

**CUSC Workgroup Consultation Response Proforma****CMP332: Transmission Demand Residual bandings and allocation (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 27 February 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](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 applicable CUSC objectives 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).*

**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 CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes
2	Do you support the proposed implementation approach?	For the most part the proposed approach seems sensible and delivers the directive. However, we believe the flooring approach creates distortion that can be mitigated by taking Option 3. See answer to question 11 for details.
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?	Click or tap here to enter text.
Specific CMP332 Workgroup Consultation questions		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.	Yes
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what do you suggest instead, and why?	Yes agree
7	The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original	As long as the period is consistent across both DNOs and ESO then it is ok. Given the changing nature of electricity usage it makes sense to use a shorter window.

	solution (for CMP332) proposes to use a standard 12 months period for all. What period of historical data do you think is required for setting the bands, and why?	
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?	No preference
9	Should we use Measurement Classes rather than “No MIC” or “MIC” to determine initial grouping for the charging bands at low voltage, and why?	No preference
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	Due to the gameability of re-grouping UMS, it would make sense to charge this volumetrically. Otherwise setting some clear rules on what can be assigned to a specific group (e.g. must be in a specific geographic area or all the same type of load).
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	Although there appears to be no option that doesn't distort the locational signal of the transport model in some way, option 3 appears to be the best. Option 1 creates material redistribution of cost across regions and dampens the locational signal that the transport model is designed to provide. Option 2 requires a wider reform of triad which is also being considered as part of the SCR and would likely require a much larger piece of impact analysis. In our opinion Option 3 provides the right balance between maintaining the locational signal and not requiring a wider reform of Triad.