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NIA Project Annual Progress Report Document

Date of Submission

Jul 2023

Project Reference Number

NIA2_NGESO039

Project Progress

Project Title

Future of the Transmission Network Charging Methodology

Project Reference Number

NIA2_NGESO039

Project Start Date

January 2023

Project Duration

0 years and 9 months

Nominated Project Contact(s)

James Stone; Nicola White

Scope

The scope of this project is to undertake research and carry out modelling to explore the feasibility and impacts of future options for change to the transmission network charging methodology, specifically in relation to cost reflectivity and predictability of the locational signals required by network users to make future long-term investment decisions with the aim of supporting least cost decarbonisation in GB.

Objectives

1. To assess options for reforms (via the use of qualitative and quantitative analysis) to the transmission network charging methodology.
2. Deliver a recommendation report outlining potential solutions (and associated implications & impacts), which will feed into a wider collaborative industry project looking at future changes to transmission network charging arrangements.

Success Criteria

This project will be considered a success via the delivery of analysis and a recommendation report detailing potential solutions for reform to transmission network charging arrangements, to inform and further develop changes with wider industry via the Task Force.

Performance Compared to the Original Project Aims, Objectives and Success Criteria

National Grid Electricity System Operator (“NGESO”) has endeavoured to prepare the published report (“Report”) in respect of Future of the Transmission Network Charging Methodology, NIA2_NGESO039 (“Project”) in a manner which is, as far as possible, objective, using information collected and compiled by NG and its Project partners (“Publishers”). Any intellectual property rights developed in the course of the Project and used in the Report shall be owned by the Publishers (as agreed between NG and the Project partners).

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This project set out to explore the feasibility of potential options for reforms to the transmission network charging methodology (via a combination of research and modelling), specifically in relation to improving the cost reflectivity and predictability of the locational signals required by network users to make future long-term investment decisions (both relating to established and emerging technologies) with the aim of providing a smooth transition to GB Net Zero targets at least cost to consumers.

This project was planned to initially span a period of 3 months, completing in March 2023. However, in November 2022, Ofgem published a document ([‘Open letter regarding prioritisation of electricity network charging reforms’](#)), setting out how it planned to approach activities on electricity network charging and connections given the demands of winter work. As part of this prioritisation, the wider collaborative industry workstream (TNUoS Task Force) looking at changes to transmission network charging, which the production of recommendations from this project were to feed into, was paused for the remainder of 2022.

Prior to this pause, and to maintain momentum, it was agreed that this project continue and that any output then be taken back to the wider collaborative industry workstream to support discussion and progression of reforms when it reconvened.

The programme of work was originally planned to be delivered using a multiphase approach, broken down into 4 key workstreams and several deliverables including:

Workstream 1 - Planning: *development and delivery of a workplan for shortlisted areas for investigation and high-level analysis scope agreed.*

Following initial identification of areas for review by industry, the ESO considered what would be feasible in terms of the work that could be conducted during any hiatus and communicated this with wider industry. The scope of the analytical assessment, deliverables of the project including overall workplan were then further refined and subsequently agreed jointly with Ofgem in January 2023.

Workstream 2 - Analytical Assessment: *delivery of analytical assessment and conceptual assessment of shortlisted areas.*

To date, the approach that has been taken includes conceptual assessment of various elements of charging arrangements in terms of suitability in the current context but also regarding the future energy landscape. Potential options for reform and alternatives have also been identified, considering how they may improve cost reflectivity, and or predictability for users. The impacts of these potential changes are now being studied with a view for quantitative analysis to be shared initially with the TNUoS Task Force in the coming months. Information, as presented and discussed within the Task Force, is published for transparency with industry on the [‘Charging Futures Resources page’](#).

Workstream 3 - Industry Engagement: *outputs, including solution options and recommendations to be presented to the industry Task Force and wider industry via a series of workshops, as well as industry webinars.*

Thus far, an overview has been shared with the Task Force as well as wider industry (via the [‘Charging Futures Resources page’](#)) with detail around the approach taken to the analytical assessment, initial conclusions, potential options for change and rationale. Further work is now planned to identify (via the Task Force) any gaps in the analysis or areas for further consideration. There may be changes and potential solutions identified that are able to be raised via the standard code change governance process ahead of the project close report to allow earlier implementation.

Workstream 4 - Recommendation Report: *summary reports delivered for each workstream will then feed into and support the wider industry Task Force in their production of a final recommendation report to be submitted to Ofgem, with content agreed for publication.*

Initial drafts are currently being produced in parallel to progression of each workstream and will be delivered near project closure which is September 2023.

Required Modifications to the Planned Approach During the Course of the Project

There have been no material changes to the overarching approach to this project, both in relation to the original scope and plan, and or deliverables thus far.

However, there have been changes to the overall timescales of the project. This has largely been driven by the reprioritisation of activities on electricity network charging given the demands of winter work mentioned above. We consider that the project is likely to now complete by September 2023. However, this is not considered to have a material impact on the roll out of the project outcomes,

given that any options for change could be progressed (further to Task Force agreement) via standard industry governance processes and are not necessarily reliant on the timing of the final recommendation report being submitted to Ofgem ('Workstream 4' above).

Lessons Learnt for Future Projects

As part of the project, we have learnt that there are significant benefits to ensuring that wider industry can learn about the work, provide robust and constructive challenge, and feedback on issues raised by the project as they arise which ultimately supports the project and its progression. As such, we have ensured all documentation has been published, feedback mechanisms have been put in place to gather views from stakeholders throughout the process i.e., a dedicated email address for the work of the Task Force and this project managed by the secretariat, as well as use of other fora such as the Transmission Charging Methodologies Forum (TCMF) which has been used as a means to update on developments and ensure views are heard from various industry parties

Note: The following sections are only required for those projects which have been completed since 1st April 2013, or since the previous Project Progress information was reported.

The Outcomes of the Project

At present this project is in progress and currently at the analytical phase. To date, an overview has been shared with both the Task Force and wider industry (via the Charging Futures website) with detail around the approach taken to the analytical assessment, initial conclusions, potential options for change and rationale. As detailed above, these [initial findings](#) are to now be used to further collaborative discussion with industry which will subsequently then provide steer in terms of next steps for this project.

[Initial conclusions](#) from this work have indicated there are potential options for reform that may improve cost reflectivity of charges and in some cases improve predictability (by removing elements of uncertainty) for investors.

Following this output being shared with wider industry (via the TNUoS Task Force), it has been agreed that the next stage of work will be to identify what areas or options require further investigation. This will be achieved by; a walk-through in terms of conceptual assessments undertaken so far; in-depth examination of the initial conclusions and potential options identified; detailed view provided of quantitative analysis (impacts on charging etc) for each option and by network user type; identification of possible gaps in current analysis and agree options to progress further.

Depending on the outcome and options, there may be opportunity to progress suitable reforms via the standard industry governance process which would allow changes to the industry codes to be proposed and any reforms to be progressed earlier than the final report being submitted via this project

Data Access

Details on how network or consumption data arising in the course of NIA funded projects can be requested by interested parties, and the terms on which such data will be made available by National Grid can be found in our publicly available "Data sharing policy related to NIC/NIA projects" and www.nationalgrideso.com/innovation.

National Grid Electricity System Operator already publishes much of the data arising from our NIC/NIA/SIF projects on the Smarter Networks Portal (www.smarternetworks.org) and National Grid ESO Data Portal (data.nationalgrideso.com). You may wish to check these websites before making an application under this policy, in case the data which you are seeking has already been published.

Foreground IPR

- The final project report will be published on the [Smarter Networks Portal](#).
- All output from this project to date and discussions via the Task Force can be found on the '[Charging Futures Resources page](#)'.
- Ad hoc updates to wider industry have also been delivered via the Transmission Charging Methodologies Forum (TCMF) - relevant documents can be found here: [Transmission Charging Methodologies Forum](#).