

| Alternative Request Proposal Form  | At what stage is this document in the process?   |
|--|--|
| <h1 data-bbox="167 331 817 427">CMP317/327:</h1> <p data-bbox="167 465 1072 1041">‘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 504"> <div data-bbox="1182 309 1257 392">01</div> <div data-bbox="1265 309 1481 392">Proposed Alternative</div> <div data-bbox="1182 421 1257 504">02</div> <div data-bbox="1265 421 1481 504">Proposed Workgroup Alternative</div> </div> |
| <p data-bbox="167 1144 520 1178"><b>Purpose of Alternative:</b></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 371 1433">€0.25/MWh.</p> <p data-bbox="150 1467 328 1500">Error Margin</p> <p data-bbox="197 1527 592 1561">No error margin is required.</p> <p data-bbox="197 1583 1465 1731">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 when targeting lower €/MWh values.</p> <p data-bbox="150 1765 488 1798">Phased Implementation</p> <p data-bbox="197 1825 421 1859">No, as Original.</p> |  |
| <p data-bbox="150 1944 898 1977"><b>Date submitted to Code Administrator: 31/3/2020</b></p> <p data-bbox="150 2056 632 2089"><b>You are: A Workgroup member</b></p>  |  |

**Workgroup vote outcome: WACM3**

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

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|          |  | Contact:<br><b>Code Administrator</b>  |
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**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  
€0.25/MWh.

Workgroup meetings included discussions as to whether it was possible for average charges for TG to outturn below €0/MWh on average if zero were the value used to set the tariffs ex ante. Whilst theoretical examples were raised, in practice no practical example was brought forward in evidence, and if it ever did occur in practice, the CUSC contains a reconciliation mechanism to correct charges ex post.

Notwithstanding, this alternative proposes a value that effectively sets a fixed error margin above €0/MWh when setting tariffs, providing a buffer to cover for a hypothetical case that the Workgroup could not identify where tariffs would otherwise be structurally set ex ante in non-compliance with the range in the Limiting Regulation. The value was proposed as the average of the alternatives (2) and (4).

The arguments justifying this alternative include those of option (2), noting that (i) a non-zero average value exposes the charges to exchange rate risk and volume risk but that these will change the magnitude of the charge, not its sign, so these cannot send a positive charge negative, (ii) the transition step in average charges faced by TG is greater and (iii) the long term competitive position of TG compared with European generation is not as favourable.

Error Margin

No.

Phased Implementation

No, as Original.

## 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.

€0.25/MWh.

A £/kW compliance adjustment is applied to bring the average forecast revenue to €0.25/MWh across all TG in the same manner as the Transmission Generation Residual is now. Reconciliation, through the method proposed in the Original, will only be needed if the actual collected revenue breaches either end of the prescribed range, it being self-evident that breach of the lower end of the range is more likely.

Error Margin

No error margin is required.

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 when targeting lower €/MWh values.

## Phased Implementation

No, as Original.

### 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 transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection); | neutral  |
| 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

As the Original, this modification needs to be implemented by April 2021 to allow ESO to comply with the Direction letter published by The Authority on the 21<sup>st</sup> November 2019.

## 6 Legal Text

To be drafted by the workgroup and ESO.