

CUSC Code Administrator 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 Generator Residual Charges from TNUoS (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 to cusc.team@nationalgrideso.com by **5pm on 20 July 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation, please contact Joe Henry joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

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For reference the applicable CUSC objectives 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).*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions	
1	<p>Do you believe that the CMP317/327 Original solution, or any WACMs better facilitate the Applicable CUSC Objectives?</p> <p>It is our view that any WACMs that are not based on targeting a £0/MWh average for charges to Generators <u>does not</u> better deliver Objective A of the CUSC, with regards to the facilitation of competition.</p> <p>The original proposed solution whereby a target level is not set would result in falling back to the status quo of requiring the maximum charge within the range by default, which is €2.50/MWh.</p> <p>This translates into significant additional costs for transmission connected generators in light of CMP 327, which sets the Transmission Generation Residual to zero. These highly substantial, and additional costs cannot be recovered by generators in the energy and capacity markets in the short to medium term without significant financial impact.</p> <p>Any proposed cost recovery approach that does not set average generation charges to zero from transmission connected generation, will continue to enable and worsen a significant distortion to cross-border trade considering annual average generation charges in GB will be significantly higher than similar charges in other European markets. This therefore puts GB generators at a material disadvantage to EU generators.</p> <p>Fundamentally, this does not facilitate harmonisation with other EU generators as per paragraph 10 of EC 838/2010:</p> <p><i>‘Variations in charges faced by producers of electricity for access to the transmission system should not undermine the internal market. For this reason, average charges for access to the network in Member States should be kept within a range which helps to ensure that the benefits of harmonisation are realised’</i></p> <p>Therefore, only the WACMs that are based on average charges for generation that are zero, listed as follows;</p> <p>WACMs 2, 9, 16, 23, 30, 37, 44, 51, 58, 65, 72, 79 better deliver Objective (A) of the CUSC with regard</p>

		<p>to the facilitation of competition. As well as objectives (B), (C), (E).</p> <p>Average generation charges that target zero would not distort further competition and cross border trade when compared with the other proposals.</p> <p>Relating to objective (D), due to the ambiguity of the Electricity Regulation, all the proposed solutions will meet this objective with regard to compliance with the Regulation and any relevant legally binding decision of the European Commission and/or the Agency. The above listed WACMs will also be compliant with EU Regulation 838/2010 subject to the interpretation of annual average charges for producers and the connection exclusion.</p> <p>For example, WACMs 30, 51, 72 which define assets required for connection as ‘Generator Only Spurs’, better encapsulate the most accurate interpretation and compliance to EU Regulation 838/2010, and the Electricity Regulation in general. They comply best with the connection exclusion clause under the Limiting Regulation, which states the removal of “<i>charges paid by producers for physical assets required for connection to the system or the upgrade of the connection</i>” from average annual transmission charges paid by producers. This is attributed to the fact that these WACMs further capture that Connection Charges under the Regulation must take into account local charges for Generator Spurs, which is consistent with the findings of the Competition and Markets Authority (CMA).</p> <p>Therefore, in our view, WACMs 30, 51, 72 best meet the applicable CUSC objectives (A) – (D).</p>
2	Do you support the proposed implementation approach?	<p>Yes.</p> <p>Any material impact on generators will be substantially mitigated with the average annual generation charges set to zero. As a result, a phased implementation may not be essential. However, the Original and any WACMs that do not set the average annual generation charge to zero, would require a phased implementation, for a</p>

		<p>smoother transition of the significant additional costs levied on generators and to mitigate against the high risk of these costs to the transmission connected generator businesses.</p> <p>Additionally, issues will arise in setting stability of charges if congestion management costs are included in the two-step calculation approach. Whilst congestion charges do not qualify as ancillary service charges under EU regulation 2019/944, any potential consideration of inclusion of constraint management as a forward-looking TNUoS charge remain problematic in terms of the ability to currently predict constraint management costs as they currently stand, and therefore subsequently change user behaviour that a forward-looking charge would seek to do.</p> <p>Under current treatment of constraint management, it would therefore be most efficient for generators not to hold onto any of these costs, and rather to pass through the charges to demand, as is the case with EU generation, again, better meeting objective (A).</p>
3	Do you have any other comments?	Click or tap here to enter text.