

**Workgroup Consultation Response Proforma****CMP368 & CMP369**

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](mailto:cusc.team@nationalgrideso.com) by **5pm on 2 July 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 Jennifer Groome [Jennifer.Groome@nationalgrideso.com](mailto:Jennifer.Groome@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

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**I wish my response to be:**

(Please mark the relevant box)

 Non-Confidential Confidential

*Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.*

**CMP368****For reference the Applicable CUSC (non-charging) Objectives are:**

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and*
- d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

*\*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).*

**CMP369****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.

CMP368 Standard Workgroup Consultation questions		
1	Do you believe that the CMP368 Original Proposal better facilitates the Applicable Objectives?	<p>Yes, we believe that the CMP368 Original Proposal does better facilitate Applicable Objectives (a) and (c).</p> <p>We consider that the Original Proposal is positive with regards to Applicable Objective (a) as it will, following the approval of CMP317/327, facilitate the Authority's direction by updating the definition of Physical Assets Required for Connection (the 'Connection Exclusion') so that those local charges relating to pre-existing assets do not fall within the exclusion. This will therefore mean pre-existing local charges will be included in the assessment of compliance with the Limiting Regulation range, ensuring alignment with the interpretation of the Connection Exclusion/Limiting Regulation as specified by the Authority.</p> <p>In addition, the Original Proposal will introduce new definitions which will remedy deficiencies currently within the CUSC by ensuring that both charges and volumes associated with Large Distributed Generation are not taken into consideration when determining compliance with the Limiting Regulation. This will make certain the CUSC is then fully aligned with the Authority interpretation detailed within the CMP317/327 decision.</p> <p>We consider that the Original Proposal will also better facilitate Applicable Objective (c) and have a positive impact by further aligning GB arrangements with the relevant European legislation.</p>
2	Do you support the proposed implementation approach?	<p>Yes, we consider that the proposed implementation approach to use the definitions created by CMP368 (alongside the proposed changes introduced via CMP369) to be appropriate. This will then allow the ESO to amend TNUoS charges by altering the Adjustment Tariff for Generators and the Residual charge for Suppliers from April 2022.</p>
3	Do you have any other comments?	<p>We consider that the Original Proposal fully meets the expectations set out not only in the CMP317/327 decision but also the Authority's expectations as to the scope of the Proposals detailed in the guidance note provided by the Authority for the CMP368/369 Workgroup.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No, we are satisfied with the CMP368 Original Proposal.
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### CMP369 Standard Workgroup Consultation questions

5	Do you believe that the CMP369 Original Proposal better facilitates the Applicable Objectives?	<p>Yes, we believe that the CMP369 Original Proposal does better facilitate Applicable Objectives (c), (d) and (e).</p> <p>We believe that the Original Proposal is positive with regards to Applicable Objective (c) as it will allow the ESO, in the context of the use of system charging methodology, to take account of those developments driven by the Authority's CMP317/327 decision.</p> <p>We consider that the Original Proposal is also positive with regards to Applicable Objective (d) as it will ensure ongoing compliance with the Limiting Regulation, particularly those provisions which give effect to the 'Connection Exclusion'.</p> <p>The Original Proposal will update Section 14 of the CUSC to align with the definitional changes proposed via CMP368. This will ensure the methodology for assessing compliance with the Limiting Regulation fully aligns with the Authority's CMP317/327 decision to adopt the correct interpretation of the Connection Exclusion and the provision of the CUSC in its treatment of both charges paid by and the volumes generated by Large Distributed Generators. As such we consider that the Original Proposal will have a positive impact and better facilitate Applicable Objective (e).</p>
6	Do you support the proposed implementation approach?	Yes, we support the proposed implementation approach to update the CUSC to use those definitions introduced via CMP368 for use in the Limiting Regulation compliance calculation from April 2022.
7	Do you have any other comments?	Please see the response (above) to the CMP368 standard Workgroup consultation question 3.
8	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No, we are satisfied with the CMP369 Original Proposal.

CMP368 & CMP369 Modification Specific Workgroup Consultation questions		
9	<p>The Proposer is proposing that the both the volumes <u>and</u> charges of Large Distributed Generators are excluded in the compliance calculation, whereas the potential alternative proposes that only the volumes are excluded. Which option do you support and why?</p>	<p>We agree with the Authority's view that the compliance calculation should only apply in the context of those generators connected at transmission. This is because the Limiting Regulation specifically makes reference to "energy injected...to the transmission system". This we consider, relates to transmission connected generators and not those connected at distribution as they would only inject volumes of energy to the distribution system. As such we support the Original Proposal in that both the volumes and charges associated with Large Distributed Generators should be excluded from the compliance calculation.</p> <p>The Authority's CMP317/327 decision states; "In our view, the Limiting Regulation (and the limitations on transmission charges) only applies in relation to transmission connected generators" and "It is necessary, therefore, to revise the CUSC Calculation so that when assessing compliance with the Limiting Regulation, the sums payable by Large Distributed Generators and their associated volumes of MWh exports are not taken into consideration". Therefore, we consider it to be clear that both volumes and charges associated with those generators not directly connected to the transmission system i.e. Large Distributed Generators should be removed from the compliance assessment. This will ensure consistency with the CMP317/327 decision.</p> <p>Furthermore, the Original Proposal fully aligns with the Authority's required outcomes for CMP368/369 (detailed within the guidance note provided by the Authority) which states:</p> <p>"In summary, our expectation is that the Proposals will amend the CUSC, with full effect from 1 April 2022 to:</p> <ol style="list-style-type: none"> <li>2. "remove the charges paid and the volumes generated by Large Distributed Generators from the calculation determining compliance with the Limiting Regulation".</li> </ol>
10	<p>Station demand charges (TNUoS Triad charges on power station demand) would, with the original, be</p>	<p>We support the current approach and that of the Original Proposal, whereby station demand charges are not considered when assessing compliance with the Limiting Regulation. As the calculation concerns the energy a power station injects into the transmission system then it</p>

	<p>excluded, however the potential alternative would include them. Which option do you support and why?</p>	<p>seems prudent to only consider the charges relating to this energy and not those associated with station demand.</p>
11	<p>The Original proposal would not change the current treatment of transmission charges or the associated volumes relating to storage when assessing compliance with the Limiting Regulation. Do you agree with this approach, and if so why?</p>	<p>Yes, we consider that the current treatment of those storage assets connected at transmission (i.e. storage in transmission connected power stations) should remain unchanged and that the associated TNUoS charges and export volumes continue to be included for the purpose of the compliance assessment.</p> <p>As such storage assets export volumes on to the transmission system, it seems sensible that they should continue to be treated the same way as other transmission connected generating units and be included for the purposes of undertaking the Limiting Regulation calculation.</p>
12	<p>Do you believe that both generation charges and volumes of storage assets should be included in the compliance calculation (page 11)? Does this depend on whether the storage is transmission or distribution connected? Please provide your rationale.</p>	<p>Yes, we consider that both TNUoS charges and associated export volumes for storage assets connected at transmission should be included (as they are currently) when assessing compliance with the Limiting Regulation range. The rationale for this is detailed in our response to question 11 above.</p> <p>It is our view that those storage assets connected at distribution should not be included in the compliance calculation and only storage assets connected at transmission should be included for the purpose of the assessment. This is because we consider that such assets which export onto the transmission system should be treated the same as other transmission connected generating units. This, we believe would ensure consistency with the Authority’s view that the Limiting Regulation only applies to those generators connected at transmission.</p>
13	<p>What do you think is the appropriate time stamp for defining whether a network asset is “pre-existing” (page 11)? E.g. when a generator wished to connect, was the network asset:</p> <ol style="list-style-type: none"> <li>a. Already planned to be built</li> </ol>	<p>We are of the opinion that the enabling works within a generator’s Construction Agreement (ConsAg) should be used as the basis of determining whether an asset is pre-existing or not. We consider that any assets relating to those enabling works detailed within a generator’s ConsAg would be considered assets required to connect the generator in question and therefore Non-Pre-Existing Assets.</p> <p>At the point that the generator in question wished to connect, those assets identified as enabling works,</p>

	<p>b. Already committed to be built c. Already under construction d. Finished construction e. Commissioned and fully operational</p>	<p>irrespective of whether sole secured or shared secured, should be considered Non-Pre-Existing Assets, for all associated generators with those assets in their ConsAg.</p> <p>Therefore, we are of the opinion that options (a) through to (e) may all be appropriate time stamps.</p>
14	<p>Do you consider there to be any specific changes to a BCA that may trigger the reclassification of assets? If so, please provide your rationale.</p>	<p>We believe that increases to Transmission Entry Capacity (TEC) which drive changes to the BCA i.e. any new system build (new connection) or additional reinforcement (upgrades) required to accommodate the TEC increase should drive re-consideration of asset classification. Any modification to the connection driven by a Modification Application (e.g. a request to change the asset from TCA – Transmission Connection Asset – to infrastructure, or vice versa) may also drive re-consideration.</p> <p>If in later years these assets, then become part of the Main Interconnected Transmission System (MITS) they would no longer attract local charges and therefore would no longer be considered within the Connection Exclusion.</p> <p>Changes to the user in the BCA (whether by novation/transfer/assignment) would not of itself drive re-consideration of asset classification.</p>
15	<p>Do you think an obligation should be placed on the ESO to publish the outturn value and transparently show the working for calculating the average transmission charge paid by generators (page 15)? Please explain your rationale.</p>	<p>We do not believe an obligation being placed on the ESO to publish compliance calculation data is necessarily within the scope of the defect and or the proposed solution of this modification.</p> <p>However, it should be noted that the ESO have no issue with providing visibility and aiding transparency given that the data relating to the compliance calculation (including outturn values) is already being provided by the ESO. This was shared with interested parties via the Transmission Charging Methodology Forum (TCMF) and with the first CMP368/9 working group. In addition, we have provided a proposed template to the working group that could be used to provide these updates in future. We are always more than happy to consider how best to amend these tools and reports to demonstrate the ESO’s compliance with the regulation.</p>

		<p>Furthermore, it should be noted that the fundamental purpose of the CMP368/369 modification was to facilitate the Authority’s CMP317/327 decision regarding the inclusion of pre-existing assets in the assessment of compliance and the removal of TNUoS charges and volumes associated with Large Distributed Generators. The inclusion of significant reporting requirements is out of scope of the defect of the modification. However, we are open to considering further proposals and to working with interested parties on the production of data relevant to the calculation where necessary.</p>
16	<p>How should charges be treated relating to upgrades to local assets? Please explain your rationale.</p> <ul style="list-style-type: none"> <li>a. Only exclude charges for new upgrades that are paid by a new generator.</li> <li>b. Exclude charges paid for the new upgrades that are paid by both existing and new generators.</li> <li>c. Do not exclude any cost related to new upgrades because the upgrade to pre-existing assets was not required to connect the new generator.</li> <li>d. Other</li> </ul>	<p>The option to not exclude any cost related to new upgrades (option c) would not be appropriate given the Authority’s CMP317/327 decision clearly stated that “For the avoidance of doubt, the future modification proposal should ensure that charges in respect of upgrades of a connection are treated as falling within the Connection Exclusion”.</p> <p>We consider that the treatment for local charges relating to upgrades should be determined by the information held within the BCA as detailed within the Original Proposal solution, as this will set out the local assets that are required to be upgraded to facilitate the connection (or accommodate an increase in TEC) for that generator. These should then be classed as NPEA and therefore fall within the Connection Exclusion. Where there are instances where generators jointly justify a needs case for an upgrade of that connection (i.e. the upgrades are detailed within their respective ConsAgs and shared secured enabling works required by those parties) then both sets of charges would be excluded as they were necessary works for all generators. This we believe could be considered a hybrid of both options (a) and (b) and therefore classed as option (d).</p>
17	<p>Four different options are given on pages 22 of the Workgroup Consultation, two of which demonstrate different interpretations of “interconnectedness”.</p>	<p>We consider that an appropriate degree of interconnectedness for the CMA test referenced in the decision would be that equivalent to the Main Interconnected Transmission System (MITS). This specifies a degree of interconnectedness which the Original Proposal adopts.</p>

	<p>that the CMA identified. Figures 8-11 provide simple examples to help define what network assets should have their charges captured within the Connection Exclusion. Which of the two options (1 or 2) for “sufficient interconnectedness” do you agree with, and why?</p>	<p>The current TNUoS charging methodology defines a MITS node as; “Grid Supply Point connections with 2 or more transmission circuits connecting at the site; or connections with more than 4 transmission circuits connecting at the site”. We agree with the Authority that this would form part of the core system and consider this to be a sufficient test in terms of the level of interconnectedness whereby assets would not fall within the Connection Exclusion. Any generators connected to a non-MITS node may then be considered for the purpose of the Connection Exclusion assessment as they would attract local charges which would require classification.</p> <p>We believe that the alternative ways discussed by the Workgroup in which interconnectedness could be considered when addressing the Connection Exclusion would only seek to introduce additional levels of complexity to the existing methodology. We consider that such additional complexity is not warranted given that the CMA decision merely noted that the level of interconnectedness between assets <b>may</b> be a relevant factor, which could change the function of assets, meaning the charges applied for such assets <b>may</b> no longer fall within the Connection Exclusion.</p> <p>If parties believe the MITS as a level of interconnectedness is not an appropriate test, then we suggest this should be raised as an alternate, which will need to provide adequate justification and demonstrate why the use of the MITS in the context of the Connection Exclusion would not be suitable and what test should be applied to allow an assessment to take place.</p>
18	<p>Option 3 (page 22) notes that the CMA says there may be other relevant factors - do you think any other factors should be taken into account, and if so, what?</p>	<p>No, we do not believe there to be any other relevant factors.</p> <p>If parties consider other factors should be taken into account in relation to interconnectedness (as briefly mentioned within the CMA decision), then we consider an alternate should be raised to accommodate this position.</p>
19	<p>The Proposer is considering a potential alternative to utilise data that already exists</p>	<p>Following publication of the CMP368/369 Workgroup consultation we have further considered the use of the Price Control Financial Model (PCFM) and specifically that of the Generation Connection Volume Driver data.</p>

	<p>within the onshore TOs' Price Control Finance Models (PCFM) (page 25-26), attached in Annex 5. This based on the assumption that a portion of total onshore local charges is associated with non pre-existing assets, and that this portion can be derived by comparing the Generation Connections Volume Driver with the total revenue across all three onshore TOs. Do you support this option? Why?</p>	<p>We previously considered that this data could potentially be used as a proxy for TO investments relating to assets required for generator connections. However, this approach may require some significant assumptions to be made to ensure the data is fit for purpose in terms of use with the compliance assessment calculation. In addition, there would be misalignment in terms of the periods the data sets cover i.e. the Generation Connections Volume Driver is a backward-looking dataset, whereas the process for the compliance assessment calculation would require data with a forecast view. As such, we believe there would be an inherent risk in terms of data accuracy. Therefore, we do not support the option of using the PCFM data.</p>
20	<p>Do you agree with the proposed definitions of non pre-existing assets 'NPEA' and pre-existing assets 'PEA'?</p>	<p>We agree with the proposed definitions of Non-Pre-Existing Assets (NPEA) and Pre-Existing Assets (PEA) as we believe these to be straightforward options in terms of definitions which should be easily understood by all industry participants.</p>
21	<p>Do you agree that the legal definitions in the Original Proposal should be limited to TNUoS charges only or include all transmission charges?</p>	<p>Yes, we agree that the definitions in the Original Proposal should be limited to TNUoS charges only.</p> <p>We consider that including all transmission charges for the purpose of setting 'TNUoS' charges would be an unnecessary and cumbersome change.</p> <p>We consider that if parties feel there is need to address any perceived defects relating to the treatment of other 'transmission' costs, then they should be dealt with separately from this modification, as we consider this not to fall within the narrow scope or defect of the CMP368/369 Modification Proposal.</p> <p>We also consider that limiting the definitions in the Modification Proposal to TNUoS charges clearly aligns with the Authority's CMP317/327 decision which specifically references TNUoS charges in the context of the Limiting Regulation calculation.</p> <p>In addition, given the timescales this modification must meet in order to maintain compliance (both with the</p>

		Limiting Regulation and the Authority's CMP317/327 request) we believe that the definitions being limited to TNUoS charges would be the most practical approach and would avoid any unnecessary delays to implementation.
22	Do you agree that the legal text delivers the intent of the Original Proposal?	Yes.