

CUSC Workgroup Consultation Response Proforma

CMP306 'Align annual connection charge rate of return at CUSC 14.3.21 to price control cost of capital'

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 by **16 May 2019** to cusc.team@nationalgrideso.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Rachel Hinsley at rachel.hinsley1@nationalgrideso.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Garth Graham (garth.graham@sse.com)</i>
Company Name:	<i>SSE Generation Ltd.</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology are:</p> <p>(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;</p> <p>(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);</p> <p>(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;</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission Plc Licence under Standard Condition C10, paragraph 1*; and</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p>

	<p>*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</p>
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Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that CMP306 Original proposal, better facilitates the Applicable CUSC Objectives?	We broadly concur with the view set out in the proposal as to why this Modification better meets Applicable Objectives (b) in terms of cost reflectivity and (c) taking account of developments whilst being neutral in terms of (a), (d) and (e).
2	Do you support the proposed implementation approach?	We agree with the proposed implementation approach set out in Section 9 of the consultation document.
3	Do you have any other comments?	Nothing at this time.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.

Specific questions for CMP306

Q	Question	Response
5	Do you agree with the approach proposed by CMP306 to the MEA uplift?	<p>We note the discussions set out on page 10 of the consultation document concerning the 1.5% MEA uplift figure being fixed.</p> <p>The comments set out in the report about this fixed figure would appear to suggest there could be merit in reviewing this fixed figure at this time as it could have a material effect in terms of ensuring cost reflectivity going from circa 25% (1.5% of 6%) to circa 50% (1.5% of 3%) where the reasoning around the MEA itself has not changed.</p> <p>To be clear, we <u>do</u> support the need in principle for the MEA uplift - it's just it would seem from the consultation document that the substantial 'growth' (from circa 25% to circa 50%) has not been adequately justified in terms of cost reflectivity.</p>

Q	Question	Response
6	<p>Do you think that the TOs should publish their individual WACC's/rate of return for MEA assets? If so, do STC modifications need to be raised to achieve this?</p>	<p>Given the well-established principle around transparency; namely that the presumption should always be in favour of publication, unless justified not to; we have not seen any counter arguments that justify not publishing this information.</p> <p>If an STC Modification is required in order to achieve this then such a Modification should progress on its merits.</p>
7	<p>Do you agree with the approach to use regional TO WACC's? If not, do you think that the average model is better, or do you have any other suggestions?</p>	<p>We note the discussions set out on pages 7-8 around the <i>regional v average</i> approach to TSO WACCs.</p> <p>In our view there are pros & cons with each in terms of cost reflectivity v simplicity etc., etc., and given this there could be merit in presenting both options to Ofgem, via the Original and a WACM, to allow the case to be made to Ofgem as to which one of the two is, overall, in the best interest of consumers.</p>