

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	17 th July 2014
Time	11:00am – 3:00pm
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
William Kirk-Wilson	WW	National Grid (Chair)
Dave Corby	DC	National Grid (Technical Secretary)
Andrew Wainwright	AW	National Grid (Presenter)
Stuart Boyle	SB	National Grid (Presenter)
Jonathan Wisdom	JW	NPower
Zoltan Zavody	ZZ	Renewable UK
Colin Prestwich	CP	Smartestenergy
Peter Bolitho	PB	Waters Wye Associates
Peter Russell	PR	Ofgem
Robert Longden	RL	Cornwall Energy
Karl Maryon	KM	Haven Power
Guy Phillips	GP	Eon
Cem Suleyman	CS	Drax
Jane Cooper	JC	DONG Energy
Mo Sukumaran	MS	SSE Power Distribution
Simon Holden	SH	Lr Senergy
Patrick Smart	PS	RES
Paul Mott	PM	EDF

Dial In

Name	Initials	Company
Kenny Stott	KS	SSE
Paul Brennan	PBr	Waters Wye Associates
Tim Collins	TC	Centrica
Bernard Kellas	BK	SSE
Tom Breckwoldt	TB	Gazprom Energy
Wendy Mantle	WM	Scottish Power Transmission

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 that the mod better meets CUSC objectives, but not their wider statutory duties. Ofgem minded to reject the proposal.
 - **CMP213:** Project Transmit TNUoS Developments
 - Ofgem approved on 11th July 2014.
 - Specifically WACM2.
 - Implementation in April 2016
 - National Grid are currently working to ensure that system changes will be in place by the implementation date.
 - **CMP222:** User Commitment for Non-Generation Users
 - Sent to Ofgem in June. An Ofgem impact assessment is expected.
 - Ofgem have indicated that a decision may take up to 6 months
 - Decision required before 1st December 2014 to meet the 1st April 2015 securities period.
 - **CMP223:** Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
 - Two options being considered to manage the risk: through the DNO or NG licence, or via a direct contract between the Distributed Generator and NG
 - Sent to Ofgem in July
 - Implementation timescale require a minimum of six months; therefore a decision is needed by the end of September to implement in time for the April 2015 securities period
 - There may be a requirement for consequential developments in other industry frameworks.
 - **CMP224:** Caps the total TNUoS target revenue recovered from generation users
 - On July 14th Ofgem opened a consultation on their 'minded-to' implement position
 - Responses are due by 13th August.
 - One TCMF attendee asked about the ACER opinion on not limiting generation charges. It was pointed out that the ACER *opinion* is just that, and is not currently binding. It was also noted that the draft legal text is sufficiently flexible to take this into account if needed.
 - **CMP227:** Reduce the G:D split of TNUoS charges, for example to 15:85
 - The Workgroup decided to consult the industry on a number of alternatives
 - The Workgroup consultation is planned for August
 - Implementation / transition to be discussed by the workgroup.

- **CMP228:** Definition of Qualified Bank
 - The modification was implemented under self-governance process on 7th July.
- **CMP231:** EMR Preparatory Costs (Fast Track)
- **CMP232:** Demand Side Balancing Reserve and Supplemental Balancing Reserve Cost recovery Restriction (Fast Track)
 - These modifications are consequential to licence changes.
 - The CUSC Panel approved them both as fast track mods on 27th June
 - Objections to be received by 21st July
 - Charges to be levied via BSUoS.

3 TNUoS Tariff Forecasts – Stuart Boyle

2. SB presented slides on the forthcoming improvements to the revenue information NGET provides to the industry, the timetable for the improvements and July TNUoS Forecast Update. This focussed on the new revenue template and the additional information contained.
3. The attendees were asked about moving the five year forecast to late autumn. One TCMF attendee asked if the five year forecast could be done for every forecast. SB responded that this would be a prohibitively large amount of work. Another TCMF attendee expressed the view that another five year forecast this year would be useful, as it will have changed a lot since May, especially in light of CMP213 approval. SB acknowledged the concern.
4. SB described the impact of CMP224 and CMP213 on the 15/16 forecast. One TCMF attendee noted that the Ofgem “minded-to” position supports a different recommendation to the panel, and the group discussed the application of these proposals to the forecasts. SB advised that a formula will be included in the published forecast, to allow customers to take into account industry developments, but that the base case will be the 27/73 split.
5. SB asked if the next webinar should be in August, given the holiday season and problems attending. JW noted that webinars can be recorded, and so if missed can be caught up on. The TCMF attendees noted the proposed date clashes with DCMF which SB agreed to avoid. MS noted the aspiration to discipline (as with DN forecasts) in have having the T-Con after the forecast, and suggested that maybe we should wait until the first week of September.
6. MS noted that the CHUG meeting action from May to present the new revenue template to TCMF is complete. Can all feedback be passed to SB.

4 Options for TNUoS charging arrangements for exporting GSPs – Andy Wainwright

7. AW presented slides on the options under development for TNUoS charging arrangements for exporting GSPs. This followed from National Grid’s informal review of transmission charging arrangements for embedded generation as an area that stakeholders had identified as needing further investigation.
8. AW focussed on the potential impact of an exporting GSP on transmission investment requirements. He explained how this resulted in supplemental questions

around the definition of an exporting GSP, how exporting GSPs could be reflected in the charges, and who is best placed to react to the signal.

9. AW presented potential charge change options from no change, through incremental changes to local charges, to major changes if it was determined that exporting GSPs affected development on the MITS.
10. The presentation led to significant discussion within TCMF with the main points being;
 - It was noted that, in addition to thermal considerations, technical considerations such as fault level and voltage at GSPs can also affect transmission investment requirements.
 - An attendee asked if there were practical examples of MITS investment due to exporting GSPs. AW noted that National Grid are currently looking at the drivers for recently commissioned GSPs.
 - One attendee asked about the time period determining the values on the chart slide – AW noted they are 12/13, although National Grid are currently looking at 13/14.
 - The group noted that this change could require supplemental DNO licence changes as well as regulatory changes. The group discussed the need for engagement with the DNOs. It was noted that AW has presented at DCMF, and plans to attend further meetings. The possibility of engaging the DNO's Methodology Issues Group (MIG) was also considered.
 - It was noted that charging by GSP to Suppliers would be a huge regime change entailing broad reform, impacting the balancing regime, etc. AW responded that incremental steps may be a more appropriate way forward.
 - The interaction with the developments surrounding the G:D split was discussed. The group considered that this may impact the options for exporting GSPs, i.e. exporting GSPs could be considered as generators.
 - The TCMF discussed the operational aspects of the change and asked whether these proposals might lead to operational improvements. Some considered that a charging regime might drive different behaviour, helping operational issues, or could reduce the instances of exporting GSPs, hence reducing the need to charge. It was also noted that charging has to support the arrangements, giving a signal to the appropriate party to make an informed decision. As TNUoS reflects the incremental cost of transmission investment, AW suggested that a DNO might be best placed to receive such a signal on a GSP basis. It was commented that licence conditions should be sufficient to drive optimal decision making. Others believed that a commercial incentive is appropriate with the correct checks and balances.
11. The group discussed how these proposals would affect access rights. AW suggested that the incremental options might not require changes to access rights arrangements, but the more significant options might.

5 Understanding your needs – Andy Wainwright

12. AW presented slides the results of the National Grid's Customer Surveys on both charging and code development. The next step is to develop an action plan.
13. The TCMF attendees generally agreed with the high level points raised, with no additional comments received. AW therefore noted that this would form the basis for National Grid's action plan.

6 Charges associated with delay to connection – Charon Balrey

14. CB explained that NGET had recently published an open letter about charges associated with delay to connection. CB's slides focussed on the feedback we have so far received on the proposals and the detail of the proposal itself.
15. One attendee observed that historically, online guidance documents have not been successful as they can get lost within NGET website and are often not updated.
16. CB highlighted that provisions already exist in CUSC section 14.4 and asked if this needs to be more explicit in CUSC?
17. The group discussed the increasing magnitude of the issue. CB noted that the length of delays is on the increase, even if the number of instances is not. The group discussed the connection queue issues discussed elsewhere (outside of TCMF), and how the proposed delay charge could be a disincentive on the queue.
18. Attendees asked about compensation if NGET triggers a delay. CB responded by highlighting that this was discussed during the development of RIIO, which concluded that such a provision would not be appropriate as would be socialised.

7 Flexible TEC Access – Nick Pittarello

19. NP presented current thinking of the different potential development options for flexible TEC. NP focussed on drivers (lower costs for marginal plant, increased security).
20. One attendee asked how a bilateral arrangement would differ from a non-firm capacity product. NP clarified that non-firm can be curtailed at any time and at no cost by the SO if TEC is exceeded whereas a bilateral agreement would define the conditions when generation output would be curtailed.
21. NP asked if the presented options were a complete spectrum. One attendee mentioned the connection queue issues and underused TEC. NP confirmed he is working closely with CB though her area of work relates to new entrants rather than existing players.
22. NP then discussed possible challenges on the options taking into account 1) EMR, 2) Europe and 3) operational difficulties. NP then indicated which options industry participants had so far shown an interest in developing.
23. One attendee challenged the striking out of bilateral TEC sharing, reasoning that this is similar to TEC exchange. NP considered that shared TEC seems less likely to be applicable due to the potentially low number of sites which could share, whereas all sites could have an exchange rate.
24. The group discussed the customer seminars about queuing TEC and that the discussions on queue management have not considered flexible TEC. However the group also noted that they could not see a reason why these issues should not overlap. AW echoed this and noted CB, etc. are keen to work with industry on managing the queue. Attendees indicated they are happy with CB's engagement and did not want to take anything away here.
25. One attendee asked how CfDs interact with the capacity options. NP acknowledged that this area needed further work.
26. One attendee noted that many of the options were made difficult, or less likely to be useful by the recent publication of EMR rules, but considered that the rules could yet be changed. One attendee asked why would a wind farm pay for firm TEC if TEC Lite were available? NP explained that TEC Lite would not offer firm capacity which might be an unacceptable risk for some generators.

27. NP asked for a show of support on whether NGET should further develop the proposals. There was limited appetite as the group considered that there are a lot of initiatives at the moment, but also noted this issue could still become important. Some support was shown for a relaxed approach.
28. The group briefly discussed the term 'non-firm' and linked this to queue management. The group noted that non-firm has other meanings in past discussions.

8 Statement of Works – David Corby

29. DC presented slides to streamline the current Statement of Work process. DC explained the current codified process, the revised process currently being trialled and proposed next steps, including the potential for a CUSC modification proposal.
30. The group were supportive of the proposal. It was suggested that this might be progressed using the Self Governance process, but attendees reserved judgement pending the shape of any modification proposal.

9 Biddable Indexation & TNUoS – Wayne Mullins

31. WM presented slides on the impact of Biddable Indexation of OFTO allowed revenues on TNUoS. Under these arrangements OFTOs can specify the proportion of their revenue linked to RPI. WM explained the impact this has on local TNUoS and the dilution of the associated linkage with OFTO revenue. Lastly WM explained the next steps.
32. The TCMF attendees commented that mechanistically the proposal is fine. However attendees asked how the percentage of the non-indexed revenue is set. WM and PR responded with the view that it would be fixed over the OFTO price control. One attendee noted that this is very relevant to the complexity of the proposal. PR agreed to discuss this bilaterally. Attendees noted that if this is not fixed for the 20 year lifespan then approval on investment might not be feasible.

10 Future Topics – David Corby

33. DC briefly presented potential future topics as ranked by the TCMF meeting previously.
34. The attendees considered whether exporting GSPs should be promoted in priority ranking, but did not conclude as this change is not a priority for all attendees.

11 AOB

35. WM briefly discussed the scope of the proposed Charging Tutorial. This will be held towards the end of September with invites to be sent out to the usual CUSC distribution list. To register an interest please contact WM (Wayne.Mullins@NationalGrid.com).
36. WM noted the published Generator Focussed Anticipatory Investment (GFAI) open letter and noted that responses are requested by 25th July. The letter is published at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data/> under "Guides and Tutorials".

12 Next meeting

Next meeting: Wednesday 17th September

Time : 11:00 – 15:00

Venue : National Grid House Warwick