

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:

- 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;*
- 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);*
- 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;*
- 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*
- 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?	We do not believe that the original CMP324 proposal facilitates the Applicable CUSC objectives better than any of the additional options discussed by the WG. While the solution itself provides a more stable approach for setting TNUoS zones, the underlying data used for the calculation of tariffs is subject to a significant change before the implementation of this mod, therefore, there will lead to a reduced stability in and predictability of tariffs.
2	Do you support the proposed implementation approach?	We agree that the modification has to be implemented before the RIIO-2 price control period. However, given the number of parallel and subsequent charging reforms and changes, we do not think it is efficient to be developing and implementing radical changes to TNUoS charging and CUSC in such a short period of time without having final RIIO-2 parameters and decisions on other related charging mods.
3	Do you have any other comments?	One of the objectives of the original modification is to provide cost-reflectivity, stability and predictability of tariffs and to ensure sufficient data is available for investment decisions. We would suggest, however, that specifically knowing the zone a generator would be in under the proposed methodology does not provide accurate information for investment decisions. It is the actual tariff and monetary value associated with each zone that will be critical to any decision-making. The former will not be known for certain until at least Q4 2020.
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	In line with our responses, it is our view that an appropriate, stable and accurate baseline needs to be used in order to carry out an IA of all options outlined by the WG. As such, until a valid baseline exists it will not be possible for stakeholders to

	<p>or rationale for your preferred solution.</p>	<p>evaluate full impacts of the proposals and whether they have any positive impacts on cost-reflectivity and stability of tariffs and zones among other criteria. A valid baseline should include RIIO-2 final parameters, CMP 317/327, CMP332, ALFC SCR decisions and other relevant changes.</p> <p>For that reason, we believe that fixing the current 27 zones could provide the most stable approach for the transition period until further information and technical parameters are known as a result of ALFC SCR and TCR modifications.</p> <p>It will provide relevant stability in tariffs, avoid tariff shocks for generators, and reduce risks for generators that already have a contractual commitment under either CM or CfD contracts.</p> <p>Out of all options identified, we believe that 'Inflating the range in line with RPI' and 'Using ETYS zones' will lead to least stability, practicality and predictability.</p>
6	<p>What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.</p>	<p>With regards to distributional impacts we are specifically concerned about potentially large differences in materiality of impacts on generators in Scotland vs generators in all remaining GB zones. We note that in addition to the shock changes for some Scottish generators as a result of rezoning, generators in Scotland will also be more adversely impacted by TCR charging modifications. Therefore, due to the same implementation deadline the hit on Scottish generators will be a lot more severe than estimated in any individual modification.</p>