

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:

- 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.	<p>We agree with the original proposal as it primarily supports Objective (a) (facilitating effective competition). Noting it also supports Objective (c) following Ofgem's TCR Direction.</p> <p>This supports the TCR Direction that arrangements are brought forward to prevent perverse incentives to hoard capacity or increase capacity or use through negative charges.</p>
2	Do you believe that any of the CMP343 proposed alternative solutions better facilitate the Applicable CUSC Objectives? Please explain your rationale.	<p>No, as a negative signal will dampen other signals (e.g. BM, CM, wholesale, DUOS, and DSO/ESO flex markets), both regulatory signals (DUOS) and tendered products (balancing products, capacity market etc) will not have been calibrated to take this into account.</p> <p>This could contribute to security of supply issues across transmission and distribution. In particular, TNUoS signals could act to exacerbate local issues, where there are not yet the signals/mechanisms set up to deal with this.</p> <p>In response, these balancing and wholesale markets will become distorted in order to overcome the negative TNUoS. In addition, there could be significant under-recovery as those who can respond to these signals benefit, increasing costs for those who cannot, as the response is not cost-reflective.</p>
3	Do you support the proposed	Noting the modified Direction for an implementation date of 1 April 2022, the implementation approach is supported.

	implementation approach?	
4	Do you have any other comments?	Click or tap here to enter text.
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
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.	Click or tap here to enter text.
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? Please provide the rationale for your response.	Click or tap here to enter text.
8	The Workgroup has proposed that if there were 2 transmission bands, these would be divided at the 85 th percentile (as this	Click or tap here to enter text.

	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?	
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.	Click or tap here to enter text.
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>We strongly support option A - Floor the locational tariff to £0/kW.</p> <p>We remain concerned that if the forward-looking element is not floored, it will result in a significant negative forward-looking signal that would be distortive to efficient market signals for flexibility. Further, it could cause security of supply issues if demand is incentivised to turn up during system peak. The forward-looking signal should be floored at least until the conclusion of the Access & Forward-Looking Charges SCR.</p>
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.	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-	Click or tap here to enter text.
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	charging) CUSC Objectives?	
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.