

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



CUSC Modifications Panel 25 April 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

Solution

- 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
- Majority preference for WACM 1

Code Administrator Consultation

- 11 responses received
 - Mixed view on best option
 - Most respondents supporting a 12 month notice period of any change to the G:D split.

National Grid Opinion

- Original Proposal better facilitates the Applicable CUSC Objectives by;
- Taking into account developments in European Legislation affecting the transmission licensee's transmission businesses; and
- Ensures that GB stays compliant with the legally binding European Commission Regulation.

Questions before Panel Vote?



CUSC Panel Recommendation Vote

- a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 (Requirements of a connect and manage connection).
- c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses; and
- (d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Next Steps

- Final Report sent to Panel for comment - 29 April 2014
- Deadline for comment - 7 May 2014
- Send to Authority - 9 May 2014
- Proposed implementation - 1 April 2015