

CUSC Alternative and Workgroup Vote

CMP324 & CMP325: Generation Zones – changes for RIIO-T2' & 'Rezoning – CMP324 expansion

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative Code Modifications.

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

The Applicable CUSC Objectives (Charging) 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).

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative Code Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative Code modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Votes can be Yes, No or Neutral

Workgroup Member	Alternative 1 (Uniper, RPI)	Alternative 2 (SSE, fix 27 zones)	Alternative 3 (EDF on behalf of Neven Point Wind, Current 27 zones until delayed implementation 2023)
Paul Youngman	Yes	Yes	Yes
Grahame Neale	Yes	Yes	Yes
Bill Reed/Nicola Fitchett	Yes	No	No
Andrew Enzor	Yes	Yes	Yes
Simon Lord	Yes	No	No
Simon Swiatek	Yes	Yes	Yes
Paul Jones	Yes	Yes	Yes
John Tindal	Yes	Yes	Yes
Paul Mott	Yes	Yes	Yes
Graham Pannell	Yes	Yes	Yes
Christopher Coates	Yes	No	No
WACM?	Yes	Yes	Yes

WACM1 - RPI

WACM2 - Fix 27 zones

WACM3 - Current 27 zones until delayed implementation 2023

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the **baseline** (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Andrew Enzor - Cornwall Insight						
Original	Y	N	N	-	Y	N
WACM 1	Y	Y	Y	-	-	Y
WACM 2	Y	N	N	-	Y	N
WACM 3	Y	N	N	-	Y	N

Voting Statement:

Original, WACM2 and WACM3:

ACO(a): Compared to the baseline which would result in a large number of small zones, both the demand zones and existing 27 zones will result in more stable and predictable tariffs for generators, better facilitating competition.

ACO(b): The zonal charges faced by some generators will, in some instances, materially differ from the cost-reflective nodal charge calculated. The $\pm£1/\text{kW}$ range in the baseline ensures that the zonal charge faced does not materially differ from the nodal charge and so ensures generators face cost-reflective charges. So, all of these solutions are less cost-reflective than the baseline.

ACO(c): These options all fix zones indefinitely so cannot take account of developments in transmission licensees' businesses. The zones defined under the baseline evolve as the transmission network evolves, so the baseline better takes account of development.

ACO(d): No impact,

ACO(e): Fixed zones will require less administrative effort from the ESO when calculating charges. They will also result in less effort on the part of generators seeking to predict future charges and so these options would improve efficiency.

WACM1:

ACO(a): Compared to the baseline which would result in a large number of small zones, the ESO's analysis indicates that this solution will keep the number of zones broadly consistent with those in RIIO-ET1. So, it will result in more stable and predictable tariffs for generators, better facilitating competition.

ACO(b): Charges based on the large number of zones under the baseline would result in the zonal charge faced by generators always being very close to the cost-reflective nodal charge. Under this option, that range would grow slightly and so charges for some generators would be slightly less cost-reflective, but this option better meets the "as far as reasonably practical" test. The baseline would not result in a "reasonably practical" number of zones.

ACO(c): This option will result in zones which evolve over time, based on a parameter for the acceptable nodal range which is consistent with the growth in tariffs over time (as that parameter is indexed). The baseline results in charges becoming increasingly granular over

time as the fixed $\pm£1/\text{kW}$ parameter decreases relative to nominal tariffs. Hence under this option zones will evolve in line with changes to the network only; unlike the baseline where zones change arbitrarily depending on inflation.

ACO(d): No impact

ACO(e): By maintaining both the existing approach and approximate number of zones, this solution will have no impact on efficiency.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Graham Pannell – Fred. Olsen Renewables						
Original	Y	-	N	-	Y	Y
WACM 1	Y	-	Y	-	-	Y
WACM 2	-	-	N	-	Y	N
WACM 3	Y	-	N	-	Y	Y

Original provides on balance a stable, useful cost signal. However, even this could be unduly distorted by including new extreme-tariff nodes, such as remote island links – I would like to see a future Modification which permits new zones by exception, for example to address remote islands. Original is, by a distance, the simplest of these options to implement.

WACM1 (RPI) provides a less useful signal than Original, but it does address the main defect of the baseline by reducing the total zone count. It also has built-in protection against any event of new extreme nodes (for example, remote islands).

WACM2 (27 zones) avoids the multiplicity of zones from baseline, but without the macro stability of Original, and without the flexibility of WACM1, and without considering future developments.

WACM3 is a delayed implementation of Original; in summary vote as per Original.

Overall: Original sends the most useful, practical signal. My concern over the effect of including extreme-tariff nodes can be addressed by a separate future modification.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Grahame Neale – National Grid ESO						
Original	Y	-	-	-	Y	Y
WACM 1	Y	-	-	-	Y	Y
WACM 2	-	-	-	-	Y	Y
WACM 3	Y	-	-	-	Y	Y

Voting Statement:

We believe all the options are neutral against Applicable CUSC Objectives (ACO) B, C and D as the modification has no impact on these objectives whilst they are all positive against ACO E (to varying extents) as they all are better than the baseline by creating

a more efficient methodology to administer. All of the options have a trade-off between ACO A & E to varying extents.

The Original offers increased stability, provision of better long-term investment signals, longer-term certainty and simplification of the current regime removing a barrier to entry at the expense of more granular, cost reflective nodal pricing and short-term implementation shock.

WACM1 offers provision of better short-term investment signals and a minor simplification of the current methodology but doesn't result in simplification or longer-term certainty.

WACM2 many of the benefits of the Original in the short-term however over the long-term, the zoning will become arbitrary and as such many of the ACO A benefits of the original will be lost (and so ACO A is neutral rather than positive). This option does have the least short-term impact however.

WACM3 is broadly the same as the Original with the main difference being reduced implementation shock and delayed implementation. Whilst the delay to implementation is supposed to align with Ofgem's decision on Access & Forward Looking Charges Significant Code Review, there's no guarantees that this will be the case.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Bill Reed - RWE Supply and Trading GmbH						
Original	Y	-	-	-	-	Y
WACM 1	Y	-	-	-	-	Y
WACM 2	N	-	-	-	-	N
WACM 3	N	-	-	-	-	N

Voting Statement:

The key issue for the proposal and the alternatives is with respect to the impact on competition (Objective a). On this there is a trade-off between the original which favours tariff stability and WACM1 which favours cost reflectivity. The retention of the 27 zones under WACM2 and WACM3 impact competition by undermining the cost reflectivity of the tariffs over time (though some limited element of cost reflectivity is retained).

All of the proposals are cost reflective to some degree (Objective b). None of the proposals have an impact on the ability of the charging methodology to take account of development in the transmission business (Objective c). All of the proposals are compliant with EU Legislation (Objective d) i.e. they are cost reflective, are applied in a non-discriminatory manner and provide locational signals (see Regulation 2019/943). All of the approaches require some element of administration by the ESO under CUSC charging arrangements (Objective e), particularly relating to translating nodal tariffs into zonal tariffs.

Original: This proposal helps to facilitate competition through the stability and predictability of tariffs calculated for DNO zones. It therefore better meets objective a when compared with baseline. It retains “broad” cost reflectivity therefore neutral on Objective b. There is no impact on Objective c and it is neutral with respect to Objective d. It is compliant with relevant EU legislation. It is neutral with respect to Objective e since nodal tariffs still have to be translated into zones under the charging methodology. Overall it is better than the baseline.

WACM 1: This proposal helps to facilitate competition through the enhanced cost reflectivity of the zonal tariffs. It therefore better meets (objective a) when compared with baseline. It retains cost reflectivity therefore neutral on Objective b. There is no impact on Objective c and it is neutral with respect to Objective d. It is compliant with relevant EU legislation. It is neutral with respect to Objective e since nodal tariffs still have to be translated into zones under the charging methodology. Overall it is better than the baseline.

WACM 2: This proposal does not facilitate competition since the zones are no longer cost reflective. It does not better meets objective a when compared with baseline. There is a limited element of cost reflectivity for this proposal which means that it is neutral with respect to Objective b. There is No impact on Objective c and it is neutral with respect to Objective d.. Nodal tariffs still have to be translated into zones under the charging methodology. Therefore it is neutral with respect to Objective e. Overall it is not better than baseline.

WACM 3: This proposal does not facilitate competition since the zones are no longer cost reflective. It does not better meets objective a when compared with baseline. There is a limited element of cost reflectivity for this proposal which means that it is neutral with respect to Objective b. There is no impact on Objective c and it is neutral with respect to Objective d. Nodal tariffs still have to be translated into zones under the charging methodology. Therefore it is neutral with respect to Objective e. Overall it is not better than baseline.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Mott - EDF Energy					
Original	Y	-	-	-	Y	Y
WACM 1	N	-	-	-	N	N
WACM 2	Y	-	-	-	Y	Y
WACM 3	Y	-	-	-	Y	Y

The **Original** better facilitates charging objective (a), competition, because increased stability provides better investment signals, longer-term certainty and simplification of the current regime removing a barrier to entry. By matching the zones used for demand, embedded generators of <100 MW, who face the inverse locational signal to larger generators, will compete on more of a level playing field with larger generators that pay generation TNUoS, as the nodal locational signals will be being averaged up into the same zones for generation as for demand. It also better facilitates charging objective (e), because fixed zones improve transparency and improves efficiency in TNUoS tariff setting and publication processes, as well as simplifying matters on a long term basis.

WACM1 (Uniper; RPI) doesn't better facilitate charging objective (a), competition, because it doesn't increase stability ; it keeps the uncertainty, which is adverse against (e) as well as (a), of the mid-year tariff changes allowed for in CUSC 14.14.45 (*without* a CUSC mod process, creating uncertainty - CUSC 14.15.45 only calls for "notification" by the ESO of the outcome; charge changes should be made by way of a CUSC mod process passed, or not passed, by Ofgem – changes in this manner by mere executive *fiat* of the ESO are highly undesirable); it remains the case that each generator's allocation to a zone can move around, and even the number of zones is not known. Single-site generators are left with the most uncertainty. A problem with the status quo, and with WACM1, is that depending whether you start from the South, West or North, you can fulfil the maximum allowed inter-nodal price spread in each zone with the same minimum number of zones, with, usually, more than one mapping of nodes to zones (more than one definition of the set of zones); there isn't a unique solution. This puts the ESO in a difficult position of having to exercise judgement – the process isn't entirely mechanistic. It isn't possible for generators to forecast the new zones ahead of the ESO doing so under baseline or WACM1; they don't have enough data.

WACM2 (SSE; fixed 27 zones) better facilitates charging objective (a), competition, because increased stability from generators knowing their zone, and always being allocated to the same one, provides better investment signals, more longer-term certainty and some simplification of the current regime, removing a barrier to entry. WACM2 doesn't feature the same zones as are used for demand TNUoS, and so doesn't have one key advantage of the original. It also better facilitates charging objective (e), because fixed zones improve transparency and improve efficiency in TNUoS tariff setting and publication processes, as well as simplifying matters on a long-term basis; and the ESO doesn't have to make difficult arbitrary judgements*, as under baseline and WACM1, in the zoning process. WACM2 offers more charge stability than baseline and than WACM1, yet less so than the original (or WACM3).

WACM3 (EDF Energy; 27 zones then as per Original) better facilitates charging objective (a), competition, because increased stability provides better investment signals, longer-term certainty and simplification of the current regime removing a barrier to entry.

The RIIO-T2 data will not be available until later this year; the original is certainly very advantageous but WACM3 seeks to recognise the strong advantages of certainty of zonal assignment, and gives parties a little more time to adjust, retaining the current 27 zones, which are known to all generators, until 2023, yet knowing in advance also of the move to 14 zones, with all the advantages that that brings, as from then. This, perhaps bearing in mind also COVID-19 disruption, is aligned with the approach taken recently to the implementation date of CMP332, which was put back to give affected parties more notice of a change that for some could be material. The 27 zones are less desirable from when the island generators might get a MITS node, as their nodal price would be averaged into quite a small zone then, and lift its price more, and because of the advantages of having the same charging zones for demand as for generation, removing one source of distortion between SDG (embedded generation of <100 MW) and other generation (>100 MW DG, and TG (transmission-connected generation)). . However, under WACM3, by the time the island generators get a MITS node, if that should come to pass, generation charging zones will have already coalesced to 14, so that the zone the island generators become a part of would be a much larger zone. Moreover, April 2023 implementation of the 14 zone solution (with today's zones stabilised before then) would coincide with the intended implementation date for any measures taken forward for Ofgem's

review of access and forward looking charges, from when it is possible that other changes could come in including a shortlisted option entailing SDG potentially starting to pay generation TNUoS (or similar) - so rather than there being several consecutive changes affecting generation TNUoS, one of which would be the move to 14 zones, some of the changes could come in at the same time, in April 2023; this is more holistic and easier for participants to deal with than a “string” of charging changes, one after another.

WACM3 does away with the possibility of rezoning in “Exceptional Circumstances”, adding to certainty (and to propriety of process; charge changes should be made by way of a CUSC mod process passed, or not passed, by Ofgem – changes like this by executive *fiat* of the ESO are not desirable). It also better facilitates charging objective (e), because fixed zones improve transparency and improve efficiency in TNUoS tariff setting and publication processes, as well as simplifying matters on a long term basis.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Jones - Uniper						
Original	N	N	N	-	-	N
WACM 1	Y	N	Y	-	-	Y
WACM 2	N	N	N	-	-	N
WACM 3	N	N	N	-	-	N

Voting Statement: The Original is less cost reflective than the baseline as it provides too great an averaging of nodal charges, demonstrated by the spread of nodal charges it produces, particularly in more northern zones. It also fails to adapt to changing patterns of generation and demand on the network. This creates cross subsidies distorting competition. It will also introduce greater volatility when new substantial infrastructure, such as island links, join a zone plus even greater cross subsidies.

WACM 1 is slightly less cost reflective than the baseline as the amount of averaging is greater. However, it results in a more manageable number of zones. This should reduce volatility associated with year on year changes in prices. It will also limit the volatility caused by large infrastructure additions as zones will be adjusted to accommodate this. By doing this and limiting cross subsidies this should better promote competition. The benefits of the alternative outweigh the slight loss of cost reflectivity.

WACM2 suffers from similar issues to the Original in failing to adapt to changes in generation and demand on the network. It will therefore similarly reduce cost reflectivity, create cross subsidies and undermine competition.

As a combination of the original and WACM2, WACM3 suffers from similar issues in failing to adapt to changes in generation and demand on the network. It will therefore similarly reduce cost reflectivity, create cross subsidies and undermine competition.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Swiatek – BayWa RE						
Original	Y	N	-	-	Y	Y
WACM 1	N	-	-	-	N	N

WACM 2	Y	-	-	-	Y	Y
WACM 3	Y	-	-	-	Y	Y

Voting Statement:

The original better facilitates objective (a) as it simplifies the existing methodology and provides an improved degree of longer-term certainty to TNUoS. The reduction of the number of zones does act to reduce cost reflectivity (b), but we note that this is true of the existing methodology – individual nodal pricing would be necessary to be entirely cost reflective. This proposal would act to improve efficiency in implementation (e).

We are concerned at some of the adverse impacts seen (with a reduction in number of zones) in selected existing zones in southern Scotland – the benefits of reduced tariffs in selected areas results in increased tariffs in other areas. Prospective generators will have modelled TNUoS based on analysis using the existing methodology and the forecast tariffs published in the NGET five-year forecasts, and projects may have passed through various project approval milestones based on such assumptions. Implementation of the original could bring a ‘shock’ increase of the order £3 - £4/kW to sites in selected areas.

We do not consider that WACM1 acts to address the specific issue in the methodology.

WACM2 offers a higher degree of cost reflectivity (b) than the original (though not an improvement on existing cost reflectivity) as it maintains a higher number of zones than in the original. The ‘shock’ referred to in certain areas on implementation of the original (e.g. existing Zone 11) would be removed.

WACM3 does act to address the defect but maintains 27 zones until delayed implementation in 2023. We think this delay is important in allowing parties to examine any revised tariffs based on the RIIO-T2 data to be made available later in 2020.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Simon Lord - ENGIE					
Original	Y	N	N	-	-	Y
WACM 1	Y	Y	Y	-	-	Y
WACM 2	N	N	N	-	-	N
WACM 3	N	N	N	-	-	N

Voting Statement: The optimum solution is for every user to face its own nodal charge all other solutions are likely to be economically inefficient.

The Original solution whilst lacking targeted location prices (it creates broad price signals) does have some merit in that the zones are fixed based on distribution networks location and zonal price for generation and demand are likely be close to equal and opposite. The generation contained in a zone is likely to be large enough to allow changes in generation connection to have relatively small effect on the zonal price and the zonal price will be an average of the nodes in the zone

WACM1 is the closest to an economic solution and allows new zones (e.g. for island) to be created mid tariff and the basic zonal allocation are reviewed each price control.

WACM 2 has no merit as it simple keeps the existing nodes allocated to fixed zones with no possible change. Whilst the proposal results in stable zones (the nodes in each zone) the price of the zones is far from stable and will fall or rise depending on new connections with peripheral nodes being especially susceptible to price shocks (e.g. should islands links connect into the zone). Some of the zones are relatively small and large new connections in a zone will significantly affect the zonal average price. It fails to address the islands issue and effectively locks in winners and losers based on existing rather than new plant dispositions.

WACM 3 is effectively a delay to implementation of a solution we believe that implementation should happen in as short a time scale as is possible.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	John Tindal – SSE plc					
Original	Y	N	-	-	Y	Y
WACM 1	N	N	-	-	N	N
WACM 2	Y	N	-	-	Y	Y
WACM 3	Y	N	-	-	Y	Y

Voting Statement:

Original : Better for effective competition due to increased stability and predictability of tariffs, as well as better alignment of zones will tend to result in better alignment of charges between transmission generation compared with distribution connected generation, behind the meter generation and demand. Regarding cost reflectivity it is broadly the same as Baseline and broadly the same as other options because the other options fail to deliver a more cost reflective solution to zoning. It is better regarding practicality and proportionality due to removing the requirement for ESO to carry out a regular re-zoning process and to attempt to produce a 5 year forecast of tariffs when the ESO does not know what the generation charging zones are going to be for much of the period of the forecast.

WACM1 :

Effective competition: Is not better than baseline regarding effective competition because it has the same issues of the relatively high volatility and relatively poor predictability of charges due to uncertainty related to future zoning decisions. The rules defining the re-zoning process include a high degree of subjectivity on behalf of the ESO regarding where the zone boundaries could be drawn, so which zones a generator may fall into and how many zones there may be. For example regarding where to choose as an anchor point for beginning the assessment against the tariff range and how to apply the clauses relating to electrical and geographical proximity. This subjectivity makes it difficult, or impossible for generators to replicate, forecast, or verify the ESO's choice of zonal boundaries and potentially exposes the ESO to legal challenge regarding their choice of zonal boundaries.

Cost reflectivity WACM1 is not more cost reflective in the way it groups nodes into zones (compared with Baseline, or Original). This is because in WACM1, the zoning methodology fails to take account of the value of Peak Security MWkm, which are often a more important driver of relative nodal cost for southern thermal generators and it also fails to take account of

the effect of the ALF on the charges generators pay. Analysis provided to the Workgroup demonstrated that better considering the contribution to charges generators would actually pay would result in a spread of nodal costs which is broadly similar to the Original, so cost reflectivity of allocating nodes to zones would be broadly similar to the Baseline, Original and other alternatives. The treatment of remote island MITS nodes is not a benefit in this alternative because if there were a desire to change the classification of remote islands as MITS, or not, then this would be better done via a specific CUSC mod with appropriate industry engagement instead.

Practicality and proportionality - It is not better than Baseline regarding practicality and proportionality because ESO would still need to carry out the re-zoning process at regular intervals.

WACM2 : Compared with Baseline, WACM2 shares most of the same benefits as the Original. The exception is that it does not have the benefit of achieving better alignment between the definition of zones, and therefore tariffs paid by transmission generation compared with distribution connected generators, distribution connected generators, behind the meter generators, or demand.

WACM3 : Close call between WACM3 and the Original. WACM3 has a lot of merit because it delivers the same long-term solution as the Original, so has the same long-term benefits versus Baseline as the Original. In addition, by maintaining the current 27 zones for longer, it also has an additional benefit of reducing tariff volatility and risk for generators in the short-term. A relatively minor shortcoming with this WACM is that the CUSC legal text may need to be more complicated to include a two-step process to extend the current 27 zones for longer, then to implement the DNO definition of zones.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Joseph Dunn/Chris Coates – Scottish Power						
Original	N	N	N	-	Y	N
WACM 1	Y	Y	Y	-	-	Y
WACM 2	N	N	N	-	Y	N
WACM 3	N	N	N	-	N	N

Voting Statement:

- Regarding CUSC objective a), we don't believe that the original or WACM's 2 and 3 are better than the original for facilitating effective competition because fixing the number of zones, in the absence of a methodology, removes the theoretical cost reflectivity gained via the calculation of the transmission zones based on the nodes and subsequently loads on the network. SPR believe that through preserving this methodology and inflating in line with RPI is the only proposal that can enable this.
- Regarding CUSC objectives b) and c) Discussing both simultaneously, we don't believe that either the original nor WACM's 2 and 3, improve on the current baseline theoretical cost reflectivity nor improve on the development of the transmission business'. While other elements of revenues flex within the overall methodology, fixing the zones could lead to unintended consequences such as disproportionate averaging. On the contrary, short of a

more wholesale change to the methodology, WACM1 would segment the network based on marginal nodal costs experienced on the network. Furthermore, while fixing the zones (at this time) provides a definite answer as to what zone you will be in as a generator, it doesn't improve the certainty or stability of how tariffs could change in each zone.

- Concerning CUSC objective d) Neutral on all options
- Concerning CUSC objective e) As the original & WACM's 2 and 3 involve fixing the number of zones it will certainly be easier to implement. WACM 1 essentially follows the same methodology as is currently present so therefore we remain neutral on this point.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Youngman – Drax Power Limited						
Original	N	N	Y	-	-	N
WACM 1	Y	Y	Y	-	-	Y
WACM 2	Y	N	-	-	-	N
WACM 3	Y	N	-	-	-	N

Voting Statement:

Only WACM1 should be implemented. WACM 1 increases the differential price used to determine charging zones enhances competition in line with relevant objective (a) whilst maintaining a cost reflective basis of for zoning that satisfies relevant objective (b) requirement for cost reflective charging. WACM1 is also positive against relevant objective (c) taking account of changes in the transmission licencees transmission business, as the methodology includes an indexing process that will ensure that an appropriate differential is maintained into the future.

The original proposal and WACM 2 and 3 do not maintain an appropriate cost based zoning process and will therefore lead to less cost reflective average charges between generators and the zones in which they are located. As such the Original and WACM 2 and WACM 3 are negative against the principal of relevant objective (b) that the methodology and charges a user of the system faces should be cost reflective. WACM 2 and WACM 3 by maintaining the status quo charging zones have a marginally positive impact for relevant objective (a) in terms of maintaining competition between generators, at least in the short term.

The Original satisfies in part relevant objective (c) but is overly simplistic in aligning Zonal boundaries with distribution network boundaries. As evidenced in the report, this does **not** lead to equivalent charges for distribution and transmission connected generation. Along with the detrimental impact on cost reflectivity there is no enhancement of competition in line with relevant objective (a) between either transmission connected generators (*as cost reflectivity is detrimentally impacted*), or transmission and distribution connected generators.

Stage 2b – WACM Vote (If required)

Where one or more WACMs exist, does each WACM better facilitates the Applicable CUSC Objectives than the **Original** Modification Proposal?

Workgroup Member	Company	WACM1 better than Original Yes/No	WACM2 better than Original Yes/No	WACM3 better than Original Yes/No
Bill Reed	RWE Supply and Trading GmbH	N	N	N
Paul Mott	EDF Energy	N	N	Y
Andrew Enzor	Cornwall Insight	Y	N	N
Simon Lord	ENGIE	Y	N	N
Paul Jones	Uniper	Y	N	N
Paul Youngman	Drax Power Limited	Y	N	N
Grahame Neale	National Grid ESO	N	N	N
John Tindal	SSE plc	N	N	N
Simon Swiatek	BayWa RE	N	Y	Y
Joseph Dunn/Chris Coates	Scottish Power	Y	N	N
Graham Pannell	Fred Olsen Renewables	N	N	N

Stage 2c – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1 or WACM2)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Bill Reed	RWE Supply and Trading GmbH	Original	A
Paul Mott	EDF Energy	WACM3	A E
Andrew Enzor	Cornwall Insight	WACM1	A B C
Simon Lord	ENGIE	WACM1	A B C
Paul Jones	Uniper	WACM1	A B C
Paul Youngman	Drax Power Limited	WACM1	A B C
Grahame Neale	National Grid ESO	Original	A E
John Tindal	SSE plc	Original	A E
Simon Swiatek	BayWa RE	WACM2	A B E
Joseph Dunn/Chris Coates	Scottish Power	WACM1	A B C
Graham Pannell	Fred Olsen Renewables	Original	A E