

Workgroup Vote – Stage 2

CMP317 and CMP327: Workgroup Vote

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

The Applicable CUSC Objectives (Charging) 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).

Workgroup Vote

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

Y = Yes, N = No, (-) = Neutral

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Vicary – EDF						
Original	N	-	-	N	-	N
WACM 1	N	-	-	N	-	N
WACM 2	N	-	-	N	-	N
WACM 3	N	-	-	N	-	N
WACM 4	N	-	-	N	-	N
WACM 5	N	-	-	N	-	N
WACM 6	N	-	-	N	-	N
WACM 7	Y	-	-	Y	-	Y
WACM 8	Y	-	-	Y	-	Y
WACM 9	Y	-	-	Y	-	Y
WACM 10	Y	-	-	Y	-	Y
WACM 11	Y	-	-	Y	-	Y
WACM 12	Y	-	-	Y	-	Y
WACM 13	Y	-	-	Y	-	Y
WACM 14	Y	-	-	Y	-	Y
WACM 15	Y	-	-	Y	-	Y
WACM 16	Y	-	-	Y	-	Y
WACM 17	Y	-	-	Y	-	Y
WACM 18	Y	-	-	Y	-	Y
WACM 19	Y	-	-	Y	-	Y
WACM 20	Y	-	-	Y	-	Y
WACM 21	N	-	-	N	-	N
WACM 22	N	-	-	N	-	N
WACM 23	N	-	-	N	-	N
WACM 24	N	-	-	N	-	N
WACM 25	N	-	-	N	-	N
WACM 26	N	-	-	N	-	N
WACM 27	N	-	-	N	-	N

WACM 28	Y	-	-	Y	-	Y
WACM 29	Y	-	-	Y	-	Y
WACM 30	Y	-	-	Y	-	Y
WACM 31	Y	-	-	Y	-	Y
WACM 32	Y	-	-	Y	-	Y
WACM 33	Y	-	-	Y	-	Y
WACM 34	Y	-	-	Y	-	Y
WACM 35	Y	-	-	Y	-	Y
WACM 36	Y	-	-	Y	-	Y
WACM 37	Y	-	-	Y	-	Y
WACM 38	Y	-	-	Y	-	Y
WACM 39	Y	-	-	Y	-	Y
WACM 40	Y	-	-	Y	-	Y
WACM 41	Y	-	-	Y	-	Y
WACM 42	N	-	-	N	-	N
WACM 43	N	-	-	N	-	N
WACM 44	N	-	-	N	-	N
WACM 45	N	-	-	N	-	N
WACM 46	N	-	-	N	-	N
WACM 47	N	-	-	N	-	N
WACM 48	N	-	-	N	-	N
WACM 49	Y	-	-	Y	-	Y
WACM 50	Y	-	-	Y	-	Y
WACM 51	Y	-	-	Y	-	Y
WACM 52	Y	-	-	Y	-	Y
WACM 53	Y	-	-	Y	-	Y
WACM 54	Y	-	-	Y	-	Y
WACM 55	Y	-	-	Y	-	Y
WACM 56	Y	-	-	Y	-	Y
WACM 57	Y	-	-	Y	-	Y
WACM 58	Y	-	-	Y	-	Y
WACM 59	Y	-	-	Y	-	Y
WACM 60	Y	-	-	Y	-	Y
WACM 61	Y	-	-	Y	-	Y
WACM 62	Y	-	-	Y	-	Y
WACM 63	N	-	-	N	-	N
WACM 64	N	-	-	N	-	N
WACM 65	N	-	-	N	-	N
WACM 66	N	-	-	N	-	N
WACM 67	N	-	-	N	-	N
WACM 68	N	-	-	N	-	N
WACM 69	N	-	-	N	-	N
WACM 70	Y	-	-	Y	-	Y
WACM 71	Y	-	-	Y	-	Y
WACM 72	Y	-	-	Y	-	Y
WACM 73	Y	-	-	Y	-	Y
WACM 74	Y	-	-	Y	-	Y

WACM 75	Y	-	-	Y	-	Y
WACM 76	Y	-	-	Y	-	Y
WACM 77	Y	-	-	Y	-	Y
WACM 78	Y	-	-	Y	-	Y
WACM 79	Y	-	-	Y	-	Y
WACM 80	Y	-	-	Y	-	Y
WACM 81	Y	-	-	Y	-	Y
WACM 82	Y	-	-	Y	-	Y
WACM 83	Y	-	-	Y	-	Y

Voting Statement:

The CMP317/327 Original and alternatives that propose an ‘assets required for connection’ approach that incorrectly excludes both shared and pre-existing local assets from the Limiting Regulation compliance calculation. The arguments, with references to Ofgem decisions and the CMP261 CMA Appeal, are set out in the workgroup report and our consultation responses. Implementation of any of the options that use the approach that excludes all local circuit and all local sub-station charges from the Limiting Regulation calculation are worse than the following baseline Applicable CUSC Objectives (Charging)

- 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
- 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

Stage 2b – WACM Vote (If required)

Where one or more WACMs exist, does each WACM better facilitate the Applicable CUSC Objectives than the Original Modification Proposal?

Workgroup Member Simon Vicary – EDF	
WACM	Better than Original Yes/No
WACM 1	Yes
WACM 2	Yes
WACM 3	Yes
WACM 4	Yes
WACM 5	Yes
WACM 6	Yes
WACM 7	Yes
WACM 8	Yes
WACM 9	Yes
WACM 10	Yes
WACM 11	Yes
WACM 12	Yes

WACM 13	Yes
WACM 14	Yes
WACM 15	Yes
WACM 16	Yes
WACM 17	Yes
WACM 18	Yes
WACM 19	Yes
WACM 20	Yes
WACM 21	Yes
WACM 22	Yes
WACM 23	Yes
WACM 24	Yes
WACM 25	Yes
WACM 26	Yes
WACM 27	Yes
WACM 28	Yes
WACM 29	Yes
WACM 30	Yes
WACM 31	Yes
WACM 32	Yes
WACM 33	Yes
WACM 34	Yes
WACM 35	Yes
WACM 36	Yes
WACM 37	Yes
WACM 38	Yes
WACM 39	Yes
WACM 40	Yes
WACM 41	Yes
WACM 42	Yes
WACM 43	Yes
WACM 44	Yes
WACM 45	Yes
WACM 46	Yes
WACM 47	Yes
WACM 48	Yes
WACM 49	Yes
WACM 50	Yes
WACM 51	Yes
WACM 52	Yes
WACM 53	Yes
WACM 54	Yes
WACM 55	Yes
WACM 56	Yes

WACM 57	Yes
WACM 58	Yes
WACM 59	Yes
WACM 60	Yes
WACM 61	Yes
WACM 62	Yes
WACM 63	Yes
WACM 64	Yes
WACM 65	Yes
WACM 66	Yes
WACM 67	Yes
WACM 68	Yes
WACM 69	Yes
WACM 70	Yes
WACM 71	Yes
WACM 72	Yes
WACM 73	Yes
WACM 74	Yes
WACM 75	Yes
WACM 76	Yes
WACM 77	Yes
WACM 78	Yes
WACM 79	Yes
WACM 80	Yes
WACM 81	Yes
WACM 82	Yes
WACM 83	Yes

Stage 2c – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal), any of the WACMs)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Simon Vicary	EDF	<p>WACM83</p> <p>This is based on the following assessment.</p> <p>Definition of assets required for connection = All local circuits & local</p>	<p>It better facilitates Applicable CUSC Objectives (Charging)</p> <p>a. That compliance with the use of system charging methodology facilitates effective competition in the</p>

		<p>substations except for pre-existing assets and shared assets</p> <ul style="list-style-type: none"> The term “pre-existing system” was first used by Ofgem in its CMP261 Decision document, and was used subsequently by the CMA in its decision, at paragraph 5.94, on the Appeal of CMP261: <i>“It seems to us that ‘the system’ here must mean the system as it exists at the point that a new Generator wishes to be connected to it. Any assets that are then required by that new Generator for connection to that pre-existing system (such as Offshore GOS in the case of a new windfarm) are ones that fall within the Connection Exclusion, and such assets continue to be required by that Generator for connection to the pre-existing system even once the Generator is operational..”</i> The CMA went on to state in 5.82: <i>“The parties agreed that the</i> 	<p>generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity</p> <p>e. 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</p>
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		<p><i>interpretation of an EU instrument could not ordinarily depend on the approach taken in domestic law. We were referred to the Monsanto judgment of the CJEU, in which it was said that: The need for the uniform application of Community law and the principle of equality require that the terms of a provision of Community law which...makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an autonomous and uniform interpretation throughout the Community, which must take into account the context of that provision and the purpose of the legislation in question.” We believe this reinforces the need for the development of a robust compliant solution rather than one that just appears to be based on a simplistic</i></p>	
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		<p>overlay with the current structure of domestic regulations.</p> <ul style="list-style-type: none"> • The expected Scottish Island links are all, if constructed, to be shared, not sole use. They also are most likely to be connected so as to serve demand, not just generation, and are certainly not for the purpose of a sole connected generator. The Original appears to conflict with the approach agreed at the CMA. It is incontrovertibly the case that the cost of local circuit charges related to these island links must be included in the Limiting Regulation compliance calculation. • This leads to the correct definition of physical assets required for connection is that which includes the charges for both shared and pre-existing local assets in the Limiting Regulation compliance calculation (i.e. shared and pre-existing local assets are not 	
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		<p>part of the Connection Exclusion). This means that the charges for local circuits and substations in respect of island links, or other physical assets, used by demand, or other Generators, must fall within the scope of the amount controlled by the Limiting Regulation.</p> <p>Amount targeted = €1.25/MWh</p> <ul style="list-style-type: none"> The Limiting Regulation specifies a range of €0/MWh to €2.50MWh and Ofgem have directed the removal of the Transmission Generation Residual, whilst allowing an adjustment to remain compliant with the Limiting Regulation. This alternative solution proposes that the revenue from generation that falls into the allowed range be set at €1.25/MWh. This reduces the negative adjustment required, and so the distortion identified by Ofgem in the TCR, whilst 	
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		<p>remaining compliant and reducing material swings to generation charges, especially given that charges are likely to change in 2023 with the Reform of Access and Forward Looking Charges SCR.</p> <p>Error Margin = no</p> <ul style="list-style-type: none"> 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 because the revenue recovery is targeted to the middle of the range, minimising the risk of non-compliance is minimised, so an error margin is not needed. <p>Phasing = yes, over 2 years</p> <ul style="list-style-type: none"> Ofgem provided industry with a 	
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		<p>range of possible implementation dates and therefore it was impossible to reflect this uncertainty within commercial arrangements, specifically Capacity Market Auction bids. The proposed implementation date of 1st April 2021 was given in Ofgem’s November 2019 TCR Decision. This notice was too late for generators that had already been successful in the Capacity Market auction for the 2021/22 delivery year.</p> <ul style="list-style-type: none"> • It is appropriate to phase the implementation of this material change over 2 years, which is consistent to other material network charging reforms such as CMP264/5. Ofgem stated in their decision letter for CMP264/5 that <i>“Allowing a phased introduction of this significant change will provide time for investors and generators to adapt their despatch and business models.”</i> 	
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		<ul style="list-style-type: none"> • There is also credible evidence from respectable trade/industry commentators that clearly shows participants failed to correctly understand Ofgem’s determination to set TGR=0. This has led to underestimating the potential impact on generators. <p>BSC Costs = yes</p> <ul style="list-style-type: none"> • In accordance with Ofgem’s decision on P396, those BSC/Elexon costs which are considered to be network charges that are paid by generators should be included for the purposes of calculating the annual average transmission charges paid by generators in GB in accordance with the limiting regulation. • In their decision letter on P396 Ofgem state <i>‘We consider the Main Funding Share and SVA (Production) Funding Share charges recovered via BSC Charges to be network</i> 	
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		<p><i>access charges for the purposes of the Electricity Regulation.'</i> (Ofgem Decision Letter on P396).</p> <p>Congestion Costs = yes</p> <ul style="list-style-type: none"> 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. This is clear justification for BSUoS costs that are charged to generators, excluding ancillary services, being included for the purposes of calculating the annual average transmission charges paid by generators in GB in accordance with the limiting regulation. <p>Two Step Ex Ante Adjustment = yes</p> <ul style="list-style-type: none"> This mechanism is necessary for taking the BSC and BSUoS 	
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		Congestion Costs into account on an ex ante basis.	
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