

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.

Respondent:	Graham Pannell graham.pannell@fredolsen.co.uk
Company Name:	Fred. Olsen Renewables
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>The WG report shows that, without residual, the total recovered from generation is an arbitrary amount based on (in respect of generation) an arbitrary choice of reference node.</p> <p>This arbitrariness does not meet CUSC objectives of (a) competition [particularly viz European generation] nor (b) reflective of licensee costs (it's arbitrary!).</p> <p>To meet the CUSC objectives, it is necessary make a conscious choice of average charge (whether by choice of reference node, or other means). Absenting a choice, and relying on the Limiting Regulation's upper bound, effectively means targeting the upper bound, which, as above, does not meet CUSC objectives (a) nor (b).</p> <p>That choice of target has not formed the main body of the work done for the report. It is suggested that consultees should provide evidence to the contrary.</p> <p>However, it has been noted, in the WG and elsewhere, that a target average of 0 can better facilitate competition in respect of European generation (any target above 0.5 £/MWh being a disbenefit to competition), and will provide symmetry with the methodology as applied to demand. We support this view. We</p>

	have not seen evidence nor a compelling argument to justify allowing the very upper limit of the Regulation to become the de facto target.
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Standard Workgroup Consultation questions

Q	Question	Response
1	<p><i>Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?</i></p>	<p>No</p> <p>The WG report shows that, without residual, the total recovered from generation is an arbitrary amount based on (in respect of generation) an arbitrary choice of reference node. The total recovered is otherwise limited by the Limiting Regulation – an effect which does not reflect transmission licensee costs, and rather than <i>promoting</i> competition, simply targets the very minimum which can be done without exceeding the legal <i>limit</i> of disbenefit to competition.</p> <p>This arbitrariness does not meet CUSC objectives of (a) competition [particularly viz European generation] nor (b) reflective of licensee costs (it’s arbitrary!).</p> <p>Further, the Original proposal uses a very broad interpretation of excluded charges, which includes equipment shared with many other users, including huge numbers of demand customers. We think this stretches the possible interpretation of ‘physical assets required for connection’ beyond reasonableness, against the principle intent of the Limiting Regulation. This is a challenge for, and we believe a failure to comply with, objective (d), compliance with relevant binding decisions.</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 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);</i></p> <p>c) <i>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;</i></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><i>*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).</i></p>
2	Do you support the proposed implementation approach?	<p><i>In terms of having no target: Do <u>not</u> support. Reasons exactly as per answer to #1.</i></p> <p><i>In terms of an ex-ante adjustment to target compliance, and the option of an ex-post reconciliation (if needed): Do support. Pragmatic.</i></p>
3	Do you have any other comments?	Table 8.1 omits the combination {"GOS" & "Target zero"} – this combination seems a logical combination which best meets CUSC Objectives, following our reasoning in our answer to #1.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

Specific CMP317/327 questions

Q	Question	Response
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, 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>A) – the Three Options</p> <p>We can support <i>either</i>:</p> <p>ii) Generator Only Spur</p> <p>iii) ...Except Pre-existing...</p> <p><i>Noting that (ii) is pragmatically implementable, whilst the WG note that there is more work to do to define in detail what is meant by (iii), and whether or not it best aligns with the CMA decision. A final version of (iii) would help us make an informed decision.</i></p> <p>We <u>cannot</u> support</p> <p>i) ...All Local Circuit...</p> <p><i>reasons a per our answer to #1:</i></p>

		<p>[this..] uses a very broad interpretation of excluded charges, which includes equipment shared with many other users, including huge numbers of demand customers. We think this stretches the possible interpretation of ‘physical assets required for connection’ beyond reasonableness, against the principle intent of the Limiting Regulation. This is a challenge for, and we believe a failure to comply with, objective (d), compliance with relevant binding decisions.</p> <p>(B) Another Option We see from the report that further work is required to option (iii) ...<i>except pre-existing</i>... and would like to see a more developed definition. We see merit in options (ii) and (iii), and we are not proposing a further option.</p>
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>(A) Amount Targeted</p> <p>Target 0 for the reasons detailed in the report 3.1.9 to 3.1.17, principally to best facilitate competition, symmetry with methodology for demand, minimising distortion, and de-risk breaching the Limiting Regulation.</p> <p>The WG report shows that, without residual, the total recovered from generation is an arbitrary amount based on (in respect of generation) an arbitrary choice of reference node. The total recovered is otherwise limited by the Limiting Regulation – an effect which does not reflect transmission licensee costs, and rather than <i>promoting</i> competition, simply targets the very minimum which can be done without exceeding the legal <i>limit</i> of disbenefit to competition.</p> <p>This arbitrariness does not meet CUSC objectives of (a) competition [particularly viz European generation] nor (b) reflective of licensee costs (it’s arbitrary!).</p> <p>To meet the CUSC objectives, it is necessary make a conscious choice of average charge (whether by choice of reference node, or other means). Absenting a choice, and relying on the Limiting Regulation’s upper bound, effectively means targeting the upper bound, which, as above, does not meet CUSC objectives (a) nor (b).</p> <p>That choice of target has not formed the main body of the work done for the report. It is suggested that consultees should provide evidence to the contrary.</p> <p>However, it has been noted, in the WG and elsewhere, that a target average of 0 can better facilitate competition in</p>

		<p>respect of European generation (any target above 0.5 £/MWh being a disbenefit to competition), and will provide symmetry with the methodology as applied to demand. We support this view. We have not seen evidence nor a compelling argument to justify allowing the very upper limit of the Regulation to become the de facto target.</p> <p>(B) Other Option</p> <p>No.</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. Error Margin</p> <p>Agree with para 4.2.1: no need for error margin if a justified target is chosen – as per our answer to #6.</p> <p>Error margin is required if the de facto limit of competitive disbenefit (the upper limit of the Limiting Resolution) is permitted. In this case, which we do not support (answer to #1), we have no objections to the Proposer’s approach to implementing an error margin.</p> <p>B. Another way</p> <p>Not proposed. As per our answer to #6, and report 4.2.1, should not be required.</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>A multi-year phased implementation must be the default approach for such a change, given the horizon over which users purchase power and the length of supporting contracts, to minimise the risk of unnecessary market shock.</p> <p>We feel the question should be whether there is any evidence to justify <i>not</i> implementing a phased approach. We do not feel that an instantaneous or sudden implementation is justified for this change.</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) Do you think any of the modular</p>	<p>A. – not required to review, the best options having been omitted, see (B)</p> <p>B. Additional Combinations</p> <p>Logical outcome of the report, reviewing our answers to #1, #5, #6, #7, is that the following options will best meet the CUSC objectives:</p> <p>{GOS + Target 0 + no Margin}</p>

	<p>combinations are incompatible?</p> <p>b) Is there an additional module combination that you think should be considered? If so, please provide justification.</p>	<p>Also:</p> <p>{Except pre-existing + Target 0 + no Margin}</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 any shared-use asset should not be part of the connection exclusion, as they are not the physical assets required for a single generator. As such we agree [[[</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>(A + B) answered together</p> <p>The current choice of reference node is an arbitrary decision not justified in charge design to be reflective of any developments in the licensee’s networks, nor in of itself designed to promote competition, and yet has a profound impact on locational signals received by individual network users.</p> <p>The question is better phrased, <i>whether there is any evidence to justify continuing the status quo</i>. We do not believe this status quo should be continued.</p> <p>The WG report shows that, without residual, the total recovered from generation is an arbitrary amount based on (in respect of generation) an arbitrary choice of reference node. The total recovered is otherwise limited by the Limiting Regulation – an effect which does not reflect transmission licensee costs, and rather than <i>promoting</i> competition, simply targets the very minimum which can be done without exceeding the legal <i>limit</i> of disbenefit to competition.</p> <p>This arbitrariness does not meet CUSC objectives of (a) competition [particularly viz European generation] nor (b) reflective of licensee costs (it’s arbitrary!).</p> <p>To meet the CUSC objectives, it is necessary make a conscious choice of average charge (whether by choice of reference node, or other means). Absenting a choice, and relying on the Limiting Regulation’s upper bound, effectively means targeting the upper bound, which, as above, does</p>

		<p>not meet CUSC objectives (a) nor (b).</p> <p>That choice of target has not formed the main body of the work done for the report. It is suggested that consultees should provide evidence to the contrary.</p> <p>However, it has been noted, in the WG and elsewhere, that a target average of 0 can better facilitate competition in respect of European generation (any target above 0.5 £/MWh being a disbenefit to competition), and will provide symmetry with the methodology as applied to demand. We support this view. We have not seen evidence nor a compelling argument to justify allowing the very upper limit of the Regulation to become the de facto target.</p> <p>We would support work on the reference node such that it produces a competitive overall target such as zero £/MWh (or another well-justified figure), and hence better meets the CUSC objective.</p> <p>We remain agnostic as to whether this work is within SCR or performed in parallel, as long as it is performed in a timely manner as relevant to the implementation of this modification.</p>
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