

CMP224 – Cap on the total TNUoS target revenue to be recovered from generation users



Workgroup Meeting 1 – 24th October 2013
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Agenda

Item	Lead
Introduction	PH
Safety Moment	TS
Meeting Objectives	PH
CMP 224 Proposal	TS
Next Steps	PH

Safety Moment – *Dispel Workplace Stress*

Take time away. Try to take a quick break and move away from the stressful situation. If possible, take a stroll outside the workplace or meditate in a quiet location.



Talk it over with someone. Talking over a problem with someone who is both supportive and empathetic can be a great way to let off steam and relieve stress.



Connect with others at work. Developing friendships with some of your co-workers can help buffer you from the negative effects of stress



Look for humour in the situation. When used appropriately, humour is a great way to relieve stress in the workplace. ³

Meeting Objectives

- Acceptance of Terms of Reference
- Consider issues raised by the proposal
- Agree Next Steps

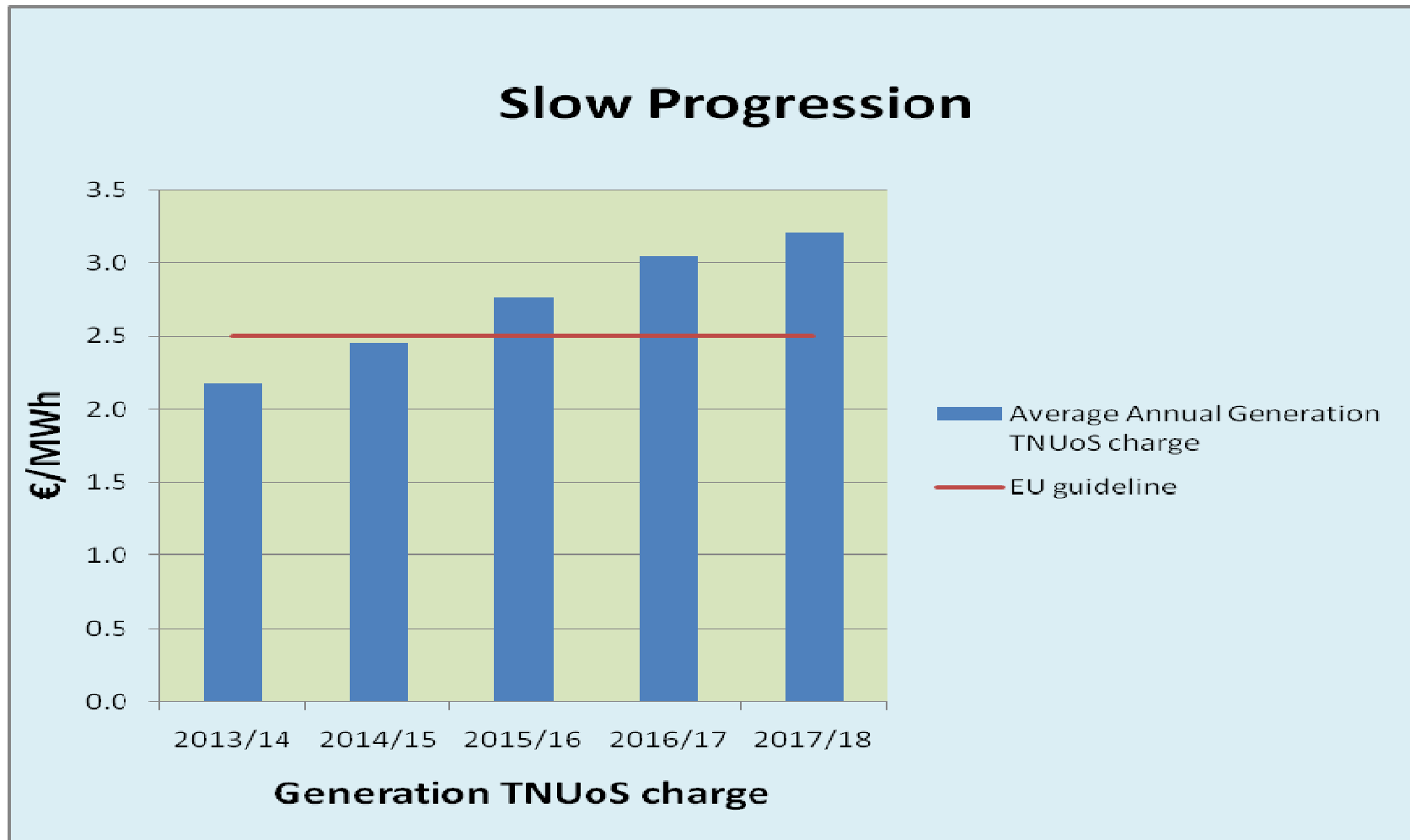
CMP224 - Background

- EC Regulation 838/2010
 - Annual average transmission charges payable by generators – 0–2.5 €/MWh
- The transmission charges for generators shall exclude –
 - Charges for physical assets required for connection to the system or upgrade of the connection
 - Charges related to ancillary services
 - Specific system losses Charges

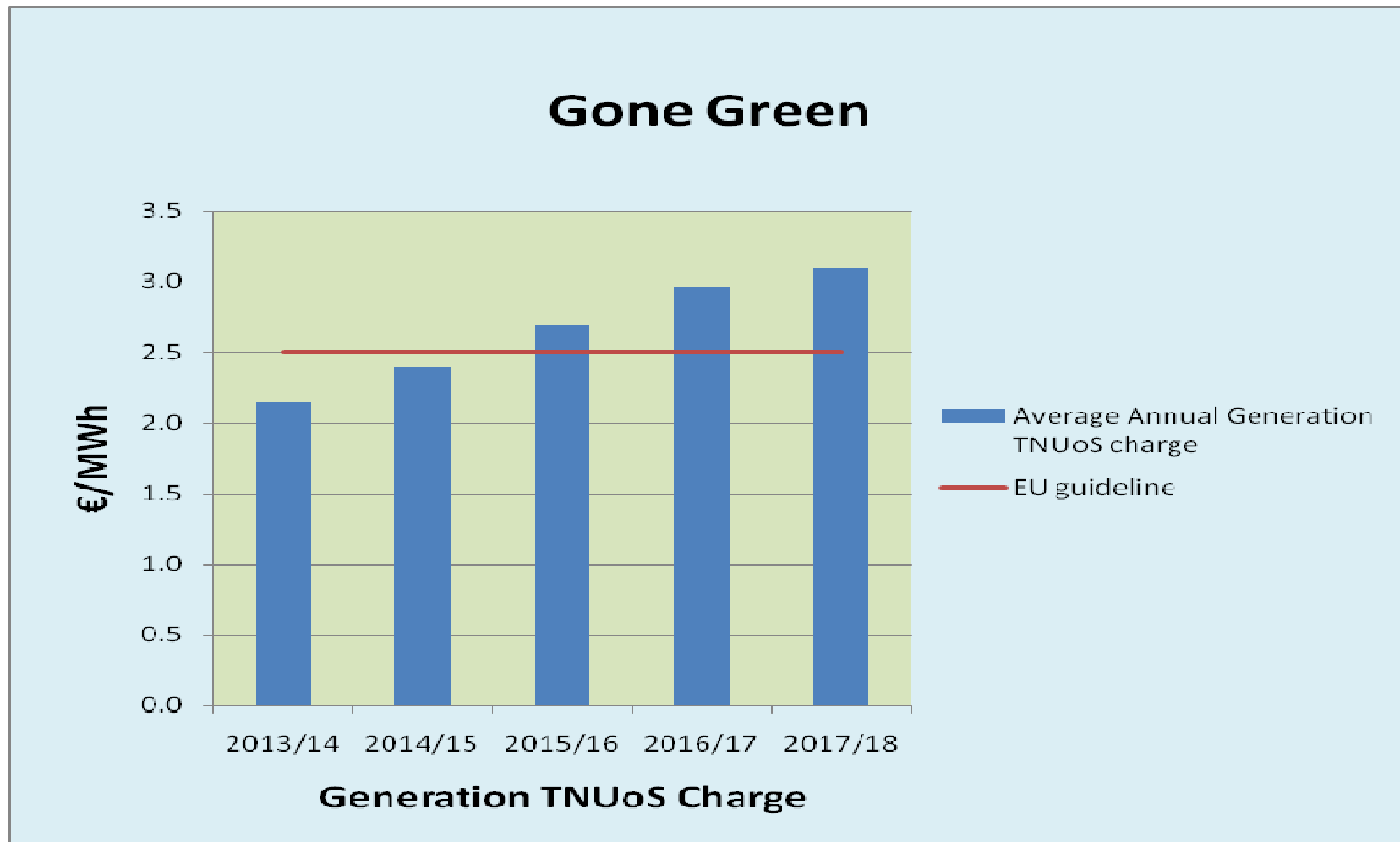
Driver for CMP224

- Compliance with the European Legislation 838/2010
- Not a broader review of G/D Split to facilitate
 - Harmonisation of transmission tariffs across Europe
 - Single Electricity Market principles

Analysis



Analysis



Variables

- Likelihood of breach is dependent upon
 - Revenue (MAR) and Demand forecasts
 - £/€ Exchange rate fluctuation
 - ACER Review Outcome
 - Treatment of Local charges
 - Treatment of Embedded generation

ACER Review

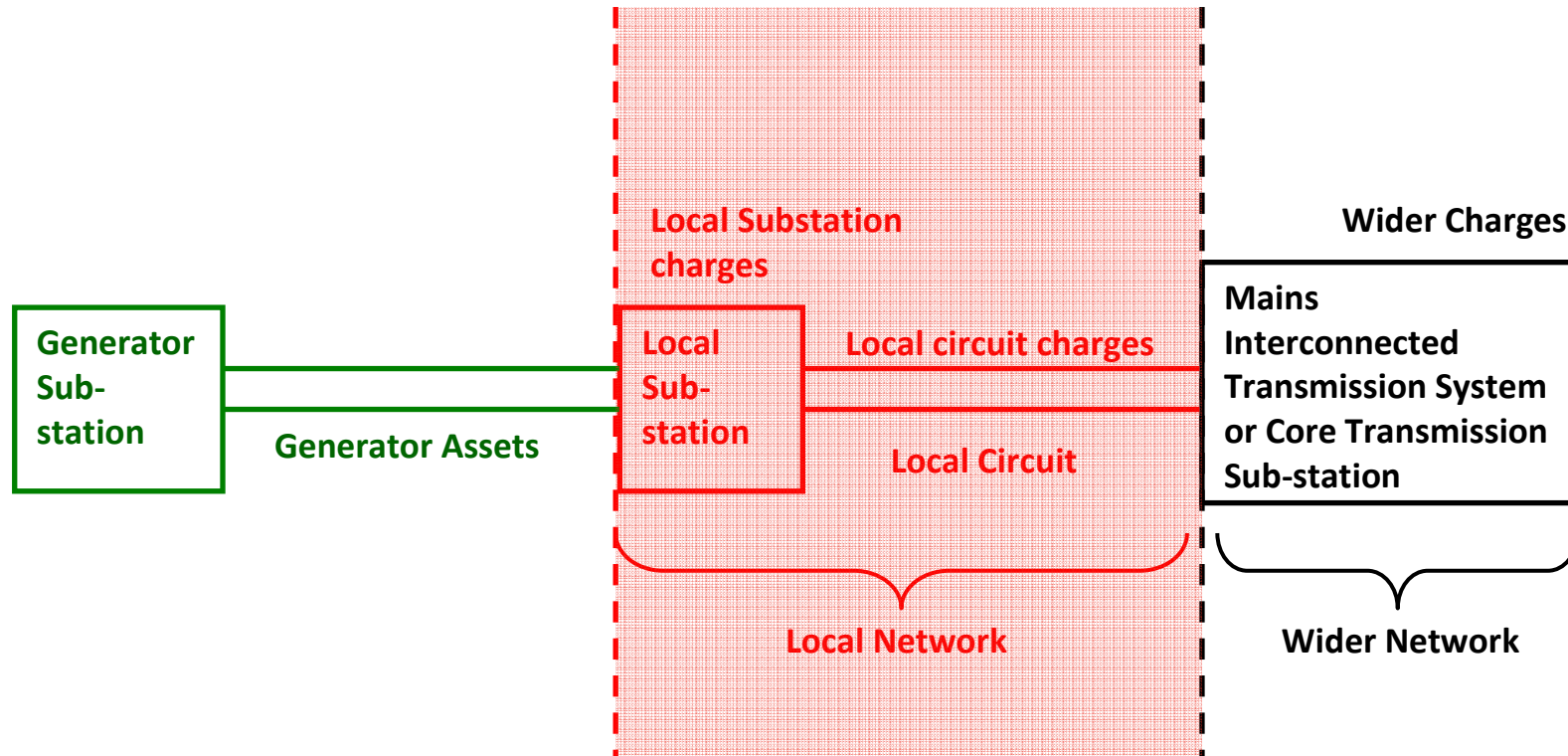
- Current range applies until December 2014
 - ACER is reviewing the appropriateness of this range for the period beyond 1st January 2015
 - ACER's opinion shall be provided to the Commission by 1st January 2014
 - National Grid has provided data to Ofgem for ACER review in June 2013
- Can't be assumed with certainty –
 - The ranges will be revised upwards
 - Indexation mechanism will be applied

Exclusion of Local Charges from overall Generation TNUoS Revenue



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Local Charges



Local Charges

$$\text{Generation TNUoS Revenue} = \text{Wider Charges} + \text{Local Charges}$$

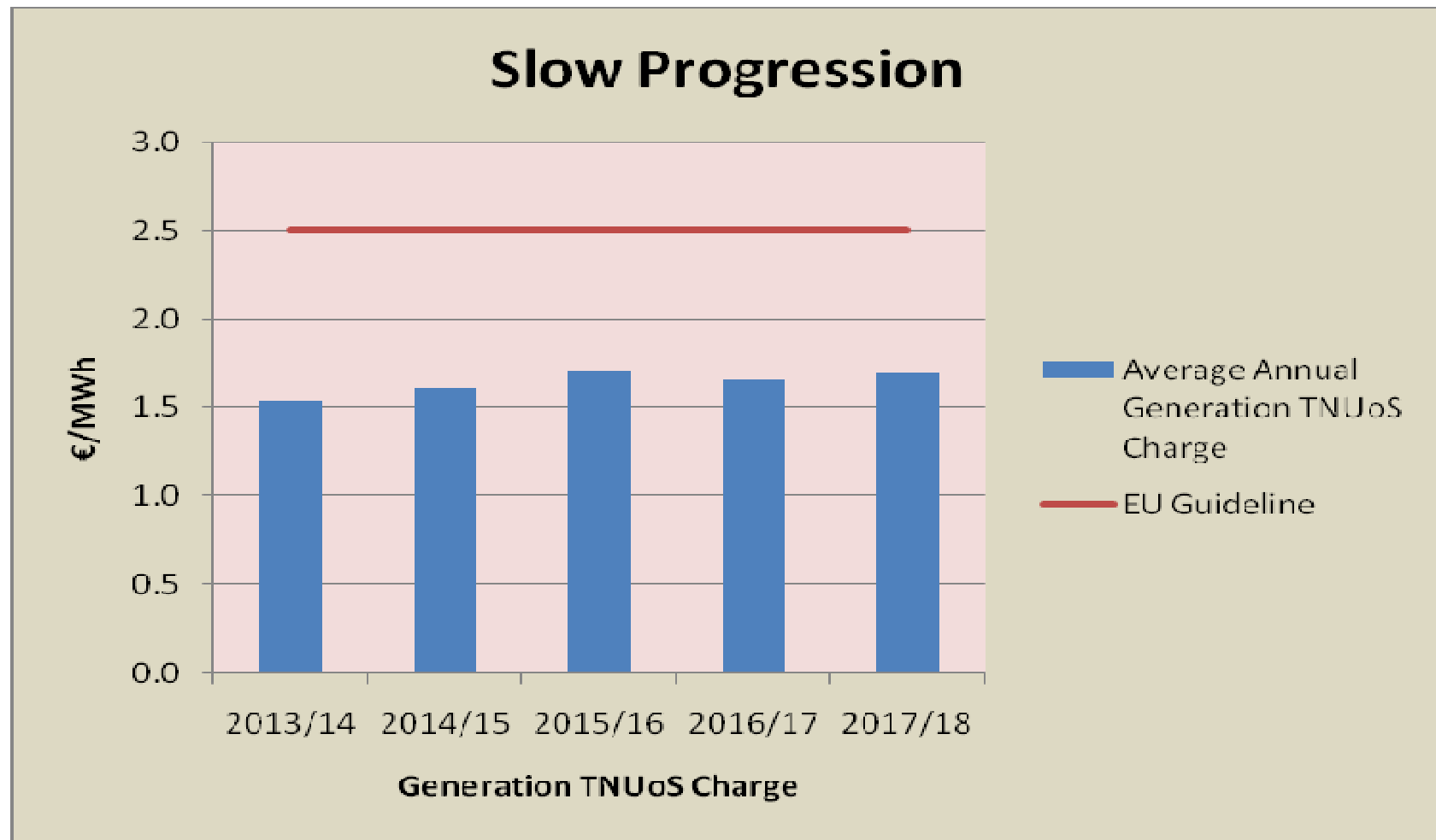
National Grid's Interpretation

- Local charges can be classed under –
‘Charges paid by generators for physical assets required for connection to the system’, as per the regulation
- Therefore can be excluded from reporting of Overall Generation Transmission charges

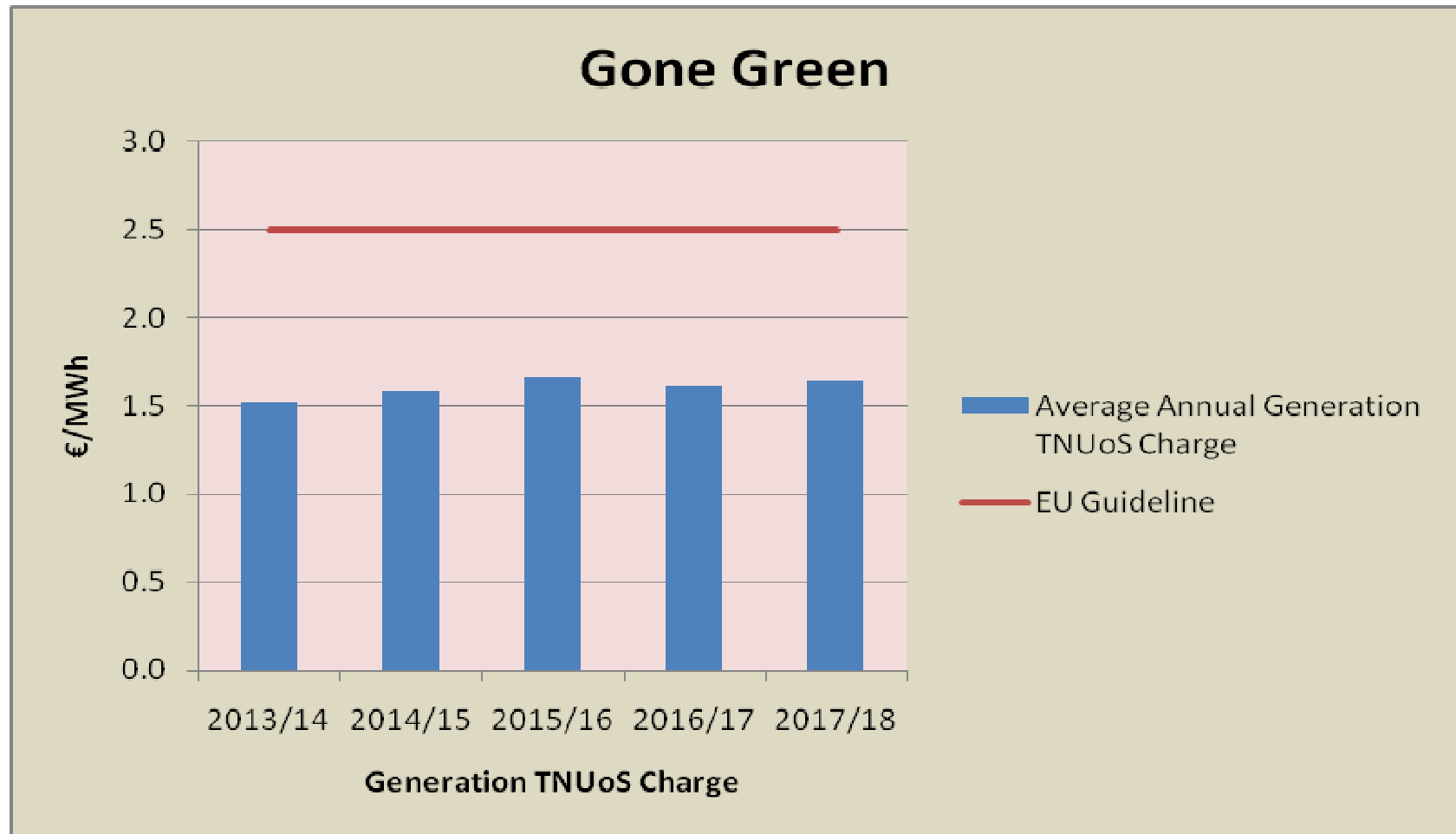
Local Generation Charges

- Recover the cost of providing local network
 - Local charges = Local substation + Local circuit
- Local charges are only payable by generation users
 - reflective of costs associated with assets local to generation

Excluding Local Charges



Excluding Local Charges



Excluding Local Charges

- Delays likelihood of breach by several years
- No need for any immediate action
 - Common regulatory approach to Transmission Charging evolves further
- No change to customer charges
 - reported differently

Excluding Local Charges

- Interaction with CUSC
 - Wider TNUoS revenue $\neq 27\% * \text{MAR}$
 - Local + Wider = $27\% * \text{MAR}$
- Discussions held so far -
 - Ofgem – reasonable position
 - ACER – Interpretation and components of Transmission charges will be examined later
 - DECC – response awaited

Inclusion of Local Charges within overall Generation TNUoS Revenue



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14/15 Tariffs

TNUoS Revenue

£2430.9m

3.64% increase

£2519.7m

Annual Average Transmission Charge_{Generators}

2.42 €/MWh

2.51 €/MWh

G/D Split Ratio

27% : 73%

26.9% : 73.1%

Impact on Demand HH tariffs

Zone	Zone Name	14/15 Forecast Zonal Tariffs (£/kW)	14/15 Forecast Zonal Tariffs with revised G:D Split ratio (£/kW)
1	Northern Scotland	15.203522	15.250217
2	Southern Scotland	20.567974	20.614669
3	Northern	25.389260	25.435955
4	North West	28.419294	28.465989
5	Yorkshire	28.772929	28.819624
6	N Wales & Mersey	28.409290	28.455985
7	East Midlands	31.497339	31.544034
8	Midlands	32.256644	32.303339
9	Eastern	33.229904	33.276599
10	South Wales	30.844153	30.890848
11	South East	36.386550	36.433245
12	London	38.691364	38.738059
13	Southern	36.907164	36.953859
14	South Western	37.102899	37.149594

Impact on Demand NHH tariffs

Zone	Zone Name	14/15 Forecast Zonal Tariffs (p/kWh)	14/15 Forecast Zonal Tariffs with revised G:D Split ratio (p/kWh)
1	Northern Scotland	2.084	2.091
2	Southern Scotland	2.895	2.901
3	Northern	3.499	3.505
4	North West	4.122	4.128
5	Yorkshire	3.961	3.968
6	N Wales & Mersey	4.063	4.070
7	East Midlands	4.418	4.424
8	Midlands	4.584	4.590
9	Eastern	4.617	4.624
10	South Wales	4.126	4.132
11	South East	5.059	5.065
12	London	5.223	5.229
13	Southern	5.185	5.191
14	South Western	5.084	5.091

Impact on Wider Zonal Generation Tariffs - I

Zone	Zone Name	14/15 Forecast Zonal Tariffs (£/kW)	14/15 Forecast Zonal Tariffs with revised G:D Split ratio (£/kW)
1	North Scotland	26.379	26.344
2	East Aberdeenshire	21.861	21.826
3	Western Highlands	29.563	29.527
4	Skye and Lochalsh	35.184	35.149
5	Eastern Grampian and Tayside	22.990	22.955
6	Central Grampian	20.547	20.512
7	Argyll	19.060	19.025
8	The Trossachs	16.810	16.775
9	Stirlingshire and Fife	16.757	16.722
10	South West Scotland	15.506	15.471
11	Lothian and Borders	14.868	14.833
12	Solway and Cheviot	11.478	11.442
13	North East England	9.976	9.941
14	North Lancashire and The Lakes	8.422	8.387

Impact on Wider Zonal Generation Tariffs - II

Zone	Zone Name	14/15 Forecast Zonal Tariffs (£/kW)	14/15 Forecast Zonal Tariffs with revised G:D Split ratio (£/kW)
15	South Lancashire, Yorkshire and Humber	7.513	7.477
16	North Midlands and North Wales	6.090	6.055
17	South Lincolnshire and North Norfolk	4.572	4.536
18	Mid Wales and The Midlands	3.450	3.415
19	Anglesey and Snowdon	8.539	8.503
20	Pembrokeshire	6.526	6.491
21	South Wales	3.506	3.470
22	Cotswold	0.830	0.794
23	Central London	-4.306	-4.341
24	Essex and Kent	0.268	0.233
25	Oxfordshire, Surrey and Sussex	-0.752	-0.788
26	Somerset and Wessex	-2.576	-2.611
27	West Devon and Cornwall	-4.515	-4.551

Next Steps

- Consider other options
- Review illustrative legal text
- Consider implementation timescales
 - Outcome of ACER Review
 - Direction in which further discussions evolve
- Other

