

Code Administrator Consultation Response Proforma**CMP357 ‘ To improve the accuracy of the TNUoS Locational Onshore Security Factor for the RII02 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

Respondent details	Please enter your details
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CMP357**For reference the Applicable CUSC (charging) 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 *; and*
- e. *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>Yes Original or WACM 2</p> <p>The tariff is created to 6 significant figures (sf) , inputs to the security factor are all greater than 6 sf so the use of any rounding to less than 6 sf will produce a rounding error.</p> <p>We support the approach of reducing the rounding error as this proposal suggests.</p> <p>A rounding error will be produced if the number is rounded to 1 or 2 significant figures. This will benefit one group of generators and disbenefit others as the number currently will be rounded up. At some point in time it is likely that the opposite effect will happen when the number is rounded down. A fairer way is to remove the rounding error completely so all are treated equally.</p> <p>This rounding error is more significant than in previous price controls as the range of TNUoS (most positive to most negative) is now much larger than in previous price controls</p> <p>The ESO currently has the ability to decide on number of decimal places (dp) that are to be used in the security factor. The ESO has indicated that this will be set two 2 in the medium term with one year's delay. Were it not for the delay in implementation and the need to submit a CUSC modification we would support this approach WACM1 would remove the ESO flexibility and fix it at 1 dp which we believe will reduce cost reflectivity and produce a significant error margin that is then baked in for future years. WACM2 (small error margin) and the original (no error margin) give similar outcomes and we support both but as a choice has to be made our preferred option is the original as it removes the error margin completely.</p> <p>This consultation is around the appropriate way to reduce the error margin. The wider debate relating the transport and tariff model is more appropriately dealt with as part of the SCR.</p>
2	Do you support the proposed implementation approach?	yes

3	Do you have any other comments?	No
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