

**CUSC Workgroup Consultation Responses Summary****CMP332: Transmission Demand Residual bandings and allocation (TCR)**

<b>Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	<p><b>“Negative impact on suppliers”</b></p> <ul style="list-style-type: none"> <li>Suppliers unable to accurately price customers</li> </ul> <p><b>“Negative impact on competition”</b></p> <ul style="list-style-type: none"> <li>Short timescales of delivery are introducing a retail market distortion</li> </ul> <p><b>“It would remove the locational signal from TNUoS charges in the majority of GB”</b></p> <p><b>“Yes - though significant details need further development”</b></p>
2	Do you support the proposed implementation approach?	<p><b>“The timescales are too short” – noted by the majority of respondents</b></p> <ul style="list-style-type: none"> <li>Businesses don’t have enough time to plan for the change</li> <li>There should be a transition period</li> <li>One-off transitional cost for customers who entered into contracts with durations post April 2021</li> <li>Non-domestic suppliers offer customers fixed price contracts with durations up to 5 years. Given that the final impact on tariffs will not be known until later this year, suppliers are likely to increase contract risk premia to mitigate this uncertainty.</li> <li>The impact on consumer billing and tariff setting is material and is resulting in an increase to industry cost risk for suppliers</li> <li>The negative demand tariff distortion only arises as a result of misalignment in timings due to the implementation of the TCR direction ahead of the conclusion of the Access and Forward-Looking Charges.</li> </ul> <p><b>“Yes”</b></p> <ul style="list-style-type: none"> <li>Consistent with that jointly proposed by NGESO and the Distribution Network Operators (DNOs) as part of our joint Project Initiation Document (PID) to Ofgem showing</li> </ul>

		how an April 2021 implementation date is possible
3	Do you have any other comments?	<p><b>“Risk of allocating customers to incorrect bands”</b></p> <ul style="list-style-type: none"> <li>Ofgem has suggested that industry use a centralised system which suppliers will use to identify customers that will reside in one of the residual charging bands – it is not possible to deliver this by April 2021.</li> </ul>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><b>Alternative raised</b></p> <ul style="list-style-type: none"> <li>Inclusion of the AGIC in locational rates (Centrica)</li> </ul> <p><b>Alternative for the workgroup to consider</b></p> <ul style="list-style-type: none"> <li>To make all charges based on £/kW and none on £/kVA (Welsh Power)</li> </ul>
<b>Specific CMP332 Workgroup Consultation questions</b>		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver Ofgem’s TCR SCR Direction? Please identify any areas you believe need to be addressed.	<p><b>“Yes” – majority of respondents agreed</b></p> <p><b>“No - the Original proposal is incomplete”</b></p> <ul style="list-style-type: none"> <li>The original solution creates a new distortion as the proposed locational demand rates do not include the Avoided GSP Infrastructure Credit (AGIC)</li> <li>No defined methodology to calculate the total cost for sites directly connected to the Transmission network</li> <li>The Modification does not propose when Charging Bands should be reviewed, as requested in paragraph 34 of the Direction.</li> <li>There seems to be an inconsistency in having some sites charged based on £/kW and others £/kVA. It should be consistent.</li> </ul>
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what do you suggest instead, and why?	<p><b>“Agree with one Transmission band”</b></p> <ul style="list-style-type: none"> <li>Until Final Demand and Site are defined it is unclear how many market participants would fall into this band</li> <li>Agree provisionally - make it clear what criteria would create a second band</li> <li>If there is a clear distortion between small and large sites, then two bands would be appropriate to avoid distortive charges.</li> <li>There are few final demand transmission sites, based on the Annex 5 TDR analysis</li> </ul>

		<ul style="list-style-type: none"> <li>• Creating more bands will result in bands with very few sites which will increase volatility of charges.</li> <li>• 1 band will be simple to administer</li> </ul> <p><b>“Add more bands”</b></p> <ul style="list-style-type: none"> <li>• Split the Bands to avoid negative side effects on sites that are at lower end of a band.</li> <li>• A single band will result in dissimilar sites paying the same charge – the outliers in Annex 5 of the consultation document demonstrate this</li> <li>• 1 band would not take account of the significant volume of demand association with flows from the GB network to (i) Northern Ireland (ii) the Isle of Man or (iii) other Member States - propose a 2<sup>nd</sup> Transmission Band based ~ 1GW and above threshold</li> <li>• Stability service providers are likely to be transmission connected and have single-figure MW power consumption.</li> <li>• Split the highest 2 bands for EHV into 3; otherwise sites that are not energy intensive would pick up disproportionate share of cost</li> </ul>
7	<p>The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original solution (for CMP332) proposes to use a standard 12 months period for all. What period of historical data do you think is required for setting the bands, and why?</p>	<p><b>“24 months better”</b></p> <ul style="list-style-type: none"> <li>• Gives more accurate view of a site’s usage</li> <li>• Direction sets out that 24 months data should be used to allocate customers to bandings</li> <li>• 12 months could be adequate when 24 months data not available</li> <li>• HH-settled customers do not have EACs, so a suitable alternative would need to be considered.</li> </ul> <p><b>“12 months is adequate”</b></p> <ul style="list-style-type: none"> <li>• This represents a significant sample of data on a nationwide basis and reflects the availability of data.</li> <li>• 12 months will ensure the most up to date customer characteristics are captured</li> <li>• Shorter window makes sense given the changing nature of electricity usage.</li> </ul> <p><b>“Consider if longer than 24 months can be used”</b></p>

		<p><b>“DCUSA and CUSC approach should be consistent”</b></p> <p>Some noted that - <b>“The Authority did not specify a similar requirement on the data used to determine the banding boundaries”</b></p> <ul style="list-style-type: none"> <li>It seems inappropriate to use different data to set the bands than the data used to allocate sites to those bands.</li> </ul> <p><b>A rushed implementation will eventually lead to suboptimal delivery</b></p>
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?	<p><b>“Use the K factor” – majority of respondents</b></p>
9	Should we use Measurement Classes rather than “No MIC” or “MIC” to determine initial grouping for the charging bands at low voltage, and why?	<p><b>“Measurement Classes preferable”</b></p> <ul style="list-style-type: none"> <li>It is a known industry data item</li> <li>Removes ambiguity</li> </ul> <p><b>“No MIC/MIC classification should be used”</b></p> <ul style="list-style-type: none"> <li>Will only impact a small number of sites that will remain as NHH metered, that would be eligible to be assigned a MIC on moving to HH.</li> <li>Measurement Classes have not been fully evaluated as a possible solution.</li> <li>MIC is defined as kW or kVA, so it is important to define which measurement is to be used.</li> </ul>
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	<p><b>“Charge UMS on a volumetric basis”</b></p> <ul style="list-style-type: none"> <li>UMS must be treated distinctly if the solution is to be compatible with the TCR Decision.</li> <li>Would avoid market distortions such as sites with thousands of MPANs being charged same as ones with tens of MPANs</li> <li>UMS should be charged separately as per the intended DNO charging solution.</li> </ul> <p><b>“Applying the banding structure to UMS should be progressed”</b></p>

		<ul style="list-style-type: none"> <li>The Transmission Demand Residual should not provide an economic signal that affects behaviour to consume; a volumetric measure will incentive UMS sites to reduce their demand.</li> <li>It would seem inconsistent to charge some customers on capacity and some in volume, especially where the volume is estimated as it is not metered. Giving an estimate of equivalent capacity would seem more logical.</li> </ul> <p><b>“Depends on outcome of CMP334”</b></p> <ul style="list-style-type: none"> <li>If it is determined that UMS do not fall into the definition of a site, they should be charged separately</li> </ul>
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	<p><b>There was a lot of uncertainty from respondents regarding treatment of the negative locational tariffs</b></p> <ul style="list-style-type: none"> <li>The reason for this reform was to recover residual costs fairly and not change the forward-looking component</li> <li>Given any proposed changes from the Access &amp; Forward-Looking Charges SCR will be implemented by April 2023, removing or keeping a £0 floor should be viewed as an interim solution</li> </ul> <p><b>“Floor the location demand tariff at £0/kW”</b></p> <ul style="list-style-type: none"> <li>This would result in charges being impacted by &lt;1% in the majority of zones</li> <li>Incentive to consume at peak periods would be inappropriate</li> <li>Solution needs to be accommodated easily by Industry</li> <li>Creates material redistribution of cost across regions and dampens the locational signal</li> </ul> <p><b>“Calculate and apply the locational tariffs over a larger number of half-hourly periods”</b></p> <ul style="list-style-type: none"> <li>Requires a wider reform of TRIAD</li> </ul> <p><b>“Further consideration needed on treatment of de-energised sites”</b></p>