CUSC Workgroup Consultation Response Proforma

CMP332: Transmission Demand Residual bandings and allocation (TCR)

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 **27 February 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 Paul Mullen at paul.j.mullen@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 CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	**Relevant Objective (a):** There is a negative impact on competition in supply, as suppliers are unable to accurately price customers whilst the industry seeks to determine the residual charging bands and allocate customers to them. This negative impact will be repeated with each banding review. There is a negative impact on competition due to the abrupt implementation of the change. This is particularly the case for flexibility providers since the change is proposed to be implemented before the related reforms to Access and Forward-looking charges, balancing services, and price control arrangements. This has a negative impact on investor confidence in the GB regulatory regime with a corresponding reduction in the competitive supply of finance to the sector. Whilst there will be a positive impact on competition in generation, as front-of-meter embedded generation will be better able to compete with behind-the-meter generation, the original solution creates a new distortion as the proposed locational demand rates do not include the Avoided GSP Infrastructure Credit (AGIC). This is contrary to the TCR system impact modelling performed by Frontier Economics and means that the solution places behind the meter generation (and demand side response) at a competitive disadvantage to front of meter embedded generation. This needs to be rectified for the final solution. **Relevant Objective (b):** A positive impact since the current application of the residual distorts the cost reflective element of the TNUoS tariff. Applying it in a fixed manner will reduce this distortion and therefore increase the cost reflectivity of the remaining locational charge (subject to the inclusion of the AGIC as above). **Relevant Objective (c):** A positive impact as ESO has been directed to raise the modification.
2	Do you support the proposed	We are not supportive of an April 2021 implementation of the TDR reform due to the insufficient time it provides for suppliers and

	implementation approach?	customers to understand and prepare for the impact of the change and due to the negative impact on investor confidence. We do recognise, however, that Ofgem have directed an April 2021 implementation and that the ESO is compelled to deliver to these timescales.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes, to include the AGIC in the locational rates and to ensure that the treatment of unmetered supplies is consistent with the TCR decision.
Specific CMP332 Workgroup Consultation questions		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.	CMP332, as currently proposed, does not treat unmetered supplies in a manner consistent with the TCR Decision or Direction. The Decision requires "distinct" arrangements for unmetered supplies, with residual charges allocated to unmetered customers separately based on net consumption. The relevant DCUSA modifications are following this approach. However, the original CMP332 proposal currently treats unmetered supplies as any other "site" without a MIC and proposes a fixed charge approach. This is inconsistent with the TCR Decision and also fails to ensure that a consistent approach is taken to issues or matters common to both the CUSC and DCUSA directions (as is required by paragraph 38 of the Direction).
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what do you suggest instead, and why?	Click or tap here to enter text.
7	The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original solution (for CMP332) proposes to use a standard 12 months	Click or tap here to enter text.

	period for all. What period of historical data do you think is required for setting the bands, and why?	
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?	This is a normal volume variance and should be treated no differently to volume variances today i.e. the under/over recovery should simply flow through the K Factor into the allowed revenues in a future year. There should be no retrospective rebates/recovery as this would have a significant negative impact on customers and on competition.
9	Should we use Measurement Classes rather than "No MIC" or "MIC" to determine initial grouping for the charging bands at low voltage, and why?	Measurement class is a transparent industry data item and would be preferable.
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	As stated above – UMS must be treated distinctly and charged on a volumetric basis if the solution is to be compatible with the TCR Decision.
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	The locational tariffs should include AGIC to avoid creating a new distortion between front of meter generation and behind the meter generation or demand response. This would create charges for demand which exactly mirror the credits for front of meter generation, creating a level playing field. This is consistent with the approach adopted by Frontier Economics in its Impact Assessment provided as part of the TCR decision. It would also have the impact of recovering an additional £172m in a cost reflective manner from the locational tariffs, which reduces the impact of the flooring at zero in absolute terms and also in terms of the number of zones affected (reducing to 5 from 8).