

## CUSC Alternative and Workgroup Vote

### **CMP357: To improve the accuracy of the TNUoS Locational Onshore Security Factor for the RIIO2 Period**

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

#### **Stage 1 - Alternative Vote**

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

#### **Stage 2 - Workgroup Vote**

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

#### **The Applicable CUSC Objectives (Charging) 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 \*; and
- e) Promoting efficiency in the implementation and administration 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).

**Workgroup Vote**

**Stage 1 – Alternative Vote**

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

*The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.*

*Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives (against Baseline or the Original) then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.*

“Y” = Yes

“N” = No

“-“ = Neutral

Workgroup Member	Alternative 1 - 1 decimal place (dp)	Alternative 2 - 2 decimal place (dp)
Garth Graham/Damian Clough	Yes	Yes
Jamie Webb	Yes	Yes
Paul Mott	Yes	Yes
Paul Jones	Yes	Yes
Simon Lord	Yes	Yes
Grace March	Yes	Yes
Dennis Gowland	Yes	Yes
Alwyn Thomas /Guy Nicholson	Not present at time of vote	Not present at time of vote
Simon Swiatek	Yes	Yes
John Harmer	Yes	Yes
Bill Reed/Nicola Fitchett	Yes	Yes
<b>WACM?</b>	<b>WACM1</b>	<b>WACM2</b>

**Stage 2a – Assessment against objectives**

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Garth Graham/Damian Clough – SSE Generation Ltd.						
Original	Y	Y	-	Y	-	Y
WACM 1	N	N	-	-	-	N
WACM 2	Y	Y	-	Y	-	Y

**Voting Statement:**

*(a) facilitating effective competition*

Positive.

The proposal improves the effectiveness of competition in generation as it increases the accuracy of TNUoS charges, reducing the potential for unduly increased or reduced TNUoS tariffs being applied to Users. The original will create ambiguity and uncertainty as the ESO will be free to set the security factor to how many dps they deem fit.

ESO plan to lock in 1dp for the rest of the price control and that then becomes baseline. The fact that ESO intend to raise a mod to subsequently change the figure cannot be taken into account in the assessment of this modification as that will be a separate modification judged on its own merits.

*(b) resulting in cost-reflective charges*

Positive.

The proposal promotes greater accuracy of the Security Factor and this will improve the cost-reflectivity of the value of the security factor used within TNUoS tariffs applied to Users. As shown for this price control using 1dp significantly moves the security factor away from the underlying figure, pushing costs onto users, which does not match the investment made by the TO's. A small change at the next price control may then subsequently result in a step change from 1.8 to 1.7. Moving to 8dp removes those problems and aligns the security factor with a number calculated by the ESO.

*(c) properly takes account of developments in TOs' transmission businesses*

Neutral.

*(d) being compliant with EU regulations*

Positive.

It is a legal requirement of Directive 2009/72(EU) Recital 36 that transmission tariffs in GB "are non-discriminatory and cost-reflective" and this proposal, by ensuring more accurate transmission tariffs are in place in GB for the forthcoming Price Control period will mean that

compliance with the Electricity Regulation and any relevant legally binding decision etc. (in terms of the duties placed upon the NRA – Ofgem - in Article 37(1)(a) according to Recital 36) is achieved as without accurate transmission tariffs there will be (i) discrimination in those tariffs (as some will pay more and some less than they should for no justified reason) and (ii) they will not be accurately cost-reflective.

*(e) Promoting efficiency in the implementation and administration of the system charging methodology*

Neutral.

### **WACM1**

- a)** WACM1 hardcodes a step change into the baseline and an inaccurate security factor which therefore does not promote competition. This could easily change swap in 5 years' time to 1.7 and disadvantage another set of customers for no justifiable reason. To promote competition the SF should align to underlying costs.
- b)** WACM1 hardcodes 1dp into the baseline ensuring that the security factor set for the whole period of the price control does not reflect the underlying calculation pushing extra unjustified costs onto users at a time when the industry is pushing for net zero
- d)** It is a legal requirement of Directive 2009/72(EU) Recital 36 that transmission tariffs in GB "are non-discriminatory and cost-reflective" Using 1dp hardcodes discrimination into the CUSC when there is no need as an accurate number is calculated.

### **WACM2**

WACM2 is better than the baseline but the original is still our preferred choice as increased dp's align the SF with an agreed methodology which is not part of the defect of this modification.

- a)** WAMC2 improves competition by using a SF to an increased number of dp's therefore accuracy. 2dp is the figure stated by ESO as their preferred baseline long term. We cannot agree with the argument of stability and predictability as rationale for the baseline as the Security Factor was consulted and only agreed on the 21<sup>st</sup> December.
- b)** Same as original
- d)** Same as original

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Jamie Webb – National Grid ESO						
Original	N	Y	-	-	-	N
WACM 1	N	N	-	-	-	N
WACM 2	N	Y	-	-	-	N

Voting Statement:

**Original 8 D.P.:**

NGESO believe the original proposal of 8 D.P. to be negative against objective A implementing a change to the security factor from April 21 could have a negative impact on effective competition as some companies will have made decisions for this year based on a security factor of 1 DP, this was identified by certain parties through the consultation the ESO ran when reviewing this issue in 2020.

NGESO believe the original is arguably positive against objective B, focusing purely on the number rather than how it is calculated, any movement beyond 1 D.P. would could be considered more cost reflective (please see Annex 1), however, we are unable to gather any quantitative data to prove a benefits case either way, this is purely a qualitative assumption that the more DP's in place the more reflective the number is of the actual cost.

NGESO believes the original is neutral against Objective D, after reviewing we identified the SOGL article 9 and EBGL article 8 as having some potential relevance, however it was difficult to argue strongly either way on the cost reflectivity of any option against them either way, so we have decided to leave it as neutral, we have noted the articles and sections below:

Article 9.

*“1. The costs borne by system operators subject to network tariff regulation and stemming from the obligations laid down in this Regulation shall be assessed by the relevant regulatory authorities. Costs assessed as reasonable, efficient and proportionate shall be recovered through network tariffs or other appropriate mechanisms.”*

And EBGL Article 8

***“Recovery of costs***

*1. Costs related to the obligations imposed on system operators or assigned third entities in accordance with this Regulation shall be assessed by the relevant regulatory authorities in accordance with Article 37 of Directive 2009/72/EC.*

*2. Costs considered as reasonable, efficient, and proportionate by the relevant regulatory authority shall be recovered through network tariffs or other appropriate mechanisms as determined by the relevant regulatory authorities.*

*3. If requested by the relevant regulatory authorities, system operators or assigned entities shall, within three months of the request, provide the information necessary to facilitate the assessment of the costs incurred.*

*4. Any costs incurred by market participants in meeting the requirements of this Regulation shall be borne by those market participants.”*

NGESO believe that original is Neutral as from an efficiency stand point as the process is simple to accommodate any outcome.

Overall we believe the original is not better than the current baseline due to the potentially negative effect on parties implementing in April 2021, through our consultation (a letter to which can be found [here](#) ) we assessed any change in D.P's to the security factor against:

- cost reflectivity
- tariff predictability
- tariff stability

We found that making a change to 2 D.P. from April 2022 would be the best option when considering these criteria. We also have not seen any detailed benefits case that would highlight a change being bought in April 2021 would be beneficial.

#### **WACM 1, 1 D.P:**

NGESO believe this to be negative against objective A and B, this is based around the 1 D.P. being locked in for the full price control period, we believe that the argument of moving to at least 1 further D.P. could be valid from a cost reflectivity stand point and we also thinking locking it in at 1 D.B. when the data says moving to 2 could be more cost reflective limits competition in the other direction to the original and WACM 2

NGESO believe WACM 1 to be neutral against objective D, citing the same cost reflectivity argument against the same European articles detailed in the original section of the voting statement.

NGESO believe that WACM 1 is Neutral as from an efficiency stand point as the process is simple to accommodate any outcome.

Overall we believe WACM 1 is not better than the current baseline through our consultation (a letter to which can be found [here](#) ) we assessed any change in D.Ps to the security factor against:

- cost reflectivity
- tariff predictability
- tariff stability

We found that making a change to 2 D.P. from April 2022 would be the best option when considering these criteria.

#### **WACM 2, 2 D.P:**

NGESO believe the WACM 2 proposal of 2 D.P. to be negative against objective A implementing a change to the security factor from April 21 could have a negative impact on effective competition as some companies will have made decisions for this year based on a security factor of 1 DP, this was identified by certain parties through the consultation the ESO ran when reviewing this issue in 2020.

NGESO believe that WACM 2 is arguably positive against objective B, focusing purely on the number rather than how it is calculated, any movement beyond 1 D.P. would could be considered more cost reflective, however, we are unable to gather any quantitative data to prove a benefits case either way, this is purely a qualitative assumption that the more DP's in place the more reflective the number is of the actual cost.

NGESO believe WACM 2 to be positive against neutral D, citing the same cost reflectivity argument against the same European articles detailed in the original section of the voting statement.

NGESO believe that WACM 2 is Neutral as from an efficiency stand point as the process is simple to accommodate any outcome.

As with the original proposal, overall we believe WACM 2 is not better than the current baseline due to the potentially negative effect on parties implementing in April 2021, through our consultation (a letter to which can be found [here](#) ) we assessed any change in D.P’s to the security factor against:

- cost reflectivity
- tariff predictability
- tariff stability

We found that making a change to 2 D.P. from April 2022 would be the best option when considering these criteria. We also have not seen any detailed benefits case that would highlight a change being bought in April 2021 would be beneficial.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Mott – EDF Energy					
Original	Y	Y	-	Y	-	Y
WACM 1	N	N	-	-	-	N
WACM 2	Y	Y	-	Y	-	Y

**Voting Statement:**

The plot of the data by node shows very high precision, as the dots are placed close to the interpolated least-squares-fit line, and the R squared value is remarkably high (a strong correlation) at 0.9946.

Re : CAO a competition, CMP357 (original) does promote effective competition in generation, supply and consumption of electricity, as it increases the accuracy of TNUoS charges, reducing the potential for unduly increased or reduced tariffs. By ensuring that the locational signals are correct, global system costs will be reduced.

Re : CAO b cost reflectivity, CMP357 (original) promotes greater accuracy of the security factor; rounding clearly introduces inaccuracies, and using the accurate value, bearing in mind the precision of the inputs and the calculation method, will clearly improve the cost-reflectivity of this value and hence of the resultant tariffs.

Re : CAO d Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; it is a legal requirement of Directive 2009/72(EU) Recital 36 that transmission tariffs in GB "are non-discriminatory and cost-reflective" and this proposal, by ensuring more accurate transmission tariffs are in place in GB for the forthcoming Price Control period will mean the that compliance with Electricity Regulation and any relevant legally binding decision.

WACM1 1 DP – doesn’t better meet any CAO as maintains inaccuracy from rounding and actually codifies and formalises/legitimises the 1DP inaccuracy. Is not better than the original.

WACM2 2 DP – does better meet CAOs A B and D as per original as reduces most of the inaccuracy from rounding Is not better than the original.

Original is best as maintains the best cost-reflectivity

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Jones – Uniper						
Original	<b>N</b>	<b>N</b>	-	-	<b>Y</b>	<b>N</b>
WACM 1	<b>Y</b>	-	-	-	<b>Y</b>	<b>Y</b>
WACM 2	<b>N</b>	<b>N</b>	-	-	<b>Y</b>	<b>N</b>

Voting Statement:

Setting the security factor to a higher number of decimal places than one would not improve cost reflectivity, particularly in light of the current disjoint between how the regression analysis is carried out between results of the secured and non-secured load flow models, and how the results of the regression is used in the Security Factor. Such a short notice, but significant, change in security factor now would simply mean a cost redistribution between parties with no associated benefit of more efficient behaviour of those parties on the network. WACM1 removes the change in calculation, but provides clarity to the ESO and market participants as to its future calculation providing more certainty and improving competition. Doing this would also be consistent with the approach taken by Ofgem in respect of the Expansion Constant and Zoning methodology, both of which have been frozen subject to review in 2021, thereby avoiding discriminatory treatment of similar issues. WACM2 suffers from the same issues as the original, undermining cost reflectivity and competition.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Lord – Engie						
Original	<b>Y</b>	<b>Y</b>	-	<b>Y</b>	-	<b>Y</b>
WACM 1	<b>N</b>	<b>N</b>	-	-	-	<b>N</b>
WACM 2	<b>Y</b>	<b>Y</b>	-	<b>Y</b>	-	<b>Y</b>

Voting Statement:

The ESO currently has the ability to decide on number of decimal places (dp) that are to be used in the security factor. The ESO has indicated that this will be set two 2 in the medium term with one year's delay. Were it not for the delay in implementation and the need to submit a CUSC modification we would support this approach. WACM1 would remove the ESO flexibility and fix it at 1 dp which we believe will reduce cost reflectivity and produce a significant error margin that is then baked in for future years. WACM2 (small error margin) and the original (no error margin) give similar outcomes and we support both but as a choice has to be made our preferred option is the original as it removes the error margin completely.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Grace March – Sembcorp						
Original	Y	Y	-	Y	Y	Y
WACM 1	-	-	-	-	Y	Y
WACM 2	Y	Y	-	Y	Y	Y

**Voting Statement:**

Both the Original and WACM2 increase the cost-reflectivity of the Security Factor used in the calculation of TNUoS tariffs. This means generators will be charged appropriate tariffs and so will facilitate competition between generators and provide more suitable investment signals. This increased cost-reflectivity for transmission tariffs is also in line with Directive 2009/72(EU) Recital 36. The Original is more cost-reflective than the baseline but implies a level of precision that I don't believe is justified, given that the Security Factor used across the Price Control period is an average of 5 years' forecasts and not an "absolute" value that can be completely pinpointed. WACM2 is therefore preferable to the Original.

All three proposals remove potential confusion as to how the Security Factor is used by specifying the number of decimal places. WACM1 essentially confirms the existing arrangements, missing the opportunity for increase cost-reflectivity, and is therefore only marginally better than the baseline.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Dennis Gowland - Neven Point Wind Ltd (Nominated by EMEC Orkney)						
Original	Y	Y	-	-	Y	Y
WACM 1	N	N	-	-	N	N
WACM 2	Y	Y	-	-	Y	Y

**Voting Statement:**

I have voted in terms of the defect described in the urgent mod and have not taken into account what could be considered out-of-scope considerations such as the derivation of the Security Factor and its use in the Charging Methodology. Such considerations would mean delving into the Charging Methodology which would very likely take at least 2 years under the present conditions where there are already CUSC mods in the pipeline on other matters. In my view there is no justification for using a multiplier which is demonstrably of lower accuracy by using the value to 1 decimal place, as it has been for 17 years. The resultant movement of funds between some parties to others based on the inherent inaccuracy runs counter to the goals of cost reflectivity. This mod will, at least, offer some immediate relief to parties who are losers under the present arrangements – as any longer term changes, which must be dependent upon a prolonged CUSC process, would take us well into the Price Control period.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Alwyn Thomas /Guy Nicholson - Statkraft UK						
Original	Y	Y	-	Y	-	Y
WACM 1	N	N	-	-	-	N
WACM 2	Y	Y	-	Y	-	Y

**Voting Statement:**

The current baseline security factor of 1.8 is up to a +2.9% deviation from the actual number (to several decimal places) derived by ESO through its regression analysis methodology used to determine the security factor, and therefore financially penalises generators paying transmission costs without justification. We therefore back the ‘proposed solution’ of moving to 8 decimal places to avoid any further doubt in the calculation.

WACM1 – 1 decimal place: This would result in the same result as the baseline with no resolution to our concerns on the ambiguity or justification of the number. As a result, we are NOT in favour.

WACM2 – 2 decimal places: Results in a significant improvement in accuracy and calculation against the baseline and WACM1, but is less preferable to us than the proposed solution of 8 d.p.

Comment on methodology and regression analysis provided by ESO: Whilst it is out of scope, there was much debate on the methodology used to determine the security factor. In our view it is up to ESO to provide a robust methodology/policy for the calculation of the security factor, with transparency on the data, and we approve of the current method as a simple first-order regression line of best fit which provides a high R squared number (0.996). There was debate on whether the regression line of best fit should pass be forced to pass through the Origin (0,0) – in our view it should not, as this would skew the resulting line away from the actual evidence/data provided by ESO without statistical justification and would worsen the R squared.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Swiatek - BayWa r.e. UK Limited						
Original	Y	Y	-	Y	-	Y
WACM 1	N	N	-	-	-	N
WACM 2	Y	Y	-	Y	-	Y

**Voting Statement:**

We support the introduction of more accuracy in the security factor. This will increase competition and improve cost reflectivity.

The 8dp original proposal provides the highest level of accuracy and is our preferred option. However, WACM2 (2dp) also provides a significant improvement on baseline.

The workgroup meetings and report discussed the option of delayed implementation to 2022/23, making the not entirely unreasonable point that implementation from April 2021 gave parties little time to take action on this revision to the overall TNUoS price signal (a delay to 2022 was not considered in-scope for this working group).

Whilst we would note from the published analysis that the overall impact on both generation and demand TNUoS is relatively limited (i.e. it would not lead to a 'step change' in overall TNUoS, impact is generally limited to < 5%), a delayed implementation to 2022 of either the original or WACM2 proposals would also be acceptable for us.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
John Harmer - WWA on behalf of Saltend Cogeneration Limited						
Original	<b>N</b>	<b>N</b>	-	<b>N</b>	-	<b>N</b>
WACM 1	-	-	-	-	<b>Y</b>	<b>Y</b>
WACM 2	<b>N</b>	<b>N</b>	-	<b>N</b>	-	<b>N</b>

**Voting Statement:**

During Workgroup discussion, members seemed to me to fall into two distinct camps. I understood that the first camp believed this issue should be viewed in a very narrow way: the parameter could be expressed to multiple decimal places, the correlation in the linear regression deriving it for each year was very high, values forming the average were close together with a spread which needed two decimal places to bound them, other values in the calculation were expressed to multiple decimal places as was the final result, therefore this security factor value should be expressed to multiple decimal places and considered in isolation of any other parameter in the formula (such as the expansion constant), the end result or other context. The second camp felt this factor should be looked at in the context of how it was used in the calculation and alongside the effect other parameters feeding into that calculation. The end objective was cost reflectivity in the resulting tariffs. If the change to precision of the security factor appeared to worsen cost reflectivity in the result (because of perceived inaccuracy within the methodology or other factors) then the change proposed by this mod could not be justified.

I am firmly in the second camp. In terms of the value that results, I am personally persuaded that 1.8 is the more accurate value to use in terms of cost reflectivity for the five years of the future price control than 1.76 or the value expressed to more decimal places, given the values of the results currently presented by the ESO. This was demonstrated by the ESO analysis doing regression that passed through zero (which is more inaccurate as a fit with the data, but respects the way the value is used in the tariff calculation and so is more accurate in the context in which it is then used) and this showing the average is 1.80 to 2 decimal places across the 5 years.

RWE raised use of the generation background, and that being changed during the past price control period via Project TransmiT, with the impact of that not being tested at all in terms of its effect on determining this factor. I would question why all the averaging across time and geography if cost reflectivity is to be determined to the most accurate degree possible (I don't see why it should not be changed each year using best possible data each time, and I note some comments about the factor reflecting the specific resilience of the network where they geographically connect); I believe these are points that should be properly tested and debated.

I also note Peakgen’s consultation response and Uniper’s comment that a different treatment of the expansion constant now (leave unchanged and review later) is hard to justify if this security factor is changed now, especially as the perceived error in the expansion constant acts in the opposite direction to the perceived rounding error in the security factor.

Accordingly my vote is to retain the status quo of using 1 decimal place for now because that results in 1.8. It is not that I think 1 decimal place is appropriate precision – I don’t know, but it certainly appears something better could be done. It is that the resulting value of 1.8 appears closer to the value that should be being used in its current context, and the Original and WACM2 both would move the immediately relevant value of the Security Factor in the wrong direction away from this value based on the evidence that I have seen brought before the Workgroup. It is my firm expectation that another mod will come along in the next five years and do something better in terms of a calculation that more accurately captures the effect that is intended to be delivered from this multiplier (and I note ESO’s continuing statement that they intend to do this, with possibly a broader scope than simply the number of decimal places for the factor as it is currently derived thanks to this Workgroup debate). Therefore this outcome is not expected to be retained as the solution even within the current five year price control, but it simply gives the best outcome in terms of value for this parameter for use in the next year or two (and at the limit throughout the five year price control), and is therefore the appropriate outcome for this urgent mod given the time available.

I have voted for codifying this specifically in the CUSC as better than leaving it the CUSC silent, for reasons of transparency and clarity, but also because I believe the 1.8 value is the better value to use throughout the price control absent a change in the tariff calculation methodology that uses it. I would not support ESO moving to a greater number of decimal places during the price control period without evidence that demonstrates why this delivers more accuracy for the parameter and consequent improved cost reflectivity in the context in which it is used.

In relation to my vote on objective (d) I took lead from more experienced industry colleagues who stated that there were relevant European decisions that mandated cost reflectivity, therefore my vote on this followed objective (b). If this is not true then my vote on objective (d) would change to neutral throughout, but this would not change my end conclusion on whether the Original or any WACM better facilitates the CUSC Objectives overall.

My vote against objective (a) is based on a premise that better cost reflectivity will lead to more effective and fair competition.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Bill Reed/Nicola Fitchett - RWE						
Original	-	<b>N</b>	-	-	-	<b>N</b>
WACM 1	-	<b>Y</b>	-	-	-	<b>Y</b>
WACM 2	-	<b>N</b>	-	-	-	<b>N</b>

**Voting Statement:**

The original proposal introduces spurious accuracy and cannot be more cost reflective (Charging Objective b) based on the approximation inherent in the application of the Locational Security Factor.

WACM 1 preserves the current baseline approach (one decimal place) and the approximation inherent in the application of the Locational Security Factor.

WACM 2 introduces spurious accuracy and cannot be more cost reflective (Charging Objective b) based on the approximation inherent in the application of the Locational Security Factor.

**Stage 2b – WACM Vote (If required)**

Where one or more WACMs exist, does each WACM better facilitate the Applicable CUSC Objectives than the Original Modification Proposal?

Workgroup Member	Company	WACM1 better than Original Yes/No	WACM2 better than Original Yes/No
Garth Graham/Damian Clough	SSE Generation Ltd.	No	No
Jamie Webb	National Grid ESO	Yes	Yes
Paul Mott	EDF Energy	No	No
Paul Jones	Uniper	Yes	Neutral
Simon Lord	Engie	No	No
Grace March	Sembcorp	No	Yes
Dennis Gowland	Neven Point Wind Ltd (Nominated by EMEC Orkney)	No	No
Alwyn Thomas /Guy Nicholson	Statkraft UK	No	No
Simon Swiatek	BayWa r.e. UK Limited	No	No
John Harmer	WWA on behalf of Saltend Cogeneration Limited	Yes	Neutral
Bill Reed/Nicola Fitchett	RWE	Yes	No

**Stage 2c – Workgroup Vote**

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1 or WACM2)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Garth Graham/Damian Clough	SSE Generation Ltd.	Original	a,b, d
Jamie Webb	National Grid ESO	Baseline	n/a
Paul Mott	EDF Energy	Original	a,b, d
Paul Jones	Uniper	WACM1	a, e
Simon Lord	Engie	Original	a,b, d
Grace March	Sembcorp	WACM2	a,b, d, e
Dennis Gowland	Neven Point Wind Ltd (Nominated by EMEC Orkney)	Original	a,b, e
Alwyn Thomas /Guy Nicholson	Statkraft UK	Original	a,b, d
Simon Swiatek	BayWa r.e. UK Limited	Original	a,b, d
John Harmer	WWA on behalf of Saltend Cogeneration Limited	WACM1	E
Bill Reed/Nicola Fitchett	RWE	WACM1	b

Of the 11 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	7
WACM1	4
WACM2	7