

# Ofgem's Project TransmiT – An Overview

Min Zhu – Head of Electricity Transmission Policy

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# Project TransmiT

- What is Project TransmiT?
- Why is it required now?
- What will it cover?
- How does it fit with other policy work?
- Our approach and high-level timetable

## What is Project TransmiT?

- An independent and open review of transmission charging and associated connection arrangements.
- Launched on 22 September with the publication of a “Call for Evidence”.
- Objective: to ensure transmission charging is fit for purpose - facilitates timely transition to low carbon energy sector while continuing to provide safe, secure, high quality network services at value for money to existing and future consumers.

## Why is Project TransmiT required now?

- Need to respond to new challenges - £200bn of investment, £32bn of networks investment.
- Clarification of our statutory duties including our duty to have regard to the need to contribute to sustainable development.
- Imminent change to the governance of industry codes - Ofgem and industry parties will be able to instigate changes.
- Interactions with developments in the wider policy context, in particular, closer integration with European markets and alignment with European policy.

## What will the review cover?

- Both the electricity and gas transmission arrangements, but the initial focus will be on electricity transmission.
- Charging arrangements and the way charging will need to accommodate cross-European and other market and regulatory developments.
- In electricity transmission, will also focus on connection issues that fall outside the scope of the Government's Connect & Manage decision.
- Following consideration of responses to our Call for Evidence and today's session, we will look to prioritise areas requiring most urgent attention.

## How does it fit with other policy work?

### Ofgem-led

#### RIIO-T1

- TOs' investment plan
- Incentives to innovate charging

#### SO Incentives

- Impact on constraints management (for example)

#### Security Standard reviews

- Linkage with investment / operation

#### Ongoing proposals (eg P229)

- Seeking to align with TransmiT timetable.

#### Distribution charging

- Ensure consistency in principle

### Government-led

#### Energy Market Reform (ERM)

#### S185 (Island charges cap)

#### Grid Access Reform

- We will focus on issues left for Ofgem and industry

### Other externally linked works

#### Europe (“market-coupling”)

- Development of integration models

## An open and independent review ...

- Assessing responses to our Call for Evidence consultation, including scope and priorities of the review plus evidence and analysis.
- Seeking expert advice from academia and industry specialists:

### Academic Reports

- Three UK and international experts to report on optimal charging arrangements for GB transmission

### International Review

- Technical consultants to review international charging models and relative pros and cons

### Roundtables

- Ofgem led but independent participation to gather peer review of academic reports & Ofgem prepared materials

- Committed to transparent and active engagement:
  - Stakeholder workshops – first one held on 11 November
  - Involvement with existing stakeholder fora
  - Dedicated web forum

## Terms of Reference for academic and consulting studies

### Three academic advisers:

- Guiding principles for transmission charging
- Broad building blocks of a suitable target model
- Interdependencies between the proposed charging model and other aspects of the regulatory regime for gas and electricity networks.

### Consultant review:

- Survey of international models for transmission charging, including guiding principles and broad building blocks
- Evidence-based strengths and weaknesses, separating those inherent to the charging model from those due to implementation choices



## An holistic and pragmatic approach, recognising important considerations ...

### Holistic and Pragmatic

Will consider compatibility with:

- Our duties – e.g. transition to low carbon, security of supply, impact on customer bills
- Government policy
- The direction of European policy and practice.

Will “roll up our sleeves” to help resolve practical connection problems.

### Important Considerations

- GB-wide – impact on new and existing generators across the country
- Sound analysis, robust to challenge
- Need for stability, recognising charging must always be capable of change
- Connect & Manage, recognising that charging and access are inseparable
- Potential read-across to other charging methodologies
- Industry governance processes, which are scheduled to change from the New Year.

## High-level timetable

Our initial thinking of high-level timetable is shown below. It may change as issues are raised through further work and consultation.

| Date             | Action                                      |
|------------------|---|
| 11 November 2010 | First stakeholder event                     |
| 17 November 2010 | Deadline for responses to call for evidence |
| December 2010    | Publish responses to call for evidence      |
| March 2011       | Publication of independent academic reports |
| Spring 2011      | Consult on options identified from evidence |
| Summer 2011      | Publish recommendations                     |

*We will review urgency of and interdependency between issues identified and their interaction with other works such as price control review. It may be appropriate to progress solutions in certain areas sooner than others.*

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

*ofgem*

Promoting choice and value  
for all gas and electricity customers