

CUSC Workgroup Consultation Response Proforma**CMP334: Transmission Demand Residual – consequential definition changes (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 to cusc.team@nationalgrideso.com by **5pm on 15 April 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 Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Richard Sidley
Company name:	Transmission Investment Services Limited
Email address:	richard.sidley@tinv.com
Phone number:	07748 180429

For reference the applicable CUSC objectives are:

Relevant Objective
(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.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP334 Original Proposal better facilitates the Applicable CUSC Objectives?	We believe that the Proposal does better facilitate Relevant Objectives (a), (c) and (d). However, with regards to (b), the currently proposed definitions, in combination with the charging amendments as set out in Ofgem's TCR, would stifle and therefore significantly negatively impact facilitating competition in the provision of certain Transmission Network Services, which NGESO is facilitating through the Pathfinder projects, for the reasons set out in our answer to question 7 below.
2	Do you support the proposed implementation approach for CMP334?	We support the implementation approach and in particular would welcome the further definition of 'Final Demand Site' to ensure specific market participants that exist purely to provide services to the Transmission or Distribution Network do not pay Residual TNUoS charges.
3	Do you have any other comments?	Click or tap here to enter text.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes, we wish to raise an alternative to add to the definition of Final Demand Site , such that a user's Single Site that exists solely for the provision of Ancillary Services to the relevant Electricity System Operator is excluded from Residual TNUoS charges.
Specific CMP334 Workgroup Consultation questions		
5	Based on the mapping table in Annex 3, does the proposed CMP334 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed?	Not completely, it is clear that OFGEMs direction in the TCR SCR is to put residual charges straight on the end consumer, with the aim of lowering the costs to the end customer by avoiding passing on charges through internal industry boundaries, attracting administration and management marks ups each time the charge is past on. The area that needs to be addressed is that of intermediate customers, i.e. those customers who exists solely to provide services to industry itself. The current proposal only does so for generators and electricity storage providers. There are other service providers who do not fall into this category, e.g. those providing reactive power, or stability services via an "intermediate" demand connection.
6	Do you agree with the proposed definition of	We agree with this definition.

	"Single Site"? If not, why not.	
7	Do you agree with the proposed definition of "Final Demand Site"? If not, why not.	<p>The proposed definition of Final Demand Site would result in intermediate demands which consume real power exclusively for the provision of services to the ESO, or DSO incurring the significant TNUoS demand residual charge. An example would be a Transmission Connected MVAR service exclusively consuming low volumes of real power to provide large volumes of reactive power. As this will disproportionately detriment these types of service providers this seems in contradiction to Ofgem's aim within the TCR being to '<i>reduce harmful distortions which impact competition and the efficiency of the electricity market</i>'.</p> <p>If the definition of Final Demand Site does not exclude such intermediate demands this would require these potentially significant charges to be considered as part of the cost of providing the service to the Network Operator thus making many of them unviable. This would reduce the range of competition within the ancillary services market to only those participants excluded from the charge and therefore negatively impact the efficiency of the electricity market.</p> <p>This concern was recently highlighted by NGESO in a tender update to all participants as part of the Mersey pathfinder Long Term tender on the 24th March 2020:</p> <p>"[NGESO] acknowledge that this creates a challenge for [Intermediate Demand] connections to fairly compete in the pathfinder tender. The ESO believes that it may be appropriate that [Intermediate Demand] connections do not fall under the final demand category, but treated as intermediate demand consuming energy exclusively to export/provide a service to the transmission network. We are reviewing this situation, subject to industry change processes and timescales. It will be important for the TCR principles to be used in an assessment of costs to consumers and to ensure that there is a removal of distortions between market participants."</p> <p>We support an amendment to the definition of Final Demand Site (and the associated definition of Eligible Facility) to exclude all intermediate demands where energy is consumed exclusively for the</p>

		provision of services to a Network Operator and this should for example include those service purely consuming real power for the provision of reactive power, or stability services.
8.	Do you believe the Certification process described in the legal text is fit for purpose? If not, why not?	We support this as an efficient process to provide evidence of eligibility with sufficient liability, for Generator and Electricity Storage Operators, but believe a similar certification process is required for users that exist purely to provide Ancillary Services directly to NGENSO, or the local DSO, via an intermediate demand connection.