

Workgroup Consultation Response Proforma**CMP413: Rolling 10-year wider TNUoS generation tariffs**

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 02 October 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 cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Ryan Ward	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <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 better facilitate the Applicable Objectives?	<p>Mark the Objectives which you believe the original solution better facilitates:</p> <p>Original <input checked="" type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</p> <p>Objective A – Positive</p> <p>By offering a 10-year TNUoS (Transmission Network Use of System) forecast for the industry, and a well-defined cap and collar methodology would minimise the current volatility faced by users. The reduction in volatility will better facilitate competition between users, while mitigating the risk of inadvertent winners and losers.</p> <p>Objective B – Negative</p> <p>We concur with the principle of aligning charges with the Transmission owners' future investment plans, ensuring charges reflect the optimum system required, rather than what has currently been implemented. However, there is concern that implementing a capping / collar under the current charging methodology could lead to TNUoS deviating and becoming less cost reflective.</p> <p>Objective C – Positive</p> <p>Supplying industry with a 10-year TNUoS forecast will result in charges that more accurately mirror the developments within the transmission licensees' operations.</p> <p>Objective D & E – Neutral</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>The implementation date of 1st of April appears to be challenging given the various ongoing workstreams in this space (TNUoS Task Force, REMA and Ofgem's wider workstream).</p> <p>There is a risk if this modification is implemented ahead of the other changes being consider, that it could effectively result in a delay to improving the current methodology by the cap and collar proposed.</p> <p>It would be prudent for the solution to include the functionality to navigate upcoming changes to TNUoS methodology.</p>
3	Do you have any other comments?	TNUoS costs continue to represent a sizeable portion of developers' expenses, and recent projects from ESO's

		<p>10-year projection suggest that portion is likely to increase. TNUoS expenses can make up as much as 30% of our total operational expenditure (OPEX).</p> <p>We welcome the proposal and acknowledge the importance of providing greater predictability and confidence for investors in the GB market. As previously mentioned, we support the idea of transitioning away from levying charges based on the current, sub-optimal network and, instead, implementing charges based on the long-term optimum development requirement.</p> <p>It's important to note that the primary focus of this proposal is to address the TNUoS output signal itself and not the underlying methodology.</p>
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 N/A

Specific Workgroup Consultation questions

5	The Original proposal is to limit the maximum variance by £2.50/kW per charging zone. Do you feel this is an appropriate level?	<p>The proposed £2.50/kW cap and collar value is deemed to be reasonable.</p> <p>The workgroup report would benefit from additional analysis or context on why the £2.50/kW cap/collar is set. In particular, context relating to how this value relates to current and future TNUoS estimates.</p> <p>It is worth emphasising that within the workgroup, there were discussions about implementing a percentage variance rather than a fixed £/kW value. This approach could address any future issues related to indexation. Alternatively, another option could involve applying indexation to the initial base value.</p>
6	The Original proposal deems a 10-year period to fix tariffs between the pre-defined Cap and Collar ranges appropriate. Is there an alternative length of time that would need to be considered?	<p>The proposed 10-year timeframe seems rational. We are aware of the trade-off between the forecast duration and its accuracy. Based on the available data, a 10-year forecast appears appropriate.</p> <p>Any addition years beyond this could be presented as “projections”, and notwithstanding the cap/collar limitations.</p>

7	The Proposer has provided a mechanism by which components that feed into the wider tariff is allocated. The proposal apportions the Cap and Collar by the proportion of revenue collected for each component. Is there an alternative methodology that could be used?	Regarding the methodology, we recognise the balance between simplicity and cost reflectivity. To maintain consistency across asset technology classes, the cap and collar should be applied to the ultimate (£/k) tariff. There are concerns by going beyond this and introducing too much granularity could potentially disrupt the fundamental components of TNUoS.
8	Should there be a provision to trigger a re-opener in tariffs to reflect the considerable amount of reform planned both through Open Governance and via the TNUoS Task Force?	<p>We support Ofgem retaining the authority to revisit tariffs as needed. This will prevent the current methodology becoming overly restrictive in future by the cap/collar bounds. It is important that the TNUoS Task Force recommendations and REMA findings have the flexibility to be incorporated.</p> <p>The proposal acknowledges the live modifications that interact with CMP413. It is imperative that the current methodology undergoes reform before this modification is put into effect.</p>
9	The Original proposal aims to protect Generators from unpredictable tariffs as the rational is that inefficient costs could ultimately cost consumers more. A breach to the Cap and Collar is socialised to Demand Users. Do you think this is appropriate?	We support the reform to ensure TNUoS signal provide more efficient and effective siting decisions for users. Inefficient siting of assets risks resulting in additional constraint costs. Therefore, it is deemed reasonable that the breach in cap & collar is socialised with demand users.
10	Please provide any evidence to support the merit of greater predictability over cost reflectivity (Clearly mark your response confidential if you wish this to be directed straight to Ofgem).	N/A.

