

# Interconnector Transmission Charges

## Charges for Interconnectors

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Charges to use the Transmission System for the use of system of electricity are levied on users who flow electricity onto the system (as generators) and users who flow off the system (demand consumers). The charges include both Transmission Use of System (TNUoS) charges, which cover the cost of provision and maintenance of Transmission assets (lines, substations, offshore, etc., as well as other items such as the Network Innovation Competition Fund), and Balancing System Use of System (BSUoS), which covers the cost of balancing the system day to day.

Although Interconnectors can act to either flow electricity onto the GB Transmission System from other countries, or off the onshore Transmission for export to other countries, they are not defined as generators or demand consumers. Under European Regulations<sup>1</sup> Interconnectors are defined as part of the transmission network for Europe. Article 4(5) in 1228/2003 and Article 14(5) in 714/2009 state "There shall be no specific network charge in individual transactions for declared transits of electricity."

## Transmission Use of System (TNUoS) Charges

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In line with the EU Regulations no TNUoS charges are made to interconnector as either generators or demand; therefore meaning they can connect and flow electricity to and from the onshore transmission network without TNUoS charge.

Accordingly Interconnectors are also excluded from demand when determining the Triads<sup>2</sup>.

## Balancing System Use of System (BSUoS) Charges

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BSUoS charges are subject to the same Regulatory regime as described above. In addition to this there is a secondary economical argument for not charging BSUoS are as follows.

BSUoS is charged to generators in the UK, where most European countries do not charge generators for the costs of system balancing (applying these costs almost exclusively to demand). When the electricity moves from transmission and onto the interconnector a demand BSUoS charge would have been levied on the interconnector. Any generator in the UK wishing to export to Europe would therefore have a 'demand' BSUoS premium

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<sup>1</sup> EU Legislation to Transmission System Operators EC No 1228/2003 "On Conditions for the Access to the Network for Cross Border Exchanges in Electricity (part of the 'Second Package') and Regulation EC No 714/2009 – the 'Third Package'.

<sup>2</sup> Half Hourly demand is calculated by reference to the three peak demand settlement periods over the winter periods, separated by 10 days between the periods. These are known as the Triads.

incorporated in the price paid by the end consumer. A similar generator in Europe would not face this additional cost. Therefore charges on an Interconnector would present a barrier to electricity exports.

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In conclusion, Interconnectors are not liable for any Transmission based charges in the UK.

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