

**CUSC Workgroup Consultation Response Proforma****CMP337: 'Impact of DNO Contributions on Actual Project Costs and Expansion Factors' & CMP338: 'New Definition of Cost Adjustment'**

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 to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) by **9am on 11 May 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Ren Walker at [lurrentia.walker@nationalgrideso.com](mailto:lurrentia.walker@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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**CMP337**

**For reference the applicable CUSC Charging objectives are:**

Relevant Objective
(a) 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;
(b) 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);
(c) 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;
(d) 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
(e) To promote efficiency in the implementation and administration of the CUSC arrangements

**CMP338****For reference the applicable CUSC objectives are:**

<b>Relevant Objective</b>
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

**Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.**

<b>CMP337 - Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP337 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	<p>Yes, the CMP337 Original does better facilitate the applicable CUSC objectives.</p> <p><b>Original – Better than Baseline</b></p> <p>Yes, VEWf believes that the CMP337 Original Proposal does better facilitate the Applicable CUSC Charging Objectives. We have provided further explanation below:</p> <p><u>Objective a “effective competition”</u></p> <p>Better. VEWf believes that if, as proposed in CMP337, a DNO makes an approved contribution towards the cost of a transmission asset, this is a more cost-reflective arrangement, better enabling objective (a) in more effectively facilitating competition in the generation and supply of electricity. The CMP337 Original Proposal will provide greater clarity on Transmission Licensees’ actual project costs by removing ambiguity, thereby making resulting TNUoS charges to generators more cost reflective.</p> <p><u>Objective b “cost reflectivity”</u></p> <p>Better. The CMP337 Original Proposal is more cost reflective. This is because it will provide greater clarity on</p>

	<p>Transmission Licensees' actual project costs by removing ambiguity, thereby making resulting TNUoS charges to generators more cost reflective. Resulting TNUoS charges will reflect the net costs incurred by transmission licensees, after any DNO contribution has been netted off; in a way which maintains the integrity of the existing pro-rating of costs between local and wider charge elements.</p> <p><u>Objective c "developments in transmission licensees' transmission businesses"</u></p> <p>Better. The CMP337 Original Proposal better takes account of the developments in transmission licensees' transmission businesses, because it implements the Authority's 17 December 2019 decision to approve a contribution by a DNO towards the costs of a transmission licensee's project.</p> <p><u>Objective d "Compliance with the Electricity Regulation"</u></p> <p>Better. The CMP337 Original Proposal is consistent with the intentions of the <b>EU Renewable Energy Directive (2009/28/EC)</b></p> <p>We would suggest that CMP337 (and CMP338) are particularly relevant to remote islands and renewables. The EU Renewables Energy Directive 2009, which, according to the European Union (Withdrawal) Act 2018, will continue to apply post-Brexit, states:</p> <p><i>"7. Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density."</i></p> <p><u>Objective e "efficiency in the implementation and administration"</u></p> <p>The CMP337 Original Proposal seeks to efficiently enact the Authority's 17 December 2019 decision. CMP 337 will remove ambiguity in the interpretation of 14.15.75 and 14.15.76 of the CUSC with specific regard to the impact of DNO contributions on a transmission licensee's "actual project costs", avoiding future requirements for the CUSC administrative process to revisit this question.</p>
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2	Do you support the proposed implementation approach for CMP337?	Yes, as stated above, CMP337 provides an effective and efficient way to enact the Authority's 17 December 2019 decision, in a way which maintains the existing pro-rating of costs between local and wider charge elements.
3	Do you have any other comments?	VEWF can confirm that a decision on CMP337 and CMP338 is needed by June 2020.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
<b>CMP338 – Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP338 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes, for the reasons set out in the answers on CMP337, as presented above.
2	Do you support the proposed implementation approach for CMP338?	Yes, CMP338 is an efficient mechanism to facilitate the effective delivery and implementation of CMP337.
3	Do you have any other comments?	VEWF can confirm that a decision on CMP337 and CMP338 is needed by June 2020.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No