CMP227
Reduce the G:D Split of TNUoS charges, for example to 15:85

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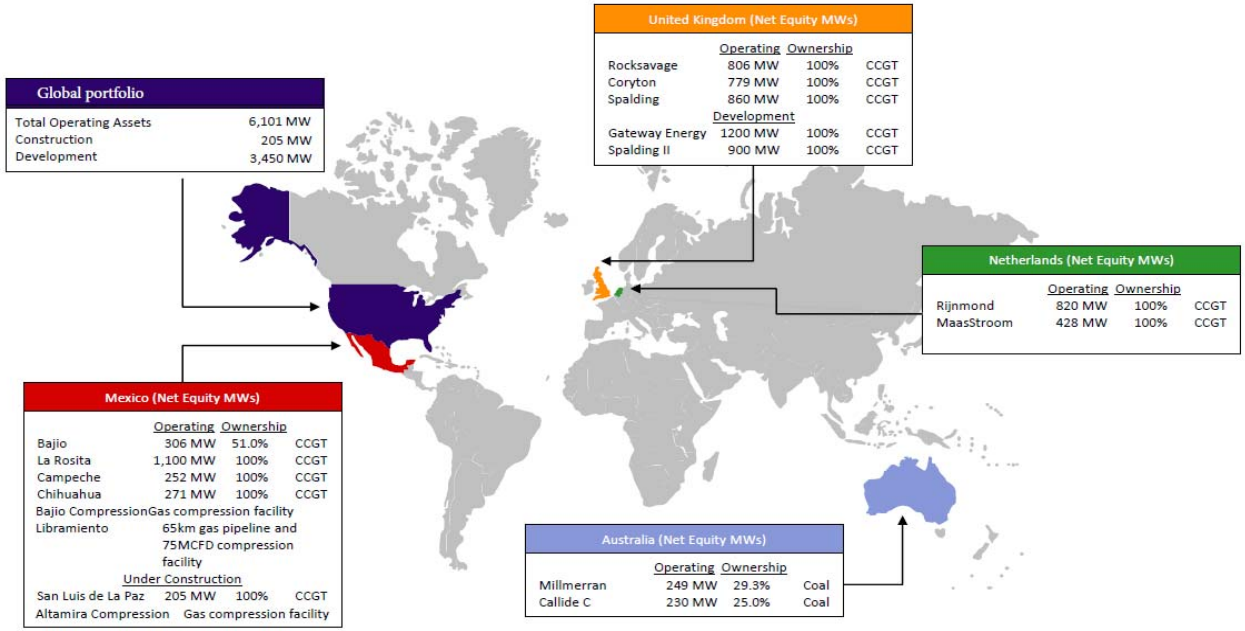
About InterGen

- InterGen was established in 1995 and is headquartered in Boston, MA and is owned by CHNG, Guangdong Yudean Group and Ontario Teachers' Pension Plan.
- Globally, InterGen currently operates 11 power plants representing an equity share of 6,101MW. InterGen also own two gas compression stations and a gas pipeline.



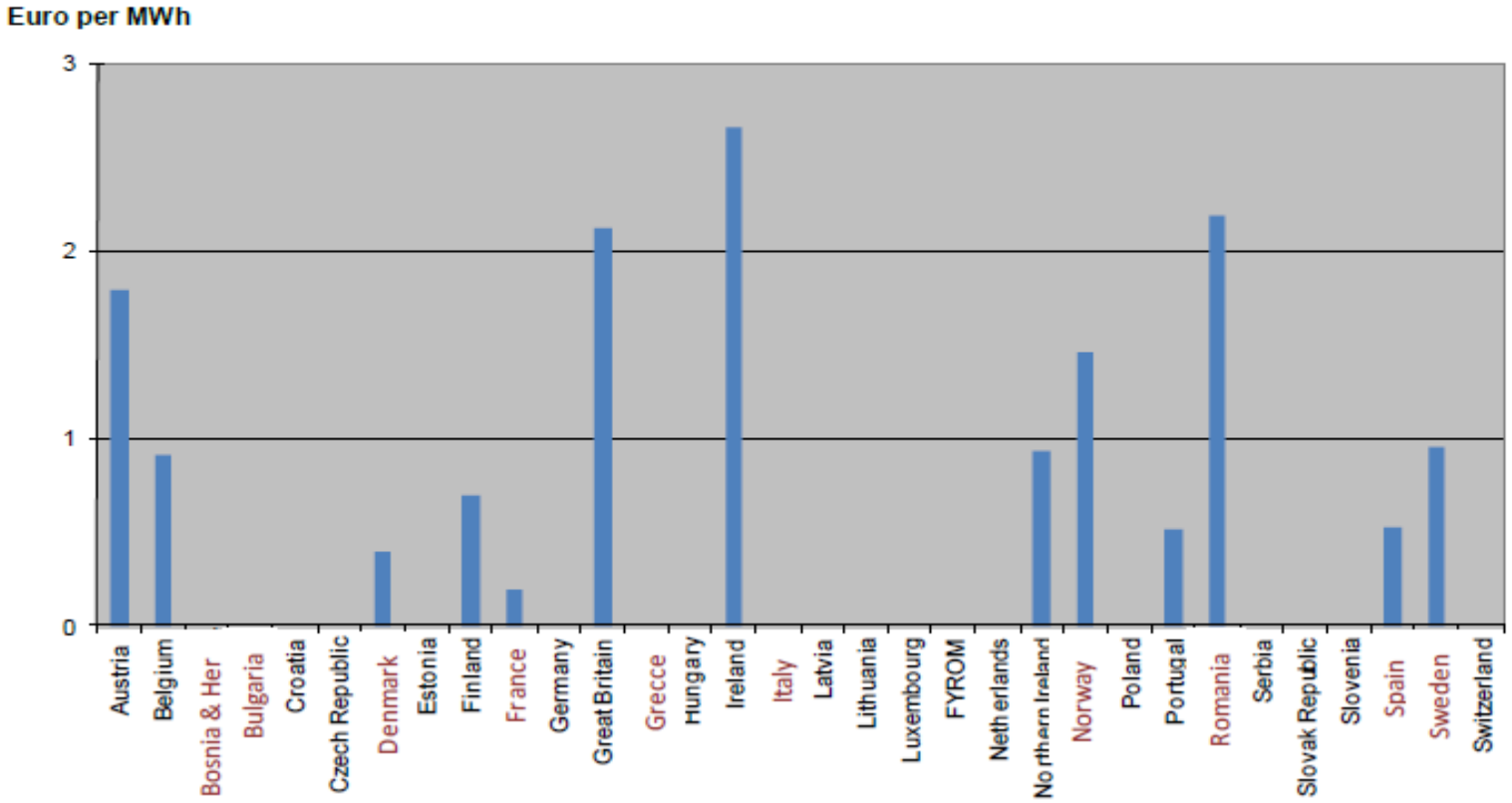
- We have been operating as an independent generator in the UK market since 1996.
- Today, we own and operate three high-efficiency, low emissions producing, flexible combined cycle gas-fired power stations (CCGTs) with a combined capacity of approx. 2.4GW.
- These stations are located at Rocksavage, Cheshire, Spalding, Lincolnshire and Coryton, Essex.
- InterGen is also developing two new CCGT projects adjacent to its existing Spalding station and at the London Gateway Port and Logistics Park near Stanford Le Hope in Essex.

Levelling the European playing field

- Current 23:73 split historic legacy
- Split is significantly out of line with most of Europe:
  - majority of European countries do not charge use of system charges to generators
  - where they do, all but Romania and Ireland are at lower levels
- This has a distorting impact on competition:
  - no change means GB generators facing higher costs than competitors
  - generators increasingly at a competitive disadvantage as EU internal market develops

GB position is as an outlier

Chart 4. Range of G components paid in 2013 by producers across Europe.



Source: ENTSO-E, June 2013

CMP227 proposal

- Reduce the proportion of TNUoS charges paid by generators
- Suggested reduction is to a split of **15:85:**
  - this corresponds to approach modelled for Project Transmit
  - reflected the assumed change in the G:D split to remain compliant with EU Tarification Guidelines
  - but recognise this is one of a number of options
  - Other splits to reduce generator contribution could be considered by workgroup

Further background

- Project Transmit SCR technical workgroup considered three potential reasons for change to G:D split:
  a) relative competitive position of GB generators
  b) binding Tariffication Guidelines
  c) proportion of total transmission revenue collected from offshore generators through the local circuit charge
  –consensus a) and b) sufficient for reduction in TNUoS proportion recovered from generators
- Project Transmit modelled 15:85 split for April 2015-March 2030, as assuring no breach of the Guidelines before 2020 under "worst case" assumptions
- Ofgem noted the case for change, but said NGET should keep the issue under review

Benefits of CMP227

- **Removes competitive disadvantage in European markets – key objective**
  - generators would no longer face high levels of use of system costs compared to their competitors
- Materially improves predictability of generator TNUoS charges
  - by reducing exposure as a class through lower residual, although retaining locational differentials
  - greater predictability facilitates investment and competition against background of material and increasing charges

Benefits of CMP227 (contd)

- Suppliers see increased charges but overall certainty for generators and suppliers improves
  - demand zones are larger (than gen) and the demand residual greater so supplier changes smoothed compared to generators
  - consumers are at worst neutral
- Resolves Tariffication Guidelines compliance issue
  - subject to European Commission decision on any changes post December 2014
  - practical and straightforward solution that helps generators in planning and competing
- Removes uncertainty on future split
  - consistently top of future tasks list for TCMF and a continuing source of regulatory risk

Implementation

- Suggested to be after not less than one full charging year after an Authority decision
  - to allow for industry adjustment of commercial contracts and suitable notice to generators in the planning, consenting or building phase

Relevant objectives

- a) facilitating effective competition through
  - a more level European playing field
  - a more stable TNUoS charging environment for generators enabling better planning and decisions
- c) taking proper account of developments in the transmission businesses
  - reflecting development of European market and use of system charging arrangements in competitor countries
- d) compliance with European legislation/decisions
  - reflecting and supporting implementation of internal energy market