

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:	George Moran	
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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 checked="" 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:

- 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;
- 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);

- 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 type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</p> <p>Whilst we are sympathetic to the underlying issue of tariff predictability, we do not believe the Original Proposal better facilitates any of the relevant objectives. It will result in long-term tariffs being fixed within a range which is based on a forecast and methodology that is wholly unsuitable for this purpose.</p> <p>The resulting tariffs and signals will inevitably be non-cost reflective (negative against objectives b and c) and so will lead to inefficient outcomes (negative against objective a). The additional complexity the proposal introduces into the CUSC also makes it negative against objective e.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>We do not support implementation.</p>
3	Do you have any other comments?	<p>We believe any proposal to consider limiting changes in long-term tariffs should wait until the conclusion of any solutions implemented following the TNUoS Task Force.</p> <p>Whilst we agree that there is no conflict between CMP413 (outputs) and the Task Force (inputs and methodology), we believe that it must be recognised that since the Task Force is seeking to resolve concerns around the predictability of TNUoS tariffs, there is a clear question as to the merits of fixing the outputs (CMP413) before the Task Force has had the opportunity to bring forward changes that would improve the predictability of TNUoS charges.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We intend to raise an alternative request which recovers the cross subsidy resulting from any excess/shortfall of revenue from capped generator tariffs from a non-locational adjustment to generation tariffs (as opposed to recovery through demand tariffs in the original).</p>

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?	We do not support the reducing cap/collar thresholds as the relevant charging year draws closer. This seems designed to provide a benefit to generators already in place, rather than generators making final investment decisions.
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?	Not answered.
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?	Not answered.
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?	We don't believe that CMP413 can restrict the discretion of Ofgem to approve subsequent modifications. As a result, we don't believe it provides any benefit that can be relied upon in Final Investment Decisions for new sites.
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	No, any breach of the cap and collar will mean that cost reflective tariffs have not been applied. The resulting excess or shortfall in revenue is therefore a cross subsidy cost, rather than a residual cost (which we consider is what remains of allowed revenue after the application of the cost reflective forward-looking tariffs). This cross subsidy should be recovered from the market sector benefitting from it i.e. generators.

	Collar is socialised to Demand Users. Do you think this is appropriate?	
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).	<p>The change proposal doesn't provide any certainty of costs beyond year 10, and so given the timescales to commercial operation for new projects highlighted in the consultation, we don't consider it can provide any credible level of predictability for the purpose of making a final investment decision for a new project that will take ~10 years to get to commercial operation and then operate for 20-25 years.</p> <p>It seems that the main benefit in terms of predictability will be the narrower caps and collars that will apply to existing sites in the near term.</p>