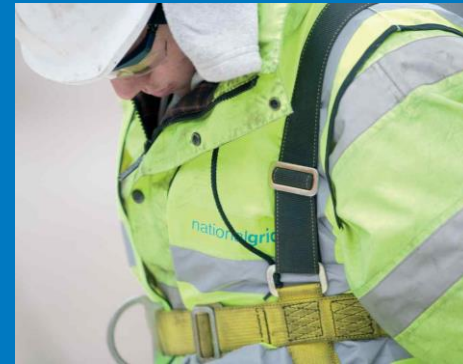


## CMP239 Workgroup meeting 2



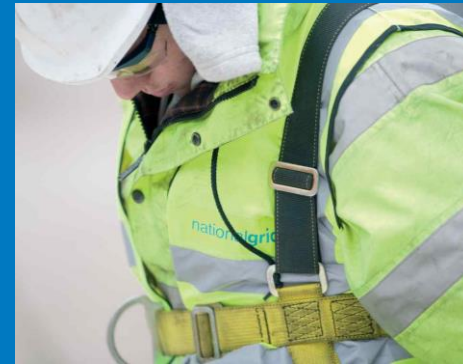
13<sup>th</sup> January 2015

## Agenda

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- Introduction and meeting objectives AW
- Review of actions DC
- Potential options for change All
- Implementation approach All
- Next steps AW

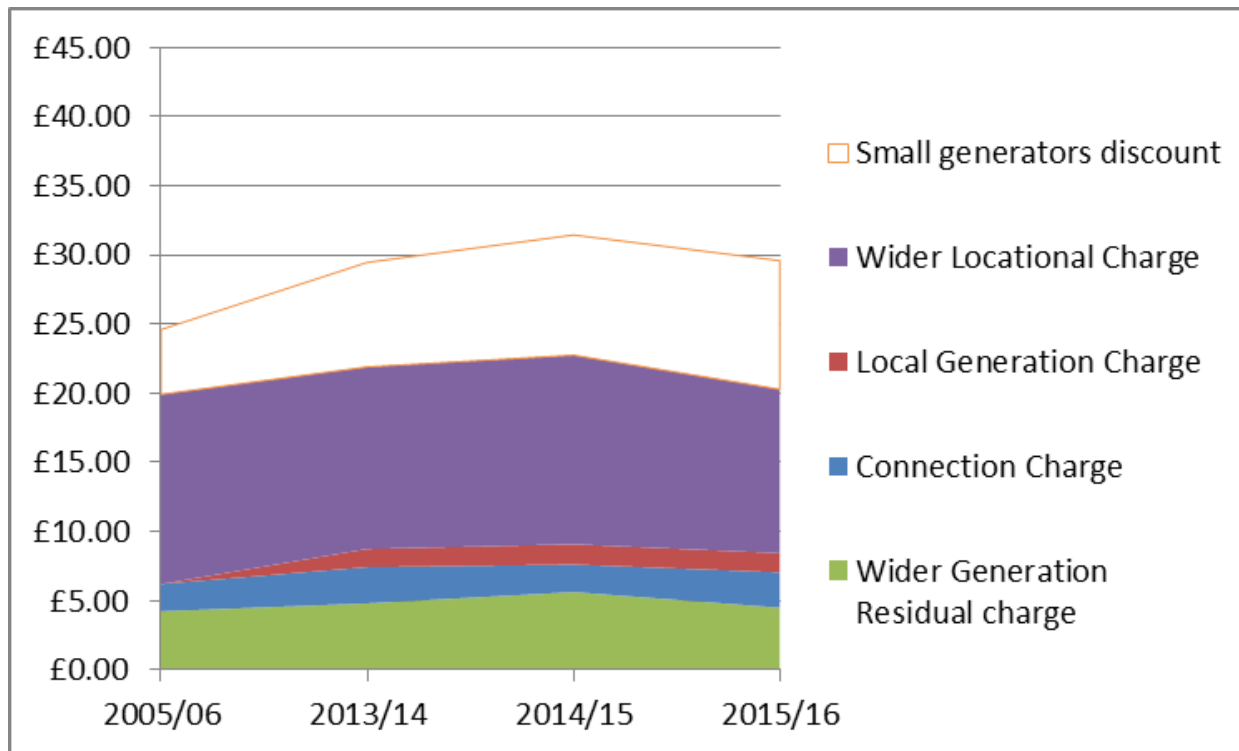
# Review of actions



Dave Corby

# Look back at Distribution charges and Transmission charges at BETTA, in nationalgrid 15/16 and 16/17 (1)

- Average transmission small 132kV qualifying generator tariffs updated (with 2013/14 as base) to show 2005/06 values at BETTA, 2014/15 and a forecast for 2015/16.
- Shown figures for onshore generators only:



# Look back at Distribution charges and Transmission charges at BETTA, in 15/16 and 16/17 (2)

- Detail of updated transmission tariff figures.
- Only onshore generator tariffs shown here.
- All figures adjusted to 2013/14 price base.

TNUoS Charges for 132 kV Connected Qualifying Small Generators (onshore only)												
£/kW	2005/06 BETTA			2013/14			2014/15			2015/16		
	Max	Average	Min	Max	Average	Min	Max	Average	Min	Max	Average	Min
Connection Charge	£4.24	£1.97	£0.00	£13.73	£2.62	£0.00	£13.67	£1.99	£0.00	£13.29	£2.55	£0.00
Local Generation Charge	£0.00	£0.00	£0.00	£4.90	£1.31	£-0.87	£6.17	£1.46	£0.17	£6.16	£1.39	£-0.87
Wider locational charge	£22.93	£18.39	£13.23	£25.44	£20.71	£8.03	£27.12	£22.36	£8.12	£22.72	£21.15	£8.08
Wider Generation Residual charge	£4.23	£4.23	£4.23	£4.81	£4.81	£4.81	£5.63	£5.63	£5.63	£4.49	£4.49	£4.49
Small generators discount	£-4.69	£-4.69	£-4.69	£-7.55	£-7.55	£-7.55	£-8.68	£-8.68	£-8.68	£-9.30	£-9.30	£-9.30
Totals	£3.79	£1.52	£-0.45	£15.89	£1.19	£-3.61	£16.79	£0.39	£-2.89	£14.64	£-0.87	£-5.67
Total without Discount	£8.48	£6.20	£4.23	£23.44	£8.74	£3.94	£25.47	£9.08	£5.80	£23.94	£8.43	£3.63

- Struggled to obtain distribution information
- 2016/17 figures to follow publication of the Condition 5 Report.

# Look back at Distribution charges and Transmission charges at BETTA, in 15/16 and 16/17 (3)

- Detail of updated Transmission tariff figures.
- Includes offshore generator tariffs.
- All figures adjusted to 2013/14 price base.

TNUoS Charges for 132 kV Connected Qualifying Small Generators (inc. Offshore)												
£/kW	2005/06 BETTA			2013/14			2014/15			2015/16		
	Max	Average	Min	Max	Average	Min	Max	Average	Min	Max	Average	Min
Connection Charge	£4.24	£1.97	£0.00	£13.73	£2.62	£0.00	£13.67	£1.41	£0.00	£13.29	£1.78	£0.00
Local Charge	£0.00	£0.00	£0.00	£4.90	£1.31	-£0.87	£50.63	£9.86	-£0.39	£50.58	£10.07	-£1.43
Wider locational charge	£22.93	£18.39	£13.23	£25.44	£20.71	£8.03	£27.12	£25.42	-£2.19	£22.72	£24.63	-£2.57
Wider generation residual charge	£4.23	£4.23	£4.23	£4.81	£4.81	£4.81	£5.63	£5.63	£5.63	£4.49	£4.49	£4.49
Small generators discount	-£4.69	-£4.69	-£4.69	-£7.55	-£7.55	-£7.55	-£8.68	-£8.68	-£8.68	-£9.30	-£9.30	-£9.30
Totals	£3.79	£1.52	-£0.45	£15.89	£1.19	-£3.61	£61.25	£8.21	-£3.45	£59.06	£7.04	-£6.23
Total without Discount	£8.48	£6.20	£4.23	£23.44	£8.74	£3.94	£69.93	£16.89	£5.23	£68.36	£16.34	£3.07

- The only difference lies in the tariffs for 2014/15 and 2015/16, which are higher.

# Determine the impact on the residual and on suppliers

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- The impact of the small generators discount is applied directly to the demand residual.
- Removing the discount would therefore reduce supplier's demand charges.

## Confirm where the 25% came from

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- The 25% discount was originally proposed as this is inline with the G:D split at the time of BETTA.
- Ofgem published their “BETTA `minded-to’ statement on the interim discount for small transmission connected generators and impact assessment” on 17/12/2004.
- In this document’s Appendix 1: Impact Assessment Ofgem examines the impact of setting the discount at 25% on p12, Costs and Benefits, Option 1.
- <https://www.ofgem.gov.uk/publications-and-updates/betta-minded-statement-interim-discount-small-transmission-connected-generators-and-impact-assessment>



# Look back at C13 and the reasons why it was extended

nationalgrid

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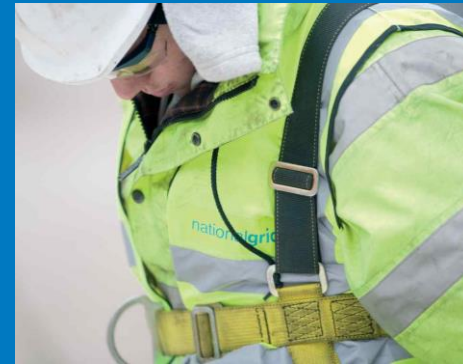
- Original expiry 31/03/2008 (discount set to zero). Temporary solution in anticipation of enduring arrangement for DG charging.
- Extension to 31/05/2009 as reviews (TADG) would not lead to an enduring solution by 31/03/2008.
- Extension to 31/03/2011 due to TAR delaying enduring arrangements for embedded benefit and DG charging.
- Extension to 31/03/2016 to allow for enduring solution to Project Transmit.
- Each delay due to need of enduring DG charging reform to be based on stable regime.

# Look into timelines and interaction with CfDs and Capacity Allocation rounds

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- CfDs:
  - First round of allocation ran in Oct 14.
  - This allocates from Apr 15 up to Mar 19.
  - Second round in Oct 15 to allocate from Apr19 onwards.
- Capacity Market:
  - First round of auctions complete for capacity to be in place in 2018/19.
  - Subsequent annual auctions (Oct) for subsequent years, 4 years ahead.

# CMP239 Grandfathering Arrangements Discussion



Andy Wainwright

## Relevant terms of reference

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- *a) Grandfathering in relation to the small generator discount;*
- *b) The possible precedential implications of accepting the principle of grandfathering in the charging provisions in the CUSC.*

## CM213 Discussions on grandfathering

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- Summarised in Final Modification Report
  - paras 9.50-9.57  
<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=15494>
- Discussion focused on ‘optional grandfathering’
  - Some considered to be too complex
- Relevant paragraph – 9.57
  - *‘Some Workgroup members felt that optional grandfathering arrangements were potentially discriminatory as it involves treated new generation Users differently to existing Users of the transmission system. There was also concern that it would set a precedent to grandfathering arrangements for other changes to the charging methodology in the future.’*
- Did not have majority support so was not taken forwards.