

**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	
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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 type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" 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:
		<div>Original</div> <div> <input type="checkbox"/>A   <input type="checkbox"/>B   <input type="checkbox"/>C   <input type="checkbox"/>D   <input type="checkbox"/>E </div>
		<p><b>None</b></p> <p>ESO support making TNUoS tariffs more predictable, and there is a clear benefit of giving earlier sight of potential changes to generators. However, there are several concerns with this modification in its current form, and as such we do not believe the original solution better facilitates the applicable objectives.</p> <p><b>Objective A:</b></p> <p>We do not agree with the proposal to collect any additional revenue from demand customers for any net under collection from generators.</p> <p>It was noted during the workgroup discussions that:</p> <ul style="list-style-type: none"> <li>a) Calculated examples showed a relatively small impact on consumers – using a sensitivity from a 5-year ESO forecast showed a £50 million additional cost for demand customers which equated to around 60p per domestic customer per year. The maximum theoretical impact was £350m, though this seemed an unrealistic scenario.</li> <li>b) Another option of socialising net cost differences across generators rather than demand users was discussed.</li> </ul> <p>Taking these into consideration, we believe socialising the costs across generators would be more appropriate, on the basis that there would be no demand/consumer impact, whilst large locational swings would still be limited.</p> <p><b>Objective B:</b></p> <p>TNUoS tariffs aim to reflect the cost of using the network, to help network users make efficient decisions about where and when to use it. Transmission capacity is set to rapidly increase over the next 10 years. Our FES scenarios suggest there is still significant uncertainty as to which technologies will predominate, and REMA is actively considering a move to locational pricing before</p>

		<p>2035. In this context, it is certain that a tariff model fixed today will not accurately reflect system needs in 10 years' time. This presents an additional risk of constraints, and associated costs, increasing. This should be considered as an additional consumer impact.</p> <p><b>Objective C and E:</b></p> <p>As we enter a period of unprecedented change in the industry, it is inevitable that future reform and innovation will be required to ensure that charging remains fit for purpose. We understand that this modification is not compatible with certain changes, for example increasing or decreasing the number of charging zones. As discussed in the workgroup, a change to the number of charging zones would either:</p> <ul style="list-style-type: none"> <li>a) Have a 10-year lead time before implementation so that all pre-defined tariffs are not affected. In our view this would not be acceptable, and present an extremely inefficient way of managing change</li> <li>b) Supersede tariff limits put in place by CMP413, meaning that the modification would no longer provide the predictability which it aims for.</li> </ul> <p>It should be noted that the terms of reference for CMP419 include assessing the frequency of reviewing the number of generation zones, and as such CMP413 could inhibit any recommendations from this.</p> <p>The workgroup consultation report also acknowledges that this would present the same issue if there was an increase or decrease in the number of backgrounds, and there could be complexities with implementing changes which haven't yet been considered.</p> <p>Fixing in this way will reduce innovation and impede efficiencies being realised, and ESO believe that this will not incentivise the right behaviour in the industry to achieve net zero.</p> <p><b>Objective D:</b></p> <p>No impact</p>
2	Do you support the proposed implementation approach?	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>When considering interaction with other modifications, potential changes to modification, and possible impact assessment from Ofgem, we do not believe that 1 April</p>

		2024 is achievable (though this has been noted by the proposer in the consultation report). Further development to the mechanism to be used, as well as embedding any associated processes e.g. regular 10-year projection publication, means 2025 is an ambitious target for implementation.
3	Do you have any other comments?	<a href="#">Click or tap here to enter text.</a>
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 <a href="#">Click or tap here to enter text.</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 recently produced 10-year TNUoS projection shows sensitivity swings of up to £12/kW, and year to year swings of up to £18/kW. Taking this into consideration, we feel discussion of a wider cap may be warranted.</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>While there is merit in providing visibility of direction of travel across a long period of time, as has been provided by the recently produced 10-year projection, a 10-year window has too much uncertainty for fixing tariffs.</p> <p>We believe increased transparency of data would be a more effective approach to take. If looking to fix tariffs, it may be logical to consider periods of 5 years or less, as this aligns more with existing processes e.g. 5-year forecasts provided by ESO.</p>
7	The Proposer has provided a mechanism by which components that feed into the wider tariff is allocated. The	This is a logical way of applying a cap on the overall wider tariff without having to assess each generator individually. There are other methods which could be considered, though non that have an immediately clear benefit over this approach.

	proposal apportions the Cap and Collar by the proportion of revenue collected for each component. Is there an alternative methodology that could be used?	
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 – this is a key concern for ESO, as we do not believe any scenario where a 10-year lag is required for a future modification is acceptable. However, reopening tariffs then loses the benefit in terms of predictability/locked in charges.
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?	<p>The workgroup discussed an alternative approach of socialising net cost differences across generators. This would be a more appropriate approach than socialising across demand users.</p> <p>Consumers already face socialisation of generator costs if falling outside of the limiting regulation range, so exposing to more volatility and costs isn't equitable.</p>
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).	Click or tap here to enter text.