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 CMP315 seeks to broaden the inputs for the calculation of the Expansion Constant (EC) and Expansion Factors (EF). Although this broadening is an improvement upon the status quo, the implementation is less cost-reflective, and we have preference for CMP375.
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 CMP375 seems to be a more forward-looking review of the EC and EF and should more effectively improve cost reflectivity. We believe the proxy circuit approach to non-circuit reinforcement within CMP375 is a fundamental flaw, but apart from this it should better facilitate the CUSC charging objectives.
3	Do you support the proposed implementation approach?	☒Yes ☐No The current TNUoS methodology for calculating the EC is reflective of only a small subset of transmission network assets (new build circuit alone) and does not reflect the actual developments of the network in recent years. IREGG supports the “LCP approach” and “weighted basket of technologies” concept under CMP375 because it modifies the EC methodology so that it better reflects reality. The more cost-reflective TNUoS charging regime this modification will enable will encourage more economically efficient generation development.
4	Do you have any other comments?	In principle, IREGG supports the “LCP approach” and “weighted basket of technologies” concepts explained in the consultation. Regardless, the lack of data in the consultation makes it challenging for members to assess the impact of any of the proposed changes. It is essential for the delivery of net zero that steps are taken to support the ongoing deployment of onshore (and offshore)

		wind and other renewable technologies in zones with high and unpredictable TNUoS charges, such as in northern Scotland. It is, however, vital that these steps remain consistent with the delivery of an economically efficient transition to net zero. The 315/375 modifications effectively function as a stop-gap alteration to the current charging regime; in the longer-term, the forthcoming review of TNUoS needs to provide an enduring solution. There is benefit in approving a version of CMP375 in the immediate-term, in order to undo the harm of continuing with a methodology which assumes that all new network capacity is exclusively new-build circuit.
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.
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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 reinforcement types that should be included? Please provide justification for your response.	IREGG agree with both proposers regarding expanding the scope of works to include circuit reinforcement, non-circuit works and life extension works in addition to new circuit build. This constitutes an appropriate step towards better cost-reflectivity and better reflecting developments in TO businesses (Objectives a, b, c). Furthermore, other network interventions could be included in a future revision if required, notwithstanding the possible structural changes which may result from the forthcoming TNUoS review.
7	CMP315 and CMP375 have different proportions of each reinforcement type in the basket for the calculation of the Expansion Constant	IREGG supports the interpretation of the CMP375 proposer. The current EC/EF calculation reflects the growth in the NETS. While this interpretation should continue, it needs to be updated to reflect that NETS expansion is no longer primarily driven by new circuits.

	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.	Adding further project works into the EC methodology will enable an appropriately comprehensive view to the type of network reinforcements, and the incremental costs of transmission.
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.	IREGG agrees with the proposed alternative approach, which would replace the cost of new build 400kV in the EC with a representative 'basket' of methods and technologies that are anticipated to be deployed over the next 5-10 years. This aligns the system charging methodology more closely with the works undertaken by transmission businesses for the period in which charges apply.
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.	Where practical, a forward-looking charge is preferred, where the cost signal better aligns with works undertaken by transmission licencees in the same time period. This principle is described in the "alternative approach" under Question 8. An example of how to deliver this is given with the "LCP approach" of Question 11, which we broadly support. Separately, it is a concern that neither of the Originals appears to have tackled the risk of significant step-changes in EC/EF which could occur at the start of each price control, which was the main defect identified in CMP353. We would like to see more mitigation options presented by the WG. We believe that expanding the different types and technologies included in the calculation will offer partial mitigation. It would be beneficial if the WG is subsequently able to present worked examples not only of what tariffs may become in the short-term, but also what tariffs would have been at the start of the previous price control, to give an understanding of the risk of step-changes. To mitigate any data paucity, we can see benefit in exploring incorporating both a historic input period and a forward–looking 'basket' of technologies, but only where

		the relevant licencees can demonstrate a problematic lack of forward-looking data. IREGG notes the LCP proposals to forecast based on works included in the TO's price control business plans, and would welcome seeing the full detail of such a proposal presented as a formal Workgroup Alternative CUSC Modification (WACM). We see the merit of LCP's proposal that the 'basket' of representative reinforcements should remain fixed for a price control to lessen the burden on NGESO, and that the costs of the reinforcements within the basket could change on a rolling basis as new cost data emerges (mitigating against risk of EC/EF step-changes).
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.	IREGG does not disagree with the list of data items. However, we see that the LCP approach claims to have a less burdensome data requirement. CMP375 Original would need to have a well-justified basis for the additional administrative burden, above the smaller data requirement of the LCP approach, and we would be concerned if the more onerous data requirement became an impediment to timely implementation of the modification. We have not yet seen that justification in this consultation document.
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.	IREGG agrees that the LCP approach is the best option presented, as it is forward-looking and feasible. Their proposed "allocation to existing circuits" of non-circuit reinforcements is a more accurate reflection of the actual delivery of incremental capacity. It also better reflects the difference from a counterfactual scenario of no investment made. In comparison, an approach based on a proxy circuit exacerbates the locational signal even when the TO has efficiently chosen a non-circuit reinforcement *in place of* a circuit-reinforcement. For example, we see in the November 2021 ETYS publication that the B6 boundary capacity is stated at nominally 6.4GW, but currently limited to 6.1GW due to limitations at Harker substation – the corollary being that non-circuit investment at Harker could add 300MW of boundary flow capacity. In this example, the proxy-circuit approach would signal incremental capacity at the cost of circuit capacity *in addition* to the substation investment modelled as a proxy circuit, which would be unreflective of reality. The proxy circuit approach is a major flaw in the CMP375 and CMP315 Originals.

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?	Finding a solution to the defects identified by these modifications in time for 1 April 2023 will be in the interests of transmission network users. To ensure parties can properly take account of the possible impacts of such a change, detailed scenario analysis of likely impacts must be provided as soon as is feasible. In the absence of draft TNUoS tariffs for 2023/2024, we expect the ESO to undertake a sensitivity study of potential new tariffs under this modification as soon as is reasonable, which might not align with the standard publication schedule for draft tariffs.