

From: Zhou (ESO), Jo <Jo.Zhou@nationalgrideso.com>
Sent: 09 June 2021 12:31
To: Groome (ESO), Jennifer <Jennifer.Groome@nationalgrideso.com>
Cc: Stone(ESO), James <James.Stone@nationalgrideso.com>
Subject: Re: EXT || RE: CMP368 & CMP369 - treatment of Large Distributed Generators TNUoS charges

Hi Jennie,

Thanks. Some thoughts are here

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From: Graham, Garth
Sent: 20 May 2021 17:00
To: .Box.Cusc.Team <cusc.team@nationalgrideso.com> [All CMP368 & CMP369 Workgroup members]
Subject: EXT || RE: CMP368 & CMP369 - treatment of Large Distributed Generators TNUoS charges

Jen,

Following on from the discussion yesterday morning with respect to the treatment of Large Distributed Generators in terms of Jon's third slide (have all the slides from yesterday been circulated yet?) I referred to an element of the Limiting Regulation (838/2010) and I think I took an action, in the context of possibly considering an alternative, to circulate the quote I read out to the Workgroup.

I was referring to paragraph 2 of Part B of the 838/2010 Regulation namely:

<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:250:0005:0011:EN:PDF>

“Annual average transmission charges paid by producers is annual total transmission tariff charges [£] paid by producers divided by the total measured energy [MWh] injected annually by producers to the transmission system of a Member State.”

The point I was making, given that ‘producers’ are generators, was that where Distribution connected generators paid TNUoS then those charges (£) are part of the ‘annual total transmission tariff charges paid by producers’ and should, according to the Limiting Regulation, be included in the calculation of compliance (rather than excluded, as per the first and second bullet points on Jon's third slide – see below); irrespective of the treatment of injects (MWh) to the transmission system.

Related to this, I think it was Jo (or possibly Jon) who mentioned yesterday that the TNUoS charges (£) paid by Distribution connected generators were excluded when the ESO did its calculation of 2020/21 compliance with the range set out in Limiting Regulation.

For 2020/21 compliance assessment (which we presented in the May TCMF), TNUoS charges paid by >100MW EGs, and their associated energy injection (in MWh), were excluded when calculating the average gen charge (euro/MWh).

Looking back at the slides for the 6th May TCMF meeting (<https://www.nationalgrideso.com/document/191341/download>) this seems to align with slide 15.

I also notice slide 15 states that “Net station demand charges of £5.95m are not included” which I take to mean that this amount was also excluded when considering compliance with the range.

[I've underlined 'net' here as this implies a 'gross' figure – and I think it could be the gross figure that we would need to use: can the ESO please provide that gross figure, and explain why net not gross was used?]

According to the CUSC, the demand charges (to Generators) are calculated based on net station demand. However, for the purpose of this CUSC mod, net demand charges for generator were not considered when calculating the average gen charge.

However, as per the point I made yesterday, the Limiting Regulation does not differentiate between 'generation' and 'demand' charges paid by generators, rather it's the 'annual total transmission tariff charges paid by producers' – and (station) demand charges are paid - that are to be included when determining compliance with the range.

If that's the case then I think, based on the information on slide 16 (TCMF) that item (1) 'Eligible TNUoS Generation Revenue, £m' would be £17.57M in 2020/21 rather than £3.33M (this being £3.33M + £8.95M for distribution connected and £5.95M for station demand). Is that the ESO's understanding as well?

The ESO's understanding is that £3.33m is the relevant charge for 2020/21, as presented in the May TCMF slides. We appreciate there are various interpretations around 838/2010, and we hope the CUSC (or similar documents) can provide clarification on localised practice.

I think this uncertainty, as to actual compliance calculation (and all the associated component elements) helps illustrate why we need to carefully examine the solution in terms of “the transparency of compliance with Regulation” as per item (c) in our terms of reference.

Relating to the wording in paragraph 2 of Part B of the 838/2010 Regulation more generally, I'm mindful that it explicitly refers; in two places; to “charges paid by producers” rather than ‘charges paid by and / or to producers’. Given this why, in the context of Directly Connected Generation, is the figure of £3.33M used for Wider charges in the table on slide 15 (TCMF)? Our understanding is that the charge is associated with the TNUoS generation charges and the relevant energy volumes that are measured at settlement meters and at the transmission network. Therefore when we calculate the 2020/21 figures, they are relevant to transmission connected generators (who pay TNUoS gen charges – excluding local charges) and their gross generation volumes.

Finally, we also touched on yesterday (when considering the wording in item (b) of the terms of reference) the precedent, now set by the CMA's decision, which now applies to Modifications (including CMP368/369) concerning the interpretation of the Limiting Regulation when determining compliance with the €0-2.50/MWh range.

An example of this would be how, on a forward look basis, will CMP368/369 address the point made in the CMA Decision at 6.99(c) which says:

"The ITC Regulation does not rule out the possibility that assets required by individual Generators for connection to the system could become assets deployed in the system for different purposes. If the function of the assets required by any such Generators did change in this way, the charges applied for such assets may no longer fall within the Connection Exclusion, depending on the particular facts arising."

Given this could we also consider how the ESO proposes to allow (within the CMP368/369 solution) for such re-evaluation of assets and the criteria it proposes to set to make such an assessment.

The TNUoS tariffs are reset each year, and if the network topology changes (for example, a non-MITS node now becomes a MITS node), this will be naturally captured in the tariff setting, and the relevant generator will stop paying local circuit charge in this example. In addition, we note the fact that TNUoS charges are essentially charges for infrastructure assets, and various tariffs are set to send specific signals. The aim of TNUoS locational tariffs (including wider and local) is not for cost recovery of specific assets. Instead, it is to send indicative price signals to inform investment decisions.

Regards

Garth

The screenshot shows a Microsoft PowerPoint presentation titled "Large Distributed Generation" displayed within a Microsoft Teams meeting window. The presentation is titled "CMP368 & CMP369 WG1 May-21 pptx - Saved" and is being viewed by "Wisdom (ESO), Jon". The slide content includes:

- Ofgem decision specified that a follow up change should: "Remove from the calculation determining compliance with the range the TNUoS Charges payable by 'Large Distributed Generators' and their associated volumes"
- NGESO consider that in practice this means that TNUoS charges and volumes associated with TNUoS-liable Distributed Generators who are party to a Bilateral Embedded Generation Agreement and are Licensable Generation should not be considered when calculating compliance with the Limiting Regulation.
- At this stage we do not consider that it is appropriate to consider how this may impact any changes brought forward by Ofgem in relation to charges for other embedded generators as that will be covered by Ofgem's conclusions into the A&FLC SCR.
- Are there are specific areas the ESO should consider when assessing this compliance other than those already identified?
- In 2020/21 this removed ~£8m from the compliance calculation. Impacts in future years are shown below.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Revenue from large embedded generation (£m)	6.01	7.09	7.50	9.18	9.11	9.30

The slide is branded with the "nationalgridESO" logo. The Teams interface at the bottom shows a meeting with participants: Jauss, L., Joshua L., Wisdom Jon (active), Grace M., Jones, P., Tindal, J., John H., Groome (ESO), Jen..., and a video feed of a participant.