CUSC Alternative Form

CMP357 WACM2:
To improve the accuracy of the TNUoS Locational Onshore Security Factor for the RIIO2 Period

Overview: The Security Factor is to be expressed to 2 decimal places for the entirety of the RIIO2 Price Control period.

Proposer: Grace March, Sembcorp Energy UK

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What is the proposed alternative solution?

The Security Factor is an average of 5 years' forecasts. The variance between the forecasts is 0.027 and the largest difference between the average and a single year is 0.012. This suggests that expressing the average to 8 decimal places implies a level of precision that is not warranted by the data, but using 2 decimal places is. 2 decimal places still captures the bulk of the materiality of the improved cost-reflectivity proposed in the original by going beyond 1 decimal place. This is illustrated in the analysis presented to the Workgroup by the ESO in Annex 7.

What is the difference between this and the Original Proposal?

The Security Factor is expressed to 2 decimal places, not 8 decimal places, for the entirety of the RIIO2 Price Control period.

What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(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;	**Positive:** Increasing the number of decimal places means the Security Factor used in TNUoS Tariff calculations will be more accurate. This will facilitate competition in generation by reducing the potential for non-cost-reflective tariffs
(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);	**Positive:** The increased accuracy of the security factor will be more cost-reflective
(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;	**None**
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Positive/Negative/None:** Transmission tariffs are required to be cost-reflective. This proposal

	helps compliance by reflecting the network redundancy in TNUoS tariffs more accurately.
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Positive:** As the baseline CUSC is currently silent on the number of decimal places, it is not clear whether the exact number can be changed in the Charging Statement. The proposed text removes this uncertainty.
*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).	

When will this change take place?

Implementation date:

1st April 2021 to align with RIIO-T2

Implementation approach:

No change to systems or processes. Just a legal text change.

Acronyms, key terms and reference material

Acronym / key term	Meaning
ESO	Electricity System Operator
TNUoS	Transmission Network Use of System

Reference material:

Not applicable