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
Respondent name:	Tony Dicicco
Company name:	ESB
Email address:	Anthony.dicicco@esb.ie
Phone number:	07780438290

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 CMP315 seeks to change the inputs for the calculation of the expansion constant (EC) and expansion factors (EF). ESB is not convinced that this proposed modification better promotes the applicable objectives than the status quo as it may overstate the costs of upgrading the transmission network and lead to charges that are not cost-reflective and unduly penalise some users. We believe that CMP375 is a better solution, as it more accurately reflects the cost of upgrading the transmission network. However, we believe that the Lane Clark and Peacock (LCP) proposal – Option 1 (included as Annex 4 of the Consultation Report) could be a better longer-term solution as this Includes different types of network reinforcements other than new circuit build in the calculation of the expansion factors, which we believe results in more appropriate locational signals.
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 We believe that CMP375 is a better solution than CMP315, as it more accurately reflects the cost of upgrading the transmission network. We believe that it meets the CUSC charging objectives but we do not believe that it is the most appropriate solution (see Q1 above). *Please note that the answer to Q1 and 2 are provided on a principles basis. A lack of quantitative data makes it difficult to assess the full impact of such a change.*
3	Do you support the proposed implementation approach?	☒Yes ☐No In principle, ESB supports cost-reflective TNUoS charging with appropriate locational signals. We believe that the LCP proposal (Option 1) could offer a pragmatic solution, maintaining locational signals without overstating the costs of network reinforcement. The current TNUoS methodology for calculation of the EC is reflective of only a small subset of transmission network

		assets (namely 400kV overhead lines) and does not adequately reflect the actual developments of the network in recent years. This proposal updates the EC methodology to make it more reflective of reality, whilst future-proofing it in the case of a return to significant development of 400kV lines.
4	Do you have any other comments?	The lack of data in the consultation makes it difficult for parties to assess the impact of the proposed changes. As others have pointed out, it is essential for delivery of net zero that ongoing deployment of onshore and offshore wind and other renewable technologies in zones with higher TNUoS charges, such as in north Scotland, is facilitated. However, it is important that these steps remain consistent with delivery of an economically efficient transition to net zero. We believe that the 315/375 and modifications act as a short-term alteration to the current charging regime; in the longer-term, the forthcoming review of TNUoS needs to provide an enduring solution. Delays to the release of the terms of reference for the TNUoS taskforces mean that it is impossible to assess which (if any) aspects of this code modification may be revisited once the taskforces commence – this makes it difficult to provide a definitive response.
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 new circuit build. Are there any other	Yes, ESB agrees that reforming the EC to include the actual works that are occurring in the network is an appropriate step to bring the EC methodology up to date.

	reinforcement types that should be included? Please provide justification for your response.	ESB believes that SMART reinforcement could be added in the future when it becomes more prominent in providing firm capacity.
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.	The TNUoS model needs to evolve to better reflect developments in the NETS, where incremental cost is no longer based solely on the installation of 400kV circuits. We believe that CMP 375 better reflects the growth of NETS. Adding further project works into the EC methodology, will allow a more comprehensive view to the type of network reinforcements, and the incremental costs of transporting a MW/km. This in turn should improve the cost reflectivity of TNUoS.
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.	Moving to a forward-looking assessment of costs is a significant reform from the current methodology. The 400 kV NETS is unlikely to be decommissioned or expanded with new 400KV circuits, therefore including a forward-looking charge could be viewed as sub-optimal. In this context, ESB agrees with the proposed alternate approach which would replace the cost of new build 400kV in the EC with a representative “basket” of techniques and technologies that are expected to be used over the next 5-10 years.
9	CMP315 and CMP375 Originals propose using the last 10 years historical data when calculating the Expansion Constant/Expansion Factors. Do you agree with this approach or are there alternative approaches to consider? Please provide justification for your response.	Continuing to use the previous 10 years data in this way is consistent with the current methodology. However, we believe that new alternatives should be considered such as the LCP proposal - this could offer a pragmatic solution, maintaining locational signals without overstating the costs of network reinforcement. The LCP proposals suggest a forecast based on works included in the TO’s price control business plans. However, it is unclear how the TO’s use of reopeners would be reconciled for inclusion in a forward-looking methodology. Similarly, how

		possible instances where developments within business plan are not progressed for any reason might be taken account of. We would support seeing the full detail of such a proposal presented as a formal *Workgroup Alternative CUSC Modification (WACM).*
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, we agree with the list of data items. However, we note that it is imperative that any data that is requested from the ESO is clear, specific, and transparent. Requests need to be timely to ensure TOs can adequately resource the data request. The specifics of the data request and timescales need to be codified within the STC, with agreement from the STC Panel.
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.	We believe that the LCP approach is the best option presented, as it is appropriately forward-looking, deliverable, and suitably averaged. The proposed "allocation to existing circuits" of non-circuit reinforcements better reflects how incremental capacity is delivered, and better reflects the difference from a counterfactual scenario of no investment made. **In contrast, a proxy circuit approach sharpens the locational signal even when no additional capacity has been made available, which we believe is not cost reflective**.
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?	In order to ensure parties are able to properly take account of the possible impacts of such a change, robust scenario analysis of likely impacts must be provided at the earliest opportunity. The change to the EC may have significant implications for the level of the TNUoS tariffs, and all users will need to be able to plan appropriately.