

**Workgroup Consultation Response Proforma****CMP393: Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage**

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](mailto:cusc.team@nationalgrideso.com) by **5pm** on **02 June 2023**. 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 [jessica.rivalland@nationalgrideso.com](mailto:jessica.rivalland@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body	<input type="checkbox"/> Interconnector <input checked="" type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

**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);*

- 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;*
- 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.*

*\*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.*

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 Original Proposal facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe the Original Solution facilitates:</p> <p>Original      <input checked="" type="checkbox"/>A   <input type="checkbox"/>B   <input checked="" type="checkbox"/>C   <input type="checkbox"/>D   <input type="checkbox"/>E   <input type="checkbox"/>F   <input type="checkbox"/>G</p> <p>A: <b>Positive</b> – we believe that the proposed modification better facilitates competition in supply as storage faces similar costs to other demand users. We do not consider that a like-for-like comparison between storage and other forms of dispatchable generation is appropriate.</p> <p>B: <b>Negative</b> – The current TNUoS charging methodology does not currently reflect the advantages of storage. It is our understanding that storage is unlikely to export at the same time as dispatchable generation, in general. Therefore the proposed approach to developing the storage ALF should reflect this. Furthermore, the costs of constraint should be reflected through other mechanisms, such as the Balancing Market</p> <p>C: <b>Positive</b> – The proposed modification is likely to reduce the ESO balancing costs over time and has the potential to reduce the Transmission costs associated with managing constraints</p> <p>D: <b>Neutral</b> – we do not see that the proposed modification will cause any regulatory issues or impact EBR.</p> <p>E: <b>Neutral</b> – The proposed modification provides a relatively simple solution to the identified defect that the current TNUoS charging methodology does not accurately take account of how storage interacts with the NETS.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We support the need to encourage the development of storage at locations optimally close to areas of network constraint and intermittent generation, note that constraint management is not directly accounted for with current TNUoS charges and that these constraint issues need to be addressed in order to support the transition to Net Zero.</p> <p>Whilst the proposal introduces an element of demand into a generation tariff it could be argued that a similar effect</p>

		could be achieved by changes to demand charges for storage, but that this is out-of-scope for this modification. We do however, suggest that this modification is premature given the work that is to be completed on REMA, TNUoS Task Force, and the current CMP316 and CMP405 change proposals
3	Do you have any other comments?	No
4	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.

### Specific Workgroup Consultation questions

5	Do these potential options better facilitate the charging objectives than the original proposal and if so, why?	<input type="checkbox"/> Yes <input type="checkbox"/> No  We do not see that the alternatives better facilitate the charging objectives when compared to the original as these were only suggested to address two perceived defects of the original modification. Those being that: <ul style="list-style-type: none"> <li>• The modification introduces a demand element into what is a generation tariff; and</li> <li>• The proposal potentially introduces differential treatment for storage located in the Northern and Southern regions.</li> </ul>
6	Should Storage ALF be floored at zero?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  A negative ALF sends the wrong signal for generation in constrained areas and so should be avoided wherever possible
7	Would CMP393 disincentivise storage from locating in the south?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  The Cornwall analysis (Annex 4) shows that the proposed solution reduces payments to generators in southern regions, whilst introducing reductions to charges for those located in northern regions. When considering the system as a whole it is beneficial to have more storage based in these northern regions. We therefore believe that the benefit of incentivising storage to be located in the north more than outweighs any

		disbenefit that storage in the south is likely to face as a result of this proposal. .
8	Should storage have its own generation classification for TNUoS?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  The introduction of a new classification for storage could help resolve the defect that has been identified - that the current TNUoS Charging Methodology does not adequately account for how storage assets interact with the NETS, as it does not recognise imports. However, this is not necessarily the only (or best) approach and note that this is possibly out-of-scope of this modification. If storage has its own generation classification this will inevitably lead to the development of a more complex TNUoS charging methodology
9	Should CMP393 apply only to storage or to all generation?	<input type="checkbox"/> Yes <input type="checkbox"/> No  As other generation types pay demand tariffs similar to storage, then it would be appropriate (the fairest approach) for CMP 393 to apply to all generation, if approved. The parasitic load that applies to other dispatchable forms of generation is minimal (has no material impact) when compared to the imports associated with storage and as such, should not introduce any additional benefits for conventional carbon (dispatchable) generation over storage.
10	How, if at all, does the proposed methodology interact with demand TNUoS charging?	<input type="checkbox"/> Yes <input type="checkbox"/> No  As the proposed Storage ALF is calculated as the net figure (that is demand – generation volume), then if applied to dispatchable generation will always provide a negative figure, as parasitic demand is always relatively small when compared to generation volumes. As the storage ALF includes demand, this will also weaken the generation signal. Under certain circumstances (dependant on when storage is incentivised to operate in demand and generation mode) this could lead to either double incentives or double penalties applying. We therefore suggest that this (temporal) aspect is further considered, to ensure that there are no unintended impacts.
11	Does the proposed solution have any	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

	<p>materially different impact on battery storage compared to pumped storage that should be considered (While taking into account the proxy nature of TNUoS)?</p>	<p>We do not see that there are any materially different impacts of the proposed modification for pumped and battery storage. However, there may be a slightly weakened argument for locating pumped storage closer to areas of constraint and/ or intermittent (non-dispatchable) generation due to the geographical constraints for pumped storage. Therefore, if the solution is intended to incentivise the development of storage at, or close to, constrained network locations then this solution will benefit battery storage more than pumped storage.</p>
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