

## CUSC Alternative and Workgroup Vote

### CMP334: CMP334 'Transmission Demand Residual – consequential definition changes (TCR)'

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

#### Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative Code Modifications.

#### Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

#### The Applicable CUSC Objectives (non-charging) are:

- (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).

## Workgroup Vote

### Stage 1 – Alternative Vote (Carried out on 7 May 2020 - note that Lee Wells did not attend meeting)

Vote on Workgroup Alternative Requests to become Workgroup Alternative Code Modifications.

*The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.*

*Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative Code modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.*

“Y” = Yes

“N” = No

“-“ = Neutral

Workgroup Member	Company	Alternative 1 (Proposed by National Grid ESO – As Original but amend definition of “Final Demand Site” so those “Single Sites” that exist solely to provide voltage support that do not require the export of Active Power to the transmission network are excluded from paying the Transmission Demand Residual	Alternative 2 (Proposed by National Grid ESO – As Original but amend definition of “Final Demand Site” so those “Single Sites” that exist solely to provide Ancillary or Balancing Services that do not require the export of Active Power to the transmission network are excluded from paying the Transmission Demand Residual
Grahame Neale	National Grid ESO	Y	Y
Lee Wells	Northern Powergrid	Did not attend meeting	Did not attend meeting
Simon Lord (Alternate: Andy Rimmer)	Engie	Y	N
Paul Bedford (Alternate: Karl Maryon)	Opus Energy Ltd	Y	Y
Lee Stone	E.ON	Y	N
Simon Vicary	EDF Energy	Y	N

<i>(Alternate: Binoy Dharsi)</i>			
Garth Graham	SSE Generation Limited	N	N
Alessandra DeZottis	Sembcorp	Y	Y
<b>WACM?</b>		<b>Y – WACM1</b>	<b>N</b>

**Stage 2a – Assessment against objectives (Carried out on 13 May 2020 – note that Lee Wells did not attend meeting)**

**To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).**

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Grahame Neale, NGESO					
Original	Y	-	-	Y	n/a	Y
WACM 1	Y	-	-	Y	n/a	Y

Voting Statement:

NGESO believe that both the Original and WACM1 are beneficial against Applicable CUSC Objectives (ACO) A & D whilst neutral against B & C. This is because both options meet NGESO’s license requirement to deliver the parts of Ofgem’s direction that were in scope of CMP334 – i.e. defining Final Demand and what a Site is and so meet the requirements of ACO A. In terms of ACO objective D, having a clear definition of final demand and site will be beneficial to industry and management of the CUSC as it should make it clear who is liable for any network changes that use these definitions. We believe WACM1 has marginal benefits for ACO D compared to the Original as it avoids a potential market distortion and inefficiency that would be added by the Original in respect of sites that only provide Balancing Services – specifically Voltage Support services.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Simon Lord, Engie <i>(Alternate: Andy Rimmer)</i>					
Original	Y	-	-	Y	n/a	Y
WACM 1	Y	-	-	Y	n/a	Y

Voting Statement:

The original implements the TCR direction as such we support this as better than the base line.

WACM1 goes further and includes sites that take demand whilst ONLY providing voltage support services to the ESO. Whilst it is clear that these sites are providing only voltage support and only compete with TO regulatory assets to provide this service it unclear how they are charged for the use of the transmission system as they would not be capture by other charging arrangement (as they have no TEC or CEC) and we would expect the ESO to bring forward proposals to charge this type of assets for the of the system in a cost reflective way.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Bedford, Opus Energy Ltd ( <i>Karl Maryon – Alternate</i> )						
Original	Y	-	-	Y	n/a	Y
WACM 1	Y	-	-	Y	n/a	Y

Voting Statement:

We believe that both the Original and WACM1 deliver the TCR Direction as required by the Authority but we believe that WACM1 better delivers Applicable Objectives (a) and (d).

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Lee Stone, E.ON						
Original	Y	-	-	Y	n/a	Y
WACM 1	Y	-	-	Y	n/a	Y

Voting Statement:

I feel that both the original and WACM 1 facilitate the applicable CUSC objectives, but support WACM 1 as I believe this type of service was not given appropriate consideration when the TCR considerations and direction was developed.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Vicary, EDF Energy ( <i>Alternate: Binoy Dharsi</i> )						
Original	Y	-	-	-	n/a	Y
WACM 1	Y	-	-	-	n/a	Y

Voting Statement:

Both the Original and WACM1 deliver the change required by the Authority but the Original is closer to the intent of the TCR direction

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Garth Graham, SSE Generation Limited						

Original	Y	-	-	Y	n/a	Y
WACM 1	N	N	N	-	n/a	N

Voting Statement:

### Original

I concur with the reasoning set out in the proposal itself as to why the Original is better than the Baseline in terms of Applicable Objectives (a) and (d) and is neutral in terms of (b) and (c).

### WACM1

In my view this proposal is harmful to competition as it results in some parties avoiding paying the applicable cost reflective network charge when they are using the network (as they are demand, but are neither generation or storage, so should, according to the TCR SCR decision from the Authority, pay the demand residual rather than avoid it).

As the ESO has acknowledge in its WACM1 proposal (first requested by a non-CUSC party) this is to allow a small select group of parties (who provide voltage support to the ESO, such as via 'StatComp' equipment) to offer a lower price (as they don't need to include the cost of paying the demand residual) to the ESO for the provision of a certain service needed by the ESO.

Everything else being equal this results in uncompetitive providers being able to provide their service offering to the detriment of other providers (who pay cost reflective network charges) who are priced out of the service provision by the artificially lower priced providers (because they avoid paying their due share of network costs). This is detrimental to Applicable Objectives (a) and (b).

In addition, this would also be in contravention of the Third Package and its associated Network Code requirements as it does not ensure cost reflective charges are applied by the TSO. This is because a small group of parties avoid paying the due charge whilst all other parties must pay (all be it small) uplift to cover the charge that is being avoided being paid by the small group. Furthermore, in terms of the competitive market, as the European Commission Impact Assessment has detailed, this distortion in the competitive electricity market leads to high (not lower) cost to consumers. Therefore, this WACM1 is not better in terms of Applicable Objective (c). It is neutral in terms of (d).

Notwithstanding the above, and as noted in my email to the Workgroup on 20<sup>th</sup> April (17:30) there would be significant unintended consequences if the definition for WACM1 utilised/ referenced the (Grid Code) definition of either 'Commercial Ancillary Services' or 'Ancillary Service' (extract below) as both include 'Demand Response Providers' and would open up the possibility of demand that provides 'demand response' being able to avoid paying the demand residual which would, in my view, be in direct contravention of the TCR SCR Direction from the Authority.

[extract from Grid Code Glossary & Definitions]

### **Commercial Ancillary Services**

**Ancillary Services**, other than **System Ancillary Services**, utilised by **The Company** in operating the **Total System** if a **User** (or other person such as a **Demand Response**

**Provider** has agreed to provide them under an **Ancillary Services Agreement** or under a **Bilateral Agreement** with payment being dealt with under an **Ancillary Services Agreement** or in the case of **Externally Interconnected System Operators** or **Interconnector Users**, under any other agreement (and in the case of **Externally Interconnected System Operators** and **Interconnector Users** includes ancillary services equivalent to or similar to **System Ancillary Services**).

**Ancillary Service**

A **System Ancillary Service** and/or a **Commercial Ancillary Service**, as the case may be. An **Ancillary Service** may include one or more **Demand Response Services**

[end]

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Alessandra DeZottis, Sembcorp					
Original	Y	-	-	Y	n/a	Y
WACM 1	Y	-	-	Y	n/a	Y

**Voting Statement:**

Original

I believe that the Original proposal is better than the baseline and deliver the changes requested by Ofgem. I also agree that the Original better facilitates CUSC Applicable Objectives A and D and is neutral for Objectives B and C.

WACM 1

I believe that WACM 1 also better facilitates CUSC Applicable Objectives A and D and, in my view, is overall better than the Original as it clarifies the definition of Final Demand Site ensuring that assets that only provide reactive power to the ESO (and, as such, do not participate in any other market) are not liable to pay Demand Residual charges. In fact, these providers are not Final Demand as the energy they import is utilised to provide stability services to the ESO. Furthermore, these providers also have no control of the energy they utilise as they are just instructed by the ESO for the purpose of providing stability services.

Ensuring that these providers are not subject to Demand Residual charges will meet the TCR aim to reduce harmful distortions which impact competition and the efficiency of the electricity market. Although they are not classified as generation or storage, these providers are not Final Demand and, as such, they would still meet Ofgem’s intention to ensure that only Final Demand is charged Demand Residual Charges.

While some working group members insist that this proposal would result in certain parties avoiding paying the usage of the network, we do not agree with their conclusion that such parties would harm competition by offering a lower price to the ESO for the provision of stability services: in fact, these assets are only utilised for these services, and they do not compete in any other balancing or ancillary services market like generators do. Their only revenue stream is

associated to the provision of stability services to the ESO only and, as such, these assets should not be compared to generators, but rather to a traditional TO solution.

If they were compared to generators, they would have to be able to participate in other balancing and ancillary services markets which require the export of Active Power to the network. This is clearly not the case. On the other hand, Transmission-connected generators do have the possibility to stack value by participating in several markets, and are therefore in the position to lower their offered price for the provision of a certain service needed by the ESO.

Finally, if these providers were to pay the Demand Residual charge, this would be disproportionate compared to their very small import (which is roughly less than half a MW). This cost would be paid for by the ESO, it would be recovered via BSUoS charges, and it would be ultimately borne by the end consumers.

This would therefore not represent a reflective charge (as referred to in the Third Package and its associated Network Code requirements).

With regards to a separate issue stemming from this WACM 1, and concerning the reference to Ancillary Services, I agree with the need to ensure that Demand Response Providers (which fall into the definition of Ancillary Services) do not have the possibility to avoid paying the demand residual.

**Stage 2b – WACM Vote (Carried out on 13 May 2020 – note that Lee Wells did not attend meeting)**

**Where one or more WACMs exist, does each WACM better facilitates the Applicable CUSC Objectives than the Original Modification Proposal?**

Workgroup Member	Company	WACM1 better than Original Yes/No
Grahame Neale	National Grid ESO	Yes
Simon Lord (Alternate: Andy Rimmer)	Engie	Yes
Paul Bedford (Alternate: Karl Maryon)	Opus Energy Ltd	Yes
Lee Stone	E.ON	Yes
Simon Vicary (Alternate: Binoy Dharsi)	EDF Energy	No
Garth Graham	SSE Generation Limited	No
Alessandra DeZottis	Sembcorp	Yes

**Stage 2c – Workgroup Vote (Carried out on 13 May 2020 – note that Lee Wells did not attend meeting)**

**Which option is the best? (Baseline, Proposer solution (Original Proposal) or WACM1)**

<b>Workgroup Member</b>	<b>Company</b>	<b>BEST Option?</b>	<b>Which objective(s) does the change better facilitate? (if baseline not applicable)</b>
Grahame Neale	National Grid ESO	WACM1	(a), (d)
Simon Lord <i>(Alternate: Andy Rimmer)</i>	Engie	WACM1	(a), (d)
Paul Bedford <i>(Alternate: Karl Maryon)</i>	Opus Energy Ltd	WACM1	(a), (d)
Lee Stone	E.ON	WACM1	(a), (d)
Simon Vicary <i>(Alternate: Binoy Dharsi)</i>	EDF Energy	Original	(a)
Garth Graham	SSE Generation Limited	Original	(a), (d)
Alessandra DeZottis	Sembcorp	WACM1	(a), (d)