

BETTA Consultation Response :

Transmission charging and the GB Wholesale Electricity Market

Part 1 An Ofgem/DTI consultation on changes to transmission licences to implement GB transmission charging under BETTA

Part 2 A DTI consultation on transmission charging, in the context of the Government's policy objectives for growth in renewables

Corus has the following comments:-

Part 1

(a) The opportunity should be taken to make an overdue change to the governance arrangements in respect of NGC's transmission charging methodology. At the moment only NGC can put specific change proposals to Ofgem, whose power is restricted to one of veto. Unlike other major industry codes such as BSC and CUSC, other parties have no right to propose modifications. NGC can effectively filter off potential changes it may not wish to advance in its own right. An example of this is the issue of the inequitable TNUoS revenue recovery split between generation and demand which is currently set at 27%/73% ie. demand paying nearly three times as much as generation. Other examples have surfaced at NGC's TCMF, where change has been suggested but NGC has not wanted to progress it. We therefore believe that the ability to propose changes to the GB system operator's charging methodology should be extended to include anybody affected by the GB SO's charges. This would also serve to address discrimination concerns mentioned in para.5.23 of Part 1, as non-affiliated TOs would be able to raise modifications under this governance model.

(b) We support the suggested process and timetable for the initial GB SO to consult on its proposed charging methodologies and will participate at the appropriate time. We do, however, have a preliminary concern that the principle of cost reflectivity may be compromised by the introduction of a GB-wide charging regime. This is because Scotland currently accounts for about 10% of GB demand but 30-40% of GB transmission infrastructure assets (circuit kilometres and sub-stations, based on 132kV being included in Scotland). If these higher costs in Scotland were not to be fully reflected in the locational charges within a GB-wide charging, a cross-subsidy would be created, leading to economic inefficiency.

Part 2

From an end-user perspective we have reservations about introducing distortions into TNUoS charging to provide further subsidy for renewables. In an effort to encourage generation to locate in areas where demand exceeds generation, NGC's charging methodology provides clear locational signals even to the extent of negative charges in some zones. Subsidies will be economically inefficient and the tariffs for other system users higher than they otherwise would have been. Ultimately consumers will pick up the bill - in addition to the cost of the Renewables Obligation. We therefore agree that lower charges for all renewable generators would be a disproportionate response. Furthermore we are sceptical of the benefits of targeting them in peripheral areas, particularly in view of the electrical losses that would be incurred in transmitting power to more populous areas where the demand is.