

CUSC Workgroup Consultation Response Proforma**CMP344 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'**

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 23 November 2020**. 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 Joseph.Henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

| Respondent details | Please enter your details |
|-------------------------|------------------------------|
| Respondent name: | Alwyn Poulter |
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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 CUSC arrangements.*

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

| Standard Workgroup Consultation questions | | |
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| 1 | Do you believe that the CMP344 Original Proposal better facilitates the Applicable Objectives? | <p>Vattenfall supports the implementation of CMP344 and believes that the modification better facilitates the Applicable Objectives.</p> <p>We believe that 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.</p> <p>We support the recovery of costs related to unforeseen and unforeseeable events via the demand residual and believe that aligning the approach across onshore and offshore will level the playing field, in turn increasing competition amongst technologies. In this context, we believe that the onshore example of the Sloy income adjusting event provides evidence of recovery through the demand residual. In addition, we believe that recovery through demand residual will reduce the level of pricing volatility facing generators. Lower pricing volatility should increase investor confidence.</p> <p>We believe that improving the certainty around the cost recovery of unforeseen and unforeseeable events for OFTOs is an important principle, and increased certainty could improve financing options.</p> <p>We also believe that generators cannot control, forecast or foresee unforeseen and unforeseeable events. Therefore, we believe that these are costs associated with the total system, and as such should be recovered as part of the demand residual to avoid discriminatory treatment of particular users.</p> <p>Lastly, we believe that this modification will provide clarity on the administration of the CUSC and clearer charging arrangements.</p> |
| 2 | Do you support the proposed implementation approach? | <p>We believe that CMP344 should be implemented in a timely manner, so the modification can align with the Apr-21 price control.</p> |

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| 3 | Do you have any other comments? | No |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No |