Technical Working Group

Jonathan Hodgkin / Anthony Mungall

Meeting 3

Glasgow

9 August 2011

Review and feedback from last meeting

- Draft minutes from last meeting

- Actions

- Wider stakeholder feedback

Objectives of today's meeting

- Re-cap on WG2

- Identify practical and technical issues and if possible agree one option for each of postalised and improved ICRP charging options for the themes:

  - 3. Treatment of security provision

  - 4. Reflecting new transmission technology (HVDC)

- Anticipate Thursday's wider stakeholder event

Outline of the day

Now

- Updated straw man – themes 1 and 2

Break (11.00 – 11.15)

- Theme 3: Treatment of security provision

Lunch (12.45 – 13.30)

- Socialised charging straw man

- Theme 4: Reflecting new transmission technology (HVDC)

Break (15.30 – 15.45)

- Presentation to the stakeholder event

- Actions summary

Close (16.30)

Theme 1 – Reflecting User Characteristics (Postalisation)

Original strawman

1.   Calculate annual load factor (ALF) based on historical data

2.   Generator's £/kW tariff based on uniform tariff scaled by its ALF

WG discussion

Alternatives	For	Against
Uniform £/kW tariff without ALF scaling	Consistent with socialisation principle	Overstretch socialisation; Arbitrary basis
Uniform £/MWh tariff	Clear principle of usage-based charging	Uncertain charges & complicated application; Incompatible with peak-based demand charge; Negative despatch signal for wind?

Updated strawman

No change.

-Principle is to remove location-related cost signal
-Still need to have a reasonable charge base

Theme 1 – Reflecting User Characteristics (Improved ICRP)

Original strawman

1. Apply dual criteria with technology-based scaling to study two flows

2. Use the maximum flow to identify investment trigger and determine:
-Peak security tariff
-Year-round tariff

3. Calculate annual load factor (ALF) based on historical data

4. Generator's £/kW tariff based on dual tariffs and its ALF

WG discussion

Alternatives	For	Against
Reflect combination of plant types in zone	Better accuracy	Complexity; Mismatch other areas of approximation
Identifying investment trigger from both flows instead of the maximum flow only	Less extreme and more stable results	?[*subject to further inputs from WG*]

Updated strawman

Possible merit in further considering investment trigger. Choice need to balance:

-Stability of results
-Practicality of implementation

No change if WG do not put forward specific proposals.

Subject to further inputs from WG

Theme 2 – Locational cost differentiation (Postalisation)

Original strawman

-Local/Wider boundary as Status Quo

-Treatment of Local as Status Quo

-Uniform tariff within Wider

WG discussion

Local/Wider boundary

Alternatives	For	Against
Remove boundary and apply uniform tariff	Consistent with principle of removing locational differentiation	Over-socialises clearly user-specific costs; Removes incentive for generators to choose efficient connection
Keep boundary but with some changes eg "anticipatory wider"	Improves stability? [*subject to further inputs from WG*]	Complicated? [*subject to further inputs from WG*]

Updated strawman

To be further considered based on:

-Principles for Postalisation charging;

-Specific proposals from WG

Subject to further inputs from WG

Theme 2 – Locational cost differentiation (Improved ICRP)

Original strawman

-Local/Wider boundary as Status Quo

-Treatment of Local as Status Quo

-Method of locational differentiation in Wider (eg zoning) as Status Quo

WG discussion

Local/Wider boundary

Alternatives	For	Against
Keep boundary but potential to improve stability?	?[*subject to further inputs from WG*]	?[*subject to further inputs from WG*]

Locational differentiation within Wider

Alternatives	For	Against
Island a special case?	Consistency with potential S185?	-Reduces accuracy of cost signal
Irish methodology	Sharper reflection of investment impact	- Volatility;

- Complication |

Subject to further inputs from WG

Updated strawman

Local/Wider boundary

No change if WG do not put forward specific proposals.

Locational differentiation within Wider

No change.

Ofgem "strawman" – postalised and improved ICRP for themes 3 and 4

Theme	Key choices	Postalised	Improved ICRP
3.	• "Line of best fit" for wider and 1.0/1.8 for local circuit. • Alternative average factor (eg based on banded technology, regional average mapped to generation zone) • Factor reflecting the specific technical nature of assets	• One generation zone for "wider" GB network • No change to "local" definition	• No change
4.	• Local vs wider boundary and its applicability to HVDC • Treatment of HVDC converter station costs • Treatment of HVDC power flow in the model	• Uniform tariff • Treatment of local?	• No change to boundaries and treatment of converter station costs • NGET to advise on treatment of power flow in charging model

Next steps

- Summarise actions

- Next meeting – Thursday 18th August in London

    – Group discussion around themes 5 (unit cost of transmission capacity) and 6 (G:D split)

- Technical working group report