

**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:**

- The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and*
- 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?	Yes
2	Do you support the proposed implementation approach?	Yes
3	Do you have any other comments?	Please see other questions
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

CMP369 Standard Workgroup Consultation questions		
5	Do you believe that the CMP369 Original Proposal better facilitates the Applicable Objectives?	Yes
6	Do you support the proposed implementation approach?	Yes
7	Do you have any other comments?	Please see other questions
8	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

CMP368 & CMP369 Modification Specific Workgroup Consultation questions		
9	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	The potential alternative reads the text of the ITC as two parts (that is, the “total annual transmission tariff charges” and the “total measured energy”) which can be separated. It seems more likely that the “charge” is (in some way) <i>because</i> of the “energy” and therefore both parts of the “average”

	potential alternative proposes that only the volumes are excluded. Which option do you support and why?	are related. I believe that, since they are explicitly tied together in this limit, they are linked on a conceptual level. With that interpretation, it does not make sense to include some charges but not the corresponding volumes. This question of whether the parts of the calculation can be looked separately also affects the issue of station demand and storage.
10	Station demand charges (TNUoS Triad charges on power station demand) would, with the original, be excluded, however the potential alternative would include them. Which option do you support and why?	If the “total annual transmission tariff charges” and “total measured energy” are related, then station demand charges should not be included unless the “energy” corresponding to those charges is also included. This is not possible, since the regulation clearly states “energy injected” and therefore we can assume that “transmission tariffs charges paid by producers” refers to charges for generation only.
11	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?	I agree. When exporting, storage are obviously acting as generators. As the limiting regulation refers to “energy injected”, it seems likely that “charges” refer to charges for generation, so only charges and volumes related to generation activities should be included when assessing compliance. If storage demand charges (and/or volume) are to be considered, then the solution will need to be consistent with station demand charges as both are ‘generators’ demand’.
12	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.	Storage is considered generation for licensing purposes and therefore should be considered as “producers”. The “annual average transmission tariff charges” is based on “energy injected ...to the system” and storage volumes fulfil this criterion when exporting. As I believe the correct interpretation of the regulation is that the “annual total transmission tariff charges” are related to the “energy injected”, generation charges should be included as well, as the two are inherently linked. As for transmission/distribution connected storage, it is vital that the solution is consistent with other distribution connected generation in order not to create a distortion. That is, if volumes and charges of Large Distributed Generators are included, the generation charges and generation volumes of similar distributed storage should also be included.
13	What do you think is the appropriate time stamp for	Option a seems too vague – one would expect the transmission network owners to have multiple

	<p>defining whether a network asset is “pre-existing” (page 11)? E.g. when a generator wished to connect, was the network asset:</p> <ul style="list-style-type: none"> <li>a. Already planned to be built</li> <li>b. Already committed to be built</li> <li>c. Already under construction</li> <li>d. Finished construction</li> <li>e. Commissioned and fully operational</li> </ul>	<p>scenarios of network development (taking into account short, medium and long-term trends and high/low input variables) with corresponding plans for network assets. It also would be expected that not all of the network assets will be required and particular network assets will be required that were not part of these long-term plans. For instance, a TO may be reasonably confident assets will need upgrading in an “area” of the network, but the exact location &amp; nature of asset could depend on where the generator wishes to connect.</p> <p>Ofgem rejected a proposed definition of pre-existing assets in CMP317/327 WACM 14, which was worded “[assets] that existed prior to the connection of that Generator to the NETS” on the grounds that virtually all of the assets required for connection would be installed at the moment of connection. Options d and e may have a similar issue, in that the BCA signing may be delayed until the connection is reasonably secure, meaning assets built for that BCA would not be counted as PEA.</p> <p>There are a number of factors that can delay construction which are unrelated to the purpose of the assets (e.g. weather) and therefore option c opens up the definition of PEA to unrelated and illogical results.</p> <p>Option b would therefore seem most appropriate, as it strikes a balance between TOs believing an individual generator will need a particular asset and generators being able to connect.</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>Generally, I agree with the workgroup’s comments in the “Pre-existing assets: areas to consider” table, although more detail is required around the difference between a novation and a new BCA. A new BCA suggests something significant has changed (e.g. a new, smaller generator in the example given) and as such the generator can be considered ‘new’. Certainly, in the case of repowering, there is little difference between buying a site and taking advantage of the existing connection or repowering your own site and taking the advantage of the existing connection.</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</p>	<p>I do not believe this needs to be an obligation, mainly because the calculation of PEA and NPEA could be difficult to present to industry in a suitable manner. However, in the interest of transparency, I would urge the ESO to continue to publish the</p>

	average transmission charge paid by generators (page 15)? Please explain your rationale.	headline figures and calculations as currently, with more detailed information available on request. It should be considered that there may be a possibility that some of the detail of PEA/NPEA calculation needs to be kept confidential for security reasons. In this case, the ESO should be allowed to limit information provision to the Authority.
16	<p>How should charges be treated relating to upgrades to local assets? Please explain your rationale.</p> <ol style="list-style-type: none"> <li>Only exclude charges for new upgrades that are paid by a new generator.</li> <li>Exclude charges paid for the new upgrades that are paid by both existing and new generators.</li> <li>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>Other</li> </ol>	The exclusion is related to the connection, not the size of the connection. Without the upgrades, the generator would still have a connection, therefore we support option c)
17	<p>Four different options are given on page 22 of the Workgroup Consultation, two of which demonstrate different interpretations of “interconnectedness”. 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>Given the definition of PEA/NPEA will rely (in some form) on when a particular generator wished to connect, it seems that any other use beyond that particular connection affects the purpose of the network asset.</p> <p>Option 2 has the potential to get very complicated when multiple generators (and/or demand) have connected to a substation, with parts of assets being a mix of PEA and NPEA depending on the point of view of the generator. This brings in a level of complexity that I do not believe is justified given the materiality of the charges involved. Option 1 is far easier for industry to understand and will increase transparency, should the ESO wish to publish details of the compliance calculations.</p>
18	Option 3 (page 22) notes that the CMA says there may be	N/A

	other relevant factors - do you think any other factors should be taken into account, and if so, what?	
19	The Proposer is considering a potential alternative to utilise data that already exists 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?	It is not clear how local charges link with pre-existing assets. It is not clear how the comparison with Generation Connections Volume driver will align with particular assets – and so does not present an obvious 'reasonable' proportion. Whilst this is probably a simpler concept than calculating whether each asset is pre-existing or not, it will be less transparent for industry and it will be difficult to link the charges to physical parts of the network.
20	Do you agree with the proposed definitions of non pre-existing assets 'NPEA' and pre-existing assets 'PEA'?	Yes
21	Do you agree that the legal definitions in the Original Proposal should be limited to TNUoS charges only or include all transmission charges?	TNUoS charges is possibly more precise, as it is used in definitions of charges (e.g. "Indicative Annual NHH TNUoS charge") whereas "transmission charges" is not defined and is used less though the CUSC. The Workgroup should note if there are any differences in application or could be interpreted to affect different Users. In practice, I believe they are interchangeable
22	Do you agree that the legal text delivers the intent of the Original Proposal?	Yes