

CMP224 Cap on the total TNUoS target revenue to be recovered from generation users



CUSC Panel – 28/02/2014
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Background

- European Commission Regulation 838/2010
 - Annual Average Transmission charges payable by generation users – (0–2.5) €/MWh
- Impacts the 27/73 Revenue Split
 - Collecting 27% revenue from generation is likely to breach the upper limit
- Driver for modification
 - Compliance with the Regulation
 - Not addressing transmission tariff harmonisation across single European Market

Proposed CUSC Modification

- Original Proposal - Cap on Generation Revenue
 - All local and wider charges included
 - 2 months notice
 - Error margin to cover forecast inaccuracies
 - Revert to 27% if not breaching (in a charging year)
 - Revenue shortfall to be collected from demand (if not 27%)
- Proposal raised in September 2013
- 4 Workgroup meetings held

Workgroup Consultation

- 9 responses received
 - Majority support for the proposal
 - though more notice period was preferred
 - some support - exclude charges for generation only local spurs from generation revenue
 - limited support – ratchet mechanism
- 1 Workgroup Consultation Alternative Request received
 - Exclude generation only local spur charges
 - 12 months notice period

WACMs

WACM	Notice Period	Treatment of Local Generation only spurs revenue
WACM1	12 months	Include within generation TNUoS revenue
WACM2	2 months	Exclude from generation TNUoS revenue
WACM3	12 months	Exclude from generation TNUoS revenue

Workgroup Vote

- 8 Workgroup members voted
- The members voted on the Original Proposal and 3 WACMs
 - Original and WACM1 - unanimous support
 - WACMs 2 & 3 – 4:4

Workgroup Conclusions

- Workgroup has met its Terms of Reference
- Reviewed legal text for the Original and 3 WACMs
 - Agreed version for Code Administrator Consultation
- Propose implementation 10 working days after the Authority's decision
 - would come into effect from 2015/16
 - implementation less than 12 months after approval
 - not possible to provide 12 months notice in first year

Impact Assessment

- NG performed Impact Analysis
- Ofgem request – to include in CA consultation*
 - Where % Generation Revenue >27%, 27% of total revenue will be recovered from generation

	Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Baseline	% Generation Revenue	27%	27%	27%	27%	27%	27%	27%
	Revenue collected from demand instead of generation (£m)	0	0	0	0	0	0	0
Original - Include generation spurs + 2 months notice	% Generation Revenue	26%	24%	22%	21%	20%	18%	17%
	Revenue collected from demand instead of generation (£m)	29	87	155	179	223	315	347
WACM1 - Include generation spurs + 12 months notice	% Generation Revenue	24%	22%	20%	19%	18%	16%	16%
	Revenue collected from demand instead of generation (£m)	77	134	202	225	269	360	392
WACM2 - Exclude generation spurs + 2 months notice	% Generation Revenue	35%	34%	32%	31%	30%	27%	26%
	Revenue collected from demand instead of generation (£m)	0	0	0	0	0	0	20
WACM3 - Exclude generation spurs + 12 months notice	% Generation Revenue	34%	33%	30%	30%	28%	26%	25%
	Revenue collected from demand instead of generation (£m)	0	0	0	0	0	43	64

*Along with the generation and demand revenues for each option

% Generation Revenue has been calculated up to 4 decimal points

Next Steps

- Panel invited to:
 - AGREE Workgroup has completed Terms of Reference
 - ACCEPT Workgroup Report
 - AGREE CMP224 progresses to Code Administrator Consultation
 - AGREE Code Administrator to include Impact Assessment and request views

Timetable

28th February 2014	Workgroup Report Presented to CUSC Panel
W/C 3rd March 2014	Code Administrator Consultation issued
W/C 24th March 2014	Deadline for responses
W/C 31st March 2014	Draft FMR published for industry comment
W/C 7th April 2014	Deadline for comments
15th April 2014	Draft FMR published with Panel Papers
25st April 2014	Panel Recommendation / Determination Vote
29th April 2014	Final FMR circulated for Panel comment
7th May 2014	Deadline for Panel comment
9th May 2014	Final report sent to Authority for decision
16th June 2014	Indicative Authority Decision due (based on 25 day KPI)

Questions?

