

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.

Respondent details	Please enter your details
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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>

Citizens advice has assessed the original and 83 WACMs to determine which better facilitate the applicable CUSC objectives. Overall, we believe that the original and WACM 7 are the only options that better meet the CUSC objectives and we explain our thinking below:

1. Definition of assets required for connection

The working group has considered three options as follows:

- All Local Circuits and Substations Charges
- Local Charges which relate to a Generator only spur; and
- Charges that relate to all local circuits & local substations except for pre-existing assets and shared assets.

Citizens advice believe that defining assets for connection as all local circuits and substations (option 1) or as generator only spurs (option 2) would both result in more cost reflective charges and facilitate competition in generation by removing a market distortion between distributed generation and transmission connected generation. These options therefore better meet CUSC objectives (a) and (b). We also believe that these options allow for compliance with the Electricity Regulation (objective (d)).

We do not consider option 3 which applies a pre-existing condition to result in an overall improvement when measured against the CUSC objectives due to the increase in complexity introduced and the ambiguity when applying this condition.

2. Amount targeted

There are a number of WACMs that target an average price level within the €0-2.5/MWh range. This is not appropriate as the change modification should only be assessing how the residual can be removed and not the overall TNUoS charge faced by generators. Setting any price target reduces the cost reflectivity of the charge faced by generators as it does not allow the cost reflective signal from the ICRP to fully flow through to generators. We believe that all the options that target a price level do not better meet applicable charging objectives (a) and (b). We believe that the only options that better meet the charging objectives (specifically (a) and (b)) are those that do not have a targeted amount.

		<p>3. Error Margin Given the uncertainties in meeting the limiting regulation and the current practice of applying an error margin, we believe it would be sensible for the ESO to include an error margin. This will reduce the number of annual non-compliances and provide greater certainty to generators. This better meets applicable CUSC objective (d) and (e)</p> <p>4. BSC Costs and congestion costs We do not believe that BSC costs or congestion costs should form part of the limiting legislation or form part of this change modification. These are costs associated with managing the network and are separate from TNUoS. Bringing these costs into TNUoS purely for the implementation of the limiting regulation reduces transparency and increases complexity. We also do not believe that a clear case has been made that these costs should be considered under the limiting regulation or which elements (particularly of congestion costs) should be considered. These options would therefore not better meet charging objective (e) and overall should not be progressed.</p> <p>5. 2 step Ex-ante adjustment A two-step adjustment would be an acceptable approach if it is agreed that BSC costs and congestion charges should be taken into account. However, we do not believe this is the correct approach and therefore do not support a 2 step ex-ante adjustment.</p>
2	Do you support the proposed implementation approach?	Citizens advice supports the planned implementation approach of implementation from April 2021. This change has been has been signalled for a number of years and has been visible since the Authority rejected CMP261. This modification is needed to avoid consumers paying more than their fair share of TNUoS. We would not support any changes that phase in the solution which will mean that consumers continue to pay more in TNUoS past April 2021. Any phase in will also extend the market distortion between embedded distribution and transmission connected generation.
3	Do you have any other comments?	The negative transmission generation residual results in higher TNUoS being paid by consumers. Although removing the negative residual is likely to result in an

		<p>increase in other market prices to compensate for this increased cost for transmission connected generators, the TNUoS element will be more cost reflective. This will lead to more efficient outcomes for the connection and despatch of plant which will be to the long-term benefit of consumers.</p> <p>The Authority has substantially reduced the level of embedded benefits to try to remove the market distortion that currently exists between transmission and distribution connected generation. The negative residual that currently exists at transmission and is becoming increasingly negative is another market distortion that needs to be addressed.</p>
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