

CUSC Workgroup Consultation Response Proforma

CMP300 – Cost reflective Response Energy Payment for Generators with low or negative marginal costs

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 by **5pm on 15 May 2019** to cusc.team@nationalgrideso.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Matthew Bent at matthew.bent@nationalgrideso.com

Respondent:	<i>Garth Graham (garth.graham@sse.com)</i>
Company Name:	<i>SSE Generation Ltd</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	

Standard Workgroup Consultation questions

Q	Question	Response
1	Do you believe that CMP300 Original proposal, the proposed alternative in Annex xx or any potential alternative that you may wish to suggest better facilitates the Applicable CUSC Charging Objectives?	<p><i>For reference the applicable CUSC Charging objectives are:</i></p> <p>(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;</p> <p>(b) That compliance with the use of system</p>

		<p>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);</p> <p>(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;</p> <p>(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</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*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).</p> <p>In broad terms we believe that with the optional pricing aspect (which we explore further in our answer to Q5 below) that CMP300 would better achieve cost reflective prices which, in turn, would be better for competition.</p>
2	Do you support the proposed implementation approach?	We note the proposed implementation approach set out in Section 7 and believe it is achievable.
3	Do you have any other comments?	Nothing further at this time.
4	Do you wish to raise a WG	No.

	Consultation Alternative Request for the Workgroup to consider?	
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Specific CMP300 questions

Q	Question	Response
5	<p>The workgroup considered 3 options.</p> <ol style="list-style-type: none"> 1. The original figure of zero pounds per MWh 2. The Market Price 3. An optional price <p>Do you favour an option; if so which option is your preference? If this is option 3 how do you suggest this this would work?</p>	<p>An optional pricing approach would seem to be the most appropriate as it allows market participants to provide their own approach in terms of cost reflective pricing.</p> <p>For example, it may be the case that some parties (ahead of CMP300 being raised) had based their CM pricing on the status quo approach and therefore a change like CMP300 Original proposes may have commercial implications for them. The optional price approach would seem to address this point and therefore we favour this option.</p> <p>In terms of how Option 3 could work, it might be to give market participants a one-off opportunity (for each of their assists) to confirm to the ESO if they wished to use either (1) (the original figure of zero pounds per MWh) or (2) (the Market Price) for that particular asset in terms of the applicable REP.</p>
6	Do you feel that the workgroup has identified all the consequences from this proposal, are there any unintended consequences that you would identify?	<p>In broad terms we think most of the unintended consequences have been identified.</p> <p>However, for the reasons we explore in Question 5 above, there may be unintended consequences if existing parties are not given the option to choose between the two options (1 & 2) above if they have already locked in contractual / commercial arrangements based on the other option to that chosen as the CMP300 solution.</p>
7	As discussed in Section 4 of the report, NGESO will be using a public register to determine which projects have a CfD and be subject to this proposal. Do you agree with this approach?	Yes.
8	Do you agree that Ofgem made the decision on CMP237 based on economic	It would appear that Ofgem did so.

	rationale and not the fuel type?	
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