

**CUSC Alternative Form**

# **CMP368 Alternative 2: Updating Charges for the Physical Assets Required for Connection, Generation Output and Generator charges for the purpose of maintaining compliance with the Limiting Regulation**

**Overview:** This Alternative Request has been raised to better give effect to the Authority determination within the CMP317/327 decision, by excluding only volumes but not the transmission charges paid by Embedded Generators (unlike the Original which excludes both).

**Proposer:** Garth Graham, SSE Generation

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## What is the proposed alternative solution?

We propose that only volumes are excluded but not the transmission charges paid by Embedded Generators (unlike the Original which excludes both).

This is because we can see no legal basis for excluding transmission charges paid by generators from the calculation. The Limiting Regulation, as noted on page 9 of the consultation, states that:

*“Annual average transmission charges paid by producers is annual total transmission tariff charges paid by producers”* [emphasis added]

Therefore, the Original proposal, by seeking to exclude transmission charges paid by Large Distributed Generators is, in this respect (and others), incompatible with the Limiting Regulation, whereas the Alternative is compliant.

## What is the difference between this and the Original Proposal?

As per the Original but excluding only volumes and not the transmission charges paid by Embedded Generators (unlike the Original which excludes both), as we have covered in the section above.

The purpose of CMP368/369 is to implement **the correct definition** of the connection exclusion. This means that if an alternative introduces a correct element in contrast to an incorrect approach used by Baseline and/or Original, then that alternative must be better than Baseline and/or Original. This is supported by consideration of:

- **Ofgem TCR decision** directing ESO to raise modification that became CMP317327 “This should be achieved by charging generators all applicable charges (having factored in the correct interpretation of the connection exclusion as set out in EU Regulation 838/2010), and adjusted if needed to ensure compliance with the 0 to 2.50 EUR/MWh range.” (emphasis added)
- **The Original CMP368/369 proposal** clearly highlights the need for CMP368/369 to implement a correct definition and the area of the CUSC where there is a defect: *“Additionally, in Ofgem’s decision to approve CMP317/327 they specified that changes to the CUSC should be brought forward and allow implementation in April 2022. To enable this NGENSO require a decision by 31 August 2021 in order to use the correct components within the calculation to allow draft tariffs to be produced for the 2022/23 charging year.”* (emphasis added)
- **Ofgem’s response to the request for urgency** “CMP368 and CMP369 seek to introduce required changes to Section 11 and Section 14 of the CUSC respectively to update the existing methodology and align the CUSC to the correct interpretation of the Limiting Regulation.” (emphasis added)
- **The Ofgem open letter** of 19<sup>th</sup> May21 regarding CMP368/369 workgroup consultation: *“Open letter on updating the Connection and Use of System Code (CUSC) to provide for the correct interpretation of Commission Regulation (EU) No. 838/2010 (as incorporated into retained EU Law): CMP368 and CMP369”* (emphasis added). And *“We therefore asked NGENSO to bring forward proposals to update the CUSC to incorporate the correct interpretation of the Connection Exclusion for implementation in full from 1 April 2022.”* (emphasis added)

Regarding consistency with Ofgem’s CMP317/327 decision letter, Ofgem said *“In addition, we expect National Grid Electricity System Operator (‘NGESO’) to bring forward a further CUSC Modification Proposal (in sufficient time to enable the modifications to be effective as of 1 April 2022)...”* This did not represent a formal regulatory decision from the Authority regarding the issues of the connection exclusion, or the treatment of embedded generators. As indicated, ESO did raise such a modification along the lines that Ofgem requested and it is now the role of the

CMP368/369 workgroup of industry experts to give the modification due consideration regarding how best to modify the CUSC to implement “the correct interpretation” of the Limiting Regulation.

This alternative has an alternative that has a better legal interpretation of compliance with the Limiting Regulation compared with Baseline, and Original, so is therefore better with regards to non-charging ACO “c” for CMP368 and charging ACO “d” for CMP369.

This alternative would result in less expensive TNUoS charges for GB generators compared with Baseline and Original. This will better facilitate effective competition with regards to GB generators compared with generators in other markets. It would therefore be better with regards to non-charging ACO “b” with regards to better facilitating effective competition for CMP368. For the same reason, it would also be better than both Baseline and Original with regards to charging ACO “a” regarding effective competition for CMP369.

By implementing a better interpretation of the Limiting Regulation, this alternative will better take account of new developments of the offshore grid and policy position as per Ofgem’s minded to decision regarding the Access and Forward Looking Charges SCR. It is therefore better than both the Baseline and Original with regards to non-charging ACO “d” regarding efficient implementation and administration for CMP368 by avoiding the need for returning to make additional changes in the future to accommodate the offshore grid. It is also better with regards to charging ACO “c” regarding developments in the transmission licensees’ transmission businesses and charging ACO “e” regarding efficient implementation and administration for CMP369

## What is the impact of this change?

### Proposer’s Assessment against CUSC Non-Charging Objectives

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	<b>Neutral</b>
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	<b>Positive</b>
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>Positive</b> Ensures compliance with the Limiting Regulation.
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Positive</b>

\*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

