

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
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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. The CMP 315 Original Proposal does not significantly facilitate any of the Applicable Objectives and its implementation should not be considered because it could hinder the implementation of CMP375.</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 checked="" type="checkbox"/>A</td> <td><input checked="" type="checkbox"/>B</td> <td><input checked="" type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>Yes. CMP 375 Original Proposal facilitates effective competition of generators connecting into GB grid, as well as cost-reflectivity of current developments in transmission licensees' businesses aimed at increasing network capacity.</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
3	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>Yes, we support the proposed implementation timing. There have been periods where CMP315/375 has paused whilst industry was deciding if it was to progress in parallel to oncoming TNUoS taskforce or integrated into it. Since it was decided they were both to continue coordinated, but separately, progress in CMP315/375 has been constant. It is fair to recognise the endeavours of the new Chair and his team to make this happen. Implementation in April 2023 is still achievable should the workgroup be presented with one or more viable alternatives to be voted upon on time for the workgroup report. More detail on our response to question number 5.</p> <p>Regarding technical aspects, it is not easy to comment on the implementation approach from CMP375 proposer as no detailed quantitative example has been presented yet. Based on our understanding of workgroup discussions, the proposer's implementation approach leaves significant room for improvement, particularly with regards to the forward-looking definition of the basket of technologies proposed by</p>						

		S. Lord, and to the treatment of non-circuit generated capacity into the T&T model. LCP interpretation of the preferred implementation approach for CMP 375, and their proposed solution, a.k.a. 'LCP methodology', is the one that better facilitates the Applicable Objectives.
4	Do you have any other comments?	We acknowledge the efforts of the ESO Code Change team. Since it was clarified that CMP315/375 was to progress through open governance, and given high priority by the CUSC Panel, the progress has been continuous. This is easier said than done given the contentious nature of the mod and its anticipated widespread impact to the industry. It is fair to recognise the good work the new Chair and his team have done in keeping a positive dialogue and steady progress. A few more months of good management should bring CMP315/375 to closure with positive impact to the industry.
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>As already noted in the answer to question 3, it is not clear at this point what the detailed implementation approach of the proposer is. What we can say at this time is that if the integration of both the proposer's and LCP's interpretations could be facilitated by means of further discussion between the proposer, LCP, and interested workgroup members, there may well not be any need for Ocean Winds to formulate an Alternative to CMP315/375. This would be an ideal outcome.</p> <p>However, we are already working in the preparation of the contents for a WACM based on LCP methodology 2.0 in case presenting this to the workgroup is beneficial for the positive conclusion of CMP315/375.</p>

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	<p>Yes, we agree that the Expansion Constant should include circuit reinforcement, non-circuit works, and life extension works in addition to new circuit build.</p> <p>The current calculation of the Expansion Constant does not capture the full range of solutions that transmission licensees employ to develop and maintain the NETS. As a result, the current system charging methodology is inconsistent with CUSC principle 14.2.1 for which "Connection charges enable The Company to recover [...] the costs involved in providing the assets that afford</p>
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	<p>other reinforcement types that should be included? Please provide justification for your response.</p>	<p>connection to the National Electricity Transmission System.”. In this context, circuit reinforcements, non-circuit works, and life extension works are all currently used methodologies that afford connection to the NETS, either by way of providing capacity or through reinforcement of existing circuit capacity. In order to secure improved cost-reflectivity in the locational element of the TNUoS tariff, all the proposed methodologies should be included in the calculation of the Expansion Constant.</p> <p>The inclusion of these solutions in the calculation of the EC/EFs would not only align with CUSC Objective b, but also facilitate competition for the generation and supply of electricity by ensuring more accurate tariff forecasts and thus enabling better compliance with objective a.</p>
7	<p>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 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.</p>	<p>Between the CMP 315 and CMP 375 Proposals, we believe that CMP 375 better reflects what the Expansion Constant should represent. The calculation of the Expansion Constant should continue to reflect the growth in the NETS, but its interpretation should be revised to reflect that the expansion of the NETS is no longer achieved solely through the installation of new circuit infrastructure. CPM375 calculation approach proportion of each reinforcement type in the EC/EF basket of technologies is significantly better than that of CMP 315 (see further detail below).</p> <p>However, we regard the LCP proposal as the solution that better combines what the Expansion Constant should represent with how it is calculated. CMP375 proposer’s implementation approach leaves significant room for improvement, particularly with regards to the forward-looking definition of the basket of technologies proposed by S. Lord, and to the treatment of non-circuit generated capacity into the T&T model elaborated by LCP.</p> <p>CMP 315 proposes that the calculation of the Expansion Constant should be reflective of the cost of all historic assets and works undertaken on the NETS over its lifetime. We believe that this methodology would not only result in a non-cost-reflective solution but, more importantly, it would create an additional challenge to the achievement of net zero targets. Current network users should not be responsible for historic investment decisions, particularly given that historical decisions on the transmission system were made for a largely different type and geographic distribution of energy sources. The LCP study shows that applying</p>

		historical costs to the calculation of today's location signal through the Expansion Constant would lead to higher charges for new generators, sending a stronger signal than what would be consistent with the real incremental cost of connecting a new generator.
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.	<p>We agree with the proposal. The calculation of the locational signal should be based on forward looking marginal costs, as proposed by the LCP study. This approach will allow an optimal shaping of the basket of technologies in all categories (overhead lines and underground cables) and across all voltage levels (400kV, 275kV, 132kV).</p> <p>Using forward looking cost forecasts however does not eliminate the need for actual historic cost data. When determining the representative cost values to be considered in the calculation of EC/EFs it will be useful to consider both forward looking 5-10 year time horizon as well as last 10 years of historical data.</p> <p>All in all, this combined approach should 1) increase the cost-reflectivity of the charging methodology as the baskets will be shaped based on the interventions planned by the ESO and the three TOs for the next 5-10 years (and ultimately allowed by Ofgem); and 2) decrease the volatility of the tariff as the costs feeding into the calculation of EC/EFs will be updated at the beginning of each regulatory period based on 10 years of historical data and the best available forward-looking cost forecast, i.e. the cost forecasts included in the TO business plans and ultimately allowed by Ofgem.</p>
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.	<p>We agree with the approach of using the last 10 years of historical data for the calculation of the costs for each of the intervention types to be included in the representative baskets for each technology type (see response to question 8 for further detail).</p> <p>The new methodology should include a basket of representative reinforcements based on the Transmission Owners' Business Plan for that period. This will lead to more stable and predictable costs that will facilitate competition while diverting the risk for price volatility and thus strongly favour the achievement of objectives a & b. Moreover, to ensure an enduring solution that aligns with all CUSC Objectives and particularly objective a over time, the components accounted for in the basket of representative reinforcements should be reviewed at the beginning of each</p>

		<p>price control period. Similarly, the price of the representative reinforcement should be reviewed to ensure better cost-reflectivity through year-on-year adjustments as new data to inform costs becomes available.</p> <p>To facilitate the achievement of objective b, a 10-year benchmark should be used to gather a sufficient amount of data for the calculation of the representative costs for each basket at the start of the price control period.</p>
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, we agree with the request. However, it seems like it is aimed at systematising a comprehensive TO data collection for EC/EF calculations, as well as for other purposes. Understanding that the ESO is seeking efficiency in their multiple interactions and data requests to the TOs, the request seems a bit too onerous for the purposes of CMP315/375, although we are still not clear on what the detailed implementation approach is.
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.	<p>We fully agree with the Proposal made by LCP as we believe it provides the most cost-reflective and less volatile methodology. Moreover, reducing the locational element also reduces the volatility of the signal.</p> <p>It also needs to be said that in its current form LCP methodology is not a finished product. Its main limitations at the time of answering this consultation are twofold: 1) current analysis is based on data only from one of the three TOs; and 2) the 'basket of representative technologies' is not adequately integrated in the calculation of the EC/EFs, and subsequently of the tariff forecasts. At the time of writing Ocean Winds is working closely with some of the TOs, LCP, and other interested parties to produce a new iteration of the analysis, i.e. LCP methodology 2.0, that addresses both limitations and that informs CMP375 workgroup report this Summer on the best way to bring the mod to fruition. This could be through a separate WACM or not as detailed in our answer to question 5.</p> <p>Finally, it is worth noting that the inception of the pieces of analysis commissioned by Ocean Winds to LCP and other consultants has built on previous work commissioned to NERA on transmission tariff uncertainty.</p>
12	To achieve implementation by 1 April 2023, the	Yes, we support the agreed timetable towards April 2023 implementation to be respected, as well as for draft tariffs being published as and when the work has advanced up to

<p>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?</p>	<p>an appropriate level as it will reduce uncertainty and support bringing CMP315/375 to a positive conclusion.</p> <p>For what is worth it, latest TNUoS forecasts include a plus minus sensitivity on the tariffs presented only for indicative purposes. Something similar could perhaps be included in following publications accompanied by appropriate assumptions and disclaimers.</p> <p>Finally, the alternative or alternatives presented to the workgroup for consideration and voting should are likely to include indication of what the impact of the proposed changes would be on the tariffs.</p>
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