CUSC - SECTION 14

**CHARGING METHODOLOGIES**

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# Part 2 - The Statement of the Use of System Charging Methodology

# Section 1 – The Statement of the Transmission Use of System Charging Methodology

# 14.14 Principles

1. Transmission Network Use of System charges reflect the cost of installing, operating and maintaining the transmission system for the Transmission Owner (TO) Activity function of the Transmission Businesses of each Relevant Transmission Licensee. These activities are undertaken to the standards prescribed by the Transmission Licences, to provide the capability to allow the flow of bulk transfers of power between connection sites and to provide transmission system security.
2. The Maximum Revenue ( TOt) defined for these activities is agreed with the Authority at the time of The Company’s price control review for the succeeding price control period. The Maximum Revenue can be adjusted during the Price Control period. Transmission Network Use of System Charges are set to recover the Maximum Revenue

For the purpose of calculating residual tariffs only, the majority of the forecast inputs for revenue and the demand charging base will be determined 15 months before the Financial Year and subsequently reconciled and recovered through succeeding Financial Years once revenue requirements are known. A sub-set of the MR value, relating to costs borne by the ESO will be finalised 2 months before the Financial Year (as per 14.14.13).

* + 1. Not used.
    2. The Company will typically calculate TNUoS tariffs annually, publishing final tariffs in respect of a **Financial Year** by the end of the preceding January. However The Company may update the tariffs part way through a **Financial Year**.

# 14.15 Derivation of the Transmission Network Use of System Tariff

### **The Residual Tariff**

* + 1. The total revenue to be recovered through TNUoS charges is determined each year with reference to the Transmission Licensees’ Price Control formulas. Target revenue figure for TNUoS charges (TR) is set as per 14.14.2: For the purpose of calculating residual tariffs only, the majority of the forecast inputs for revenue and the demand charging base will be determined 15 months before the Financial Year and subsequently reconciled and recovered through succeeding Financial Years once revenue requirements are known. A sub-set of the Maximum Revenue value, relating to costs borne by the ESO will be finalised 2 months before the Financial Year (as per 14.14.13).

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# l14.17 Demand Charges

The Chargeable Demand Capacity for a Power Station with a Bilateral Connection Agreement or Licensable Generation with a Bilateral Embedded Generation Agreement will be based on the average of the net import over each Triad leg of the BM Units associated with the Power Station (in Appendix C of its Bilateral Connection Agreement or Bilateral Embedded Generation Agreement, including metered additional load) during the Triad.

## Small Generators Tariffs

14.17.16 In accordance with Standard Licence Condition C13, any under recovery from the Maximum Revenue (TOt) arising from the small generators discount will result in a unit amount of increase to all GB gross demand tariffs.

# 14.29 Stability & Predictability of TNUoS tariffs

## Stability of tariffs

The Transmission Network Use of System Charging Methodology has a number of elements to enhance the stability of the tariffs, which is an important aspect of facilitating competition in the generation and supply of electricity. This appendix seeks to highlight those elements.

For the purpose of calculating residual tariffs only, the majority of the forecast inputs for revenue and the demand charging base will be determined 15 months before the Financial Year as per 14.14.2. Fixing of revenue and demand inputs provides additional stability and predictability to suppliers.