

CMP251 'Removing the error margin in the cap on total TNUoS recovered by generation and introducing a new charging element to TNUoS to ensure compliance with European Commission Regulation 838/2010'



CUSC Panel – 30 September 2016
John Martin– National Grid

Background

- CMP251 was raised by British Gas and was submitted to the CUSC Modifications Panel for their consideration on 28 August 2015.
- CMP251 seeks to better meet compliance with European Regulation 838/2010 by removing the error margin introduced by CMP224 and by introducing a new charging element to the calculation of TNUoS.

Workgroup Consultation

- Nine responses were received to the Consultation and were considered by the Workgroup.
- Only Two respondents supported the original proposal as better meeting the Applicable CUSC Objectives. Seven respondents did not support it because they believed that the current approach based on an ex ante methodology provides more stability of TNUoS costs and so does not better facilities the applicable CUSC Objectives.
- Six respondents supported the implementation approach and two did not, one respondent did not comment. The two that did not support the implementation approach, also, did not support the Original Proposal.

WACMS

- Seven WACMs were agreed by the Workgroup
 - **WACM1:** The error margin will be removed and reconciliation will only be carried out if Generators pay more than an average of €2.50/MWh in respect of a Charging Year. Reconciliation will be applied in tariffs of both Suppliers and Generators in Year +2;
 - **WACM2:** The error margin will be removed but reconciliation will be carried out to both Generators and Suppliers to ensure that Generators pay €2.50/MWh in respect of a Charging Year. Generators will receive a rebate or charge in May of Y+1 and the amount to be rebated or charged to Suppliers will be spread over 3 years and recovered through tariffs in Y+2, Y+3 and Y+4;
 - **WACM3:** The error margin will be removed and reconciliation will be carried out to both Generators and Suppliers to ensure that Generators pay €2.50/MWh in respect of a Charging Year. The amount to be rebated or charged to Generators and Suppliers will be spread over 3 years and recovered through tariffs in Y+2, Y+3 and Y+4;

Further WACMs

- **WACM4:** The error margin will be removed and reconciliation will only be carried out if Generators pay more than an average of €2.50/MWh in respect of a Charging Year. Generators will receive a rebate in July of Y+1 and Suppliers will be charged in July of Y+1;
- **WACM5:** The error margin will be removed and reconciliation will only be carried out if Generators pay more than an average of €2.50/MWh in respect of a Charging Year. Generators will receive a rebate in May of Y+1 and Suppliers will be charged in the Y+2 tariffs;
- **WACM6:** The error margin will be removed and reconciliation will be carried out to both Generators and Suppliers to ensure that Generators pay €2.50/MWh in respect of a Charging Year. Reconciliation will be applied in tariffs of both Suppliers and Generators in Year +2;
- **WACM7:** The error margin will be removed and reconciliation will be carried out to both Generators and Suppliers to ensure that Generators pay €2.50/MWh in respect of a Charging Year. Generators will receive any rebate in May Y+1 and any charge in Y+2 Tariffs, whilst Suppliers receive any rebate or charge in Y+2 Tariffs;

Workgroup Conclusions

- Terms of Reference have been met;

Scope of Work	Evidence in Workgroup Report
<i>a) Implementation</i>	Section 6
<i>b) Review draft legal text (agreed by the Workgroup)</i>	Annex 10
<i>c) Consider the legality of breaching the regulation then reconciling the difference the following year</i>	Annex 6 and 7
<i>d) Consider whether you should fix the charge at €2.5 as proposed rather than remaining within the €0-€2.5 range as per the EC Regulation</i>	Section 4
<i>e) Assess the impact on competition</i>	Section 4
<i>f) Consider any interaction with CMP244</i>	Section 6
<i>g) Consider when 2.50 is to be calculated</i>	Section 4

Workgroup Vote

- At the final Workgroup meeting, Workgroup members voted on the Original Proposal and the 7 WACMs: six of the Workgroup members voted that the Baseline better facilitated the Applicable CUSC Objectives, two Workgroup members voted for WACM5 and 1 Workgroup member voted for the original solution.

Proposed CUSC Modification

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

Code Administrator Conclusions

- 9 responses were received to the Code Administrator Consultation.
- A variety of views were recorded.
 - Two respondent preferred the Original Proposal over the proposed WACMs as it seeks to avoid any non compliance with the Regulation, however, it is also worth noting that they supported all WACMs apart from WACM 4 as better than the baseline.
 - One respondent supported WACM5 because it guarantees compliance with the 2.50 cap.
 - 6 respondents 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 current methodology provides efficient trading and certainty to market participants, whilst, the legal opinion stated that both the current approach and the BG approach can facilitate G charges compliant with the Regulation.

Proposer and National Grid View

- The National Grid representative considers that CMP251 is not better than the baseline as the current ex ante approach is compliant with Regulation 838/2010 .

Legal Text

- Please note: the baseline legal text for CMP251 has now changed due to the approval of CMP255.

Questions before Panel Vote?



Panel Recommendation Vote – Charging Objectives

- (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and
- (e) 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).

Vote

- Vote 1 - does the original or WACM facilitate the objectives better than the Baseline?
- Vote 2 – Which option is the best?
 - Panel Votes:
 - James Anderson
 - Bob Brown
 - Kyle Martin
 - Garth Graham
 - Nikki Jamieson
 - Paul Jones
 - Simon Lord (Paul Jones)
 - Cem Suleyman
 - Paul Mott - no

Proposed Timetable

30 September 2016	Panel Recommendation Vote
4 October 2016	Final FMR circulated for Panel comment
11 October 2016	Deadline for Panel comment
14 October 2016	Final report sent to Authority for decision
18 November 2016	Indicative Authority Decision due
25 November 2016	Implementation Date