

CUSC Workgroup Consultation Response Proforma

CMP306 'Align annual connection charge rate of return at CUSC 14.3.21 to price control cost of capital'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **08 May 2019** to cusc.team@nationalgrideso.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Shazia Akhtar at Shazia.akhtar2@nationalgrideso.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Lee Wells (lee.wells@northernpowergrid.com)</i>
Company Name:	<i>Northern Powergrid (Northeast) Ltd</i> <i>Northern Powergrid (Yorkshire) plc</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	The consultation captures the workgroup discussions, including the defect and proposed solution. Our views are set out in response to the consultation questions below.

Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that CMP306 Original proposal, better facilitates the Applicable CUSC Objectives?	Yes - As proposer of this modification our view remains unchanged that CUSC charging objectives (b) and (c) are better facilitated as a result of this modification, for the reasons set out in the change proposal and repeated in the consultation.
2	Do you support the proposed implementation approach?	Yes - We retain our preference to implement this modification as soon as possible, ideally for 2020/21 charges.

Q	Question	Response
3	Do you have any other comments?	No - Not at this time.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

Specific questions for CMP306

Q	Question	Response
5	Do you agree with the approach proposed by CMP306 to the MEA uplift?	<p>Yes - Our view remains that the delta between the rate of return applied to RPI-linked and MEA assets is outside the scope of the change proposal so should remain at 1.5 percentage points.</p> <p>Any alternative approach should be considered in a different forum under a separate modification process. In any new proposal, consideration might want to be given to better understanding the source of the current delta and its size and whether it is even appropriate to index assets by two different methods?.</p>
6	Do you think that the TOs should publish their individual WACC's/rate of return for MEA assets? If so, do STC modifications need to be raised to achieve this?	<p>Yes - The information needed to calculate the rate of return of capital is publically available and the calculation proposed is simple. However, in terms of transparency it would benefit Users if each TO publish its specific rate of return and set out the calculation. The Electricity System Operator should then publish the figures for all TOs.</p> <p>We understand that an STC modification may need to be raised to achieve this depending on the approach TOs and the SO prefer to take. This should, however, have no implications for CMP306, since (as noted above) all the relevant information is public.</p>
7	Do you agree with the approach to use regional TO WACC's? If not, do you think that the average model is better, or do you have any other suggestions?	<p>Yes - We agree that specific TO rates of return should be used. CMP306 seeks to improve the cost reflectivity of connection charges, which is better facilitated by a TO-specific rate of return.</p>