

**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](mailto: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](mailto:joseph.henry2@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

| Respondent details      | Please enter your details                  |
|-------------------------|--|
| <b>Respondent name:</b> | Matthew Paige-Stimson                      |
| <b>Company name:</b>    | National Grid Electricity Transmission Plc |
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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.*

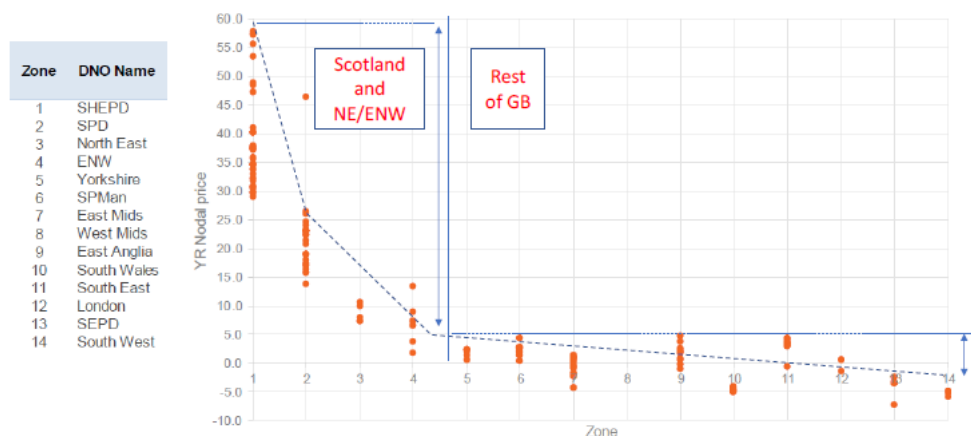
*\*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

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 believe WACM1 best facilitates the CUSC objectives, and specifically objectives (a), (b), (c) and (e).</p> <p>It is the only solution proposed that retains cost reflective generation charging zones that can vary according to the changing location of generation over time (objective (b)). Through the continued application of cost reflective charges, competition in generation is also better facilitated (objective (a)). While re-setting zone every price control does introduce some tariff volatility, this is minimised by inflating the acceptable nodal price range within a zone.</p> <p>Given the significant evolution of generation in Great Britain over recent years, and likely further change in coming years, the ability of the methodology to accommodate such change, without requiring subsequent CUSC modification, is an important factor. WACM1 does not require subsequent CUSC modifications to update charging zones, and therefore better achieves objective (e).</p>  |
| 2  | Do you support the proposed implementation approach?   | We agree with implementation from April 2021  |
| 3  | Do you have any other comments?  | <p>The desire for change appears partly driven by the saving of administration costs. We do not believe administrative benefits are so significant to justify either the impact of eroded cost reflectivity under the original proposal, WACM2 or WACM3, or the greater distributional effects arising. In contrast WACM1 has a neutral impact on the administration of the charging methodology and reduces the distributional effects.</p> <p>The original proposal fixes charging zones to GSP Group zones that were defined purely according legacy electricity company network ownership, bearing no relationship to the location of generation or the topography of the network they use. We do not see how the original proposal can be an improvement on baseline in respect of objectives (b) and (c) or better than the outcome under WACM1 for this reason.</p> <p>As noted in our response to the workgroup consultation, the original DNO Zone proposal leads to the removal of most material difference in zonal charges across all of England and Wales as noted overleaf.</p> |

## Standard Code Administrator Consultation questions

## DNO Zones



In contrast WACM1 retains differentiation in zonal charges across England and Wales, producing a broader signal for user response.

## RPI Zones (+/- £2.25)

