

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:	<i>George Moran (George.moran@centrica.com)</i>
Company Name:	<i>Centrica</i>
<p>Please express your views regarding the Workgroup Consultation, including rationale.</p> <p>(Please include any issues, suggestions or queries)</p>	

Standard Workgroup Consultation questions

Q	Question	Response
1	<i>Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?</i>	<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>Positive Impact: A negative Transmission Generation Residual (TGR) is not conducive to the effective functioning of the wholesale market and creates a distortion between transmission and distribution connected</p>

		<p>generation. Therefore, the removal of the TGR has a positive impact on competition.</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>Positive Impact: A negative TGR (or other adjustment with the same effect) distorts the cost reflective element of the TNUoS tariff. Removing it to the extent possible will help to ensure Generators face the full cost reflective charge.</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>Positive Impact: The ESO has been directed to raise this modification to remove the TGR with effect from 1 April 2021.</p> <p>d) <i>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</i></p> <p>None</p> <p>e) <i>Promoting efficiency in the implementation and administration of the CUSC arrangements.</i></p> <p>None</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	We support full implementation from 1 April 2021, as

	implementation approach?	<p>required by the TCR decision and CUSC Direction.</p> <p>We do not support phased/transitional arrangements as these would be inconsistent with the TCR Decision and CUSC Direction. Ofgem has clearly signalled its intent to remove the negative TGR for a number of years and expressly ruled out transitional arrangements in its minded-to decision for the TCR*. Therefore, to implement the TCR decision in a phased manner at this point would significantly undermine the regulatory predictability which market participants rely on and would also increase consumer costs by c. £500m** compared to a 2021 implementation.</p> <p>* paragraphs 7.10 – 7.19 TCR Minded-to Decision</p> <p>** See Table 15 TCR Final Decision</p>
3	Do you have any other comments?	No
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>	All of the options are worthy of consideration, although we agree that the original solution is the most straightforward option.
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</p>	Only the option in the original proposal (i.e. no target) achieves the objective of the modification. The modification has a dual objective which is to achieve legal compliance and deliver the TCR decision (to remove the negative residual and charge Generators all applicable charges).

	<p>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>	
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>We believe an error margin without targeting an amount within the allowed range will deliver the dual objective of compliance with 838/2010 whilst charging generators all applicable charges.</p> <p>We do not agree with the options that do not include an error margin since they include a 'target' which, by design, will make it much more likely (potentially inevitable) that generators do not face all applicable charges.</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>We support full implementation from 1 April 2021, as required by the TCR decision and CUSC Direction.</p> <p>Ofgem has clearly signalled its intent to remove the negative TGR for a number of years and expressly ruled out transitional arrangements in its minded-to decision for the TCR*. Therefore, to implement the TCR decision in a phased manner at this point would significantly undermine the regulatory predictability which market participants rely on and would also increase consumer costs by c. £500m** compared to a 2021 implementation.</p> <p>* paragraphs 7.10 – 7.19 TCR Minded-to Decision</p> <p>** See Table 15 TCR Final Decision</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 combinations are incompatible?</p> <p>b) Is there an additional module combination</p>	<p>The modification has a dual objective which is to achieve legal compliance and deliver the TCR decision (to remove the negative residual and charge Generators all applicable charges).</p> <p>The options which include a 'target' which, by design, will make it much more likely (potentially inevitable) that generators do not face all applicable charges are therefore incompatible with the dual objective.</p> <p>Only options (i) (the Original), (iv) (Generator only spur) and (vii) (All local circuits & local substations except for pre-existing assets and shared assets)</p>

	that you think should be considered? If so, please provide justification.	should be considered as they all seek to fulfil the dual objective of the modification (using different interpretations of the exclusion).
10	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.	We agree with the approach proposed in the original. An island link is a physical asset required for connection to the system and so should be part of the exclusion.
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>We believe the consideration of the Reference node should remain outside of the scope of this change as it is being addressed through the Access SCR.</p> <p>Including it in this modification would also jeopardise the delivery timescales for the TCR Decision and the consumer benefits associated with these.</p> <p>We also do not believe that a rushed review of the reference node, whereby the only intent seems to be to lower the locational charges to generation, is likely to result in the optimum enduring solution for the market and therefore for consumers.</p>