Workgroup Consultation Response Proforma

CMP315: TNUoS Review of the expansion constant and the elements of the transmission system charged for and

CMP375: Enduring Expansion Constant & Expansion Factor Review

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 **17 May 2022**. 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
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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.*

**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 in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP315 Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates: Original ☒A ☒B ☒C ☒D ☐E Click or tap here to enter text.
2	Do you believe that the CMP375 Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates: Original ☐A ☐B ☐C ☐D ☐E (A-E intentionally not selected) Please see answer to question 7 for an explanation
3	Do you support the proposed implementation approach?	☒Yes ☐No However, when considering an implementation date, we should be mindful of how material the changes are on TNUoS charges and ensure that all parties are given notice of the change commensurate with the materiality.
4	Do you have any other comments?	No
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	☐Yes ☒No Click or tap here to enter text. Click or tap here to enter text. Click or tap here to enter text.

Specific Workgroup Consultation questions		
6	Do you agree with the CMP315 and CMP375 Proposers' conclusions that the Expansion Constant should also include circuit reinforcement, non-circuit works and life extension works in addition to	Yes – by including the additional items in the calculation of the charges, rather than ignoring them, the cost reflectivity

	new circuit build. Are there any other reinforcement types that should be included? Please provide justification for your response.	of the charges is improved (hence meeting CUSC objective (b))
7	CMP315 and CMP375 have different proportions of each reinforcement type in the basket for the calculation of the Expansion Constant because the Proposers have different interpretations as to what the Expansion Constant should represent. Which one of these interpretations do you agree with or do you have a different approach? Please provide justification for your response.	CMP 315 attempts to reflect the full cost of the transmission system assets in the EC/EF. This would mean that if the transmission system was built to minimum capacity to meet the demand & generation connected to it the cost reflective component of the TNUoS charge would fully recover the cost of the transmission system (and by implication the residual charge would be zero). This means that generation/demand connected to the system would be exposed to the full cost of the incremental capacity required or avoided on the transmission system to connect that generation or demand. CMP 375 would only recover the last investment in a transmission asset. For example, if a circuit were reconductored, only the cost of the new conductor would be recovered via the locational charge. The cost of the towers supporting the new conductor and the cost of the old conductor becoming a residual cost (shared across all customers). This would result in generation and demand paying for less of the transmission system than they require (for example paying for just the conductor and not the towers required to support it) leading to charges that are less cost reflective than the current charging methodology.
8	A Workgroup Member has also suggested an alternative approach to establish the forward-looking marginal cost over a realistic 5–10-year time horizon. Do you agree with this interpretation or would you suggest a different approach? Please provide justification for your response.	As currently defined, the EC is evaluated from the cost of 400 kV overhead line based on recent construction projects, but only considers “complete” projects, and excludes upgrade works on existing asses (for example changing the operational voltage).

		It is reasonable to include additional works in the basket to properly reflect the cost of assets used on the system and improving cost reflectivity. The complexity of this proposal is how are the additional items fed into the calculation of the EC (so that it still reflects the cost of moving 1 MW over 1 km of 400 kV overhead line) Consider a simple case where an existing circuit with a capacity of 2000 MVA is reconductored, giving a capacity of 2200 MVA. What costs should go into the calculation of the EC? Options include: i. Just the cost of reconductoring; ii. The cost or the original build plus reconductoring; iii. The cost of the original build excluding the 2000 MVA circuit but including the 2200 MVA conductor; iv. The cost of the original built with the write off cost of the 2000 MVA conductor plus the 2200 MVA conductor. Similarly, how much capacity is the work considered to provide. Possible answers include: i. 2200 MVA (the capacity of the new circuit); ii. 200 MVA (the incremental capacity added by reconductoring) The resulting value of the EC is very sensitive to the choices made above. If this proposal is adopted, it would be appropriate for the workgroup to consider this issue. The proposed change to the CUSC legal text does not provide enough clarity for the ESO to evaluate the EC
9	CMP315 and CMP375 Originals propose using the last 10 years historical data when calculating the Expansion Constant/Expansion Factors. Do you	The basket of assets to evaluate the EC&EF must be recent enough to reflect the current costs of transmission infrastructure, whilst being large enough

	agree with this approach or are there alternative approaches to consider? Please provide justification for your response.	such that a representative basked of assets is used. These two objectives conflict and 10 years feels about the right timeframe given current levels of activity. There are arguments to recalculate the EF/EC every year (rather than every price review period) using the previous 10 years of data as it means that the EC/EF stays more up to date and is less likely to result in a step change in the EC/EF Alternate methods could also be used to ensure that a minimum size basket is used containing the most recent data available – for example basing the basked on the last 500 km of circuit built
10	Do you agree with the list of data items, the ESO require from Transmission Owners to calculate the Expansion Constant. Please provide justification for your response.	Yes
11	In their analysis, Lane Clark and Peacock (LCP) have provided an alternative implementation approach proposing non-circuit build to be allocated to existing circuits and thereby included within the EFs rather than creating proxy circuits (as proposed by the CMP315 and CMP375 Original). Do you have any thoughts on this and do you agree with LCP's proposal for reinforcement factors? Please provide justification for your response.	At a high level, both methods appear valid. However, the use of proxy circuit elements appears to offer greater cost reflectivity and data transparency than the LCP proposals.
12	To achieve implementation by 1 April 2023, the Workgroup understand that it will not be possible under the current timeline to include the new EC/EFs in the draft TNUoS tariffs for 2023/2024. Do you support this and, if so, in the absence of draft TNUoS tariffs for 2023/2024, what detail will you need ahead of final TNUoS tariffs being published?	The implementation date should be reviewed once the materiality of the change to TNUoS tariffs is knows