

# CMP271

## Bill Reed



**RWE**  
The energy to lead

# Background

- > The current basis of demand transmission tariffs appears unsustainable.
  - By 2020/21 the demand residual rises to £72.03/kW
- > As more generation connects to the distribution network
  - the underlying cost reflectivity of generation and demand tariffs is called into question;
  - locational signals are inefficient;
  - constraint costs and risk of stranded assets increase; and
  - Further distortions in the energy and capacity markets

# Context

- > CMP264 and CMP265 address the growing demand residual and capacity market effects but
  - Do not address the cost reflectivity of the locational demand tariff; and
  - Issues regarding the demand charging base for the relevant tariff components are out of scope; and
  - Do not consider the cost recovery arrangements for the residual component of the demand tariff
- > CMP271 is based on deriving cost reflective locational tariffs from the transmission investment drivers and efficient cost recovery that follows existing industry practice (net BSUoS-type charging).

# CMP255 Proposal

- > **Locational tariffs:** based on two separate tariffs: one for peak and one for year round based on the demand tariffs
- > **Demand charging base:** peak charges relate to the peak drivers of investment (Capacity), year round relate to year round conditions (MWh);
- > **Revenue recovery:** Charge based on a year round demand tariff charged to suppliers for each MWh of consumption throughout the year (a net year round commodity tariff).
- > **Implementation:** no earlier than of 1<sup>st</sup> April 2020 or 3-years following a decision from the Authority to implement the modification proposal.

# Evaluation against CUSC Objectives

- > CMP271 better meets the CUSC Charging Objectives:
  - **Objective (a):** efficient economic signals for Users when services are priced to reflect incremental costs.
  - **Objective (b):** better reflects investment costs in the transmission system.
  - **Objective (c):** aligns the transmission charging methodology with the Security Standard and better reflects the fact that the transmission licensees are required to plan and develop to meet these standards.
  - **Objective (e):** The proposal is based on existing charging principles and arrangements.

# Modification timetable



Heena Chauhan – Code Administrator

# CMP271 Progression

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- The Panel is asked to agree:
  - Whether CMP271 should be progressed through Self-governance
  - Whether CMP271 should be progressed as urgent?
  - How to progress CMP271
    - Workgroup
    - Code Administrator Consultation

## Proposed Timetable (1/2)

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20 September 2016	CUSC Modification Proposal submitted
30 September 2016	CUSC Modification tabled at Panel meeting
5 October 2016	Request for Workgroup members (10 Working days)
W/C 31 October 2016	First Workgroup meeting
w/c 30 January 2017	Workgroup meeting prior to Workgroup Consultation
9 February 2017	Workgroup Consultation issued (15 Working days)
3 March 2017	Deadline for responses
w/c 13 March 2017	Workgroup meeting post Workgroup Consultation
w/c 3 April 2017	Workgroup meeting to vote
20 April 2017	Workgroup report issued to CUSC Panel
28 April 2017	CUSC Panel meeting to discuss Workgroup Report



## Proposed Timetable (2/2)

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4 May 2017	Code Administrator Consultation issued (15 Working days)
28 May 2017	Deadline for responses
12 June 2017	Draft FMR published for industry comment (5 Working days)
19 June 2017	Deadline for comments
22 June 2017	Draft FMR circulated to Panel
30 June 2017	CUSC Panel Recommendation vote
5 July 2017	FMR circulated for Panel comment (5 Working days)
12 July 2017	Deadline for Panel comment
14 July 2017	Final report sent to Authority for decision
18 August 2017	Indicative Authority Decision due (25 Working days)
25 August 2017	Implementation date (5 Working days later)