

**CUSC Workgroup Consultation Response Proforma****CMP337: 'Impact of DNO Contributions on Actual Project Costs and Expansion Factors' & CMP338: 'New Definition of Cost Adjustment'**

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 **9am on 11 May 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Ren Walker at [lurrentia.walker@nationalgrideso.com](mailto:lurrentia.walker@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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**CMP337**

**For reference the applicable CUSC Charging objectives are:**

Relevant Objective
(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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and
(e) To promote efficiency in the implementation and administration of the CUSC arrangements

**CMP338****For reference the applicable CUSC objectives are:**

<b>Relevant Objective</b>
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
(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;
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

**Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.**

<b>CMP337 - Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP337 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	Yes. The legal text changes successfully clarify the CUSC in line with SHPED's intended implementation of capital cost contributions by licenced distribution network operators to transmission projects. It is also worded in accordance with Ofgem's more general support for the principal of a licensee contributing towards another licensee's project where a benefit to demand consumers is shown.
2	Do you support the proposed implementation approach for CMP337?	Yes
3	Do you have any other comments?	<p>We welcome the analysis that has been completed by the working group assessing different charging scenarios:</p> <p><b>Scenario 1) a 'local circuit' TNUoS charge,</b>  The link related charges are reduced by the same % as the contribution/total link costs, the contribution costs are recovered fully via AAHEDC and there is no impact on the residual. This shows the rationale for the approach to</p>

	<p>implementing the DNO contribution is fully compatible with scenario 1.</p> <p><b>Scenario 2) a wider TNUoS charge as part of zone 1</b> This appears to have material unintended consequences, in absolute terms it reduces costs in zone 1 by significantly less than the other scenarios, it also effectively recovers all of those costs (and more) from an offsetting increase in the residual for other generators, and not from a subset of demand via AAHEDC as is intended. The current proposed methodology for implementing a contribution is not compatible with this charging scenario.</p> <p><b>Scenario 3) and wider TNUoS charges with Shetland as a separate zone</b> For scenario 3 a 'Shetland only TNUoS zone' would have its charges reduced by an approximately similar absolute amount as scenario 1 but there is a small impact on the residual. It is not clear however, if this effect would always be immaterial for the Shetland example modelled, or if the impact could be more significant for contributions made in other future projects. The approach to implementing DNO contribution is compatible with this scenario, but it does not work as well as for Scenario 1.</p> <p>We believe this analysis strengthens the case that local circuit charging is the most suited charging methodology for Remote Island generation TNUoS. The possibility of a MITs node being created on a Remote Island can be removed by the slight amendment to MITs definition, as set out in CMP320 (Island MITS Radial Link Security Factor) WACM 1.</p> <p>We do not think scenario 2 is cost reflective as it would result in other generators in TNUoS zone 1, subsidising the Island generators, it would breach section 14.15.42 which states nodes within zones should be within +/- £1/KW, although we understand why it has been included given the potential outcomes of CMP324 &amp; CMP325 (<i>Generation Zones – changes for RIIO-T2' &amp; 'Rezoning</i>).</p> <p>Similarly if the Remote Islands do become part of the MITs, and are charged via the wider methodology, it is important they form <i>separate</i> zones from each other. If for example they were grouped together as a single 'Remote Islands' zone, the underlying logic of the contribution methodology suggested by SHEPD that this CMP seeks</p>
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		to implement would unravel. A contribution to one link, would cross subsidise another which may not have the necessary benefits to consumers that supported the approval of contribution by the Authority in the first instance.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
<b>CMP338 – Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP338 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes – see CMP337 question 1
2	Do you support the proposed implementation approach for CMP338?	Yes
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No