

CUSC Workgroup Consultation Response Proforma**CMP343: Transmission Demand Residual bandings and allocation for 1 April 2022 implementation (TCR)'****CMP340: Consequential changes for CMP332 (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 31 July 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 paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the CUSC (charging) objectives for CMP343 are:

- 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;*
- 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);*
- 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;*
- 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*
- 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).*

For reference the CUSC (non-charging) objectives for CMP340 are:

- 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.

CMP343

Standard Workgroup Consultation questions CMP343		
1	Do you believe that the CMP343 Original Proposal better facilitate the Applicable CUSC Objectives? Please explain your rationale.	Yes
2	Do you believe that any of the CMP343 proposed alternative solutions better facilitate the Applicable CUSC Objectives? Please explain your rationale.	We believe the original + all the proposed WACM's would better facilitate the relevant CUSC objectives.
3	Do you support the proposed implementation approach?	Yes
4	Do you have any other comments?	E.ON recommends that the workgroup considers creating and/or using existing data agreed capacity levels for transmission connected sites. We feel that transmission connected sites could be similar in their network use vs distribution connected

		<p>EHV banded sites however the different treatment of allocating sites to bandings could result in very different costs per site purely on the basis on the connection. We believe this is an unfair outcome when considering the TCR direction in its entirety and therefore warrants workgroup consideration.</p> <p>E.ON believes that there is an indicator of this in annex 8 transmission banding options, this shows that 71% of transmission connected sites would be allocated to bandings 1 & 2 due to lower levels consumption. However they could be sites that have high peaks in demand but low baseload which is addressed in all distribution 'with MIC' bandings. It is also plausible that by considering and moving to a capacity-based banding allocation the sizeable differences in annual tariffs means the remain 29% of sites allocated to band 3 & 4 could see reduced tariff costs.</p>
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	N/A
Specific CMP343 Workgroup Consultation questions		
6	Do you agree with the proposed methodology on page 7 of the Workgroup Consultation document to calculate a volumetric p/kWh residual charge for Unmetered Supply (UMS) Demand? Please provide the rationale for your response.	<p>We agree with the proposed methodology for calculating the residual charge UMS demand.</p> <p>As noted in our Response to CMP 332 we believe that UMS should be charged separately on a volumetric basis because unmetered supply arrangements cannot avoid its associated network costs due to the very nature of arrangements in place. As such E.ON both welcomes and supports the proposed methodology to set residual charges for UMS on a volumetric basis.</p>
7	Following the CMP332 Workgroup consultation, the CMP343/340 Workgroup has developed alternative options for 2 or 4 transmission bands and has produced	<p>As per comments in question 4, we do not feel that we can fully support either options without considering if Transmission connected sites can be charged and/or allocated based on allowed/agreed capacity.</p> <p>Noting that this is currently not an option in the original or WACMs we feel that a single Transmission band for the demand residual charge,</p>

	<p>some analysis to show the impacts. This can be found in Annex 8. What are your views on whether there should be 1, 2 or 4 transmission bands? Please provide the rationale for your response.</p>	<p>based on the analysis in annex 8 shows this method of allocation would result in less than 10 final demand transmission sites being allocated to the highest transmission banding.</p> <p>We feel that the analysis clearly demonstrates significant 'cliff edges' between bandings 1 & 2:</p> <ul style="list-style-type: none"> • The 2-band analysis in the region of £2.3Mn difference, and: • The 4-band analysis in the region of £1.7Mn, between bands 3 & 4. <p>When considering the TCR's intent of fixing residual costs, it's likely that the sites effected will have to face into significantly greater costs based on this method of allocation. A customer allocated to the highest consuming band may consider:</p> <ul style="list-style-type: none"> • reducing consumption taken off the system through cheap dirty self-generation such as installing diesel generators to reduce consumption in order to dispute and move down the bandings • assess if the economic case for keeping their business in the UK should continue in the face of increased multi-million-pound costs, vs re-locating their associated business activity off shore.
8	<p>The Workgroup has proposed that if there were 2 transmission bands, these would be divided at the 85th percentile (as this coincides with the point beyond which the sites are more than twice the size of the mean total consumption). Do you agree with this method? Please provide the rationale for your response?</p>	<p>As per comments on Q7.</p>
9	<p>The assumptions that underpin the analysis</p>	<p>We agree that the assumption made in Annex 9 to identify the possible transmission connected final</p>

	on transmission banding to set out illustrative charges are contained in Annex 9. Please provide any comments on these assumptions.	demand sites is as accurate as possible, noting that some sites may be allocated incorrectly subject to the site definitions decision under CMP334. We note that an unavoidable consequence is that some sites/registrant will dispute residual cost allocations across transmission final demand which is likely to impact residual cost recovery in future years either through tariff setting against less sites, or through changes to the costs recovered within a banding.
10	Following the CMP332 workgroup consultation, the CMP343/340 Workgroup has developed options A, B and C to address the treatment of zones that have a negative locational tariff. Which of these options do you support? Please provide the rationale for your response.	E.ON believes that Option B, no flooring to the locational tariffs is the most appropriate, as the no flooring option appears to comply with what was directed by Ofgem.
Question 11 is for those who responded to the CMP332 consultation		
11	CMP343/340 builds on the CMP332 solution. Please let us know if anything has changed in your response since the CMP332 Workgroup Consultation.	E.ON's position has not changed since our response to CMP 332. However, we would like to acknowledge and offer our thanks to NGENSO for acting on behalf of industry in terms of its involvement in making sensible changes to both the implementation date and the move to volumetric UMS residual charges that now form the basis of this modification.

CMP340**Standard Workgroup Consultation questions CMP340**

12	Do you believe that the CMP340 Original Proposal better facilitates the Applicable (non-charging) CUSC Objectives?	Yes
13	Do you support the proposed implementation approach?	Yes

14	Do you have any other comments?	No
15	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Specific CMP340 Workgroup Consultation question		
16	Annex 11 sets out the initial thoughts on the potential changes to the CUSC Section 11 definitions that would need to change to support the CMP343 Original and other potential solutions. Do you have any comments on the proposed changes?	No comments.