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
Respondent name:	Chris Barker
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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?	Yes, at this stage we believe that the CMP332 Original Proposal better facilitates the Applicable CUSC Objectives, although significant details need to be further developed by the workgroup.
2	Do you support the proposed implementation approach?	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.
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.	The mapping table comprehensively covers the requirements of the TCR.
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?	We agree there is only need for one 'Transmission Band' for the demand residual.
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)	12 months of data is adequate. This represents a significant sample of data on a nationwide basis and reflects the availability of data. Using the DNO forecasts included in their charging models seems to be a pragmatic approach and should be explored further by the workgroup.

	proposes to use a standard 12 months 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?	Any under or over recovery should be recovered or repaid as appropriate in a future charging year, under the same mechanism (i.e. as an adjustment to the residual amount), with adjustments for the time value of money and prices. Adjusting charges through other mechanisms would introduce distortions that could influence customer behaviour.
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?	The issue identified relating to sites migrating to HH settlement will only impact a small number of sites, as there are only a small number of sites remaining as NHH metered that would eligible to be assigned a MIC on moving to HH. Also, this issue would only be temporary, and would not exist when a MIC had been assigned to the site. On this basis, we believe the No MIC/MIC classification should be used.
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	UMS should be charged separately as per the intended DNO charging solution. The DNO solution reflects the fact that UMS cannot be charged on a per site basis.
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?	Solutions to allocating residual charges should not require changes to the methodology used to calculate the locational/forward-looking element of charges. Under the existing methodology demand locational signals are fully included in the costs paid by customers, albeit added to a much larger residual charge. Demand locational charges should not be negative if they do not reflect cost savings for the network operator. If locational forward-looking charges are not reflective of costs/savings then the methodology used to calculate them is flawed and should be corrected via a separate change, with a similar time scale to the TCR changes.

		In general, peak use of distribution networks will result in higher charges for users if they impose costs on the distribution network, on a cost reflective basis. If demand use of the transmission system saves the TNO costs then this should be reflected by a negative transmission charge, irrespective of the fact it acts in an opposite direction to distribution charges. The combination of the two charges will provide the correct overall cost signal to the customer and incentivise efficient use of the system. The example of increasing demand pushing up wholesale prices is an example of a market-based mechanism that should influence customer behaviour in an economically efficient manner. Over time, cost reflective use of system charges should provide similar signals, but they should act independently on a cost reflective basis, and not be required to reinforce or amplify cost signals of other elements of the overall cost of electricity. The residual element of charges should not distort those signals.