

Transmission Charging Methodologies Forum and CUSC Issues Standing Group

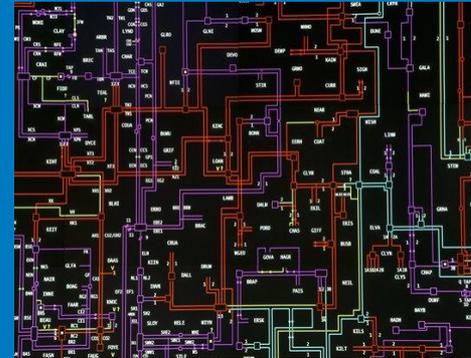


7th September 2016

Introduction, Welcome and Agenda

- 11:00 Introduction – Paul Wakeley, National Grid
- 11:10 CUSC Modifications Update (charging and non-charging) – Urmi Mistry, National Grid
- 11:25 Discussion item: non-BM units – Lars Weber, Neas Energy
- 11:55 Update on National Grid Charging Review and associated industry work streams – Paul Wakeley, National Grid
- 12:10 Update on staff movements in the CUSC modifications, TNUoS revenue and charging & billing teams – Katharine Clench and Taran Heir, National Grid
- 12.20 AOB and close
- 12:30 Lunch

Ongoing charging modification proposals



Urmi Mistry

New modification proposals: charging - page 1 of 4

■ **CMP268 – Recognition of Sharing by Conventional Carbon Plant of Not-Shared Year-Round Circuits**

- This proposal was raised by SSE in August 2016 and seeks to amend the current charging methodology for conventional carbon plant's transmission network use of system (TNUoS) charges to reflect that different types of conventional generation cause different transmission network investment costs to be incurred.
- It would allow Conventional Carbon generators' Annual Load Factor to be applied to both its Not-Shared and Shared Year-Round tariff elements.
- This proposal is being treated as urgent, with the Workgroup consultation anticipated on the 9th September for 10 days.



New modification proposals: charging - page 2 of 4

- **CMP267 - Defer the recovery of BSUoS costs, after they have exceeded £30m, arising from any Income Adjusting Events (IAEs) raised in a given charging year, over the subsequent two charging years'**
 - This proposal was raised by EDF in July 2016 and seeks to defer the recovery of unforeseen increase in BSUoS costs, as signalled by an IAE, by 2 years, for events which, in their total in any given charging year, have a combined effect on "raw BSUoS" of over £30m.
 - This proposal is being treated as urgent and the Workgroup will report to a special CUSC Panel on 20th September. The Code Administrator consultation is due to open on 22nd September.



New modification proposals: charging - page 3 of 4

- **CMP266 ‘Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement ’**
 - This proposal was raised by National Grid in June 2016 and seeks to prevent double charging of TNUoS for a meter electing to be HH settled. The original proposes that all demand within Measurement Classes F & G will be charged under the TNUoS NHH methodology from April 2017, up until when HH settlement is mandatory for all consumers.
 - The Workgroup consultation is due to be published in mid-September.



New modification proposals: charging - page 4 of 4

- **CMP265 - 'Gross charging of TNUoS for HH demand where embedded generation is in Capacity Market'**
 - This proposal was raised by EDF in May 2016 and seeks to address the issue that HH metered demand for TNUoS purposes is currently charged net of embedded generation.
- **CMP264 'Embedded generation Triad avoidance standstill'**
 - This proposal was raised by Scottish Power in May 2016 and seeks to make changes to the Transport and Tariff Model / billing arrangements to remove the netting of output from New Embedded Generators until Ofgem has completed its consideration of the current electricity transmission Charging Arrangements (and any review which ensues) and any resulting changes have been fully implemented.

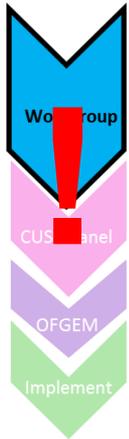


Given the overlap in the issues to be discussed as part of these 2 modifications, the 2 proposals are being discussed in a joint Workgroup and are progressing to an accelerated timetable. The Workgroup consultation closed on 24th August and the Workgroup is due to report to the CUSC panel in October.

Ongoing / completed modifications nationalgrid (charging) – page 1 of 7

■ **CMP262 ‘Removal of SBR / DSBR Costs from BSUoS into a ‘Demand Security charge’**

- This proposal was raised by VPI Immingham and was discussed in brief at the March TCMF meeting. The proposal aims to create a new cost recovery mechanism, a ‘Demand Security charge’ specifically for the recovery of all SBR / DSBR costs, which would only be levied on demand side balancing mechanism units (BMUs).
- The proposer requested urgency so that this issue could be considered ahead of 16/17 winter, and Ofgem granted this request.
- Ofgem has requested that the Workgroup reconvene to consider some specific areas, and so there will be a 2nd Code Administrator consultation for 5 days published on 13th September. Once this is completed the modification will return to the CUSC panel in September.



Ongoing / completed modifications (charging) – page 2 of 7

- **CMP261 ‘Ensuring the TNUoS paid by generators in GB in charging year 2015/16 is in compliance with the €2.5/MWh annual average limit set in EU regulation 838/2010 part B (3)’**
 - This proposal was raised by SSE and was discussed in brief at the March TCMF meeting.
 - The modification proposes an ex post reconciliation of generator charges for the 15/16 charging year, where these are deemed to have exceeded the €2.5 / MWh annual average cap. This would take place via a negative generator residual levied on all GB generators who paid TNUoS during the period 1st April 2015 to 31st March 2016.
 - The proposer requested urgency – Ofgem did not grant this but the proposal is progressing to an accelerated timetable.
 - The Workgroup consultation closed on 28th July and the Workgroup is due to report to the CUSC panel in September.



Ongoing / completed modifications nationalgrid (charging) – page 3 of 7

- **CMP260 ‘TNUoS demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247’**
 - This proposal was raised by RWE npower and proposed 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 progressed to an accelerated timetable. Ofgem rejected the proposal on 11th July 2016.

Ongoing / completed modifications (charging) – page 4 of 7

- **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 the cap detailed in EU regulation 838/2010 (€2.5/MWh average cap) were removed in line with the recent ACER recommendation.
 - Ofgem decided on this proposal on 5th August 2016 opting for WACM1 which fixes the generation percentage at the level last used to set transmission tariffs This has now been implemented.



Ongoing / completed modifications (charging) – page 5 of 7

- **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 reported to the CUSC Panel in April, and reported again in August. The Workgroup is due to report again to the Panel in September.



Ongoing / completed modifications (charging) – page 6 of 7

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

- This modification was raised by Drax Power and seeks to fix the BSUoS price ahead of time to reduce volatility.
- The Workgroup will next meet on 12th September and is due to go to the September CUSC panel.

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

- This modification aimed to include the principles underpinning the CEC before TEC policy within Section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied.
- Support for this modification has been withdrawn by the proposer and no other relevant industry party has put themselves forward to continue the proposal. Therefore this modification has been withdrawn.



Ongoing / completed modifications nationalgrid (charging) – page 7 of 7

- **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 CUSC panel voted by majority to accept the original proposal, but this was rejected by Ofgem on 15th July 2016.

Ongoing / completed modifications (non- charging) – page 1 of 3

- **CMP269 and CMP270: ‘Potential consequential changes to the CUSC as a result of CMP 264’ / ‘Potential consequential changes to the CUSC as a result of CMP 265’**
 - These modifications are required to progress any changes to the CUSC outside section 14 that arise from the modification proposals 264 and 265. This is because CMP264 and CMP265 were raised as charging proposals and hence can only change section 14 of the CUSC.
 - The CUSC panel have agreed that given the consequential nature of these modifications no Workgroup consultation is necessary, and the timetable for CMP269/270 will then be aligned with CMP264/265, running through the same Workgroup and with the Panel report (due October) and the Code Administrator consultation for all 4 modifications being submitted at the same time.



Ongoing / completed modifications nationalgrid (non- charging) – page 2 of 3

■ **CMP259: Clarification of a TEC decrease in a Mod application**

- This proposal was raised by RWE to seek 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.
- 2 WACMs put forward – one looking at limiting TEC reduction to a certain period of time, and limiting TEC increase to the original TEC level. 2nd WACM looking at a ‘TEC release period’ during which the generator can release all / some of its TEC and would pay some charges (based on the amount of notice provided)
- The Code Administrator consultation for this proposal was published on 22nd August 2016.



Ongoing modification proposals: non charging – page 2 of 2

- **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 Code Administrator Consultation closed on the 4th April 2016, and CUSC panel voted in April. The Authority will make a decision on both CMP243 and 237 together.



Update on NG Charging seminars



Paul Wakeley

Seminars: Structure and purpose of the day

Session	Purpose
Transmission and distribution charging overview sessions	Bring attendees up to speed on the charging methodologies so that they can meaningfully engage in the day
Case for change	Present evidence and perspectives on the current issues in the charging methodologies and the necessity of change. Including presentations from National Grid, Energy UK, the ADE and the ENA.
Panel discussion	Address questions, with input from industry experts
Ask the expert tables	Opportunity for attendees to get specific input from experts in the areas of transmission and distribution charging methodologies, billing and data analysis undertaken by National Grid.
Vision, scope and phasing of a charging review	Interactive sessions to understand stakeholder views on – a vision for charging, areas that are in / out of scope, areas that may or may not need to be addressed holistically and participants views on timescales, principles and best practice.

The Drivers for Change



Market Developments

Provide additional analysis to Ofgem to allow them to make informed decisions on G/D split



Distributed Generation

*Ensure TNUoS embedded benefit appropriate
(CUSC proposals CMP264/265)*



Smart & HH Metering

*Ensure TNUoS charges are not a blocker for elective migration
(CUSC proposal CMP266)*



Facilitating Flexibility

*Creating appropriate arrangements for storage
(currently developing thoughts)*



Predictable Charges

Review current forecasting arrangements to ensure customers have appropriate information



Reflecting Sunk Costs

None identified

Interactive Afternoon Session

The afternoon sessions allowed stakeholders to give their views on what a charging review could look like in terms of:

- **The Long Term Vision / Ideal End State**
 - What should the vision be for commercial arrangements in 10/15 years?
- **Scope**
 - What should be in/out of scope?
 - What areas should be addressed within 1-2 years or a longer period?
 - Should areas be addressed incrementally or holistically?
- **Principles for approaching a holistic review**
 - What high level principles should a review process follow?

The Long Term Vision / Ideal End State

Primary Themes

- **No distortions, a consistency of approach** to charging across networks, **a whole system view**
- **Lowest long term cost** to the consumer, an efficient network
- Key theme of **stability and predictability** – underpinned by ideas of simplicity, transparency and sustainability

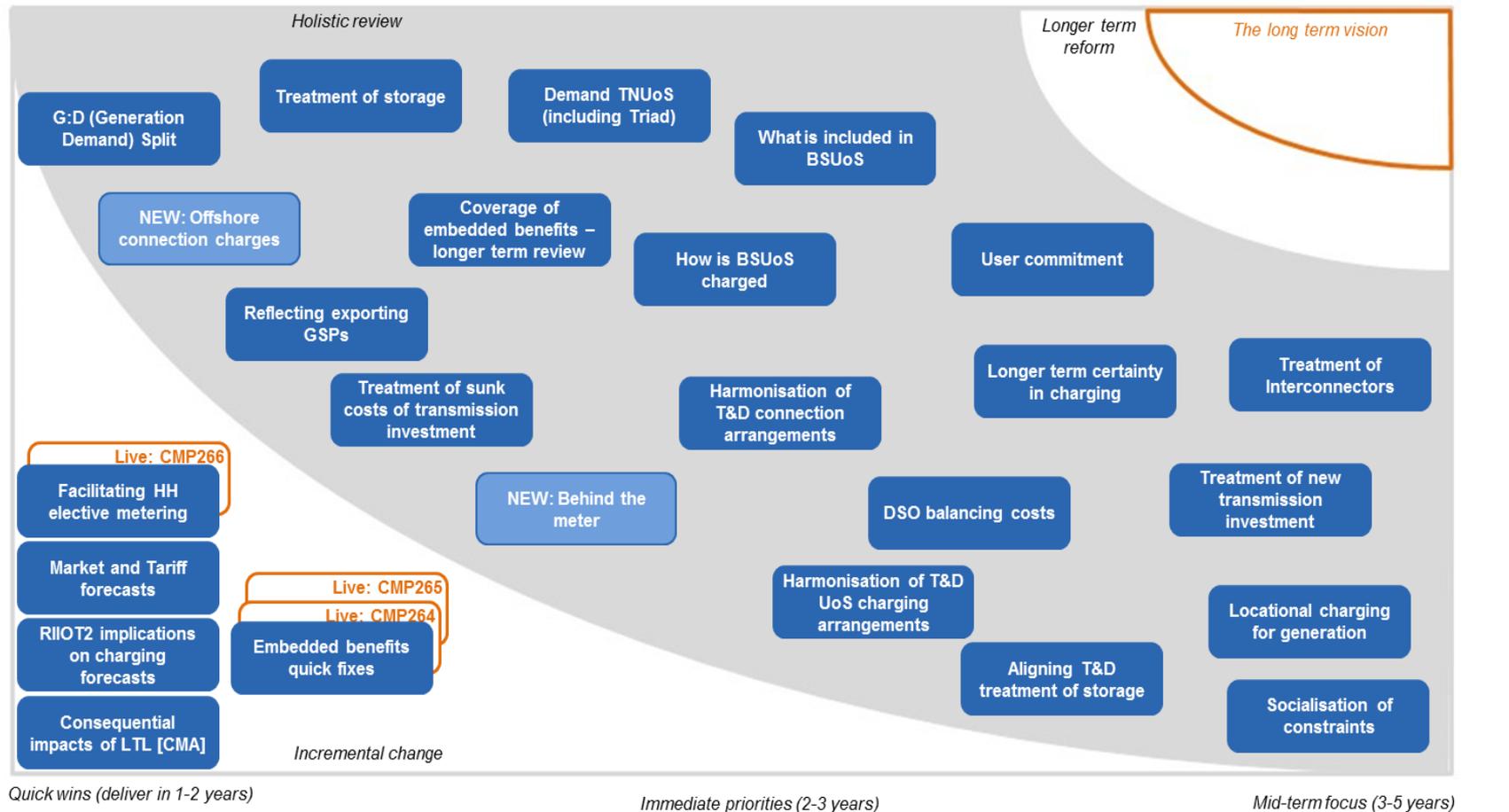
Second order themes

- **Cost reflectivity** – including time of use signals, locational signals, signaling SO requirements – but in a way that customers can react.
- **Users rewarded or charged based on value**
- **Technology neutral**
- **Market driven, with market access for all**
- **Flexibility to customer needs**

The Long Term Vision / Ideal End State

‘A transparent charging regime that provides consistent and predictable signals across networks, time periods and locations, and that recovers the costs of efficient network development at lowest long term cost to the consumer, through the appropriate reflection of costs and benefits to network users.’

Scope of a Review



Don't Do/Out of Scope:

- Market splitting (LMP)
- Single network charge

Principles and Approach

- Take a **holistic approach** to reviewing the charging arrangements
- Balance delivering review **as soon as possible** while maintaining an open and **transparent** consultation
- **Clear responsibilities** for parties with some favouring an independent chair
- Use **clear objectives** for the review in order to focus on proactively driving alignment between the long term vision and policy
- Use **evidenced based/objective** methodologies to determine the most appropriate options to progress
- Deliver an efficient change process – **limiting re-work** and reusing/building on **previous analysis** (and modifications) wherever possible
- Initiate a **progressive transition to the future**, taking into account changing technologies/behaviour whilst recognising the journey to date and implementing changes in appropriate timescales

- Full write up of the day and slide packs available at http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/charging_review/

Next Steps - Broader review

- Tie in with Ofgem initiatives:
 - Open letter on charging arrangements for embedded generators
 - *Closes 23rd September 2016;*
<https://www.ofgem.gov.uk/publications-and-updates/open-letter-charging-arrangements-embedded-generation>
 - Joint flexibility workstream with BEIS
 - Expecting consultation shortly
- National Grid actions;
 - Use seminar material to help develop appropriate approach for review

Non-BM Users



Impact of CUSC on DNO connected users

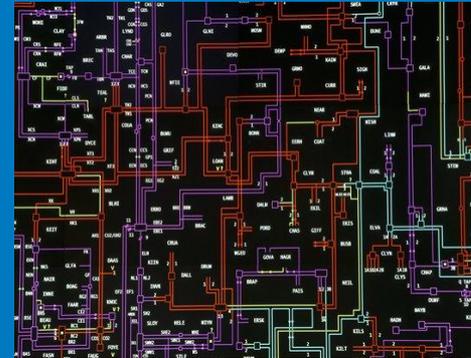
Underlying Issue

DNO connected users are liable via their Balance Responsible Party (Supplier) for CUSC charges and costs.

However, they are not directly responsible for payments or indeed liable to the CUSC.

- Balance Responsible Parties make arrangements that (partially) reflect the CUSC charges and costs, so-called Embedded Benefits, but also charge pass-throughs.
- Discussion around Embedded Benefits and pass-throughs:
 - Are BRPs the right parties to handle the CUSC impacts within the DNOs?
- Counterparty risks
- Governance

Revenue, Connection Charging and Code Governance teams



TNUoS revenue team, connection charging and Code governance team

Louise Schmitz



Overseeing the TNUoS revenue, charging and billing and Code governance teams until September 2017

Katharine Clench

TNUoS revenue team: tariff forecasting, setting and billing of final tariffs

Mary Owen



Kathy Heard



Tom Selby



Jo Zhou



Jessica Neish



Paul Hitchcock

Connection charging team



Michael Johnson
Charging Process
Manager



Liz Statham
Senior Charging
Analyst



Gillian O'Sullivan
Charging Analyst



**Elena
Gershtanskaya**
Charging Analyst



Keith Hayman
Charging Analyst

Responsible for calculating and billing electricity connection charges and application fees, and calculating and submitting to customers any requirements for associated amounts to be secured.

Also oversee the annual charge setting process .

Code governance team

Code governance team: Chair, minutes and reports for Code modifications – CUSC, STC and Grid Code



John Martin

Christine Brown



Heena Chauhan



Caroline Wright

Ryan Place



Ellen Bishop



Lurrentia Walker

Taran Heir



Any other business

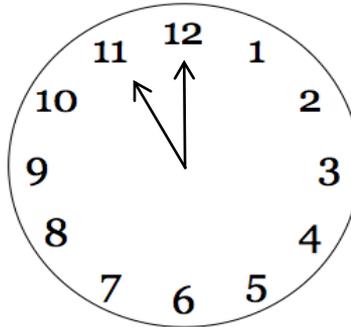


Future TCMF and CISG dates: 2016

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

