

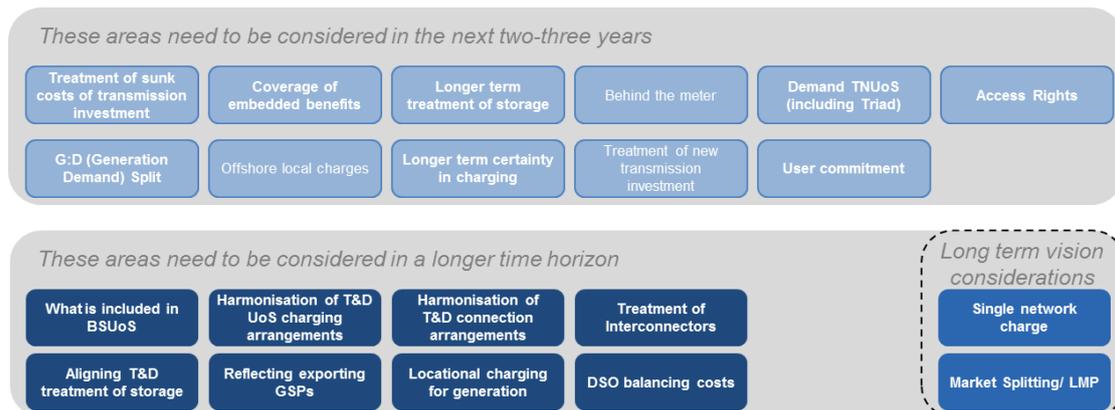
# Transmission Charging Review Update for Open Network steering group

## Section 1: Background

In 2016 National Grid began engagement with stakeholders to understand the need for a review of transmission charging arrangements. This identified a number of key drivers as shown in the diagram below;



This engagement culminated in two dedicated seminars which were attended by over 170 stakeholders. Attendees at these seminars broadly agreed with these drivers and a number of scope areas were developed as shown below. It was agreed that these scope areas were highly interactive but that areas could be progressed in different timescales;



## Section 2: Progress

A number of standalone areas have been considered and progressed as either industry proposals or guidance documents. These include proposals to change the TNUoS charging methodology to facilitate transition to half hourly metering, and clarification of both transmission charging arrangements for storage and the impact of zonal transmission losses.

The seminars highlighted a high level of interconnectivity between different scope items which led to the view that a holistic charging review, or strong coordination in charging developments, was needed. To manage the scale and complexity of potential change, we also explored having a dedicated stakeholder forum with industry stakeholders.

In July 2016 Ofgem consulted industry on the need for a review of charging arrangements for embedded benefits. This and their subsequent Targeted Charging Review consultation suggest the need to address immediate distortions in the market ahead of a more strategic review. This has some consistency with the scope items listed above, and we have provided our thinking to Ofgem as part of our consultation response.

Ofgem's Targeted Charging Review consultation, published in March 2017, also recognises the need for co-ordination between different areas of charging reform through a proposed Charging Co-ordination Group. This has strong alignment with our thinking and we are supportive of this approach. We believe we can assist Ofgem facilitate and develop this approach in our future role as an enhanced and more independent electricity SO.

### **Section 3: Next steps**

We await Ofgem's next steps for both their Targeted Charging Review and also their Strategic work (currently referred to as the 'Future Focused Strategy') to understand fully the scope of both these areas of work. From this we will ascertain the scope areas not being considered under Ofgem's workstreams. We will then work with stakeholders to both review the criticality of outstanding scope areas and the best way to progress them including timescales.

### Section 4: Questions

1. Do you agree with our proposed next steps?
2. Do you believe that areas relating to harmonisation and alignment of transmission and distribution charging arrangements would be more efficiently progressed through the Open Networks Charging workstream?