

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:	Daniel de Wijze	
Company name:	RenewableUK	
Email address:	Daniel.dewijze@renewableuk.com	
Phone number:	02079013018	

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:

- 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;*
- 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);*
- 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?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input checked="" type="checkbox"/>D</td> <td><input checked="" type="checkbox"/>E</td> </tr> </table> <p>CMP315 seeks to reflect existing network costs in the calculation of the expansion constant (EC) and expansion factors (EF). Including spare capacity in the calculation changes a core principle of the existing methodology, namely that locational charges should reflect the minimum expansion cost in accordance with applicable standards. While CMP315 may help to reduce the volatility of the current TNUoS regime, something that is extremely welcome, this change in principle would sharpen locational charges in a manner that is not reflective of efficient expansion of the network.</p> <p><i>Please note: we intend to record 'neutral' against objectives D and E (no 'neutral' tick-box option).</i></p>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input checked="" type="checkbox"/> D	<input checked="" type="checkbox"/> E
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input checked="" type="checkbox"/> D	<input checked="" type="checkbox"/> E			
2	Do you believe that the CMP375 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input checked="" type="checkbox"/>A</td> <td><input checked="" type="checkbox"/>B</td> <td><input checked="" type="checkbox"/>C</td> <td><input checked="" type="checkbox"/>D</td> <td><input checked="" type="checkbox"/>E</td> </tr> </table> <p>CMP375 seeks to change the inputs for calculation of the EC and EF in order to reflect a broader range of expansion works. This approach has the potential to improve cost-reflectivity and better facilitate the Applicable Objective if the additional works and derivation of associated expansion costs reflect the cost of long-term network expansion.</p> <p>There is scope for further improvements to CMP375 Original: for example we believe the "proxy circuit" approach to non-circuit interventions is flawed, and that the approach to data inputs can be changed to better mitigate against periodic 'jumps' at the start of each price control. The Lane, Clark and Peacock (LCP) model, which is a variant of CMP375, better embodies the principle of cost reflectivity as it is more forward looking (see Q11 for more).</p> <p><i>Please note: the answers 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.</i></p> <p><i>We intend to record 'neutral' against objective E.</i></p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input checked="" type="checkbox"/> D	<input checked="" type="checkbox"/> E
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input checked="" type="checkbox"/> D	<input checked="" type="checkbox"/> E			

3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The current TNUoS methodology for calculation of the EC is only reflective of 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 has the potential to update 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.</p> <p>The more cost-reflective TNUoS charging this modification will deliver will help to encourage a more economically efficient development of generation.</p> <p>The Lane, Clark and Peacock (LCP) approach is preferred to 375 Original because:</p> <p>1) The 375 Original approach ('proxy circuit') to non-circuit is double-counting. The LCP 'allocation' approach to non-circuit is an improvement.</p> <p>2) The 'weighted basket' of interventions strikes a good balance between cost-reflectivity (what TOs do) and a relatively stable signal.</p>
4	Do you have any other comments?	<p>The lack of data in the consultation makes it difficult for members to assess the impact of the proposed changes.</p> <p>It is essential for delivery of net zero that steps are taken to support ongoing deployment of onshore and offshore wind and other renewable technologies in zones with higher TNUoS charges, such as in north Scotland. However, it is important that these steps remain consistent with delivery of an economically efficient transition to net zero. The 315/375 modifications essentially act as a 'sticking-plaster' type alteration to the current charging regime; in the longer-term, the forthcoming review of TNUoS needs to provide a stable and predictable enduring solution.</p> <p>Finally, delays to the release of the terms of reference for the TNUoS taskforces means that it is impossible to assess which (if any) aspects of this code modification may be revisited or subsumed once the taskforces commence. Although we are mindful that this is not within the gift of the workgroup to solve, we still wish to highlight the challenge this presents.</p>
5	Do you wish to raise a Workgroup Consultation Alternative Request for	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Click or tap here to enter text.</p>

	the Workgroup to consider?	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 reinforcement types that should be included? Please provide justification for your response.	<p>Yes, we agree that reforming the EC to include the sorts of reinforcement works that are actually occurring in the network is an appropriate step to bring the EC methodology up to date.</p> <p>We also note that broadening the range of reinforcement interventions which are included should have the added benefit of somewhat assisting with stability of the signal, owing to the larger data pool.</p> <p>We believe that SMART reinforcement could be added in the future when it becomes more prominent in providing firm capacity. We understand why the workgroup has excluded SMART reinforcement in the immediate proposals due to limited data. However, RenewableUK members note that some costs for interventions such as SMART have in the past been covered by BSUoS as short run costs and 'day to day' system management costs. It is important that the roles of BSUoS and TNUoS remain clear.</p>
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.	<p>The TNUoS model needs to change to better reflect the reality of developments in the NETS, where incremental cost is no longer based solely on the installation of new build circuits.</p> <p>RenewableUK members believe that CMP 375 better reflects the growth of NETS, and therefore holds the better interpretation. Adding further project works into the EC methodology, will allow a more comprehensive view to the type of network reinforcements, and the</p>

		<p>incremental costs of transporting a MW/km. This in turn should improve the much-needed cost reflectivity of TNUoS.</p> <p>We see in the relevant annex that CMP315 proposes to calculate reinforcement costs as an <i>addition</i> to the underlying new circuit costs. This will provide a stronger signal where reinforcement is being deployed, compared to a location where new circuits are required. We believe could incentivise users away from the existing network and unduly dis-incentivise users from locations where upgrades and refurbishment are considered more cost-effective than new-build.</p>
8	<p>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.</p>	<p>We broadly agree with the “basket of techniques” approach. The NETS is unlikely to be imminently decommissioned or primarily expanded with new onshore circuits, therefore a forward-looking charge based solely on new-build onshore circuit costs could be viewed as sub-optimal. In this context, we agree with the proposed alternate approach which would replace new build circuit costs in deriving the EC and EF with a representative “basket” of techniques and technologies that are expected to be used over the long run.</p>
9	<p>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.</p>	<p>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, including rolling averages and incremental year on year adjustments.</p> <p>It could also be possible to have both a historic input period (for improved cost certainty of each reinforcement type) and a forward – looking basket of technologies (meaning that the relative weighting of each reinforcement type in the basket is more forward-looking), as set out on pg.15 of the consultation</p>

		<p>“Cost data inputs vs reinforcement Type inputs”.</p> <p>We note the Lane, Clark and Peacock (LCP) proposals to forecast based on works included in the TO’s price control business plans, and would welcome seeing the full details of such a Workgroup Alternative CUSC Modification (WACM) and how it would be implemented.</p> <p>In general, we are broadly supportive of what has been presented by LCP.</p>
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.	<p>We have not seen enough detail of proposed implementation (including no worked examples) in order to usefully comment or disagree 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.</p>
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.	<p>While not perfect, we believe that the Lane, Clark and Peacock (LCP) approach is the most appropriate framework for deriving an EC and EF that are more reflective of long run marginal expansion costs. It is a more complete solution than has been shown for 375 Original.</p> <p>Furthermore, 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.</p> <p>By contrast, a proxy circuit approach is an intangible concept that would sharpen the locational signal even when no additional capacity has been made</p>

		<p>available, which we believe is not cost reflective, and will certainly over-estimate the signal in instances where the TO delivers capacity by non-circuit investment <i>instead</i> of circuit reinforcement.</p> <p>CMP375 Original would be improved by taking this “allocation” approach rather than the “proxy circuit” approach.</p>
12	<p>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?</p>	<p>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.</p> <p>In the absence of draft TNUoS tariffs for 2023/2024, we would expect that the ESO provides a detailed sensitivity study of possible new tariffs under this modification at the earliest reasonable opportunity, which may not align with the typical draft tariff publication programme.</p> <p>Without reliable advance information, it is hard to know how these changes will fit in with the forthcoming TNUoS Task Forces. There is a lack of clarity about the transition to those arrangements, and while we address CMP315/375 here, this remains a concern for RenewableUK members (see also Q4).</p>