

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:	Grace March
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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 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 checked="" type="checkbox"/>E</td> </tr> </table> <p>We agree with the Proposer's reasoning for ACOs a), b) and c). We do not agree that the solution improves compliance with 2009/714/EC, as the baseline is already compliant. We note that CMP353 was raised after CMP315 was raised and CMP315 would remove the temporary solution and so be positive against ACO e)</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" 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 checked="" type="checkbox"/>E</td> </tr> </table> <p>We agree with the Proposer's reasoning.</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E
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3	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>This represents a highly technical change, the impacts of which will be difficult for the majority of users to estimate. Even if the TOs make relevant data available ahead of an STC change, without assessment by the ESO or consultant, users will be unable to make preparations, such as tariff-setting. We therefore believe implementation should be delayed so that they can be included in forecast tariffs, giving time industry to prepare.</p>						
4	Do you have any other comments?	Click or tap here to enter text.						
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</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 other reinforcement types that should be included? Please provide justification for your response.	Yes, these works should be included. SMART, operational or non-TO led-solutions should not be included as TNUoS is reflective of the cost of the TO and there is likely to be double-counting with other network charges, such as altered connection costs or BSUoS.
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 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.	We agree with CMP315 – the existing assets had an assumed lifespan of 55 years, so the majority are not sunk costs. The charge is representative of the use of the transmission system - the existing assets are still being used.
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 do not agree with a future looking marginal cost – the industry is undergoing significant change and we have seen that forecasting future actions can be unreliable. For instance, the FES scenarios carry a range of different infrastructure implications, but they are not 'forecasts' as such. There is also the potential for TOs to submit forecasts (in good faith) that turn out to be overly optimistic and then users will have been charged based on assets that are never realised.</p> <p>The 5-10 year horizon does mitigate this risk, but it is worth noting that transmission projects can have multiple-year lead times, so there would be questions about whether project costs should be included if the assets will not be used within the forward-looking window.</p> <p>We believe that the 'forward-looking' refers to users' forward view (and so represents the investment signal), not a forward-looking view of network development specifically.</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.	There will always need to be a maximum cut-off point, beyond which data is unsuitable (unavailable, or the inherent costs of a similar project today are incomparable). It is important that a large enough set of projects are used to create representative EC/EF, so it seems limiting the data to within a price control seems restrictive. It will also need to be reviewed should the price-control period change.
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.	N/A
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.	Whilst not many users go into this level of detail in the T&T model, it important that the methodology is transparent and understandable. Conceptually, having an 400kV OHL EF other than 1.00 is difficult, given the name of the Expansion Constant and Expansion Factors and their relationship as currently described in the CUSC text and ESO-issued guidance. Given there does not appear to any practical benefit to LCP's approach, our preference would be for proxy circuits.
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?	This change is likely to have material affects for the majority, if not all users and is a very technical change. I do not believe that most users will be able to comprehend potential impacts of implementation, especially if they have a portfolio distributed across GB. It is therefore extremely important that users are given sufficient notice in draft tariffs before implementation. We note, however, the implantation date is under the control of Ofgem.