

**CUSC Code Administrator Consultation Response Proforma****CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1<sup>st</sup> April 2021'**

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](mailto:cusc.team@nationalgrideso.com) by **2pm on 19 November 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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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 use of the system charging methodology.*

*\*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 in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that CMP353 Original solution better facilitates the Applicable Objectives?	<p>Yes, Scottish Renewables supports the implementation of CMP353 and believe that the modification better facilitates the Applicable Objectives.</p> <p>We believe that, if implemented at the start of the RIIO-2 price control, the current EC and EFs methodology would lead to reduction in the level of competition in the electricity generation market. It is likely that a TNUoS cost shock to certain parties with little advance notice of the effects it will have on them will erode investor confidence and would likely impact development portfolios. This is likely to reduce the number of projects, or the timing of investments and reduce competition in the market.</p> <p>We would also note that there is currently significant volatility in TNUoS pricing. Investors need cost certainly and clear, forecastable TNUoS when planning and delivering long-term investments at lowest cost of the UK consumer. We also note that locational price volatility is a significant challenge for operational sites, where projects have been built and financed at a specific point in time based on the best view of TNUoS. These projects cannot react to changes in locational signals, therefore volatility in TNUoS costs simply adds risk to the projects.</p> <p>Lastly, we note that without this modification the cost of meeting net zero may increase if the UK needs to procure more expensive technologies to decarbonise the electricity sector.</p>
2	Do you support the proposed implementation approach?	<p>We support the implementation of this modification in time for the price control commencing in April 2021 and recommend an early decision process to allow this to take place.</p> <p>We believe that the inflation index should be in line with the RIIO-2 final determinations.</p>
3	Do you have any other comments?	<p>We would add that while we support the implementation of CMP353, we believe it is a minimum sticking plaster to a wider problem. The current charging methodology is designed for incremental changes, however reaching our legally binding net zero target will require a much</p>

		<p>more fundamental shift. Without a substantial rethink, the direction of travel in network charging is a major barrier to net zero and to industry in Scotland where renewable resources are abundant. With that in mind, it is important that immediate issues within the charging regime do not undermine the longer-term trajectory of developing an enduring solution which provides certainty for industry.</p>
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