

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	22 nd January 2014
Time	10:00am – 1:00pm
Location	Holiday Inn, Leamington Spa

Attendees

Name	Initials	Company
Stuart Boyle	SB	National Grid (Chair)
Dave Corby	DCo	National Grid (Secretary)
Adam Sims	AS	National Grid (Representative)
Karl Maryon	KM	Haven Power
Richard Mawdsley	RM	Haven Power
Ebba Phillips	EP	Dong Energy
Vishnu Aggarwal	VA	Smartestenergy
Cem Suleyman	CS	Drax
Tom Breckwoldt	TB	Gazprom Energy
Adam Lacey	AL	Ofgem
Peter Bolitho	PB	Waters & Wye
Aisling Gilchrist	AG	DECC
Guy Phillips	GP	EON
Zoltan Zavody	ZZ	Renewable UK
Helen Sondin	HS	Xeroenergy
Simon Holden	SH	Adjacent Power
Frank Prashad	FP	RWE
George Douthwaite	GD	N-Power
Simon Lord	SL	GDF SUEZ Energy UK-Europe
Ricky Hill	RH	Centrica
Alan Goodbrook	AG	Good Energy
Damian Clough	DC	National Grid (Presenter)
Amy Boast	AB	National Grid (Presenter)
Andrew Wainwright	AW	National Grid (Presenter)
Binoy Dharsi	BD	EDF
John West	JW	National Grid (Presenter)

Dial In

Name	Initials	Company
John Tindal	JT	SSE

All presentations and supporting papers given at the TCMF meeting can be found at:
<http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

2 Ongoing modification proposals – Dave Corby

1. Ongoing CUSC modification proposals were presented with updates for each. These were;
 - **CMP201:** Removal of BSUoS charges from Generation
 - Ofgem minded to position: reject,
 - Ofgem's consultation closed 16th January 2014,
 - Ofgem believe the mod better meets CUSC objectives, but not their wider statutory duties.
 - **CMP213:** Project Transmit TNUoS Developments
 - Ofgem's impact assessment consultation has now closed,
 - Minded to position:
 - Diversity 1, 100% HVDC / Islands (WACM2),
 - Implementation date 2015/16.
 - Determination expected in the Spring.
 - **CMP219:** Clarifications to User Commitment Methodology
 - Implemented on 9th January 2014
 - **CMP222:** User Commitment for Non-Generation Users
 - .Workgroup consultation closed on 20th January 2014
 - **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - Workgroup consultation now live,
 - Consultation closes 14th February 2014
 - **CMP224:** Cap on the total TNUoS target revenue to be recovered from generation users
 - Workgroup consultation closed on 23rd January 2014

3 2014/15 TNUoS Charges – Damian Clough

2. DC updated TCMF on the changes in the 2014/15 tariffs since the last update in November. This focussed on TEC changes in the south between 1st October 2013 and 31st October 2013, which have had the effect of increasing north – south flows, and pushing up the generation prices in Scotland and the north. The presentation noted that the locational charges are now fixed (as of 1st October 2013).
3. Under the residual aspect of TNUoS, the total allowed revenue and peak demand have both dropped, but these are not fixed at this time. The overall impact of the changes on generation and demand tariffs were illustrated.
4. DC concluded his presentation by highlighting that demand has reduced this winter and that calculating Tariffs according to demand on a pro rata basis on may not be the most appropriate method for the 14/15 tariffs. DC also noted the impact of P272 and CMP224.
5. The TCMF discussed the variations in the tariffs observed between different drafts. Attendees were keen to find ways of making the tariffs more predictable.

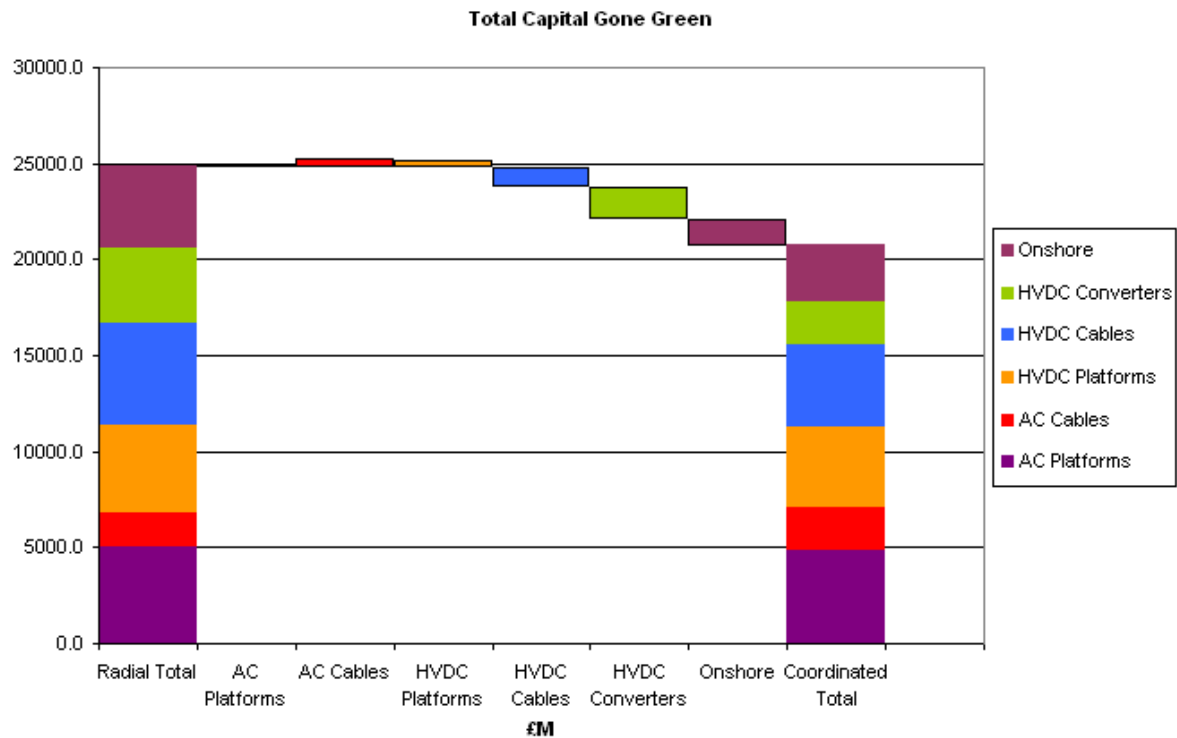
6. National Grid demonstrated the difficulties in keeping the tariff forecasts consistent due to the variability of input data, much of which comes from myriad industry sources (e.g. TEC changes).
7. One attendee noted this last year is the first year of quarterly update, and noted that we have seen a fair bit of variation. This is a double edged sword; customers do like having more info, but changes with significant swings can create issues with their own tariff expectations and internal management.
8. National Grid asked for feedback on the new process and demonstrated intentions to respond to customer needs. Some attendees suggested that National Grid could highlight things in the forecasts known to be uncertain? National Grid agreed, but noted that this might involve more discretion and data from the Scots, etc.

4 TNUoS Forecast Tariff Timetable – Stuart Boyle

9. SB updated TCMF on the timetable for tariff forecasts and the data inputs to the forecasting process. SB asked TCMF attendees to comment on the value of the forecasts, noting in particular the timing of inputs to the October update.
10. The TCMF generally agreed that all the forecasts have value, but reiterated comments regarding the accuracy and variability of different forecasts.
11. One attendee suggested that National Grid could set the target date (e.g. Jan), and have a range at start, which narrows throughout the year. At this time the Oct forecast is the only truly useful data as it lies closest to the actual tariff.
12. Another attendee noted that the DNOs have a licence requirement on them to produce quarterly forecasts, and which include a forecast of the regulatory requirement and show how it is built up from T+1 to T+5. National Grid considered it would struggle to do this quarterly.

5 Charging for Integrated Offshore Networks – Adam Sims

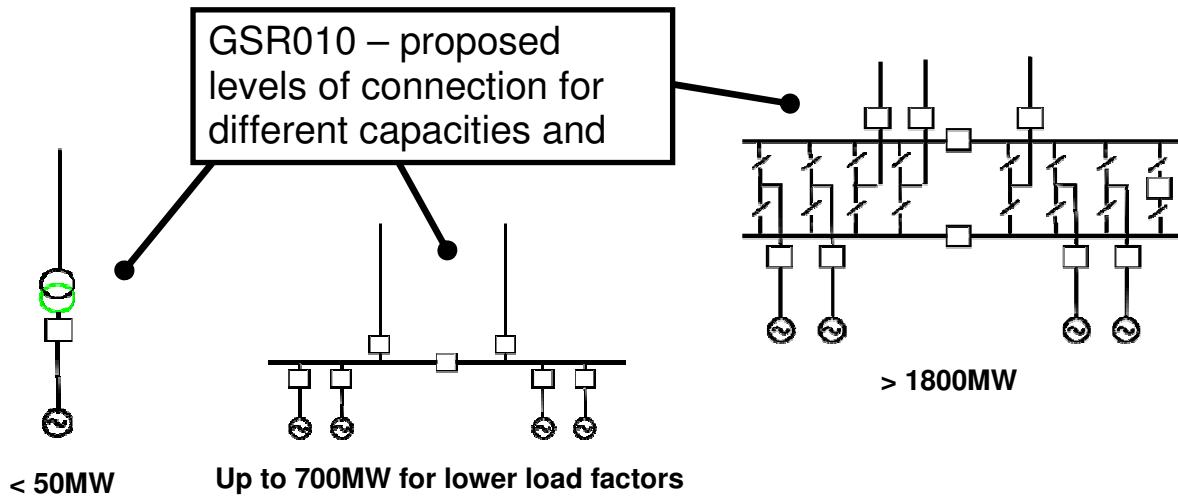
13. AS updated TCMF on the cost benefits of integrated offshore networks and the potential for cost sharing in line with benefits realised. This presentation highlighted significant potential savings overall, and detailed both savings and additional costs, with the caveat that the data behind the analysis was from a 2011 report, and would need refreshing prior to further development:



14. AS concluded his presentation by demonstrating potential saving both on and offshore, and highlighted some options for the appropriate level of costs sharing. It was also noted that there was a NGET – industry workstream looking into the technical, regulatory and commercial issues around the east coast offshore developments, and this was due to publish a report around March. AS noted that the data from this work would be essential to feed into any future charging modification.
15. The attendees debated the potential savings and who benefits from this. Some attendees expressed that as all the efficiencies were to offshore infrastructure then costs should be allocated offshore. Other attendees noted that some onshore efficiencies would also be realised as the integrated approach represents a more efficient way of connecting offshore, and therefore costs should not be solely pushed offshore.
16. The TCMF then discussed the next steps and concluded that there are lots of ways forward. The attendees asked if future developments could be split into different mods to streamline any discussions, AS agreed that this was something that they would be looking into.

6 GSR010 Review of Onshore Entry Criteria: Implications for TNUoS Tariffs – Amy Boast

17. AB updated TCMF upon the proposed range of standard onshore connection configurations as detailed in GSR010. Currently the SQSS does not make a distinction between different sizes of generators in respect of connection facilities. This proposal details a range of potential standard connections which would be used depending on generator size and load factor.



18. AB highlighted that smaller generators would have a range of connection facilities to choose from and could request a connection greater than the minimum if they preferred to invest in the security. This is unlike the current situation where the standard connection for all generators is a “firm” connection which would include 2 circuits.
19. GSR010 has been subject to stakeholder consultation and responses indicated concern over potential changes to charging and access arrangements if implemented. National Grid indicated that they were interested in obtaining views from a broader community, and this was why the matter was being raised at TCMF. Their current thoughts were that no changes to the charging methodology or access arrangements would be required under GSR010. Options above the minimum standards would not be classed as sole-use entry as they could potentially be used in the future by several generators and therefore would be charged as infrastructure via TNUoS local charges. National Grid were happy to discuss this view with customers and noted that it was initial.
20. The attendees discussed the appropriate allocation of costs. One attendee felt that the proposal would give TOs no incentive to build over the minimum SQSS requirement, even if the customer offered to pay in full for any additional costs. Another view expressed was that customer choice on the type of connection is critical, and that this change, by being more prescriptive than the existing SQSS, removes that degree of choice. Several attendees were sympathetic to this view. However, it was also recognised that in many cases for smaller generators, the GSR010 proposals reflected a more economic level of investment,
21. JW highlighted that the SQSS review group only received four responses, and encouraged more feedback. This would inform their view of what next steps should be.

7 Embedded Generation Review Update – Andrew Wainwright

22. AW updated TCMF regarding the current consultation on Embedded Generation Benefits. The presentation explained the range of options laid out in the consultation document and noted the importance of industry input and evidence. The presentation concluded by examining the next steps
23. One attendee asked what happens in the ‘do nothing’ scenario, AW explained that the option remains on the table to simply let the time limited NGET license requirement C13 lapse, but it is critical that this is only concluded after a broader review of the embedded benefit arising from TNUoS charges. Hence National Grid are undertaking this informal review in a timely manner.

24. One attendee noted that previous reviews had not considered addressing C13 in isolation. AW noted that the regulatory environment has changed since then and data is now available that allows a better comparison between distribution and transmission generation connections. TCMF generally agreed that this is now a potential option.
25. The TCMF discussed exporting GSPs (Grid Supply Points) and the scale of the issue, debating whether or not this is actually a material concern.
26. One attendee highlighted that if Ofgem is looking to make evidence based decision making, then Ofgem needs to see the evidence. AW responded that this is why the informal review paper contains significant analysis, but noted the potential for further evidence, particularly as National Grid do not have access to all potentially pertinent information.
27. Some attendees expressed concern that some of the higher impact options would create a need to address historical contract arrangements, and wondered if any CUSC modification proposal would look at the grandfathering of existing commercial arrangements. AW noted that implementation issues formed part of the consideration of all workgroups established under the CUSC for charging proposals.
28. The TCMF discussed parallels with the gas industry and the model where distribution books exit capacity from the transmission system, with a member enquiring whether such a system would be appropriate in the electricity industry. AW commented that the implementation of a similar model in electricity would be a high impact change having many impacts outside of charging, and would require a broader industry review. However if stakeholders believed that such options merited consideration National Grid would be happy to take on board their views.

8 Potential Future Topics – Adam Sims

29. The TCMF discussed the nature of the future topics list, noting that although it is primarily driven by customer requirements there are also other inputs such as licence conditions or CUSC requirements. The TCMF also discussed the prioritisation of the issues.

9 AOB

30. SL updated the TCMF on a new proposal he was currently considering for a flexible access product for generation. SL explained that, on a windy day, a marginal gas power station would not need TEC as the energy price would be low. Through weather predictions, National Grid could allow such a power station to have TEC on non-windy days only; this would be a kind of pay-as-you go TEC product. This could allow marginal gas user to reduce their annual liability but remain available and have access when allowed and required.
31. The TCMF discussed this concept, paying specific attention to the balancing mechanism and the nature of the customer this would be aimed at. It was agreed to add this item to the potential future topics list.

9 Next meeting

Next meeting: Wednesday 19th March

Time : 10:00 – 14:00

Venue : National Grid House Warwick