

Code Administrator 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 19 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 Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen Paul.J.Mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

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CMP357

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 in the right-hand side of the table below, including your rationale.

CMP357 Standard Consultation questions		
1	Do you believe that the CMP357 Original Proposal, WACM1 or WACM2 better facilitates the Applicable (Charging) Objectives?	<p>Original Outturn tariffs are stated to 6 decimal places. This supports using the full accuracy of the Locational Onshore Security Factor as calculated, albeit the analysis presented by the ESO proves that after application of the third decimal place, most of the accuracy is there and the loss of cost-reflectivity in truncation from there is minimal. Use of anything from 3 to 8 decimal places will prevent rounding errors of any materiality and preserve cost-reflectivity. 2 decimal places (WACM2) is an improvement on baseline, as it obviates most of the adverse effect on cost-reflectivity that the gross rounding to 1 decimal place (WACM1) entails. The ESO presented a graph to show its derivation of the Locational Onshore Security Factor for the 2021/22 charging year. The ratio (slope) of secured marginal costs to unsecured marginal costs (based on average least squares fit method for all the nodes on the wider network) is the calculated Locational Onshore Security Factor. The plot of the data by node shows very high precision, as the dots are placed close to the interpolated least-squares-fit line, and the R squared value is remarkably high (a strong correlation) at 0.9946</p> <p>The previous approach wasn't consulted on, ever, until the recent (November) consultation in which the vast majority of responses opposed rounding to 1 DP.</p> <p>As to the first CUSC charging objective (competition), CMP357 (original) does promote effective competition in generation, supply and consumption of electricity, as it increases the accuracy of TNUoS charges, reducing the potential for unduly increased or reduced tariffs. By ensuring that the locational signals are correct, global system costs will be reduced.</p> <p>As to the second CUSC charging objective (cost reflectivity), CMP357 (original) promotes greater accuracy of the security factor; rounding clearly introduces inaccuracies, and using the accurate value, bearing in mind the precision of the inputs and the calculation method, will clearly improve the cost-reflectivity of this value and hence of the resultant tariffs.</p>
2	Do you support the proposed	Yes

	implementation approach?	
3	Do you have any other comments?	No