

The main title of the presentation, "Technical Working Group", displayed in a large, bold, black, sans-serif font. The background of the slide features a large, stylized white arrow pointing right, overlaid on a blurred image of a gas turbine engine.

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Meeting 2
London
1 August 2011

Project TransmiT

- An independent and open review of transmission charging and associated connection arrangements
- Aiming to facilitate 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
- A direct response to the challenge of efficiently delivering the low carbon economy and continued security of supply
- For transmission, scope limited to TNUoS charges

As well as the status quo, we are exploring two options for change built around six key themes

Options for Change

Postalisation

- uniform TO charges
- uniform SO charges
- uniform energy price

Improved ICRP

- improved locational TO charges
- uniform SO charges
- uniform energy price

Themes

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

- Define postalised and improved ICRP charging models
- Model impact on generation despatch, transmission investment, renewable generation and achievement of environmental targets
 - Also consider other impacts

Our role in the technical working group

- Provide support to develop detailed changes to existing transmission charging arrangements under each of the six themes
- This requires some consideration of the individual spectrum of choice for each of the six themes under each model and to provide a view on what the optimum choice may be in each
- Ideally reach consensus on these parameters by early September
- Our role is not to choose between postalised and ICRP options

Ideally we want agreement from the group on two models that can be considered to be "front-runners for success" under the assessment criteria

Review and feedback from last meeting

- Draft minutes from last meeting
- Technical working group Terms of Reference
- Actions
 - Process update on GSR009
- Wider stakeholder feedback

Objectives of today's meeting

- Feedback from last meeting
- Explore and understand the proposed modelling work
- Identify practical and technical issues and if possible agree one option for each of postalised and improved ICRP charging options for the themes:
 - 1. Reflecting characteristics of transmission users
 - 2. Geographical/topological differentiation of costs

Outline of the day

Now

- Modelling terms of reference
- Modelling approach – presentation by Redpoint
- Brief re-cap of themes 1 and 2

Lunch (12.00 – 12.45)

- Theme 1: Reflecting the characteristics of transmission users

Tea (14.30 – 14.45)

- Theme 2: Geographical/topological differentiation of costs
- Conclusions and next steps

Close (16.30)

Broad options for discussion: Status quo

Theme	Key choices
1.	<p>Expansion driven by conditions around peak demand. Uniform scaling approach of output (TEC) used as a proxy for load factor across GB</p> <p>Charges determined from 100% TEC reservation</p>
2.	<p>20 generation TNUoS zones and 14 demand TNUoS zones</p> <p>Local TNUoS tariff comprises a local substation element and a local circuit charge (where applicable)</p>
3.	<p>A single GB average factor – 1.8 – for every location on the “wider” network.</p> <p>The local tariff calculation also includes a “security factor” term of 1.8 or 1.0 to represent the redundancy of circuits local to a generator</p>
4.	<p>Apply actual unit costs to derive local TNUoS tariff and wider TNUoS tariff</p> <p>Recovery of HVDC converter stations costs as part of “local” locational signal</p>
5.	<p>Uses a basket of circuit types, weighted by recent historical usage on the network</p>
6.	<p>G:D split 27:73 (absolute)</p>

Ofgem “strawman” – postalised and improved ICRP for themes 1 and 2

Theme	Key choices	Postalised	Improved ICRP
1.	<ul style="list-style-type: none"> Group generation by technology and then scale their aggregated capacity to meet demand Reflect impact through use of a forecast annual load factor Do not use scaling factors but introduce another proxy of energy use 	<ul style="list-style-type: none"> Charges based on capacity with appropriate scaling approach based on technology 	<ul style="list-style-type: none"> Charges based on capacity with appropriate scaling approach based on technology
2.	<ul style="list-style-type: none"> Remove local asset distinction and socialise costs Revise definition of local / wider asset boundary No change (retain asset specific local charging) Update generation zoning criteria 	<ul style="list-style-type: none"> One generation zone for “wider” GB network No change to “local” definition 	<ul style="list-style-type: none"> No change but review generation zoning criteria to ensure it remains fit for purpose

Next steps

- Summarise actions
- Next meeting – Tuesday 9th August in Glasgow
 - Group discussion around themes 3 (treatment of security provision) and 5 (unit cost of transmission capacity)
 - Presentation of socialised charging strawman
- Accelerating work on HVDC?
- Technical working group report
- Wider stakeholder event – Thursday 11th August in London

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