

Single Electricity Market

All-Island Generator Transmission Use of System (TUoS) charging

Consultation Paper

11 April 2011

SEM-11-018(a)

Cover Note & Background

A review of Locational Signals project was initiated in January 2009 (SEM-09-001) by the Transmission System Operators (TSOs) to address the significant concerns raised by market participants in response to previous consultations on Locational Signals. These signals cover all-island generator Transmission Use of System (TUoS) charges and all-island Transmission Loss Adjustment Factors (TLAFs). The RAs recently published a Terms of Reference for Impact Analysis on TLAF Splitting (SEM-11-006).

With respect to all-island Generator TUoS, in December 2010 the SEM Committee endorsed the proposal of the TSOs to proceed with a “dynamic” forward looking locational signal model of tariffing for Generators, as outlined in “*All-Island Generator Transmission Use of System Charging*” decision paper (SEM-10-081). The all-island Generator TUoS charges will be levied on the basis of recovering 25% of the allowed revenue for network costs on the island (with the remainder being recovered from demand on a jurisdictional basis).

Section 3 of SEM-10-081 specifically states that the charging threshold for distribution connected Generators requires a separate consultation. Section 4 of SEM-10-081 details a number of issues which require finalisation before full implementation of the all-island Generator TUoS methodology can take place. These outstanding issues, along with the charging threshold for distribution connected Generators, are now being consulted upon by the RAs. The four issues are:

1. Calculation methods for All-Island Generator TUoS Tariffs
2. Fixed Tariff Options
3. Non-Firm Generator TUoS
4. Charging Distribution Connected Generators TUoS – Threshold Level

The accompanying document (SEM-11-018) submitted by the TSOs to the RAs provides a discussion on each of these four issues and the TSOs recommendations on each. The document has been formulated by the TSOs, with input from the RAs.

TSOs recommendations in summary

1. Calculation methods for All-Island Generator TUoS Tariffs
 - Generator tariffs calculated on an all-island basis with Supplier tariffs calculated jurisdictionally as today; consequential cross-border revenue flows between TSOs (“All-Island Generation Adjustment”).
 - Both TSOs share the recovery risk of cross-border flows on a ratio reflecting demand usage on the island, e.g. ROI 75% & NI 25%.
 - Inter year over/under recovery from generation to be added/subtracted to generation element (i.e. Generator pot) of network revenue recovery in the subsequent year.
2. Fixed Tariff Options
 - Fixing the tariff relativity: This option keeps the relativity between Generators’ tariffs similar rather than fixing the specific tariff. This allows for the Generators’ tariffs to evolve along with a system developments, including a changing generation portfolio and the TUoS revenue requirement. It requires no specific adjustment to Supplier tariffs to provide for Generator fixing.

3. Non Firm Generator TUoS

- A fixed locational kW charge levied on all Generators regardless of their access rights status (i.e. firm or non-firm). This means non-firm generators would pay Generator TUoS in the same manner as firm Generators.

4. Charging Distribution Connected Generators TUoS – Threshold Level

- Lowering the threshold for TUoS charging to 5MW from 10MWs. Incremental MW charge for all Generators over 5MWs, e.g. a 6MW plant will be charged TUoS for one MW, a 7MW will be charged for two MWs etc.

Next steps and RAs decision

It should be noted by stakeholders that the recommendations advanced by the TSOs in the accompanying paper (SEM-11-018) do not necessarily represent the RAs views. Indeed they may not be the final options decided upon by the RAs in a future decision paper. Responses to SEM-11-018 will be reviewed and carefully considered by the RAs and TSOs, before the RAs formulate their final decision on all-island Generator TUoS.

Responses to the accompanying paper should be submitted to Jamie Burke (jburke@cer.ie) in CER and Billy Walker in UREGNI (billy.walker@uregni.gov.uk) by 5pm Friday 13 May 2011.

Unless marked confidential, all responses will be published by placing them on the AIP website at the following address <http://www.allislandproject.org/>.

Respondents may request that their response is kept confidential. The RAs shall respect this request, subject to any obligations to disclose information. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality.

It is anticipated that a final decision on the matters outlined above will be published in July 2011.