

CMP255 – ‘Revised definition of the upper limit of Generation Charges in the charging methodology with removal of the reference to the 27% charging cap’



CUSC Panel – 24 June 2016
Heena Chauhan – National Grid

Background

- CMP255 was raised by RWE and submitted to the CUSC Modifications Panel for their consideration on 27 November 2015.
- CMP255 aims to remove the requirement for the generation allocation of costs to revert back to 27% if the limits to generation charges imposed by European Commission Regulations no longer apply.

Workgroup Consultation

- Twelve responses were received to the Consultation and were considered by the Workgroup;
- Eight out of the Twelve responses were supportive of the Original Proposal as they felt it contributed to more effective competition; by avoiding a snapback to 27% it would provide more certainty for Generators and Suppliers, ultimately resulting in lower consumer costs;
- The four respondents who did not support the Proposal felt that 27% was a longer established principle, and the case for a lower G charge (and thus higher D charge) was not proven.

Proposed options

- Three WACMs were agreed by the Workgroup
 - **Original Proposal** – aims to remove the requirement for the generation allocation of TNUoS costs in GB to revert back to 27% if the limits to the average annual generation charges imposed by Commission Regulation (EU) No 838/2010 Part B no longer apply;
 - **WACM1** – fixes at the Generation percentage last used to set transmission tariffs;
 - **WACM2** – A phased return to 27% for the Generation percentage;
 - **WACM3** – Fix at the Generation percentages as forecasted (as in the latest five-year forecast/quarterly updated), and fix at the last one.

Workgroup Conclusions

- Terms of Reference have been met;

Scope of Work	Evidence in Workgroup Report
<i>a) Implementation</i>	Section 8
<i>b) Review draft legal text</i>	Annex 10
<i>c) Is the modification advantageous to certain customers?</i>	Section 2

- Proposed legal text agreed by the Workgroup.
- Five Workgroup members voted that the Original Proposal better meets the applicable CUSC objectives, three Workgroup members voted that WACM1 better facilitates the applicable CUSC objectives and one Workgroup member voted for WACM2.
- The Workgroup have outlined implementation options within Section 8 of the Workgroup Report. Ofgem are expected to make a determination within the modification decision letter currently expected in July 2016.

Proposed CUSC Modification

- This Proposal seeks to amend;
 - CUSC Section 14 – Charging Methodology

Code Administrator Conclusions

- Ten responses were received to the Code Administrator Consultation.
- A variety of views were recorded.
 - 5 respondent preferred the Original Proposal over the proposed WACMs as it better facilitates competition by removing uncertainty and risk from the CUSC.
 - Two respondent supported WACM1 because it provides more stability and removes exchange rate exposure whilst not presupposing an alternative value.
 - Three respondent did not support any change to the current arrangements as any changes would have a negative impact on CUSC objectives (a), (b) and (c) because the 73/27% G:D split is a historic value that predates the 2:50 CAP.

Proposer and National Grid View

- The National Grid representative supports WACM1 as it would better facilitate the applicable CUSC Objectives.

Questions before Panel Vote?



Panel Recommendation Vote

The Applicable CUSC objectives for CMP260 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; and

(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.

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).

Vote 1

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
James Anderson					
Original					
WACM1					
Bob Brown					
Original					
WACM1					
Kyle Martin					
Original					
WACM1					
Garth Graham					
Original					
WACM1					
Nikki Jamieson					
Original					
WACM1					
Paul Jones					
Original					
WACM1					
Simon Lord					
Original					
WACM1					
Cem Suleyman					
Original					
WACM1					
Paul Mott					
Original					
WACM1					

Vote 2

Panel Member	BEST Option?
James Anderson	
Bob Brown	
Kyle Martin	
Garth Graham	
Nikki Jamieson	
Paul Jones	
Simon Lord	
Cem Suleyman	
Paul Mott	

Proposed Timetable

29 April 2016	Workgroup report presented to CUSC Panel
4 May 2016	Code Administrator Consultation issued (10 Working days)
18 May 2016	Consultation closes
19 May 2016	Draft FMR published for industry comment (1 Working day)
20 May 2016	Deadline for comments
23 May 2016	Draft FMR issued to Panel
24 June 2016	Panel Recommendation Vote
1 July 2016	Final FMR circulated for Panel comment
4 July 2016	Deadline for Panel comment
6 July 2016	Final report sent to Authority for decision
8 July 2016	Indicative Authority Decision due
22 July 2016	Implementation Date

Proposed Timetable – if CMP255 goes back to the Workgroup

10 June 2016 ?	Workgroup Reconvene
14 June 2016	Workgroup Consultation issued to Workgroup for comment (5 WD)
21 June 2016	Deadline for comment
23 June 2016	Workgroup Consultation published (5 WD)
30 June 2016	Deadline for responses
4 July 2016	Workgroup meeting (WG vote)
6 July 2016	Circulate draft Workgroup Report
8 July 2016	Deadline for comment
21 July 2016	Submit final Workgroup Report to Panel
29 July 2016	Workgroup report presented to CUSC Panel
3 August 2016	Code Administrator Consultation issued (5 WD)
10 August 2016	Consultation closes
12 August 2016	Draft FMR published for industry comment (1 WD)
15 August 2016	Deadline for comments
18 August 2016	Draft FMR issued to Panel
26 August 2016	Panel Recommendation Vote
31 August 2016	Final FMR circulated for Panel comment
7 September 2016	Deadline for Panel comment
9 September 2016	Final report sent to Authority for decision
14 October 2016	Indicative Authority Decision due
28 October 2016	Implementation Date