

All Industry Parties

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Dear Colleagues,

## **Next Steps: Informal Consultation on Potential Transmission Charging Arrangements at Exporting Grid Supply Points**

On 6<sup>th</sup> August 2015 National Grid published an informal consultation to discuss potential TNUoS charging arrangements for exporting Grid Supply Points (GSPs). This open letter sets out our next steps following this informal consultation, and how this work will feed into our broader review of commercial arrangements related to transmission charging.

We received a large amount of helpful information and feedback as part of this informal consultation - 29 responses were received from a wide variety of industry participants including transmission and distributed connected generators, DNOs, Suppliers and trade associations. The responses can be found in full at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Transmission-Charges-Open-Letters/>. The consultation was split into two sections; specific options relating to local TNUoS charges, and the need for broader change. An overview of stakeholder thoughts on each of these sections is provided below.

### *Responses – Local Options*

There was a reasonable level of support for the underlying principles of the consultation. Whilst there was support for the specific charging options put forward in the paper in detail, concerns were raised that parties could not fully engage in the debate until they knew how a DNO (or other aggregator) would pass on the charge, and also that the proposals may be complex to implement due to the perceived need for parallel changes to both the CUSC and the DCUSA. However there was a sense that the options put forward were a move in the right direction; improving the cost reflectivity of the TNUoS charging methodology.

### *Responses – Broader Change*

A significant number of respondents felt we needed to further co-ordinate our thinking with DNOs, and a number of respondents noted Ofgem's flexibility paper and the need to co-ordinate with this work also. More broadly, many respondents felt that we should step back and take a more holistic look at the interface between transmission and distribution systems and the commercial arrangements in this area.

### *Next Steps*

We have taken time to consider all the responses, in particular those relating to the area of broader change. From this we have been undertaking further work to more broadly consider our charging methodologies as a whole and the drivers for change. We have also received helpful feedback from customers and stakeholders noting that current commercial arrangements to do with transmission charging may not remain fit for purpose or sustainable in light of recent market developments. This has helped us further develop our thoughts.

In light of this, National Grid has decided to undertake a wider review of commercial arrangements related to transmission charging, rather than a more narrow focus on exporting GSPs in isolation. We introduced this wider review project at the recent Transmission Charging Methodologies Forum held on 9<sup>th</sup> March 2016. The specific options developed through our work on potential transmission charging arrangements at exporting GSPs remain live and will be further considered as part of this broader review.

We have begun engagement with stakeholders across the industry to gather views on commercial arrangements related to transmission charging and the future challenges. We are meeting bilaterally with stakeholders and customers as well as attending industry workshops and meetings. As part of these conversations we are seeking to understand what stakeholders feel is and is not working well with regards to current commercial arrangements, and where things may need to change. If you would like to discuss your thoughts with us please contact Nick Pittarello ([Nick.Pittarello@nationalgrid.com](mailto:Nick.Pittarello@nationalgrid.com)).

We intend to provide an update on our work in June and will be arranging a dedicated forum to discuss our next steps and also provide supporting information on the need for change. Further details of this event will be provided in due course.

Yours sincerely

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