

Introduction

- SGD established in 2005 with introduction of BETTA.
- SGD helped create a level playing field between sub 100MW generators connected at 132kV in England & Wales (distribution) versus those connected at the same voltage in Scotland (transmission). This discrepancy still exists.
- CMP302 seeks to extend the Small Generator Discount (SGD) which is due to expire on 31 March 2019.
- Propose to extend SGD until an enduring solution (replacement) is implemented.
- Enduring solution expected to come forward through Ofgem's Targeted Charging Review (TCR).

Defect 1

- SGD arrangements are set out in Licence Condition SLC13 of the Electricity Transmission Licence.
- The Condition requires NGET to discount TNUoS charges by 25% for sub 100MW generators in Scotland connected at 132kV.
- SLC13 includes an expiry date of 31 March 2019
- Action is needed for either Ofgem to extend the expiry date or to approve inclusion of SGD arrangements into charging arrangements pending an enduring solution

Defect 2

- Why is there an issue with termination of SGD?
 - 132kV connected generators in Scotland who pay discounted TNUoS charges will face an increase in TNUoS charges for a period pending implementation of new charging arrangements expected to be implemented through TCR.
 - Creates regulatory uncertainty for these generators and creates competitive disadvantage compared to 132kV generators in England and Wales.
 - 132kV connected generators in England & Wales do not pay transmission charges and receive embedded benefits.
 - Further blow for Scottish transmission connected generators following recent introduction of locational transmission losses and other less recent changes which have eroded investment returns.

Proposed solution

- We are proposing to replace licence condition SLC13 with the same TNUoS discount arrangement in Section 14 of CUSC. A transfer of SGR arrangements from SLC13 to CUSC charging arrangements.
- The new CUSC charging arrangement would endure until charges per TCR are implemented.
- Proposal allows smooth transition to TCR implementation, for 132kV connected generators in Scotland.
- Solution is consistent with Ofgem wish since SGR introduced in 2005 to find enduring solution.
- Changes from TCR could be implemented from 2020, so may only require 1 year extension of SGR.

Recommendation to CUSC Panel

- The Panel is asked to:
 - Agree that normal governance procedures should apply
 - Refer this proposal to a workgroup for assessment