

CUSC Workgroup Consultation Response Proforma**CMP357 'To improve the accuracy of the TNUoS Locational Onshore Security Factor for the RIIO2 Period'**

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 8 January 2021**. 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.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Grace March
Company name:	Sembcorp Energy UK
Email address:	Grace.march@sembcorp.com
Phone number:	07554438689

For reference the applicable CUSC (charging) objectives are:

- 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;*
- 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);*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and*
- Promoting efficiency in the implementation and administration of the system charging methodology.*

**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.

CMP357 - Standard Workgroup Consultation questions																										
1	Do you believe that the CMP357 Original Proposal or the potential alternative options better facilitates the Applicable Objectives?	This Modification is positive against Objectives a) b) and d) as it increases the accuracy of the Security Factor, so improving cost reflectivity and facilitating competition due to more representative TNUoS charges.																								
2	Do you support the proposed implementation approach for CMP357?	Yes. It is appropriate that changes to the security factor are in place at the beginning of a price control period																								
3	Do you have any other comments?	<p>Whilst the proposed 8 decimal places is more accurate, and therefore more cost reflective, than the baseline, it is worth noting that the Security Factor is an average of 5 years' security factors. Those years are, in themselves, forecasts and not an absolute "true" value. The variation between those years is much larger than 8 decimal places (0.02) and the figure for 2023/4 differs from the average by 0.012. Using 8 decimal places implies the Security Factor is accurate to that many decimal places, when for any given year in RIIO-T2, it will be different from the security factor for that year by a minimum of 4 decimal places.</p> <table> <tr> <th>Year</th><th>SF</th><th>delta from average</th></tr> <tr> <td>2021/22</td><td>1.75045496</td><td>-0.00502160</td></tr> <tr> <td>2022/23</td><td>1.74807929</td><td>-0.00739727</td></tr> <tr> <td>2023/24</td><td>1.76769979</td><td>0.01222323</td></tr> <tr> <td>2024/25</td><td>1.75501257</td><td>-0.00046399</td></tr> <tr> <td>2025/26</td><td>1.75613621</td><td>0.00065965</td></tr> <tr> <td>average</td><td>1.75547656</td><td></td></tr> <tr> <td>Range</td><td>0.01962050</td><td></td></tr> </table> <p>Analysis in the Workgroup consultation shows that the majority of the impact is made in the increase from 1 to 2 decimal places, and the decimal places after that do not make a material difference.</p>	Year	SF	delta from average	2021/22	1.75045496	-0.00502160	2022/23	1.74807929	-0.00739727	2023/24	1.76769979	0.01222323	2024/25	1.75501257	-0.00046399	2025/26	1.75613621	0.00065965	average	1.75547656		Range	0.01962050	
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4	Do you wish to raise a Workgroup Consultation Alternative	Yes. Given that the last decimal places do not make a material difference to the tariffs and are not actually closer to the security factor forecast for any individual year, they are unnecessary and potentially																								

	Request for the Workgroup to consider?	misleading. I wish to raise an alternative where the Security Factor is expressed to 2 decimal places. This will capture the bulk of the improvement to cost-reflectivity, and the subsequent impact on tariffs, without implying greater accuracy than is the case.
Specific Workgroup Consultation Questions		
5	Do you have any further analysis/evidence to support your conclusions under Question 1?	Given the high value for R-squared for the security factors, we can be confident that the Security Factor can be expressed to more than 1 decimal place and be reflective of the network.
6	Will the CMP357 Original Proposal or the potential alternative options impact on your business. If so, how?	Click or tap here to enter text.