

## CUSC Workgroup Consultation Response Proforma

**CMP317:**

**Identification and exclusion of Assets Required for Connection when setting Generator Transmission Network Use of System (TNUoS) charges**

**and:**

**CMP327:**

**Removing the Generator Residual from TNUoS Charges (TCR)**

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 **5pm** on **12 March 2020** to [cusc.team@nationalgrideso.com](mailto: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 Paul Mullen at [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

<b>Respondent:</b>	<i>john.harmer@waterswe.co.uk</i>
<b>Company Name:</b>	<i>Waters Wye Associates</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.</b>  <b>(Please include any issues, suggestions or queries)</b>	<i>I sit on the Workgroup as the representative for Waters Wye Associates (WWA), a regulatory consultancy retained by many electricity market participants. Most of the points I have wished to raise are covered in the Workgroup Report. This response is to highlight that I may wish to raise further WACMs as set out below, and to take account of the Ofgem intention to hold a Workshop to discuss changing the Reference Node in the Transport Model on 19<sup>th</sup> March 2020 and their indication that they have not seen evidence that would call them to change the Reference Node.</i>

### Standard Workgroup Consultation questions

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<i>Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?</i>	<p><i>CMP317 was raised to avoid non-compliance with objective d so is better than the baseline in this regard. However I believe the Original Proposal fails objective a in that it moves away from the position of effective competition by charging GB generators too much for use of the GB transmission system overall.</i></p> <p><i>For reference the applicable CUSC objectives are:</i></p>

		<p>a) <i>That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;</i></p> <p>b) <i>That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);</i></p> <p>c) <i>That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;</i></p> <p>d) <i>Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and</i></p> <p>e) <i>Promoting efficiency in the implementation and administration of the CUSC arrangements.</i></p> <p><i>*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</i></p>
2	Do you support the proposed implementation approach?	<p>CMP327 was raised to meet compliance with an Ofgem direction, then amalgamated with CMP317. The WWA presentation included as an annex in consultation demonstrates that its proposed solution could allow a relatively seamless transition in value terms between the current calculation and its proposed approach, meaning there would not need to be any phasing to soften a step change in charges for generators. On this basis we think a single change in 2021 is appropriate and meets objective e better than a phased approach. It may not be the</p>

		case for an alternative outcome.
3	Do you have any other comments?	<p>A paragraph in the Ofgem Open Letter of 9 March 2020 is quoted below:</p> <p>“While we cannot currently rule out any options for the treatment of the reference node, we are still reviewing the extent to which changes to it would be beneficial to consumers. We have not yet seen strong evidence that the reference node being demand-weighted is in itself distortive, or that changing it to a generation-weighted node would improve forward looking signals for network users.”</p> <p>This misses the point of changing the Reference Node for the purpose of this modification. A weighted average generation reference node achieves a TGR of zero automatically, with the need only for a very small adjustment factor which may be potentially needed if actual nodal generation differs from the forecast flows. It thus elegantly achieves the objectives of Ofgem in setting TGR=0. It shifts some cost recovery of transmission charges onto demand via locational charges, reducing the size of the demand residual and so reducing the impact of that charge on users however it is levied. This is an in-principle statement which does not appear to require “evidence” to substantiate it.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	In order to reduce the number of WACMs sent out for consultation WWA withdrew a proposal to set a target average charge for generation slightly above zero or at EUR0.25/MWh. WWA would wish to reserve the right to reinstate this or a similar de minimus target as a proposed WACM following consultation based on assessment of consultation responses and subsequent Workgroup discussion.

#### Specific CMP317/327 questions

Q	Question	Response
5	<p><u>Definition of physical assets required for connection to the system</u></p> <p>a) Do you agree with the three options identified in Section 4, Paragraphs 2.1-2.4? If so, which do you prefer,</p>	

	<p>and why?</p> <p>b) Is there another option you think should be considered, and why? Please provide evidence if possible.</p>	
6	<p><u>Amount targeted (G average)</u></p> <p>a) Do you agree with the four options highlighted in section 4, paragraph 3 for where in the range set out by the Limiting Regulation should be targeted? If so, which do you prefer and why?</p> <p>b) Is there another option you think should be considered, and why? Please provide evidence if possible.</p>	See answer above
7	<p><u>Error Margin</u></p> <p>a) Do you agree with the two options highlighted in section 4, paragraph 4 in regards to the inclusion of an error margin?</p> <p>b) Is there another way to calculate the methodology for an Error margin? Please provide evidence if possible.</p>	
8	<p><u>Implementation</u></p> <p>The workgroup has identified a phased implementation approach may be preferable. Do you agree with this position or not, and if so, why? Please provide evidence if possible.</p>	See comment above.
9	<p><u>Modules</u></p> <p>The workgroup have identified a number of permutations in Section 4, Paragraph 8 that could work as possible alternative solutions.</p> <p>a) Do you think any of the</p>	

	<p>modular combinations are incompatible?</p> <p>b) Is there an additional module combination that you think should be considered? If so, please provide justification.</p>	
10	<p>In section 4 paragraph 2.2.6 and 2.5.3, the workgroup has identified its proposed approaches to island links. Do you agree or disagree with any of these suggested approaches? Please provide justification.</p>	<p>This specific issue appears to require more Workgroup discussion. In principle it appears to WWA that island links should be considered a part of the “DUDS” which WWA used to define the transmission system for the purpose of the EU directive, therefore it would be wrong to include charges for these island links in a connection exclusion. In proposing all local charges should be used as a proxy for charges for connection, WWA noted that this could lead to charges for more assets being excluded than was warranted but that this would lead to an average charge for generators slightly higher than zero if a correct legal definition were rigorously applied. Island links are a case in point, and it leads WWA to suggest that for simplicity the target should be zero with all local charges taken out of the calculation of the average = 0, with no error margin. Charges such as these provide an effective buffer in place of an error margin.</p>
11	<p>In section 4 paragraph 6, the workgroup has identified its consideration of the Reference Node.</p> <p>a) Do you have any evidence that would support solutions which include the Reference Node?</p> <p>b) Do you have any views on the Workgroup progressing this work alongside the Access and Forward Looking Charges SCR?</p>	<p>See comment above. In principle setting the Reference Node to be weighted average generation achieves the effect of TGR=0 without needing a further material adjustment factor. The argument is not about distortions but about achieving an enduring result in the simplest and most elegant way. Reducing the demand residual and achieving cost recovery from demand via locational charges appears fairer and in line with Ofgem’s principles within its SCRs than the baseline. It appears that an adjustment factor could be included as an interim step within this mod, with a later change to the Reference Node via the SCR achieving the result of making that adjustment factor redundant or very close to zero and this seems a pragmatic way forward.</p>