

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	11 th January 2017
Time	10:30 – 13:30
Location	National Grid House, Gallows Hill, Warwick CV34 6DA

Name	Initials	Company
Andy Wainwright	AW	National Grid (Chair)
Robert Barnard	RB	National Grid (TCMF Technical Secretary + Presenter)
Juliette Richards	JR	National Grid (Presenter)
Damian Clough	DCI	National Grid (Presenter)
Rob Marshall	RM	National Grid (Presenter)
Katharine Clench	KC	National Grid (Presenter)
Urmi Mistry	UM	National Grid (Presenter)
Nick Pittarello	NPi	National Grid
Kate Dooley	KD	Energy UK
James Anderson	JA	ScottishPower Energy Management
Robert Longden	RL	Cornwall Insight
Karl Maryon	KM	Haven Power
Colin Prestwich	CP	SmartestEnergy
Garth Graham	GG	SSE
Laurence Barrett	LB	E.ON
Edda Dirks	ED	Ofgem
Alex Dorobantu	AD	Hudson Energy
Simon Vicary	SV	EDF Energy
Joseph Underwood	JU	Drax
Ben Tucker	BT	Good Energy
Herdial Dosanjh	HD	Npower
Nicola Percival	NPe	Innogy Renewables UK Ltd
Zoltan Zavody	ZZ	Electricity Storage
Tim Collins	TC	Centrica
Kyran Hanks	KH	Water Wye
Binoy Dharsi	BD	EDF Energy
Marlon Dey	MD	UKPR
Lewis Elder	LE	Stratera Energy
Lucas Lijja	LL	Intergen
Elizabeth Allkins	EA	Ovo 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/>

1 Modifications and CUSC Panel Update – Heena Chauhan, National Grid

1. Ongoing CUSC modification proposals were presented with updates/ information for each. CMP271, CMP274 and CMP250 are at Workgroup stage. CMP268 was recently sent back from the Authority for further development in the Workgroup.

2. CP asked about the likely timescales for CMP268. HC highlighted that the proposed timetable is being developed by the Workgroup and will be presented to the CUSC Panel in January for approval.
3. KH voiced a concern for a Headline report. HC spoke to KH after the meeting to clarify the location of this and other reports on the National Grid website.

2 Overview of CMP272- Heena Chauhan, National Grid

4. A new modification to implement licence changes to the CUSC arising from Ofgem's Code Review (Phase 3) was presented, showing its position in the CUSC modification process and reasons for being raised. No questions were raised for this modification.

3 Draft Tariffs: What are they? – Katharine Clench, National Grid

5. KC presented the draft TNUoS Tariffs for 2017/18. Highlights included a quick view of the tariff timetables; an explanation of how the inputs to the charging models have changed due to various factors (revenue, generation & demand charging bases, and circuits), and how this subsequently affects the generation and demand tariffs. A brief view of the HH and NHH tariffs and change from October forecast was also presented.
6. GG inquired into the context of the changes that will be made to the generation Annual Load Factors (ALFs) following responses from generators. GG followed this by using a scenario to ask the following: if a change to load factor changes a generator's liability, how does it affect the overall split of charges? AW and KC emphasised that this will impact upon the residual element of the charge and that any change to revenue will also result in this. Any impact to final tariffs following changes to ALFs will be small.
7. RI requested a reminder of where the 21% error margin comes from in the calculation of revenue recovered by generation. KC set out that this value is derived from historic datasets of generation volume and income received from generation. This prompted RI to enquire if there was a chance of reducing this value for final tariffs, which KC followed by explaining that this was not going to change for final tariffs in January.
8. In the scenario in which there are increased flows of generation from North to South, NPe asked if the correction to demand was related to interconnectors? KC responded; the correction was not related to interconnectors. A correction had been made to the week 24 demand data which had the effect of reducing demand in Scotland.
9. An attendee questioned the degree of flexibility regarding inputs into the methodology, whether National Grid had the ability to modify these inputs? KC set out that the methodology is very specific on the source of data for some inputs and less so on others. AW explained that for the demand forecast, National Grid is highly incentivised to make this as accurate as possible given that it has such a potentially large impact to either over or under-revenue recovery.
10. KH asked if National Grid is publishing a five year forecast? KC and AW responded: A five year forecast will be published in February and to refer to the Webinar for further information. LB inquired if this is based on current methodology and if there are any sensitivities included to account for ongoing modifications? KC replied by establishing that the 5 year forecast will be based upon the current charging methodology and cannot take into account all of the ongoing modifications. LB used Brexit exchange rate assumptions as an example, KC referred to RIOT2 being applicable for the final year of the forecast. SV requested for these assumptions to be set out for industry use. AW followed this with a question: is the forecast setting into the 5 year forecast for price controls? HP requested a half-day run-through of this topic, which SV added to by asking whether there should be scenarios run around this? BP voiced a concern with the value of creating a 5 year forecast with many

unknown variables affecting it. SV suggested that these forecasts may be useful for providing insight.

11. BP and SV raised the issue of potentially increasing the number of zones to 43 in relation to tariff forecasts. AW and KC acknowledged this as a future area of discussion.

4 Future Mod Tariff Stability– Simon Vicary, EDF and Juliette Richards, National Grid

12. SV and JR presented on CMP244 and the volatility of TNUoS tariffs. The objective of CMP244 was to improve tariff predictability by increasing the TNUoS tariff notice period. Reasons for the Authorities decision to reject this proposal in July 2016 were due to difficulties in quantifying consumer benefits and hence whether benefits would outweigh increase in cashflow risk and costs borne by other parties. JR presented slides to show how inputs to TNUoS tariffs are received over time, and two questions were put to the attendees: Do you think further work to seek improve tariff predictability is a good idea and do you have other thoughts on options for improving TNUoS predictability/ reducing volatility? SV alluded to the importance of the issue, with many companies wanting to talk about tariff volatility.
13. HD provided input to the question, stating that she would welcome further work in this area and that there could be value in reusing / refreshing some output from CMP244. GG asked whether a smart TRIAD could be used. SV asked the attendees whether they would find value in exploring these issues in a workshop format? Attendees noted they thought this could be valuable and a May date, concurrent to TCMF was suggested. GG also noted the future deadline of the move from NHH to HH with the 2020 install smart meter date.
14. Attendees also noted that it would be valuable to bring stakeholders such as smaller suppliers and large demand customers into any future work to gather their views. RL noted that the Cornwall Small Suppliers' Forum could be a way to do this.

5 Customer Survey – Juliette Richards, National Grid

15. JR briefly talked about the next round of customer and stakeholder satisfaction surveys for the industry frameworks area. JR explained how the survey asks for the overall experience of working with NG industry frameworks and then follows with more targeted questions, such as how useful is TCMF. Attendees were asked to inform Juliette if they would rather not take part in the survey for the next round. AW noted that National Grid has changed the frequency of surveys, so that they can be more event based rather than a static annual survey.

6 CMP268 Information Update – Damian Clough, National Grid

16. DCI provided an update to the current progress of CMP268: Recognition of Sharing by Conventional Carbon plant of Not Shared Year-Round circuits. The modification was sent back from the Authority in order to determine further areas that needed addressing through additional industry assessment. DCI provided highlights of a meetings with Ofgem and SSE identifying the next steps: The work/evidence needs to belong to the group and be transparent, further work to be done using NG's model to determine the need for network investment, questions around whether the solution works for all generators, and identifying a need for distributional impact to take into account the effect on future tariffs.
17. RL raised a concern over the submissions received for CMP268 which were not owned by the group. JU explained that this was a consequence of not having a large enough timeframe to insert the evidence following the normal procedure.
18. RL asked for information regarding the Electricity Scenario Illustrator (ELSI) and stated the need to be under periodic review. AW eluded to the attendees the purpose of this internal tool for use in RIOT1. It allowed a user to change variables and see

the most appropriate build decision for a project. AW stated it may be used to examine the flows of interconnectors now.

7 Storage and how it is treated today– Urmi Mistry, National Grid

19. UM talked about how storage is charged if it connects to the electricity transmission system today due to the lack of clarity on the charging method, Ofgem's identification of the issue in its "Smart, Flexible Energy System - a call for evidence" report, and increased industry interest. The concept refers to energy capture process technology; which releases the energy at a later time; and comes in a variety of different forms such as Pumped Storage (which is the most mature). The treatment of storage was explained: the charges apply for transmission connected storage only, and it is liable for generation and demand TNUoS and BSUoS. UM established the next steps including a policy paper to be published for all interested parties.
20. JV provided a question seeking to clarify what capturing energy means. UM explained that it simply means taking it off the Grid.
21. GG asked how storage is differentiated from other forms of generation in the context of the vast array of generation types. AW replied by illustrating the research that had already been invested into seeking to look towards the differences in storage and generation, but the focus was to clarify the issue of how the methodology would treat people who connect storage today. GG followed by questioning if storage was the same class of generation and demand? Care needs to be considered over the legal position of National Grid in a policy note. DCI responded by stating that the Connection and Use of System Code (CUSC) would take precedent over the policy paper and that this was an advisory piece. AW explained to the attendees that the draft note is available to view; the point to now consider is the difficulty for new customers to establish the implications of the policy. Therefore National Grid is attempting to explicitly state the way in which customers are treated today and will review their approach to this. RL provided warning for any lack of clarity, and ED reminded the attendees the closing date to responses of storage treatment.

8 CMA Losses – Robert Barnard, National Grid

22. RB briefly raised awareness of the CMA's direction to implement transmission losses calculated on a zonal basis. The changes will occur through modification to the Balancing & Settlement Code (P350) by altering the value of the Transmission Loss Multiplier (TLM) to be determined for each demand zone Grid Supply Point Group. This means the metered values National Grid receives for each Balancing Mechanism Unit will reflect the locational effect.
23. GG asked for a diagram to be provided in order to improve the attendees understanding of the topic, and recommended checking what effect this change will have on the ALFs. The attendees discussed whether this will affect distribution, and called for a need to calculate the possible magnitude of these changes. ED established the timeline of this implementation: P350 was raised in July 2016, an Industry Impact Assessment has been issued by the workgroup in January 2017 and the CMA is mandating this remedy implemented in April 2018.

9 Customer Summary– Rob Marshall, National Grid

24. RM discussed the feedback received from December TCMF regarding how the attendees perceive the stakeholder forum. The questions asked included: How it should be structured, what membership should a steering committee have, and what timelines should be worked to. Several structures were viewed, with a range of feedback looking to have a more transparent, flexible and clearly run session with experts present. The steering committee was suggested to be representative of the industry with clearly define roles, make use of a range of expertise and occur regularly. Timelines looked at building a long term vision in order to give industry a more strategic direction of travel.

25. HD asked if the questions will improve the way National Grid implements new ideas. RM agreed, and states the aspiration to establish a forum by the summer. AW and RM informed the attendees that these questions will also be asked for the customer seminar.
26. GG commented on the Long Term vision for Charging, stating there were contradictory points and repeated points such as expert groups and working groups. GG followed this to question the difference between said groups. RM expanded on the explanation of the groups by highlighting that views given to NG included those that wanted more accessibility to transmission charging and those that wanted to make best use of experts within the industry. GG also raised an issue of high attendance to particular forums, such as 25 attendees participating in CMP264/265. RM replied by expressing the difficulty of all attendees to contribute regardless of membership and a need to change this. AW agreed with this by highlighting that he had also received views from stakeholders in this theme.

10 AOB – Andy Wainwright, National Grid

27. AW asked the attendees if there were any other issues for discussion. AW explained the development of TCMF towards becoming a monthly forum in order to allow proposals to be discussed more promptly. The topics to be covered will be communicated beforehand and AW encouraged attendees to bring their proposals along for discussion.
28. GG requested for the calendar to include all meetings for the year, and cautioned when rooms are booked. AW clarified that the Code Governance team were looking to arrange TCMF for the 2nd Wednesday of every month. CP suggested hosting TCMF in London with the support of five attendees. RM suggested running TCMF before National Grid's paper days in order to facilitate more effective discussion. RL requested that the Technical Secretary illustrate the changes to the TCMF process clearly.
29. RL suggested that TCMF could assist the process for identifying defects prior to submission of formal CUSC proposals. AW agreed that this would help the timely understanding of issues in workgroups.

11 Next meeting

Next meeting: Wednesday 9th February 2017

Time : 1pm

Venue : Webinar only