

November TCMF

RIO2 and network charging

Themes of stakeholder views



How can the ESO better manage volatility in network charging?

Why does the ESO have to manage volatility if the charge is cost reflective.

Drivers of volatility should be clear, then parties can act accordingly

Fixed BSUoS (CMP250). Fewer TNUoS zones. Fix TO revenues earlier in process.

Volatility isn't an issue if the charges are sufficiently predictable

More predictability

Flatten BSUOS across a year

15 months notice for TNUoS to align with DUoS

More transparency on what is actually driving the underlying costs and hence volatility would create better signals to reduce volatility

Volatility should not be managed. If it is a genuine function of the market then so be it.



How can the ESO better manage volatility in network charging?

Volatility in itself is not so much of an issue, predictability is more important.

long term TNUoS certainty i.e. extend 12 months. Listen to industry feedback around CMP250

Improve the process in which allowed revenues from OFTOs, incentive costs etc are fed into total recovered revenue.

Is it an issue? Always a trade off with cost reflectivity

Volatility is less of an issue if charges are predictable. If charges are predictable but volatile, the party can react accordingly.

Cost reflectivity should be the starting point. Analysis will need to be carried out regarding the NET benefit to consumers/stakeholders of moving away incrementally from this, either in specific or all areas. This may involve predictable "smoothing"

Implement CMP250 solution

Better forecasting

Predictability is more important than Volatility, try explaining that to customers



How can the ESO better manage volatility in network charging?

Volatility itself isn't an issue as it is driven by cost reflectivity which charges are judged against

Volatility is less of an issue if charges are predictable. If charges are predictable but volatile, the party can react accordingly.

Longer term notices of charges

Implement CMP 250 type solution

Fix Bsuos

Having responsibility for balancing the whole system with transparency on actions: socialising those cost to all parties

ESO needs to manage to avoid conflicts with DSO - Need full transparency on all actions taken



How can the ESO better manage unpredictability in network charging?

There is no transparency on live or historic or forecast availability of the West Coast HVDC, or Moyle, which are key drivers of BSUoS, nor of flows on WCHVDC

Greater transparency of data regarding system issues and cost drivers

Fewer TNUoS zones (smoothing volatility)

Address SO concerns with cost recovery via different k-factors for different cost categories.

It may be worth adopting the philosophy that all relevant data is published for stakeholder information, providing it is not commercially confidential

As close to real time data as physically possible, allow parties to forecast

Review k factor recovery limits and timescales to Allow the SO To manage volatility

Implement CMP250 solution

CMP250 solution in new price control could work



How can the ESO better manage unpredictability in network charging?

Do not implement CMP250

Publish flow and availability data historic, live and forecast for West Coast HVDC and Moyle, key drivers of BSUoS

More open with the data around the drivers of the costs and how these could change to keep stakeholders informed.

Greater transparency of data showing the underlying drivers of costs

Explanations of "unusual" events afterwards, to increase education

Better forecasting and transparency of data driving those forecasts

BSUoS fixed in advance

Longer notice of TNUoS charges

Unpredictability increase risk premia. In some cases it means risks are "unmanagable". Analyse the net benefit of "more predictability/less reflectivity/less total cost"



How can the ESO better manage unpredictability in network charging?

Only use highly cost reflective signals where it can be demonstrated that users can respond in timescales impacted.

Longer notice of TNUoS charges

Understand how the move to the whole system view of costs will change charges

More transparency around data, outages, system flows and decisions which drive system actions

Ensure the ESO has full responsibility for whole systems balancing, not the DNOs

More live information provision on transmission constraints to allow users to assist SO/avoid BSUoS.

For TNUoS - improve revenue forecasts received by TO's (introduce an obligation) e.g. ensure there is a link between load flow assumptions in the locational modelling and revenue allowances required to build the network (e.g. Scottish islands)

How will the increasing use of DSO actions in a Open Networks world be charged / applied, especially where the balancing actions of the DSO may not be compatible with the ESO balancing actions.

Forecasts containing scenario planning helps with managing rate shocks



How can the ESO better manage unpredictability in network charging?

The risk premia from unpredictability is very relative to party size and attitude. Need to leave market space for risk takers?

Better processes for feeding in allowed revenues associated with Ofgem decisions, OFTOs, strategic wider works, incentive payment. Perhaps delay or phase in these revenues into the total allowed revenue to avoid shocks.

Be clear on what whole system costs are to be incurred and then who / how that is to be recovered. If parties are contribution to or causing costs they should be included in the recovery mechanism

Maintain cost reflectivity and granularity.

Either one total system charging methodology, or consistency between all DNOs and TSO charging.

If it is whole system approach then the charging should be across the whole system and not be split T and D.



How can the ESO better manage whole system signals in network charging?

More clarity on Section 14 - some sections are not crystal clear and risk being open to interpretation

The ESO must have responsibility for whole systems operation and balancing to avoid inefficiency and conflicting signals

Fully support the point on S14 not being totally clear! This has led to multi-million £ flips in view in the recent past

Combine TNUoS and BSUoS charges. Charge embedded generation for use of transmission system.

Identify the shortfalls with current process first. Are the DNOs pointing "in the wrong way"? Are they properly represented in the whole network charging debate? etc

Ensure price control does not prevent DNO/ESO solutions to emerge

Need quantitative analysis sharing with DSOs to understand their perspective. Currently ESO has limited data to hand

Must get a steer from Ofgem re who will have whole system balancing responsibilities - currently DSO whoever that will be) have no remit to actually balance, they are just steaming ahead with trying to make it impossible for Ofgem to unpick it all

Smaller parties (Consumer facing innovation groups for example) currently have poor understanding of charges, so don't respond to signals appropriately



How can the ESO better manage whole system signals in network charging?

How does this work under the ESO price control fit with Ofgem's future charges?

Closer alignment transmission and distribution charging. Relationship with DNOs.

Charging Embedded TNUoS is NOT the answer - since T connected have never been charged for using the D network why should D connected be charged for T network? Must be equitable across both networks

Whole system charges should include DNO costs as well

Need a high level of coordination between tso and dso, consider a single network charge, incorporating TNUoS DUoS and BSUOS

Consistent signals between DNOs and TSO charging.

Embedded generation should only pay T costs if GSP is exporting, so dependant on DSO balancing

Ensure that whole system charges are applied to T and D parties.

Better alignment of T and D



How can the ESO better manage whole system signals in network charging?

Not without Ofgem steer on TCR SCR and upcoming SCR. Standalone Mods are not an appropriate way to do this at this time (eg 280,281. These have proved to be unwieldy and not offering broad solutions to a highly complex issue)

How can the ESO better manage a level playing field in network charging?

Address issues with BSUoS charging - embedded benefit and cross border distortion

Model embedded generation on gross basis in Transport & Tariff model.

ensure that the whole system costs are applied via charges to T and D parties.

Recognise D costs and T costs should complement each other

cost reflective, open processes. where charges are amended from this - clear rationale and impact assessment

Be forward thinking and proactive. Eg. Embedded generation review/reforms had been on the table for years before change happened

Keep listening to smaller player, not just T connected

Ensure large plant pay for the SQSS costs they cause.

Consistency between DNO and TSO charging important for this too.



How can the ESO better manage a level playing field in network charging?

Better cost reflectivity with regard to whole system costs.

It can't without an Ofgem steer on TCR SCR and upcoming SCR. Standalone Mods not an appropriate way to do this currently. Eg CMP280,281 are unwieldy and far too narrow to address the broader issue! Ofgem should never had tried to take a short cut

Ensure equal representation of all affected parties - including smaller players

Whole systems charges need to be applied equitably

Allow consumers some agency over their costs eg domestic battery storage

Identify and highlight where disparity is occurring. Ensure this aspect is reviewed as part of the CUSC mod process.

Any changes must be sympathetic to the current arrangements. Amending the entire methodology for EG in a few short years will fundamentally change the business models of EG. Fair charging is important, but so is investor confidence

CMP285 to break domination of CUSC panel

Goes to the root of code governance. Overhaul CUSC panel, review current governance approach and make governance fit for a smart, flexible, decentralised world!



How can the ESO better manage a level playing field in network charging?

Ensure the ESO is adequately resourced

