

Project TransmiT – Working Group Update



London Stakeholder Event – 11th August 2011

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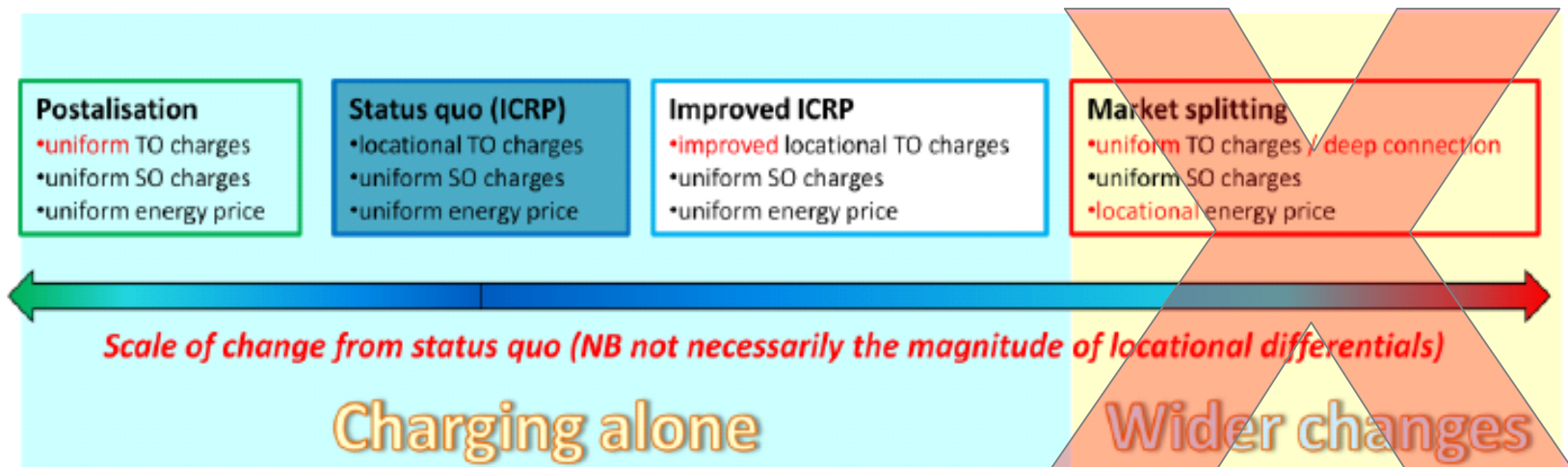
Overview

- Role of the Working Group
- Terms of Reference
- Meetings and Progress
- Emerging Thinking
- Future Plans
- Working Group Report

Role of the Technical Working Group

- Postage stamp and improved ICRP model for analysis by Redpoint
- Focus on issues of immediate priority that have potential to deliver benefits in the short term
- Aim for April 2012
- Not second guessing any possible future changes
- Not a decision making body
- Produce technical report
- Input into October SCR consultation

Terms of Reference



Theme
1. Reflecting characteristics of transmission users
2. Geographical/topological differentiation of costs
3. Treatment of security provision
4. Reflecting new transmission technology
5. Unit cost of transmission capacity
6. G:D split

Terms of Reference

- Identify technical solutions and methodology changes
- Collect and review evidence related to effectiveness of current charging regime
- Provide comment and expert technical views on themes and detailed aspects of methodology
- Comment on likely impacts of changes on stakeholders and energy policy goals as well as appropriateness of high-level objectives and principles

Conduct of Meetings and Progress

- Six official working group meetings, ad-hoc technical discussions, comment by email
- Chaired by Ofgem

Meeting	Date	Topics
1	19 th July	Introduction, ToR, meeting plan
2	1 st August	Theme 1 & 2; Redpoint
3	9 th August	Theme 3 & 4; Socialised Model
4	18 th August	Theme 5 & 6
5	30 th August	Report / Themes to Models
6	9 th September	Report / Transition

- Attempt to converge on options for modeling
- Ofgem make final decision if lack of convergence

Emerging Thinking

Theme 1 - Reflecting Characteristics of Users

- **Improved ICRP** option on the table; Dual transport model background with load factor scaling of tariff
- **Postage Stamp** charge on MWh or MW x load factor basis
- Complicated theme; still under discussion in the group

Theme 2 - Geographical Differentiation of Costs

- No change for wider locational elements of **Improved ICRP**
- Alternative approaches considered for local charges
- Local charges could either remain targeted or be socialised under a **Postage Stamp** approach

Emerging Thinking

Theme 3 - Treatment of Security Provision

- Not an issue for *Postage Stamp* charges
- Investigating geographical variance from global 1.8 factor in *Improved ICRP* model
- Minded to maintain status quo approach

Theme 4 - Reflecting New Technology

- Not an issue for *Postage Stamp* charges
- Main focus on incorporation of HVDC technology
- Options developed for expansion factor and marginal MW flow calculations in *Improved ICRP*
- Conclusion likely to be made on policy grounds

Future Plans

- Theme 5 – Unit cost of transmission capacity
- Theme 6 – G:D split
- Bringing the themes together into models
- Transitional issues

- Write working group report

Working Group Report

- Reflect discussion and views within the group
- Options, technical debate, recommendations where possible
- Consideration against criteria in ToR:
 - Economic efficiency
 - Development of renewable generation
 - Security of supply
 - Free trade of power with neighbouring markets
- Justification for choosing / discounting model elements

End



Theme 1: Proposal Under Consideration

Transport

- Dual background
- CBA based scaling
- Circuit MWkm 'binning'
- Incremental MW
- Locational differential
- Cost reflective signal

Tariff

- 2 part wider tariff
- Intermittent = YR only
- Unique historic load factor
- Residual collects revenue
- Minimal impact on local
- Minimal impact on demand