

Workgroup Alternative Proposal Form	At what stage is this document in the process?
<h1 data-bbox="165 331 1038 427">CMP336 WACM2:</h1> <h2 data-bbox="165 461 1075 748">Transmission Demand Residual - Billing and consequential changes to CUSC Section 14 (TCR)</h2>	<div data-bbox="1182 309 1481 389"> <input type="checkbox"/> 01 Proposed Alternative </div> <div data-bbox="1182 421 1481 501"> <input checked="" type="checkbox"/> 02 Proposed Workgroup Alternative </div>
<p data-bbox="165 792 1477 1021">Purpose of Alternative: This alternative is raised to change the allocation process for transmission connected Final Demand Sites into Charging Bands. The change is to the third item in the data hierarchy of the Original text from a mean average of all transmission connected Final Demand Sites to use a User self-reported expected annual consumption figure for the purpose of banding.</p>	
<p data-bbox="153 1061 916 1093">Date submitted to Code Administrator: 31/07/2020</p> <p data-bbox="153 1171 632 1202">You are: A Workgroup member</p> <p data-bbox="153 1281 839 1312">Workgroup vote outcome: Formal alternative</p>	

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	Contact: Code Administrator
	 email address
	 telephone
	Alternative Proposer(s): Insert name
	 email address
	 telephone

1 Alternative proposed solution for workgroup review

The proposed alternative introduces a change to the third item in the data hierarchy of the Original text from a mean average of all transmission connected Final Demand Sites to use a User self-reported expected annual consumption figure for the purpose of banding.

This self-reported consumption figure will be monitored by the ESO, until re-banding takes place at the start of the subsequent price control, to ensure that this self-reported figure is an accurate reflection of the Final Demand Site’s metered consumption.

If the ESO has reason to believe that the self-reported figure is less than 50% or greater than 150% of the actual metered annual metered consumption data then the ESO can raise an intervention to re-band this site. Following a successful intervention the site will be re-banded effective from the TNUoS invoice of the subsequent month.

The site will have charges backdated as per the revised allocation back to the RF settlement run which will be paid in monthly instalments over the following charging year.

2 Difference between this proposal and Original

The Original proposal bands sites for which no consumption data is available based on the mean average of all transmission connected sites. This alternative bands sites for which no consumption data is available using a user self-reported estimate of annual consumption. The ESO will then monitor this estimate until the next price control.

The same material change in circumstances conditions will apply to the monitoring and potential Company Intervention as do to a customer charging dispute.

These conditions must be demonstrated by:

1. the voltage of connection of the Final Demand Site changing with an accompanying signed Construction Agreement; or
2. providing 12 months of actual metered gross Consumption data which shows gross Consumption is lower than 50% or greater than 150% of the Consumption data used in [14.12.150]. or;
3. A notice to Disconnect is provided in accordance with CUSC Section 5.7.

The outcome of the intervention will be effective in the subsequent monthly invoice following the successful intervention. The site will have charges backdated as per the revised allocation back to the RF settlement run which will be paid in monthly instalments over the following charging year.

In general, once tariffs are set for the charging year, any new sites connecting during the charging year will result in over-recovery of TNUoS and conversely any disconnections during the charging year will result in under-recovery. In light of this and the potential for Final Demand Sites to move bands as per the disputes process or company intervention described in this alternative, any under/over recovery of TNUoS will be corrected in following years using the already established 'k' factor.

3 Justification for alternative proposal against CUSC Objectives

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
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;	Neutral
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	Neutral

standard licence condition C26 requirements of a connect and manage connection);	
c. That, so far as is consistent with subparagraphs (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;	Positive
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	Neutral
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral
*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).	

Ofgem's decision to implement TDR reforms as part of the TCR states that bandings were chosen with the aim of "balancing equity across bands with equality among relatively similar users within them"¹. A user estimate should provide users with the opportunity to reflect their new site's particular consumption behaviour enabling more accurate and site specific charging from the first month of connection when compared against an average of all transmission sites methodology.

As estimates are inevitably subject to inaccuracies when new Transmission sites are allocated into Charging Bands using a self-reported estimate this banding may not be reflective of their true characteristics once actual metered data is collected. This causes two problems which, if left unaddressed, would contradict Ofgem's assessment of the fairness of these reforms under the TCR principles:

- 1) A site which overestimated its annual consumption may be paying markedly more than other relatively similar users.
- 2) A site which underestimated its annual consumption will (in subsequent tariff setting rounds) draw markedly more consumption volume into the median band than the sites already in that band based on historic consumption data. This will increase the tariff faced by this band disproportionately to the site added into it.

Problem 1 can be solved by the site in question using the disputes process to raise a dispute against its banding allocation with the ESO. This dispute outcome will be backdated up to RF settlement run (14 months).

¹ https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf section 3.157

Problem 2 is trickier. There is no commercial incentive for a site to dispute allocation to a band if they have double the consumption used in their initial allocation. As things stand the site would likely remain in their estimated band until new band setting takes place for the start of a new price control. This would not be a major problem if there were hundreds of sites in each band as the impact of an erroneously allocated 'big consumer' would be outweighed by the overall number of sites, but there are only a small number of Transmission connected demand sites in each Charging Band. As the initial allocation uses unverified user estimates the ESO, therefore, feel it is appropriate to monitor the banding allocation outside of the start of a new price control to prevent gaming behaviour negatively impacting charging equity.

The ESO feels that this alternative better facilitates ACO (c) because monitoring enables the methodology to take into account the impact of new transmission connections within a price control therefore better accounting for developments in transmission licensees' businesses.

4 Impacts and Other Considerations

This alternative will protect existing sites from being banded with a much larger site for the duration of a price control and reallocate small consumers to a lower band if the site hasn't already chosen to review.

A consideration needs to be made to the impact of increase in charges to a larger site as they pay backdated plus current charges. The ESO believes that segmenting the backdated charges into monthly instalments will mitigate some of the sharp increase in monthly costs for a large consumer. A shock in costs (although without backdating implications) would take place at the start of a new price control regardless of whether a within price control review was conducted so we do not feel that this fact alone prevents the consideration of ESO led monitoring/intervention.

Consumer Impacts

This proposal affects non-domestic customers only.

5 Implementation

This alternative should be implemented in April 2022 alongside all other TDR changes.

6 Legal Text

As developed by ESO.