

Information on a potential Mid-Year Change to National Grid's Final TNUoS tariffs in 2018/19

Last updated: 7 March 2018

Why could there be a mid-year change for the 2018/19 TNUoS tariffs and associated charges?

National Grid set the Final Transmission Network Use of System (TNUoS) tariffs for 2018/19ⁱ on 31st January; these will take effect from 1st April 2018. The methodology for the TNUoS tariffs is defined in section 14 of the Connection and Use of System Codeⁱⁱ (CUSC).

However, due to the pending judicial review of Ofgem's decision to approve WACM4 of **CMP264/265**ⁱⁱⁱ, there is **the potential** for a mid-year change in our 2018/19 TNUoS tariffs.

CMP264/265 introduces gross charging for HH Demand, and an explicit Embedded Export Tariff paid for embedded generation exports over triad. CMP264/265 represents a fundamental change in how Half-Hourly demand is charged as well as impacting the TNUoS demand tariffs. The Final Tariffs set for 2018/19 reflect Ofgem's decision to approve WACM4. Further information on the consultation process for these modifications can be found on Ofgem's website^{iv}.

What is the next steps for CMP264/265 judicial review?

The judicial review hearing for CMP264/265 is due in late April 2018. Once National Grid understands the decisions on CMP264/265, we will publish and communicate any changes in 2018/19 TNUoS tariffs to the industry.

Any changes to tariffs will be undertaken in the process defined in CUSC section 3.14^v and National Grid's licence condition C4^{vi}. See the end of this note for further details.

What is the indicative impact of the CMP264/265 Judicial Review on TNUoS tariffs and charges for 2018/19?

The impact of the CMP264/265 judicial review on TNUoS tariffs for 2018/19 will depend upon the outcome of the judicial review.

If Ofgem's decision is upheld, there will be no change to 2018/19 TNUoS tariffs.

If Ofgem's decision is not upheld, this may result in a mid-year change to our Final TNUoS demand tariffs, effectively removing the WACM4 methodology changes introduced by CMP264/265. Essentially tariffs for 2018/19 may need to look as if CMP264/265 had never been implemented. This would be a retrospective change to tariffs from 1 April 2018.

This will impact **suppliers** as both HH and NHH demand tariffs, **embedded generators** receiving embedded benefits, transmission connected **generators** who consume demand^{vii} over the triads and generators who receive the small generator discount.

Impact on Demand TNUoS Tariffs

If we revert to the methodology without CMP264/265, demand TNUoS tariffs would change as follows:

- The charging base for Half-Hourly demand would revert from “gross” to “net” demand.
- The Embedded Export tariff payable to embedded exports will no longer apply and would be removed.
- The Non-Half-Hourly methodology does not change; however the value of the tariffs will change based on the revised calculations of Half-Hourly tariffs.

An indicative “today” view of the 2018/19 Final demand tariffs without CMP264/265 is shown below. **This is only indicative**; we reserve the right to set tariffs based on further information such as a revised demand forecast at the point any mid-year tariff change occurs.

Indicative Demand Tariffs without CMP264/265			
Zone No.	Zone Name	HH Net Demand Zonal Tariff (£/kW)	NHH Demand Zonal Tariff (p/kWh)
1	Northern Scotland	28.454589	3.796176
2	Southern Scotland	31.220785	4.208206
3	Northern	39.967185	5.283541
4	North West	45.956599	6.170793
5	Yorkshire	46.223569	6.067797
6	N Wales & Mersey	47.663122	6.209522
7	East Midlands	49.651846	6.632463
8	Midlands	50.947349	7.028930
9	Eastern	51.578906	7.468194
10	South Wales	47.954767	5.814602
11	South East	54.260756	8.030307
12	London	57.057041	6.347527
13	Southern	55.570165	7.611875
14	South Western	54.017877	7.872553
Tariffs include small gen tariff of:		0.707892	0.095651

Impact on Generation TNUoS Tariffs

Generation tariffs are, in general, unaffected by any decision affecting CMP264/265. The exception is the small generation discount which is calculated using the demand residual.

If we revert to the methodology without CMP264/265,

- The small generator discount would increase from £11.102227 £/kW to £11.611093/kW.
- All other **Generator** tariffs would be unaffected.

Impact on how we bill you

There would be no change to the process by which we bill you for TNUoS tariffs. However, if the tariffs are changed mid-year this would affect your annual liability, and future monthly bills would be recalculated on the basis of the new liability less what you have paid to date.

Supplier forecasts would need to be re-provided on a 'net' basis. If a revised forecast is not provided, we can calculate a net liability from your current gross and export forecasts.

What would be National Grid's process for implementing a mid-year charge change?

If National Grid were to implement a mid-year change to the charges for 2018/19 based on the outcome of the CMP264/265 legal challenge, then we would take the following action:

- Prepare the new tariffs and charges based on the change in methodology or an adjustment to revenue recovered from specific customers, along with a proposed implementation date.
- Seek Ofgem's consent to change tariffs/charges mid-year (SLC C4.5.b) and for the required notice period and implementation date (SLC C4.5.c and CUSC 3.13.4).
- Publish any information to industry within the same timeframe and in parallel to our correspondence with Ofgem.
- Aim to provide two month's notice (CUSC 3.14.3) of any changes.

Any questions?

- For **TNUoS tariff forecasting and billing queries**, please contact: charging.enquiries@nationalgrid.com 01926 654633
- TNUoS Tariff forecasts and other information are published on the National Grid **website**: <https://www.nationalgrid.com/tnuos>

¹<https://www.nationalgrid.com/sites/default/files/documents/Final%20TNUoS%20Tariffs%20for%202018-19%20-%20Report.pdf>

²https://www.nationalgrid.com/sites/default/files/documents/CUSC_SECTION_14_V1%2016_%206%20July%202017.pdf

³<https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-consultation-cmp264-and-cmp265-minded-decision-and-draft-impact-assessment>

⁴<https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-consultation-cmp264-and-cmp265-minded-decision-and-draft-impact-assessment>

⁵https://www.nationalgrid.com/sites/default/files/documents/CUSC_Section_3_CMP254_v1.17_18%20Mar_2016.pdf

⁶<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

⁷<https://www.nationalgrid.com/sites/default/files/documents/44940Triads%20Information.pdf>