






Alternative Request Proposal Form		At what stage is this document in the process?
<h1>CMP334:</h1> <h2>Transmission Demand Residual – consequential definition changes (TCR)</h2>	<div>01</div> <div>Proposed Alternative</div> <div>02</div> <div>Proposed Workgroup Alternative</div>	
<p>Purpose of Alternative: To further define Final Demand Site to ensure specific market participants (Intermediate Demands) that exist solely to provide Reactive Power to the Transmission or Distribution Network do not pay Residual TNUoS charges. This will remove the contradiction to Ofgem's aim within the TCR to, '<i>reduce harmful distortions which impact competition and the efficiency of the electricity market</i>', the current definition creates for certain Ancillary Services / Intermediate Demands.</p>		
<p>Date submitted to Code Administrator: 7 May 2020</p> <p>You are: A Workgroup Member</p> <p>Workgroup vote outcome: Formal alternative</p>		

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1 Alternative proposed solution for workgroup review

The definition of **Final Demand Site** and associated Definitions should be modified as shown in **Red** below:

Final Demand Site “Shall mean;

1. For **Users** with a **Bilateral Connection Agreement**, a **Single Site** which has associated **Final Demand**, except **Single Sites** which are for;
 - a. **Users** who own or operate a **Distribution System**, or
 - b. **Interconnector Users**, or
 - c. the purposes of operating an **Eligible Facility** with a valid **Certification**,
or
 - d. the purposes of operating an **Eligible Reactive Power Service Facility** with a valid **Reactive Power Service Facility Certification**

2. For **Users** with a **Bilateral Embedded Generation Agreement**, as defined as 'Final Demand Site' in the **DCUSA** except **Single Sites** which are for the purposes of operating an **Eligible Facility** with a valid **Certification**
3. For all other parties, as defined as 'Final Demand Site' in the **DCUSA**"

Term	Definition
Reactive Power Service Facility Certification	Shall mean a statement to be submitted by the Registrant of the relevant Metering System , which is signed by one of the Eligible Reactive Power Service Facility's registered Directors that confirms the specific Facility will only perform activities necessary for provision of Reactive Power as a Commercial Ancillary Service and is submitted to The Company . The validity of a Certification is determined by The Company .
Eligible Reactive Power Service Facility	Means a facility at which Commercial Ancillary Services occurs and that has a Metering System , which only measures import of electricity used for the provision of Reactive Power as a Commercial Ancillary Services (and not import for another activity), which is subject to Reactive Power Service Facility Certification .

2 Difference between this proposal and Original

Our proposal is very similar to the original proposal with an additional exclusion under the definition of **Final Demand Site**, to ensure that the proposed CUSC modification does not create a '*harmful distortions which impact competition and the efficiency of the electricity market*' for intermediate demands that exist purely for the provision of reactive power services.

3 Justification for alternative proposal against CUSC Objectives

Mandatory for the Alternative Proposer to complete.

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Same as original CMP334 proposal
(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;	Positive – will remove the anti-competitive distortion in the Reactive Power service market that the original CMP334 proposal created.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Same as original CMP334 proposal
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Same as original CMP334 proposal

*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).

Positive – will remove the anti-competitive distortion in the Reactive Power Service Market that the original CMP334 proposal created on some intermediate demands. This concern was recently highlighted by NGESO in a tender update to all participants as part of the Mersey pathfinder Long Term tender on the 24th March 2020:

“[NGESO] acknowledge that this creates a challenge for [Intermediate Demand] connections to fairly compete in the pathfinder tender. The ESO believes that it may be appropriate that [Intermediate Demand] connections do not fall under the final demand category, but treated as intermediate demand consuming energy exclusively to export/provide a service to the transmission network. We are reviewing this situation, subject to industry change processes and timescales. It will be important for the TCR principles to be used in an assessment of costs to consumers and to ensure that there is a removal of distortions between market participants.”

4 Impacts and Other Considerations

The impacts on industry codes, processes and systems are the same as the original CMP334 proposal.

Consumer Impacts

The proposed change to the Original proposal will remove the distortion the Original proposal creates in the Reactive Power service market and therefore will lower costs to consumers.

The impacts of this proposed change from the Original proposal are:

High (positive) for Reactive Power service providers (who are not generation or storage operators).

Low for all other users.

5 Implementation

We do not propose any changes to the implementation timescales and do not believe the proposed revised text will impact the implementation process of this CMP.

6 Legal Text

The definition of **Final Demand Site** and associated Definitions should be modified as shown in **Red** below:

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 - c. the purposes of operating an **Eligible Facility** with a valid **Certification**,
or
 - d. the purposes of operating an **Eligible Reactive Power Service Facility** with a valid **Reactive Power Service Facility Certification**
2. For **Users** with a **Bilateral Embedded Generation Agreement**, as defined as ‘Final Demand Site’ in the **DCUSA** except **Single Sites** which are for the purposes of operating an **Eligible Facility** with a valid **Certification**
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	Commercial Ancillary Service and is submitted to The Company . The validity of a Certification is determined by The Company .
Eligible Reactive Power Service Facility	Means a facility at which Commercial Ancillary Services occurs and that has a Metering System , which only measures import of electricity used for the provision of Reactive Power as a Commercial Ancillary Services (and not import for another activity), which is subject to Reactive Power Service Facility Certification .