

## CUSC Workgroup Consultation Response Proforma

### CMP300 – Cost reflective Response Energy Payment for Generators with low or negative marginal costs

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 by **5pm on 22 May 2019** to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Matthew Bent at [matthew.bent@nationalgrideso.com](mailto:matthew.bent@nationalgrideso.com)

<b>Respondent:</b>	<i>Paul Youngman paul.youngman@drax.com</i>
<b>Company Name:</b>	<i>Drax Power Limited</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)</b>	As proposer, the original solution optimises the REP arrangements by ensuring that all sites that have low or negative marginal costs are subject to the same REP. The solution applies the principles of cost reflective charging by ensuring a technologically neutral solution is applied into the CUSC. This modification levels the playing field between generators that have low or negative marginal costs.

### Standard Workgroup Consultation questions

Q	Question	Response
1	Do you believe that CMP300 Original proposal, the proposed alternative in Annex xx or any potential alternative that you may wish to suggest better facilitates the Applicable CUSC Objectives?	<p><i>For reference the applicable CUSC objectives are:</i></p> <p><i>(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence</i></p> <p><i>(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;</i></p> <p><i>(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and</i></p>

		<p><i>(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.</i></p> <p><i>*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).</i></p> <p><b>The proposal furthers the CUSC objective:</b></p> <p>(b) The primary purpose of CMP300 is to better facilitate CUSC applicable objective (b). The proposal facilitates competition by correcting the current REP payment arrangements, ensuring a level playing field between parties. Currently the REP payment is zero for a subset of sites that have low or negative marginal costs. This proposal enables all parties with low or negative marginal costs to have the same REP arrangements. The modification makes changes to the REP arrangements that improve its cost reflectivity. The REP is designed to be a cost reflective charge. This was reflected in decision CMP237 which applied a zero REP to a sub-set of sites that have low or negative marginal costs. Since that decision other site classes have low or negative marginal costs through contracts for difference. The modification addresses this change, enabling the zero priced REP to be applied to all sites with low or negative marginal costs. This ensures that the REP is cost reflective, consistent with the decision for CMP237.</p> <p>To the extent that CMP300 maintains consistency with the decision of the authority for CMP237 the proposal facilitates both CUSC applicable objectives (a) and (d).</p>
2	Do you support the proposed implementation approach?	Yes
3	Do you have any other comments?	No
4	Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No

## Specific CMP300 questions

Q	Question	Response
5	<p>The workgroup considered 3 options.</p> <ol style="list-style-type: none"> <li>1. The original figure of zero pounds per MWh</li> <li>2. The Market Price</li> <li>3. An optional price</li> </ol> <p>Do you favour an option; if so which option is your preference? If this is option 3 how do you suggest this this would work?</p>	<p><b>We Support Option one.</b> The original figure as currently applied to some sites that have low or negative marginal costs should be applied to all such sites. The key principles are to ensure equivalency of treatment irrespective of technology type, and ensuring a cost reflective REP. As highlighted in the decision on CMP 237 the zero price REP is a cost reflective, economic and efficient outcome for consumers.</p> <p>Option two would not remedy the defect as it may reflect the current arrangements.</p> <p>Option three was addressed as part of CMP237 and was not selected by Ofgem as a preferred solution.</p>
6	Do you feel that the workgroup has identified all the consequences from this proposal, are there any unintended consequences that you would identify?	Yes. The workgroup did not identify any unintended consequences.
7	As discussed in Section 4 of the report, NGESO will be using a public register to determine which projects have a CfD and be subject to this proposal. Do you agree with this approach?	Yes, this appears to be a reasonable, practical and acceptable data source.
8	Do you agree that Ofgem made the decision on CMP237 based on economic rationale and not the fuel type?	Yes. The core of the decision was based on the premise that the sites identified had low or negative marginal cost. Ofgem as a principle of its decision making is technologically neutral. At the time when the decision was made, support payments were only made to the sites identified at that time, thereby making the marginal cost for those sites low or negative. The situation has now changed with other sites having low or negative marginal costs that are not covered by the existing definition used to implement CMP237. Therefore, the scope of applicability should be altered to reflect all generators that have low or negative marginal costs due to a contract for difference. This will ensure that the

		REP is cost reflective and applies to all parties on an economic basis.
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