

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.

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 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?	<p>We believe that the proposals do better facilitate the Applicable CUSC objectives. Objectives (a) and (e). For objective “(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;” we believe that increased stability in charging leads to better investment signals and in particular simplification of an already over complicated system is always welcome. This will reduce the technical barrier that many smaller generators face.</p> <p>For objective “(e) To promote efficiency in the implementation and administration of the CUSC arrangements?”. We believe similar arguments can be made. Again, anything that reduces complexity and introduces price stability and improved forecasting should be a positive.</p>
2	Do you support the proposed implementation approach?	In principle we support the proposed implementation approach and timelines. It seems wise to implement as soon as possible ahead of the RII0-2 price control period
3	Do you have any other comments?	<p>As a general comment it appears that the workgroup spent significant amounts of time discussing potential alternatives and solutions which are obviously both more complex and less satisfactory than either the original or the proposal. This appears to be happening frequently within workgroups, it adds time and complexity with no payoff and is a significant barrier towards wider industry participation.</p> <p>More specifically it does not appear that the work group has considered the two most straightforward options and that is removal of TNUoS from generators or a single TNUoS rate across all zones.</p> <p>It is our position that the network is primarily designed for the purpose of supplying electricity to end users and that it is consumers who ultimately should (and in reality do) pay for the network. Charging generator TNUoS, or any other network charges, in this way simply adds complexity and costs to an already convoluted system. We suspect that removal of TNUoS in this way is out of scope for this modification however.</p>

		<p>With regards to a single TNUoS zone we again feel that the current system is over complex and now currently works against the nations net zero requirements. The current charging arrangements make an assumption that there is a “choice” where generators decide to locate. This is not the case, carbon free generators “choose” to deploy where there is wind, sun or the planning system allows. In practice this means largely locating in Scotland and then being penalised heavily for doing so. The current system which demands “cost reflectivity” actively penalises low carbon generators and discourages investment in low carbon technologies and subsequently delays the nations march towards net zero while at the same time delaying the departure of fossil fuel plant due to its sunk costs many charging benefits. Again, if we take the assumption that the network exists for the purpose of supplying electricity to consumers then it is the interest to everyone to encourage new generation wherever it should be located. We would suggest that a single nationwide TNUoS rate would facilitate this greatly.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	We do not have a specific alternative to raise but would be interested to see the workgroup discuss the original proposal with a single charging zone.
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.	<p>Of the potential solutions outlined in the report we believe that only the original proposal provides a viable option, it is clear, provides stability and provides the most benefit with the least harm. It still provides enough of a locational signal to satisfy the requirement that some demand while at the same time providing the long-term signal that investors require</p> <p>ETYS Zones – Introducing 40-96 new zones appears to exacerbate the problem rather than address it. All of the proposals to reduce the number of zones or fix the pricing at various times feel forced and artificial. Ultimately there are no advantages over either the status quo or the proposers solution.</p> <p>Fix the current 27 zones – While this has the benefit of stabilising the problem and reduces the scope for an increase in the zones it does little to address the current defect as outlined by the proposer.</p>

		Inflating the range in line with RPI – Again this appears to offer little advantage over the proposal. Why RPI and not CPI or some other index. Why start at £1, what year would we start in, should it be reviewed every year or at every price control. This would also create zones containing as few as 1 node. Proposals to have a minimum number of nodes then seems to be a very artificial and unsatisfactory way of implementing this while at the same time giving no long term certainty around the number of zones.
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	We have no additional views