

CUSC Alternative Form

CMP413 Alternative Request 1:

Overview: This alternative recovers the resulting excess/shortfall of revenue from capped/collared generator tariffs from a non-locational adjustment to generation tariffs (as opposed to recovery through demand tariffs in the original).

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Contents

- **What is the proposed alternative solution?**
 - Difference between this and the Original Proposal
- **What is the impact of this change?**
- **When will the change take place?**
- **Acronyms, key terms and reference material**

What is the proposed alternative solution?

This alternative calculates the net excess/shortfall of revenue from capped/collared generator tariffs and converts this to a non-locational adjustment tariff applied to generation tariffs.

This means that the total revenue recovered from the capped/collared locational tariffs plus this CMP413 non-locational adjustment will equal the revenue that would have been recovered from the pure locational tariffs.

This will remove the impact on demand tariffs to the extent possible following the application of any Limiting Regulation and will embed the principle that any net excess/shortfall of revenue from capped/collared generator tariffs should be recovered from the generation charging base. This is important as we cannot know for certain to what extent the Limiting Regulation will affect locational tariffs in future.

What is the difference between this and the Original Proposal?

The original recovers the excess/shortfall of revenue resulting from capping and collaring of generation tariffs from demand tariffs. However, under this alternative the excess/shortfall of generation revenue would be separately calculated and recovered from the generation charging base via a non-locational adjustment.

What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
(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;	<p>Negative</p> <p>The resulting locational tariffs and signals to generation will inevitably be non-cost reflective due to the overlaying of multiple years of caps/collars and so will lead to inefficient outcomes.</p> <p>This alternative provides the basis for limiting the impact of this to generation tariffs to the extent possible,</p>

	maintaining efficient competition in supply.
(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);	<p>Negative</p> <p>The resulting locational tariffs and signals to generation will inevitably be non-cost reflective due to the overlaying of multiple years of caps/collars.</p> <p>This alternative provides the basis for limiting the impact of this to generation tariffs to the extent possible, which would limit any distortion of demand tariffs.</p>
(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;	<p>Negative</p> <p>The resulting locational generation tariffs will inevitable not fully take account of the developments in the system due to the overlaying of multiple years of caps/collars.</p> <p>This alternative provides the basis for limiting the impact of this to generation tariffs to the extent possible, allowing demand tariffs to be set having taken account of developments in the transmission licensees' business.</p>
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<p>Negative: The additional complexity the proposal introduces into the CUSC makes it negative against</p>

	objective e. This alternative provides the basis for limiting the effect of this additional complexity to generation tariffs, with potentially no impact on the setting of demand tariffs.
*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

When will this change take place?

Implementation date:

1 April 2024 (as per Original)

Implementation approach:

ESO will need to develop a 10-year TNUoS forecast (as per Original)

Acronyms, key terms and reference material

Acronym / key term	Meaning
CUSC	Connection and Use of System Code
STC	System Operator Transmission Owner Code