

CUSC Workgroup Consultation Response Proforma**CMP324 and CMP325: Generation Zones – changes for RIIO-T2 and Rezoning – CMP324 expansion**

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 by **5pm on 18 March 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 Joseph Henry joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**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).*

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

Standard Workgroup Consultation questions		
1	Do you believe that the CMP324 and CMP325 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>The solution proposed under CMP324/5 based on DNO zones better meets Objective a in relation to competition. Fixed DNO zones in the charging methodology will result in stable and predictable transmission and demand charges. It will facilitate a level playing field between generation connected to the transmission system and the distribution system.</p> <p>We do not believe that retaining the current zones or applying an inflation factor to the current zoning criteria are appropriate or better meet the CUSC objectives. We note that these approaches will perpetuate the limitations of the current zoning criteria in that it will lead to instability in charges and distortions between transmission and distribution connected generation</p>
2	Do you support the proposed implementation approach?	We support the implementation of fixed DNO zones from the start of the next RIIO-2 price control period (1 st April 2021).
3	Do you have any other comments?	<p>The proposed approach based on retaining the current zones is clearly not cost reflective and will result in distorted transmission charges.</p> <p>We are concerned that applying an inflation factor to the current zoning criteria will result in a large number of zones with a small number of generators located in them. This results in nodal charges for some generators and average charges for others. We do not believe that such an outcome can be justified under the CUSC since it will distort competition.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	We do not wish to raise a workgroup consultation alternative.
Specific CMP324 and CMP325 Workgroup Consultation questions		
5	What are your views on the potential solutions discussed in the report? Please	We note that the workgroup has developed various options. It is clear that the DNO zone solution is preferable in terms of stability and facilitating a level playing field between transmission and distribution

	provide any evidence or rationale for your preferred solution.	connected generators.
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	<p>We note the range of tariffs produced by applying the differing zoning criteria based on the he current price control arrangements. The DNO zones provides broadly cost reflective locational signals and minimises the potential distributional effects.</p> <p>We note that the other solutions outlined in the consultation document produce a wider range of tariff outcomes which may be more cost reflective but which will lead to significant and material changes in charges at the extremities of the transmission system. These changes will have material consequences for generation located in these zones.</p>