

Northern Ireland Electricity Limited

**NIAUR's Consultation on
Charges to Suppliers for Use of the
Electricity Transmission**

NIE's Response

16 March 2011



Introduction

NIE welcomes the opportunity to respond to the Utility Regulator's consultation on charges to suppliers for use of the electricity transmission system. In September 2010, NIE responded to SONI's consultation on the supplier TUoS methodology giving our support to SONI's proposal to replace the current distribution based methodology with a transmission pricing regime that has tariffs applying to all energy exchanged at the transmission-distribution interface. In general, the approach proposed by SONI should provide TUoS tariffs which are more aligned to the transmission system costs and constraints.

However, NIE suggested that SONI also needed to change its source of data for TUoS billing to use SEM half hour data available at the transmission-distribution interface. Otherwise, the new TUoS methodology proposed by SONI would continue to be governed by distribution tariff arrangements and charging rules. In addition, Eirgrid currently use energy settlement data¹ to bill TUoS for the NQH customer consumption. The use of SEM energy settlement data for Northern Ireland TUoS billing would harmonise Northern Ireland supplier TUoS billing arrangements with those operating in ROI, at least in relation to NHH customer data, delivering an enduring approach that would help facilitate a future all-island supplier TUoS tariff methodology.

Comments on SONI's Proposals to the Utility Regulator:

1) Tariff Bands

Electricity units measured (or estimated) at the customer connection to NIE's distribution network do not reflect flows on the transmission system, even after distribution loss adjustment. This is because some of the energy delivered to customers will be provided by generators connected to the distribution system and use of the transmission system will not be required to this extent.

NIE supports the use of SEM energy settlement volumes for TUoS charging as a more accurate reflection of flows on the transmission system. SEM energy settlement data will also provide a long term solution that will enable SONI to operate autonomously of NIE's voltage dependent DUoS tariff structures and charging rules. In addition, SONI will no longer be constrained by the DUoS data regimes and timing for TUoS invoicing.

2) Time Bands

The current seven time bands applied in TUoS charges were dictated by distribution cost reflective charging structures. NIE considers it appropriate that transmission charges to suppliers should reflect constraints on the transmission system both in the time periods selected for the time bands, and the number of time bands selected, to differentiate between distinct transmission cost periods.

The use of half hour SEM energy settlement data will allow SONI the flexibility to choose any combination of seasonal or time of day half hour periods for the

¹ Source: Eirgrid.

development of cost reflective time bands for TUoS charges. In addition, the SEM data will provide the necessary half hour supplier data required for TUoS invoicing arrangements.

3) Cost Allocation Model

Under the terms of the Transmission Interface Arrangements (TIA) between NIE and SONI, NIE has agreed the information² to be provided to SONI on an annual basis to allow SONI to update its transmission use of system tariff. We trust that this information will facilitate SONI's development of transmission charges within the new transmission charging model.

4) Transmission Rebates

TUoS charges are currently billed on the basis of electricity units measured (or estimated) at the customer connection to NIE's network. This is also referred to as DUoS billing data. However, as previously advised, this measurement of units is not reflective of use of the transmission system as some of the energy delivered to customers will be provided by generators connected to the distribution system and use of the transmission system will not be required to this extent. Transmission rebates were introduced to take account of this discrepancy.

If SONI continues to use DUoS billing data for TUoS charges to suppliers, it follows that suppliers who purchase energy directly from generators connected to NIE's distribution system will be subsidising the suppliers who purchase their full energy from the SEM in their TUoS payments to SONI. On this basis it would be appropriate to retain transmission rebates as a means to rebalance the TUoS charges levied on suppliers.

However, SEM energy settlement data reflects customer electricity units reduced to the extent of units provided by non participating generation. This data is a more accurate reflection of each supplier's use of the transmission network. To this extent NIE is of the opinion that if SONI uses SEM energy settlement data to bill TUoS to suppliers, it would no longer be appropriate to apply transmission rebates to rebalance the TUoS charges levied on suppliers.

In conclusion, we hope the Utility Regulator will find our comments useful in the final consideration of SONI's proposed TUoS tariff methodology. We will be happy to discuss with the Utility Regulator in further detail, any of our views given in response to this consultation.

NIE is due to provide information to SONI in April to support its tariff development for next year. We would welcome an early indication from the Utility Regulator of any changes required in NIE information, to facilitate SONI's tariff development in the new TUoS tariff model.

² Schedule 5 of the TIA sets out a table of information to be provided on an annual basis by NIE to SONI to allow SONI to update its transmission use of system tariff. Schedule 5 was approved by the UR on 31 Jan '11.