

Transmission Charging Methodologies Forum



Wednesday 9th September 2015

Introduction and Welcome



Paul Wakeley

Agenda

- 11:00 Introduction – Paul Wakeley, National Grid
- 11:10 CUSC Modifications update – Juliette Richards, National Grid
- 11:25 Potential options for TNUoS charging arrangements for exporting GSPs– Andy Wainwright, National Grid
- 11.55 BSUoS stability – Cem Suleyman, Drax
- 12.55 Lunch
- 13.25 Proposals to improve the approval process for the annual TO charging statements – Edda Dirks, Ofgem
- 13.35 Priority topics – Paul Wakeley, National Grid
- 13.50 AOB and close

Ongoing modification proposals



Juliette Richards

Ongoing modification proposals page 1 of 5

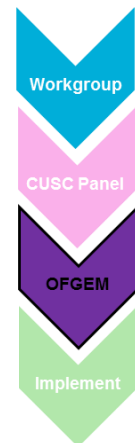
■ **CMP223: Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment**

- Ofgem *approved* this modification proposal (WACM1) in July 2015 and an implementation plan has been prepared by National Grid.



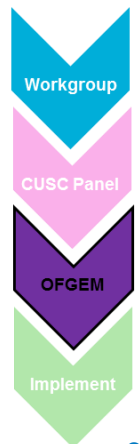
■ **CMP227: Reduce the G:D split of TNUoS charges, for example to 15:85**

- Review voting for this proposal took place at the July CUSC Panel, and it has now been sent to Ofgem.
- A Regulatory Impact Assessment may be undertaken by Ofgem (TBC).



Ongoing modification proposals page 2 of 5

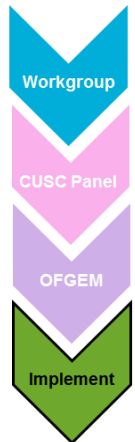
- **CMP235 / CMP236: Introduction of a new Relevant Interruption Type / Clarification of when Disconnection Compensation payments can be expected under a Relevant Interruption**
 - Ofgem approved this modification proposal (WACM3) in July 2015.
 - In order to implement, a fast tracked CUSC modification proposal is necessary to alter some legal text (see CMP252 below).
- **CMP237: Response Energy Payment for Low Fuel Cost Generation**
 - Review voting for this modification took place at the July Panel, and it has now been sent to Ofgem.
 - We anticipate a decision shortly.



Ongoing modification proposals page 3 of 5

■ **CMP239: Grandfathering Arrangements for the Small Generator Discount**

- Ofgem decided on this modification in August 2015 – the proposal was rejected, therefore no implementation plan is needed.



■ **CMP242: Charging arrangements for interlinked offshore transmission solutions connecting to a single onshore substation**

- Workgroup voting for this proposal took place at the Workgroup held on 4th September.
- The Workgroup is aiming to report to the September CUSC Panel.



Ongoing modification proposals page 4 of 5

- **CMP243: A fixed response energy payment option for all generating technologies**

- This proposal has been granted a 2 month extension and will report back to the CUSC Panel in November.



- **CMP244: Set final TNUoS tariffs at least 15 months ahead of each charging year**

- 4 Workgroups have taken place so far for this proposal.
- There may be some interaction with other modification proposals.
- The Workgroup consultation may take place in October / November.



Ongoing modification proposals page 5 of 5

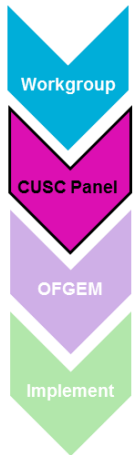
- **CMP245&246: Introduction of a new ‘category 5 Intertripping Scheme’ to include System to System intertrips in relation to One-off Charges**
 - These proposals were raised at the June CUSC Panel.
 - The proposer requested that these proposals are treated as urgent, the Panel decided by majority vote not to request urgency for this modification.
 - The Workgroup will report to the CUSC Panel in September / October.
- ***CMP213 UPDATE: The judicial review hearing took place on 1st and 2nd July at the Royal Courts of Justice and a judgment was handed down on 23rd July dismissing the claim. The judgment has not been appealed and CMP213 will be implemented from 1st April 2016.***



New modification proposals – page 1 of 4

- **CMP247: TNUoS Demand Charges during the implementation of BSC Modification P272 following the approval of BSC Alternative Modification P322**
 - This proposal was discussed at the last TCMF meeting, and went straight to Code Administrator consultation.
 - The CUSC panel will vote on this proposal in September and an Ofgem decision is anticipated in November.

- **CMP248: Enabling capital contributions for transmission connection assets during commercial operation**
 - This proposal was also discussed at the last TCMF meeting, and has been raised by Eneco.
 - The first Workgroup will take place on 10th September.



New modification proposals – page 2 of 4

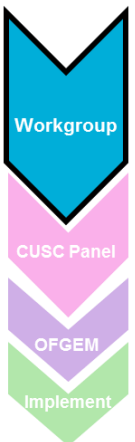
■ **CMP249 Clarifications of other charges (CUSC 14.4) Charging arrangements for customer requested delay and backfeed**

- This proposal was also discussed at the last TCMF meeting.
- The first Workgroup will take place towards the end of September and the Workgroup will report back to the CUSC panel in December.



■ **CMP250 Stabilising BSUoS with at least a twelve month notification period**

- Following previous discussions at TCMF this proposal was raised by Drax and will be discussed at today's meeting.
- The Workgroup will report back to the CUSC panel in December.



New modification proposals – page 3 of 4

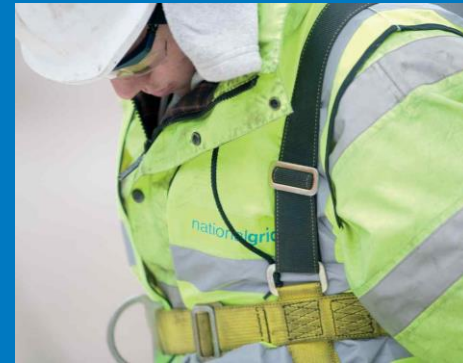
- **CMP251 Removing the error margin in the cap on total TNUoS recovered by generation and introducing a new charging element to TNUoS to ensure compliance with European Commission Regulation 838/2010**
 - This proposal has been raised by British Gas and seeks to set generation charges to €2.5/MWh, followed by post event reconciliation as necessary.
 - The proposer requested that this proposal be treated as urgent, the Panel decided not to request urgency for this modification.
 - The Workgroup will report back to the CUSC panel in December.



New modification proposals – page 4 of 4

- **CMP252 Housekeeping changes to CMP235/CMP236 legal text**
 - This proposal has been raised by National Grid to complete the implementation of CMP235/6 by modifying some minor points in the relevant legal text.
 - The CUSC Panel have agreed this modification can be progressed via self-governance / fast tracked. The fast track report has been published and the deadline for objections is 21st September.

Potential options for TNUoS charging arrangements for exporting GSPs



Andy Wainwright

Introduction

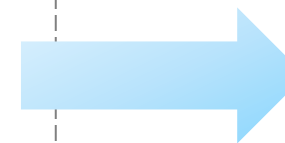
Consultation published 6th August

Transmission Charges

Connection Charges

TNUoS Charges

BSUoS Charges



Potential local options

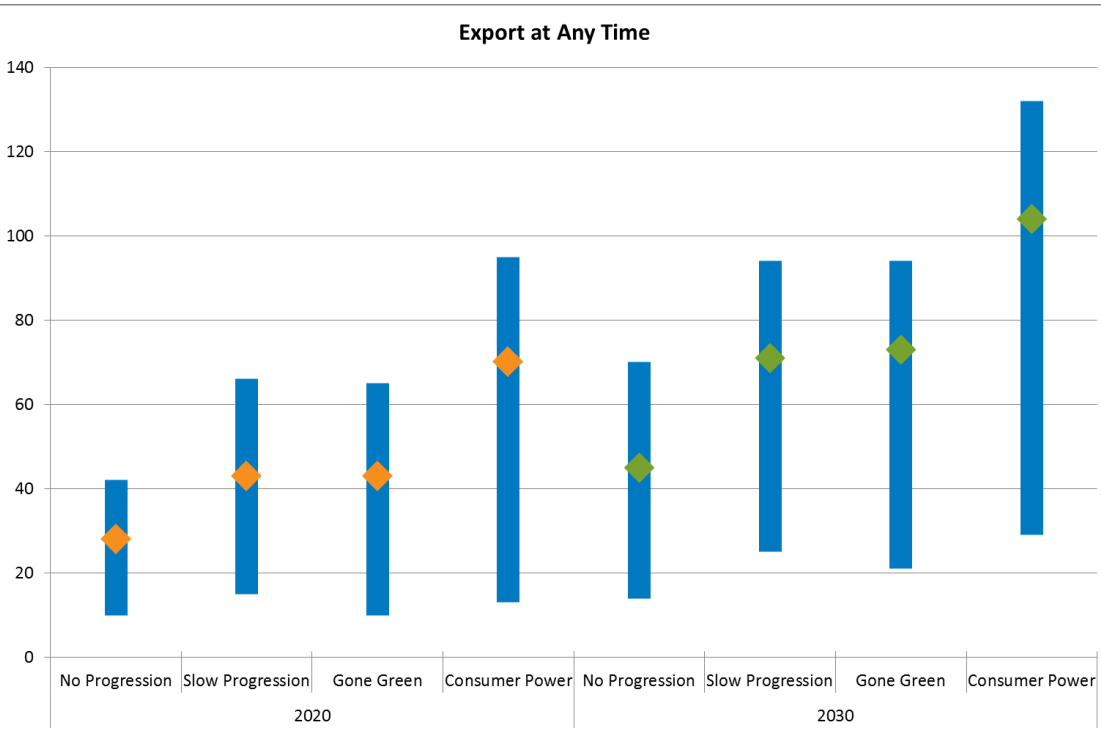
Future commercial arrangements

Exporting GSP Numbers

DNO	Total No. of GSPs	Export at any time		Max export > max import	
		14/15	13/14	14/15	13/14
WPD – W Midlands	14	1	1	0	0
WPD – E Midlands	16	0	0	0	0
UKPN – Eastern	20	2	4	0	0
UKPN – London	16	1	1	0	0
UKPN – South East	10	3	3	0	0
Electricity North West	17	6	6	1	1
Northern Powergrid – N	18	4	5	3	3
SPEN – Manweb	13	5	7	0	0
SSEPD – S England	18	1	1	0	0
WPD – South West	9	1	2	0	0
WPD – South Wales	11	3	3	0	0
Northern Powergrid – Y	20	2	2	0	0
SSEPD – N Scotland	69	47	49	32	36
SPEN – S Scotland	84	28	32	11	11
Total	353	104	116	47	51

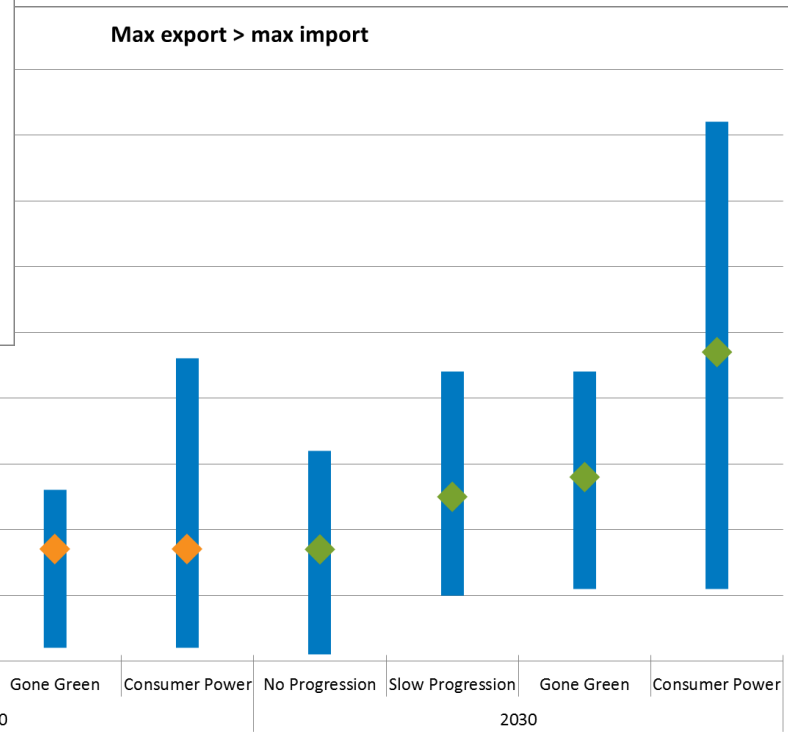
Future Growth of Exporting GSPs

Export at Any Time



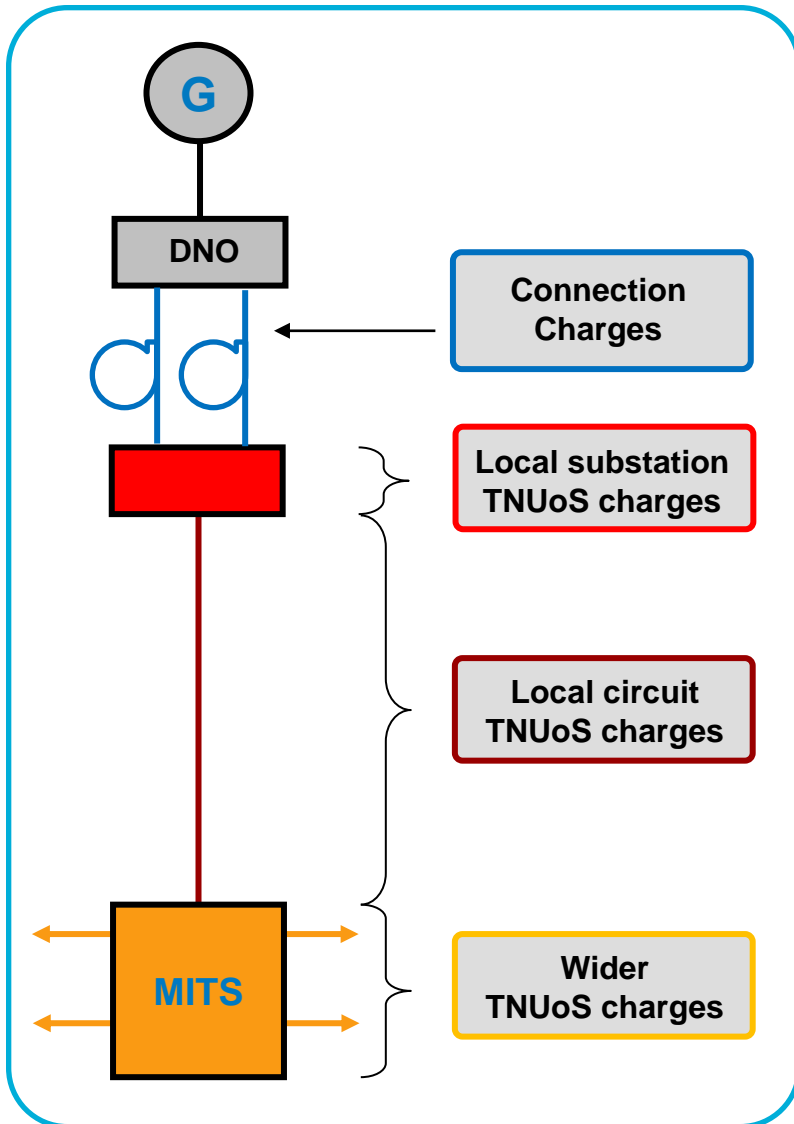
Illustrative ranges of exporting GSP growth for those GSPs which export in any settlement period during a year

Max export > max import

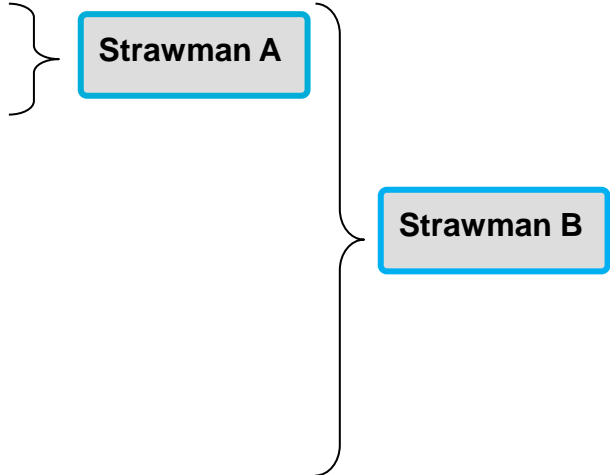


Illustrative ranges of exporting GSP growth for those GSPs whose maximum power export in any settlement period exceeds their maximum power import in any settlement period

Potential local TNUoS options



Follows rationale for generation local charges



Longer term commercial arrangements

Future implications for commercial operation of the system

Do BSUoS arrangements remain appropriate?

Arrangements with Distributed Generation

Arrangements with Responsive Demand

Appropriate aggregator

Future implications for TNUoS charges

Should wider TNUoS be reviewed?

Do local strawmen assist?

Any other changes required?

How to get involved?

We're really interested in your views

For further information contact Andy Wainwright

Andy.wainwright@nationalgrid.com

Consultation closes 31st October

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=42344>

TCMF 9 September 2015

CMP250 - Stabilising BSUoS with at least a twelve month notification period

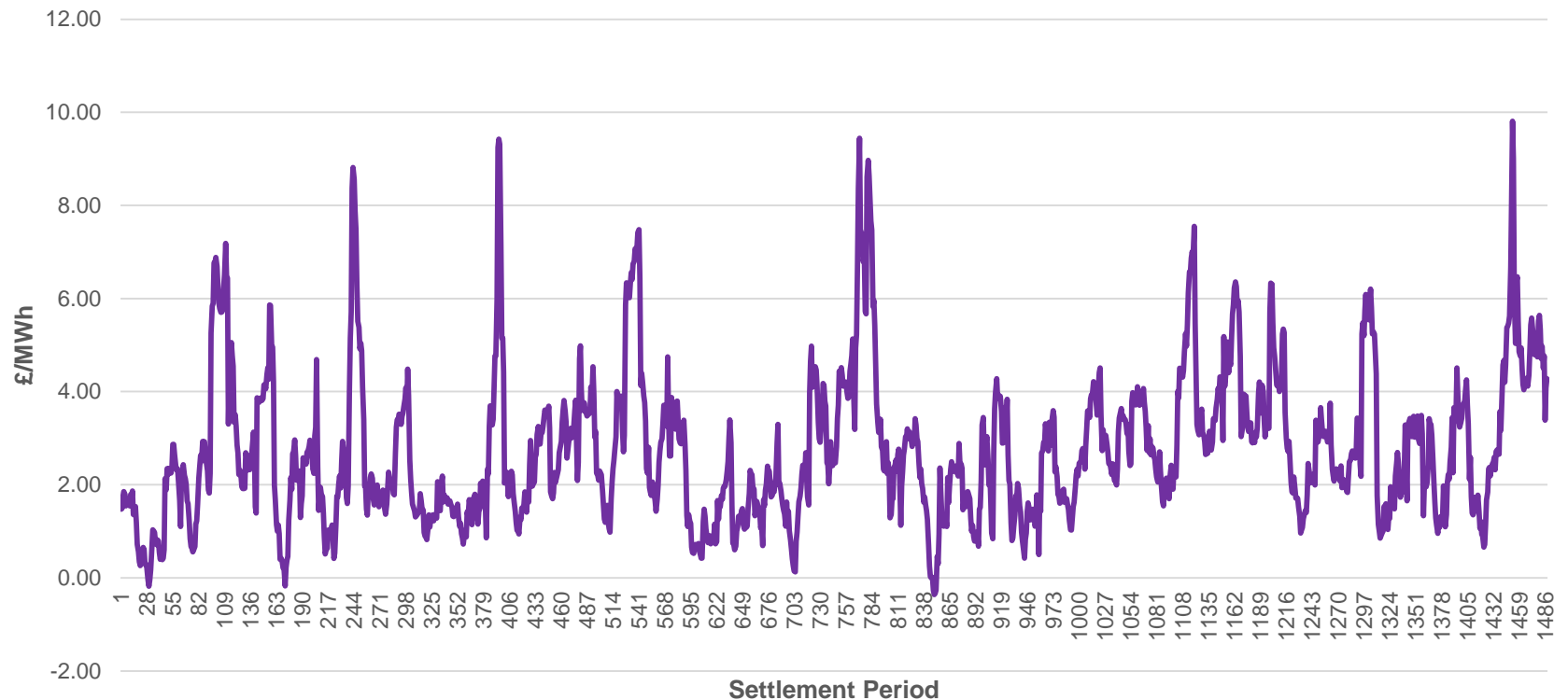
Cem Suleyman



Introduction

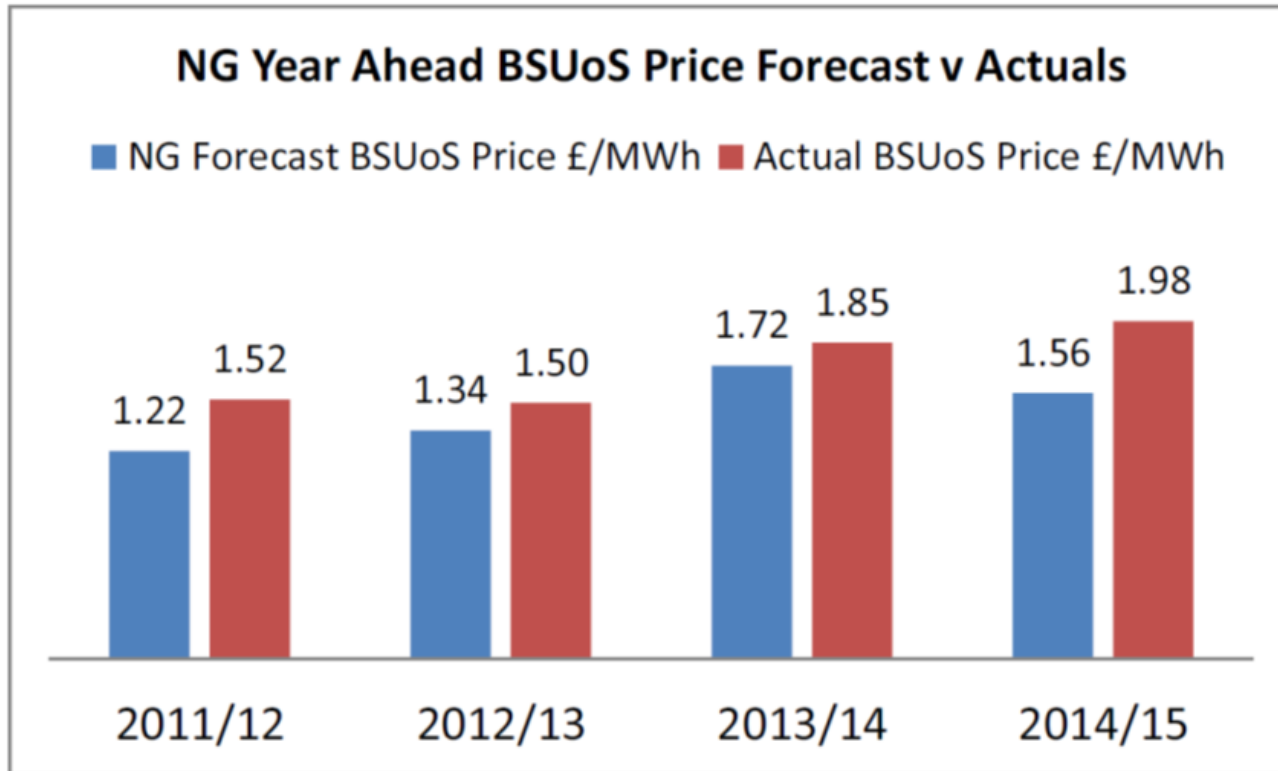
- BSUoS is not known ahead of time – ex post charge
- In the past BSUoS was relatively stable, but it is becoming significantly more volatile and unpredictable
- Market participants must take account of BSUoS when determining their SRMC
- If market participants get it wrong, then they could make a loss in a given Settlement Period
- As the generation mix evolves this volatility is expected to increase, further exacerbating the problem for the foreseeable future

BSUoS by Settlement Period – May



- BSUoS price ranged between <£0/MWh and £10/MWh during May 2015

Outturn BSUoS vs NG Forecast



- Average BSUoS price was 42p (27%) higher than forecast for Charging Year 2014/15

Impacts

- Increased volatility and unpredictability leads to under and/or over estimates of BSUoS by market participants when trading in the forward market
 - The vast majority of power is sold at or before the day ahead stage.
 - A significant proportion of this is sold season and month ahead
- This leads to market participants:
 - Being exposed to loss making activity
 - Applying additional risk premia, potentially pricing themselves out of (or distorting) the market
- Where risk premia are uniformly applied, this results in increased cost to the end consumer
- Increased risk premia is highly likely
 - No individual market participant has a significant comparative advantage in forecasting BSUoS

Defect summarised

- BSUoS is increasingly volatile and unpredictable
- Users have no certainty of BSUoS costs ahead of time
- Market participants must protect their businesses when trading in the forward market
- A change is needed which provides Users certainty of BSUoS charges
- This should allow Users to trade ahead of time with confidence

Proposed Solution

- The value of BSUoS should be fixed ahead of time
 - Initially propose that this is over a traded Season, but this is open to workgroup consideration
 - How the value is profiled is also open for consideration
- A notification period of at least 12 months ahead of time
 - The exact notification period is open for consideration
- BSUoS cost under or over recoveries will be subject to a reconciliation process in subsequent periods
 - The detail of the reconciliation process is open for consideration

Impacts to consider

- CUSC
 - BSUoS Forecasting, i.e. CMP208 solution
- External (but worthy of consideration)
 - RIIO-T1 price control determination
 - SO Incentive
 - Potential BSUoS Incentive

Justification

- CUSC Charging Objective (a):
 - Allows Users to trade forward with confidence, reducing risk premia
 - Facilitates effective competition and competitive entry
 - As forecasting risk is passed to a party better able to manage it, the total cost to the consumer will be lower than the Baseline



Any questions?

Proposals to improve the approval process for the annual TO charging statements



Edda Dirks, Ofgem

- Slides to be presented on the day and added to slide pack post meeting

Priority topics



Paul Wakeley

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

Any other business

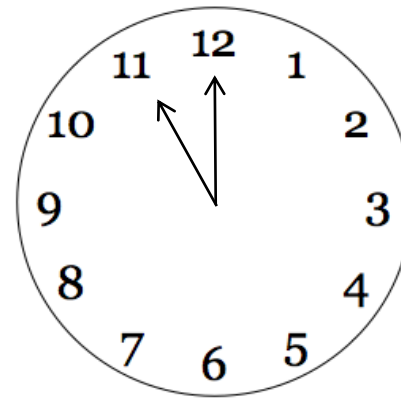


Next TCMF

November

11

Wednesday



Venue: National Grid House, Warwick

11am start

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

