Workgroup Consultation Response Proforma

CMP411: Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies.

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 **7 July 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 cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Ryan Ward	
Company name:	ScottishPower Renewables	
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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 Workgroup Consultation questions			
1	Do you believe that the Original Proposal better facilitate the Applicable Objectives?	Mark the Objectives which you believe the Original better facilitates:	
		Original	☒A ☐B ☐C ☐D ☒E
		Objective A – Positive Introducing AI and the mechanism required for the recovery within Sect 14 of the CUSC could better facilitate competition between users. The principle could reduce the risk allocated to the initial generator (G1) and aims to improve the coordination for projects. **Objective B, C & D – Neutral** **Objective E – Positive** Introducing AI and the mechanism required for the recovery within Sect 14 of the CUSC should promote efficiency in implementation and administration of the charging methodology. The additional clarity provided by amending the CUSC would prevent any potential confusion or unnecessary challenges.	
2	Do you support the proposed implementation approach?	☒Yes ☐No	
		The implementation date of April 2025 seems reasonable, which would account for 6 months for the ESO to implement and include a required socialisation period for generators.	
3	Do you have any other comments?	SPR supports the implementation of the AI principle and what Ofgem consulted on within their minded-to position:	

		"2.9.1. The risk associated with AI should be shared between the consumer and later user(s) of shared infrastructure. The AI Cost Gap7 will be allocated to the later user(s) of shared infrastructure. Consumers will underwrite the AI Cost Gap in advance of the later user(s) connecting to shared infrastructure and in the situation where the potential later user(s) does not connect at all or reduces the capacity of its project." Wider Considerations • The apportionment of the AI capital costs for offshore assets between G1 and G2 needs to be determined on a case-by-case basis. The second generator to connect should only be liable for the incremental increase in the cost of G1s works and the total works for G1 & G2. • G1's TNUoS charge should not reflect G2's AI element in the period prior to G2 connection. This should be passed through to the transmission demand residual (TDR). • G2 should reserve the option to pay the AI cost gap upfront or over a specified period.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	☐Yes ☒No
		N/A

Specific Workgroup Consultation questions		
5	Consider recovery of the AI cost gap if the subsequent generator connects at a much later point in time e.g., 15-20 years later.	In theory, this is unlikely to happen for a co-ordinated network. Generators should be co-ordinated to ensure for efficiency and benefit from economies of scale for developments in similar areas, requiring similar assets, and on similar timeframes. If G2 does connect until a much later date, the approach should remain consistent with AI being recovered via the TDR. For longer AI cost gap periods, there should be additional scrutiny required to mitigate the risk of assets being delivered ahead of requirement and remaining unutilised for the duration.
6	Consider the options for applying inflation, e.g., should it be CPI or RPI linked?	When considering options for inflation of the AI cost gap amount, there are two options used within TNUoS Tariff setting (Revenue Indexation Adjustment Term and Transmission Owner Price Index) – given the materiality

		associated with offshore, a sensitivity should be carried out to inform this debate. There is merit in using the Revenue indexation adjustment term for consistency and familiarity with the tender revenue stream (TRS) for offshore. However, where possible there should be an assumption to have consistency with onshore price controls, unless it can be otherwise justified. This inflation could also be left to the individual user to select between the two options, depending on preference.
7	If a local circuit changes to a wider circuit, should the subsequent generator still pay for the AI cost gap and AI, or should this be filtered through the wider tariff?	The subsequent generator (G2) should no longer pay for the AI cost cap and AI, if a local circuit were to be reclassified as a wider circuit. The assets previously required and classed as local circuit will now no longer reflect those needed solely to deliver the connection and will now be beneficial to wider users. G2 is otherwise left paying a charge which is not cost reflective of the assets required for their connection to the transmission network.
8	Does your answer to **Q7** change if the majority of the AI was built specifically for a specific local generator but may be utilised by the wider system during certain periods?	No, there should be consistency across onshore and offshore charging. There is a balance between complexity and cost-reflectivity, which must be fair and consistent. If the assets are being utilised and delivering for the wider system benefit, then the charges should reflect this.
9	Are there any other comments in relation to **Q7 and Q8** on a broader perspective?	N/A
10	Consider the impact on consumers if the subsequent generator(s) don't connect to the National Electricity Transmission System.	There will always be the risk of stranded assets when developing the transmission network of the future. User commitments are designed to mitigate against this and hold generators which require the reinforcement liable, if later they decide not to connect or reduce their TEC.