

## Meeting report

<b>Meeting name</b>	Transmission Charging Methodologies Forum
<b>Date of meeting</b>	9 <sup>th</sup> March 2016
<b>Time</b>	11:00 – 13:30
<b>Location</b>	National Grid House, Warwick

## Attendees

<b>Name</b>	<b>Initials</b>	<b>Company</b>
Paul Wakeley	PW	National Grid (Chair)
Juliette Richards	JR	National Grid (TCMF Technical Secretary)
Jo Zhou	JZ	National Grid
Nikki Jamieson	NJ	National Grid (Presenter)
Nick Pittarello	NP	National Grid (Presenter)
Rob Marshall	RM	National Grid
Colin Prestwich	CP	Smartest Energy
George Douthwaite	GD	Npower
Tim Collins	TC	Centrica
Lars Weber	LW	Neas Energy
James Anderson	JA	Scottish Power
Mary Teuton	MT	VPI (Presenter)
Lis Staal	LS	Dong Energy
Aled Moses	AM	Dong Energy
Lewis Elder	LE	RWE
Douglas Gardner	DG	Gardner Asset Management LLP
Simon Lord	SL	Engie
Ian Fothergill	IF	SHE Transmission
Garth Graham	GG	SSE (Presenter)
Eamonn Bell	EB	Renewables UK
Bill Reed	BR	RWE
Nicola Fitchett	NF	RWE
Jonathan Davison	JD	Cornwall Energy
Guy Phillips	GP	EOn
Kate Dooley	KD	Energy UK
Elizabeth Allkins	EA	Ovo Energy
Peter Bolitho	PB	Waters Wye
Paul Mott	PM	EDF
Dena Barasi	DB	Ofgem
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 New and ongoing CUSC modification proposals – Juliette Richards

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

## 2 Discussion item: Potential CUSC modification from VPI Immingham – Mary Teuton

2. MT presented some slides to the group to outline a potential CUSC proposal seeking to remove SBR and DSBR costs from BSUoS and put these into a separate demand security charges payable by Suppliers.
3. MT explained that there is considerable uncertainty / volatility in SBR and DSBR costs due to, for example, lack of clarity around how plants are dispatched, their exact utilisation costs, warming timescales etc. This makes it difficult to predict these costs.
4. An attendee asked what, if any, interaction there might be here with the ongoing CMP250 proposal (which seeks to set BSUoS in advance)? MT noted that there is some interaction but that CMP250 would not be in place for the 16/17 winter which this proposal is addressing.
5. Another attendee asked over what period the demand security charge would be charged? MT said she was not sure at this stage and that this could be discussed.
6. GD noted that (smaller) Suppliers for example would not necessarily be in any different position to generators in forecasting these more volatile elements.
7. Another attendee noted that consideration would need to be given to whether the charge would go via a Supplier BMU or a demand charge. If the latter this could lead to a further embedded benefit.

## 3 Discussion item: CUSC modification from SSE – Garth Graham

8. GG presented some slides to the group to outline a CUSC proposal put forward by SSE on 8<sup>th</sup> March. The proposal (CMP261) seeks to ensure that the TNUoS paid by Generators in GB in Charging Year 2015/16 is in compliance with the €2.5/MWh annual average limit set in EU Regulation 838/2010 Part B (3). GG noted that SSE had carried out some initial calculations and believed that average G charges in GB in the charging year 15/16 were in the region of €3.25/MWh.
9. An attendee asked if weighted averages had been used in determining the potential G charge for the year? GG confirmed this was the case.
10. Another attendee asked what the difference was between this proposal and CMP251? GG noted that CMP261 only considers the 15/16 charging year. CMP261 essentially applies the principles of CMP251 but earlier than would otherwise be the case.
11. Another attendee asked how the generator reconciliation would take place? GG said that this would follow the principle outlined in CMP251. The generators would receive a payment in the 16/17 charging year, and this would be paid for via the demand residual. The negative cash flow in the interim would be held by National Grid SO.
12. Another attendee asked what would happen if the modification was not approved? Could another party seek redress? GG noted that he thought the European Commission or an individual generator could do so.
13. A further attendee asked whether this proposal is disregarding the legal advice given by Adelshaw as part of the CMP251 discussions? GG said that the legal advice given by Adelshaw had not considered the question of what happened if ex post, the ex ante approach to charging had been found to not lead to an average charge of €2.5/MWh – which is what SSE's analysis suggests.

14. One attendee observed that CMP251 was not granted urgency, despite requesting it. They also asked whether CMP261 would be seen as setting a precedent for CMP251? GG said he did not believe this to be the case as CMP261 is only addressing what has happened in the 15/16 charging year – not the principle of applying an error margin per se.
15. It was noted that the SSE proposal has requested urgency. The proposal would be discussed at a special CUSC Panel meeting to be held immediately after TCMF / CISG.

#### **4 Reviewing Commercial Arrangements associated with Charging - Interactive Workshop**

16. NJ introduced the workshop, noting that a number of changes are taking place in the electricity industry, including decarbonisation, a shift from a centralised to a decentralised system (as generation units move closer to consumption and consumers become more active) and the emergence of new and smart technologies. These developments mean that there is a need to ensure that commercial arrangements around transmission charging effectively support the evolving market in the future
17. In addition, there has been a large volume of CUSC charging modifications proposed in the last 12 months, and some customers and stakeholders have raised various issues with National Grid, with some suggesting there may be a need to take a more holistic look at commercial arrangements around transmission charging.
18. At this stage, National Grid is undertaking stakeholder engagement across the industry to gather views on commercial arrangements around transmission charging and the future challenges. This work will help formulate the scope of any work we undertake to review commercial arrangements in future. Initial data analysis is also being undertaken.
19. Attendees were asked to consider the following questions in groups:
  - i. What are the drivers for change in commercial arrangements around network charging? (Political, regulatory and legal / Economics / Social, environmental / Technological)
  - ii. How is the electricity industry affected by current network commercial arrangements? (Strengths / Weaknesses / Opportunities / Threats)
  - iii. In the context of the network charging regime, what is good and what needs to change? (Keep / Start / Tweak / Stop)
  - iv. How is your business affected? Wouldn't it be nice if... (Each table to vote for top 3 suggestions)
  - v. What should happen next (Attendees asked to rank suggestions on an impact / time matrix to understand what actions may be quick wins or more long term goals)
20. A write up of the discussions will be presented back to industry as part of the wider feedback on potential changes to commercial arrangements.

#### **5 AOB**

21. No further business was discussed

#### **6 Next meeting**

**Next meeting: Wednesday 11<sup>th</sup> May 2016**

**Time : 11am**

**Venue : National Grid House Warwick**