

CUSC Code Administrator Consultation Response Proforma**CMP324/5 Generation Zones – changes for RIIO-T2 and Rezoning – CMP324 expansion**

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 24 June 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	Do you believe that the CMP324/5 Original solution, WACM1, WACM2 or WACM3 better facilitates the Applicable CUSC Objectives?	The original better facilitates objective (a) as it simplifies the existing methodology and provides an improved degree of longer-term certainty to TNUoS. The reduction of the number of zones does act to reduce cost reflectivity (b), but we note that this is true of the existing methodology – individual nodal pricing would be necessary to be entirely cost reflective. This proposal would act to improve efficiency in implementation (e).
2	Do you support the proposed implementation approach?	<p>We are concerned at some of the adverse impacts seen (with a reduction in number of zones) in selected existing zones in southern Scotland – the benefits of reduced tariffs in selected areas results in increased tariffs in other areas. Prospective generators will have modelled TNUoS based on analysis using the existing methodology and the forecast tariffs published in the NGET five-year forecasts, and projects may have passed through various project approval milestones based on such assumptions. Implementation of the original could bring a ‘shock’ increase of the order £3 - £4/kW to sites in selected areas.</p> <p>We do not consider that WACM1 acts to address the specific issue in the methodology.</p> <p>WACM2 offers a higher degree of cost reflectivity (b) than the original (though not an improvement on existing cost reflectivity) as it maintains a higher number of zones than in the original. The ‘shock’ referred to in certain areas on implementation of the original (e.g. existing Zone 11) would be removed. WACM2 is our preferred option.</p> <p>WACM3 does act to address the defect but maintains 27 zones until delayed implementation in 2023. We think this delay is important in allowing parties to examine any revised tariffs based on the RIIO-T2 data to be made available later in 2020.</p>
3	Do you have any other comments?	No