

**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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

Respondent details	Please enter your details
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**For reference the CUSC (charging) objectives for CMP343 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).*

**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.	Not answered
2	Do you believe that any of the CMP343 proposed alternative solutions better facilitate the Applicable CUSC Objectives? Please explain your rationale.	Not answered
3	Do you support the proposed implementation approach?	Not answered
4	Do you have any other comments?	The proposed banded solution generates charges which deviate significantly from the indicative charge structure (i.e. 1 band) presented at the OFGEM Charging Futures Forum to date.

		<p>£550k was published as a single indicative charge in the OFGEM IA, and the June-20 TCR costs presented at the recent CFF (16<sup>th</sup> July) included a single band charge of £675k. Whilst CMP343 was raised in passing, the potential banding outcomes &amp; magnitude of change was not.</p> <p>To create significantly different charges through a CMP without adequate engagement through the established process to engage affected users &amp; the industry is unreasonable.</p>
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not answered
<b>Specific CMP343 Workgroup Consultation questions</b>		
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.	Not answered
7	Following the CMP332 Workgroup consultation, the CMP343/340 Workgroup has developed alternative options for 2 or 4 transmission bands and has produced 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?	<p>The TDR charge for the highest proposed band is £2.7m, for sites with consumption exceeding 16MW on average. The highest band for TNUoS Residual at a Distribution connected demand site is forecast at £894k (but could conceivably be £272k for a site which consumes 139.9GWh/p.a).</p> <p>Faced with this steep additional cost (even with additional distribution charges) an incentive is created to seek to have the connection adopted by the DNO, or to otherwise seek a distribution connection.</p> <p>This is not an efficient outcome, and a real-life risk.</p>

	Please provide the rationale for your response.	A single band charge lessens the likelihood of this outcome for larger demand sites.
8	The Workgroup has proposed that if there were 2 transmission bands, these would be divided at the 85 <sup>th</sup> 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>No, cannot agree with this method when the end result is not proportionate, and potentially distortive as set out in 7.</p> <p>The banded results produced are way out of line with transmission residual chargeable at equivalently sized distribution connected sites.</p> <p>With relatively few demand sites at transmission level, the impact for each user should be reviewed &amp; compared to the equivalent distribution TNUoS residual charge for proportionality.</p>
9	The assumptions that underpin the analysis on transmission banding to set out illustrative charges are contained in Annex 9. Please provide any comments on these assumptions.	<p>The banded set of charges are disproportionate to those seen on equivalent non-Transmission connected demand sites.</p> <p>The assumptions should be reviewed as to how they contribute to this disparity.</p>
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.	<p>The existing TNUoS charging methodology has identified a negative locational charge, and we would question the removal through CMP343 ahead of the SCR review.</p> <p>If there is felt to be a genuine risk of perverse outcome then option C might be taken above option B.</p>
<b>Question 11 is for those who responded to the CMP332 consultation</b>		
11	CMP343/340 builds on the CMP332 solution. Please let us know if anything has changed in your response since the CMP332 Workgroup Consultation.	Click or tap here to enter text.

**CMP340**

Standard Workgroup Consultation questions CMP340		
12	Do you believe that the CMP340 Original Proposal better facilitates the Applicable (non-charging) CUSC Objectives?	Click or tap here to enter text.
13	Do you support the proposed implementation approach?	Click or tap here to enter text.
14	Do you have any other comments?	Click or tap here to enter text.
15	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Click or tap here to enter text.
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?	Click or tap here to enter text.