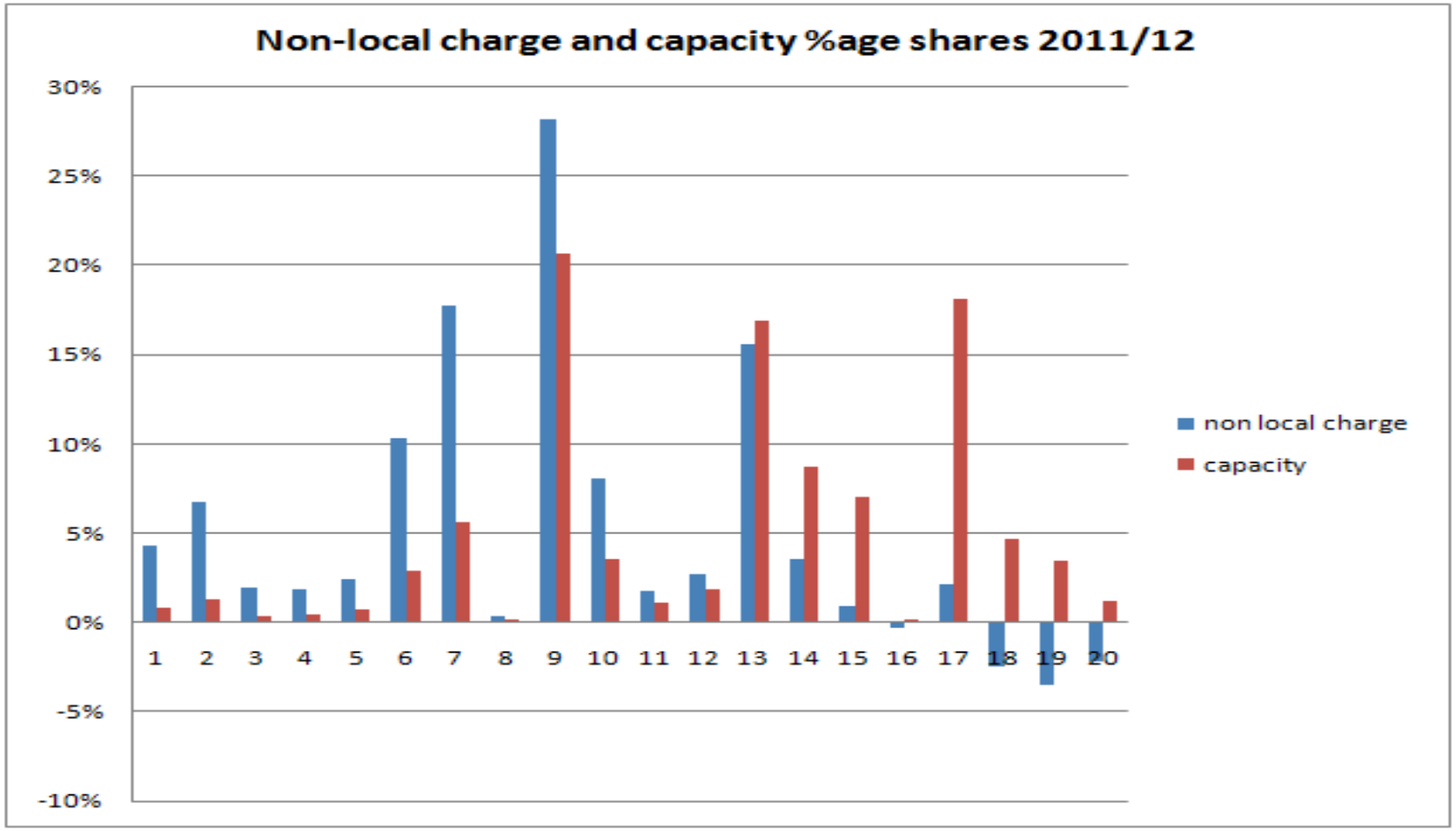
Postage Stamp Strawman

Background (1)

- Almost there already, in principle
- ~ 87% of G transmission charges are already recovered the 'postage stamp' way, via the Residual (2011-12 £321M / £370M)
- Scotland (zones 1-8)
  - pays ~45% of the non local (Wider) cost (~£370M) with ~12% of the total(~89GW) capacity,
- SE (zone 17)
  - pays ~3% of cost ~18% of capacity – *not cost reflective*
- Non local G charge and capacity breakdown (by zone) shown next slide

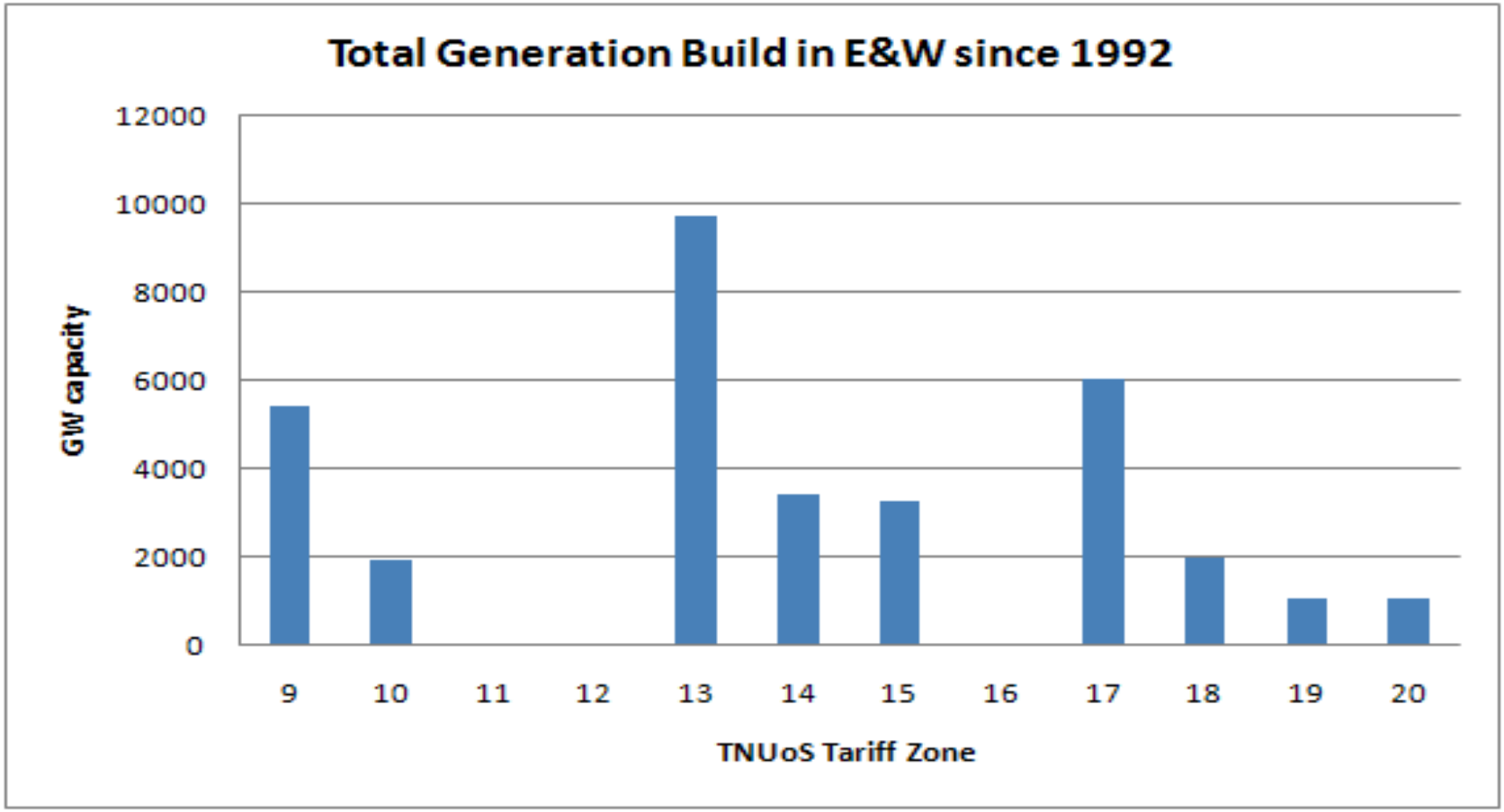
Background (2)



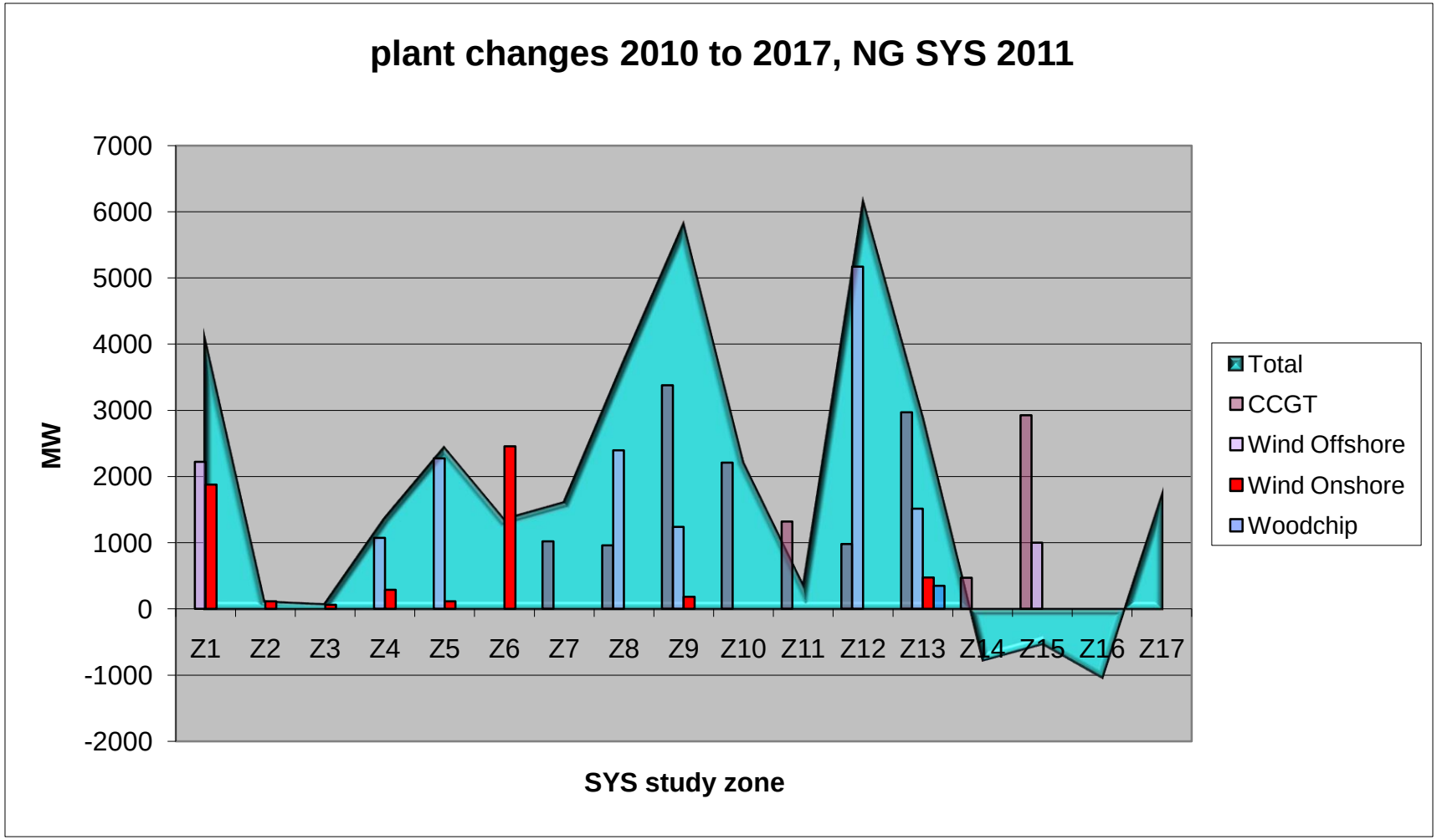
Background (3)

- Despite 20 years of ICRP little sign of fundamental shift of G to negative zones (see next two slides – also in GG paper on Redpoint modelling 5th Aug)

History


Total Generation Build in E&W since 1992
GW capacity
12000
10000
8000
6000
4000
2000
0
9
10
11
12
13
14
15
16
17
18
19
20
TNUoS Tariff Zone

Forecast


plant changes 2010 to 2017, NG SYS 2011
7000
6000
5000
4000
3000
2000
1000
0
-1000
-2000
MW
Z1
Z2
Z3
Z4
Z5
Z6
Z7
Z8
Z9
Z10
Z11
Z12
Z13
Z14
Z15
Z16
Z17
SYS study zone
Total
CCGT
Wind Offshore
Wind Onshore
Woodchip

Background (4)

- MITS provides societal benefits (as well as benefits to all G across GB) of having an interconnected meshed T system -
  - for society they get more secure / robust energy supplies
  - for G they can trade across GB and get a more secure / robust system (less prone to black start etc.,)

Postage stamp strawman (1)

- Local plus Wider, kWh basis, G/D split the same
  - No locational signal on the MITS (Wider recovered via Residual)
  - Locational signal via the local charge (no change, as now)
  - OFTO (no change, as now)
  - kWh charge
  - Potential inclusion of locational signal through zonal losses

Postage stamp strawman (2)

- Academic studies – postage stamp seen as
  - Better for renewables*
  - Simple
  - Robust
  - Workable
  - Non discriminatory
  - *Bell et al
    - *a postage stamp approach would seem to be the most benign in respect of the risk of breaking the renewables target constraint.*

Postage stamp strawman (3)

- Benefits of postage stamp strawman
  - Simple to implement
  - Predictable
  - Non discriminatory
  - As cost reflective as ICRP
  - Supportive of UK & Scottish Govts objectives and principles
  - Like ‘improved’ ICRP, focussed on G and on MITS

Illustrative tariffs (21st July NG email)

- 2011/12 Postage Stamp Tariffs,maintaining local tariffs:
- Generation Revenue

  = (£1724.28m x 27%) – local revenue

  = £465.56m – £95.74m

  = £369.82m
- Generation Tariff = (£369.83m / 310TWh) + local

  = £1.193/MWh + local