

CUSC Workgroup Consultation Response Proforma

CMP357 'To improve the accuracy of the TNUoS Locational Onshore Security Factor for the RIIO2 Period'

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 8 January 2021**. 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.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Nick Sillito
Company name:	Peak Gen
Email address:	Nsillito@peakgen.com
Phone number:	07491 434 518

For reference the applicable CUSC (charging) 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; 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).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

CMP357 - Standard Workgroup Consultation questions		
1	Do you believe that the CMP357 Original Proposal or the potential alternative options better facilitates the Applicable Objectives?	Yes
2	Do you support the proposed implementation approach for CMP357?	No – please see answer to question 5
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Specific Workgroup Consultation Questions		
5	Do you have any further analysis/evidence to support your conclusions under Question 1?	<p>Increasing the accuracy of TNUoS charges is something to be welcomed, and by improving the precision of one of the inputs to the model would normally be expected to achieve this.</p> <p>In the TNUoS charging model, the security factor is always multiplied by the expansion constant, and therefore the accuracy of TNUoS charges is determined by the accuracy of the product of the expansion constant and the security factor.</p> <p>As part of the RIIO price review, the ESO has suggested that the expansion constant is about <i>85% understated</i>; at the same time rounding of the security factor means that it is currently slightly overstated. This means that the product of the expansion constant and the security factor is understated.</p> <p>If the security factor were corrected by increasing the number of decimal places, under the current circumstances its value would decrease. This change <i>increases the understatement of the product of the expansion constant and the security factor</i>. A larger error here will <i>increase the error in the overall TNUoS charges</i> which would be detrimental to market participants properly responding to pricing signals.</p>

		<p>Improving the precision of the security factor – as proposed – is to be welcomed. However, we believe that there is an unintended consequence of increasing the error/distortion in the overall TNUoS tariff if the expansion constant and security factor are not updated at the same time.</p> <p>We propose that this change is implemented at the same time as the expansion constant is updated.</p>
6	Will the CMP357 Original Proposal or the potential alternative options impact on your business. If so, how?	Yes – we are exposed to the TNUoS tariff