

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	13 th May 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 (Technical Secretary)
Adam Sims	AS	National Grid (Presenter)
Stuart Boyle	SB	National Grid (Presenter)
Wayne Mullins	WM	National Grid (Representative)
Jonathon Wisdom	JW	Npower
Richard Mawdsley	RM	Haven Power
Ryan Trow	RT	Forewind
David Soper	DS	Opus Energy
James Anderson	JA	Scottish Power
Tom Breckwoldt	TB	Gazprom
Andy Colley	AC	SSE
Zoltan Zavody	ZZ	Renewable UK
Robert Longden	RL	Cornwall Energy
Claire Skitt	CSk	Opus Energy
Binoy Dharsi	BD	EDF
Catherine Williams	CW	Ofgem
Peter Russell	PR	Ofgem
Peter Bolitho	PB	Waters Wye Associates
Gordon McFadZean	GM	TNEI Consultants
Guy Phillips	GP	EON
Simon Holden	SH	Senergy Power Development Services

Dial In

Name	Initials	Company
Cem Suleyman	CSu	Drax
Ebba Phillips John	EJ	Dong Energy

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 believe the mod better meets CUSC objectives, but not their wider statutory duties. Ofgem minded to position: reject.
 - One TCMF attendee asked for update on Ofgem progress. CW updated.
 - **CMP213:** Project Transmit TNUoS Developments
 - Ofgem Minded to position:
 - Diversity 1, 100% HVDC / Islands (WACM2),
 - Minded to implement April 2016.
 - Ofgem consultation now open, closes 27th May.
 - **CMP222:** User Commitment for Non-Generation Users
 - Code Administrator Consultation closed 2nd May.
 - CUSC Panel vote at the meeting on 30th May.
 - Anticipate sent to Ofgem early June.
 - Ofgem have indicated that a decision may take up to 6 months.
 - If later than 1st December 2014 then we will miss the 1st April 2015 securities period.
 - **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - The Code Administrator Consultation is open until 3rd June.
 - The Consultation is on the original proposal and four alternatives.
 - The main variation concerns the risk being backed-off through the DNO or NG licence, or via a contract.
 - CUSC Panel will consider this modification on 27th June.
 - Anticipate a minimum of six months; it is unlikely we will have a decision by the end of December, and therefore implementation would be by 1st October 2015.
 - **CMP224:** Cap on the total TNUoS target revenue to be recovered from generation users
 - CUSC Panel voted to pass this to Ofgem on 25th April.
 - Anticipate implementation, if approved, on 1st April 2015.
 - **CMP227:** Reduce the G:D split of TNUoS charges, for example to 15:85
 - The first Workgroup meeting was 3rd April 2014.
 - The second workgroup meeting was 8th May 2014.
 - Final workgroup report conclusion to be presented to CUSC Panel in July.
 - It is likely that one month extension will be sought.
 - Implementation / transition to be discussed by the workgroup.

- Workgroup Consultation planned to publish on 29th May 2014.
- **CMP228:** Definition of Qualified Bank
 - Self Governance Mod Consultation closed 9th May. CUSC Panel to consider at the end of May.
- **CMFTP229:** Abolition of National Consumer Council
 - The CUSC Panel approved this fast track mod on 25th April.
 - Objections to be received by 20th May.
- **CMFTP230:** Minor Housekeeping Changes and Corrections
 - The CUSC Panel approved this fast track mod on 25th April.
 - Objections to be received by 20th May.

3 2015/16 and Five Year Tariff Forecasts – Stuart Boyle

2. SB presented slides on the Five Year Forecast, noting that the forecast had been published that morning 13/05/2014.
3. The TCMF attendees asked about the rationale for the change of central scenario and whether it expected the recently published ACER opinion on generator charges to be taken into account on forecasts by National Grid? National Grid explained that it presented both scenarios, one with the ACER opinion and one without.
4. SB explained that the published forecast had rationalised generation to exclude less likely planned generation connections. One attendee asked about National Grid's criteria for removal of 'less likely' generators from background. SB explained that this is a subjective view, but that attendees could utilise the model and make their own decisions on future connections.
5. Ofgem asked about the impact of CMP224 and whether the forecast showed generation charges reaching the limit set by the proposal. SB explained that the limit proposed under the original CMP224 proposal, which includes a 7% error margin, was reached in 2015/16 albeit only just.
6. As the forecast document was only published this morning, National Grid appreciates that attendees haven't had time to digest. Questions are welcome outside of the meeting.

4 Embedded Generation Review Update – David Corby

7. DC updated TCMF on the outcome of National Grid's informal review of transmission charging arrangements for embedded generation, giving the conclusions to the four options detailed within the review.
8. DC then considered the potential options to progress the exporting GSPs issue. DC invited TCMF attendees to discuss their views and detailed plans for industry engagement to take this forward.
9. The TCMF attendees indicated general agreement with the conclusion of the review and support for the intention to move forward on exporting GSPs. The attendees also recognised that engagement had gone well in the informal review and suggested to continue this whilst considering the exporting GSPs solution.
10. The attendees recognised the outstanding questions, with special attention on the different drivers, both local and wider, as well as the need for a definition of exporting GSP that was stable and predictable.

11. One attendee suggested that the definition of exporting GSP should be linked to the level of export that would trigger transmission network investment, which could also be used to determine the appropriate signal that charges should provide.
12. Some TCMF attendees expressed support for the DNO charging model, and reasoned that the DNOs could be more reactive (than a supplier) to the signal that any charges could provide, whilst still passing the charges through to the generators. National Grid accepted the need to engage the DCMF meeting in this topic.

5 User Commitment for Offshore Generators – Adam Sims

13. AS presented slides describing National Grid's initial industry engagement on generator commitment for offshore generators. This focussed on the existing obligations between the SO, the TO and the generator, and then explored National Grid's initial thoughts regarding user commitment arrangements between generators who wish to develop joint connections to the NETS (also known as Generator Focused Anticipatory Investment or GFAI).
14. AS highlighted that the initial developer would be acting effectively as a TO to the secondary developer, and noted the lack of arrangements for obligations, etc. to accommodate this arrangement. AS sought views from attendees on whether this was considered to be an issue, and if so how it should be addressed. AS also presented on some initial options that could be taken forward, which could be considered as opposite ends of a scale of SO intervention, either by bilateral contract or through CUSC Section 15 as SO coordinated user commitment.
15. One TCMF attendee asked why the consumer is at risk, as they are not on the hook for Transmission investment. AS explained that Ofgem believe that the decision on investment liability is better not made by themselves, but by the developers. RL noted the risk of overspend, even if the situation is economically best.
16. The TCMF attendees agreed that developers should share both risk and benefits, although PH highlighted that surely they share a benefit directly from reduced TNUoS under the existing rules.
17. The TCMF attendees enquired as to the business case for developing offshore user commitment at this time. AS noted that Ofgem had requested the industry look into user commitment arrangements for GFAI projects in the update to their December consultation¹, but agreed that if the industry does not consider this issue urgent then it could be placed lower on the priority list.
18. On reviewing the proposed strawmen, one attendee noted that any methodology utilising an administrator approach moves away from the principles of the merchant developer-led approach. Instead, the use of a commercial framework is preferable so that the market sorts itself out naturally. Other attendees echoed this thought, and a number of attendees could not see a securities section within CUSC managing this alone.
19. RL suggested that National Grid might be better to stress the benefits to developers in their open letter, and less so the risks to National Grid.

6 Future Modification Topics – David Corby

20. DC presented on the outcome of the exercise to prioritise the TCMF topics, as performed at the March 2014 TCMF meeting.

¹ <https://www.ofgem.gov.uk/ofgem-publications/75429/statement-proposed-framework-enable-coordination-update-our-december-consultation.pdf>

21. PH noted that the priority list does not represent a complete or exhaustive list of areas for National Grid to work upon. Instead it represents a ranking of the industry's preferred order to address the identified topics. The TCMF attendees agreed with PH and were mindful that there is a lot of broader change in the industry at this time, and that the TCMF topics should not be brought forward regardless.
22. PH focussed on the topics ranked highest by the TCMF attendees and gave a brief review:
- On BSUoS forecasting the attendees noted previous work done concerning a mutual assurance model, which would provide a level of stability at the expense of cost reflectivity. PH asked if cost reflectivity is just a tax if charges are not known until after the event? Are TCMF looking at cost reflectivity the wrong way? BD noted that BSUoS forecasting is a very important topic to EDF, but the cost reflectivity argument always shoots it down. CW of Ofgem commented that cost reflectivity should not be for its own sake, but should be about cost reflectivity based on consumer interest. Therefore if cost reflectivity can be demonstrated to be creating a risk premium in costs to the consumer, not giving customer value, than effective competition might override the argument? The TCMF attendees were supportive of this view.
 - On Flexible TNUoS PH updated TCMF on National Grid's progress following the March meeting. The ACER opinion on not capping power based charges has impacted National Grid's thoughts on Flexible TNUoS. PB warned against taking the ACER opinion as law.
 - On the eight year price control topic a discussion was conducted concerning ease of forecasting versus risk. TCMF attendees noted that a big step change in parameters at the end of eight years has manageable impact if the forecasting data is good. This could be considered as the basis for development, but maybe a proposal is not best for the industry right now given the large scale of other changes being progressed. The TCMF agreed to discuss this topic at the next meeting, and all attendees agreed to take a collective action to consider this topic for that meeting. National Grid commented that over time, nodes on the network will gradually move away from each other as the expansion constant is indexed. As a result the number of generation zones is likely to increase as time progresses unless similar indexation is introduced to the zoning criteria. This was going to be picked up in the price control mod, but if we're holding off it possibly merits being separated out into a separate piece of work.
 - On any TCMF topics National Grid noted that the priority is defined collectively and invited the attendees to consider if anyone else wants to take any topic forward with National Grid support? National Grid are happy to be contacted bilaterally outside of TCMF to discuss.
23. The TCMF attendees discussed the drivers for change. Investment should only be made on the basis of good case, where a clear defect is identified. National Grid noted that customers have mentioned these topics, but that National Grid might have to do analysis to identify the root cause. National Grid notes the need for customers to tell us if work needs doing.
24. PH proposed that maybe the list should be turned into an open letter (much like that published by Ofgem) to define National Grid thinking (annually). TCMF attendees agreed this is a good idea.
25. ZZ specifically noted National Grid's desire to engage the industry on topics.

26. WM noted that National Grid periodically provides Charging Tutorials, and were planning to hold one over the summer, and requested views on the scope of this. This could range from a high-level session on the principles of TNUoS charges, or a more detailed session on scenario analysis in the transport model. Please provide any views to WM via email (Wayne.Mullins@NationalGrid.com).
27. CW noted that National Grid had agreed to provide an open letter on the Delay Charge topic from the March meeting, and that this had not yet been published. PH agreed to chase.
28. PH noted the published Ofgem decisions on EMR funding under licence C16. National Grid will take forward a BSUoS proposal to include this in the formula. This will probably give rise to a fast track modification proposal in the next month or so.
29. DC noted the National Grid objective to constantly improve the TCMF meeting process and invited all attendees to contact him on David.Corby@NationalGrid.com with their experiences with the meeting and any feedback they can provide.

8 Next meeting

Next meeting: Thursday 17th July

Time : 10:00 – 14:00

Venue : National Grid House Warwick