Postage Stamp
TUoS Methodologies

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Introduction

- Two variants of postage stamp methodology

  – Postage Stamp methodology (7.3.1)

  – Postage Stamp with Incentive Discount (7.3.2)

TUoS & TLAF's Workshop

Outline

- Description

- Main Features

- Calculation of Charge

- Objectives

Postage Stamp
(Ref 7.3.1)

Description

Postage Stamp

A uniform rate is calculated and applied to all eligible units. The charge takes no account of the location of a unit.

Features

- Can apply to Generator & Suppliers tariffs

- Uniform rate(s)

- Rate based on Energy or Capacity or both

- Facilitate any revenue split (75/25)

- All units within same category treated equally

Calculate Charge

Transmission Revenue Requirement determined

↓

Forecast Chargeable capacity/energy

↓

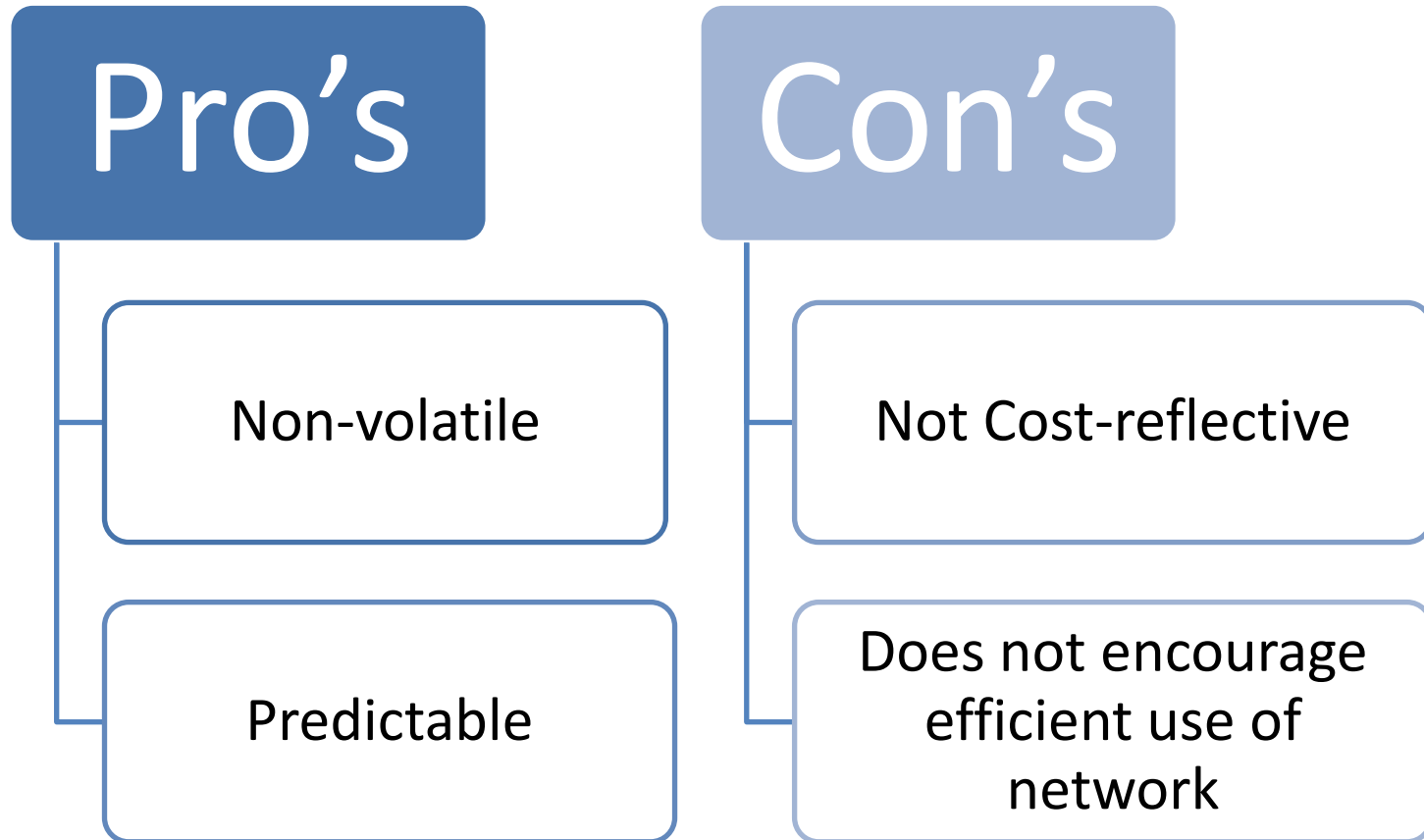$$\frac{\text{Revenue requirement}}{\text{Total chargeable capacity/energy}}$$

↓

£/MW or £/MWh charge derived

↓

Charge approved & published

Postage Stamp methodology (7.3.1)

Pro's	Con's
Non-volatile	Not Cost-reflective
Predictable	Does not encourage efficient use of network

Postage Stamp with Incentive Discount
(Ref 7.3.2)

Description

Postage Stamp with Incentive Discount

A uniform tariff is calculated. If a new unit connects

in a location that has been deemed favourable by the

SO's it will receive a long-term discount on uniform

TUoS charges.

Features

- Aims to encourage efficient use of network

- Can apply to Generator & Suppliers tariffs

- Rate based on Energy or Capacity or both

- Facilitate any revenue split (75/25)

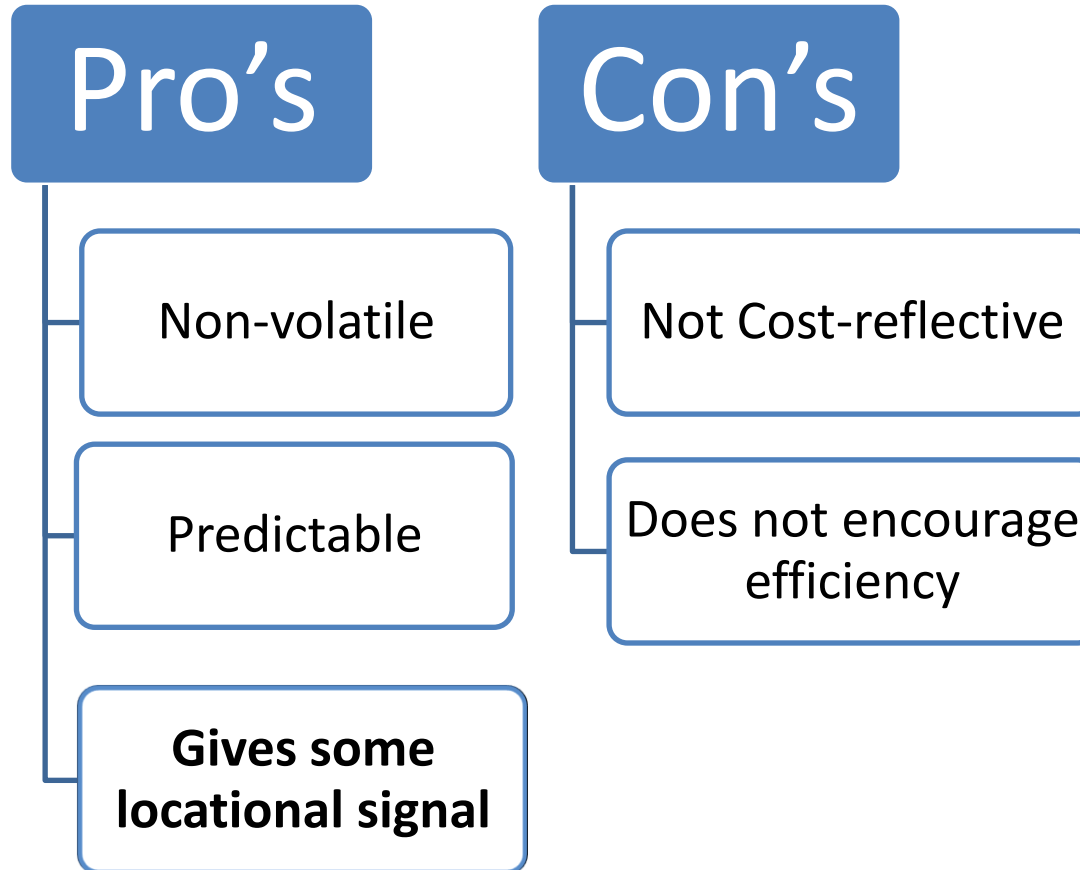- Revenue short-fall recovered from other units

Steps

1) SO's conduct impact studies

2) SO's publish details of favourable locations

3) Uniform rate calculated as in 7.3.1 above

4) Discount calculated depending on the benefits that

   additional generation/demand would bring

Steps (2)

5) Discount offered to new units located in favourable

   locations

6) Discount will apply for a set number of years

7) Other tariffs scaled to ensure revenue adequacy

Postage Stamp Incentive methodology (7.3.2)

Pro's
- Non-volatile
- Predictable
- **Gives some locational signal**

Con's
- Not Cost-reflective
- Does not encourage efficiency

Summary

- Two alternative postage stamp methodologies

- Both based on Uniform Charge(s)

- Meet a number of objectives

- Fail to meet some primary objectives

- Simple postage stamp not consistent with SEM HLD & shallow connection policy

OPEN SESSION
QUESTIONS?