

Generator TUoS Tariff Preferred Methodology

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OUTLINE

Current Methodologies

Description of preferred method

Indicative Tariffs

Objectives of Tariff model

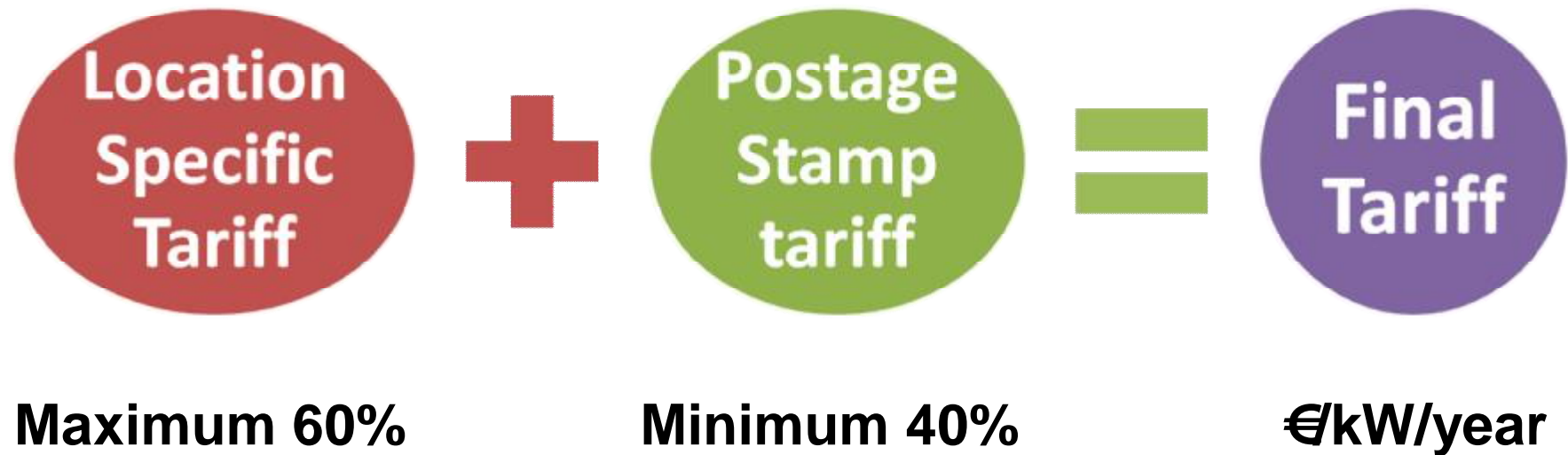
Current Methodologies

- 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



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?