

CUSC Workgroup Consultation Response Proforma**CMP343: Transmission Demand Residual bandings and allocation for 1 April 2022 implementation (TCR)'****CMP340: Consequential changes for CMP332 (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 31 July 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 paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the CUSC (charging) objectives for CMP343 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).*

For reference the CUSC (non-charging) objectives for CMP340 are:

- a. *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- b. *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- c. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- d. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**Objective (c) 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.

CMP343

Standard Workgroup Consultation questions CMP343		
1	Do you believe that the CMP343 Original Proposal better facilitate the Applicable CUSC Objectives? Please explain your rationale.	The proposal has been brought on the instruction of the Regulator and should therefore be compatible with objective (c). However, the introduction of a floor for the locational element of this charge is not consistent with that direction, and therefore does not meet this objective. Objective (a) cannot be met whilst introducing a change that puts a significant additional burden on a number of large users that may result in inefficient disconnections, thereby increasing charges for all other network users
2	Do you believe that any of the CMP343 proposed alternative solutions better facilitate the Applicable CUSC Objectives? Please explain your rationale.	Alternative Solutions 3 and 6 are in line with the direction given by the regulator, and therefore meet objective (c). Alternative Solution 6 would better address the proposer's concerns about unwanted demand increases over the TRIAD, whilst maintaining cost reflective locational signals throughout GB. Alternative Solution 6 is therefore preferred.
3	Do you support the proposed implementation approach?	The timescales are in line with those directed by the Regulator. However, removing the locational signal in several zones by flooring is inconsistent with the direction given by the regulator and pre-judges the outcome of the access and forward looking charge consultation, which is still ongoing.

4	Do you have any other comments?	N/A
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Specific CMP343 Workgroup Consultation questions		
6	Do you agree with the proposed methodology on page 7 of the Workgroup Consultation document to calculate a volumetric p/kWh residual charge for Unmetered Supply (UMS) Demand? Please provide the rationale for your response.	No opinion
7	Following the CMP332 Workgroup consultation, the CMP343/340 Workgroup has developed alternative options for 2 or 4 transmission bands and has produced some analysis to show the impacts. This can be found in Annex 8. What are your views on whether there should be 1, 2 or 4 transmission bands? Please provide the rationale for your response.	<p>Introducing banding to transmission connected parties would be a change from the direction made by the regulator. This direction was made after undertaking a full impact assessment on the basis of a single band. The distortive effect of introducing additional bands would cause further deviation from objective (a), where costs levied on certain users is very likely to lead to inefficient disconnections.</p> <p>Furthermore, the pool of transmission connected final demand sites is too small to create a stable regime. With significant demand changes from year to year, users are likely to see themselves change band through activity undertaken by another user, and charges levied on the basis of demand that is not reflective of use in the charging year.</p>
8	The Workgroup has proposed that if there were 2 transmission bands, these would be divided at the 85 th percentile (as this coincides with the point beyond which the	As noted above, neither 2 bands nor 4 bands meet with the CUSC objectives (a) or (c).

	sites are more than twice the size of the mean total consumption). Do you agree with this method? Please provide the rationale for your response?	
9	The assumptions that underpin the analysis on transmission banding to set out illustrative charges are contained in Annex 9. Please provide any comments on these assumptions.	As noted above, demand varies on each site from year to year. Therefore, with such a small sample size, the analysis cannot be very meaningful.
10	Following the CMP332 workgroup consultation, the CMP343/340 Workgroup has developed options A, B and C to address the treatment of zones that have a negative locational tariff. Which of these options do you support? Please provide the rationale for your response.	<p>We do not believe that negative locational tariffs should be prevented by this modification. The review of these tariffs is already being considered within the Access SCR and removing them in many parts of GB would pre-judge the outcome of that review. Option A should therefore be ruled out.</p> <p>Options B and C both maintain locational signals throughout GB. Of these, Option C would better address the proposer's concerns about unwanted demand increases over the TRIAD, whilst maintaining cost reflective locational signals throughout GB. Option C is therefore preferred to Option B.</p>
Question 11 is for those who responded to the CMP332 consultation		
11	CMP343/340 builds on the CMP332 solution. Please let us know if anything has changed in your response since the CMP332 Workgroup Consultation.	N/A

CMP340**Standard Workgroup Consultation questions CMP340**

12	Do you believe that the CMP340 Original Proposal better facilitates the	No view
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	Applicable (non-charging) CUSC Objectives?	
13	Do you support the proposed implementation approach?	Yes
14	Do you have any other comments?	No
15	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	N/A
Specific CMP340 Workgroup Consultation question		
16	Annex 11 sets out the initial thoughts on the potential changes to the CUSC Section 11 definitions that would need to change to support the CMP343 Original and other potential solutions. Do you have any comments on the proposed changes?	N/A