

# Proposers Presentation – CMP268





**CMP268:**

**Recognition of sharing by  
Conventional Carbon  
plant of Not-Shared Year-  
Round circuits**



# Description of the defect

Different network sharing characteristics of different plant is not recognised.

Different plant cause different transmission network investment costs due to different sharing characteristics e.g. CCGTs compared to Nuclear

**Currently** - When the penetration of Low Carbon generators increases beyond 50%, the degree of sharing of Year Round circuits is assumed to linearly reduce for all classes of generation (including Conventional Carbon)

**However...**

**Conventional Carbon plant fully shares all Year Round circuit costs** - Even in circumstances when the proportion of plant which is Low Carbon exceeds 50%.

**Consequence – Conventional Carbon plant currently over charged**

# Definition of “Conventional Carbon”

Existing definitions used by the charging methodology

		Technology type by bid price	
		“Carbon” (Low cost BM bid price)	“Low carbon” (High cost BM bid price)
Technology type by dispatchability	“Conventional” (Firm dispatch, so pays Peak Security tariff)	CCGT, OCGT, Coal, pumped storage, CHP, biomass	Nuclear, hydro
	“Intermittent” (Not firm dispatch, so does not pay Peak Security tariff)	No technologies identified	Wind, PV, tidal, wave

# Definition of “Conventional Carbon”

		Technology type by bid price	
		“Carbon” (Low cost BM bid price)	“Low carbon” (High cost BM bid price)
Technology type by dispatchability	“Conventional” (Firm dispatch, so pays Peak Security tariff)	<b>"Conventional Carbon"</b>	<b>"Conventional Low Carbon"</b>
	“Intermittent” (Not firm dispatch, so does not pay Peak Security tariff)	<b>"Intermittent Carbon"</b>	<b>"Intermittent Low Carbon"</b>

# Definition of “Conventional Carbon”

**Consequence for application of sharing to tariff formula – Two types of plant (Conventional and Intermittent) replaced by 3:**

1. Conventional Carbon
2. Conventional Low Carbon
3. Intermittent

# Economic rationale

- **Incremental cost of network** - Is proportional to the incremental cost of constraints
- **Incremental cost of constraints** – Driven by the elements below

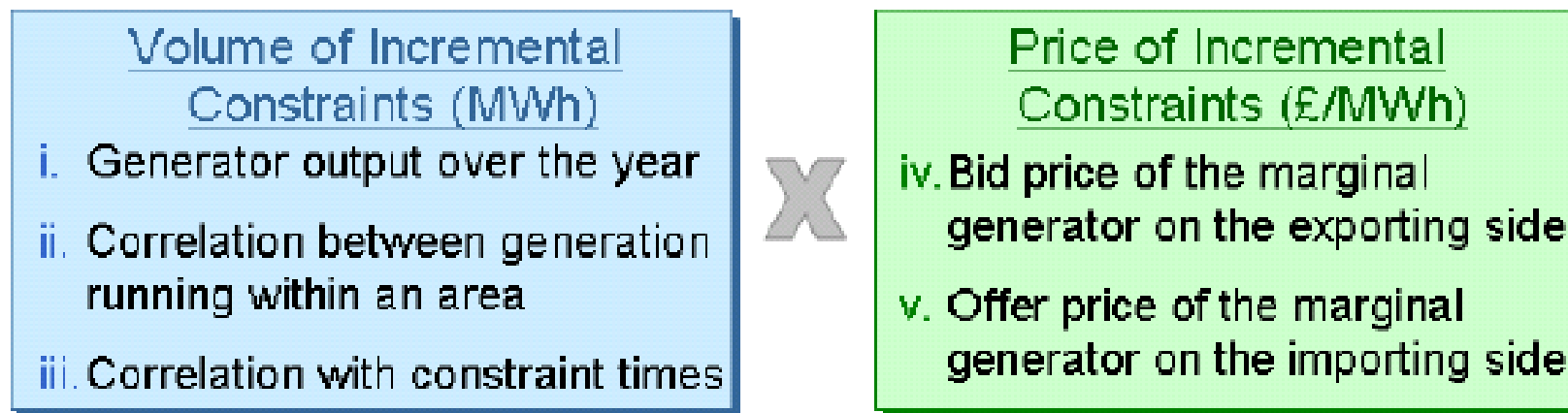


figure 5 of the CMP213 Workgroup report

# Economic rationale

Presence of Conventional Carbon does not cause reduced sharing

*...Absence of Conventional Carbon causes reduced sharing*

*“4.22 The linear relationship between load factor and incremental constraint costs breaks down when bids cannot be taken from plant at close to wholesale marginal price, and are taken from low-carbon plant instead.”*  
[emphasis added]

*“4.38 ...As the percentage of low carbon plant increases above 50% the cost of bids significantly increases. It follows in these circumstances that incremental low carbon plant increases constraint costs whilst incremental carbon plant reduces incremental constraint costs. This latter effect is because the volume of low carbon plant that runs provides cheaper bids than previously available in that transmission charging zone; i.e. the slope in that zone was previously steeper.”* [emphasis added]

CMP213 Workgroup report



# Types of harm

1. **Non cost reflective economic disadvantage** - For Conventional Carbon generators which are located in zones with a high proportion of low Carbon generation.
2. **Inefficient investment/closure decisions** – Higher cost to customers
3. **Locational security of supply risk** – “Death spiral” for low load factor peaking plant.

# Description of Modification proposal

**Recognise Conventional Carbon fully shares even with high proportion of non-carbon plant**

**Conventional Carbon plant, apply the ALF to both tariff elements:**

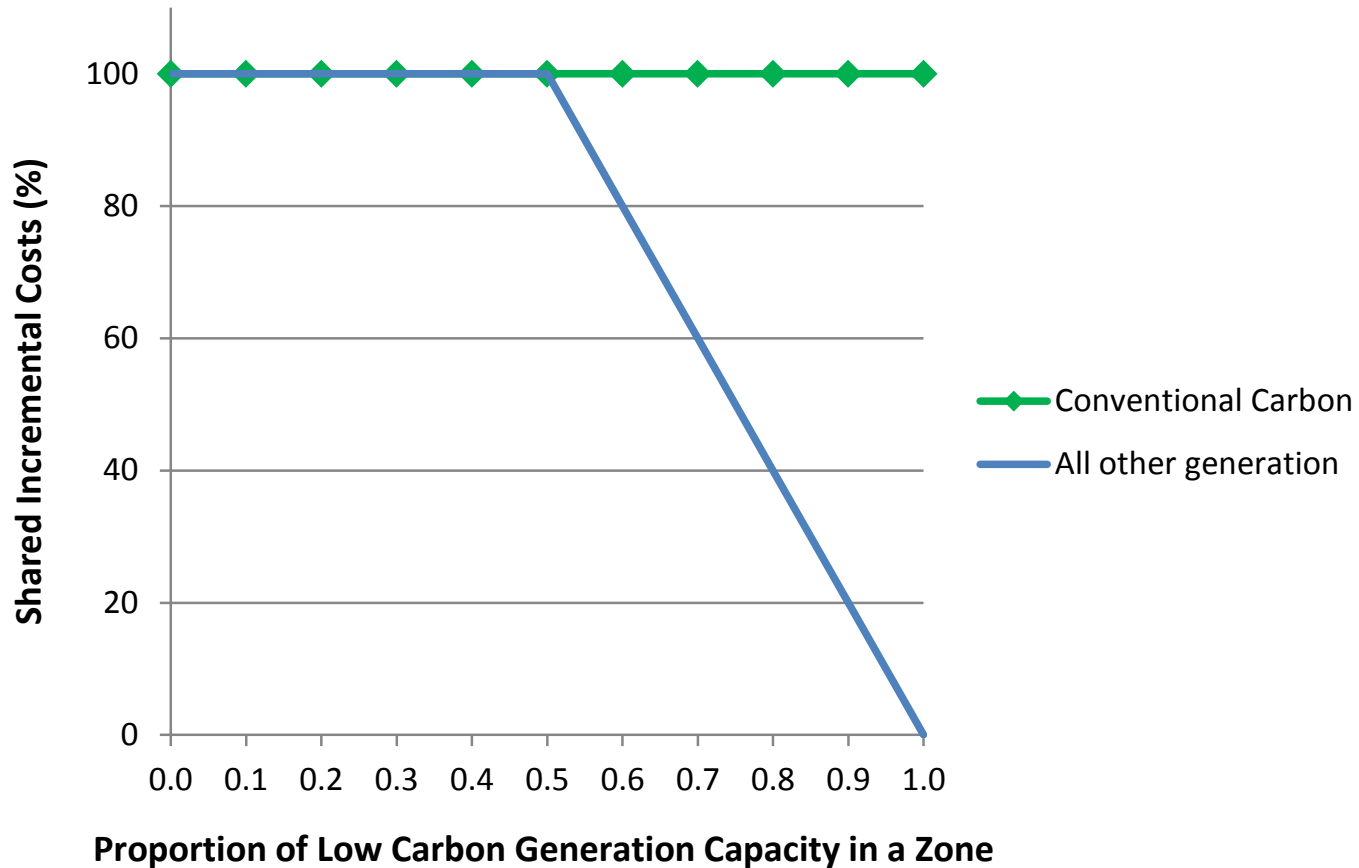
- Not-Shared Year Round and...
- Shared Year Round

This maintains recognition of continued sharing of transmission network by Conventional Carbon plant.

This recognises that reduced network investment is required for Conventional Carbon plant even at high penetration of Low Carbon generation.

# Description of Modification proposal

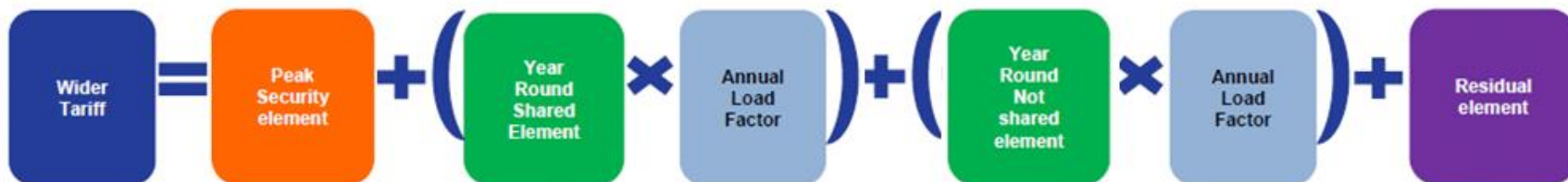
## Change to TNUoS tariff formula



# Description of Modification proposal

## Change to TNUoS tariff formula

### 1. Adjusted tariff formula: “Conventional Generator – Carbon”



### 2. Unchanged tariff formula: “Conventional Generator – Low carbon”



# Applicable CUSC objectives

- a) **Effective competition** – More level playing field by correcting defect to remove economic disadvantage for Conventional Carbon generators in a zone with a high share of low carbon generation.
- a) **Cost reflectivity** - Improve the cost reflectivity of Generation TNUoS charges.

# Need for urgency

## Next Capacity Auctions

- Start of December 2016 for 2020/21 T-4 auction
- End of January for 2017/18 T-1 auction

## Decision is required by:

- **Ideally - Important to have decision by middle September 2016 -**  
Price maker memorandum
- **Certainly - No later than end November 2016**

## Next Steps – CMP268



Heena Chauhan – Code Administrator

# Code Administrator - Proposed Progression

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- The Panel is asked to agree:
  - whether CMP268 should be progressed using either;
    - A Standard timetable
    - An Urgent timetable



## Urgency Criteria

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- Ofgem's current view is that an urgent modification should be linked to **an imminent issue** or a **current issue** that if not urgently addressed may cause:
  - a) **A significant commercial impact** on parties, consumers or other stakeholder(s); or
  - b) **A significant impact on the safety and security** of the electricity and/or gas systems; or
  - c) A party to be in breach of any **relevant legal requirements**.

## Proposed timeline – standard timetable 1/2

27 July 2016	CUSC Modification Proposal and request for Urgency submitted
29 July 2016	CUSC Panel meeting to consider proposal and urgency request
29 July 2016	Panel's view on urgency submitted to Ofgem for consultation
29 July 2016	Request for Workgroup members (5 Working days) (responses by 25 July 2016)
5 August 2016	Ofgem's view on urgency provided (5 Working days)
10 August 2016	Workgroup meeting 1
w/c 22 August 2016	Workgroup meeting 2
w/c 5 September 2016	Workgroup meeting 3
21 September 2016	Workgroup Consultation issued (15 days)
12 October 2016	Deadline for responses
w/c 17 October 2016	Workgroup meeting 4
w/c 31 October 2016	Workgroup meeting 5 (agree WACMs and Vote)
17 November 2016	Workgroup report issued to CUSC Panel
25 November 2016	CUSC Panel meeting to approve WG Report

## Proposed timeline – standard timetable 2/2

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30 November 2016	Code Administrator Consultation issued (15 Working days)
21 December 2016	Deadline for responses
4 January 2017	Draft FMR published for industry comment (5 Working Days)
11 January 2017	Deadline for comments
19 January 2017	Draft FMR circulated to Panel
27 January 2017	Panel meeting for Panel recommendation vote
1 February 2017	FMR circulated for Panel comment (3 Working day)
6 February 2017	Deadline for Panel comment
8 February 2017	Final report sent to Authority for decision
15 March 2017	Indicative Authority Decision due (25 working days)
22 March 2017	Implementation date

## Proposed timeline – Urgent timetable 1/2

27 July 2016	CUSC Modification Proposal and request for Urgency submitted
29 July 2016	CUSC Panel meeting to consider proposal and urgency request
29 July 2016	Panel's view on urgency submitted to Ofgem for consultation
29 July 2016	Request for Workgroup members (5 Working days) (responses by 25 July 2016)
5 August 2016	Ofgem's view on urgency provided (5 Working days)
10 August 2016	Workgroup meeting 1
18 August 2016	Workgroup meeting 2
25 August 2016	Workgroup meeting 3
5 September 2016	Workgroup Consultation issued (5 days)
12 September 2016	Deadline for responses
15 September 2016	Workgroup meeting 4
22 September 2016	Workgroup meeting 5 (agree WACMs and Vote)
29 September 2016	Workgroup report issued to CUSC Panel
6 October 2016	Special CUSC Panel meeting to approve WG Report

## Proposed timeline – Urgent timetable 2/2

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10 October 2016	Code Administrator Consultation issued (5 Working days)
17 October 2016	Deadline for responses
20 October 2016	Draft FMR published for industry comment (3 Working Days)
25 October 2016	Deadline for comments
20 October 2016	Draft FMR circulated to Panel
28 October 2016	Panel meeting for Panel recommendation vote
1 November 2016	FMR circulated for Panel comment (3 Working day)
4 November 2016	Deadline for Panel comment
7 November 2016	Final report sent to Authority for decision
21 November 2016	Indicative Authority Decision due (10 working days)
30 November 2016	Implementation date