

The background of the slide features a close-up, slightly blurred image of electrical components, including a blue plastic outlet and various metal terminals and wires, set against a light blue gradient.

GRID AND DISTRIBUTION ISSUES

The new charging arrangements

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Scope of Presentation

- 1. Previous charging arrangements & BETTA
- 2. Approved arrangements & conditions
- 3. Other charging issues
- 4. Impact on renewables
- 5. Issues going forward

Previous arrangements & BETTA

- Separate contractual and charging arrangements for access to and use of the three transmission areas & Interconnector
- GB charging a core component of BETTA – creating a single set of charging arrangements across GB
- GB SO responsible for developing charging methodologies in line with licence obligations
- Authority responsible for approving charging methodologies

Approved Arrangements - Connection

- Charges based on value of assets required for connection
- Definition of boundary between connection assets and transmission use of system is important
- 'Super-Shallow' definition – single user assets
- Approved in November 2004

Approved arrangements - UoS

- BSUoS
 - Recover balancing costs from generators and suppliers on a non-locational basis
 - Not in NGC's price control but recovered through incentives scheme
- TNUoS
 - Locational charges - models flows of electricity across the network to measure how extra generation at each point on the network would increase (or decrease) network usage
 - Additional non-locational charges to enable NGC to recover its total allowed revenues
- Authority approved in February 2005 with five conditions

Conditions of approval

- **Cost reflectivity**
 - long-term solution to negative demand charges
 - review derivation of incremental costs of capacity (to encompass expansion constant, expansion factors and treatment of security)
 - develop proposals to refine treatment of intermittent generation
- **Facilitating competition**
 - develop proposals for longer term access products and associated charging regime
 - publish information on future path of tariffs (five years)

Other charging issues

- Implementation of an interim discount for small transmission connected generators
- Implementation of cap on GB transmission charges for generators in peripheral areas to support Government's policy objective for growth of renewables
- Introduction of "shallow" distribution charges for new users connecting to the network from 1 April 2005

Impact on renewables

- Essential for large scale development of renewables in Scotland – previous charging arrangements prohibitive
- Generators have access to a wider market with the opportunity to get the best price for their output
- Wholesale changes to the charges that generators face – overall impact broadly neutral
- GB charging base for funding future network investment

Issues going forward

- NGC to progress conditions on approval
- Ensure network charges provide consistent signals to all network users
- DTI consult on application of cap on transmission charges
- Do not detract in any way from NGC's licence obligations to keep its charging methodologies under review



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