Generator TUoS Tariff Preferred Methodology

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OUTLINE

- Current Methodologies
- Description of preferred method
- Indicative Tariffs
- Objectives of Tariff model

Current Methodologies

- NI apply a Postage Stamp methodology
- Predictable/Stable
- Not cost-reflective
- Does not encourage efficient network investment

- ROI apply a locational tariff methodology
- Cost-reflective of usage of existing network
- Can be volatile
- Difficult to predict

PREFERRED METHODOLOGY

Dynamic Locational Signals Model Plus Postage Stamp

“Option 4”

Tariff Components

Maximum 60% **Minimum 40%** **€/kW/year**

Model Design

- Applies higher charge to those driving future investment
- Firstly locational charges calculated – Max 60%
- Remaining revenue requirement is allocated using a postage stamp/flat charge – min 40%
- Final tariff: Site specific capacity based charge

Dynamic Model Features

Forward looking + 5 years	4 Network scenarios examined	Load flow analysis determines use of network
Recovers assets for 7 years after built	No charge for sunk assets	Charges based on NPV of cost of new assets

Postage Stamp Features

Uniform rate for all units

Recovers at least 40% of total revenue

All unit types treated equally

Recover costs of sunk assets

Will limit volatility

Data Inputs

- Generation and Demand forecast for future years for each scenario
- Dispatch assumptions for 4 scenarios
- Details of assets to be built in the future
- NPV of the future assets
- Transmission revenue requirement

INDICATIVE TARIFFS

PREFERRED METHODOLOGY

1. Forecasts of generation and demand in 2013/2014 were determined
2. NPV of future assets was calculated and converted into an annuitised value
3. Load flow analysis was conducted to determine usage of all new assets in each of the four scenarios.
4. Any units that uses a new assets was charged for this in proportion to their usage
5. The maximum tariff from the 4 scenarios was identified for each unit & the resulting revenue recovery was calculated (35% of total revenue)
6. Remaining revenue requirement was spread across all units by adding a postage stamp amount to give the final €/kW/year tariff for each unit.

Indicative tariffs

- Appendix J of paper outlines 08/09 tariffs
- Lower Range than any other locational model
- Everyone pays the fixed/postage stamp charge
- Minimum Tariff is €1.83/kW/Year
- No unit has a final tariff which is negative

OBJECTIVES

PREFERRED METHODOLOGY

Objective	Weighting	Score
Efficiency	30 %	4
Cost-reflectiveness	30 %	5
Lack of Volatility	20 %	3
Predictability	15%	4
Transparency	5 %	3

Pro's

- Cost reflective
- Efficient
- Predictable
- Less volatile than purely locational methodologies

Con's

- Not most transparent
- More volatile than postage stamp

OPEN SESSION
QUESTIONS?