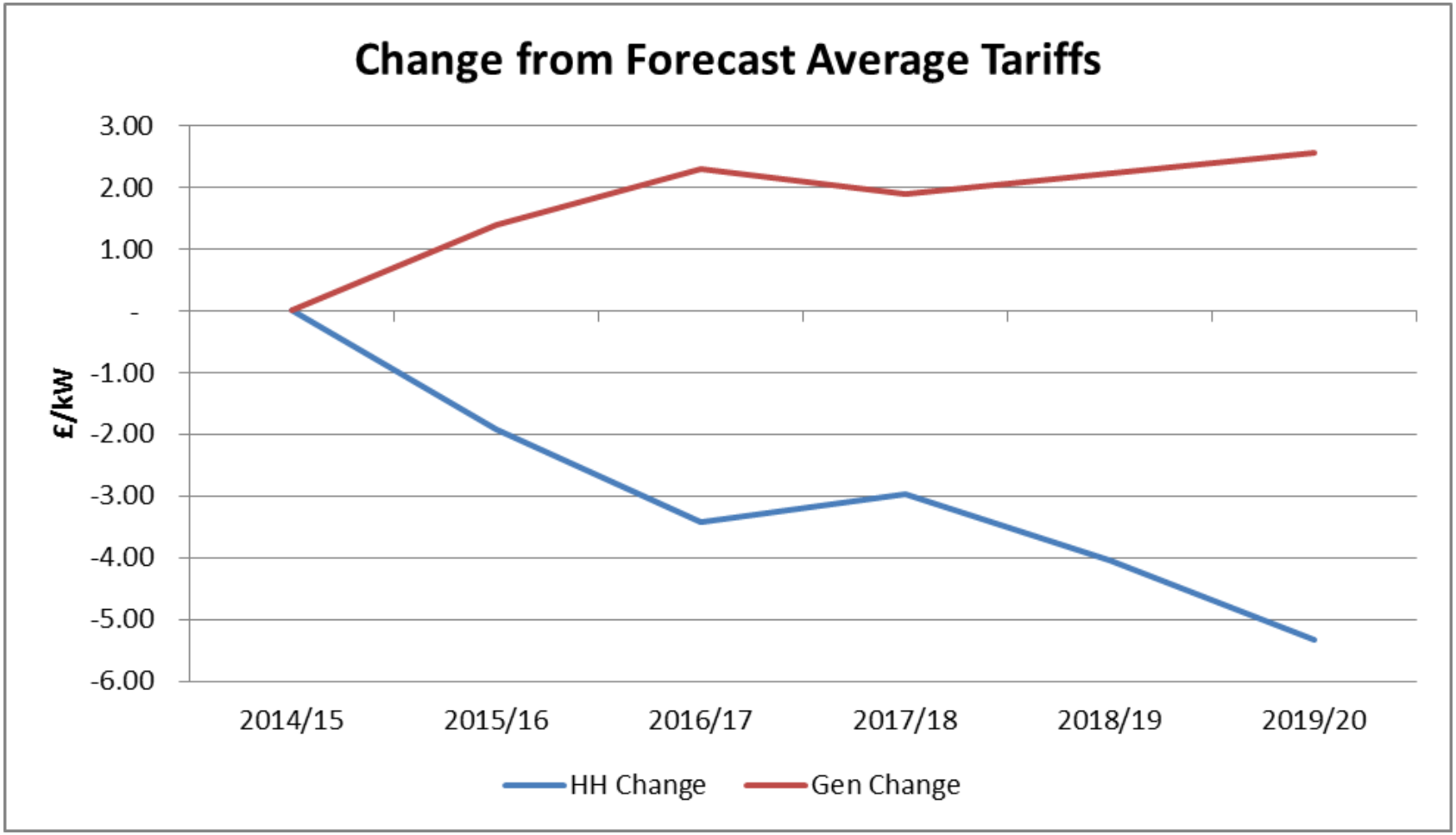
- EU 2010/838 limits average annual generator tariffs to €2.5/MWh.
- CMP224 effective from 2014 restricts the generator proportion of revenue to meet this limit.
- ACER opinion in April 2014 that limit should be removed.
- Not aware of any EU initiative to implement the ACER opinion in a new regulation.
- 2015/16 tariffs have been set and will not be affected if the regulation is changed but future tariffs could be.

Effect of €2.5/MWh limit



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast Ave HH	32.70	38.64	43.49	42.72	47.39	52.64
Ave HH 73%	32.70	36.73	40.07	39.76	43.34	47.32
Forecast Gen	9.16	8.56	7.66	7.53	6.59	5.87
Ave Gen 27%	9.16	9.96	9.96	9.44	8.82	8.44

If the €2.5/MWh limit were removed



Implementation Timescales

- EU expected to take a minimum of six months to legislate a new regulation.
- A new regulation could include a lead time before it comes into effect
- Provided it was allowed by EU regulations, the charging methodology could be modified to extend the lead time before use of system charges were impacted by a new regulation.

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BSUoS Stability Fund - Strawman



Nick Pittarello

12th March 2015

Structure

1. Background to BSUoS Charges and RCRC
2. BSUoS Stability problem definition
3. Possible approach
4. Issues
5. Summary
6. Key questions/ views

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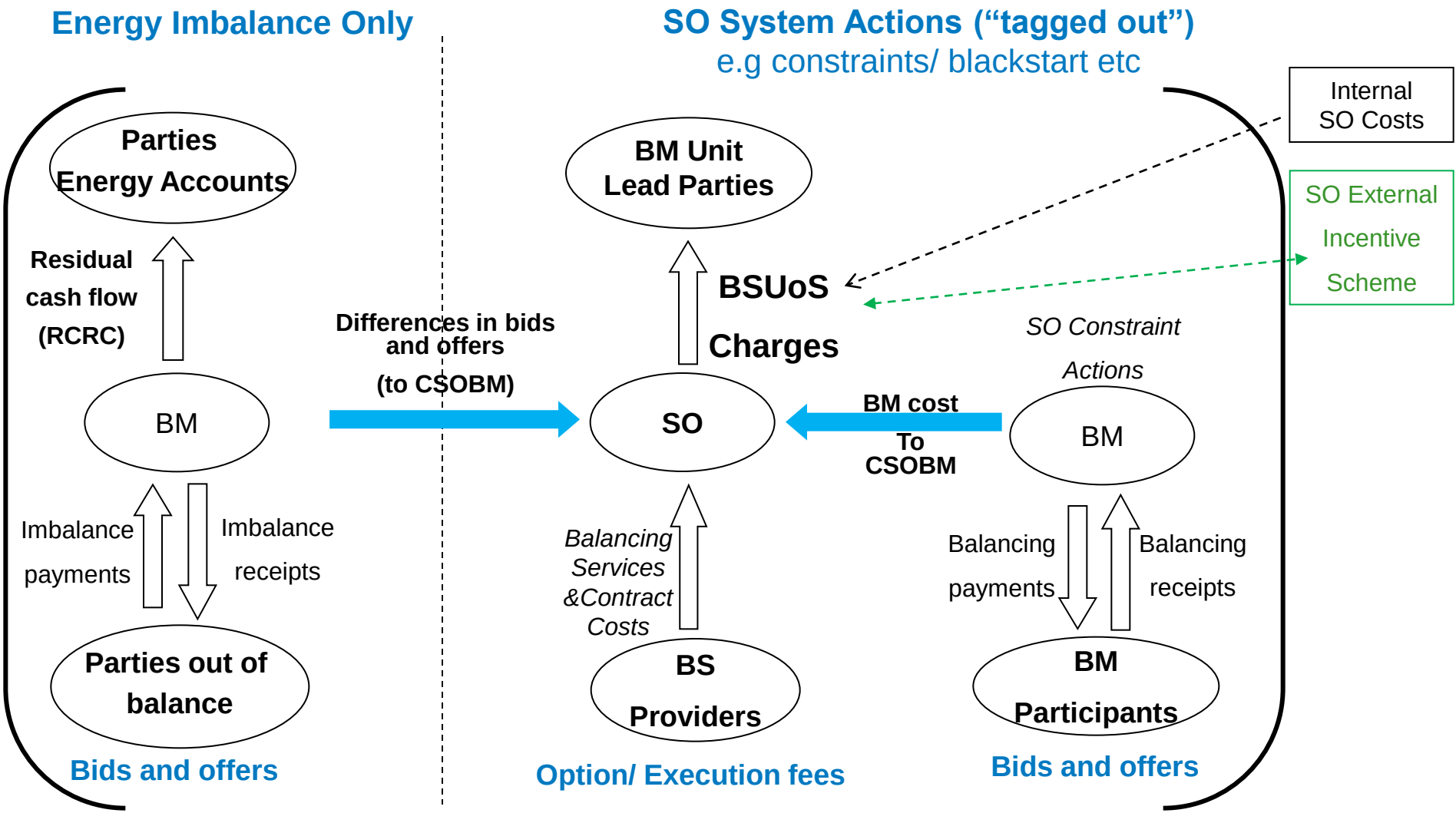
Imbalance and SO Balancing Actions



Example 1 – Simple Imbalance

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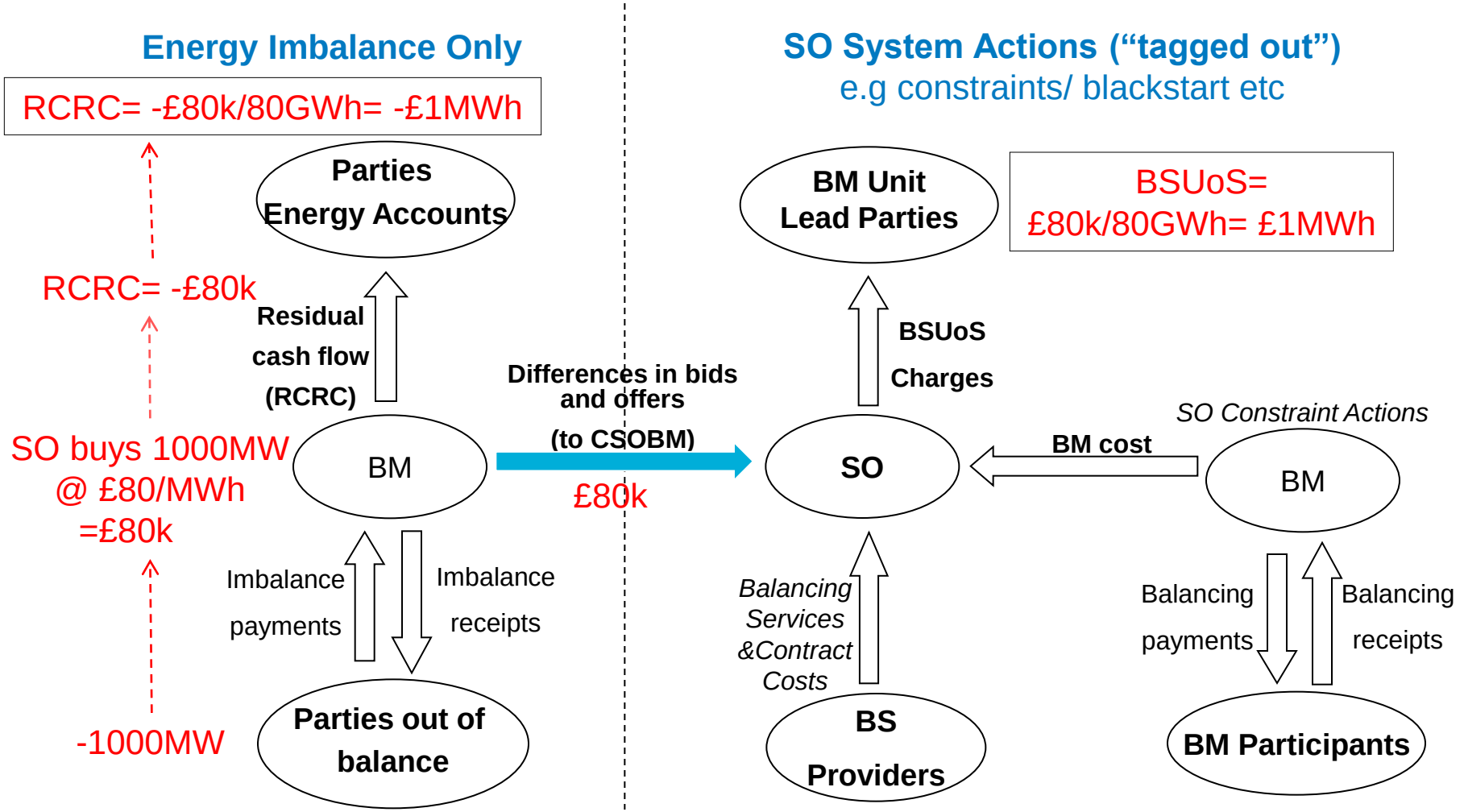
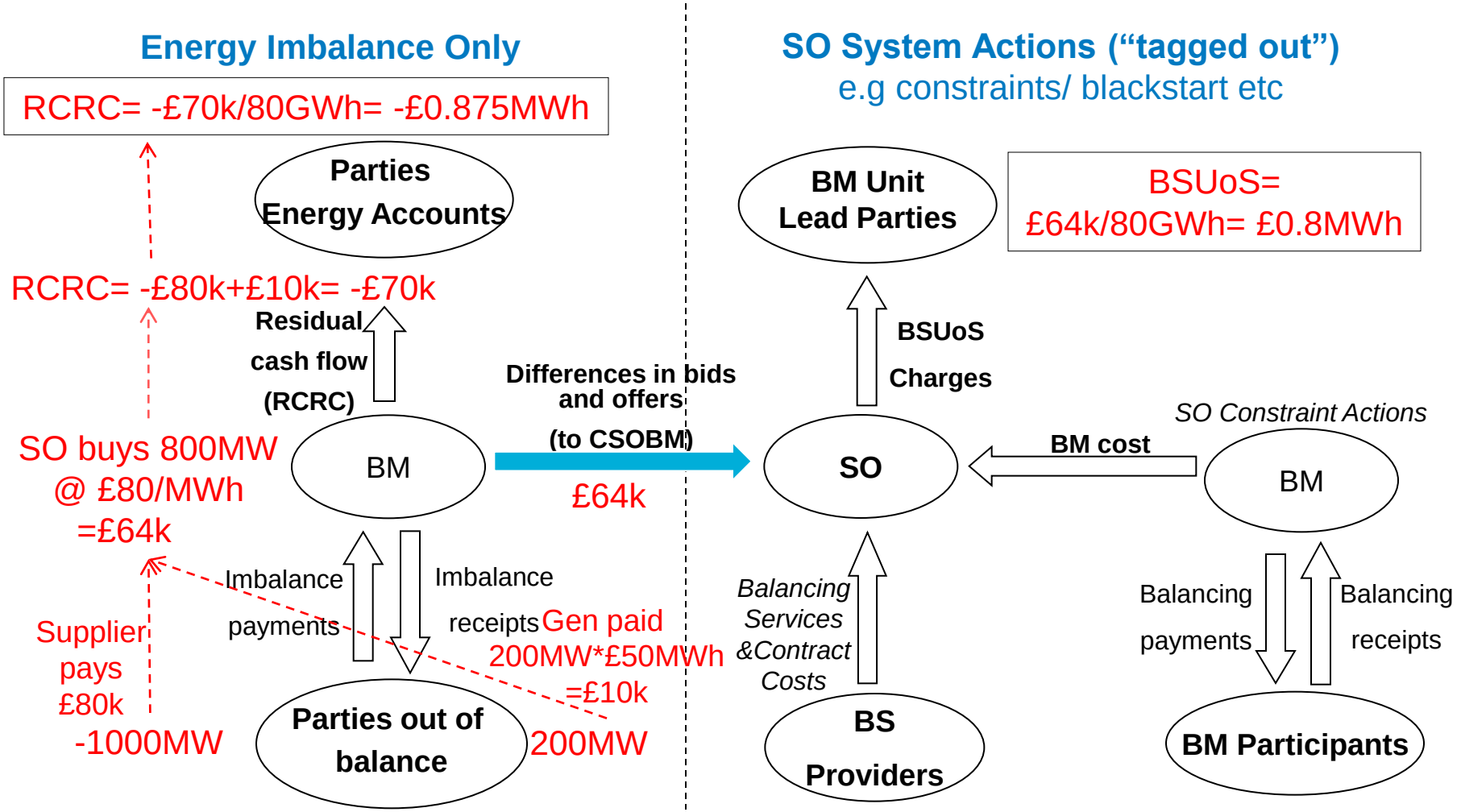
- Supplier under-contracted by 1000MW (SO incurs £80k,Supplier pays £80k)
- Total demand for the half hour = 80GWh, SBP £80/MWh



RCRC and BSUoS net to zero, 3rd parties not exposed

Example 2 – Dual Imbalance

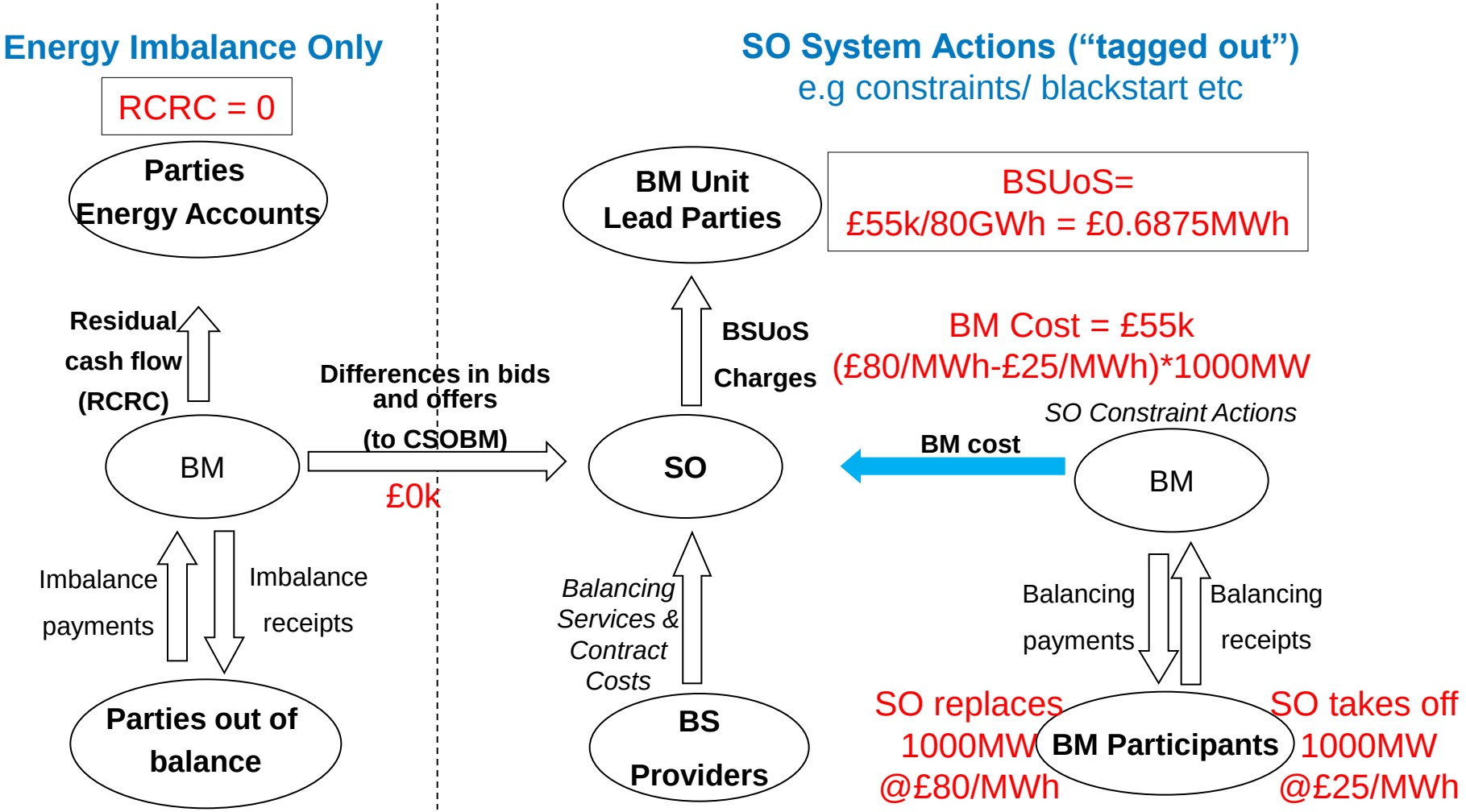
- Supplier under-contracted by 1000MW, Generator spills 200MW
- Total demand for the half hour = 80GWh, SBP £80/MWh, SSP £50/MWh



RCRC and BSUoS are not related

Example 3 – Solving Constraints

- No imbalance
- Total demand for the half hour = 80GWh, SBP £80/MWh, SSP £25/MWh



RCRC and BSUoS does not net to zero

Problem Definition

1. For Generators	An inability to respond to price signals ahead of time, potentially leading to inefficient despatch decisions
2. For Suppliers	Uncertainty over the uplift to include in customer contracts, potentially leading to inclusion of high customer risk margins
3. For Generators & Suppliers	Frequent adjustments to the 29 day credit cover amount

What could National Grid do?

- It is possible to fix BSUoS price for any given charging year, which would resolve all three problems
  - National Grid could manage the cash-flow between years
- Fixing the price transfers risk from industry participants to National Grid where the costs of system balancing actions exceed the fixed price
  - Is this an appropriate role for the SO?
  - What would need to change to allow the SO to do it?
- One idea would be for industry participants to fund a “BSUoS Stability Fund” to finance within-year shortfalls
  - How would this fund be created?
  - Appropriate sharing of risk between the fund holder and participants
  - The SO on its own is unable to sustainably shoulder the potential exposure for the whole industry

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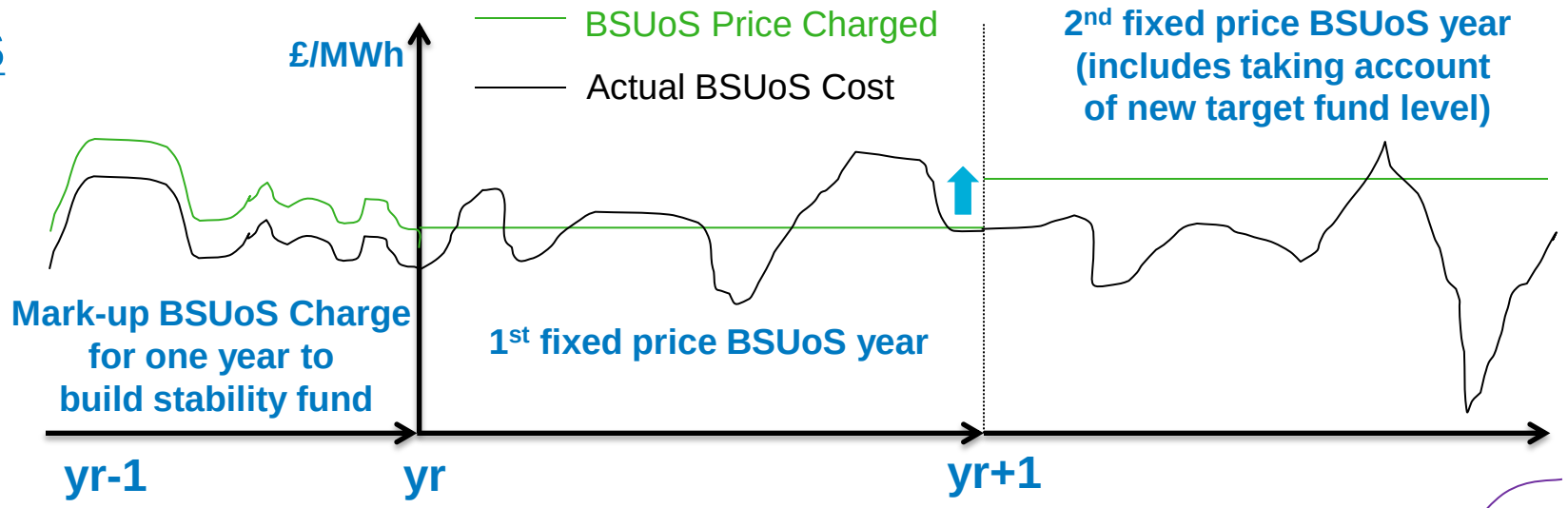
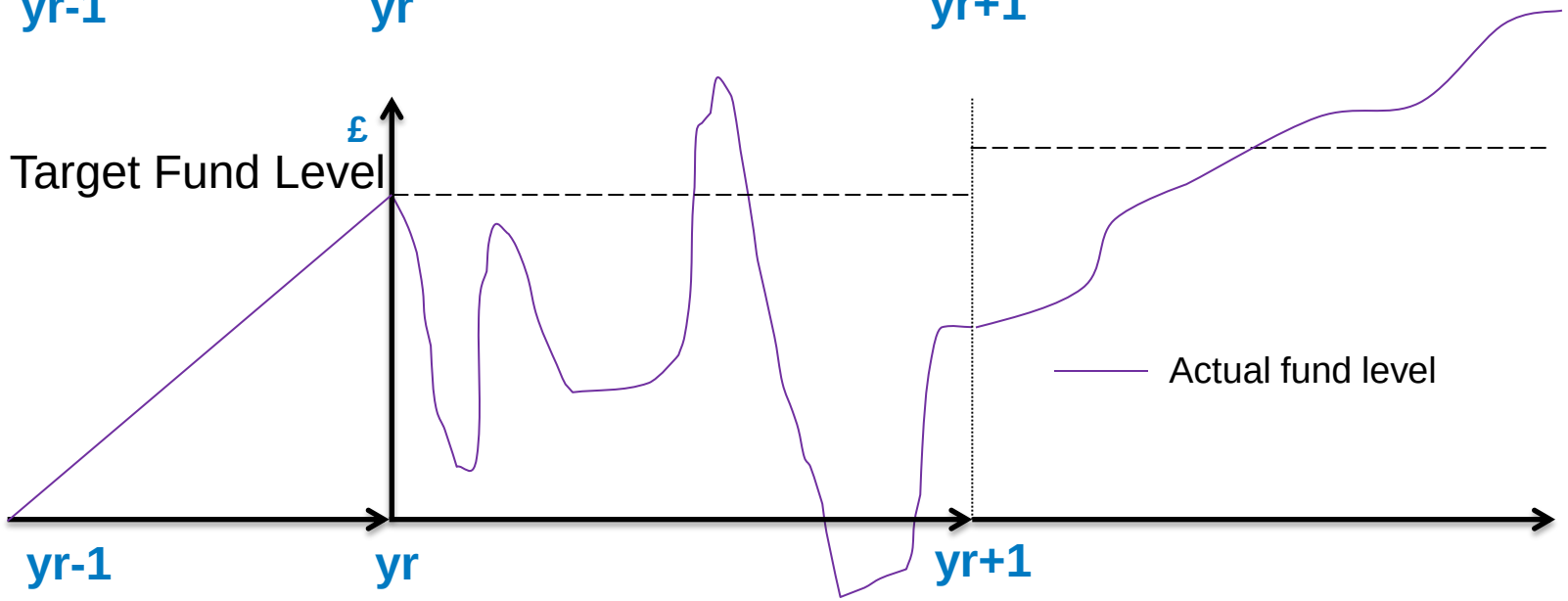
Initial thoughts

BSUoS Price



Stability Fund Level



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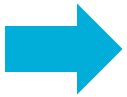
Setting the Target Fund Level

- The fund level requirement depends on the risk appetite for the fund to be insufficient.
- Early analysis using 4 years' worth **historic** data, for 95% confidence, the fund level requirement would be at least £100m
  - Need to do more work here, but it is likely to be in this order of magnitude
- Should RCRC be netted?

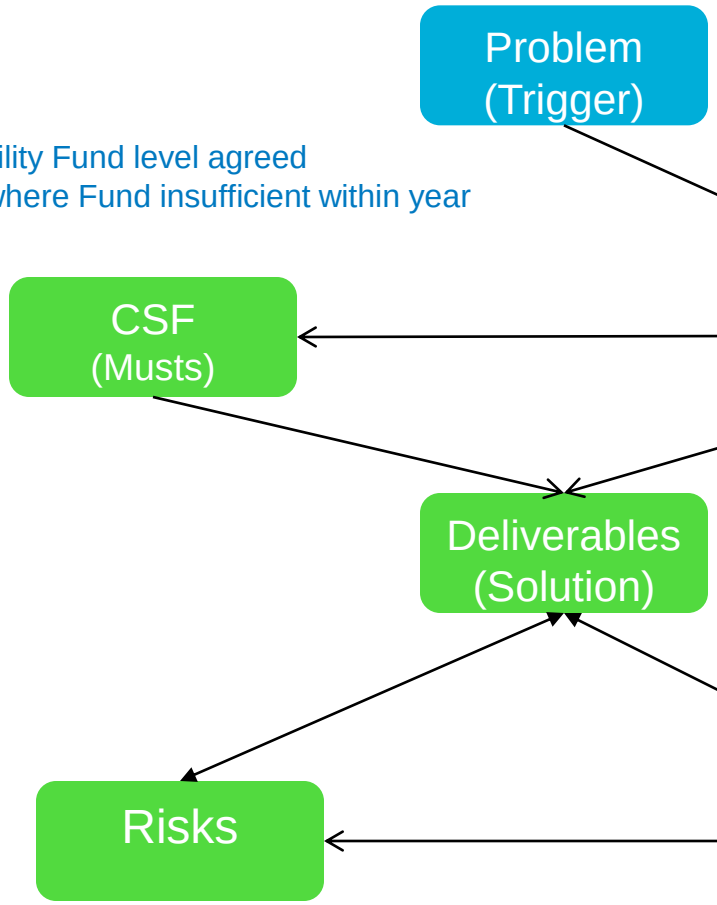


The smaller the fund, the higher the risk of a mid-year "re-opener"

Issues

- Participants may not have similar chargeable energy volumes in the following year
  - Does this create perverse incentives?
- What happens if the fund runs out within year?
  - Process for mid-year re-openers?
- How quickly should the fund level be re-capitalised/ re-distributed?
  - Potential for perverse incentives/ unintended consequences?
- Flat or shaped “fixed BSUoS” profile?
  - The fixed BSUoS price could be shaped to follow a profile based on historic patterns

Draft Strawman for Discussion



Problem
- BSUoS charges are unknown ahead of time and therefore it is not possible to respond to price signals
- Supplier uncertainty over uplift to include in customer contracts
- Unpredictable changes to 29d credit cover

CSFs
- Calculation of Stability Fund level agreed
- Agreed approach where Fund insufficient within year

Objective
- BSUoS charges are known in advance of real time
- Appropriate risk sharing

Solution
- Ex ante fixed annual BSUoS price
- Within year revenue correction from industry funded stability fund

Risks
- Cashflow risk

Benefits
- Generators make efficient despatch decisions
- Consumers benefit from lower risk margins
- Stable credit cover for industry participants

Assumptions
- Regulator believes stability is more important than cost reflectivity

Constraints

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Views Sought

- Would this approach address the key issues identified?
- Are there any other approaches National Grid should investigate?
- What are the benefits?
  - Can we quantify them?
- Is this approach less cost reflective?

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

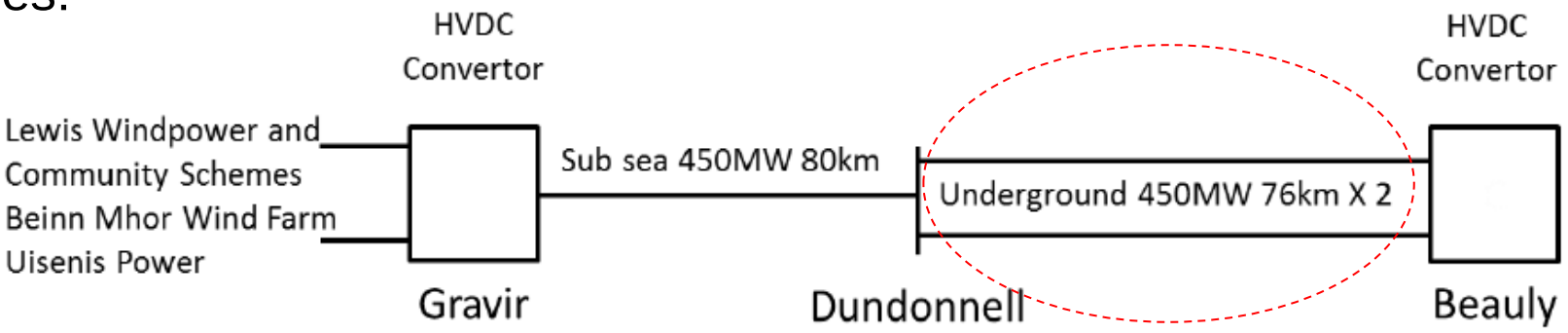


Juliette Richards

TCMF – 12th March 2015

Background

Proposed SHE-T development for an HVDC connection to the Western Isles:



Open letter* in Dec 2014 to look at possible charging options:

Option 1: 50% of the overall costs of the 2 cable link between Beauly and Dundonnell to be included in local circuit tariff (as proposed by Baringa at November TCMF)

Option 2: Full cost of a single circuit solution between Beauly and Dundonnell to be included in local circuit tariff

* http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=38331

Responses to consultation

9 responses* were received to the open letter - 7 responses supported option 1, and 2 responses supported option 2.

Comments on option one (50% of circuit costs included in local circuit charge):

- Option 1 following principle of generators not paying for **oversizing** on AC circuits .
- The **current benefit** to generators under option 1 - whereby they are paying less in TNUoS than if the extra capacity had not been built.

Comments on option two (cost of single circuit solution in local circuit charge):

- The issue of **potential discrimination** between current and future generators under option 2 (later generators pay lower charges)
- One respondent felt that option 2 followed the logic of island charging as laid out in the CMP 213 final modification report.

*Full responses can be found at: http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data

Consultation views

- Most respondents supported ‘clear guidelines’ rather than explicit changing of the CUSC. One respondent felt a CUSC modification would be necessary only if an option other than option two was implemented.
- Some also noted the need for clarity on charging as crucial to island connections, and would like to see this as soon as possible.
- Currently, given the impact on charging stability, and the consistency with how economies of scale are treated in other circuits we are proposing to progress **option one** via publication of guidelines rather than a formal CUSC modification.

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Lunch

CMP241: TNUoS Demand Charges during implementation of P272.

Damian Clough

TCMF - 12th March 2015

CMP241 Background

- A meter is settled as Non Half Hourly (NHH) or Half Hourly (HH):
  - NHH chargeable demand: daily demand between 4-7pm for the whole year
  - HH chargeable demand: average demand over the three Triad periods (November to end of February)
- P272 mandates that Profile Classes 5-8 are settled HH by April 1st 2016
- When meters are transitioned from NHH to HH within year they will receive a NHH charge plus a HH charge resulting in the liability being *greater* than if they were only NHH or HH settled for the whole year
- This will lead to an over recovery paid for by Suppliers with this over recovery reducing future allowed revenues payable by all Transmission users.
- Over and Under Recovery in this instance by certain Suppliers adjusts the future allowed revenues payable by **all** Suppliers **and** Generators

CMP241 Proposal

- For the purposes of TNUoS demand charges all meters within Profile Classes 5-8 moving to Measurement classes E-G post 1st April 2015 will be settled as NHH for the **whole** charging year up until the implementation of P272
- Where consumers are being settled as HH before 1st April 2015 (and who would originally have been classed as Profile Class 5-8) we will settle those meters as HH but **only** if the Supplier provides us information before the reconciliation **and** tells us of its intentions before the start of the Triad season
- This will avoid existing HH settled consumers losing the benefits of being HH settled i.e. they actively Triad avoid

CMP 241 – Latest update

- OFGEM have agreed to progress the modification as urgent to ensure implementation by 1st April 2015.
  - CUSC panel will be meeting on 13/03/15 to review the Workgroup report, followed by a Code Administrator consultation for 2 working days from 13/03/15.

- Opportunity for questions / comments today

Charging for Offshore Interlinks Update



Wayne Mullins

TCMF – 12th March 2015

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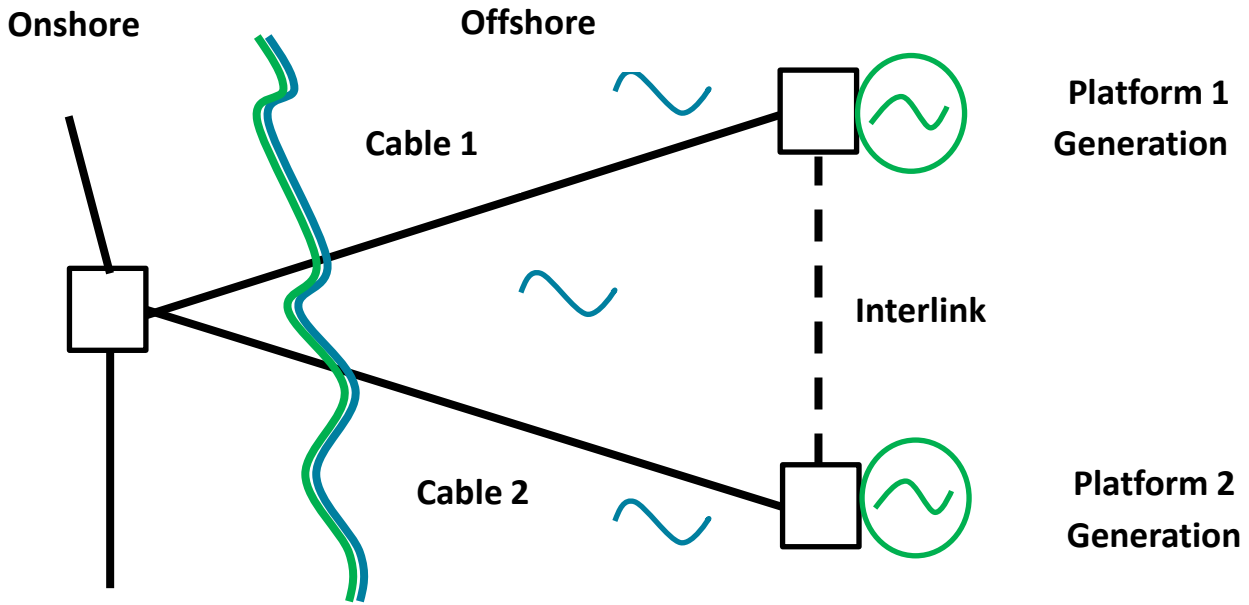
Offshore Interlinks



- Multiple generators access the MITS via a single onshore substation.
- 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.

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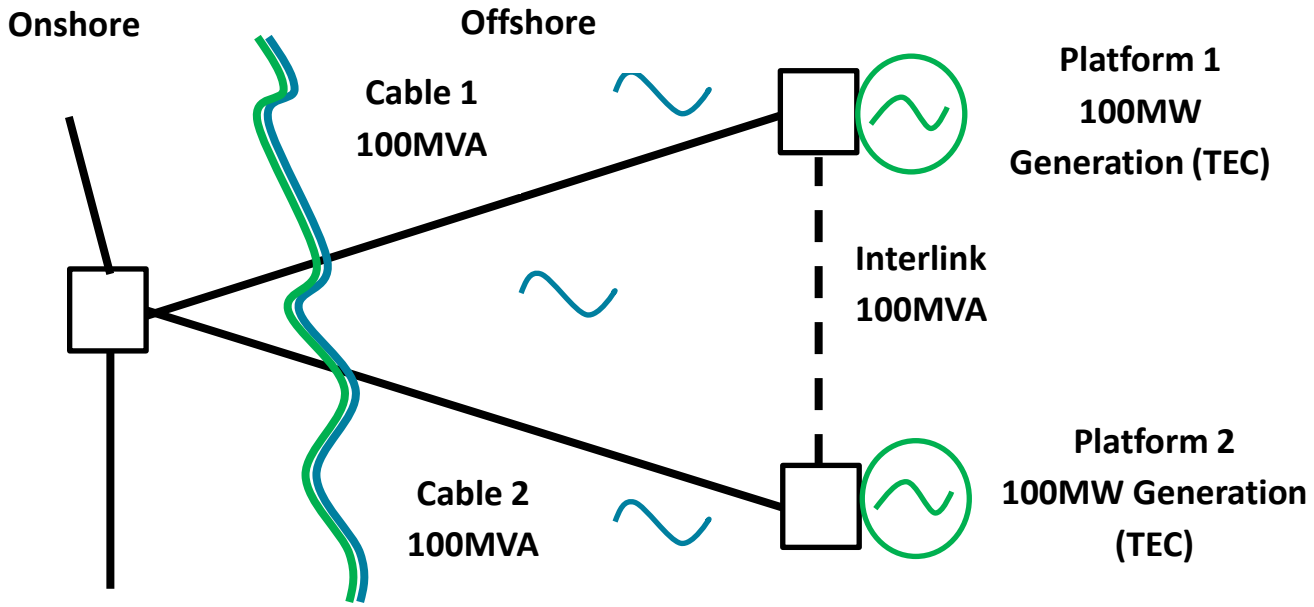
Current status

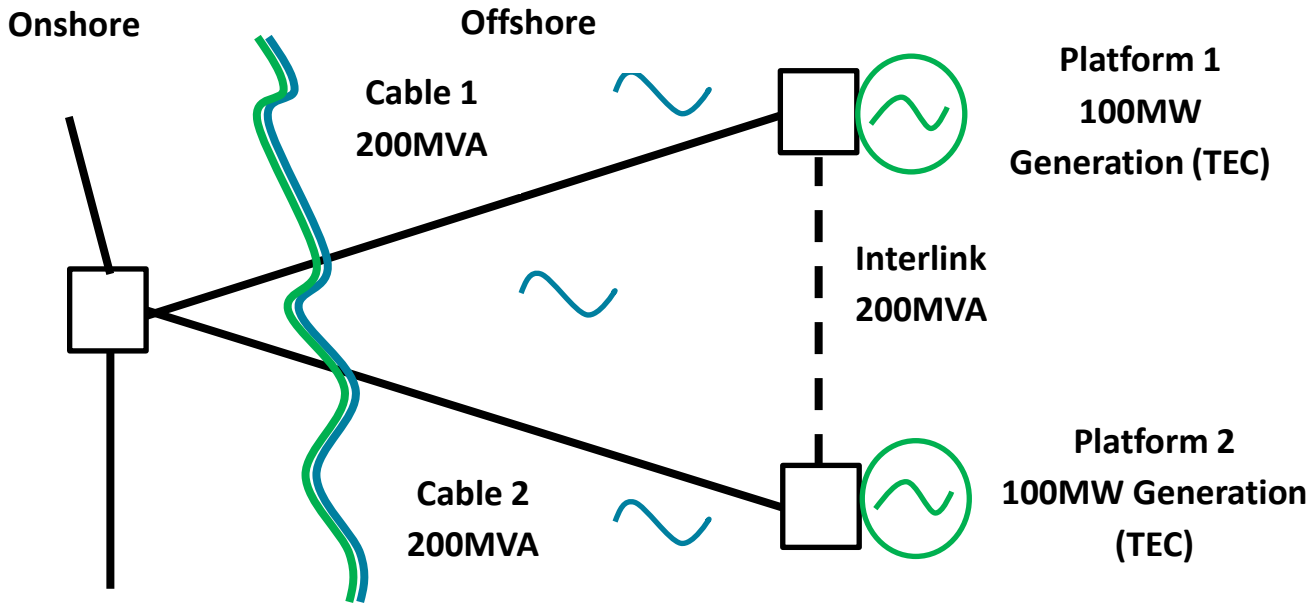
- Under the current charging methodology, the cost of providing the additional security would not be reflected in the local circuit charge.
- Some offshore developers have highlighted that they are looking at interlinking some of their forthcoming projects:
  - It has been indicated that some projects are nearing the stage at which assets will be purchased; and
  - Clarity on the charging regime has been sought to increase certainty.
- National Grid plan to propose a CUSC modification at the March CUSC Panel.

Case 1



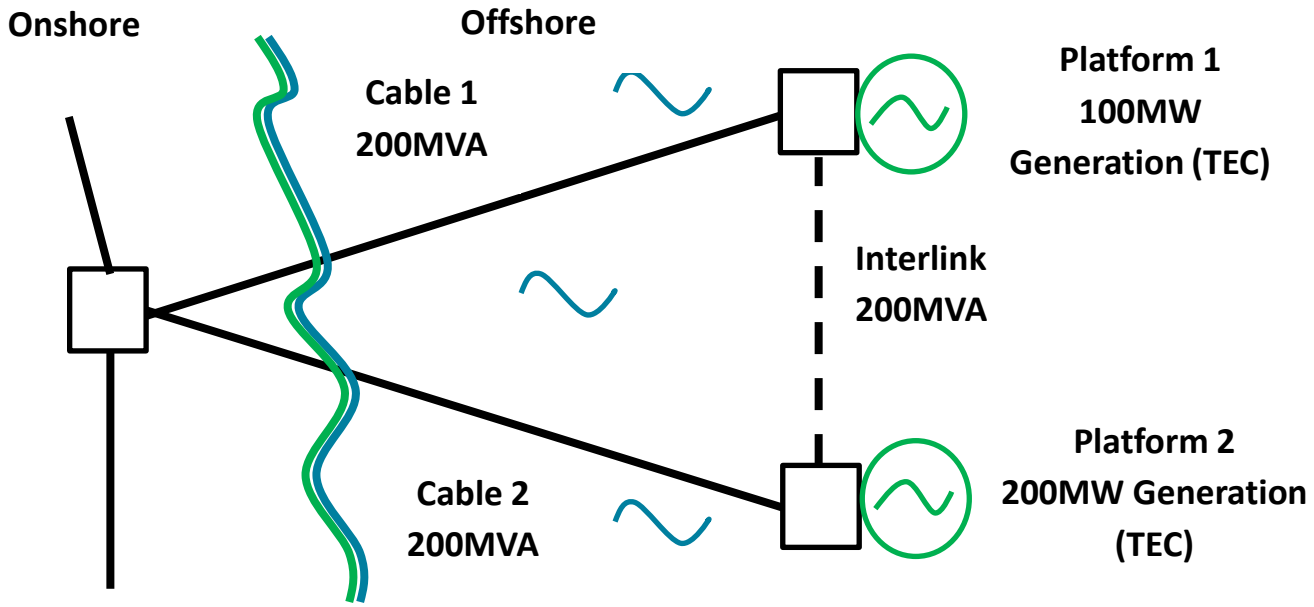
- **Principle 1**: where the interlink provides equal benefit to two generators, they should pay the same charge for the interlink.

Case 2



- **Principle 2**: where an interlink provides a generator with additional redundancy via the links to shore charges for this should be equivalent level to the charge offered for a double circuit radial link.
- **Question:** what should the charge be if the costs/lengths to shore from each platform differ?

Case 3



- **Principle 3**: generation should only be charged for their share of the proportion of interlink capacity they could potentially utilise.

Next Steps

- National Grid plan to propose a CUSC modification at the March CUSC Panel.
- Likely to go to a working group to develop a solution:
  - Local substation vs local circuit tariff;
  - How to deal with cost differentials of routes to shore.

TNUoS Webpages



David Corby

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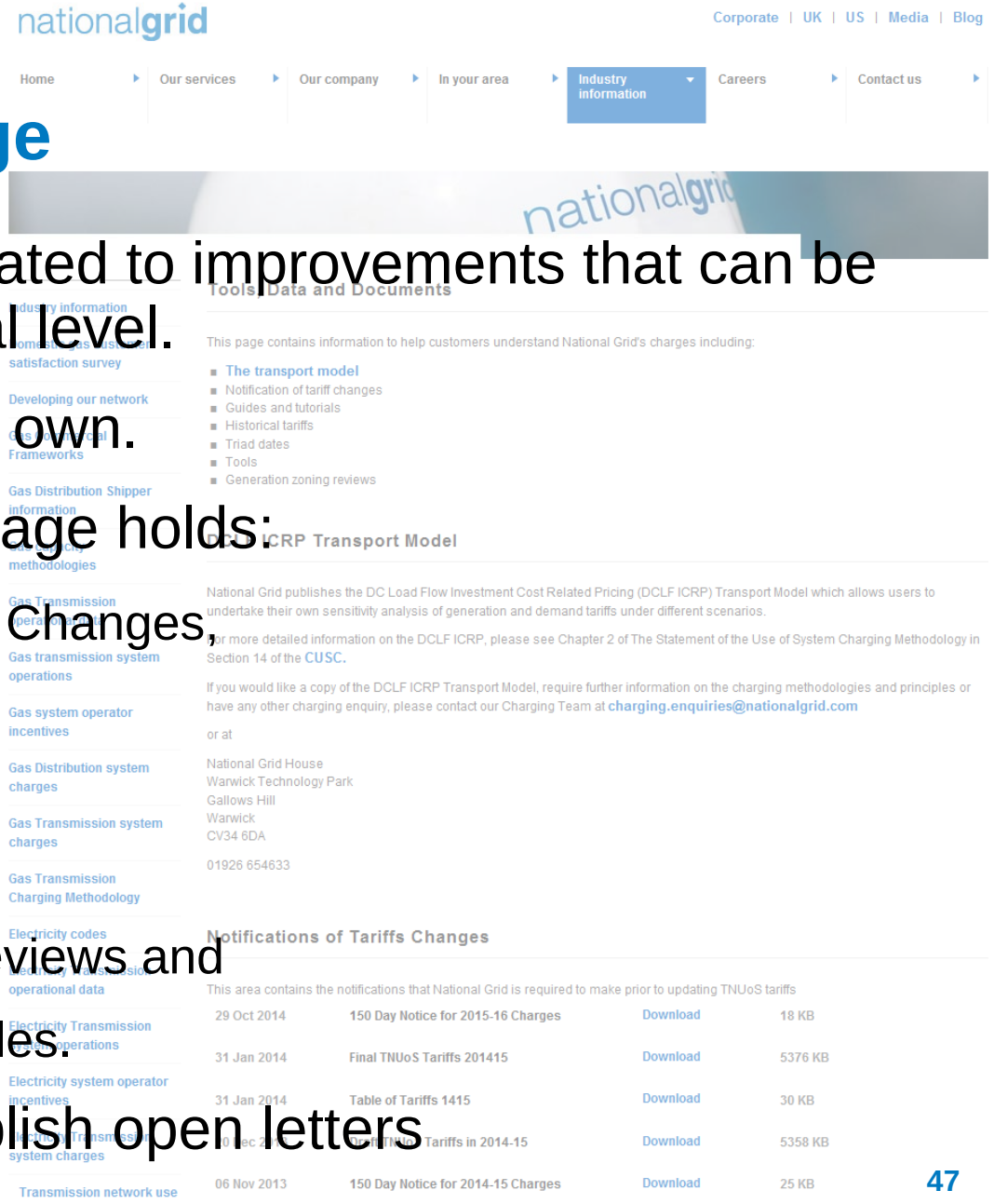
Feedback is Always Welcomed

- Previous feedback that we have received:
  - The website is too slow.
  - The website seems to focus more on gas than electricity.
  - The website is not mobile friendly.
  - The website is hard to navigate.
- These issues are linked to the basic website design and are being addressed at the corporate level.

Tools and Data Page

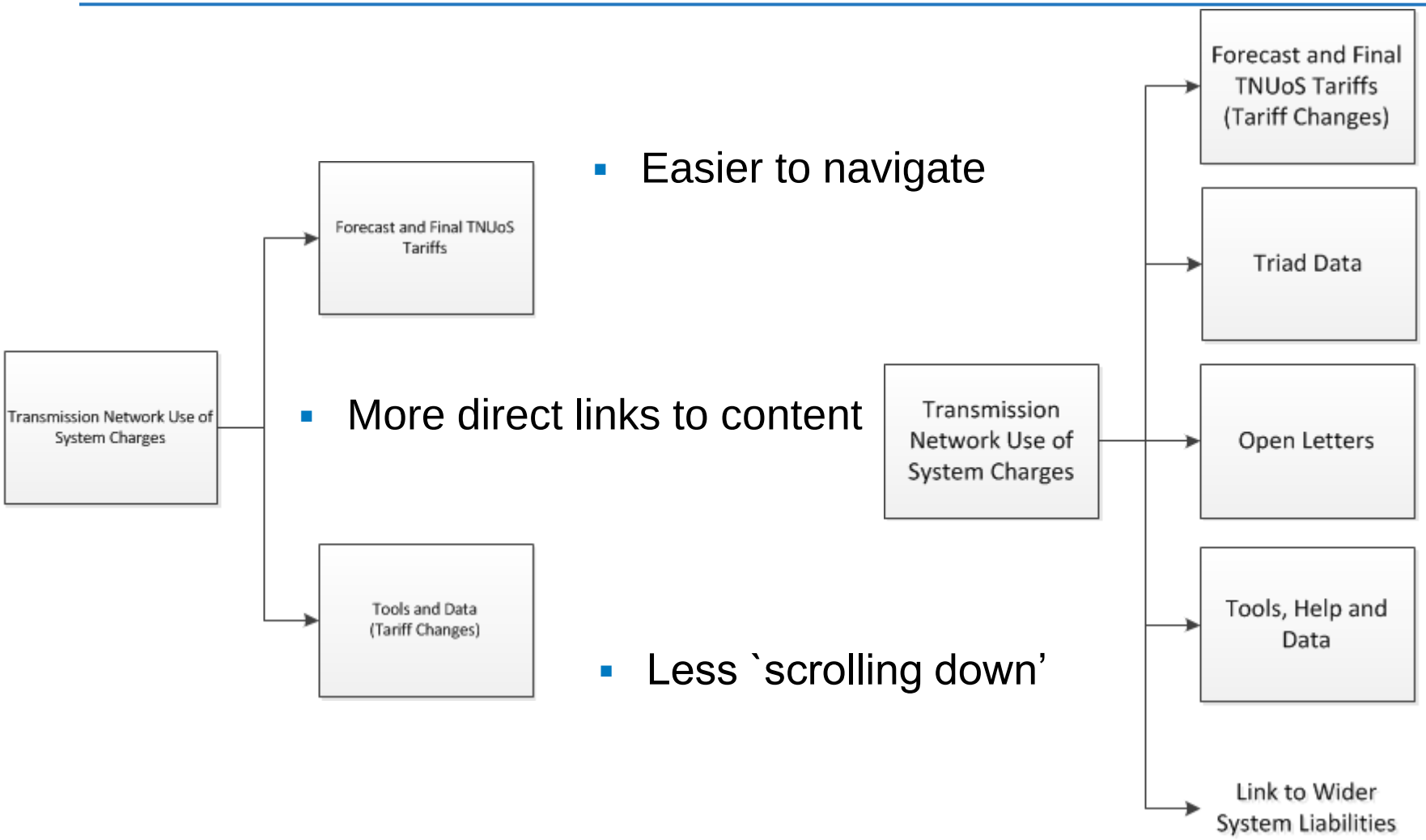
- Some feedback is related to improvements that can be addressed at the local level.
- Page content that we own.
- Tools and Data webpage holds:
  - Notifications of Tariffs Changes,
  - Guides and Tutorials,
  - Historical Tariffs,
  - Triad Data,
  - Generation Zoning Reviews and
  - miscellaneous other files.
- It is often used to publish open letters



Tools and Data page

- The content of Tools and Data could be reorganised
  - Separate page for consultations and open letters
  - Separate page for Notifications of Tariff Changes
  - Rationalised links to other pages (CUSC modifications / wider Liabilities

Potential Improvements



- Easier to navigate
- More direct links to content
- Less `scrolling down'

Next steps

- These changes could be implemented in May.
- Are there any other ideas at this level that would help you use our website?

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Potential Future Topics

David Corby

New Topics for Discussions

- Thank you for your contributions.
- New areas for discussion have been suggested surrounding:
  - Regular reporting on the out-turn of BSUoS and TNUoS vs the forecasts, and
  - Quality of the TNUoS forecast.

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Revised Priority Potential Topic list

Topic	Ranking
BSUoS stability	1
BSUoS Forecasting transparency	2
TNUoS fixed tariffs	3
User Commitment (Section 15) Flexibility Developments	4
8 year Price control	5
Triad	6
Integrated offshore	7
Exporting GSPs / Gross charging	8
Methodology Housekeeping	9

TCMF terms of reference



Patrick Hynes

TCMF: Terms of reference

- The TCMF is established under the Connection and Use of System Code (CUSC) for the **purpose** of supporting the development of the Charging Methodologies.
- The **aim** of the TCMF is to provide a forum for regular communication and discussion of issues relating to the Transmission Charging Methodologies and their development between all interested parties.
- Full terms of reference can be found on the TCMF webpage.

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TCMF: Terms of reference - Objectives

- The objectives of the TCMF are:
  - i) to support the efficient development of the charging principles and methods associated with the GB Use of System Charging Methodology
  - ii) to update members, and interested parties through published material, on ongoing issues that may impact on the charging methodologies, including developments in the CUSC and other GB framework documents and in Europe.
- Last update of the Terms of Reference was February 2011
- At the TCMF meeting in January 2015 all attendees accepted an action to review the terms of reference.
- Change would need CUSC Panel agreement

Areas for discussion

- Does it cover the right material?
  - Should include other rights and obligations?
    - E.g. User Commitment
  - Cover other code interactions?
- Is the attendance right?
  - Is it a bit one way?
  - How can we improve Customer participation?
  - Can we reach out to smaller parties?
- Is the frequency right?
- Other ideas?

Next Steps

- Take comments from today and redraft ToRs
- Circulate draft for views
- Take to CUSC Panel

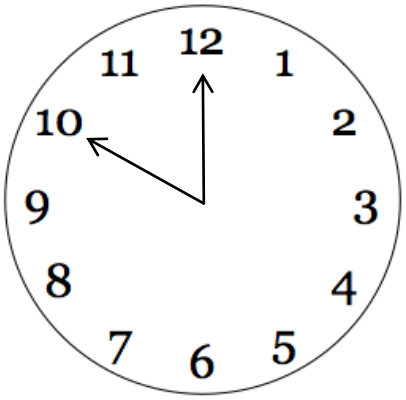
Any Other Business

Next TCMF

May

13

Wednesday



Venue: National Grid House, Warwick

Revert to 10am start

Future TCMF Dates

July

8

Wednesday

September

9

Wednesday

November

11

Wednesday

Venue: National Grid House, Warwick

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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*

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Close