

## **NTSCMF / Sub Group – Revenue Recovery – Non Transmission Services Revenue**

Some key terms in relation to Non Transmission Services:

<b>Term</b>	<b>Detail</b>
<b>Non Transmission Services</b>	<p><i>“Non-transmission services means the regulated services other than transmission services and other than services regulated by Regulation (EU) No 312/2014 that are provided by the transmission system operator”</i> as defined in Tariff Network Code (TAR NC).</p> <p>The revenue associated to Non-Transmission Services is collected through the charging framework and Article 4 provides a series of criteria to follow. For GB the working assumption is that Non-Transmission Services can broadly be considered to be equivalent to System Operator (SO) activities.</p>

### **Background**

As part of the current GB charging framework revenue recovery is a combination of capacity and commodity charges. For Transmission, this broadly equates across to Transmission Services. The revenue value for Non-Transmission Services would therefore be equivalent to what is referred as SO revenue. This is a working assumption pending Legal confirmation of the interpretation of both Transmission and Non-Transmission services.

The main article under the TAR NC related to this area is Article 4 which applies to all GB entry and exit points. Article 4 provides a number of criteria for the recovery of Non-Transmission Services revenue. For information some key extracts are included in the Appendix.

### **Summary of Discussion(s)**

- Collection of Non-Transmission Services revenue, whilst subject to the criteria provided in Article 4(4) of the TAR NC, has more flexibility than for Transmission Services. Ultimately it will be for Ofgem to approve any Non-Transmission Services charges and the criteria along with the charging relevant objectives would be expected to be a solid foundation upon which to base a methodology.
- There was a general view from the group that using a commodity type charge (where a unit value is applied) was a simple, effective approach.
  - [Using an aggregated view of flows \(demand\) would be similar to that used in the methodology in place when calculating commodity charges.](#)
- The application of any Non-Transmission charge will need to be reviewed against the TAR NC, Ofgem’s GTCR policy and as part of the overall charging framework;
- If a flow based charge were used, there is a question of which flows this would apply to. For example the simplest approach would be that all flows would attract Non-Transmission charges. The application of Non-Transmission charges will need to be considered against the various objectives and measures that are required and also any other charging products or other issues that may interact with them;
  - [If it is considered that storage benefits and appropriate discounts are taken into account under the Transmission Services charge then, as flows do use the NTS, it](#)

may be considered appropriate to levy Non Transmission charges on all flows without exemption. This will be part of further discussion in addition to the document on Storage.

- Any reconciliation of Non Transmission Services will need to be considered against Article 17(3) under TAR NC (reference given in appendix).
- Any methodology would be subject to Ofgem's approval.
- It would be beneficial to review the application of these Non-Transmission charges ensuring any proposed discounts are duly justified.

## Conclusion

One suggestion was that the use of Revenue recovery for Non-Transmission Services should be predominantly Commodity based (i.e. unit prices applicable GB wide). The application of this may depend on the denominator used in the calculation (e.g. flows).

As discounts may be provided for elsewhere in the charging framework (e.g. storage and capacity discounts) and given the objectives under Article 4 and the relevant objectives, one approach could be to apply it to all flows (if flows are used, or other units).

[Initially modelling will apply any unit based charge \(a postalised charge\) to all flows. This will include flows in and out of storage. This will be kept under review and can be revisited throughout the development and change process.](#)

## Version Control

V0.1	First draft based on sub-group on 19.12.16
V0.2	Second draft based on sub group on 18.01.2017
<a href="#">V0.3</a>	<a href="#">Update following discussion at sub group on 03.03.17</a>

## Appendix

Some key extracts from Article 4:

“4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given non-transmission service. Such tariffs shall be as follows:

- (a) cost-reflective, non-discriminatory, objective and transparent;
- (b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.

Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.”

[Some key extracts from Article 17 \(General Provisions\):](#)

[“3. Subject to the requirements of periodic consultations pursuant to Article 26 and subject to approval in accordance with Article 41\(6\)\(a\) of Directive 2009/73/EC, non-transmission services revenue may be reconciled as set out in this Chapter, mutatis mutandis.”](#)