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CUSC Alternative Form – Non Charging

CMP434 WACM7: Introduction of a pause for market self-regulation before the NESO/TO undertake the network assessment

Overview:

Although the recent Request for Information (RFI) on the state of projects in the connection queue is self-certified, it indicated a significant number of projects that can, or will be able to meet the proposed Gate 2 criteria by the proposed deadline.

However, the capacity of viable projects of some technologies far exceeds the most optimistic need case, as described in the latest Future Energy Scenarios (FES) publication. It is our belief that the reason that so many projects remain in the queue, despite this obvious supply/demand imbalance, is that developers cannot determine where they truly sit in the queue relative to competitors; and whether by the time their project is commissioned, the market will already be saturated, and so the likely returns that such a project could generate would make it non-viable.

If the market had greater visibility into the state of competitor projects, we believe market fundamentals would lead to considerable self-regulation of the queue and many projects would be unilaterally cancelled/withdrawn.

This would have the benefit of allowing the TO/NESO to make investment decisions based on a more credible generation background and market fundamentals would determine the most efficient and economic projects to progress.

Proposer: Rob Smith, ENSO Energy

I/We confirm that this Alternative Request proposes to modify the non - charging section of the CUSC only

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What is the proposed alternative solution?

We propose that (as per diagram)

CMP435 Proposal (Unsure whether should apply to CMP434 On Ensuring Basis)



Issue

- Currently Applicants suffer from lack of clarity on the viability of competitor projects in the queue.
- This uncertainty leads to inefficient decision making as projects are taken forward based on risk appetite rather than strong project economic fundamentals

Benefit

- Developers make more efficient decision making (driven by market fundamentals)
- NESO/TO can undertake network assessment based on smaller portfolio of more credible projects

- That the results of the Gate 2 compliance check should be published – including any revised Transmission Entry Capacity (TEC) or technology change requests.
- 10 Business Days pause should be implemented for Gate 2 qualified applicants to assess the viability of their projects in light of updated competitor information, to understand the Clean Power Plan for 2030 (CP30) regional technology quota proposals that will emerge, and any NESO project designation activity that has been undertaken at that point.
- Parties could then choose to submit an application for capacity advancement, keep their project as is or withdraw (with no penalty)
- The TO/NESO network investment would then proceed as under the original proposal, but in our view with a much more credible portfolio of generation projects which will reduce the risk of stranded assets and consumer costs.

What is the difference between this and the Original Proposal?

- Introduction of a pause for market self-regulation before the NESO/TO undertake the network assessment.
- Wait until the pause has completed to submit application for advancement as opposed to the current proposal where applicants do this at the point of Gate 2 submission.

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- Defined obligation for the NESO to publish certain information on the TEC queue by a proposed date. At present the level of detail and the timing of this publication is not specified in the current proposal.

What is the impact of this change?

Proposer's Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive: NESO will improve its network investment efficiency
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive: Allows market fundamentals to determine most efficient projects to advance, subject to CP30 criteria
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral
*The Electricity Regulation referred to in objective (c) 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.	



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When will this change take place?

Implementation date:

This is aligned with the implementation date of the Original proposal

Implementation approach:

TBC

Acronyms, key terms and reference material

Acronym / key term	Meaning
CP30/CP2030	Clean Power Plan for 2030
CUSC	Connections Use of System Code
FES	Future Energy Scenarios
NESO	National Energy System Operator
RFI	Request for Information
TEC	Transmission Entry Capacity

