

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. 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 or cusc.team@nationalgrideso.com.

Respondent:	<i>Patrick Smart</i>
Company Name:	<i>RES UK & Ireland Limited</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<i>We understand that these mods respond to an Ofgem direction, however we are also unconvinced that they will better facilitate the applicable CUSC objectives.</i>

Standard Workgroup Consultation questions

Q	Question	Response
1	<i>Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?</i>	<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><i>No. it is understood that the proposal is driven by the Ofgem TCR SCR, however its effect will be to significantly increase Generator TNUoS resulting in reduced investment in new generation assets which</i></p>

		<p>will stifle competition in electricity generation. It is also likely to further reduce the competitiveness of GB generators relative to European generators.</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>Neutral.</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>Neutral.</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>Yes but with varying degrees of risk of non-compliance depending on the final solution adopted.</p> <p>e) <i>Promoting efficiency in the implementation and administration of the CUSC arrangements.</i></p> <p>Neutral.</p>
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2	Do you support the proposed implementation approach?	Whichever solution is adopted, there is likely to be very significant increase in TNUoS charges payable by many generators and this increase will need to be sensitively introduced if it is not to have a detrimental impact on investor confidence and therefore longterm competition in electricity generation. For this reason we think a phased implementation is correct and ideally co-ordinated significant reforms to electricity network charging that are in progress.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

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, and why?</p> <p>b) Is there another option you think should be considered, and why? Please provide evidence if possible.</p>	<p>We have no supplementary options to propose at the present time. Of the options proposed we would favour Generator Only Spur. This is because these circuits are genuinely sole use and therefore unambiguously align with the definition of the Exclusion. It would provide most clarity for all market participants going forward thereby introducing much needed stability that will help encourage new investment and enhance effective competition.</p> <p>Pre-existing assets: We think that this could give rise to complexity of interpretation which would result in reduced clarity and disputes. That said, we think that this option is better aligned with the definition of the Exclusion and therefore more likely to better achieve applicable Objective d) than All Local Circuits and Local Substations.</p>

		Local and Local substations: Many of these are mixed use, shared with other users including demand users, which undermines compliance with the Limiting Regulation and therefore compliance with CUSC objective d).
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>	<p>We agree with the four options highlighted in section 4. We consider that targeting €0 will best align with meeting the CUSC applicable objectives in that will deliver compliance with the Regulation but it will also contribute to levelling the playing field for all GB generators seeking to compete across Europe.</p>
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>	<p>We agree with the view that, if targeting €0, an error margin should not be required. For other options, an error margin may be necessary.</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>	<p>Whichever solution is adopted, there is likely to be very significant increase in TNUoS charges payable by many generators and this increase will need to be sensitively introduced if it is not to have a detrimental impact on competition in electricity generation. For this reason we think a phased implementation is correct.</p>
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>Subject to further review, we don't see any clear incompatibilities at the present time.</p>

	<p>a) Do you think any of the 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>We agree with the workgroup view that multiple user mixed use assets, such as Island circuits, are not appropriate to be categorised in the connection exclusion.</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>No specific comment at this time, the reference node requires in depth consideration and analysis.</p> <p>We encourage consideration of the reference node in the context of a future net zero system that includes significantly higher penetration of market responsive dynamic demand and also of a more distributed load following generation fleet.</p>