

<b>Alternative Request Proposal Form</b>	At what stage is this document in the process?
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# CMP317/327:

‘Identification and exclusion of Assets Required for Connection when setting Generator Transmission Network Use of System (TNUoS) charges’ and ‘Removing the Generator Residual from TNUoS Charges (TCR)’

01	Proposed Alternative
02	Proposed Workgroup Alternative

**Purpose of Alternative:**

The definition of assets required for connection is  
as the Original, all local circuits and local substations.

Amount to be targeted.

€0.25/MWh.

Error Margin

No error margin is required.

The current function of the error margin is to deal with variances from the forecasts, used for setting tariffs, to the outturn of the exchange rate and the total MWh generated, given the target is set at the top of the limiting range in the existing calculation. These risks are not present when targeting lower €/MWh values.

Phased Implementation

No, as Original.

BSC Costs

Yes

Congestion Costs

Yes

Two Step Ex Ante Adjustment

Yes

**Date submitted to Code Administrator: 31/3/2020**

**You are: A Workgroup member**

**Workgroup vote outcome: WACM66**

*(Should your potential alternative become a formal alternative it will be allocated a reference)*

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## 1 Alternative proposed solution for workgroup review

The definition of assets required for connection is

as the Original, all local circuits and local substations.

Amount to be targeted is

€0.25/MWh.

Workgroup meetings included discussions as to whether it was possible for average charges for TG to outturn below €0/MWh on average if zero were the value used to set the tariffs ex ante. Whilst theoretical examples were raised, in practice no practical example was brought forward in evidence, and if it ever did occur in practice, the CUSC contains a reconciliation mechanism to correct charges ex post.

Notwithstanding, this alternative proposes a value that effectively sets a fixed error margin above €0/MWh when setting tariffs, providing a buffer to cover for a hypothetical case that the Workgroup could not identify where tariffs would otherwise be structurally set ex ante in non-compliance with the range in the Limiting Regulation. The value was proposed as the average of the alternatives (2) and (4).

The arguments justifying this alternative include those of option (2), noting that (i) a non-zero average value exposes the charges to exchange rate risk and volume risk but that these will change the magnitude of the charge, not its sign, so these cannot send a positive charge negative, (ii) the transition step in average charges faced by TG is greater and (iii) the long term competitive position of TG compared with European generation is not as favourable.

Error Margin

No.

Phased Implementation

No, as Original.

BSC Costs

Yes. In accordance with Ofgem's decision on P396, those BSC/Elexon costs which are considered to be network charges that are paid by generators shall be included for the purposes of calculating the annual average transmission charges paid by generators in GB in accordance with the limiting regulation.

'We consider the Main Funding Share and SVA (Production) Funding Share charges recovered via BSC Charges to be network access charges for the purposes of the Electricity Regulation.' ([Ofgem Decision Letter on P396](#)).

Congestion Costs

Yes. As set out in paragraphs 3.1-3.3 of Annex X 'insert title & date', BSUoS costs that are charged to generators, excluding ancillary services, shall be included for the purposes of calculating the annual average transmission charges paid by generators in GB in accordance with the limiting regulation.

Ancillary services are defined in Regulation 2019/944 - Article 2: Definitions (48).

'Ancillary Service' means a service necessary for the operation of a transmission or

distribution system, including balancing and non-frequency ancillary services, but not including congestion management. Note that this definition specifically excludes “congestion management”.

#### Two Step Ex Ante Adjustment

##### Two step Ex-ante adjustment

Yes.

- Take BSC/BSUoS costs into account on an ex ante basis
- Target €value for TNUoS(0/0.25/0.5/1.25)
  - Then take into account other relevant costs (BSC/BSUoS)
  - If average charges then breach range (€0-2.5), make an ex-ante adjustment

## 2 Difference between this proposal and Original

Definition of assets required for connection.

As Original, all local circuits and local substations.

Amount to be targeted.

€0.25/MWh.

A £/kW compliance adjustment is applied to bring the average forecast revenue to €0.25/MWh across all TG in the same manner as the Transmission Generation Residual is now. Reconciliation, through the method proposed in the Original, will only be needed if the actual collected revenue breaches either end of the prescribed range, it being self-evident that breach of the lower end of the range is more likely.

Error Margin

No error margin is required.

The current function of the error margin is to deal with variances from the forecasts, used for setting tariffs, to the outturn of the exchange rate and the total MWh generated, given the target is set at the top of the limiting range in the existing calculation. These risks are not present when targeting lower €/MWh values.

Phased Implementation

No, as Original.

BSC Costs

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Two step Ex-ante adjustment

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### 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. 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;	Positive. It fulfils the SCR TCR direction from the Authority to remove the TGR whilst remaining compliant with the Limiting Regulation.
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);	neutral
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'	Positive. It fulfils the SCR TCR direction from the Authority to remove the TGR whilst remaining compliant with the Limiting Regulation.

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	Positive. It fulfils the SCR TCR direction from the Authority to remove the TGR whilst remaining compliant with the Limiting Regulation.
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	neutral
*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).	

The Authority has directed CMP327 to be raised and implemented to enact their SCR TCR Decision in conjunction with CMP317.

## 4 Impacts and Other Considerations

This proposed alternative will impact the same parties, systems and processes as the original. Generators that pay TNUoS will be highly impacted, although less materially than the original solution.

### Consumer Impacts

Consumer TNUoS values may be affected as where Generator TNUoS increases/decreases there is a commensurate decrease/increase in Demand TNUoS. This impact is likely to be less than the original.

## 5 Implementation

As the Original, this modification needs to be implemented by April 2021 to allow ESO to comply with the Direction letter published by The Authority on the 21<sup>st</sup> November 2019.

## 6 Legal Text

To be drafted by the workgroup and ESO.