

Generation Zones within the CMP213 Impact Assessment Modelling

Under the present TNUoS methodology, generation zones are reviewed and re-defined at the start of a new price control period (or in extraordinary circumstances) in accordance with criteria defined in Section 14 of the CUSC. Most recently TNUoS zones were reviewed prior to the start of the RIIO-T1 price control period which commenced in April 2013. National Grid finalised the outcome of this review in December 2012.

CMP213 commenced in 2012, and shortly after our work on the impact assessment modelling. At this point, the impact of a generation re-zoning exercise was not yet known, and so the impact assessment models and associated Transport and Tariff models for each of the underlying options were created using the existing generation zones.

Post Workgroup consultation, the Workgroup discussed the potential for the transition of the modelling to the reviewed 2013/14 generation zones. Ultimately the Workgroup concluded that the model would remain based on 2012/13 zones for the following reasons;

- **Illustrative nature of zones** – it was generally agreed that generation zones would change a further number of times over the modelling horizon, and that the outcome of any review may be different between different modelled alternatives. Hence, the choice of zones was largely illustrative, and that it was important to consider the overall trend in tariffs across all modelled options rather than the exact numbers. The broad impact on locational differentials would be unchanged.
- **Importance of tariffs to modelling outputs** – it was noted that whilst there is always significant interest in the illustrative tariffs produced by such impact assessments, other metrics such as the cost to the end consumer, and overall transmission costs are of greater importance when assessing the modelled options. Such metrics are not significantly impacted by changes to generation charging zones.
- **Timing of assessment results** – National Grid noted that there would be significant additional work associated with these changes; both to the individual transport and tariff models for each modelled alternative, and also in terms of the output results summary. This additional work would take around a calendar month and so impact on both the Workgroup and Code Administrator consultation timescales for arguably little additional benefit.

National Grid has updated the initial impact assessment models, and will provide updated results as part of its response to the Code Administrator consultation. Consideration was given as to whether it would be appropriate to update generation charging zones as part of this second stage of modelling. National Grid concluded for the reasons stated above, and taking into account the timescales required to complete the assessment in a timely manner, that it would not be appropriate to update the models.

Separately National Grid is currently updating the Transport and Tariff models for all modelled options (status quo, original, and all three diversity options¹) to provide a 2014/15 set of models. These will include revised generation zones, and updates to all other parameters reviewed prior to the start of the RIIO-T1 price control period. However whilst we believe that this will allow users to understand the risks associated with CMP213 more effectively, the underlying uncertainty until a determination is made will remain causing the potential increased cost to end consumers.

¹ The 50% HVDC option will not be provided as there will be no parallel HVDC circuits in existence in 2014/15 on the GB transmission system.