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:	*Paul Jones paul.jones@uniper.energy*
Company Name:	*Uniper UK*
Please express your views regarding the Workgroup Consultation, including rationale. ***(Please include any issues, suggestions or queries)***	

Standard Workgroup Consultation questions

Q	***Question***	***Response***
1	*Do you believe that CMP317/CMP327 Original Proposals better facilitates the Applicable CUSC Objectives?*	Possibly, on balance. However, we do not believe that this is the best solution. Reducing the TGR to zero in principle better promotes competition, by removing differences between transmission and distribution connected generators. However, this can only be achieved as long as there is compliance with the EU Limiting Regulation. We believe that the current proposed approach to

		define all local charges as connection charges for the purposes of the Connection Exclusion in the Limiting Regulation potentially goes too far and therefore may not better achieve objective d). We believe further work needs to be done to understand whether overstating the definition of connection charges in this way outweighs the benefit of correcting the arguable understatement that exists at present by only including offshore Generation Only Spurs.
2	Do you support the proposed implementation approach?	In accordance with Ofgem's direction the proposal for implementation is April 2021. This is possibly achievable but we would support the workgroup exploring a phased implementation as was adopted for the implementation of CMP264/5. It would seem discriminatory to adopt a phased implementation for that modification and not to consider one for this given that the same risks apply in terms of assumptions that generators have made going into previous capacity auctions.
3	Do you have any other comments?	No thank you.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No thank you.

Specific CMP317/327 questions

Q	Question	Response
5	<u>Definition of physical assets required for connection to the system</u> 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? b) Is there another option you think should be considered, and why? Please provide evidence if possible.	They are valid options to explore. We believe that the Generation Only Spur option appears the most appropriate estimate of what connection assets should be. We do not believe that it would be appropriate to include wider local assets in accordance with the current original proposal. We note that a rough estimate of the charges covered by this definition of GOSs has been carried out, but would encourage to the work group to do a more accurate estimate. Finally, we do not believe that it would be practical or necessary to estimate connection assets according to connecting to existing network.
6	<u>Amount targeted (G average)</u> a) Do you agree with the	They are valid options. Our preference would be to use a target and to set it at zero. This would

	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? b) Is there another option you think should be considered, and why? Please provide evidence if possible.	minimise disruption to generators and could avoid the need for a phased implementation approach. It would also support better consistency of charging on average with connected markets in the rest of Europe. If a wide definition of connection assets is chosen, such as all local charges, then choosing a target of €2.5 would be less practical as this would result in a high chance of the limit being breached, as this definition would overestimate the amount of charges to be excluded from the application of the cap.
7	<u>Error Margin</u> a) Do you agree with the two options highlighted in section 4, paragraph 4 in regards to the inclusion of an error margin? b) Is there another way to calculate the methodology for an Error margin? Please provide evidence if possible.	It depends. If a target of zero is set, with an accurate assessment of what constitutes connection charges, then we can see the case for not having an error margin. If a wide definition of connection assets is chosen, such as all local charges, then it is possible that this could negate the use of a error margin for a target at the lower end of the range (ie close to zero), as there will be tendency for this to result in overcharging due to overestimating the amount of charges to be excluded from the application of the cap. In a similar manner, if no target is set or one at the top of the range (close to €2.5) then there is a risk that the wide definition could result in a breach of the upper limit due to the inherent overcharge. In this instance it would seem necessary to include an error margin.
8	<u>Implementation</u> 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.	There is definitely a case for this. As mention in our response to question 2, we would support the workgroup exploring a phased implementation as was adopted for the implementation of CMP264/5. It would seem discriminatory to adopt a phased implementation for that modification and not to consider one for this given that the same risks apply in terms of assumptions that generators have made going into previous capacity auctions.
9	<u>Modules</u> The workgroup have identified a number of permutations in Section 4, Paragraph 8 that could work as possible alternative solutions.	a) The combinations identified appear to be compatible. b) There are other compatible combinations. For instance, a GOS definition of assets, plus a zero target and no error margin would seem to work, as would a number of other combinations.

	a) Do you think any of the modular combinations are incompatible? b) Is there an additional module combination that you think should be considered? If so, please provide justification.	
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.	Island links serving multiple generators and demand would not seem to be in the definition of connection assets for the limiting regulation. If they are regarded as wider network anyway within the charging methodology then this is not an issue to consider. However, if any of them are classified as local charges then this could make an appreciable difference in charges depending on the definition of connection assets which is used.
11	In section 4 paragraph 6, the workgroup has identified its consideration of the Reference Node. a) Do you have any evidence that would support solutions which include the Reference Node? b) Do you have any views on the Workgroup progressing this work alongside the Access and Forward Looking Charges SCR?	Adjusting the reference node so that it sets the level of charges to generation at the desired level to meet the limiting regulation, is arguably a better outcome than using another adjustment after the locational charges have been calculated in the model. This is because an adjustment made after the locational charges have been calculated is likely to result in a divergence between the locational signals provided to transmission connected generation and those provided to demand and distributed generation. Using the reference node to meet the limiting regulation allows consistent signals to be maintained. Therefore, we believe that including this would result in a better solution to CMP317/327. However, we accept that there may be issues with achieving this in practice, such as the interaction with other modifications and the need to meet TCR timescales.