

Workgroup Consultation Response Proforma**CMP363: 'TNUoS Demand Residual charges for transmission connected sites with a mix of Final and non-Final Demand & Definition changes for CMP363'****CMP364: Definition changes for CMP363**

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 1 June 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 Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Edda Dirks
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CMP363 - 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).*

CMP364 - For reference the Applicable CUSC (non-charging) Objectives 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).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

CMP363

Standard Workgroup Consultation questions – CMP363		
1	Do you believe that the CMP363 Original Proposal better facilitates the Applicable Objectives?	<p>ACO a. – effective competition Positive - we consider that this proposal would create a more level playing field between non-final demand at stand-alone sites and at mixed demand sites in respect of their residual liability, and hence improve competition.</p> <p>ACO b. – cost reflectivity Positive - We consider that this proposal would apply Ofgem's TCR decision to a wider range of non-final demand users in respect of the residual, making the residual allocation more equitable and thus in a more cost reflective way than the Baseline (where those parties would not pay the element of charges that Ofgem has determined, in the TCR, they should not be liable for).</p> <p>ACO c. – developments in the transmission businesses Positive - we consider that this proposal enables the ESO to comply with Ofgem's direction to address the defect described in this proposal.</p> <p>ACO d. – compliance with EU regulations Neutral.</p> <p>ACO d. – efficiency – charging methodology Positive - we consider that the proposal promotes</p>

		this objective by creating a clear and TCR-compliant process for the correct allocation of residual charges.
2	Do you support the proposed implementation approach?	<p>No, we don't. In light of the proposer linking CMP363 to CMP308 (with the intent of creating a joint declaration process for non-final demand users), we believe that approval of CMP308 alone would not suffice in order to implement CMP363/364.</p> <p>It is our understanding that the CMP363/364 proposals can only be implemented meaningfully if more than one residual band exists at transmission level. Otherwise, declaring non-final demand at a single site would not have the benefits we highlighted in our answer to Q1 above. Hence these proposals are reliant on Ofgem approving an option under CMP343 which would create more than one band (and which they have indicated in their decision consultation of May '21 they are minded approving). We therefore believe that CMP343 needs to be concluded before CMP363/364 can be considered by the Authority.</p>
3	Do you have any other comments?	Our other comments are captured in the answers to the other questions in this consultation.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time. However, depending on the solution the proposer decides they will put forward in terms of metering, which is pending the outcome of this consultation, it may be appropriate for Workgroup members to consider an alternative with respect to metering in particular.

CMP364**Standard Workgroup Consultation questions – CMP364**

1	Do you believe that the CMP364 Original Proposal better facilitates the Applicable Objectives?	<p>AO a. – transmission licence obligations</p> <p>Positive - we consider that this proposal enables the ESO to comply with its obligations in terms of Ofgem's direction to address the defect described in this proposal</p> <p>AO b. – effective competition</p> <p>Positive - we consider that this proposal would create a more level playing field between non-final demand at stand-alone sites and at mixed demand</p>
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		<p>sites in respect of their residual liability, and hence improve competition.</p> <p>AO c. – compliance with EU regulations</p> <p>Neutral.</p> <p>AO d. – efficiency – charging methodology</p> <p>Positive - we consider that the proposal promotes this objective by creating a clear and TCR-compliant process for the correct allocation of residual charges.</p>
2	Do you support the proposed implementation approach?	No – please see our response under q.2 for CMP363 for details.
3	Do you have any other comments?	Our other comments are captured in the answers to the other questions in this consultation.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time. However, depending on the solution the proposer decides they will put forward in terms of metering; which is pending the outcome of this consultation; it may be appropriate for Workgroup members to consider an alternative with respect to metering in particular.

CMP363 and CMP364 Specific questions

Modification Specific Workgroup Consultation questions	
5	<p>The Workgroup does not believe there are any Grid Code or BSC requirements that would prohibit the CMP363/364 Original Proposal. Do you agree or do you believe that any other consequential code changes are required to facilitate this change? Please provide the rationale for your response.</p> <p>We do not believe there are any Grid Code interactions; however, it would be beneficial for the Workgroup to make a formal request of the ESO to ask the GCRP to confirm that this is correct given Ofgem's direction (to the ESO).</p> <p>We are mindful of the support that Elexon has provided to the Workgroup during its deliberations and we concur with the Workgroup's view that there does not appear to be any BSC requirements that would prohibit this proposal, nor of any consequential changes required to the BSC to facilitate CMP363/4.</p>
6	<p>The Workgroup has assessed the practicalities of the proposed solution against a number of different scenarios, which are represented diagrammatically in Annex 4. Do you agree with the Workgroup's initial assessment and do you believe there are any other scenarios that need to be tested?</p> <p>Whilst we recognise that CMP363 focusses on separating out different categories of <i>demand</i>, we suggest that the Workgroup also includes scenarios (as per Annex 4) which show the impact of behind-the-boundary <i>generation</i> on final and non-final demand. This would be to ensure that the proposed calculation approach correctly accounts for any co-located generation reducing the final or non-final demand at a site.</p> <p>Each site is likely to be different and bespoke, and it would be for the site operator to set out their site's configuration in their declaration. Therefore, we would advocate that the legal text and the declaration requirements are drafted in a future-proof way which enables those completing the declaration to take account of their site particulars.</p>

7	<p>Do you believe that the Metering should be Settlement Metering (as per the Original proposal) or Operational Metering? Please provide the rationale for your response including if possible, any implementation costs.</p>	<p>We support a preference for Settlement Metering wherever this is possible because of its greater accuracy, which would be reflected in the residual allocation.</p> <p>However, where the applicant can demonstrate that this is not technically feasible or cost-effective (see below), we would like the Workgroup to consider an alternative which permits an option allowing for Operational Metering to be installed, if evidence was provided which would show it to be more cost-effective at a particular location/situation. We believe that there should be an assurance regime in place to ensure that such Operational Metering meets minimum standards.</p> <p>On the point of <i>cost-effectiveness of the options</i> We think that the pros and cons table on p.9 of the Workgroup consultation captures several important points, but we consider that the comparison of the costs of both metering options would be a key factor when <u>users</u> assess the benefits of making use of the mixed site provisions this proposal would introduce.</p> <p>Therefore, we suggest that the Workgroup provides some illustrative comparative costings for a range of scenarios, e.g. a) Settlement Metering vs. Operational Metering costs where some of the users at a site aren't yet metered, and b) the cost of Settlement Metering replacing existing Operational Metering, as well as the system/administrative/data processing-related costs in each scenario, for all the stakeholders affected. Such analysis could help assess the cost-effectiveness of the</p>
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		metering options, and whether an Operational Metering option is needed on the basis of the comparisons.
8	The Proposer has noted that the definition of Declaration does not need to change. Do you agree? Please provide the rationale for your response.	We do <u>not</u> agree that the definition of Declaration does not need to change. Under the current definition, a declaration can only be made by Registrants whose Facility is effectively a non-final-demand-only site. We propose that a clause is required in the definition to include mixed demand sites (as defined in these proposals) in the definition of Declaration.
9	The Proposer has set out what they believe should be contained in any Declaration. Do you agree? Please provide the rationale for your response.	<p>Each site is likely to be different and bespoke, and it would be for the site operator to set out their site's configuration. Therefore, we would advocate that the legal text and the declaration requirements are drafted in a future-proof way which allows for this.</p> <p>We note the Proposer's intention to harmonise (if possible) the BSUoS and TNUoS declaration requirements. We suggest that the requirements for transmission connected users should also, as much as possible, be mirrored by distribution connected users, as per the existing declaration for storage facilities (DCP341/342), and any future process, if approved, under DCP388, for mixed demand sites.</p> <p>In respect of the declaration, we note that in slide 3 of Annex 4 the ESO states that "the guidance note will need major updates". However, as this is just guidance issued by the ESO (without, for example, any consultation with stakeholders on its content/composition) that it has no legal standing. Therefore, given the importance that this guidance now plays within the CMP363/4 solution, the Workgroup should examine including</p>

		this document within the CMP363/4 solution to ensure that changes to it are subject to stakeholder consultation and Ofgem approval as well as to permit stakeholders to propose changes, if appropriate, to that the guidance in the future.
10	Will the CMP363 and/or CMP364 Original Proposal impact your business. If so, how?	The potential benefits to individual demand users of CMP363/364 are very much linked to the outcome of CMP343, i.e. the residual banding arrangements at transmission level (as set out under q.2), and also, the costs associated with declaring non-final demand at a mixed site, i.e. for any additional metering, TO-related costs etc. The quantum of these costs could outweigh the savings.