

CUSC Workgroup Consultation Response Proforma**CMP344 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'**

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 to cusc.team@nationalgrideso.com by **5pm on 23 November 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation, please contact Joseph.Henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

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For reference the applicable CUSC (charging) objectives 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;*
- d. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**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).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP344 Original Proposal better facilitates the Applicable Objectives?	<p>Yes. Regarding charging objective (a), effective competition in the generation and supply etc of electricity: the mod, if passed, would ensure off shore generators enjoy the same treatment of the cost of unforeseen and unforeseeable events such as allowed IAE's, as onshore users enjoy, as highlighted in the case of the Sloy IAE. The current onshore practice is also better clarified and codified via this mod. The mod thus facilitates level competition between onshore and offshore generation users.</p> <p>As to charging objective (b), cost-reflectivity : the modification clarifies cost recovery in a way that is consistent as between onshore and offshore generation users. In the case of a successful claim for an income-adjusting event by the OFTO, something exceptional has happened and the costs (or savings) related to the IAE are unforeseen and unforeseeable and relate to events on the GB transmission system outside the control of Users; it is then appropriate that the costs are socialised, as indeed is already the practice onshore as shown from the treatment of the Sloy IAE.</p> <p>As to charging objective (e) (Promoting efficiency in the implementation and administration of the CUSC) : This modification clarifies the treatment, including onshore, of the recovery of revenue adjustments for a Transmission Licensee that occur during a price control. This improved clarity will promote efficiency.</p>
2	Do you support the proposed implementation approach?	The proposal is that this change should be implemented for the RIIO-2 price control period from April 2021. We agree (or later if it is not able to be determined in time for April 2021).
3	Do you have any other comments?	The original builder of an offshore cable (e.g. an offshore wind developer) does have a good incentive, ahead of "adoption" by the OFTO, to make sure that it's well specified and made – and laid – without latent faults, as these could manifest ahead of "adoption". We recall the cable gland explosion that destroyed an entire building at the Hunterston HVDC converter station – whilst this was not an offshore circuit, the point we are making is that this fault was manifest very early after energisation. If a fault occurs before or after adoption then it is a serious problem for the offshore wind operator as it will not receive a bid

		<p>acceptance nor any other compensation; it will neither earn power sales income nor any subsidies, as the latter are related to output generated. The fact that the IAE cost allowance is recovered from consumers, doesn't dampen the incentive, as the cost of the cable failure in terms of mending it, could be a small cost compared to the losses to the income of the wind generation's operator arising from a long term out-of-service cable. Onshore generators frequently enjoy a financially-firm connection and would enjoy bid acceptance income in relation to a transmission system failure in their area, that affected their ability to export power.</p> <p>At the point of adoption and afterwards, the OFTO has a good ongoing incentive to maintain the cable and associated equipment, because it can't be sure that Ofgem will approve an income-adjusting event at all – for example, in May 2020 in its revised determination re : Gwynt Y Mor, Ofgem didn't approve the OFTO's request for an income-adjusting event. Without an income-adjusting event, the cost of fixing the cable falls on the OFTO, and it (the OFTO) receives a reduced percentage of its normal allowed revenue as well (it faces this latter whether or not the income-adjusting event request succeeds – the loss of income to the OFTO continuing indefinitely until the cable is fixed).</p> <p>The incentives to make sure the cable is good at manufacture, in laying, and thereafter, are all still strong with or without CMP344.</p>
4	<p>Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?</p>	<p>No</p>