

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 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 or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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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.

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CMP368 Standard Workgroup Consultation questions		
1	Do you believe that the CMP368 Original Proposal better facilitates the Applicable Objectives?	<p>Yes, we believe that CMP368 has the following impact on the applicable objectives:</p> <p>Objective a: Positive</p> <p>This modification will facilitate better competition between GB and EU generators.</p> <p>Objective b: Neutral</p> <p>This modification should not impact the ability of Transmission licensees to recover costs incurred in their transmission businesses</p> <p>Objective c: Neutral</p> <p>Applicable charging methodology will continue to take into account developments in transmission licensees' transmission businesses</p> <p>Objective d: Positive</p> <p>This modification will lead to better compliance with EU policy which aims to deliver the full benefits of a competitive internal market in electricity. This will be achieved by better compliance with EU Regulation 838/2010.</p> <p>Objective e: Positive</p> <p>While the solution proposed by this modification is likely to lead to additional internal processes implemented by the ESO, the overall administration of and compliance with the charging methodology will become more accurate and efficient.</p>
2	Do you support the proposed implementation approach?	Yes, we support the proposed implementation date and approach.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation	No

Alternative Request for the Workgroup to consider?	
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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 CMP368 has the following impact on the applicable objectives:</p> <p>Objective a: Positive</p> <p>This modification will facilitate better competition between GB and EU generators.</p> <p>Objective b: Neutral</p> <p>This modification should not impact the ability of Transmission licensees to recover costs incurred in their transmission businesses</p> <p>Objective c: Neutral</p> <p>Applicable charging methodology will continue to take into account developments in transmission licensees' transmission businesses</p> <p>Objective d: Positive</p> <p>This modification will lead to better compliance with EU policy which aims to deliver the full benefits of a competitive internal market in electricity. This will be achieved by better compliance with EU Regulation 838/2010.</p> <p>Objective e: Positive</p> <p>While the solution proposed by this modification is likely to lead to additional internal processes implemented by the ESO, the overall administration of and compliance with the charging methodology will become more accurate and efficient.</p>
6	Do you support the proposed implementation approach?	Yes, we support the proposed implementation date and approach
7	Do you have any other comments?	No
8	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
CMP368 & CMP369 Modification Specific Workgroup Consultation questions		

<p>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 potential alternative proposes that only the volumes are excluded. Which option do you support and why?</p>	<p>It is our view that Dx-connection volumes only should be excluded from the compliance calculation. We believe that charges paid by Dx-connected generators should remain within the calculation.</p> <p>Charges paid by Dx-connected producers should be included</p> <p>The principles of network tariffs design aim to recover the costs incurred by the TSO. These costs make up the overall national transmission costs that producers are expected to contribute to. EC Regulation 838/2010 directs that “<i>Annual average transmission charges paid by producers is annual total transmission tariff charges paid by producers</i>”.</p> <p>Since Distribution connected producers also contribute to this overall cost recovery, it is prudent to include the charges they pay in the calculation of average tariffs. As per the ENTSO-E Overview of Transmission Tariffs in Europe: Synthesis 2018 report: “<i>Network users subject to transmission tariffs (either directly, via a transmission-related tariff component, or indirectly, via a part of the distribution tariffs) can be connected either to the transmission network or to the distribution network (indeed a distribution-connected network user benefits from the existence of the transmission network and is therefore usually called to contribute to its cost recovery).</i>”</p> <p>We also note that ACER Practice report on transmission tariff methodologies in Europe concludes the following: “<i>ACER notes that in most jurisdictions (including DK, ES, FI, IE, PT, RO, SE) the calculation of annual total transmission tariff charges paid by producers includes both the relevant payments by producers connected at transmission level as well as those connected at the distribution level</i>”.</p> <p>Volumes of Dx-connected producers should be excluded</p> <p>The volumes of large Dx-connected producers are, on the other hand, excluded from the calculation because there is no direct connection to the Tx</p>
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		<p>system. Regulation 838/2010 states that “<i>Annual average transmission charges paid by producers is annual total transmission tariff charges paid by producers divided by the total measured <u>energy injected annually by producers to the transmission system of a Member State</u></i>”.</p> <p>Since Dx-connected producers have no direct connection to the Tx system, their volumes should be excluded.</p>
10	<p>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?</p>	<p>We believe that station demand charges should be included in the calculation of average G-charge.</p> <p>G-charges are defined as transmission charges levied upon producers by UoS charges. As opposed to injection charges which are based on the volume of power injected into the grid, G-charges represent <u>total charges incurred by a generator</u> connected to the transmission system. These charges can send dispatch and investment signals, therefore, it is only reasonable to include station demand charges within total G-charges paid by producers.</p> <p>Furthermore, ACER calls for a total cost approach when assessing generation competitiveness in the internal energy market. The EU Study supporting the Impact Assessment concerning Transmission tariffs and congestion Income Policies summarises previous analyses concerning potential distortions of cross-border competition due to variations in G-charges. The assessment is largely based on comparison of generator total expected revenues <u>with total expected costs</u>. Station demand charges form part of total generator costs, therefore, they should be included in the calculation of average G-charge.</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>Due to a lack of clear legislative definitions of energy storage, there are different approaches implemented by Member States. Given the current treatment of storage in GB, it would be more efficient to consider it as a producer and include its volumes and charges in the calculation.</p> <p>Storage as a producer</p>

The EU [Study on energy storage – Contribution to the security of the electricity supply in Europe](#) acknowledges the lack of definitions of storage technology in national legislation: “*Most national regulatory frameworks do not contain a definition of storage (the deadline for the transposition of the Electricity Directive is the end of 2020). In such cases, storage is commonly considered as a generator when participating in electricity and ancillary services markets. For grid tariffication and taxation purposes, storage is frequently considered as both a consumer and generator.*”

The report also notes that storage facilities are currently considered as producer in most Member States.

The CEER report concludes that : “since a storage facility may withdraw energy from or inject energy into the distribution network, it can be regarded as both a consumer and a producer located at the same network connection point. As such, non-discrimination would suggest that energy storage should be subject to distribution tariffs applicable to both energy withdrawals and, where applicable, energy injections.

Some of the key criteria used to identify treatment of storage as a generator is whether storage sites have to fulfil the usual generators’ obligations with regards to balancing responsibilities and technical specifications, or if there are any specific grid connection and access rules for storage facilities.

Storage imports should be treated as station demand:

However, given the above conclusions on classification of storage as a producer, it would be prudent and consistent to treat its imports as an equivalent of station demand.

While in most Member States storage is treated as a producer, many of these MSs have special tariffs or exemptions for storage withdrawals. In many MSs, some of the pumped hydroelectric storages are fully exempted from withdrawal charges. In other MSs non-PHES are also exempt.

		Therefore, in GB an import charge for storage should be considered as station demand since it is a network cost element that contributes to total generator costs.
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.	If storage is categorised as a producer then its' charges and volumes should be included. However, this should only apply to Tx-connected storage. Dx-connected storage volumes (but not charges) should be excluded from the calculation in line with the treatment of all Dx-connected generation as per Q.9 above.
13	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: <ul style="list-style-type: none"> a. Already planned to be built b. Already committed to be built c. Already under construction d. Finished construction e. Commissioned and fully operational 	It is our view that the most appropriate time stamp for defining whether a network asset is 'pre-existing' at the time a generator wishes to connect is option <i>(a) Already Planned to be built</i> . With regards to Offshore assets, it is clear that further developments in the OTNR will trigger a review of this proposed approach.
14	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.	No additional comments
15	Do you think an obligation should be placed on the ESO to publish the outturn value and transparently show the	Yes, it is critical that the ESO publishes a clear and transparent calculation of the average transmission charge for the purposes of compliance with EU Regulation 838/2010, as well as provides detailed

	<p>working for calculating the average transmission charge paid by generators (page 15)? Please explain your rationale.</p>	<p>workings with non-confidential or non-attributable supporting data.</p> <p>Compliance calculation can have significant implications for competition and EU policies with regards to integration of energy markets. More importantly, any changes in the calculation methodology need to be assessed against EU cross-border trade and competition objectives as they may have an impact on Ireland and NI as countries with the same limiting range.</p> <p>It is crucial that the methodology and step-by-step workings used in the compliance calculation are transparent and fully available to the industry, with due care given to any confidential and commercial information.</p> <p>We also note that ACER, in its Opinion No 09/2014 considered that the monitoring activity should be based on NRAs' reports regarding the <u>level and the structure of G-charges</u> and the average G-charge value in each year as well as on NRAs' notifications on any proposal or decision taken to amend the national G-charging methodology, submitting relevant information such as a <u>detailed reasoning and evidence</u> of cost reflectivity.</p>
16	<p>How should charges be treated relating to upgrades to local assets? Please explain your rationale.</p> <ol style="list-style-type: none"> Only exclude charges for new upgrades that are paid by a new generator. Exclude charges paid for the new upgrades that are paid by both existing and new generators. Do not exclude any cost related to new upgrades because the upgrade to pre-existing assets was not required to connect the new generator. Other 	<p>Our view is that Option (c) provides the most appropriate treatment of upgrades to local assets. The whole principle of 'assets required for connection' stems from the initial technical requirement to connect a generator to a network. Therefore, if an upgrade was not required to provide that initial connection, then it should not fall into connection exclusion.</p> <p>Furthermore, ACER EU 838/2010 compliance monitoring report 2018 provides overview of connection charging regimes and notes the following in "Annex 2: Brief overview of connection charges": <i>'Connection charges are typically <u>one-off charges covering the costs (or part of the costs) of connecting new users to the transmission system.</u>'</i></p>

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>We support Option (a) as described in the WG report. It is our view that only charges for transmission network assets that are new (not pre-existing) and form a part of a single user generator only spur (GOS) should be excluded.</p> <p>We believe that, once a generator is connected, the assets required for the initial connection form a part of an interconnected network and should not fall within the connection exclusion. Any level (above zero) of interconnectedness should be sufficient to justify the change of purpose of the asset.</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 additional comments</p>
19	<p>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?</p>	<p>While this approach is a viable option, it does not provide an entirely clear and transparent methodology to stakeholders that have no direct access to the underlying data in the Price Control Finance Models (PCFM). The approach is likely to have its limitations with regards to additional aspects discussed in this consultation.</p>
20	<p>Do you agree with the proposed definitions of non pre-existing assets ‘NPEA’ and pre-existing assets ‘PEA’?</p>	<p>The definitions seem to be consistent with the original proposal. However, if alternatives were to be raised, some inconsistencies with alternative approaches would have to be addressed. The</p>

		proposed definition of non pre-existing assets 'NPEA' and pre-existing assets 'PEA' provided in the draft legal text should not be finalised until all additional discussion points raised in this consultation are determined upon.
21	Do you agree that the legal definitions in the Original Proposal should be limited to TNUoS charges only or include all transmission charges?	<p>We agree with the use of TNUoS for the definition of Charges for Physical Assets Required for Connection, since these represent specific elements of network charges that fall into connection exclusion.</p> <p>However, we believe that the overall definitions used with regards to EU 838/210 compliance should be made with reference to Transmission charges.</p>
22	Do you agree that the legal text delivers the intent of the Original Proposal?	We agree that the draft legal text is consistent with the original proposal. However, as stated above, the text should only be finalised once all of the additional issues and considerations are addressed by the workgroup.