

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal
Cap on the total TNUoS target revenue to be recovered from generation users
Submission Date
19/09/2013
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address
<p>European Commission Regulation 838/2010 applies a range of 0 - 2.5 €/MWh that average annual transmission charges payable by generators in GB must remain within. If in any given year the average annual generation transmission charges do not fall within this range, National Grid runs the risk of being non-compliant with the regulation. This range applies until the end of December 2014. ACER is currently carrying out a review of the appropriateness of this range for the period beyond December 2014 and will provide its opinion to the Commission by 1st January 2014. Therefore it is important that the average annual generation transmission charges remain within the current prescribed range until December 2014, and within the revised range (if modified after ACER's review) that may come into force from 1st January 2015.</p> <p>The value of average annual transmission charges payable by generators is dependent on a number of parameters which include -</p> <ul style="list-style-type: none">• Demand forecasts• Revenue forecasts• £/€ Exchange rate <p>Considering the impact of all these parameters along with the ACER review outcome, it is possible that the level of these charges does not breach the range specified by the EC regulation anytime soon. However, it cannot be assumed with absolute certainty that the level of these charges will remain within the range in future.</p> <p>The driver for this proposal is to counter the risk of non-compliance with the EC regulation if indeed a breach of the range applied on generation transmission charges becomes a possibility in future. The broader context of harmonisation of transmission tariffs across Europe to facilitate a single competitive market falls outside the remit of this proposal. It is National Grid's view that the latter goal can only be accomplished by a comprehensive review of the Generation/Demand revenue split (G/D split in short). However, as the common regulatory approach to transmission charging across Europe is still evolving, it is recommended to carry out such an exercise when the European position in this area becomes clearer. This proposal does not aim to go into that level of detail.</p>

Description of the CUSC Modification Proposal

As specified in the EC regulation, the value for average annual transmission charges payable by generators is calculated by dividing the ***total revenue collected from generation users through Transmission Network Use of System (TNUoS) charges*** by the ***total measured energy injected into the Transmission Network or simply the total demand for that year***.

The total demand for any given year is an absolute number. However, the total generation TNUoS revenue can be adjusted to a level so that the average annual transmission charges payable by generators do not exceed the prescribed limit.

CUSC Section 14 Part – 2 specifies that the total Transmission Network Use of System (TNUoS) revenue recovered will be split between generation and demand users at 27% and 73% respectively. The G/D split ratio of 27% to 73% is a fixed ratio and it does not change regardless of the overall revenue to be recovered from TNUoS charges in any given year. As generation TNUoS revenue is a fixed percentage i.e. 27% for any given year, it might drive the generation transmission charges to exceed the prescribed range eventually, taking into account the current trend of year-on-year increase in the overall TNUoS revenue.

This proposal suggests putting a cap on the annual generation TNUoS revenue so that the average annual transmission charges payable by generators always stay within the range specified by the EC regulation.

The application of this cap will allow National Grid to reduce the overall TNUoS revenue collected from generation users. Therefore, the G/D split ratio may be modified in case the level of generation revenue does not fall within the range specified by the EC Regulation. Any modification to the G/D split ratio will affect the percentage of overall TNUoS revenue collected from both generation and demand users. However, the actual impact on individual users' transmission tariffs is expected to be minimal because of the socialisation of the impact caused by any modification to this ratio. Also, it is expected that the G/D split ratio will need minimal adjustment to comply with the range specified by the EC regulation.

In any given charging year, if the generation revenue falls within the range then the G/D split ratio will not be modified.

Linking this cap to the range specified by the regulation mitigates risk of any future revisions to this range. This would ensure that National Grid always remains compliant with the EC Regulation.

Impact on the CUSC

CUSC Section 14 – Part 2 – The Statement of the Use of System Charging Methodology,
Section 1 – The Statement of the Transmission Use of System Charging Methodology

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other
(please specify)

Urgency Recommended: Yes / No

No

Justification for Urgency Recommendation

N/A

Self-Governance Recommended: Yes / No

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

We believe that this proposal does not have any interaction with an ongoing SCR.

Impact on Computer Systems and Processes used by CUSC Parties:

DCLF ICRP Transport Model

Details of any Related Modification to Other Industry Codes

None Identified

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives for Charging:

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.

Full justification:

The European Commission Regulation 838/2010 is legally binding for all Transmission licensees across Europe. National Grid believes that this proposal ensures that it remains compliant with the European legislation and properly reflects National Grid's duties in the development of its transmission business, in the absence of an overarching direction of European charging arrangements.

Connection Charging Methodology

- (a) that compliance with the connection charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- (b) that compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.

Full justification:

Additional details

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission Ltd.
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Tushar Singh National Grid Electricity Transmission Ltd. 01926 656829 tushar.singh@nationalgrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Adam Sims National Grid Electricity Transmission Ltd. 01926 655292 adam.sims@nationalgrid.com
Attachments (Yes/No):	
No	