

CUSC Alternative and Workgroup Vote**CMP300: CMP334 'Transmission Demand Residual – consequential definition changes (TCR)'**

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative Code Modifications.

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

The Applicable CUSC Objectives (non-charging) 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).

Workgroup Vote

Stage 1 – Alternative Vote (Carried out on 7 May 2020 - note that Lee Wells did not attend meeting)

Vote on Workgroup Alternative Requests to become Workgroup Alternative Code Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative Code modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

“Y” = Yes

“N” = No

“-“ = Neutral

Workgroup Member	Company	Alternative 1 - One-off choice for the REP to be set at £0/MWh (as per Proposer's Solution) or at the prevailing MIP
Paul Youngman	Drax Power Ltd.	Y
Garth Graham	SSE Generation Limited	Y
Grahame Neale (Alternate for Jamie Webb)	National Grid ESO	Y
Ewen Ellen	Scottish Power	Y
Karl Maryon	Haven Power	Y
Robert Longden	Cornwall Insight Ltd.	Y
WACM?		Y – WACM1

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Youngman – Drax Power Ltd. (Proposer)						
Original	Y	Y	-	Y	n/a	Y
WACM 1	Y	Y	-	Y	n/a	Y

Voting Statement:

Both modification proposals facilitate the relevant objectives better than the baseline.

(b) *facilitating effective competition*. The modifications primary objective is to level the playing field and remove a non cost-reflective hindrance to competition that the current Response Energy Payment methodology presents to CFD units that are not classified as “non-fuel”. These units have low or negative marginal costs in common with “non-fuel” generators but are paid, or pay, a response energy payment that isn’t reflective of actual costs. The modifications will ensure that the REP is cost reflective for all MFR providers resulting in a technology neutral competitive and efficient outcome which is in the interest of consumers.

(d) *Promoting efficiency in implementation and administration of the CUSC arrangements*. The modifications should enable a technologically neutral application of the arrangements with the minimum of change and disruption.

(a) *Efficient discharge of licensee obligations*. Either of the changes would represent an efficient discharging of the ESO’s obligations and would also demonstrate a clear commitment to a technologically neutral enhancement to competition.

Both modifications are better than baseline. The original being the preference as it is tightly targeted at removing the current distortion and should be swifter to implement.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Garth Graham, SSE Generation Limited						
Original	-	Y	-	-	n/a	Y
WACM 1	-	Y	-	-	n/a	Y

Voting Statement:

The Original, when compared to the Baseline, is better in terms of facilitating competition in the generation and supply of electricity as it ensures that response energy payments are more reflective of the costs or avoided cost of the production of the electricity.

Noting that WACM1 is modelled on the Original, then when compared to the Baseline, it is better in terms of facilitating competition in the generation and supply of electricity for the reasons noted above.

When compared with the Original, WACM1 is better still for facilitating competition as it ensures that the need for parties to apply a risk premia for regulatory risk (of entering into a CfD contract on the basis of a known pricing regime – as per the CUSC baseline – only for it to fundamentally change after the contract has been entered into) will be addressed via a one off, one way option for those parties, that have entered into legally binding contracts, can continue to pay or be paid on the same basis that they entered those contracts.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Grahame Neale, NGESO					
Original	-	-	-	-	n/a	-
WACM 1	-	-	-	-	n/a	-

Voting Statement:

NGESO does not feel that the proposal or subsequent WACMs are better than baseline. The removal of REP payments from non-fuel BMU's as part of CMP237 was driven by the economic rationale that the response energy payment would recover the fuel cost associated with the service and so non-fuel BMUs should not benefit from this as they have no fuel. CMP300 does not fall in line with that economic rationale as some CfD units (e.g. biomass) do have an associated fuel cost which is recovered through response energy payments.

The proposer has stated there is an estimated £50k a year benefit of this proposal but it has not been made clear to NGESO how that would flow back through as a consumer benefit.

Regarding implementation, as a new settlement system is being implemented into NGESO it is recommending aligning implementation of CMP300 with the new settlement system in April 2022. This would mean the CMP300 changes can be incorporated into the suite of changes in new settlement system with a minimal implementation cost, this would then allow the small benefit to be realised. Implementing this CMP300 separately to the new settlement system could easily result in the costs of implementing CMP300 being greater than the small benefit identified above, which would result in a net disbenefit to consumers.

It should be noted that under the Clean Energy Package response energy payments are an affected payment that may need further review going forward pending the outcome of any CEP decisions. This could mean that any benefit associated with CMP300 may have a limited duration.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Ewen Ellen, Scottish Power					
Original	-	Y	-	-	n/a	Y
WACM 1	-	Y	-	-	n/a	Y

Voting Statement:

I believe both of the modification proposals facilitate effective competition in the generation and supply of electricity. This should improve technological neutrality and ensure that Response Energy Payments are cost reflective for all providers.

I believe that WACM1 is an improvement over the Original proposal as it has all the positive attributes of the Original but it is additionally better at facilitating Applicable Objective (b).

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Karl Maryon – Haven Power					
Original	Y	Y	-	Y	n/a	Y
WACM 1	Y	Y	-	Y	n/a	Y

Voting Statement:

I believe both the modification proposals facilitate the relevant objectives better than the baseline.

(a) *Efficient discharge of licensee obligations.* Both changes represent efficient discharging of the ESO's obligations and a clear commitment to a technologically neutral enhancement to competition.

(b) *Facilitating effective competition.* The primary objective of these modifications is to level the playing field and remove a non-cost-reflective hindrance to competition that the current Response Energy Payment methodology presents to CFD units that are not classified as "non-fuel". These units have low or negative marginal costs in common with "non-fuel" generators but are paid, or pay, a response energy payment that isn't reflective of actual costs. These modifications ensure that the REP is cost reflective for all MFR providers which would result in a technology neutral competitive and efficient outcome in the interest of consumers.

(d) *Promoting efficiency in implementation and administration of the CUSC arrangements.* I believe the modifications enable a technologically neutral application of the arrangements with minimal change and disruption.

I believe that both modifications are better than baseline. However, the original proposal is my preference as it is more tightly targeted at removing the current distortion and should be quicker to implement.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Robert Longden, Cornwall Insight Ltd.					
Original	-	Y	-	-	n/a	Y
WACM 1	-	Y	-	-	n/a	Y

Voting Statement:

Both the Original and the WACM facilitate Objective (b) *Facilitating effective competition*, better than the Baseline.

In addition, the WACM allows industry parties the flexibility to better match their risk profile with service provision in the future.

Stage 2b – WACM Vote

Where one or more WACMs exist, does each WACM better facilitates the Applicable CUSC Objectives than the Original Modification Proposal?

Workgroup Member	Company	WACM1 better than Original Yes/No
Paul Youngman	Drax Power Limited	No
Garth Graham	SSE Generation Ltd.	Yes
Grahame Neale (Alternate for Jamie Webb)	National Grid ESO	Yes
Ewen Ellen	Scottish Power	Yes
Karl Maryon	Haven Power	No
Robert Longden	Cornwall Insight Ltd.	Yes

Stage 2c – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal) or WACM1)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Paul Youngman	Drax Power Limited	Original	(a), (b), (d)
Garth Graham	SSE Generation Ltd.	WACM1	(b)
Grahame Neale (Alternate for Jamie Webb)	National Grid ESO	Baseline	n/a
Ewen Ellen	Scottish Power	WACM1	(b)

Karl Maryon	Haven Power	Original	(a), (b), (d)
Robert Longden	Cornwall Insight Ltd.	WACM1	(b)