

Meeting report

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| Meeting name | Transmission Charging Methodologies Forum |
| Date of meeting | 19 th March 2014 |
| Time | 10:00am – 3:00pm |
| Location | National Grid House, Warwick |

Attendees

| Name | Initials | Company |
|--------------------|-----------------|--------------------------------|
| Patrick Hynes | PH | National Grid (Chair) |
| Dave Corby | DC | National Grid (Tech Sec) |
| Andrew Wainwright | AW | National Grid (Representative) |
| Cem Suleyman | CS | Drax |
| Philip Nailor | PN | Intergen |
| James Anderson | JA | ScottishPower |
| Robert Brown | RB | Cornwall Energy |
| Catherine Williams | CW | Ofgem |
| Ebba John | EJ | DONG Energy |
| Peter Bolitho | PB | Waters Wye Associates |
| Richard Mawdsley | RM | Haven Power |
| Paul Jones | PJ | EON |
| Garth Graham | GG | SSE |
| Mo Sukumaran | MS | SSEPD |
| Frank Prashad | FP | RWE |
| Binoy Dharsi | BD | EDF |
| George Moran | GM | British Gas |
| Aisling Gilchrist | AG | DECC |
| Jonathan Wisdom | JW | Npower |
| Tom Breckwoldt | TB | Gazprom |

Dial In

| Name | Initials | Company |
|--------------|-----------------|------------------|
| John Tindle | JT | SSE |
| Wendy Mantle | WM | SP Power Systems |

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,
 - Awaiting final decision.
- **CMP213:** Project Transmit TNUoS Developments
 - Ofgem Minded to position:
 - Diversity 1, 100% HVDC / Islands (WACM2),
 - Implementation April 2016.
 - Ofgem issuing further consultation later in the Spring.
- **CMP222:** User Commitment for Non-Generation Users
 - The final Workgroup Report will be presented at March's CUSC Panel.
 - One workgroup alternative has been proposed, which includes liabilities for post-commissioning Interconnectors.
- **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - The consultation received 9 responses, all supportive.
 - The workgroup are now finalising the proposal and drafting legal text. There are a number of Alternatives.
 - The workgroup report is expected to be sent to the April CUSC Panel.
 - If approved implementation is expected to be April 2015, an interim solution is being considered.
- **CMP224:** Cap on the total TNUoS target revenue to be recovered from generation users
 - The Code Administrator Consultation was issued on 7th March 2014
 - Deadline for responses – 28th March 2014
- **CMFTP226:** Amendment to BSUoS Methodology to reflect changes to the Transmission Licence
 - Mod implemented 12th March 2014,
 - The need for further non-material corrections was noted.
- **CMP227:** Reduce the G:D split of TNUoS charges, for example to 15:85
 - Mod raised 24th February 2014.
 - First Workgroup meeting planned for April 2014

3 Embedded Generation Review Update – Andrew Wainwright

2. AW updated TCMF on National Grid's informal review of transmission charging arrangements for embedded generation, giving an overview of the responses received to the informal consultation, the support shown for the various options proposed, and National Grid's approach to the next steps.
3. AW noted the range of respondents and thanked those who had provided additional evidence. AW noted that any next steps taken would be on the basis of improvements to the charging current baseline when measured against the applicable CUSC objectives, rather than a weight of support.
4. AW commented that there was significant support for the discontinuation of the small generation discount in April 2016 (when C13 lapses), although some respondents recommended the grandfathering of rights for existing generation.
5. AW also noted that there was significant support for improved treatment of exporting GSPs in the TNUoS charging methodology, but that further work would be required in this area.
6. There was less support for broader options such as charging TNUoS on gross demand and explicitly charging embedded generation.
7. AW indicated that National Grid are intending to publish an open letter on their website next month laying out their next steps. AW invited views as to the best ways to ensure that the letter was viewed by as wider an audience as possible. TCMF attendees suggested email notification when the open letter goes live, and agreed that DCMF, and trade associations such as Scottish Renewables, Renewables UK, and CHPA should be targeted in addition to the CUSC and TCMF distribution lists.
8. The TCMF discussed exporting Grid Supply Points (GSPs) and the need for further development. It was suggested that to shape any proposal it would be important to ensure the affected stakeholders are identified. National Grid enquired as to the best stage to engage industry, with attendees indicating it would be appropriate to discuss at the 'straw-man' phase. National Grid noted the potential to discuss this in the forthcoming open letter.

4 Forecasts of TNUoS Revenues under the RIIO T1 Framework– George Moran

9. GM presented slides describing the forecast revenues provided to customers to form the basis of forecast TNUoS charges. The presentation explained that considerable volatility has been observed in these revenue forecasts. The presenter believed that the assumptions behind such forecasts should be transparent and robust. If users had better transparency, and possibly the ability to change some input assumptions, then they would be better placed to understand and make efficient business decisions.
10. GM provided examples of greater transparency shown in DNO revenue forecasts.. He noted the impact of the many uncertainty mechanisms in RIIO T1 on the volatility of TNUoS revenues, and suggested that a similar level of transparency in forecast TNUoS revenues would be beneficial.
11. TCMF noted that the recent webinar was useful as it disaggregated elements of data, thereby increasing the transparency.
12. One attendee expressed support for GM's proposals and asked how easy it would be for National Grid to do this voluntarily. MS highlighted that some forecast data cannot

be set in stone for various reasons, for example some data has to be agreed with Ofgem. Other attendees responded that they understood that some forecast data would be uncertain and subject to decisions from Ofgem but that a best view from the TO of these uncertain items and the magnitude and timing of their impact on allowed revenues would still be beneficial to users. TCMF attendees considered that if aspects of the revenue forecasts were disaggregated then customers could form their own views regarding the information presented. It was noted that it would still be important for the published forecasts to represent a best view from the TO as not all parties may have the resource available to undertake the analysis required to quantify the risks surrounding uncertain data items.

13. National Grid expressed support to the idea of greater transparency and robustness in the forecasting of TNUoS revenues. MS suggested that the industry could build on the success of the webinar and suggested this should be repeated quarterly. The TCMF discussed that timing of the webinars could add maximum value if coinciding with updated forecasts.
14. TCMF discussed the drivers for general uncertainty of TNUoS charge forecasts, including Transport model changes and the possibility of fixing parameters. National Grid noted potential issue with the latter, but accepted an action to bring this back to TCMF at a future meeting. The balance between advanced notification and range of uncertainty was noted.
15. PH/MS accepted an action to raise the issue of transparency, granularity and robustness of revenue forecasts with the CHUG meeting to discuss, and to return to a future TCMF to report on the outcome.
16. On attendee suggested that the user inputs to revenue modelling are obscure, and suggested that a tutorial on the Transport and Tariff model would be useful. The TCMF did note that this would add greater value if timed to explain the new model post CMP213. National Grid agreed to address this at that time.

5 Delay Charge – Jackie Mesnard

17. JM presented slides focussing on the increasing number of developer customers who are submitting modification applications to delay and the general length of delays increasing. The presentation concluded with an explanation of the proposed charge to incentivise developers to reduce the uncertainty.
18. One TCMF attendee noted that there should be reciprocal arrangements, such that if National Grid, and by extension TOs / OFTOs, delay that they should pay. National Grid noted that this is not a focus of this presentation and that delivery of Transmission assets and incentivisation of transmission companies was mainly dealt with through the price control. National Grid indicated general support for incentives on transmission companies. It was not that any increased risk on transmission companies, for instance through a change to compensation, would have price control and licence implications.
19. The TCMF debated the correctness of making a delay charge. They considered that regardless of a delay TNUoS will be recovered eventually. JM agreed, and highlighted that this proposal is not to recover greater funds, but to target costs to correct parties.
20. The TCMF discussed some of the details of the proposal, covering retrospective application, which is not anticipated, and wider works, costs for which cannot be applied to a specific target.

21. TCMF attendees stressed that it needs to be clear what the date for start of policy is, and exactly what the driver for this proposal is. National Grid accepted an action to ensure this clarity is given in the forthcoming open letter.
22. JM highlighted that historically delay charges were seen as a TO charge, but now we view this as SO. MS expressed sympathy for this view. JM further noted this proposal impacts England and Wales only, not Scotland, due to the different way Scotland is funded; in Scotland arrangements mean that it is unlikely that connections works would have built before given connection assurances are in place, and so no costs are incurred. However, this is being reviewed to see if still appropriate.

6 How to Improve Short Term Access – Nick Pittarello

23. NP presented slides to support an interactive session using Creative Problem Solving techniques to structure a discussion on Short Term Access. The objective was to explore the arguments and facilitate discussion around possible options to improve short term access. The session was divided into the following sections:
- Brainstorming the definition of the defect and selecting the problem statement
 - Using a Ladder of Abstraction to explore arguments and options
 - Developing a mind map outlining the success criteria if a new short term product was to be introduced
24. Brainstorming identified the following as possible problem statements:
- People want cheaper charges
 - TNUoS doesn't reflect usage
 - Can't share
 - No defect with existing regime
 - Timescales for notification
 - User commitment associated with TEC
 - No short-term price to allow utilisation of spare system capacity
 - Trade barrier with EU where $G=0$
25. TCMF overwhelmingly selected "Timescales for notification" as the problem statement. TCMF then discussed possible remedies. National Grid will review the views expressed and bring further thought on developments to the next TCMF, possibly a strawman of solutions. It was noted that National Grid has the recently introduced Special Balancing Reserve contract available to address any security of supply issues for next winter. The general view was that any future proposals should be fully considered before raising i.e. National Grid should not immediately raise an issue under CUSC.

8 Future Modification Topics – David Corby

26. DC asked the TCMF to indicate its priorities on the existing topics for discussion and to add any new topics that were have not been previously identified. The TCMF provided their view on ranking the topics, and added a new topic concerning BSUoS forecasting predictability and robustness.
27. Following the collation of TCMF attendees' views the priorities for future discussion were updated to the following:

| Topic | Ranking |
|--|---------|
| BSUoS stability | 1 |
| Flexible TNUoS products | 2 |
| 8 year Price control | 3 |
| TNUoS fixed tariffs | 4 |
| G/D split | 5 |
| Triad | 6 |
| Integrated offshore | 7 |
| User Commitment (Section 15) Flexibility Development | 8 |
| Embedded | 9 |
| BSUoS Forecasting transparency | 10 |
| Methodology Housekeeping | 11 |

9 AOB

28. None.

10 Next meeting

Next meeting: Tuesday 13th May

Time : 10:00 – 14:00

Venue : National Grid House Warwick