

CUSC Workgroup Consultation Response Proforma

CMP317:

Identification and exclusion of Assets Required for Connection when setting Generator Transmission Network Use of System (TNUoS) charges

and:

CMP327:

Removing the Generator Residual from TNUoS Charges (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 by **5pm** on **12 March 2020** to cusc.team@nationalgrideso.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

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| Respondent: | <i>Kirsty Ingham (Kirsty.ingham@esb.ie)</i> <i>Kamila Nugumanova (kamila.nugumanova@esb.ie)</i> |
| Company Name: | <i>ESB GT</i> |
| Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries) | <p>We acknowledge the detailed and thorough work the WG has done in a short period of time. We are nevertheless concerned that that the WG consultation and discussion are based on very limited sources of reference, predominantly referring to the CMA and GEMA decision on CMP261. While we understand that there is a lack of definitive interpretation available at legislative level, and CMP 261 conclusions is the only direction given by Ofgem, we do not agree that this is the only optimal baseline or point of reference for these modifications. CMP261 decision has been taken with a view to respond to potential GB specific charging errors with no intention to change the rules. CMP317 has more far-reaching implications and clear cross-border competition impacts. Furthermore, we believe that there are certain aspects of Ofgem's decision on CMP261 that need to be updated as a result of the Net Zero policy commitment and wider decarbonisation policy targets. It will be useful to reflect whether this decision is still a valid baseline to be used for interpretation of the Limiting Regulation and explore other routes that may provide direction on this.</p> <p>With regards to the consultation document itself, we consider it to be very complex to read. We acknowledge the complexity of the issues discussed, however, we believe that some elements of the proposals or analysis behind them could have been explained better. We are concerned that the complexity of the report may preclude wider</p> |

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| | stakeholder engagement, as parties who have not been close to the development of the mod may not be able to assess all options and respond efficiently. |
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Standard Workgroup Consultation questions

| Q | Question | Response |
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| 1 | <i>Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?</i> | <p>We do not believe that the original proposal or any of its variations better facilitate any of the CUSC relevant objectives. We believe that the Limiting Regulation, which is the main reason for this modification, refers to G-charges as a collective term that includes a range of charges which are currently levied on generators in Europe. These charges include UoS charges, initial connection charges, charges for Tx losses and ancillary services. Following a number of studies and analysis work, the European Commission concluded that only UoS charges can be harmonised within the range provided, therefore the remaining elements are excluded from the calculation of tariff ranges set out in Regulation 838/2010.</p> <p>We, therefore, believe that no changes to CUSC are required to meet compliance with the EU regulation and no O&M charges for local circuit and local substations (or any other costs of providing Tx infrastructure) should be excluded from the calculation of compliance with the € 0-2.50 range for TNUoS charges. We provide reasoning for our interpretation in response to Q5 below. This does not preclude implementation of the TCR Directions since the residual can still be set to 'zero'. However, we expect the adjustment to be based on a more accurate and efficient solution as the amount adjusted would have a higher value.</p> <p>For the reasons outlined above, unless the WG presents a more justifiable, transparent and distinct interpretation of the Limiting Regulation, which demonstrates that the costs of maintaining connection assets should be excluded from the UoS charges, we do not see a valid rationale for these changes. We are also concerned that this may constitute a non-compliance with the Regulation which would set GB generators in a less competitive position vis-à-vis other EU generators.</p> <p><i>For reference the applicable CUSC objectives are:</i></p> <p>a) <i>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;</i></p> <p>b) <i>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</i></p> |

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| | | <p>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);</p> <p>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;</p> <p>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</p> <p>e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*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).</p> |
| 2 | Do you support the proposed implementation approach? | <p><u>Implementation date</u></p> <p>While we acknowledge that 1 April 2021 is the target implementation date required by the TCR Direction, we do not believe it is practical or efficient to implement such significant reform within this timeline. Given the far-reaching impacts and clear cross-border implications of the changes, appropriate depth of analysis and consideration of wider issues needs to be taken into account prior to full implementation of the new charging regime. We also note that the "Proposer's intention is for a minimal change and appropriate notice and/or staggered implementation approach of these changes to be given to all Parties allowing consideration of these costs within Users' businesses". We are not convinced that the proposed implementation date and modification timelines meets this objective.</p> <p>If the decision is made to continue with the Apr 2021 implementation date, we would support a phased implementation approach similar to CMP264/265.</p> <p><u>Impact assessment</u></p> <p>We are also concerned about the baseline used in the analysis becoming invalid as it changes and evolves as a result of concurrent reforms and modifications, such as CMP324/325, AFLC SCR and RIIO-2 decisions. The IA carried out as part of this mod development may therefore become irrelevant by the time of implementation of the mod.</p> <p><u>Transparency, stability and predictability of charges</u></p> |

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| | | <p>More importantly we are concerned about the lack of clear direction on interpretation of legislative EU instruments and regulations. Since there are no defined and clear terms, most of the terminology and rules are interpreted by the WG and the proposer. We do not believe this provides sufficient transparency of the process and necessary stakeholder engagement. We note ACER guidance which marks sufficient transparency regarding tariff setting being of utmost importance and highlights that effective involvement of stakeholders and proper public consultations need to support well-informed regulatory decisions.</p> <p>ACER guidance also refers to stability and predictability being among key objectives to be pursued when setting transmission tariffs. However, given the number of concurrent changes and consequential decisions, we believe the baseline forecast of impacts of the CMP 317/327 modification will be constantly changing throughout the year, leading to inability of users to have any certainty of tariff changes until late in 2020. Therefore, implementation in Apr 2021 would not allow sufficient time for parties to assess the scale of changes and to incorporate them into their commercial decisions.</p> |
| 3 | Do you have any other comments? | <p>Below we highlight shortfalls and concerns with specific elements of the proposals:</p> <p><u>Interpretation of the Limiting Regulation</u></p> <p>We are concerned that there is still ambiguity in interpretation of EU Regulation 838/2010 and lack of direction from Ofgem on whether interpretations considered by the WG will be deemed compliant. As a result, the WG report presented for consultation draws on a range of possible options that vary significantly in their legislative presumptions as well as monetised and non-monetised implications. Due to this lack of systematic and consistent interpretation of relevant regulations and definitions, it is difficult to conclude whether the proposed change is the optimal solution to better facilitating the applicable CUSC objectives and whether the presumptions developed by the group have sufficient justification.</p> <p><u>Scope of the mods is wider than the SCR and should be given due consideration</u></p> <p>Furthermore, while we support the amalgamation of the two modifications and believe that there are critical dependencies and cross-references between these proposals, we are concerned that the amalgamated solution will be developed and assessed within standard SCR modification timelines (6 months from initiation to approval). These timelines may not be sufficient for giving full consideration to cross-border implications. Specifically,</p> |

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| | | <p>it is our view that CMP317 may lead to broader strategic and indirect impacts on the competitiveness of GB generators in the context of participation in the GB Capacity Market, project TERRE and potential future Direct Foreign participation in capacity mechanisms of neighbouring markets.</p> <p><u>EU comparison</u></p> <p>We note that some WG members suggested that a comparison with other EU states should be made. Yet, this has been dismissed due to the wide differences in countries' transmission charging regimes. We consider it to be of utmost importance to examine how other MSs have interpreted the Limiting Regulation. It is evident from EU Commission discussions and studies preceding the Limiting Regulation that the rationale for introducing harmonisation of G-tariffs was better facilitation of the IEM and introduction of comparable, level-playing field tariffs across all MSs. Regulation 714/2009 for example states that: "<i>A certain degree of harmonisation is therefore necessary in order to avoid distortions of trade</i>". CEPA's study 'Scoping towards potential harmonisation of electricity transmission tariff structures' for ACER has also established that in setting Tx tariff structures, NRAs should also consider impacts on the integrity and objectives of the IEM. Hence, we believe it is critical to perform comparable analysis of other MSs in order to check consistency of interpretation of the Regulation, taking into account the overall goal of levelling the playing field across EU states.</p> <p>As a minimum, the comparison needs to establish the following:</p> <ul style="list-style-type: none"> - MSs interpretation and adoption of the Limiting Regulation - Treatment of RES connections and their integration into national Tx systems |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No |

Specific CMP317/327 questions

| Q | Question | Response |
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| 5 | <p><u>Definition of physical assets required for connection to the system</u></p> <p>a) Do you agree with the three options identified in Section 4,</p> | <p>Q 5a) To reinforce our message in Q1 above, on the balance of evidence we do not believe that change is required to CUSC/TNUoS to comply with the Regulation and that there are no grounds for "excluded charges" in the current GB charging context.</p> |

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| | <p>Paragraphs 2.1-2.4? If so, which do you prefer, and why?</p> <p>b) Is there another option you think should be considered, and why? Please provide evidence if possible.</p> | <p>If a clear and justifiable direction from the Authority is given to indicate that exclusion connection does apply to O&M charges for assets installed for connection, we would only support option 2 or option 3 with a variation that only local circuit costs will be included.</p> <p>We disagree with the first option identified and believe it is too broad and over-prescriptive. The proposer indicates that this is the simplest approach to the required interpretation. However, adopting a solution simply due to convenience is not in line with good regulatory principles and proper assessment should be given to all elements of the proposal and related legislative reference given the material impacts of the potential change as well as wider compliance considerations. We also consider this solution to be inconsistent with the power-based Transmission tariff system, shallow connection charging used in GB and the zonal approach used in the UK for treatment of offshore assets and OFTO regime.</p> <p>Overall, we do not agree with the premise and interpretations used in the WG approach and therefore do not consider any of the options to be fully reflective of the actual compliance requirement.</p> <p>Our interpretation of the Limiting Regulation, and specifically excluded connection assets, is as follows:</p> <p><u>Interpretation of the Limiting Regulation</u></p> <p><u>The Limiting Regulation excludes only initial connection charges from the calculation of compliance with the set range - No changes to TNUoS are required</u></p> <p>Connection exclusion should only apply to charges for the initial connection of a single generator to the nearest point of connection on the national transmission system. The Limiting Regulation refers to Transmission charges as a collective term for all charges that a generator in any MS would have to pay to be able to access and use the system. It also recognises that the connection charging regime is different in all MSs and, therefore, aims to harmonise <u>only</u> the on-going charge that generators would pay for each unit of power injected into the grid. Therefore, only one-off initial connection charges are excluded from harmonisation, and O&M charges should not be included in the interpretation, contrary to the GEMA and CMA interpretation provided in the CMP261 appeal.</p> <p><u>If O&M related charges for connection assets were to be included, they should only entail local circuit charges</u></p> <p>If, however, we were to use the aforementioned GEMA and CMA interpretation, it is still clear that the definition of 'excluded charges' should only include charges for circuits, lines and equipment installed for the purpose of</p> |
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connecting a generator to the connection boundary and are **for the sole use** of that generator. Therefore, the following would apply:

- All shared assets, including substation assets do not fall under the exclusion definition. When discussing relevant connection exclusions, EU Regulations clearly refer to sole use by a generator. Therefore, any **shared assets or assets that have a capability of being shared** cannot be excluded from the calculation of tariffs under the Limiting Regulation.
- Once the generator is connected, any assets that have been used for connection beyond the connection boundary are integrated into the National Transmission System and become part of the wider infrastructure or pre-existing network. Thus, **'pre-existing' cannot be a static term and refers to an integrated transmission system that expands dynamically with addition of new points of connection.** The ESO becomes responsible for their O&M and can recover the costs through UoS charges, specifically under power-based tariffs.
- Offshore substation costs should not be included in the definition of 'excluded charges'. Once necessary assets are built for the purpose of extension or reinforcement of the network (even when this is done to facilitate a connection of an individual generator) they are integrated into the main infrastructure and costs are socialised under network charging as per the shallow approach to connection charging, power-based approach to network charging and specific UK OFTO regime.

Q 5b) In line with the above, we would encourage the WG to pursue an alternative interpretation to the one referenced in the CMA/GEMA decision on CMP261. Explicitly, we believe that the connection exclusion of the Limiting Regulation only applies to initial connection charges which are paid separately to TNUoS, therefore, no elements of TNUoS generator charges should be excluded from calculating compliance with the Limiting Regulation, i.e. the €0-2.50/ MWh range.

In line with the above, it is our view that current TNUoS tariff elements are all consistent with the objectives and desired structure expressed by the EU Commission:

Power-based tariffs can include all infrastructure costs (including maintenance of shared assets)

As per the Project Transmit description, (TNUoS) charges are applied in GB to recover the costs associated with the provision and maintenance of (potentially) shared electricity transmission infrastructure assets. This in itself implies that shared asset costs are socialised under UoS charges and cannot be treated as connection charges.

Locational element reflects the zonal average long-run forward-looking costs of access to the grid

The locational element of TNUoS is an indicator of an average forward-looking cost of connecting an incremental MW of generation which is what the relevant EU Regulations are trying to achieve as a comparable and harmonised baseline. The Project Transmit Call for Evidence also notes that locational elements of TNUoS cover “*all investments in “locational” assets such as lines and cables (historic or new) which provide grid access*”. It also states that “*In the case of generators, the locational element of transmission charges reflects the zonal average long-run forward-looking costs of connecting an incremental megawatt (MW) of generation at a given point on the transmission network.*”

Locational elements of TNUoS provide a highly desirable locational signal

The locational element also sends clear locational signals that are highly desirable from the EU Commission recommendation as per the following: Article 14 of Regulation 714/2009 states that: “*Charges applied by network operators for access to networks shall be transparent, take into account the need for network security and reflect actual costs incurred insofar as they correspond to those of an efficient and structurally comparable network operator and are applied in a non-discriminatory manner. Those charges shall not be distance-related.*”

The Regulation also states that: “*Where appropriate, the level of the tariffs applied to producers and/or consumers shall provide locational signals at Community level, and take into account the amount of network losses and congestion caused, and investment costs for infrastructure.*”

[References and evidence from relevant EU legislative and policy-making discussions](#)

Below we provide our justification for the above interpretation with references to EU legislation and the

background to the development of EU Regulations 838/2010.

One-off initial connection charge only

1. Connection exclusion should only apply to charges for **the initial connection of a single generator to the nearest point of connection** on a national transmission system. The rationale for harmonising transmission tariffs at an EU level was around level playing field and new generators being able to connect in any MS on comparable terms. The legislation therefore focused on the marginal cost of connection to a national transmission system and overall access to the system by individual generators. EU regulations do not specify that the Limiting Regulation applies to Use of System charges, instead, it refers to Transmission Charges as a collective term for UoS, initial connection charges and other charges that a generator may face to access the grid. Hence, it is appropriate to interpret the Limiting Regulation to exclude connection charges from harmonisation of tariffs, i.e. only these charges fall under the Limiting Regulation.

a) In 2005, ERGEG, following request for advice from the European Commission, has developed and further refined a draft of "Guidelines on Transmission Tarification". In the discussion paper exploring issues that need to be addressed by the harmonization process, ERGEG refers to connection charges (excluded charges) as the initial connection to the grid by saying '*Generators and consumers may also be required to pay a **one-off charge for their initial connection to the grid usually called "connection charge"**. Charges related to losses, congestion and other ancillary services are also an important feature. These charges are not, however, considered to be part of the G charge for the purpose of these Guidelines.*' It goes on to say: "*Annual average G shall **exclude any charges paid by generators for physical assets required for the generators connection to the system** (or the upgrade of the connection) as well as any charges paid by generators related to ancillary services or any specific network loss charges paid by generators.*"

b) In response to the consultation on "Draft Guidelines on Transmission Tarification", organisations including TSOs have provided their views that would indicate that their interpretation of the exclusion of connection costs would be in line with the above. For instance, the ETSO (Electricity Transmission System Operators) response says: "*ETSO agrees with the draft Guidelines that internal congestion costs, **any specific charges***

related to first connection, losses and ancillary services should be excluded at this stage from the “average national G” calculation. This means that not all charges to be paid by generators will be harmonized for the moment. We nevertheless consider those charges an important feature which affects payments to be made by generators and which should be considered when creating level playing field in the future.”

c) In 2008 EU Commission published an “*Impact Assessment to support Commission Regulation establishing a mechanism for the compensation of transmission system operators for the costs of hosting cross border flows of electricity and a common regulatory approach to transmission charging*”. This IA document also discussed the concept of ‘connection charges’ in the context of pricing principles for the use of electricity network infrastructure. Specifically, the report refers to connection charges as initial charges for connecting to the system: “*Both producers and consumers can affect total transmission costs through **the initial costs associated with connecting them to the network**, and through the manner in which they use the system. Consequently, charges faced by users can be both for the actual use of the system and the **costs of connecting to the system**..[...] Connection charges can be either “shallow” or “deep”. Shallow charging means only costs which are exclusively associated with the new connection.*”

2. As mentioned above, even if we were to adopt the definition used by GEMA and CMA, which interprets the limiting regulation as inclusive of O&M costs of connection assets, it is clear that pre-existing system and shared assets are part of the infrastructure and once connected are no longer for the sole use of one generator. Therefore, they should not be included in the exclusion.

Connection assets

1. In 2013, ENTSO-E has published its “Overview of transmission tariffs in Europe: Synthesis 2013”. The document discusses ‘first connection charges’ in the context of various transmission charges that generators in all MSs have to pay.

“*Appendix 6: First connection charges*” explains that: “*The connection charges types are characterized by costs that are taken into account to calculate the connection charge. For the purpose of this Overview, first connection charges are defined as:*

- *Super-shallow: All costs are socialized via the tariff, no costs charged to connecting entity.*

- *Shallow: grid users pay for the infrastructure connecting its installation to the transmission grid **(line/cable and other necessary equipment)***
- *Deep: shallow + all other reinforcements/extensions in existing network, required in the transmission grid to enable the grid user to be connected.”*

The report also provides summaries of each MS's charging regimes:

“Great Britain

*The categorization of Super Shallow / Shallow means that connection charges **relate only to the costs of assets installed solely for, and only capable of use by, an individual user.** All other assets are assumed to be shared and their costs are included in the wider locational transmission tariff. These connection charges apply predominately for connecting distribution networks to the transmission grid but also apply to directly connected generation and demand and to interconnector connections.”*

Based on the above, we believe that since GB uses ‘shallow’ charging approach, ‘connection charges’ should only mean charges for the lines, cables and other necessary equipment (up to the connection boundary defined in CUSC 14.2.6). Any shared connection assets and assets that have been transferred into the infrastructure cannot be treated as ‘excluded’ assets.

Examples from other MSs, noted in the report, also show that connection assets are those installations between the user and the nearest substation, unless specifically outlined that connection users pay for their substations (e.g. in Germany).

Pre-existing system:

1. The 2008 EU Commission’s *“Impact Assessment to support the Commission Regulation establishing a mechanism for the compensation of transmission system operators for the costs of hosting cross border flows of electricity and a common regulatory approach to transmission charging”* discussed the concept of ‘network infrastructure costs’ with a focus on existing infrastructure and how it should be included in the charging regime. The following statement explains the notion of existing assets:

*“While connection charges can contribute to the efficient management and development of the network, **at some point a prior investment in system capacity must have taken place.** This connection cannot be covered by deep charges (or else there would be no network to connect to). Thus even with even with [sic]*

a system of connection charging in place, the high capital costs of network provision will still need to be recovered. Most of this will be cost related to prior investment in system capacity.” This can be interpreted to mean that these assets (including substations) would have been integrated into the National Transmission System and are counted as general infrastructure costs and NOT assets required to maintain a specific connection.

2. With regards to specific offshore substation charges, we believe that they count as extension of the national transmission system. In this relation, the role of offshore generation has to be considered in the context of social and economic benefits and wider policy targets, specifically Net Zero. With that in mind, we find the following extract from the “European Commission guidance for the design of renewables support schemes” useful in exploring treatment of and challenges with integration of remote, offshore connections into the national system.

The paper also implies that shared infrastructure costs should not be recovered from a marginal connection cost:

*“As with other aspects of the electricity system, national practices regarding the financing of new, as well as existing infrastructure differ considerably and have evolved as markets are “unbundled”. New entrants (often renewable energy producers), have to bear widely varying connection costs depending on the national regime. Imposing these costs on new producers causing the need for new grid construction risks reducing **incentives to locate production where the resource is optimal (“wind where the wind blows”, “sun where the sun shines”)**. It also risks imposing the costs of **creating a socially optimal infrastructure on the marginal producer** (in the same way that the costs of interconnectors should not be borne by individual users or indeed, single Member States).”*

Therefore, while we agree with Ofgem’s CMP261 conclusion that without offshore substation and circuit assets individual offshore generators would not be able to connect, we view these assets as required for extension of national transmission and, thus, not attributable to specific offshore generators, apart from the circuit that connects the generator to the nearest point of connection (offshore substation) to the grid. As mentioned previously, once these assets are built they are transferred to OFTO ownership and become chargeable under TNUoS. Overall, the maximum responsibility for the connection cost should be the local offshore circuit and local offshore substation only when it is designed for bespoke and single use by that

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| | | generator and has no capability of being shared in the future. |
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| 6 | <p><u>Amount targeted (G average)</u></p> <p>a) Do you agree with the four options highlighted in section 4, paragraph 3 for where in the range set out by the Limiting Regulation should be targeted? If so, which do you prefer and why?</p> <p>b) Is there another option you think should be considered, and why? Please provide evidence if possible.</p> | <p>We do not oppose the introduction of a target amount, however, we believe it will be difficult to justify and will have to go through a formal consultation with ACER.</p> <p>The European Commission recommends that energy-based charges do not include infrastructure costs and reflect only the marginal costs of energy produced and/or injected into the grid (€/MWh). Therefore, it recommends that these tariffs are targeted at €0/MWh to avoid distortion for cross-border competition and trade.</p> <p>Since power-based tariffs (used in GB and Ireland) have no restrictions on including infrastructure costs they do not have a target amount. ACER's 'Scoping towards potential harmonisation of electricity transmission tariff structures Conclusions and next steps' notes that '<i>The Agency also concluded that different levels of power-based or lump-sum G-charges can be used and that it is not necessary to propose restrictions on such charges as long as they reflect the costs of providing transmission infrastructure services to generators, are properly justified and set in an appropriate and harmonised way</i>'.</p> |
| 7 | <p><u>Error Margin</u></p> <p>a) Do you agree with the two options highlighted in section 4, paragraph 4 in regards to the inclusion of an error margin?</p> <p>b) Is there another way to calculate the methodology for an Error margin? Please provide evidence if possible.</p> | <p>a) We agree with the two options identified in the WG consultation. It is our view that should the current methodology with the €0-2.50/MWh range remain in place, an error margin should continue to be included in the calculation</p> <p>b) No</p> |
| 8 | <p><u>Implementation</u></p> <p>The workgroup has identified a phased implementation approach may be preferable. Do you agree with this position or not, and if so, why? Please provide evidence if possible.</p> | <p>Yes, we agree with a phased implementation approach. Setting TGR to zero will have major financial implications for all users. It is important to give users sufficient time and predictability of tariffs in order for them to incorporate the updates into their commercial frameworks and contracts. Also, as envisaged by the TCR SCR, this will give enough time for impacted users to incorporate the difference in their CM and CfD pricing.</p> |
| 9 | <p><u>Modules</u></p> <p>The workgroup have identified a number of permutations in Section 4, Paragraph 8 that could work as possible alternative solutions.</p> | <p>a) No. However, as stated in our response to Q 6, we would only expect a target rate of 'zero' in energy-based tariffs, i.e. where no infrastructure costs are recovered through TNUoS.</p> <p>b) No</p> |

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| | <p>a) Do you think any of the modular combinations are incompatible?</p> <p>b) Is there an additional module combination that you think should be considered? If so, please provide justification.</p> | |
| 10 | <p>In section 4 paragraph 2.2.6 and 2.5.3, the workgroup has identified its proposed approaches to island links. Do you agree or disagree with any of these suggested approaches? Please provide justification.</p> | <p>We agree that excluding the charges for local circuits and substations in respect of island links would not be compliant with the Limiting Regulation if the interpretation of the Regulation put forward by the proposer was applied. As per our response to Q 5, shared assets are considered to be part of the wider infrastructure and are socialised via UoS tariffs. Connection exclusion only applies to assets solely used by a single generator.</p> |
| 11 | <p>In section 4 paragraph 6, the workgroup has identified its consideration of the Reference Node.</p> <p>a) Do you have any evidence that would support solutions which include the Reference Node?</p> <p>b) Do you have any views on the Workgroup progressing this work alongside the Access and Forward Looking Charges SCR?</p> | <p>We agree that it is important to consider the reference node as a potential resolution to the adjustment required once the residual is set to 'zero'. We believe that if an option presents a potential to be an effective solution, it must be given due consideration and analysis. This is in line with good regulatory principles and effective code modification developments.</p> |