

CUSC Workgroup Consultation Response Proforma**CMP357 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'**

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
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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?	<p>Objective A – Negative: NGESO believes that 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 (decimal place).</p> <p>This was identified by certain parties through the consultation the ESO ran when reviewing this issue in 2020.</p> <p>Objective B – Positive: NGESO believes that moving to 2 DP is cost reflective enough as shown in the data in annex 1 and that implementing this in April 2022 offers a better balance between Objective A and C.</p> <p>NGESO recognises that moving to a further level of decimal places may offer better cost reflectivity against the security factor. 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.</p> <p>Objective C –N/A</p> <p>Objective D – N/A</p> <p>Objective E – Negative: Data provided by the ESO shows that the drop from 1DP to 2 is quite a significant drop ranging between 0.05-0.04. Moving from 2 DP to 3 still shows a marginal difference, but dropping beyond 3 all the way through to 8 offers a negligible change. (See Annex 1 attached below). Moving to a greater number of decimal places than necessary would not improve efficiency in the methodology.</p>

2	Do you support the proposed implementation approach for CMP357?	No, unless parties can identify and show concrete benefits we believe that the implementation of this change from April 21 will have a detrimental effect due to the time consideration. We do however agree and understand the case that a move from 1DB can offer a more accurate and cost reflective price and would support this as per our recent consultation from April-22 (see WACM below).
3	Do you have any other comments?	<p>NGESO ran a consultation on the security factor and the amount of DPs that could be used, we published a letter on our website detailing the outcome of that consultation on the 21/12/20 which can be found here</p> <p>The summary of that consultation and subsequent letter the ESO reviewed the security factor D.P. issue against 3 sets of criteria</p> <ul style="list-style-type: none"> • cost reflectivity • tariff predictability • tariff stability <p>We found that applying a 1 D.P. approach this year followed by a 2 D.P. approach for the following years gave the best outcome against that criteria.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	NGESO would like to propose that as per our consultation the security factor value is changed to two D.P. from April-22 balancing cost reflectivity and notice to parties of this change. Doing it sooner than this would create in appropriate distributional effects between generators. This alternative is better against objective (a) than the original and retains its positive impact against (c). It is also better than the original proposal against objective (e).
Specific Workgroup Consultation Questions		
5	Do you have any further analysis/evidence to support your conclusions under Question 1?	Yes please see annex 1
6	Will the CMP357 Original Proposal or the potential alternative options impact on your business. If so, how?	NGESO would not face any significant cost in implementing the change, it would be a small internal process change.

Annex 1 – DB change analysis

Based on a current security face at 1DB of 1.8. and then broken down to each DB level all the way to 8 we were able to see what the change would be at each level in £ per year in different generation zones. The full number at 8 DBs in this example is for 2021/22 and is set at 1.75547656

We can see from the table and graphs below that there is a relative significant shift when moving from 1 to 2 DP, a smaller shift at 2 to 3 DP but all subsequent DP's after that “flatline” it is for that reason we do not believe that moving to 8 is necessary 2 or 3 should be the max.

It is also because of that relative significant shift when moving from 1DP to 2DP (or anything beyond) that we believe parties could be negatively affected with little time to plan or prepare for it.

	wider liability (£k per year)	1d.p.	2d.p.	3d.p.	4d.p.	5d.p.	6d.p.	7d.p.	8d.p.
assuming	a 100MW WF in gen zone 1	2745	2687	2680	2680	2680	2680	2680	2680
40% ALF	a 100MW WF in gen zone 22	-726	-707	-705	-705	-705	-705	-705	-705
	a 100MW demand in dem zone 1	2063	2145	2156	2155	2155	2155	2155	2155
	a 100MW demand in dem zone 14	6301	6289	6288	6288	6288	6288	6288	6288

