

Project TransmiT – Working Group Update



Glasgow Stakeholder Event – 17th November 2011

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Overview

- Role of the Technical Working Group
- Progress
- Modelling Recommendations
 - Status Quo (extending ICRP)
 - Improved ICRP
 - Socialised
- Implementation
- Extended Responsibilities

Role of the Technical Working Group

Options for Change

Socialised

+

Improved
ICRP

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

Report

TransmiT

Technical Working Group Report
Significant Code Review

Project TransmiT:
Electricity Transmission
Charging Significant Code
Review

Initial Report of the Technical
Working Group
September 2011

This document contains the discussion of the Electricity Transmission Charging SCR Technical Working Group which formed in July 2011 and constitutes the key deliverable of the Working Group, as set out in the group's terms of reference. It will form an input into the Ofgem December 2011 Significant Code Review Consultation.

Provided to Ofgem on: 23 September 2011

Progress of the Group

**Original
Terms of
Reference**

**Extended
Terms of
Reference**

19th July	ToR, Meeting Plan
1st August	Theme 1&2; Redpoint
9th August	Theme 3&4; Socialised
18th August	Theme 5&6
30th August	Report/Themes to Models
9th September	Report/Transition
23rd September	Initial Report
10th October	Input Assumptions
9th November	Modelling Assumptions
30th November	Final Report

Modelling Recommendations

Status Quo (ICRP to 2030)



Theme

Recommendation

1	✓ No change
2	✓ No change
3	✓ No change ✓ Noted some islands classed as wider would have a security factor of 1.8
4	✓ Model HVDC links that parallel the onshore network as an equivalent AC circuit by: ✓ Impedance from power flow as average ratio of total network boundary rating vs. link rating ✗ Converter costs included or excluded from costs
5	✓ No change
6	✓ Change split from 27/73 to 15/85 in 2015 (<u>all models</u>)

Modelling Recommendations

Improved ICRP – (i)

 **Ofgem Decision**

Theme

Recommendation

1

- ✓ Dual backgrounds (Year Round, Peak Security)
- ✓ Background scaling consistent with GSR009 (SQSS)
- ✗ Plant type contribution for tariff
 - Intermittent Year Round element only
 - All plant contribute to both elements
- ✗ Tariff calculation for Year Round element
 - TEC only
 - TEC x load factor (specific/generic; ex-ante/ex-post)
 - TEC x ex-post MWh

2

- ✓ No change

Modelling Recommendations

Improved ICRP – (ii)



Theme

Recommendation

3

- ✓ No change
- ✓ Islands classed as wider with long sections of single circuit have a security factor of 1 for that section

4

- ✓ Focus on HVDC link technology only
- ✓ Model HVDC links that parallel the onshore network as an equivalent AC circuit by:
 - ✓ Impedance from power flow as average ratio of total network boundary rating vs. link rating
 - ✗ Converter costs **included** or excluded from costs

5

- ✓ No change

6

- ✓ Change split from 27/73 to 15/85 in 2015

Modelling Recommendations

Socialised

 Ofgem Decision

Theme

Recommendation

1

✗ Allocation of charges based on MW or **MWh**

2

✗ Differentiation of Costs:

•Maintain or **remove the local/wider boundary**

•ICRP based or **socialised demand tariffs**

3

✓ No change (only relevant if maintaining local/wider boundary)

4

✓ Not relevant

5

✓ No change (only relevant if maintaining local/wider boundary)

6

✓ Change split from 27/73 to 15/85 in 2015

Transition

- Early decision important for investment certainty
- Sufficient time to minimise windfall gains/losses
- Preferred implementation date of April 2014
- Earliest feasible date of April 2013
- Fully transition at implementation date
- Mid-year tariff change is undesirable

Extended Responsibilities

Fixed support, vary charging

STAGE 1

- Level of CfD FiT (model of low-carbon support)
- Importance in separating charging from support impacts
- Generation build constraints (MW per zone)
- Nuclear assumptions in postage stamp

Vary support, vary charging

STAGE 2

- Required in order to assess overall impact
- CfD levels should be published along with results
- Both demand and generation tariffs are important
- Focus on 'imperfect foresight', with 'perfect foresight' a sense check

End

