

CUSC Workgroup Consultation Response Proforma**CMP324 and CMP325: Generation Zones – changes for RIIO-T2 and Rezoning – CMP324 expansion**

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 by **5pm on 18 March 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 Joseph Henry joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC objectives are:

- 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. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**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).*

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

Standard Workgroup Consultation questions		
1	Do you believe that the CMP324 and CMP325 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>No. Although we agree that something has to be done to prevent an unmanageable number of generation charging zones, we believe that fixing the zones as proposed is not an appropriate way to address the issue. Zones should be allowed to continue to flex in response to changing nodal locational signals, to give the best investment messages to generation plant.</p> <p>We accept that this means that there will at times continue to be differing signals between users connected to distribution networks and those connected at transmission level. However, this is an ongoing issue with the methodology which is a result of the limitations in settlement systems for DNO connected sites. It would be a retrograde step to force generation zones to be the same, and therefore lose cost reflectivity, when they are able to be more responsive.</p> <p>We note the analysis in Annex 9 which shows that this solution will create large differentials between nodal and zonal charges within some zones, particularly in Scotland, which will create the scope for significant cross subsidies. This will work to frustrate competition.</p>
2	Do you support the proposed implementation approach?	We understand the rationale for implementing in April 2021.
3	Do you have any other comments?	We assume that some additional solution will need to be found for Scottish zones if the DNO approach is adopted. This is a clear indication that it is not the correct solution if a bespoke alteration is needed for a particular part of the network in order to make it work properly.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No thank you. A suitable solution exists in the RPI solution that the work group is already considering.
Specific CMP324 and CMP325 Workgroup Consultation questions		

5	What are your views on the potential solutions discussed in the report? Please provide any evidence or rationale for your preferred solution.	<p>The RPI option appears to be the clear best option. It is easy to implement as it is simply the current option adjusted correctly for inflation. It produces a similar number of zones to those that exist at present (in fact fewer than currently). It also, by definition produces a sensible range of nodal prices around the average, maintaining a good level of cost reflectivity.</p> <p>The other options all seem to introduce a large range in prices in northern Scotland similar to the original proposal, so do not maintain the same degree of cost reflectivity.</p>
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	<p>The distributional effects are difficult to gauge without further analysis. The impact on zones and nodes can be seen, but the present analysis requires stakeholders to calculate the effects on specific stations rather than providing an overall analysis of how parties could be affected. Clearly the impacts can be significant from the limited amount of analysis we have carried out using the spreadsheet.</p>