

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.

Respondent details	Please enter your details
Respondent name:	James Stone
Company name:	National Grid ESO
Email address:	James.stone@nationalgrideso.com
Phone number:	07971 002704

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	<p>Do you believe that the CMP344 Original Proposal better facilitates the Applicable Objectives?</p> <p>One of the fundamental arguments for this change proposal is the “non-discriminatory treatment of costs in arrangements that are fair, proportionate and non-distortive”. The proposal argues that Offshore and Onshore generator costs should be dealt with in the same manner (recovered via the Demand Residual element of TNUoS) to ensure non-discriminatory treatment. However, we believe there is need for a balance to be found within this modification as it could be argued, that in principle, different assets being treated in a different way is not necessarily unfair nor discriminatory. Another consideration is that it might be prudent that instead the same items such as circuits (both Onshore and Offshore) are treated in a specific manner in the same way rather than focusing exclusively on the alignment and identical treatment of generator costs.</p> <p>We consider that the CMP344 proposal may have some merit as it would ensure consistency across both the Onshore and Offshore Transmission Owner frameworks in terms of where the recovery of costs associated with unforeseen or unforeseeable events, particularly in relation to IAEs, are targeted. This alignment would ensure there is no difference between the treatment of Onshore and Offshore connected generators costs by using the Demand Residual as means of recovery. To that end we believe this change will, to some degree better facilitate competition in the generation and supply of electricity (objective a).</p> <p>As stated within the proposal this change will result in changes to wider and local TNUoS tariffs at the start of the price control periods which will exclude the costs of unforeseen or unforeseeable events. Our concern is that this change will mean any adjustments associated with these costs will no longer be recovered via the user of the assets but rather through adjustments to the Demand Residual. This will ultimately impact end consumers tariffs which may not result in cost reflective</p>

		<p>recovery, which therefore may not better facilitate objective b. Initial tariff impact analysis has been produced by the ESO and will be shared in the workgroup report.</p> <p>We agree that the modification will provide further clarity within the CUSC in relation to the basis for the recovery of revenue adjustments by Transmission Licensees relating to IAEs. This should therefore subsequently promote efficiencies in the implementation and administration of CUSC arrangements (objective e).</p>
2	Do you support the proposed implementation approach?	<p>We consider that implementation is achievable in April 2021 should a decision be made by the Authority by the date stipulated within the consultation as this will allow the ESO to finalise tariffs ahead of the required 31st January 2021 tariff publication.</p> <p>If a decision is received after the final tariffs for April 2021 charging year are set, the proposed retrospective implementation from April 2021 would mean tariffs would then no longer comply with the approved methodology (as the new approved method within CMP344 would mean Offshore & Demand tariffs would need to be adjusted). Ordinarily this may mean a mid-year tariff change is required, however, this would not be possible (without Ofgem direction) therefore an implementation date of April 2022 should be considered if a decision is received after the date stipulated within the consultation. This may require further adjustments to the legal text to allow for changes outside of the price control period.</p>
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No