

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>Yes.</p> <p>Applicable Objective (a): Positive impact</p> <p>Alignment with demand zones will increase the predictability of the resulting Generator TNUoS signals and should also produce more alignment between Transmission and Distribution connected generation charges. Therefore, on an enduring basis the proposal will have a positive impact on competition.</p> <p>However, we also recognise that the short implementation timescales for this proposal are likely to produce short-term distributional impacts, which could have a negative impact on competition.</p> <p>Applicable Objective (b): Neutral impact</p> <p>It is accepted that zoning according to the 14 GSP zones will reduce the locational granularity of Generator charges and will therefore have a negative impact on cost reflectivity when considered in its purist sense. However, we consider this is offset by an expected improvement in the <i>effectiveness</i> of the resulting cost signals in influencing investment decisions, due to a stable zonal regime and more predictable charges.</p> <p>Applicable Objective (c): No impact</p> <p>Applicable Objective (d): No impact</p> <p>Applicable Objective (e): Positive impact</p> <p>Fixed zones and connectivity map will improve transparency and simplify the TNUoS tariff setting processes on a long-term basis.</p>
2	Do you support the proposed implementation approach?	<p>No. We would suggest the Proposer considers updating the proposal such that it maintains the current 27 zones for a suitable implementation period, before moving to the GSP zonal approach. This would allow asset owners to make effective decisions with respect to cancellation charges.</p>
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup	No

	Consultation Alternative Request for the Workgroup to consider?	
Specific CMP324 and CMP325 Workgroup Consultation questions		
5	What are your views on the potential solutions discussed in the report? Please provide any evidence or rationale for your preferred solution.	<p>We agree that the main solutions listed are worthy of consideration. The 'right' solution depends on the weight assigned to each of the CUSC objectives and the degree to which the resulting signals are effective at influencing behaviour.</p> <p>On balance, we are supportive of the Original proposal, although as set out above, we suggest that any option should maintain the current 27 zones for a suitable implementation period.</p>
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	Any change to the zones inevitably leads to distributional effects. Equally, the degree of nodal averaging in each potential solution will lead to different distributional impacts. We suggest that any option should maintain the current 27 zones for a suitable implementation period to allow asset owners to make effective decisions once the distributional impacts are known.