

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
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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?	Yes. We believe that the proposed solution would help ensure more cost-reflective charges as certain customers, who can currently change their behaviours in order to avoid costs, will no longer be able to do so. These more cost-reflective charges will positively impact relevant objectives a) and c).
2	Do you support the proposed implementation approach?	<p>Although we support the intent of this modification, to help deliver Ofgem's Targeted Charging Review (TCR) decision, we have concerns regarding the very challenging timescales and impacts.</p> <p>Non-domestic Suppliers offer customers fixed price contracts of durations up to 5 years. Because final tariff impacts are not expected to be known until the end of 2020, Suppliers are likely to increase contract risk premia in order to mitigate uncertainty.</p> <p>These proposals will significantly impact tariffs, with the majority of consumers being unaware of forthcoming changes to their network charges.</p>
3	Do you have any other comments?	<p>Proposed changes are significant, including the need for new or amended DTC flows in order to provide data regarding customer bandings.</p> <p>We support the position made by some parties to the minded to decision, that defining the bands by LLFCs would have been simpler because use of this existing standardised data item would be easier to implement across the industry systems of the multiple parties impacted. Such an approach is strongly recommended given the extremely challenging 1st April 2021 deadline.</p>
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?	Yes. We agree with the Proposer's comments that, if there was to be a potential 2 nd band for large transmission sites, but with currently only a limited number of site (<6), then, given the very challenging implementation timescales the use of 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 agree with the DNOs' rationale to use 12 months data to set the charging bands, because 24 months' worth of data is not consistently available. For example, for new connections and due to the lack of actual HH metered data for smaller customers with NHH Metering Systems.
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?	We agree with the TCR SCR Direction that, given the potential for significant charging differences to Customers dependent upon their banding position, that disputes are inevitable and that processes will need to be developed to manage them. For simplicity, we believe that any under/over recovery should be managed using the normal industry 'k factor'. i.e. recovered in future years. We do not support the use of a rebate as this is disruptive to the industry and results in a poor experience for Customers if Suppliers start billing these amounts in arrears.

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 do not believe that Measurement classes should 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?	For simplicity, and given the challenging timescales, we support the DNOs’ intended approach to continue to charge UMS on a volumetric basis.
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?	We favour the Original Solution and, given the very challenging 1 st April 2021 implementation date, believe it to be the simplest solution for the Industry to accommodate.