

## CUSC Alternative and Workgroup Vote

### CMP344: Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

#### Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs). **NOT APPLICABLE FOR CMP344**

#### Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal. **NOT APPLICABLE FOR CMP344**

2c) Vote on which of the options is best.

#### The Applicable CUSC Objectives (Charging) 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).

## Workgroup Vote

### Stage 1 – Alternative Vote – Not Required

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

*The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.*

*Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives (against Baseline or the Original) then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.*

“Y” = Yes

“N” = No

“-“ = Neutral

### Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Bill Reed – RWE					
Original	Y	Y	-	-	Y	Y
Voting Statement: We believe that CMP344 will better meet the CUSC Objectives. As we noted in the proposal, the modification will: <ul style="list-style-type: none"> <li>Better meet Objective (a) by addressing ambiguities in the CUSC that are related to the way in which transmission licensees including OFTOs can recover allowed revenue over a price control period and by clarifying the treatment of</li> </ul>						

cost recovery associated with unforeseen and unforeseeable events such as income adjusting events, where these costs will be recovered through the demand residual; and

- Better meet Objective (b) by clarifying the arrangements that enable transmission licensees to recover unforeseen and unforeseeable costs through the demand residual in manner that is fair, proportionate and non-distortive; and
- Better meet Objective (e): by ensuring the efficient recovery of costs by transmission licensees and avoiding the potential for lengthy and costly disputes between users and transmission licensees that could arise as a result of the current drafting of the CUSC.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Garth Graham – SSE Generation plc.					
Original	Y	Y	-	-	Y	Y

**Voting Statement:**

This proposal ensures that the CUSC takes into account the situation in terms of the Offshore and Onshore arrangements and unexpected and unforeseen events. In so doing this will mean that competition in the generation of electricity is better facilitated whilst also enabling cost reflective tariffs to be better facilitated and, furthermore, that the implementation and administration of the CUSC is more efficiently facilitated. Therefore, overall, CMP344 better facilitates Applicable Objectives (a), (b) and (e) whilst being neutral in terms of (c) and (d)."

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Julian Werrett – Vattenfall					
Original	y	-	-	-	y	y

**Voting Statement:**

This modification will better facilitate effective competition in the generation of electricity. Clear clarification on the recovery of costs allowed under a price control and costs as a result of unforeseen and unforeseeable events should reduce the risk and uncertainty faced by generators, OFTOs and TOs, which in turn will lead to lower overall costs.

The recovery of costs related to unforeseen and unforeseeable events via the demand residual will align the approach across onshore and offshore which in turn will level the playing field, increasing competition amongst technologies.

Lastly, this modification will provide clarity on the administration of the CUSC and clearer charging arrangements.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	James Stone – National Grid ESO					
Original	<b>Yes</b>	<b>No</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Yes</b>	<b>No</b>

#### Voting Statement:

The ESO consider that this change in respect of ACO (a) is to some degree positive given that it will ensure there is no difference between Onshore and Offshore Transmission Owner frameworks in terms of where the recovery of unforeseen or unforeseeable events, specifically Income Adjusting Events is targeted i.e. via the Demand Residual. However, there is a balance to be found within this modification as it could be argued that in principle, different assets being treated in a different way is not necessarily unfair nor discriminatory. The ESO believe that it should possibly be considered that instead the same items such as circuits (both Onshore and Offshore) are treated in a specific manner in the same way rather than focusing exclusively on the alignment and identical treatment of generator costs.

The ESO considers that the proposal will result in changes to wider and local TNUoS tariffs which will exclude the costs of unforeseen or unforeseeable events. As such this will mean any adjustments associated with these costs will no longer be recovered via the user of the assets but rather through adjustments to the Demand Residual. This will ultimately impact end consumers tariffs which may not result in cost reflective recovery, therefore the ESO considers the solution negative with respect to ACO (b).

The ESO considers that the solution is neutral in terms of satisfying both ACO (c) and ACO (d).

The ESO considers that the proposed solution is positive when assessed against ACO (e) as it should provide further clarity within the CUSC in relation to the basis for the recovery of revenue adjustments by Transmission Licensees, relating to IAEs.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Ricardo Da Silva– Scottish Power					
Original	<b>Yes</b>	<b>Yes</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Yes</b>	<b>Yes</b>

#### Voting Statement:

Yes, Overall

- (a) This modification provides more clarity in relation to the treatment of the MAR under the price control and the basis for the recovery of revenue adjustments. This ensures that transmission Licensees can effectively and efficiently recover allowed revenues. It will ensure that Users of the system, particularly offshore

generators have greater certainty over the treatment of unforeseen and unforeseeable events. Recovery of actual costs incurred, and costs saved through the demand residual result in non-discriminatory treatment of these costs in arrangements that are fair, proportionate and non-distortive adopting an approach consistent with the objectives of the TCR/SCR. This promotes and facilitates competition in the generation and supply of electricity, and competition in the sale, distribution and purchase of electricity

**(b)** The modification clarifies cost recovery associated with the MAR during the price control and revenue adjustments associated with actual costs incurred and costs saved for a Transmission Licensee that could occur during a price control period. This will result in wider and local tariffs that reflect costs to the extent possible at the start of price control periods, excluding the costs of unforeseen or unforeseeable events.

**(c)** Neutral

**(d)** Neutral

**(e)** The modification clarifies the treatment of the MAR under the price control for the duration of the price control and sets out the basis for the recovery of revenue adjustments associated with actual costs incurred and costs saved for a Transmission Licensee that occur during a price control. This improved clarity will promote efficiency in the implementation and administration of the CUSC arrangements.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Andrew Ho – Orsted					
Original	Y	Y			Y	Y

#### Voting Statement:

The modification increases transparency by clarifying arrangements cost recovery arrangements for offshore transmission owners to be in line with onshore methodologies.

The proposal presents a consistent and level-playing field for transmission owners, and reduces ambiguity in the CUSC. Through clarifying the recovery of costs in unforeseen or unforeseeable events, certainty is also provided to all users.

We therefore believe the original proposal meets objectives (a) to facilitate effective competition, (b) to reflect the costs between licensees and (e) to promote efficiency in the implementation and administration of the CUSC arrangements.

#### Stage 2b – WACM Vote (Not required)

Where one or more WACMs exist, does each WACM better facilitate the Applicable CUSC Objectives than the Original Modification Proposal

**Stage 2c – Workgroup Vote**

Which option is the best? (Baseline, Proposer solution (Original Proposal))

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Bill Reed	RWE	Original	A,B,E
James Stone	ESO	Baseline	N/A
Garth Graham	SSE	Original	A,B,E
Julian Werrett	Vattenfall	Original	A,E
Ricardo Da Silva	Scottish Power	Original	A,B,E
Andrew Ho	Orsted	Original	A,B,E

Of the 6 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	5