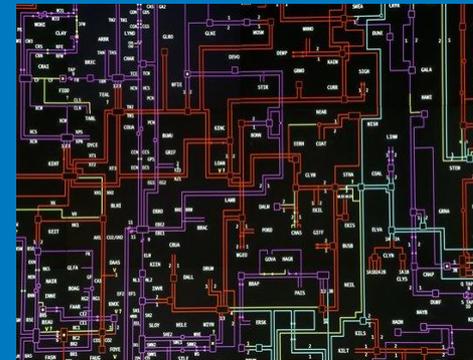


Transmission Charging Methodologies Forum



Wednesday 9th March 2016

Introduction, Welcome and Agenda

- 11:00 Introduction – Paul Wakeley, National Grid
- 11:05 CUSC Modifications Update (Charging) – Juliette Richards, National Grid
- 11:10 Interactive Workshop session: Future challenges in commercial arrangements around transmission charging – Nick Pittarello, National Grid
- 13:10 Lunch
- 13:30 AOB (Charging) – to include short discussion of CUSC modification proposal from VPI Immingham – Mary Teuton (VPI Immingham) and Paul Wakeley (National Grid)

Ongoing charging modification proposals



Juliette Richards

Ongoing modification proposals: charging - page 1 of 5

- **CMP260 ‘TNUoS demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247’**
 - This proposal was raised by RWE and proposes that Suppliers should have the option for those metering Systems that are registered on Measurement Class E-G on or before 1/4/2016 to be treated as HH for the purposes of calculating the actual annual liability up until the full charging year after the Implementation date of P272.
 - The proposer requested urgency – Ofgem did not grant this but the proposal is progressing to an accelerated timetable and the **5 day** Workgroup consultation will open on 10th March. The Workgroup will report to the CUSC Panel in March.



Ongoing modification proposals: charging - page 2 of 5

- **CMP255: ‘Revised definition of the upper limit of Generation Charges in the charging methodology with removal of the reference to the 27% charging cap’**
 - This proposal was raised by RWE in November and seeks to clarify what would happen if EU regulation 838/2010 was removed in line with the recent ACER recommendation.
 - The Workgroup consultation has just closed and the Workgroup will report to the CUSC Panel in April.
- **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 was raised by British Gas and seeks to set generation charges to €2.5/MWh, followed by post event reconciliation as necessary.
 - The Workgroup consultation is currently open and the Workgroup is due to report to the CUSC Panel in April.



Ongoing modification proposals: charging - page 3 of 5

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

- This modification seeks to fix the BSUoS price ahead of time to reduce volatility. The Workgroup consultation is due to begin imminently.
- The Workgroup will report to the CUSC panel in May.



- **CMP249: Clarification of other charges (CUSC 14.4) Charging arrangements for customer requested delay and backfeed**

- The Workgroup consultation is currently open and the Workgroup is currently due to report back to the CUSC Panel in April.



Ongoing modification proposals: charging - page 4 of 5

- **CMP248: Enabling capital contributions for transmission connection assets during commercial operation**
 - This proposal was raised by Eneco UK to enable users that have existing arrangements to pay annual charges for transmission connection assets the opportunity to make capital contributions against the transmission connection assets.
 - At the January CUSC Panel meeting the Panel unanimously agreed that CMP248 should be implemented. The appeals window has now closed, and the implementation date is 1st April.



Ongoing modification proposals: charging - page 5 of 5

- **CMP244: Set final TNUoS tariffs at least 15 months ahead of each charging year**
 - The Workgroup has voted on a revised Original looking at a TNUoS tariff notice period of 200 calendar days rather than 15 months.
 - The final Workgroup report will be submitted to the CUSC Panel in March, in parallel with CMP256 (Consequential changes to the CUSC arising from CMP244)



Interactive workshop session: Future challenges in commercial arrangements around transmission charging



Nick Pittarello

Workshop

- 2 hours
- 4 groups
- 5 exercises (10 minutes thinking + 5 minutes report back per group)

- Questions:
 1. What are the drivers for change in commercial arrangements?
 2. How is the electricity sector/ industry affected by current network commercial arrangements?
 3. In the context of the network charging regime, what is good and what needs to change?
 4. How is your business affected?
 5. What should happen next?

Next Steps

- We are engaging with a variety of market participants and stakeholders
 - Keen to cast the net as widely as possible
- We will report back on progress at the next TCMF
- We expect to be in a position to receive feedback on our initial views in May/ June

Lunch





Removal of SBR/DSBR Costs from BSUoS into a “Demand Security Charge”

March 2016

Issue: SBR costs for Winter 16/17 are virtually impossible to forecast

- All SBR/DSBR costs are recovered via BSUoS from both suppliers and generators and are not known until 16 working days after the event
- These costs are made up of the procurement costs (effectively availability), which are known in advance and utilisation costs, which are not known in advance and are virtually impossible to forecast
 - Market does not have understanding / visibility of how SBR plant will be despatched
 - Lack of transparency in the utilisation price (some include a fuel index, some include fuel and carbon costs)
 - Warming timescales are inconsistent with publication of data
- Given the security of supply concerns, there is a high likelihood of SBR plant being despatched multiple times next Winter and therefore utilisation costs could run into tens of millions of pounds, potentially even higher. These costs are then recovered from BSUoS in the settlement periods they are incurred (whereas procurement costs are spread over total Winter demand)
 - This could drive very high, highly volatile BSUoS costs in periods where SBR is warmed and run in earnest, particularly for coal plant
- In order to mitigate this risk, generators will be forced to add a significant risk premium to their forecasts, driving higher costs for consumers
- Worst case scenario is that a generator, with independents the most exposed, already struggling with low spreads and low load factors, could go bankrupt, worsening security of supply and exacerbating the very issue that SBR is trying to solve



Impact: Unforecastable and volatile BSUoS costs as a result of SBR will drive unnecessary consumer cost

- Generators will add a significant risk premium to their BSUoS forecast to cover forecast risk, driving higher and unnecessary costs for consumers
- Market inefficiency as a result of inefficient despatch of plant (based on a nebulous forecast)
- Perverse incentives for generators in terms of signals to generate (particularly in the shoulder periods – prices should be high enough when used in earnest)
 - SBR may only be required for Block 5b, but could be warmed up to 48 hours ahead of need driving high and volatile BSUoS
 - This could result in generators delaying their start until they are sure that they will recover their costs. This could drive ever higher risk premium and cost consumers more
- Outturn costs in excess of the forecast are irrecoverable by generators as they are recovered ex-post
- Highly likely that plant will be despatched uneconomically
- Potential barrier for entry, particularly for independent generators who are not able to offset higher costs against a customer base



Solution: Introduction of a “demand security charge”

- Our proposal would move all SBR/DSBR costs into a “demand security charge” that is only charged to demand BMUs
- This would more economically charge those parties benefiting from the product
- It would also protect customers from paying for a lack of efficiency as a result of the uncertainty
- Give SBR is really a long term security measure, we would also argue that it is consistent with the capacity mechanism cost recovery framework

- We believe that this would better deliver CUSC charging objectives (a) and (c)
 - The lack of any meaningful signal negatively impacts competitions in the wholesale market
 - Furthermore, the introduction of SBR and continued growth in its size and costs, does not properly take account of developments in the transmission business, specifically the impact of an increasing number of plant closures

- This change would need to be implemented by November 2016 (when SBR window opens), so there is a sense of urgency
- Whilst CMP250 addresses the issue of BSUoS volatility, it will not be in place for Winter 16/17 when the issue occurs



Questions?



Any other business (Charging)



CUSC Issues Standing Group



Introduction, Welcome and Agenda

- 13:45 Introduction and meeting objectives – Richard Smith, National Grid
- 13:50 Ongoing modification proposals (non-charging) – Jo Zhou, National Grid
- 14:00 Statement of Works - Richard Smith, National Grid
- 14:10 CISG survey and future agenda items - Richard Smith, National Grid
- 14:20 Discussion: balancing services in the CUSC – Adam Sims, National Grid
- 14:45 AOB and close – Richard Smith, National Grid

Ongoing non-charging modification proposals



Jo Zhou

Ongoing modification proposals: non charging – page 1 of 3

■ **CMP259: Clarification of decrease in TEC as a Modification**

- This proposal was raised by RWE in January to enable a User to request both a TEC reduction and a subsequent TEC increase in the form of a single modification application to National Grid.
- Initial workgroup meetings held on 15th February and the next one will be held on 4th March.

■ **CMP258: Rewording of the legal text to align the CUSC with the intentions of CMP235/6**

- This proposal was raised by National Grid to complete the implementation of CMP235/6 (Introduction of a new Relevant Interruption type / Clarification of when Disconnection Compensation payments can be expected under a Relevant Interruption) by modifying some minor points in the relevant legal text. The CUSC Panel agreed that it should be classed as Self-Governance.
- The CUSC panel voted on 26th February that it should be implemented. Appeals window is now open.



Ongoing modification proposals: non charging – page 2 of 3

nationalgrid

- **CMP257: ‘Enabling the electronic (email) issue of ‘offers’ to customers’**
 - This proposal was raised by National Grid in November 2015 seeking to allow for the electronic issue of offers and other formal documents (where agreed) and to remove the obligation to provide hard copies of documentation once elected.
 - The Code Administrator Consultation closed on the 8th of January.
 - The Panel will vote on the March CUSC panel meeting.



Ongoing modification proposals: non charging – page 3 of 3

■ **CMP254: Addressing Discrepancies in Disconnection / De-energisation Remedies**

- This proposal was raised by EDF in October 2015 and seeks to enable Suppliers to instruct National Grid to disconnect customers in accordance with their rights under the Electricity Act.
- The Code Administrator Consultation was issued on the 19th of January 2016. The proposal is now with the Authority for decision.

■ **CMP243 & CMP237: A fixed response energy payment option for all generating technologies / Response Energy Payment for Low Fuel Cost Generation**

- CMP243 seeks to allow all generators the option of choosing between the current methodology, or a fixed value of £0/MWh, for their Response Energy Payment (REP).
- CMP237 seeks to set the Response Energy Payment at £0/MWh for those generators with low or negative energy costs.
- The two proposals are now with the authority for decision.



Statement of Works



Richard Smith

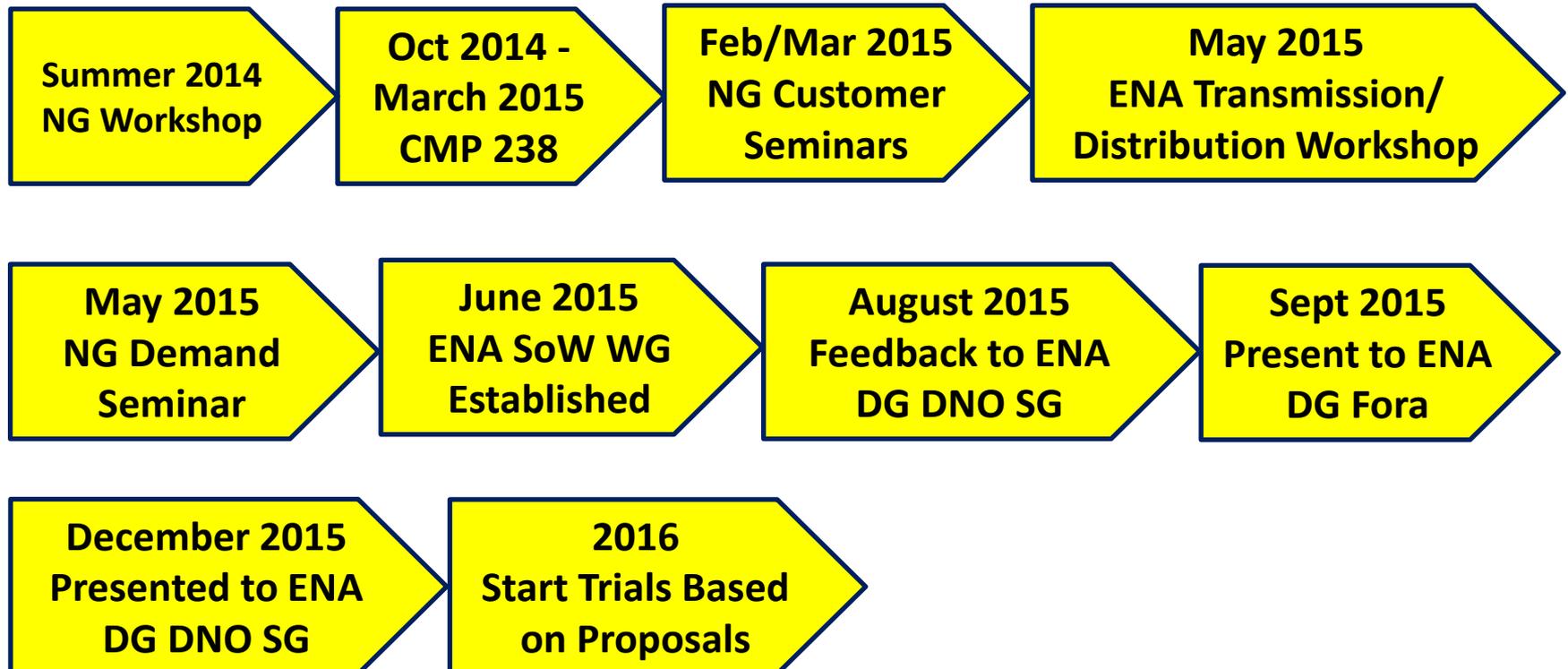
What is a Statement of Works?

- SoW Covered by CUSC Section 6.5.5
- It is the means of a DNO informing National Grid where Embedded Generation has an impact on the transmission system
- CMP 238 made minor changes to the process
- Process not working for the volume of Embedded Generation now wanting to connect to DNO networks

Problem Statement

- **Problem 1:** DG – Often do not get sufficient information in a timely manner to allow investment decisions to be made.
- **Problem 2:** DNO –DNOs are unable to provide DG applicants in a timely manner with visibility on whether Transmission works are required.
- **Problem 3:** SO and TOs – The SO and TOs are not getting sufficient visibility of generation connecting to a DNO system.

Engagement to Date



The Proposals

- SO makes planning limits available to DNOs
- Schedule for each GSP with connected and contracted DG
- Process for regular information exchange to update Schedule

This means:-

- DNO can make DG offer without individual application to NG in many cases
- This gives DG more and better information earlier in the process – greater certainty

Where Are We Now?

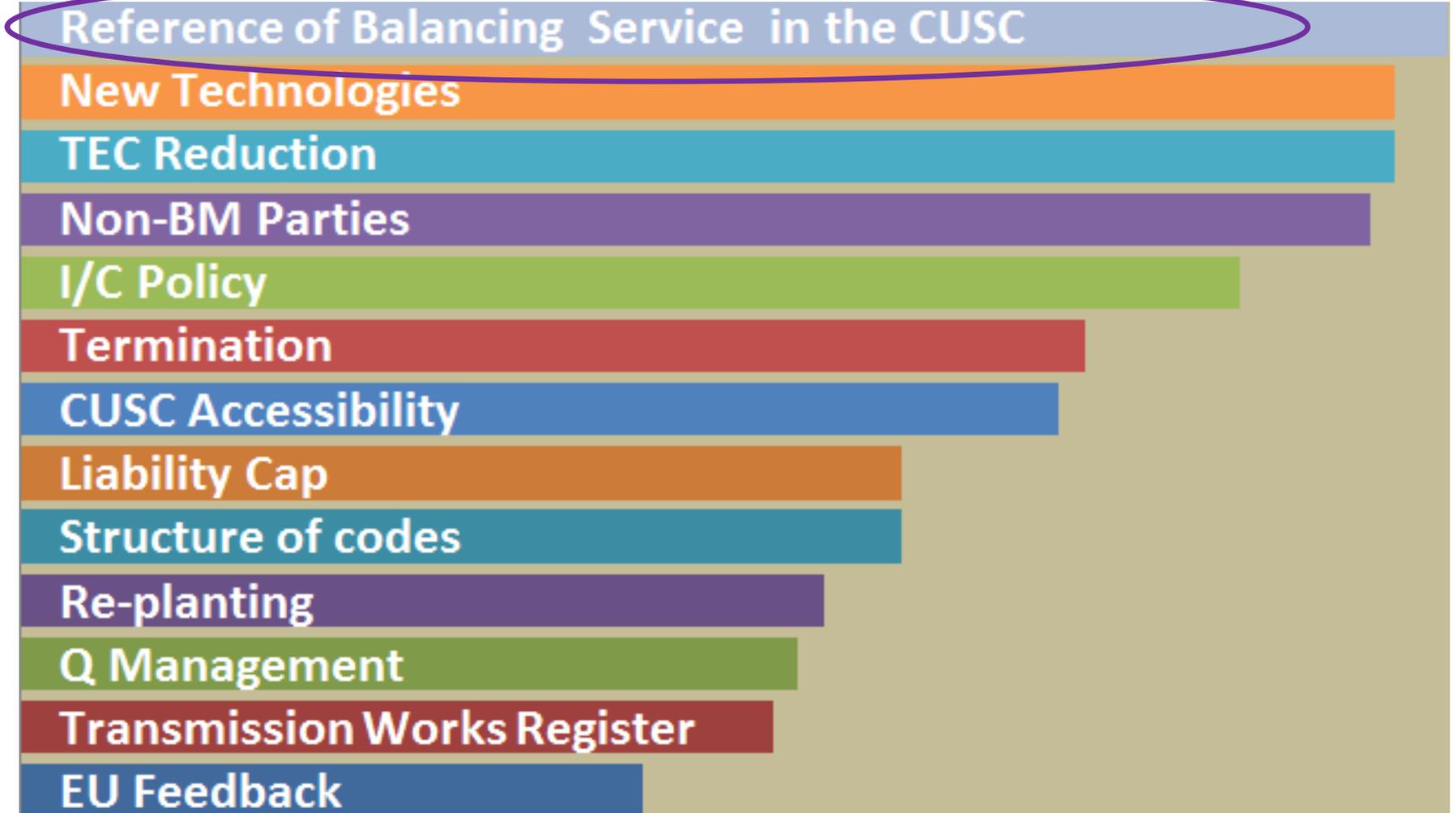
- Trials started to test and develop the proposed principles
- Trials based on a revised appendix G within NG/DNO BCA's
 - Being used in high Embedded Generation GSPs in E&W
 - Scottish trail on limited number of GSPs with alternative format
- Future full CISG agenda item
- Following trials move to CUSC modification proposals

CISG survey and future agenda items



Richard Smith

CISG Issues Survey Result



Discussion: balancing services in the CUSC



Adam Sims

Any other business (Non-charging)



Future TCMF and CISG dates: 2016

May

11

Wednesday

July

6

Wednesday

September

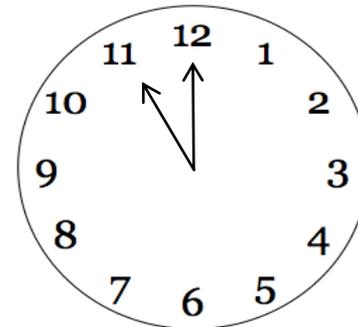
7

Wednesday

November

9

Wednesday



All 11 am starts unless otherwise notified

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

