Code Administrator Consultation Response Proforma

CMP331: Option to replace generic Annual Load Factors (ALFs) with site specific ALFs

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 **31 May 2023**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Paul Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Rein de Loor	
Company name:	National Grid ESO	
Email address:	rein.deloor@nationalgrideso.com	
Phone number:	07843 804810	
Which best describes your organisation?	☐Consumer body ☐Demand ☐Distribution Network Operator ☐Generator ☐Industry body	☐Interconnector ☐Storage ☐Supplier ☐Transmission Owner ☐Virtual Lead Party ☒Other

I wish my response to be:
(Please mark the relevant box) ☒Non-Confidential ☐Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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 system charging methodology.*

***The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

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

Standard Code Administrator Consultation questions			
1	Please provide your assessment for the proposed solution against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution(s) better facilitates:	
		Original	☐A ☐B ☐C ☐D ☐E
		ESO does not believe the proposal better facilitates any of the objectives than the baseline, and that the proposal negatively impacts objectives a), b) and e).	
2	Do you support the proposed implementation approach?	☒Yes ☐No	
		ESO has worked with the proposer and the work group to agree an implementation approach for this mod. If the mod is approved by Ofgem, a consequential Grid Code mod will be required to ensure that Users wishing to submit a user-provided ALF can do so as part of the connections compliance process.	
3	Do you have any other comments?	This proposal does not identify a clear defect in the current charging methodology in the CUSC, but rather simply sets out what the current charging methodology for TNUoS is. It is up to developers to decide as part of their business case where to locate their Power Station and the charging methodology is likely to form part of that, including their expected ALF and impact of generic ALF. Using the same method for calculating ALFs for all generators is the best way to facilitate effective competition, rather than allowing new users to adopt their own methodology to forecast and calculate their ALF, which would lead to less transparency and different pricing calculations for new generators of the same technology type in the same generation zones. Further, whilst costs may arguably be more reflective for some generators if their forecast is accurate, it may equally be less reflective for others if the forecast is not accurate and there is no way of guaranteeing that forecasts will be accurate based on the limited evidence provided in the work group. The ESO would need to make a judgement of how fair the assessment is without any way of objectively measuring the accuracy of the ALF forecast. Therefore, the existing procedure of using generic ALFs based on actual data (with the option of breaking it down into zonal data should there be a need	

		to) is the most cost-reflective option available where no actual ALF data exists. Allowing generators to submit user-provided ALFs will make the TNUoS process more lengthy and complicated, opening up the potential for disputes between the ESO and generators/developers if the decision to adopt/reject a user-provided ALF is appealed. It is also unclear what has materially changed since CMP213 was implemented that would warrant this change. The data presented to the work group does not, in ESO's opinion, lead to a clear view for changing the policy decision set out in CMP213 to a world where more complexity and costs are felt by wider CUSC parties. CMP213, which was implemented in 2016, determined that generic ALFs are designed and used in their current form for the sake of simplicity of application rather than 100% accuracy. For CMP213, the use of forecasted data to determine ALFs for individual users was considered and rejected, as this would make charges less transparent. Ofgem indicated within the implementation letter for CMP213 that the ALF design under WACM2 was approved for the following reason: "It represents a simple, transparent proxy for the impact of a generator on constraint costs, and therefore on transmission investment, taking into account the mix of generation in an area. However, it will not precisely reflect the impact a generator has on transmission investment in every circumstance, especially at the extremes, for example, when there is 0% or 100% of a particular type of generator in a zone. A more accurate calculation that captured all the factors that affect investment decision-making would require considerably more complexity. We think this would make the charging methodology less transparent and more difficult to forecast. ESO considers that this could be a barrier to entry, reduce competition and could offset any gains from the additional precision." In summary, it is unclear from the evidence provided how the CMP331 proposal would better meet the applicable objectives, especially as it would only be relevant to a small number of generators/developers for a limited period of time. A change in this regard is complex without having the data or rationale to be beneficial to all. There is limited evidence to support a change in the way generic ALFs are designed and used, as it would make the methodology more complex without clear data

		supporting the wider benefit to the industry and end consumers.