

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?	<p>We consider that WACM1 (RPI inflation) better facilitates the Applicable Objectives.</p> <p>WACM1 better facilitates objectives (a) and (b) by maintaining a high degree of cost reflectivity in the charging methodology. The proposals which fix the boundaries of zones (Original, WACM2 and WACM3) are by their nature less cost-reflective than those which determine zones by reference to the spread of nodal charges.</p> <p>While WACM1 is less cost-reflective than the baseline, we consider that it is also likely to deliver additional benefits compared to the baseline in relation to objective (a). WACM1 would provide greater stability in zoning going forward (reducing the likelihood of zones with a very low number of generators) and is more practical than the baseline as it reduces the number of zones to a manageable level.</p> <p>We do not consider that fixing the number of zones guarantees greater stability in generator tariffs compared to those options which allow for flexible zonal boundaries. In many cases, the number of nodes within a zone is similar in all scenarios and therefore the nodal averaging effect is similar. We are also concerned that fixed zonal boundaries could lead to price volatility where new infrastructure is added to the extremities of the network. An approach which maintains a defined range of nodal charges in a zone is therefore likely to provide greater tariff stability and predictability. We therefore consider that WACM1 is likely better to facilitate objective (c) by being adaptable to future network developments.</p>
2	Do you support the proposed implementation approach?	We support implementation in April 2021.
3	Do you have any other comments?	No.