





Workgroup Alternative Proposal Form	At what stage is this document in the process?
<h1>CMP343:</h1> <h2>Transmission Demand Residual bandings and allocation for 1 April 2022 implementation (TCR)</h2>	<div> <div>01</div> <div>Proposed Alternative</div> </div> <div> <div>02</div> <div>Proposed Workgroup Alternative</div> </div>
<p>Purpose of Alternative: WACM5</p> <p>In the treatment of negative locational charges, to maintain the prevailing negative locational signal instead of flooring negative locational demand TNUoS tariffs at zero as set out in the Original proposal. This is based on altering any resulting negative locational signal is not within the scope of this modification.</p> <p>In the banding of sites connected directly to the transmission network.</p> <p>The direction of this modification is to deliver a solution to recover Transmission Demand Residual costs as required by the Authority TCR Direction. Ofgem has given the workgroup discretion to determine how to band sites connected directly to the transmission network. It is clear from workgroup analysis that four bands are more appropriate than one to avoid a clear distortion between small and large sites charging.</p>	
<p>Date submitted to Code Administrator: 24/06/2020</p> <p>You are: A Workgroup member</p> <p>Workgroup vote outcome: Formal alternative</p>	

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1 Alternative proposed solution for workgroup review

In the treatment of negative locational charges, to maintain the prevailing negative locational signal. The direction of this modification is to deliver a solution to recover residual costs. This is for the following reasons:

- Except for 2 GSP groups, the incentive and opportunity for customers to increase demand will be low. The Reform of Access and Forward-Looking Charges SCR is expected to address this from April 2023.
- The Ofgem representative has told the Workgroup that the modelling for the Ofgem TCR decision did not adjust negative TNUoS charges to zero. Therefore, the Original Proposal is not, in our view, consistent with the TCR decision.
- We believe that altering any resulting negative locational signal is not within the current scope of this modification.

In the banding of sites connected directly to the transmission network.

The direction of this modification is to deliver a solution to recover residual costs. Ofgem has given the workgroup discretion to determine how to band sites connected directly to the transmission network.

It is clear from workgroup analysis that four bands are more appropriate than just one to avoid a clear distortion between small and large sites charging.

The sites connected directly to the transmission network will be split at the 40th, 70th, and 85th percentile point which aligns with the approach taken for the distribution bands for each voltage level.

It is also proposed that if the number of sites in a transmission network band is less than two then the total import consumption and total count of sites in that band will be combined with the equivalent information for the transmission network band(s) above that band to calculate the residual fixed charge. If that band is the highest transmission network band, it will be combined with the equivalent information for the transmission network band(s) below that band to calculate the residual fixed charge. The residual fixed charge would therefore be the same for all sites in the relevant transmission network bands. This is aligned with the approach for all other voltage levels in DCP361.

2 Difference between this proposal and Original

In the treatment of negative locational charges.

This alternative is different to the Original in that it proposes not to floor negative locational demand TNUoS tariffs at zero.

In the banding of sites connected directly to the transmission network.

This alternative is different to the Original in that it proposes four bands for sites connected directly to the transmission network instead of just one.

3 Justification for alternative proposal against CUSC Objectives

Mandatory for the Alternative Proposer to complete.

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
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;	neutral
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);	neutral
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;	Positive as the Authority have given the SCR TCR direction.
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	neutral
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	neutral
*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).	

The Authority has directed this modification to be raised and implemented to enact their SCR TCR Decision.

4 Impacts and Other Considerations

In the treatment of negative locational charges.

The Reform of Access and Forward-Looking Charges SCR is expected to address negative locational demand charges from April 2023.

Consumer Impacts

In the treatment of negative locational charges.

This alternative proposal is to maintain the prevailing negative locational signal. Except for two GSP groups, the incentive for customers to increase demand will be low.

In the banding of sites connected directly to the transmission network.

Ofgem has given the workgroup discretion to determine how to band sites connected directly to the transmission network. It is clear from workgroup analysis that four bands are more appropriate than one to avoid a clear distortion between small and large sites charging.

5 Implementation

This modification needs to be implemented by April 2022 to allow ESO to comply with the Direction letter published by The Authority on the 21st November 2019 and revised in the letter of 31st March 2020.

6 Legal Text

In the treatment of negative locational charges.

Delete CUSC 14.14.5(iii) and 14.17.3

In the banding of sites connected directly to the transmission network.

14.15.137 (new section) to be agreed with the ESO