

Workgroup Consultation Response – Pro-Forma

CMP308: Removal of BSUoS charges from Generation

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 by **8 May 2019** to cusc.team@nationalgrideso.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Yonna Vitanova</i> +44 (0)20 7901 3000. Yonna.Vitanova@RenewableUK.com
Company Name:	<i>RenewableUK</i> https://www.renewableuk.com/
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology are:</p> <p>(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;</p> <p>(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);</p> <p>(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;</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission Plc Licence under Standard Condition C10, paragraph 1*; and</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*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).</p>

Standard workgroup consultation questions

1	<p>Do you believe that CMP308 Original proposal, better facilitates the Applicable CUSC Objectives?</p>	<p>Yes.</p> <p><i>Implications of CMP308 need to be considered across the whole electricity system, fairly taking into account the impact on embedded generation.</i></p>
2	<p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p>	<p><i>We support the objectives of the proposed implementation approach aiming to promote effective competition between generation across different countries. As project TERRE and initiatives such as Wider Access to Balancing Mechanism are rolled out, it will become increasingly important to level the playing field between generation across different countries. As the working group report rightly points out, the expected increase in interconnected capacity over the coming years is a strong driver for the current arrangements to be reviewed. Further, the impact on end consumers would be negligible as they are passed through both sides of the BSUoS charge (demand and generation) eventually.</i></p> <p><i>However, there is a risk that CMP308 could have a negative impact on distribution connected renewables, further compounding the impact of proposed changes to BSUoS as part of the Targeted Charging Review (TCR). This does not seem to have been properly considered so far - the working group report seems to support the view that the CMP308 impact on embedded generation is going to be neutral without taking into account the change to BSUoS embedded benefits as outlined in the TCR.</i></p>
3	<p>Do you have any other comments?</p>	<p><i>Recovery of BSUoS only from demand will mean that the overall BSUoS charging base will reduce. This will increase the BSUoS price in general terms for demand users (assuming that the energy imports are displacing transmission connected generators) but we agree that the wholesale market should adjust to reflect the removal of BSUoS from generators.</i></p>
4	<p>Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?</p>	<p>No.</p>

Specific questions for CMP308

5	<p>Do you feel it is more efficient for BSUoS to be handled by customers / suppliers rather than customers / suppliers and generators?</p>	<p><i>We are supportive of the aim of the proposal. Changing the current methodology would streamline the administrative burden for suppliers.</i></p>
6	<p>If CMP308 were to be implemented, what would your thoughts be in regard to combined/net risk premia?</p>	<p><i>We agree with the conclusion in the report regarding risk premia. Ultimately, simplified billing arrangements and streamlining the process of passing through the BSUoS costs to end consumers and are likely to reduce the combined risk premia which suppliers use.</i></p>
7	<p>What do you feel would be a sufficient lead time for the implementation of this modification? Would you support a non-April (i.e. October) implementation date in any given year? Please provide an explanation for your response</p>	
8	<p>Has the Analysis comprehensively considered consumer/system benefits, or can you identify any area which may need more consideration by the workgroup?</p>	<p><i>Should embedded benefits be removed through the ongoing TCR, embedded generation would be negatively impacted by this proposal and not be in the described neutral position. This would create a negative impact (through a reduction in revenue) for generation connecting at the distribution level and might be detrimental to overall system use, system costs and ultimately consumer costs.</i></p>
9	<p>Are there any thoughts on the impact of CMP308 on the generation mix, be that short or long term?</p>	<p><i>We agree that the generation mix will compete better with EU based generators, however CMP308 would negatively impact embedded generation and distribution connected renewables. Further analysis should be carried out to understand the magnitude of this change which could affect the nature of the GB generation mix and risk the timely delivery of the UK's Carbon Budgets.</i></p>
10	<p>Are there any unintended consequences of CMP308 which have not as yet been considered by the workgroup?</p>	<p><i>Please refer to Q8 and Q9.</i></p>

11	<p>Will there be any specific impact on renewable or distributed generation, be that long or short term?</p>	<p><i>According to analysis commissioned by RenewableUK and Scottish Renewables and performed by XE last year, it was estimated that renewable energy projects were liable for £110m for BSUoS charges in 2017 out of the total volume of generation (508TWh). The majority of this was transmission connected renewable energy projects, predominately onshore and offshore wind. However, renewables overall annual contribution to the BSUoS charging base is expected to increase from approximately 9% currently to between 28-38% by the mid- 2030s according to National Grid FES data.</i></p> <p><i>Based on 2017 BSUoS data, the analysis also estimated that the impact of this change would reduce the overall volumes liable to pay BSUoS charges by approximately 37%, therefore increasing the average BSUoS price by £1.56/MWh (59%).</i></p> <p><i>We believe the discussion so far did not fairly address the impact of the proposal on distribution connected renewable generation. We are concerned that distribution connected renewables could be negatively impacted by the reforms. Particularly, the impact of removal of BSUoS charge from generation in light of the TCR proposal on BSUoS embedded benefits would lead to both wholesale market price decrease and partial/full removal of the BSUoS embedded benefit which will have a significant value impact over a project lifetime. In some cases, for small distribution-connected onshore wind projects (under 16MW) the share of BSUoS embedded benefit could be about 2.77% of total revenue.</i></p> <p><i>There is a need to further investigate the impact of CMP308 on distributed generation, particularly in the context of TCR minded-to proposals.</i></p>
12	<p>Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail.</p>	<p>No.</p>