Response Form

CMP353: Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021

Question 1: Do you believe that CMP353 Original solution better facilitates the Applicable Objectives?

Yes, Red Rock Power Limited (RRPL) agrees that the CMP353 Original solution better facilitates the Applicable Objectives.

The currently anticipated locational signal does not appropriately represent the investments made in the previous price control period.

The result of the anticipated locational signal is that the differential in charges between zones increases significantly.

Cost recovery through TNUoS will become even more onerous for some geographically demand-distant zones and yet other areas will be further subsidised through increasingly negative charging. Increasing the differential in TNUoS charging could lead to reduced generation dispersion, potentially reducing system security and regional supply chain growth.

In terms of markets and investment, geographic concentration of projects can lead to increased price cannibalisation therefore higher levels of support for CfD generators, and increased levels of risk for any merchant projects.

There is the potential that the increasingly onerous and unexpected costs, combined with the unfavourable wholesale market, could lead to some generation becoming marginal or uneconomic. Allowing such a situation to prevail, particularly at such short notice, could undermine confidence in the sector and investment decisions for future projects, particularly in more geographically remote areas. This could therefore weaken Government green economic recovery and decarbonisation policy.

Furthermore, RRPL questions whether negative charging is truly cost-reflective. Given that transmission works infrastructure is still required to be created for and utilised by generation assets in these negative pricing zones, there will be a cost associated with this. Negative charging TNUoS could therefore be considered anti-competitive.

The proposed solution would facilitate effective competition between generation and demand Users by avoiding significant, sudden and unexpected change to the locational costs faced by certain Users.

Therefore, there is an urgent need for this modification and the decision to be in place to allow tariff setting processes to take place ahead of 1 April 2021 implementation.

Question 2: Do you support the implementation approach?

Yes, we support the approach to stabilise the locational signal from 1 April 2021 at the start of the RIIO-2 period at the RIIO-1 value plus relevant inflation in each charging year until an appropriate EC for RIIO-2 can be calculated and applied.

The approach brings some relief to the affected locations, although it does not address the intrinsic inequity in the existing charging methodology, mentioned in the previous Question 1.

Question 3: Do you have any further comments?

There are several modifications currently under way in this area, as well as the over-arching Government Transmission Review being undertaken. This uncertain environment makes predicting transmission charging extremely challenging and is negatively impacting on investment decisions. The short notice of these consultations is making this ever more challenging.

RRPL is keen to emphasise that all industry policy and regulation should be aligned in working towards clear objectives of achieving net-zero and green economic recovery, as well as regional economic development.