CUSC Workgroup Consultation Response Proforma

CMP324 and CMP325: 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 **18 March 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Joseph Henry joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

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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 regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP324 and CMP325 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes. The original solution to CMP324 is to fix generation zones to the 14 GSP groups; this solution may bring about better alignment between embedded generators and transmission-connected generators via. alignment between generation and demand charges. Embedded generators are exposed to zonal demand-side forward looking ("raw") locational charges. If the demand and generation zones were aligned, so that the same nodal prices were averaged into each zone (as the zones were the same), this charge would be the inverse of the forward looking (raw) locational charges for generation, making DG (of <100 MW) and other generators more alike in charging terms. Conversely, under baseline, nodal prices are averaged into zonal prices differently for demand than how they are for generation (i.e. the zones differ), which creates an unnecessary distortion between DG and larger generation. To summarise the above : Embedded generators are exposed to zonal demand forward looking locational charges. If the demand and generation zones were aligned, this would be the inverse of generation forward looking locational charges. There would be little unintended distortion due to different zoning (different capacity-weighting of nodal prices into zones by generation for generation zonal TNUoS and demand for demand zonal TNUoS means one cannot say that *all* difference would be eliminated). By mapping the generation zones to the GSP groups, there would be no need to re-zone the generation zones at each price control period, increasing long-term stability for generation sites. And yet, generation TNUoS charges would still change reflecting cost-reflective nodal price changes that are averaged into these (stable) zones. Baseline entails up to 60 zones, with marked effects for some generators as they move to a new zone. The zones can't even be forecast at present, as they depend on RIIO-T2 final

		parameters and other variables. This is plainly problematic.
2	Do you support the proposed implementation approach?	Yes, we agree that a decision is needed on any solution by mid-October so that it can be used in time for charges from 1 April 2021, as (50 to 60, currently unknown) new generation charging zones are due to be calculated under baseline starting around 1st November.
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 CMP324 and CMP325 Workgroup Consultation questions		
5	What are your views on the potential solutions discussed in the report? Please provide any evidence or rationale for your preferred solution.	Currently there are no developed alternative solutions that are as good as CMP324 original. It will be interesting to see if consultation responses or WG members propose any worked-up WACMs.
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	Insofar as users are currently allocated to 27 generation charging zones, and under the mod would be allocated to 14 new, different, generation charging zones, there will be effects : some users will see charges go up, whilst some will see a reduction. This would have equally been the case under the baseline move to 50 to 60 (not yet even known) generation charging zones, but with 14 zones, going forward the volatility and redistributional effects especially for single site generators (which don't benefit from "portfolio averaging") that would have arisen just before each price control period from re-zoning to new unknown zones, will be entirely avoided, and there will be no further "surprises" in terms of unexpected redistributional effects from re-zoning. Baseline method even allows in the CUSC for a re-zoning mid-price-control if things are deemed to have changed sufficiently, yet the criteria for this (which hasn't so far occurred) is extremely vague and this creates further unfortunate uncertainty for all generators, especially single site ones which don't benefit from "portfolio averaging". CMP324 again,

		removes this undesirable uncertainty by taking away the risk of a mid-price-control re-zoning.