

CUSC Workgroup Consultation Response Proforma**CMP332: Transmission Demand Residual bandings and allocation (TCR)**

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 **27 February 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 Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Karl Maryon
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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 CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	We agree there are consumer benefits as certain customers will no longer be able to avoid the costs of residual transmission charges and hence relevant objective (a) is positively impacted by the original proposal. In addition, objective (c) is better facilitated as the ESO has been directed to raise this modification.
2	Do you support the proposed implementation approach?	<p>Whilst we support the intent of this modification there are concerns about the practicality of implementation within the required timescales and impact on customers. The changes proposed will cause significant tariff disturbance to consumers at very short notice. Most consumers will not be aware of these changes and the implications for their network charges.</p> <p>In response to customer demand, 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.</p> <p>We have concerns about the short timescales to implement necessary system changes once the industry knows the identifiers used for the banding.</p> <p>We agree with the workgroup comments around the benefits of having a transitional period for Customers to review indicative banding allocations and also share concerns that this would further risk the implementation date of 1st April 2021.</p>
3	Do you have any other comments?	In our response to the minded to decision in September 2019 we indicated our support for defining the bands by LLFCs. This standard industry data item would be a far easier method to segment customers and to implement across the industry (including suppliers' systems). We believe such an approach would be deliverable by the 1 st April 2021 deadline.

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time.
Specific CMP332 Workgroup Consultation questions		
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.	We have no issues with the mapping table in Annex 6.
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?	We agree with the proposer that one band is appropriate at this time.
7	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?	We accept the rationale presented by the DNOs to justify a 12 month period of data being used to set the charging bands. 12 months will ensure the most up to date customer characteristics are captured and the proposals to address unavailable data seem appropriate and fair.
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of	We believe that for simplicity any over or under recovery should be treated using the normal industry k factor. i.e. recovered in future years. The use of a rebate is disruptive to the industry and results in a poor experience for Customers if Suppliers start billing these amounts in arrears.

	such bands, how should this amount be recovered/rebated?	
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?	We believe that Measurement classes should not be used to determine initial grouping for the same reason as detailed in the consultation.
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	We believe that for simplicity, UMS should continue to be charged on a volumetric basis. Tariffs will be distorted if all UMS is allocated into the LV no MIC band.
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>We fully appreciate the reasons why the Proposer’s Original Solution floors the locational tariff at £0/kW.</p> <p>If this flooring wasn’t applied the unacceptable incentive to consume at peak periods would be promoted which is clearly inappropriate.</p> <p>However, we also appreciate that flooring is technically not in line with the TCR SCR decision and may interact with the ongoing AFLC SCR. We also appreciate the impact on 8 of the 14 demand zones but believe this is relatively immaterial.</p> <p>In addition, if this modification is to be realistically implemented by 1st April 2021 then any solution needs to be accommodated easily by Industry.</p> <p>Taking all this into consideration we believe the Original Solution is the best compromise option.</p> <p>In our opinion, the 3 further possible solutions detailed in the consultation stray too far into the AFLC SCR and are unnecessarily complicated at a time when the current implementation timescales are very challenging.</p>