Workgroup Consultation

CMP331:

Option to replace generic Annual Load Factors (ALFs) with site specific ALFs

Overview: To provide new generators with the option to replace the generic Annual Load Factors (ALFs) used to determine their TNUoS charges with a site-specific ALFs. The site-specific ALF will be based on the generators expected output and require approval from the ESO.

Modification process & timetable

1. **Proposal Form**
   28 November 2019
2. **Workgroup Consultation**
   12 December 2022 – 11 January 2023
3. **Workgroup Report**
   16 February 2023
4. **Code Administrator Consultation**
   02 March 2023 - 23 March 2023
5. **Draft Modification Report**
   20 April 2023
6. **Final Modification Report**
   15 May 2023
7. **Implementation**
   01 April 2024

Have 5 minutes? Read our Executive summary

Have 30 minutes? Read the full Workgroup Consultation

Have 60 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.

This modification is expected to have a:
Medium impact on new transmission connected Generators.
Low impact on existing transmission connected Generators and National Grid ESO

Governance route	This modification is being assessed by a Workgroup and Ofgem will make the decision on whether it should be implemented.	
Who can I talk to about the change?	**Proposer:** Andy Pace, Energy Potential Ltd andy.pace@energy-potential.com Phone: 07881 840007	**Code Administrator Chair:** Sally Musaka Sally.musaka@nationalgrideso.com Phone: 07814 045448
How do I respond?	Send your response proforma to cusc.team@nationalgrideso.com **by 5pm on 11 January 2023**.	

Contents

Executive summary

To provide new generators with the option to replace generic Annual Load Factors (ALFs) used to determine their Transmission Network Use of System (TNUoS) charges with site-specific ALFs. The site-specific ALF will be based on the generators expected output and require approval from the ESO.

What is the issue?

Applying generic ALFs results in a less cost reflective TNUoS charge as it may be materially different from the actual load factor at which the new generator is operating. This means that a new generator may incur a wider TNUoS charge over the first three years of operation that does not reflect the actual usage of the site or the enduring wider TNUoS charge once the generic ALF is no longer used.

What is the solution and when will it come into effect?

Proposer's solution:
A new transmission connected generator will be able to submit a forecast ALF for their site. The value must be determined by an independent third party and form part of a report used for financing the project. If National Grid ESO agrees that the site-specific ALF has been independently calculated, then the site-specific ALF will be used instead of the generic ALF to determine the TNUoS charges that apply to the site.

Implementation date:
1 April 2024.

Summary of potential alternative solution(s) and implementation date(s):
No alternative solutions have been raised.

What is the impact if this change is made?

The proposer argues this modification will increase the cost reflectivity of TNUoS charges for new generators for the first three years of their operation where they select to use a site-specific ALF. There will also be a small impact on TNUoS charges for existing transmission connected generation due to an adjustment to the generation residual charge element.

Interactions

This modification has no interactions with any other modifications, codes/standards, or other industry-wide work.

This modification has no interactions with Electricity Balancing Regulation (EBR) Article 18 Terms and Conditions.

What is the issue?

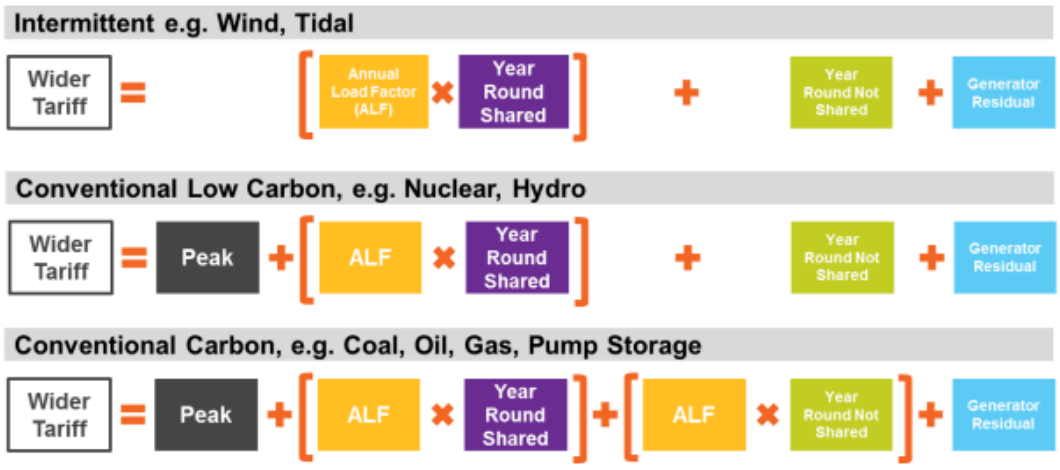
Under the current charging arrangements, the Transmission Network Use of System (TNUoS) charges for transmission connected generation are applied based on a generator's average Annual Load Factor (ALF) in previous years. The ALF is calculated each year and the value used to determine the TNUoS charge is based on an average of three years of historical ALF data (extracted from a data set of up to five years where the highest and lowest years are discarded or the lowest discarded if only four years of data is available).

For a new site, the data required to determine the ALF does not exist and a generic ALF value is used. Where some ALF data exists, but not the minimum three-year period, the generic ALF is used to replace missing data to make up the full three years of ALF data required for TNUoS charging purposes.

The defect identified in this modification is that applying a generic ALF result in a less cost reflective TNUoS charge as it may be materially different from the actual load factor at which the new generator is operating. This means that a new generator may incur a wider TNUoS charge over the first three years of operation that does not reflect the actual usage of the site or the enduring wider TNUoS charge once the generic ALF is no longer used.

Why change?

ALFs are used within TNUoS as a proxy to determine the extent to which a generator uses the wider transmission network and form part of the calculation of a generator's wider TNUoS charge. The degree to which ALFs impact the wider TNUoS charge for a generator depend on the generation type and the generation charging zone within which it is situated. The formula for calculating the wider TNUoS charge is shown below:



The generic ALFs are calculated from the ten most recently commissioned generators for each technology (where this is available). Where a new generator connects to the transmission network whose expected load factor is likely to be materially different from the generic ALF the generator will incur a TNUoS charge that does not reflect the proportion of the wider network used.

To illustrate the range of ALFs for onshore wind, the values for 2019-20 range from 25.7% to 52.0% and the generic ALF applied is 38.5%.

The Proposer argues that the use of generic ALFs for setting TNUoS charges is not cost reflective for new generation. It may be beneficial for some generators where the generic ALF is lower than the actual ALF and conversely it may impose excessive costs on new generators where the generic ALF is higher than the actual ALF. This introduces a risk for new generators that they may not be able to mitigate and potentially does not reflect the enduring arrangements where generators are charged based on their actual ALF.

This change could result in more cost reflective TNUoS charges for new transmission connected generators as their wider TNUoS charge will be based on their forecast export profile and reflect the individual characteristics of the generator rather than on a generic value. For example, a windfarm situated in a low wind area would incur a TNUoS charge based on the lower expected windspeeds rather than a generic value.

In addition, it could align the TNUoS charge more closely with the amount of expected export from the generator and therefore the extent to which the generator is using the wider transmission network. This could allow the cost base of a new generator to vary in line with its expected revenue. For example, a new generator operating with a low ALF will be likely to have a lower wholesale income and lower TNUoS charge than a new generator that operates with a higher ALF. This could facilitate more effective competition in generation.

Ultimately this modification could help to align the TNUoS charge for a new generator with the amount of power expected to be exported and therefore reflect the individual characteristics of the site. This could result in a more cost reflective wider TNUoS charge and may also mitigates the risk for a new generator as the level of the TNUoS charge will more closely correlate with the wholesale income for the generator. It could also more closely align with the enduring arrangements for applying ALFs once three years of ALF data is available.

What is the solution?

Proposer's solution

A new transmission connected generator will be able to submit a forecast of the ALF for their site to National Grid ESO. The value must be determined by an independent third party and form part of a report used for financing the project. If National Grid ESO agrees that the site-specific ALF has been independently calculated, then the site-specific ALF will be used instead of the generic ALF to determine the TNUoS charges that apply to the site. However, If National Grid ESO does not agree with the site-specific ALFs, they will continue to use Generic ALFs and provide a rationale for the reason they rejected the Site specific ALFs. The User can dispute this, using the process in the CUSC.

Workgroup considerations

The Workgroup convened 3 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable Code Objectives.

Consideration of the proposer's solution

Criteria for independent assessments:

Workgroup members questioned how the process would work, who would carry out the independent assessments, what information would they provide, how would they be verified and how they could ensure they were fair and equal across the board. The ESO representative stated they may need to agree a set criteria/methodology to ensure the assessments were consistent. The Workgroup requested examples of historic independent assessments to see what information was contained within these documents to help understand if they were a suitable replacement and if they would produce more cost reflective charges. They could also aide their understanding of what kind of process they needed to put in place and how much of it needed to go within the CUSC or elsewhere.

The Proposer explained that these assessments are confidential documents that are already presented to banks when trying to obtain financing for projects and include independent feasibility studies on the predicted long-term export units for sites. Therefore, there is already a high onus on them to be independent and correct. If these studies include ALFs within them, then generators should be allowed to present them to the ESO to be used instead of generic ALFs to work out their TNUoS charges. An example of the type of study that could be used would be a Wind Farm Energy Yield Assessment report. This report produces an assessment of the likely annual output from a windfarm that can be used to derive the expected load factor for the site. The report takes into account items such as the types of wind turbines to be used and the long-term wind speeds for a given location. The Proposer explained that it was not possible to share these reports as they are commercially confidential but did share screenshots from a feasibility study demonstrating the possible energy yield (in megawatt hours per annum) for each wind turbine under different configurations, by taking weather forecasts and historic wind speed data into account. The Proposer suggested that these could then be used to work out the annual load factor based on the maximum export capacity of the site. These screenshots can be found in Annex 5.

WT-No.	Gross/'Free' Energy Yield (Excl. All Losses) [MWh/a]	WF Wake Effect Losses [%]	All Other Tech. Losses [%]	Total Efficiency [%]	Net Energy Yield (Incl. Wake Effects & All Other Losses) [MWh/a]
WWK - WT 1	6 675	88.3	96.0	**84.8**	**5 661**
WWK - WT 2	6 681	85.8	96.0	**82.4**	**5 505**
WWK - WT 3	6 691	85.1	96.0	**81.8**	**5 470**
WWK - WT 4	6 678	89.6	96.0	**86.1**	**5 748**
WWK - WT 5	6 697	84.0	96.0	**80.7**	**5 404**
WWK - WT 6	6 621	91.6	96.0	**88.0**	**5 824**
WWK - WT 7	6 598	92.0	96.0	**88.3**	**5 828**
WWK - WT 8	6 630	85.9	96.0	**82.5**	**5 473**
WWK - WT 9	6 558	92.8	96.0	**89.1**	**5 842**
Totals	59 830	88.3	96.0	**84.8**	**50 756**

Figure 1: Expected output by wind turbine per annum (MWh), including wake effects for configuration 1

WT-No.	Gross/'Free' Energy Yield (Excl. All Losses) [MWh/a]	WF Wake Effect Losses [%]	All Other Tech. Losses [%]	Total Efficiency [%]	Net Energy Yield (Incl. Wake Effects & All Other Losses) [MWh/a]
WWK - WT 1	6 675	88.1	96.0	**84.6**	**5 647**
WWK - WT 2	6 681	85.7	96.0	**82.3**	**5 500**
WWK - WT 3	6 691	85.0	96.0	**81.6**	**5 463**
WWK - WT 4	6 678	89.6	96.0	**86.0**	**5 745**
WWK - WT 5	6 697	83.9	96.0	**80.6**	**5 395**
WWK - WT 6	6 621	91.4	96.0	**87.8**	**5 814**
WWK - WT 7	6 598	91.9	96.0	**88.3**	**5 823**
WWK - WT 8	6 630	85.9	96.0	**82.5**	**5 467**
WWK - WT 9	6 558	92.7	96.0	**89.1**	**5 840**
Totals	59 830	88.2	96.0	**84.7**	**50 695**

Figure 2: Expected output by wind turbine per annum (MWh), including wake effects for configuration 2

One Workgroup member highlighted that the criteria required by financial investors may be very different to the criteria that the ESO would want to apply to these independent assessments.

The ESO representative stated that they would need to check with the ESO Revenue Team how the proposed data could be verified and whether it was fair and accurate enough to be used instead of the generic ALFs. It may be that the data would need to be compared against similar projects of the same tech, as the ESO would not have the expertise to forecast the weather. The ESO representative did however confirm that they were not aware of any other departments within the ESO (including the FES team) who use the TNUoS ALFs.

The proposer went on to suggest that the CUSC should not be too prescriptive regarding what would be an acceptable report. Although the proposer is focussed on windfarms which are likely to have standard yield assessment reports, there may be alternative evidence that can be presented for different fuel types. Instead, the proposer suggesting using a principled approach which includes examples of what would form an acceptable report.

The key principles suggested are that a report should be:

- Independent
- Provide a fair assessment of the expected output of the power station that takes account of the variables that are likely to impact the annual output and load factor

The Proposer confirmed that the cost for the independent assessments would be picked up by the party applying to use site-specific ALFs.

Specific Workgroup consultation question: What could be considered acceptable evidence as part of the independent assessment for the ESO to verify whether the site-specific ALFs are a fair and realistic forecast?

Benefits for new entrants and competition

The Proposer argued that CMP331 could increase competition for new entrants especially renewable generation. Who may receive higher TNUoS charge in their first 3 years before their actual load factor (which represents their export), is use. Removing this step change may ensure TNUoS charges are more closely aligned to enduring charges and incomes from the wholesale market.

A Workgroup member highlighted that they needed to balance the improved cost reflectivity against how complex this new process would be along with the wider impacts it may have on other TNUoS parties. Workgroup members requested to see examples of the actual cost savings involved.

Analysis to show the scale of the problem and that CMP331 could result in better cost reflectivity

The Proposer presented some analysis to show what the TNUoS charges for each type of generation for 100 megawatts may be, along with the impact a 1% reduction in ALF could have on their bill in pounds and percentage terms. Please see the "TNUoS impact" tab within Annex 4 for more information on this. The Proposer also provided some graphs (which can be found on the "stats" tab within Annex 4) to compare the difference in ranges between the minimum, maximum and generic ALFs for different generation types between 2015/2016 and 2019/20. To show how varied the ranges were, the Proposer explained that for nuclear generators the minimum and maximum ALFs varied from 0% up to 80% and had a generic ALF of around 70%. To illustrate this further, the Proposer highlighted that the "data" tab also displayed the step change in ALFs for when sites moved from generic to specific ALFs. The Proposer felt that all this analysis provided an idea of the scale of the problem and that bigger impacts were seen in some areas over others.

Workgroup members questioned whether the "data" tab could be updated to include more recent ALFs as it was now 2022, so that they could understand the current scale of the problem. They also questioned whether the actual generic values needed to be inputted on to the "data" tab, rather than zeros. As they felt that zeros would affect the mean and make the analysis less reliable for the Workgroup report.

The Proposer explained that this was the most recent information and latest ALF data published by the ESO but agreed to replace the zeros with the actual generic data. These changes did not have a noticeable impact on the analysis as some of the zeros were in fact really low load factors such as 0.2% and did not need replacing.

The Proposer went on to provide an example of the savings an onshore windfarm could make within its first three years if this modification was implemented. This example showed a possible cost reduction of over £424k (6.5%) over three years for a 100MW onshore windfarm that operates at a 25% load factor compared to a generic ALF of 38.5%. This example can be seen in figure 3 below and in Annex 4.

							TNUoS Based on Current Methodology		TNUoS Based on actual ALF		
Generation Tariffs		System Peak Tariff	Shared Year Round Tariff	Not Shared Year Round Tariff	Adjustment Tariff	ALF Used	Intermittent Rate	Intermittent Charge	Intermittent Rate	Intermittent Charge	Difference
Zone	Zone Name	(£/kW)	(£/kW)	(£/kW)	(£/kW)	%	(£/kW)	(£)	(£/kW)	(£)	(£)
2020-21	North Scotland	2.7563	20.8766	15.0138	-4.8491	35.5%	17.577149	£1,757,715	15.383813	£1,538,381	£219,334
2021-22	North Scotland	4.1261	19.8491	18.8455	-0.4326	32.0%	24.765410	£2,476,541	23.375151	£2,337,515	£139,026
2022-23	North Scotland	4.0379	18.7723	17.5406	-0.2287	28.5%	22.662394	£2,266,239	22.004975	£2,200,498	£65,742
2023-24	North Scotland	4.7707	19.7989	18.6167	-0.9585	25.0%	22.607948	£2,260,795	22.607948	£2,260,795	£0
									Total Difference		£424,101

Figure 3: The table above is an example of onshore windfarm with an ALF of 25% compared to generic ALF of 35.5%, and it looks at the impact over the 4-year period in Zone 1

Impacts on other TNUoS parties:

The Proposer explained that if generators choose to exercise this option under CMP331 and incurred lower TNUoS charges than originally anticipated, then that difference in TNUoS revenue may need to be recovered from other transmission connected generators. The Proposer stated that cashflow for new generators within the first few years was very important and that it was vital that they paid more cost reflective TNUoS charges, even if this meant other generators may end up paying more as a result.

The ESO representative felt that some further analysis was needed to show what the full impact may be on other TNUoS parties if this modification was implemented. A Workgroup member suggested that this analysis could include the number of parties that may be impacted, what effects this may have on other ALFs and how transmission connected generators TNUoS charges could be adjusted.

In response to this, the Proposer presented some analysis to show how the difference in TNUoS could be recovered from other transmission connected generation, please see the "Impact on generation TNUoS" tab within Annex 4 for more information on this. The analysis showed the impact of adjusting the revenue recovered through wider TNUoS for generation by different amounts and the impact this may have on the residual element of generation wider TNUoS (which gets less negative). This included 4 scenarios with a possible cost reduction of between £2.5m and £10m, which could be recovered across all transmission connected generators. The proposer included a scenario of up to £10m but recognised that this is an extreme scenario, as most generators are likely to have load factors close to the generic ALF and the proposal is aimed at the situation where a new generator is disadvantaged when its actual load factor is likely to be substantially lower than the generic ALF.

Transition from a generic to a site specific ALF as more data becomes available

A Workgroup member questioned how they would manage the transition from a generic to a site specific ALF as more data become available and a generator realised that their generic is higher than their expected ALF. The proposer recommended that the normal process of replacing the generic (or the site specific ALF if this proposal is implemented) with actual data should continue and would allow the transition to the use of actual data in a transparent manner.

Should there be any obligations on Users to be fully open and transparent with the independent third party and the ESO where a suitable site-specific ALF is available

The Workgroup discussed this Term of Reference set by the CUSC Panel. Some Workgroup members felt that this referred to Users being open and transparent about any anything they already know, or if a anything changes and not withholding information. However, they acknowledged that this may be difficult to enforce, or check if parties were compliant, even if the requirement was embedded in the CUSC.

Other Workgroup members felt that this referred to the ESO being open and transparent and publishing any decisions where they allow site-specific ALFs to be used instead of generic ALFs, along with some justification/evidence on how this decision was reached. This would then provide transparency to other Users on what kind of evidence they may need to submit in order to also get this approved. As well as allowing parties the opportunity to check that they were valid and appropriate decisions, which was consistent with other submissions.

The Workgroup agreed that they needed to explore a way of sharing this information if parties were going to be treated differently and it would also provide visibility to other parties who may want to explore this option.

The Proposer highlighted that the reports may contain confidential information which cannot be published in the public domain. A Workgroup members explained that there were ways around this such as the sandbox derogation process under the BSC, where visibility is provided to industry without necessary sharing all the confidential data. The Proposer suggested that they could publish this data twice a year alongside current publication of the draft and final ALFs.

The workgroup agreed that this should be raised as a consultation question to help explore this further and establish what should be published externally.

Specific Workgroup consultation question: Should there be any legal obligations on Users to be fully open and transparent with the independent third party and the ESO when calculating a site-specific ALF?

Consider whether CMP331 only applies to new generators or could existing generators retrofitting new plant be eligible.

The workgroup felt that this should only apply to new generators as it would be problematic and hard to justify adding in retrospectivity to cover existing generators retrofitting new plant.

Workgroup members also highlighted that generic ALFs may not actually be used by retrofitting plants, unless they close down and re-open and that they are generally only used for new generators, or generators who do not hold three or more years' worth of actual ALF data.
An ESO representative explained that Under CUSC 14.15.113 "If a User can demonstrate that the generation plant type of a Power Station has changed, consideration will be given to the use of relevant generic ALF information in the calculation of their charges until sufficient specific data is available." The ESO's current practice is to identify stations which have converted to a new plant type and consider on a case-by-case basis what is the most appropriate data to use.

Workgroup members agreed that this should be raised as a Workgroup consultation question to get Industries views on this.

Specific Workgroup consultation question: Do you agree CMP331 only applies to new generators or should existing generators retrofitting new plant be eligible?

CMP213 - Project Transmit TNUoS Developments:

The Workgroup discussed the work previously carried out on ALFs and taken forward in CMP213 - Project Transmit TNUoS Developments. The Proposer presented slides on the various CMP213 solutions and stated that the Workgroup Alternative CUSC Modification (WACM) 2 was approved by Ofgem. This used site specific ALFs, but where historic data did not exist generic ALFs were used instead. The Proposer highlighted that WACM 1 was rejected by Ofgem because of its complexity and would have given Power Stations the option to either submit their own forecast ALF or accept the ALF calculated by the ESO. Where the difference between the Power Station's actual ALF and forecast ALF was less than 2% (tolerance band) no further action would have taken by National Grid. However, if at the end of the charging year the difference between the Power Stations forecast and their actual ALF was more than 2% then this would have been recovered from the Power Stations. The excess above 2% would have been charged at 1.5 times the Power Station's applicable TNUoS charge in that charging year. The Proposer stated that the Workgroup should bare this in mind, before raising any complex alternatives for CMP331.

Conflict resolution:

The Workgroup discussed how conflicts between the ESO, and a new generator would be resolved. The Proposer explained that the ESO may need to justify their non-acceptance of the independently assessed ALFs and then go through the disputes process within the CUSC.

The ESO Representative confirmed that there was an existing dispute resolution process within CUSC Section 14.15.114[1] to deal with this scenario and that no new process was required.

Consideration of other options

The Workgroup discussed the following possible alternate approaches detailed below:

Zonal ALFs

The ESO Representative initially suggested that an alternative solution could be that they look at generic ALF's by region/zone. This could make the generic ALF's more accurate, which would result in more cost reflective charges and solve the same defect.

However, upon further investigation it was established that there was already a provision within the CUSC for zonal generic ALFs to be used if they are materially different to the GB wide ALF. But as there were currently only 3 zones with 10 or more plants of the same technology types, a zonal generic ALF could only be calculated for onshore wind in zones 1, 10 and 11. When the averages were compared against the GB wide generic ALFs, this

[1] CUSC Section 14.15.114: For new and emerging generation plant types, where insufficient data is available to allow a generic ALF to be developed, The Company will use the best information available e.g. from manufactures and data from use of similar technologies outside GB. The factor will be agreed with the relevant Generator. In the event of a disagreement the standard provisions for dispute in the CUSC will apply.

showed onshore zonal generic ALFs would be around 39.1%, 41.1% and 37.0% respectively compared to a GB-wide 35.5% for the 2022/23 charging year. Please refer to Annex 6 for further information on this.

Using a site-specific ALF, but then reconciling it to the actual ALF

The Proposer suggested that another alternative solution may be to use site-specific ALFs and then reconcile them later with the actual ALFs. This would remove the issue currently faced in relation to generic ALFs, as they would no longer be used. However, the Proposer recognised that it may be problematic from a charging perspective to do these reconciliations.

The Workgroup went on to discuss the following Term of Reference set by the CUSC Panel "Consider if any annual reconciliation process might be appropriate for cost reflectivity purposes if the outturn is more than the forecast (and if so, should this be capped by the generic load factor?)". The Workgroup concluded that they did not see any justification for capping this if the outturn is "significantly different" than the forecast.

This may be raised as formal alternative post Workgroup Consultation, dependant on Industry feedback.

Standard Workgroup consultation question: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific Workgroup consultation question: Do you believe that reconciliation of Generic or site-specific ALFs to actual ALFs should take place? And if so whether the reconciliation of charges would cause issues for Parties.

Draft legal text

The draft legal text for this change can be found in Annex 7.

What is the impact of this change?

This change will potentially impact all new transmission connected generators who would be able to submit a site-specific ALF to replace the generic ALF applied to their site. However, in practice, we expect this to be more applicable to intermittent generation where the generator is unable to control its output.

The Future Energy Scenarios (FES) forecasts a substantial increase in transmission connected generation, particularly for renewable power over the next 30 years. Over the four FES scenarios, the increase in renewable generation is between 102GW and 203GW[2] compared to 2021 levels. The implementation of a more cost reflective charging methodology through the use of site-specific ALFs instead of generic ALFs could result in more efficient investment decisions and potentially a lower cost of capital.

We do not expect this modification to materially impact on consumers TNUoS charges as any reduction in generation TNUoS for a site with a site-specific ALF will be spread across other generators. There is a small benefit to consumers from the modification as it assists

[2] https://www.nationalgrideso.com/future-energy/future-energy-scenarios (table ES.E.01)

new generators, particularly renewable generation, to correlate their TNUoS charge against their load factor and therefore their expected income from the wholesale market which will reduce the risk for new market entrants.

Proposer's assessment against Code Objectives

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(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;	**Positive**
(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);	**Positive**
(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;	**Neutral**
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral**
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Neutral**
*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

This modification better meets charging objectives (a) and (b) by increasing the cost reflectivity of the TNUoS charge for new generations for the first three years of operation.

Relying on generic ALFs for determining TNUoS charges for the first three years may result in charges that are materially different from the charges that the generator would be expected to face on an enduring basis over the longer term. Introducing a site-specific ALF would result in a more cost reflective charge, better meeting objective (b). More cost reflective charges will also result in more effective competition in the generation and supply of electricity, better meeting objective (a).

Standard Workgroup consultation question: Do you believe that CMP331 Original proposal better facilitates the Applicable Objectives?

When will this change take place?

Implementation date
The proposal should be implemented on the first complete charging year following approval by the Authority, which would be 1 April 2024.

Date decision required by
September 2023

Implementation approach
An Impact Assessment is currently being carried out by the ESO IT Team to see if any system changes are required.

Standard Workgroup consultation question: Do you support the implementation approach?

Interactions

☐Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[3]	☐Other modifications	☐Other

How to respond

Standard Workgroup consultation questions

1. Do you believe that CMP331Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

[3] If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

Specific Workgroup consultation questions

5. Do you believe that reconciliation of Generic or site-specific ALFs to actual ALFs should take place? And if so whether the reconciliation of charges would cause issues for Parties.
6. What could be considered acceptable evidence as part of the independent assessment for the ESO to verify whether the site-specific ALFs are a fair and realistic forecast?
7. Should there be any legal obligations on Users to be fully open and transparent with the independent third party and the ESO when calculating a site-specific ALF?
8. Do you agree CMP331 only applies to new generators or should existing generators retrofitting new plant be eligible?

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@nationalgrideso.com using the response pro-forma which can be found on the CMP331 modification page.

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym / key term	Meaning
ALF	Annual Load Factor
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Guideline
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System charges

Reference material

- A summary of the CMP331 Workgroup meeting summaries and presentations are available on the ESO modification page which is available via the following link.

https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp331-option

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Proposers Presentation
Annex 4	Proposers Analysis
Annex 5	Screenshots of feasibility studies
Annex 6	ESO calculation of zonal generic ALFs
Annex 7	Legal Text