

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 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 or 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?	<p>Yes, on the premise that consistency is achieved with related changes to the Distribution Connection and Use of System Agreement ('the DCUSA'), where required and as outlined by the Authority in the respective TCR Directions.</p> <p>Specific to CMP332, this relates to the determination of the residual charging band boundaries.</p>
3	Do you have any other comments?	No.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No, not at this time and specifically not whilst there is consistency between the CUSC and DCUSA where required.
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.	<p>In isolation no. CMP332 will only deliver part of the requirements set out in the TCR Direction, specifically determining the residual charging bands ('the bands') and the calculation of the charges for the bands.</p> <p>CMP334-336, and any further modifications as needed to other codes, should deliver the other requirements – as shown in Annex 6.</p> <p>Again, it is essential that consistency is achieved with related changes to the DCUSA where required, and this includes the basis of allocating users to the bands – as separately (to the TCR Directions) highlighted by Ofgem.</p>
6	CMP332 solution proposes to have one Transmission Band for the demand residual	Yes. We believe this will satisfy the requirements of the TCR Direction.

	charge. Do you agree, if not what do you suggest instead, and why?	
7	<p>The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original 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?</p>	<p>In its TCR Decision and associated TCR Directions, the Authority has deemed it necessary to allocate users to the bands based on a minimum of 24 months' data (where it is available, with a separate process where it is not). Allocating users to the bands will be dealt with in CMP335/336.</p> <p>The Authority did not specify a similar requirement on the data used to determine the banding boundaries. Indeed, it is not currently possible to obtain such data for all users (e.g.) it is proposed (in the TCR DCUSA modifications) that small non-domestic users will be banded based on non-half hourly (NHH) Estimated Annual Consumption (EAC) information. EACs are by definition forward-looking and not therefore historical, and relate to a period of one year. We do not believe that averaging more than one EAC for the same user to be a necessary step to deliver arbitrary equivalence, where possible.</p> <p>Further, there are some users (non-domestic whole current metered) for whom disaggregated data may not currently be obtainable at all.</p> <p>We believe that it is proportionate to determine the bands based on data pertaining to annual consumption, and, for the avoidance of doubt, the most recent billed (by the distributor) maximum import capacity (in line with what is proposed in the DCUSA).</p>
8	<p>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?</p>	<p>Owing to the nature of the TCR Decision to introduce artificial boundaries, and consequential disputes etc, there will inevitably be reallocation of some users' post-initial allocation (to the bands) and even post-annual charge setting assumptions.</p> <p>We believe that following a successful dispute, a user should receive a rebate as appropriate. We do not believe that a user should be retrospectively charged: charge setting assumes revenue is recovered from all other users all else being equal.</p> <p>We believe the difference between charge setting</p>

		<p>assumptions and revenue recovered is a risk borne by the party setting the charges and is dealt with via the price control settlement and specifically the correction mechanism.</p> <p>However, we recognise the additional complexity that exists due to NGESO recovering allowed revenue on behalf of the transmission network owners. That said, we do not believe any remedial action to ensure NGESO is not left out of pocket in the short-term to be in scope of the TCR or therefore the associated code modifications.</p>
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?	<p>At the point in time a DNO allocates a Line Loss Factor Class (LLFC) – which is considered to be the only viable option to determining which band a user is in – Measurement Class is a largely redundant consideration.</p> <p>Using these LLFCs, distributors know which users are charged on a capacity basis. Therefore distributors know which users have an agreed capacity for the purpose of use of system charging, and can therefore use this information to determine the bands independent of any specific consideration of which Measurement Class a user is in.</p> <p>Consumption information for users whom have no capacity for the purpose of use of system charges is expected to be based on EACs, other than non-domestic whole current metered users as noted – and for whom the Measurement Class (‘G’) has no bearing other than depicting a type of user for whom the distributor seemingly does not currently have access to disaggregated data.</p>
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	<p>We believe this is an area that can be inconsistent between the CUSC and the DCUSA: the intention of the latter being to retain the status quo and recover the residual on a volumetric p/kWh basis.</p> <p>DNOs receive unmetered supply ‘inventories’ which detail the number of unmetered supplies and the total aggregated estimated annual consumption. These inventories may be (e.g.) 1,000 streetlights in part of a local authority’s city centre or (e.g.) 10 street lights in a small parish council area. In principle, we therefore do not believe that it is fair to recover fixed charges from unmetered users on a banded fixed charge basis given the potential</p>

		<p>difference in inventories, especially if these would create undue distortions.</p> <p>However, it is unlikely that a solution for unmetered supplies will better achieve all of the TCR Decision Principles, and whereby a proportional and practical solution may be necessary at the expense of reducing harmful distortions and fairness.</p> <p>We believe an assessment of the options of recovering the residual from these types of user is necessary in order to determine an appropriate recovery mechanism that is within the gift of the CMP332 workgroup to determine.</p>
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?	<p>We believe that all options considered in relation to the treatment of 'zones' that have a negative locational tariff will, in some way, interact with the Access and Forward-looking Charges Significant Code Review ('the Access SCR').</p> <p>Based on the workgroup analysis, we are supportive of option one, which floors the locational charge only at zero. This option appears to create the least disturbance and is therefore arguably the most proportional available, whilst also removing the perceived perverse incentive.</p> <p>Option two, which floors the combined forward-looking and residual charges, would be our preference setting aside proportionality – however, only if the 'forward-looking component' was also a fixed charge.</p> <p>We believe the options considered above most align to the considerations within the DCUSA as to how to deal with negative residual fixed charges, and where we would be minded to support option two – albeit recognising the differences between the two codes i.e. the 'forward-looking fixed charge component'.</p>