

To all interested industry parties

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Dear Colleagues,

Revised timetable for publication of 2018/19 TNUoS tariffs following Ofgem's decision on CMP264/265

This letter concerns the timetable of our forecasts for the 2018/19 electricity Transmission Network Use of System (TNUoS) tariffs over the coming year, following Ofgem's decision¹ to approve WACM4 for CMP264/265. Our intent is to provide clarification to our letter² dated 9 February 2017 on the timetable for TNUoS tariffs.

For the 2018/19 tariffs, the schedule below is our revised timetable. These dates may need to vary due to circumstances beyond our control; however, we will keep you informed if this is the case.

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|-----------------------|---|
| June 2017 | <ul style="list-style-type: none">• Forecast for 2018/19 TNUoS tariffs based on the <i>current</i> methodology. Unfortunately, we are unable to produce a forecast on the basis of the new CMP264/265 methodology, given the timing of the decision. |
| September 2017 | <ul style="list-style-type: none">• Update value of "Avoided GSP Infrastructure Credit (AGIC)" to apply to the 2018/19 tariffs for embedded generation as outlined in the legal text.• This value was last calculated as £1.62/kW in 2013/14 prices. Early National Grid analysis, based on sample of connections, suggests a figure in the range of £3/kW-£7/kW in 2018/19 prices. |
| October 2017 | <ul style="list-style-type: none">• A revised forecast of tariffs for 2018/19 TNUoS tariffs, in line with CMP264/265 methodology, and using the new AGIC |
| November 2017 | <ul style="list-style-type: none">• A revised Five Year Forecast of TNUoS tariffs, in line with the CMP264/265 methodology. |
| December 2017 | <ul style="list-style-type: none">• Draft tariffs for 2018/19 TNUoS, in line with CMP264/265 methodology, and using the new Avoided GSP Infrastructure Cost |
| January 2018 | <ul style="list-style-type: none">• Final tariffs for 2018/19 TNUoS, in line with CMP264/265 methodology, and using the new Avoided GSP Infrastructure Cost |

During the summer we also intend to provide *further guidance* on the structure of the new tariffs through forums and guidance notes. For example, at the Transmission Charging Methodology Forum³

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-industry-proposals-cmp264-and-cmp265-change-electricity-transmission-charging-arrangements-embedded-generators>

² Timetable for publication of 2018/19 TNUoS tariffs, from Katharine Clench
<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=8589938856>

³ <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

(TCMF) in July 2017 we intend to provide an update on the process around the calculation of Avoided GSP Infrastructure Credit.

BSC modifications P348 and P349 have been ongoing to make the changes required to the data flows to allow us to charge under the new tariff structure from next year. These modifications should also provide us with historic embedded generation data in September 2017, which is a key requirement to allow us to forecast future embedded generation output and allow us to set the tariffs.

If you have any further queries, please contact us on 01926 654633

Yours faithfully



Paul Wakeley
Revenue Manager

Further Information on CMP264/265

Under CMP264/265 WACM4 the way in which National Grid charges TNUoS to demand, and therefore invoices Supplier for TNUoS charges will change. Previously, we invoiced Suppliers for TNUoS based on their net demand with a zonal demand tariff. Suppliers may then pay embedded Generators (depending on their contract) for avoided transmission charges, as they helped to lower a Supplier's net demand liability.

Following implementation of CMP264/265 WACM4, from 2017/18, National Grid will now more explicitly credit flows for embedded Generators (through Suppliers). This will be done by splitting Suppliers' demand charge into two tariffs:

1. A **gross demand tariff**, charged on gross demand for HH customers, and to NHH customers.
2. An explicit **embedded benefit tariff**, paid based on Triad output from embedded Generators.

The value of the *embedded benefit tariff* will be the combined cost of the demand zonal locational tariff and a new value called *Avoided GSP Infrastructure Credit*. This value will be floored at zero to avoid a negative tariff, or charge to embedded generators. The value of the *Gross Demand tariff* will combine the demand zonal location tariff and a residual utilising the existing methodology which will ensure overall total recovery of allowed revenues and payment of embedded benefits.