

| Alternative Request Proposal Form | At what stage is this document in the process? |
|--|--|
| <h1 data-bbox="165 331 817 421">CMP317/327:</h1> <p data-bbox="165 461 1070 1039">‘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)’</p> | <div data-bbox="1182 309 1481 501"> <div data-bbox="1182 309 1257 389">01</div> <div data-bbox="1265 309 1481 389">Proposed Alternative</div> <div data-bbox="1182 421 1257 501">02</div> <div data-bbox="1265 421 1481 501">Proposed Workgroup Alternative</div> </div> |
| <p data-bbox="165 1144 520 1178">Purpose of Alternative:</p> <p data-bbox="150 1211 852 1245">The definition of assets required for connection is</p> <p data-bbox="197 1272 959 1305">as the Original, all local circuits and local substations.</p> <p data-bbox="150 1339 477 1373">Amount to be targeted.</p> <p data-bbox="197 1400 1018 1433">As Original, to be within the range set out in EC838/2010.</p> <p data-bbox="150 1467 328 1500">Error Margin</p> <p data-bbox="197 1527 432 1561">Yes, as Original.</p> <p data-bbox="150 1594 488 1628">Phased Implementation</p> <p data-bbox="197 1655 839 1688">Implementation is to be phased over 3 years.</p> <p data-bbox="197 1715 1501 1888">Ofgem provided industry with a 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> <p data-bbox="197 1915 1485 2101">It is appropriate to phase the implementation of this material change over 3 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>”</p> | |

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.

BSC Costs

No, As Original

Congestion Costs

Yes

Two Step Ex Ante Adjustment

No, As Original

Date submitted to Code Administrator: 31/3/2020

You are: A Workgroup member

Workgroup vote outcome: WACM43

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

| Contents | |  Any questions? |
|---|----------|---|
| 1 Alternative proposed solution for workgroup review | 3 | Contact: Code Administrator |
| 2 Difference between this proposal and Original | 3 |  email address |
| 3 Justification for alternative proposal against CUSC Objectives | 4 |  telephone |
| 4 Impacts and Other Considerations | 5 | Alternative Proposer(s): Simon Vicary |
| 5 Implementation | 5 |  simon.vicary@edfenergy.com |
| 6 Legal Text | 5 | |

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

as Original, to be within the range set out in EC838/2010.

Error Margin

Yes, as Original.

Phased Implementation

The implementation would be phased over 3 years, in a similar way to CMP264/5.

BSC Costs

No

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".

2 step Ex-ante adjustment

No

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.

As Original, to be within the range set out in EC838/2010.

Error Margin

Yes, as Original.

Phased Implementation

The implementation would be phased over 3 years, in a similar way to CMP264/5.

- In the First Charging year following the implementation date of CMP 317/327 the TGR value used to set generator tariffs will be $\frac{2}{3}$ XTGR with a corresponding adjustment to TDR.
- In the Second charging year following the implementation date of CMP 317/327 the TGR value used to set generator tariffs will be $\frac{1}{3}$ XTGR with a corresponding adjustment to TDR.
- In the Third charging year following the implementation date of CMP 317/327 and every subsequent charging year the TGR value used to set generator tariffs will be zero.
- Where XTGR = Forecast value of generator residual (TGR) for the relevant charging year forecast by the ESO ('The Company') in March 2019 using the Limiting Regulation compliance calculation methodology that was in place in the year prior to implementation of CMP 317/327. i.e. for charging year 2021/22 XTGR = -£5.56/kW and for 2022/23 XTGR = -£6.66/kW Congestion costs: (Column H)

Congestion costs

- 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".

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 | neutral |

| | |
|--|--|
| 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; | Positive. It fulfils the SCR TCR direction from the Authority to remove the TGR whilst remaining compliant with the Limiting Regulation. |
| 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

Phased Implementation

The implementation would be phased over 3 years, in a similar way to CMP264/5.

- In the First Charging year following the implementation date of CMP 317/327 the TGR value used to set generator tariffs will be $\frac{2}{3}$ XTGR with a corresponding adjustment to TDR.

- In the Second charging year following the implementation date of CMP 317/327 the TGR value used to set generator tariffs will be $\frac{1}{3}$ XTGR with a corresponding adjustment to TDR.
- In the Third charging year following the implementation date of CMP 317/327 and every subsequent charging year the TGR value used to set generator tariffs will be zero.
- Where XTGR = Forecast value of generator residual (TGR) for the relevant charging year forecast by the ESO ('The Company') in March 2019 using the Limiting Regulation compliance calculation methodology that was in place in the year prior to implementation of CMP 317/327. i.e. for charging year 2021/22 XTGR = -£5.56/kW and for 2022/23 XTGR = -£6.66/kW

6 Legal Text

To be drafted by the workgroup and ESO.