

## Meeting report

<b>Meeting name</b>	Transmission Charging Methodologies Forum
<b>Date of meeting</b>	9 <sup>th</sup> September 2015
<b>Time</b>	11:00 – 14:00
<b>Location</b>	National Grid House, Warwick

## Attendees

<b>Name</b>	<b>Initials</b>	<b>Company</b>
Paul Wakeley	PW	National Grid (Chair)
Juliette Richards	JR	National Grid (Technical Secretary)
Andy Wainwright	AW	National Grid (Presenter)
Nick Pittarello	NP	National Grid
Stuart Boyle	SB	National Grid
Simon Holden	SH	LRS Energy
Peter Bolitho	PB	Waters Wye
Jonathan Wisdom	JW	Npower
Guy Phillips	GP	Eon
Lewis Elder	LE	RWE
Richard Mawdsley	RM	Haven Power
Paul Minton	PM	EFRG
Cem Suleyman	CS	Drax Power (Presenter)
Aled Moses	AM	Dong Energy
Robert Longden	RL	Cornwall Energy
Tim Collins	TC	Centrica
Marc Smeed	MS	Xero Energy
Nick Yencken	NY	West Coast Energy
Edda Dirks	ED	Ofgem (Presenter)
Tom Breckwoldt	TB	Gazprom Energy
Garth Graham	GG	SSE
George Moran	GM	British Gas
Jon Wisdom	JW	Npower
Binoy Dharsi	BD	EDF
Guy Phillips	GP	EOn

## Via dial-in

James Anderson	JA	Scottish Power
Paul Mott	PMo	EDF Energy

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/>

## 1 Ongoing modification proposals – Juliette Richards

1. Ongoing and new CUSC modification proposals were presented with updates / information for each.
2. JW made a specific query about meters switching from NHH to HH and that meter changing supplier. It was noted that customers have some more detailed questions on the implementation of CMP241 that needed addressing. **ACTION:** JR agreed to check on the status of the guidance note for CMP241. *Post meeting note:* The CMP241 guidance note was published on 28<sup>th</sup> August and can be found at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data/>
3. GG asked whether Ofgem had made any decision on urgency with regards to CMP251 – as the Panel had recommended this not be treated as an urgent modification, but it was noted that the Authority was yet to decide on this. During the course of the meeting it was confirmed that the Authority had also rejected the request to treat the modification as urgent, and the modification would continue under the normal timescales.

## 2 – Potential options for TNUoS charging arrangements for exporting GSPs

4. AW introduced the informal consultation on potential charging arrangements for exporting GSPs, noting that this provided some strawman options for local TNUoS charges for exporting GSPs and also asked some broader questions around future commercial arrangements more generally.
5. AW introduced slide 16, noting that we now have 2 years of data in this area, dating up to 14/15. As part of the analysis a distinction was made between GSPs that have exported at any time, and those where the maximum export was greater than the maximum import (far right 2 columns). As part of the analysis for the consultation, the number of potential exporting GSPs in each of these groups was modelled for the 4 Future Energy Scenarios in 2020 and 2030 (slide 17) to give some idea of potential scale. Broadly, the analysis showed that it is highly likely that there will be growth in the number of exporting GSPs as this is the case in almost all scenarios. AW pointed out that this showed the effect on existing GSPs and didn't include new GSPs being built for the connection of distributed generation.
6. AW described the potential local TNUoS options (slide 18). He explained that the strawman had been developed by considering an exporting GSP as triggering transmission investment in a similar manner to a transmission connected generator. Options have been identified that levy local substation and local circuit charges on exporting GSPs in a similar manner to such a generator. He explained that the strawman options considered that any charge would be passed in the first instance to the DNO. TCMF discussed what a DNO may do with this charge (i.e. pass through or incentive) and there was general agreement that this was a matter for the DNOs and Ofgem when required. It was however recognised that an associated proposal would be required to the DCUSA.
7. It was asked whether distributed generators with a BEGA agreement may ultimately be liable for these local charges if they are passed on to DNOs. AW confirmed that, under the present straw man options this was the case as currently the costs of such local assets are not borne by any distributed generator.
8. TCMF attendees also discussed whether the full detail of the list of current / anticipated exporting GSPs should be published. Some felt that this would be appropriate as otherwise you are not publishing full and transparent information to (potential) investors and suggested it would be needed ahead of any formal proposal.

Others noted that some GSPs may only have 1 or 2 parties connected and there may be commercial confidentiality issues. AW noted that National Grid did not necessarily have contractual arrangements with such generators and so could not confirm how many parties would exist within a GSP. He also explained that whilst a list of GSPs may be helpful to some, other parties may not know which GSP they were connected to and that the relevant DNO could provide them with that information.

9. Attendees were reminded that the informal consultation is now open and will close on **31<sup>st</sup> October**. The consultation documents can be found at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Transmission-Charges-Open-Letters/>

### 3 BSUoS stability – Cem Suleyman, Drax

10. CS introduced his slides, explaining that the CUSC modification (CMP250) to consider a fixed BSUoS price has now been raised by Drax. The opportunity to join the Workgroup for the modification is open and anyone interested should contact the CUSC team ([cusc.team@nationalgrid.com](mailto:cusc.team@nationalgrid.com)).
11. CS explained that currently the CUSC modification proposal suggests that the BSUoS price would be fixed for a season (e.g. 6 months), preceded by a notification period of at least 12 months. However Cem would welcome thoughts on any aspect of the proposal, particularly the length of notification period and thoughts around the reconciliation process. It was noted that a different notice period could be raised as an alternative to the Original through the Workgroup process – as long as this is seeking to address the same defect as that outlined in the proposal.
12. Attendees asked whether there was an indication at this stage as to how much working capital would be needed to make the proposal work, and how would the fixed price be set to try and minimise under / over recovery? NP noted that as an indication, £100 - £150m would be required to fix the BSUoS price for 12 months. GG also noted that the cost of capital is potentially lower for National Grid than for generators / suppliers, and so it would be more efficient for National Grid to put forward this capital. He noted some previous work to look at generator cost of capital which could be helpful in evaluating this proposal.
13. JW stated that currently, National Grid has no commercial exposure to BSUoS volatility. NP agreed, but noted that some aspects of BSUoS are potentially not controllable by National Grid.
14. An attendee noted that traders in all markets have to deal with uncertainty – why should electricity be any different? However another attendee noted that the current ex post nature of BSUoS actually takes risk off traders and onto generators and suppliers.
15. NP noted that the key question to be addressed by the modification process would be whether there is a net benefit to GB consumers as a result of fixing the BSUoS price. Attendees noted that it was difficult to draw a fair comparison with other markets, as balancing actions (and the cost associated with them) are a function of how the electricity market specifically works.
16. GG also noted that all EU states manage balancing differently. Whilst there is a trend towards harmonisation, this is in the longer term. The group then asked some questions around how EU member states manage the risk of balancing cost volatility / what time period balancing costs are charged over – it was agreed that these could be considered in the Workgroup as attendees noted it would be wise to ensure that any decisions now do not make future transition more difficult. NP noted that most countries do not pay generation charges so don't have firm access to the system, and comparisons with EU countries might be difficult as they all operate under different regimes.

17. Attendees also observed that constraint payments may be dealt with differently across different countries. The view was that changing the treatment of constraints may not be in scope of the modification proposal as this would fundamentally change the defect being addressed.
18. The issue of 'double dipping' of charges with the capacity market was also discussed i.e. the scenario of paying a generator to be available but then having to bid it off and pay a constraint payment.

#### 4 Potential changes to the Statement of the Basis of Transmission Owner Charges – Edda Dirks, Ofgem

19. ED introduced this item, explaining that Ofgem have the intention to open a consultation in October to look at potential changes to the process for agreeing the *Statements of the Basis of Transmission Owner Charges*. ED noted that this consultation would look at the *process* by which these Statements are produced, rather than the specific content. The aim of this is to make the Statements clearer, and the TO charges more consistent and transparent.
20. Currently it is proposed that Scottish TOs should collaborate to ensure that their indicative connection charges are as consistent as possible, and any differences in approach should be clearly explained in the statements. Ofgem annually approves the *form* of the statements through this process (not the charges themselves) and any changes to the form would require changes to the Scottish TOs' Special Conditions.
21. PW noted that Ofgem recently consulted on the Statements for 2015/16, and that National Grid had responded to highlight the risk that current CUSC modifications could have with regards to the alignment of the CUSC and the Statements. Essentially, if Statements are produced based on a particular version of the CUSC, some CUSC modifications could lead to the CUSC and the Statements not being aligned, and parties being financially exposed as a result. National Grid had also noted as part of their response to the consultation that consequential changes to the STC and STCPs may be necessary (as these detail the processes by which the charges in the Statements are managed between the NETSO and the TOs).
22. ED noted that the intention is to open the consultation looking at the TO Statement process in October.

#### 5 Priority Topics – Paul Wakeley

23. PW introduced a slide that was previously considered at the May TCMF, asking TCMF attendees for their input on priority topics. It was noted that the top 3 priorities identified previously (BSUoS stability, BSUoS forecasting transparency and TNUoS fixed tariffs) are now being addressed via CUSC modifications, in addition to the informal consultation on exporting GSPs. PW also asked if any of the other priorities should now change, whether any additions should be made to the list and also asked for further thoughts on the '8 year price control' and 'Triad' priorities.
24. Attendees noted that the concern with the 8 year price control is that a period of longer stability of charges (for example, no change to generation charging zones) can then lead to a greater change at the end of the control period. PW asked that if any attendees have any specific comments or suggestions in this area to feed them to the ECCD team.
25. With regards to the Triad item attendees identified that the issue here was the appropriateness of Triad charging in the longer term. GG referenced a recent journal

article in this area, and it was noted that this should feed into a wider industry piece, particularly with the future introduction of smart metering.

## 9 AOB

26. One attendee asked when the next 5 year TNUoS forecast is due to be published – this was confirmed as end of November.
27. Another attendee asked whether revenues for the West Coast bootstrap would start to be collected in the next charging year. SB confirmed that revenues for the western bootstrap have been included in the price control since 2013/14. However, the locational impact of the link will not be reflected in tariffs until it commissions in 17/18.
28. JR raised the 'CUSC Issues Standing Group' discussed at previous TCMF – the terms of reference for this group have now been agreed and the Group will begin from November.
29. GG noted that the next TCMF is due to start at 11am on 11/11 – the group agreed to bring the timing of the meeting forward to enable the observation of the one minute silence and to ensure there was time to accommodate the issues group meeting. The meeting will therefore begin at 10.30am. **ACTION:** JR to notify all TCMF attendees.

## 10 Actions

The following actions are summarised from the text above:

- I. JR to check publication of the CMP241 guidance note.
- II. JR to notify all TCMF attendees of the change to start time for the next meeting on 11/11/2015.

## 11 Next meeting

**Next meeting:** Wednesday 11<sup>th</sup> November

**Time** : 10.30 am

**Venue** : National Grid House Warwick