

**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](mailto: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](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Grace March	
<b>Company name:</b>	Sembcorp Energy	
<b>Email address:</b>	Grace.march@sembcorp.com	
<b>Phone number:</b>	07554439689	
<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 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:**

- 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?	Mark the Objectives which you believe the Original solution better facilitates:				
		<table border="1"> <tr> <td>Original</td> <td><input checked="" type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>Giving generators more certainty over their TNUoS tariffs will reduce investment risk, encourage new build or re-powering and allow generators to take a more secure medium-term view, allowing short-term, operational decisions to be made in a less risky environment. By reducing investment risk, this modification will support the growth in new generation needed to reach a decarbonised electricity system by 2035.</p> <p>We believe this modification also has impacts on cost-reflectivity ACO(b), as significant changes to locational tariffs will have limited impact within their first few years and on CUSC efficiency ACO(e) as future charging mods will need to consider whether they justify 'resetting' the initial forecast for future years and undermining the certainty given by this mod; or waiting a few years for the effects of the mod, and associated benefits, to become visible. This may end up with two versions of the same solution to a modification <a href="#">on a frequent basis</a>, one within CMP413 framework and one overwriting it. The negative impact on CUSC efficiency can be reduced by careful wording of a re-opener at Ofgem's discretion, such that it would not require significant redrafting of the CUSC to 'reset' the ten-year tariffs.</p>	Original	<input checked="" type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C
Original	<input checked="" type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E	
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>All parties, including the ESO and Ofgem, need to be satisfied that the ten-year forecast is suitable for this purpose. As this is a significant expansion from the current five-year forecast, implementing this modification so the first publication of the ten-year forecast is used could lead to unintended consequences. The most obvious of which would be changes to assumptions used in the forecast for later publications, but some value of the original publication would be 'locked in' to the first tariffs.</p> <p>We note that the ten-year forecast under development is fundamentally different to the new Central Strategic Network Plan (CSNP), which would be a more active view of what the network 'should' be. Implementation of CMP413 should wait until either the ten-year forecast has</p>				

		been scrutinised and accepted by industry and the Authority, or until the CSNP is in place.
3	Do you have any other comments?	<p>The main benefit of CMP413 is securing more predictable values for generators' TNUoS tariffs to encourage investor confidence. Given the amount of change forecast for TNUoS in both the medium term (the TNUoS Task Force, re-zoning) and the longer-term (REMA and Ofgem's strategic TNUoS review), it is not immediately obvious that investors will see the forecast tariffs as sufficiently firm, given the Authority may believe that future changes have significant benefit to justify 'resetting' the forecast.</p> <p>We support the principle and believe that greater predictability in TNUoS tariffs is required to facilitate the investment to meet decarbonisation and efficiency goals. However, given the amount of fundamental change in the near future, it is likely that CMP413 will fix increasingly inappropriate signals. In a few years' time, the tariffs will still be partially reflective of the network when the original forecast was drawn up, which is contrary to Ofgem's September letter, where their initial view is that "use of system charges should aim to reflect the forecasted future planned network".</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  Click or tap here to enter text.

### 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?	For a ten-year out period, £2.50/kW would seem a reasonable variance, but inflation and growth of the network is likely to affect the relative value of that variance compared to the tariffs themselves. We are also concerned that the limits closer to the forecast are very tight, with the practical result of the ESO setting final tariffs two years in advance, which is a significant increase from the current 3 months and greater than the distribution level of 15 months. Click or tap here to enter text.
6	The Original proposal deems a 10-year period to fix tariffs between the pre-defined Cap and	We note that Contracts for Difference and Capacity Agreements, specifically products to encourage investment in generation are longer than ten years, but that the ESO's forecasting ability is significantly limited

	Collar ranges appropriate. Is there an alternative length of time that would need to be considered?	even within a year. For 2022-23 tariffs, intermittent generation in zones 1 to 9 saw a change in the wider tariff of ~£0.8/kW between the Draft and Final tariffs. Setting tariffs further than a few years ahead at most will have significant effect on cost-reflectivity. Ten years is a compromise.
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?	No comment
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?	Yes. Given the reform under consideration, it is vital that industry and the Authority are able to reflect improvements to the methodology and deliver the benefits of such changes to industry and wider consumers as soon as possible. A built-in re-opener will allow users to be aware and discuss the possibility and present the option to the Authority transparently. Without a reopener, if the Authority believes the change in tariffs and loss of resulting predictability is justified by the wider benefits, it would require more direct intervention into the CUSC, counter to the principles of open governance. The presence of a re-opener will reduce confidence that these tariffs are more fixed, but <a href="#">this mod cannot preclude other changes in the future, so would be representative of the actual situation.</a>
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?	The demand base from which the TDR is recovered is significantly broad enough that small breaches should not have a material effect on any one individual user. It does however increase the unpredictability that suppliers have to manage when setting tariffs, which may increase the inefficiency in that part of the chain. We believe that, due to the difficulties in forecasting TNUoS over the range proposed and the scale of changes that is happening to the industry, 'breaches' (whether recovered from demand users or avoided by a forecast reset) will be frequent and material.
10	Please provide any evidence to support the	As well as new build, a number of generators will be forming decarbonisation strategies, which will require

	<p>merit of greater predictability over cost reflectivity (Clearly mark your response confidential if you wish this to be directed straight to Ofgem).</p>	<p>repowering and/or significant investment. A predictable TNUoS tariff means the signal to justify the investment or close down is more easily understood and more likely to be acting on it in the correct manner.</p>
--	--	--