

Workgroup Consultation Response Proforma

CMP315: TNUoS Review of the expansion constant and the elements of the transmission system charged for and

CMP375: Enduring Expansion Constant & Expansion Factor Review

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 17 May 2022**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

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:	Simon Lord
Company name:	Engie
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Phone number:	07980 793692

I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential

☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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;*

- 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.

Standard Workgroup Consultation questions								
1	Do you believe that the CMP315 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>No</p>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
2	Do you believe that the CMP375 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>No</p>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>						
4	Do you have any other comments?	<p>Yes, both 315 and 375 use the cost of 400kV new build overhead line as the default basis for determining the marginal cost of expansion. With the drive to Net Zero this no longer matches reality and as such it will set inappropriate charges. Net Zero encourages the various TOs to reuse existing onshore circuits and use the existing circuits in many different ways; this results in lower cost re-enforcement compared to a new build 400kV line. The methods include:</p> <ul style="list-style-type: none"> a) New circuit build (existing methodology) b) Circuit replacement/refurbishment c) New non-circuit build e.g. substations d) Non-circuit reinforcement e.g. Transformers e) 'Smart' reinforcement option e.g. intertrips and ANM f) Life extension options g) Non-thermal solution options e.g. circuit breaker replacement h) Re-using existing connection points as traditional carbon-based generation closes <p>These are reflected in the RIIO-ET2 business plans for the various onshore TOs.</p> <p>CMP 315 effectively adds the cost of these initiatives to the existing cost with the impact of simply increasing the expansion constant. Whilst CMP 375 appears to only used</p>						

		<p>these costs for new or refurbished circuits and leaves the bulk of the Transport and Tariff model based on 400kV overhead line. The proposal on 375 is far from clear on the practical details and the proposal gives little insight into the proposer's thinking.</p> <p>Both approaches fail to grasp that true marginal cost of investment is no longer based on 400kV overhead lines (which is effectively a sunk cost now). Both 315 and 375 include this sunk cost in the forward-looking marginal cost calculation based on the premise that at some point in time this will be a recurring cost.</p> <p>The cost of new capacity is driven by utilising a basket of technologies and techniques that leads to much lower incremental charges and costs compared with a completely new build solution. Any change to the calculation of the expansion constant needs to reflect this.</p>
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Click or tap here to enter text.
		Click or tap here to enter text.
		Click or tap here to enter text.

Specific Workgroup Consultation questions

6	Do you agree with the CMP315 and CMP375 Proposers' conclusions that the Expansion Constant should also include circuit reinforcement, non-circuit works and life extension works in addition to new circuit build. Are there any other reinforcement types that should be included? Please provide justification for your response.	No, we believe the application is incorrect. We believe the cost of new techniques and technologies should replace the existing cost of 400kV overhead lines rather than be added to them (315) or only used for a limited number of circuits (375) .
7	CMP315 and CMP375 have different proportions of each reinforcement type in the basket for the calculation of the Expansion Constant because the Proposers have different interpretations	No, we don't believe that either interpretation is correct. The calculation of the EC should be based on the marginal cost of investment in the transmission system and not the historic

	as to what the Expansion Constant should represent. Which one of these interpretations do you agree with or do you have a different approach? Please provide justification for your response.	cost of 400kV overhead lines/uprated lines.
8	A Workgroup Member has also suggested an alternative approach to establish the forward-looking marginal cost over a realistic 5–10-year time horizon. Do you agree with this interpretation or would you suggest a different approach? Please provide justification for your response.	Yes, we support this approach see answer to Q4.
9	CMP315 and CMP375 Originals propose using the last 10 years historical data when calculating the Expansion Constant/Expansion Factors. Do you agree with this approach or are there alternative approaches to consider? Please provide justification for your response.	No, we think that only forward-looking data should be used based principally of the RIIO-ET2 business plan. Using historic cost simply recovers the sunk cost of the 400kV system rather than the marginal cost.
10	Do you agree with the list of data items, the ESO require from Transmission Owners to calculate the Expansion Constant. Please provide justification for your response.	Yes, in principle but the application of these costs once calculated is incorrect.
11	In their analysis, Lane Clark and Peacock (LCP) have provided an alternative implementation approach proposing non-circuit build to be allocated to existing circuits and thereby included within the EFs rather than creating proxy circuits (as proposed by the CMP315 and CMP375 Original). Do you have any thoughts on this and do you agree with LCP's proposal for reinforcement factors? Please provide justification for your response.	This analysis covers some of the areas although it used the expansion factors rather than the EC to do the adjustment. We believe that the EC should be based on the basket of techniques and technologies in the NG-TO area used to add new capacity and the factors should follow from this (driven by the cost at other voltages and in other TO regions).
12	To achieve implementation by 1 April 2023, the Workgroup understand that it will not be possible under the current timeline to include the new EC/EFs in the draft TNUoS tariffs for 2023/2024. Do you support this and, if so, in the absence of draft TNUoS tariffs for 2023/2024, what detail will you need ahead of final TNUoS tariffs being published?	The time frame is less important than getting the methodology right. An April 23 implementation may be difficult to achieve given the significant changes to charges that will likely occur as a result of the implementation and the challenges associated with setting out the EC methodology.