



# CMP 284: Making TNUoS more cost reflective

Nick Sillito

PeakGen Power



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# Background

- The locational element of the Transmission Network Use of System Charge is calculated using the transport model;
- The transport model calculates the cost of connecting generation or demand compared to the “reference node”;
- The current method’s demand weighted reference node means that:
  - no revenue is recovered from demand; and
  - all the identified costs of the transmission system are allocated to generation.

# Symptoms: Generation Residual

- The total generation charge is fixed at about GBP 390 million (EU law). Hence, generation residual charge is *GBP 390 million – generation locational revenue*.
  - As the network gets bigger, the generation locational charge gets bigger and the generation residual charge becomes increasingly negative.
  - Ofgem's view "A negative residual charge prevents generators facing the full costs they impose on the transmission system, effectively subsidising all generators that pay TNUoS charges. **We do not consider that this is consistent with the aim of a well-functioning wholesale market**"

# Symptoms: Demand residual

- In 2021 TNUoS forecast\* 77.8 GW of generation is paid a generation residual of 7.61 GBP/kW. **Total GBP 592 million.**
- The TNUoS charge funds this payment from the demand residual. In 2021 collecting GBP 592 million from 45 GW of demand increases the demand residual by **13 GBP/kW**
- Ofgem's view: "We are concerned that the size and increase of the TNUoS demand residual payments may now be distorting the market..."

\*Forecast published [19 April 2017](#)



# Peak ~~GEN~~ Defect

- National Grid recovers its network costs based on its Allowed Revenue – this varies with the Transmission Owners' costs as approved by Ofgem.
- Demand locational revenue is always (approx.) zero
- Generation revenue is fixed at (approx.) GBP 390 million
- Hence, the only place that a change in transmission costs can be passed on is therefore via the Demand Residual





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## Proposed Solution

- Change the reference node in the TNUoS transport model such that zero revenue is collected from generation allowing the demand locational charge to recover the cost of the system reducing the magnitude of the residual charges
- This proposal meets CUSC objectives (a), (b) and (c):
  - Competition is enhanced by removing the negative generation residual and reducing the demand residual. Both are areas of concern already identified by Ofgem.
  - Reduced magnitude of the residual charges should be more cost reflective.
  - EU requirements on generation transmission charging are achieved with a lower magnitude, *and more stable*, residual.

## Proposed Timetable: CMP284



CUSC Panel – 28 July 2017  
Heena Chauhan

# Code Administrator - Proposed Progression

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- The Panel is asked to agree:
  - If CMP284 should be progressed using:
    - Standard CUSC Proposal timetable (with Workgroup)



# Approach for initial WG meetings

## – *Improving the use of Industry time*

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- **Pre work** by Code Admin and Proposer:
  - Start scoping out requirements with the Proposer
  - Identify pre-reading/analysis requirements for the Workgroup
- **Meeting 1:** WebEx/Face to Face meeting to ensure Workgroup members have:
  - a full understanding of the context of the modification
  - consistent understanding of the baseline
  - identified specific areas of focus/analysis needed
  - Understood the scope under the ToR
- **Meeting 2:** Review of draft Workgroup Report and add any other relevant areas of discussion (*note: the draft Workgroup Report will be issued out to members one week prior to this meeting*)
- **Post meeting 2,** the Workgroup will be required to provide final comments prior to the Workgroup Consultation being issued out to the Industry.

# Proposed Timetable for CMP284

## Workgroup Stage

18 July 2017	CUSC Modification Proposal submitted
<b>28 July 2017</b>	Modification Presented to the Panel
1 August 2017	Request for Workgroup Members (10 working days)
w/c 4 September 2017	<b>Meeting 1</b> via Webex/Face to Face to ensure Workgroup members have a fully understanding of the context of the modification
w/c 2 October 2017	Circulate draft Workgroup Report
w/c 9 October 2017	<b>Meeting 2</b> - agree Workgroup report
<b>20 November 2017</b>	Workgroup Consultation issued to the Industry (15WD)
w/c 18 December 2017	<b>Meeting 3</b> - Workgroup view consultation responses
w/c 2 January 2018	<b>Meeting 4</b> - Agree options, finalise legal text and vote
18 January 2018	Workgroup Report issued to CUSC Panel
<b>26 January 2018</b>	CUSC Panel meeting to discuss Workgroup Report

# Proposed Timetable for CMP284 Code Administrator Stage

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<b>5 February 2018</b>	Code Administration Consultation Report issued to the Industry (15 WD)
5 March 2018	Draft FMR published for industry comment (5 Working days)
22 March 2018	Draft Final Modification Report presented to Panel
<b>30 March 2018</b>	CUSC Panel Recommendation vote
<b>11 April 2018</b>	Final Modification Report issued the Authority
23 May 2018	Decision implemented in CUSC
<b>Effective from date</b>	<b>Charging Year 2019/20</b>