

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	6 th January 2016
Time	11:00 – 12:15
Location	Webinar

Attendees

Name	Initials	Company
Wayne Mullins	WM	National Grid (Chair)
Juliette Richards	JR	National Grid (TCMF Technical Secretary)
Jo Zhou	JZ	National Grid
Andy Wainwright	AW	National Grid (Presenter)
Nick Pittarello	NP	National Grid
Stuart Boyle	SB	National Grid (Presenter)
Richard Smith	RS	National Grid
Joshua Bates	JB	National Grid (Observer)
Lisa Waters	LW	Waters Wye
Binoy Dharsi	BD	EDF
Paul Mott	PM	EDF
Guy Phillips	GP	EOn
Lewis Elder	LE	RWE
Nicola Fitchett	NF	RWE
Aled Moses	AM	Dong Energy
Edda Dirks	ED	Ofgem
Garth Graham	GG	SSE
James Anderson	JA	Scottish Power
Ian Fothergill	IF	SHE Transmission
Jeremy Guard	JG	First Utility
Guy Phillips	GP	Eon
Eamonn Bell	EB	Renewables UK
Nigel Scott	NS	Xero Energy
Aled Moses	AM	Dong Energy
Kyle Maryon	KM	Haven Power

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/>

1 Ongoing CUSC modification proposals – Juliette Richards

1. Ongoing and new CUSC modification proposals were presented with updates / information for each.

2 Update on draft 16/17 tariffs – Stuart Boyle and Dave Corby

2. SB presented slides 18 to 29 to explain the recent draft 16/17 tariffs published on 21st December 2015.
3. SB explained that overall there had only been minor changes to the forecast TNUoS revenue to be collected in 16/17 as whilst both NGET and Scottish Hydro's revenue forecast had moved, these changes had cancelled each other out. SB noted that actuals for innovation funding and all the TO 'mod' terms are now in the forecast tariffs. However the demand and generation charging bases are still under review and could change before the actual tariffs are calculated. Other areas that could lead to change include pre-vesting connections income, inflation TRU-up information from the onshore TOs, differences between Scottish income and payments (the so-called 'Scottish mismatch') and any change to OFTO revenues apart from inflation indexation.
4. An attendee asked for further detail on the changes to NGET and Scottish Hydro revenue. SB explained that the changes were due to the price control adjustment (MOD), and that NGET's revenue had fallen by approx. £20m as a result but Scottish Hydro's had increased by around £15m. The changes were unrelated.
5. SB explained slide 25 in further detail, noting that the generation residual had increased slightly due to the reduction in the amount of chargeable generation. SB also explained that the increase in North to South flows (due to additional generation in Scotland) has meant that some circuits that were previously classified as 'peak' are now 'year round' circuits. The effect of this is to increase tariffs for intermittent generation in the North as previously they were not paying for these circuits (as intermittent generation do not pay the peak security element of TNUoS). SB also noted that the changes in zones 12 and 25, and 23 and 24 respectively are due to changes in East to West flows.
6. An attendee asked for the generation background amount? SB confirmed that in the draft tariffs 69.9GW was used as the generation background in the locational model and 62.8GW in the tariff model (the latter does not include interconnectors or generation National Grid considers unlikely to be paying TNUoS charges). ED asked why 2 different datasets are used? SB explained (referencing slide 26) that for the locational model (which sets the locational differential) the methodology states that contracted TEC as at 31st October must be used for this element. WM explained that this is for transparency as the locational model sets the differential between generation users hence it would not be appropriate for NGET to use their best view here as our assumptions could lead to discrimination between users. However the tariff model (which ensures that all tariffs are set to the appropriate level to recover the right amount of revenue for the TOs) impacts all users equally, and for the sake of revenue recovery it is more appropriate to use a best view here.
7. Regarding the change in demand tariffs (slides 27 and 28) SB noted that the change in the residual is in part due to the assumption that the small generators discount will be in place in 16/17 further to the recent consultation run by Ofgem. The rest of the change is due to the movement in the demand forecast. On slide 28 the increase in Northern NHH tariffs has come about due to the reduction in chargeable HH leading to NHH tariffs increasing in these zones. Further analysis will take place to examine zones 11 and 14 in further detail before final tariffs are published.

8. DC then explained in further detail the work that has been done to forecast the demand charging base (slides 30 to 32) noting that this has led to a lower forecast of NHH and HH demand used in the draft tariffs.
9. An attendee asked whether this method had been 'back cast' to see how accurate it would have been in forecasting demand for previous years? WM and DC confirmed that this was the case and had yielded positive results within the expected confidence intervals. However WM noted that in zone 11 for example the potential range of forecasts was wider than other zones. Another attendee asked whether the demand base was being heavily influenced by solar? WM confirmed that this was the case for some zones e.g. zone 14. He also noted that there was a similar situation in Scotland with some zones being influenced by wind.
10. BD noted that as this analysis has been completed fairly close to final tariffs being issued, and as there is still some further analysis to be done would it not be more appropriate to delay using these new demand charging bases until there is greater certainty particularly in specific zones? SB noted that whilst he appreciated that this latest forecast has led to some large changes, NGET has an obligation to use the latest data in setting tariffs and to ensure correct revenue recovery wherever possible. He noted that not implementing a revised forecast could lead to £100m under recovery of TNUoS revenue, and also noted that the picture of demand is shifting rapidly at the moment (due to e.g. embedded generation) and this latest forecast simply reflects that. GG noted that the scale of this change should potentially be a one off situation associated with the recent changes in policy around renewable generation subsidies.
11. BD asked whether only the South East would be heavily reviewed before final tariffs? WM confirmed that all zones would be reviewed but that it is likely that larger changes could take place in the South East due to the wider range of demand forecasts here. BD asked if these potential ranges could be shared with the group?
ACTION: DC to send appropriate data to the group.

3 Update on potential charging arrangements at exporting GSPs – Andy Wainwright

12. AW thanked attendees for their responses to the consultation on potential charging arrangements at exporting GSPs, noting that almost 30 responses had been received. He talked through the broad themes in the responses as detailed in slides 15 and 16 and asked for questions.
13. One attendee asked if it was appropriate to use historic data, given the recent large changes that have been seen in this area? AW noted that this comment had been echoed in responses to the consultation.
14. Another attendee asked if there was any quantifiable information at this stage on the level of transmission investment being caused by exporting GSPs? AW noted that many responses had also picked up on this point. There is an issue here around how the current methodology calculates expansion constants by using generic costs – which makes it more difficult to work back to areas of specific cost e.g. costs of specific reinforcements. This will be a challenge that will need to be addressed if / when any specific strawmen are taken forward. An attendee noted that an order of magnitude would be helpful, so that this can be assessed against the cost of making any substantial changes to the charging methodology.
15. AW also noted that there had been several comments on the area of local charging based on capacity – for example some respondents asked whether a commodity option had been explored, and that further work should be done in the area of shared assets at GSPs.

16. AW noted that many respondents had expressed a need for development to be considered holistically with distribution arrangements. LW asked whether such a piece of work would be progressed by a significant code review? AW said this was a possibility but not yet decided – the clear message being received is that any work undertaken needs to be done holistically. LW noted that a holistic approach would be valuable but that any changes need to be flagged as far into the future as possible to provide generators with certainty. GG also noted that any future work would need to consider the European developments on tariff harmonisation.
17. LW asked if many responses had been received from small embedded generation? AW – yes, responses were received from organisations representing smaller parties such as Cornwall Energy, Scottish Renewables and Renewable UK for example. Another attendee noted that the recent extension to the small generation discount was made a relatively short notice – is there any indication of timescales for the changes being discussed today? AW noted that stakeholders valued decisions being made in a timely manner and cited the work that had been done in 2013/14 reviewing transmission charging arrangements for embedded generation ahead of the 2016 end date of the C13 licence condition. LW asked if there was any way the market could be informed as early as possible – for example regular updates on where exporting GSPs are so that this can inform investment decisions. AW indicated that any further work would be further discussed at TCMF and that stakeholders would be updated with progress.

4 AOB

18. There were no further items of business.

5 Next meeting

Next meeting: Wednesday 9th March 2016

Time : 11am

Venue : National Grid House Warwick