Code Administrator 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 **15 December 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 Andrew Hemus Andrew.Hemus@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Lauren Jauss	
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Which best describes your organisation?	☐Consumer body ☐Demand ☐Distribution Network Operator ☒Generator ☐Industry body ☐Interconnector	☐Storage ☐Supplier ☐System Operator ☐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 Code Administrator Consultation questions			
1	Please provide your assessment for the proposed CMP315 solution against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution better facilitates:	
		Original	☒A ☒B ☒C ☐D ☒E
		We believe CMP315 is the best solution against Objectives a and b. Please also see our answer to Question 2 below, which applies to both CMP315 and CMP375. As we understand it, the more meshed a network is, the lower the Security Factor can be whilst delivering the required level of N-1 redundancy. Therefore, it will be important to correctly represent the relevant costs of substations in the expansion constants, as per the CMP315 proposal. Otherwise, the cost of substations to help achieve the corresponding Security Factor is not properly reflected. We believe the additional elements of CMP315 over and above the CMP375 solution have been particularly well challenged by the workgroup and the proposer has carefully and adequately defined and explained which non-circuit costs should be included and how they should be allocated. We do not think that CMP315 significantly increases the complexity of the calculation. Therefore we consider CMP315 to be positive against objective e.	

<table>
<tr><td></td><td></td><td>We think that a small change in the EC is highly material for network users, so that even a small difference in the Expansion Constants is important to include, and therefore CMP315 is the best solution against Objectives a and b.

We also think inclusion of substation costs would set an important precedent given that different types of non-circuit transmission network asset costs are becoming increasingly material, and therefore CMP315 is the best solution against Objective c.</td></tr>
<tr><td>2</td><td>Please provide your assessment for the proposed CMP375 solutions against the Applicable Objectives?</td><td>Mark the Objectives which you believe the proposed solutions better facilitates:
<table><tr><td>Original</td><td>☒A ☒B ☒C ☐D ☒E</td></tr><tr><td>WACM2</td><td>☐A ☐B ☐C ☐D ☐E</td></tr></table>We support the basket of works approach in CMP375 (and CMP315) because it will be more cost reflective of the current network asset expansion costs, and therefore both solutions are better than the Baseline against Objectives a and b.

However, we do have concerns regarding the resulting future unpredictability of TNUoS using the basket approach in the medium to longer term.

Figure 13 in the Code Admin Consultation document shows the smoothing approach delivers an acceptable, dampened, level of volatility. However, it also shows that the £/kW cost data from each subsequent year over the next 5-6 years is expected to vary from about £6/kW to £57/kW due to the different nature of works (e.g. reconductoring versus new build). Given the magnitude of the difference in costs of these types of projects, any uncertainty in the proportions included in the basket will make it more difficult to forecast TNUoS Tariffs. The proportions become increasingly less certain in the medium to longer term.

In order to make a reasonable forecast of the contents of the basket, an assessment of the NOA options and recommendations needs to be undertaken. As ESO will have the most knowledge and expertise about the NOA, it will be highly beneficial for network users if ESO were to publish a forecast of the types of works in the basket.

We still have some concerns about future EC volatility given that that the MWkm weighting will only be applied</td></tr>
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		to projects in the same year, and not across different years (other than on first implementation). The workgroup have not had sufficient sight of the data and calculations in time to properly assess this risk in our view, and this may need to be addressed in future years. With regards to WACM2, we believe that the long history of data will result in the expansion constants being less cost reflective compared with the Baseline.
3	Do you have a preferred proposed solution?	☒CMP315 Original ☐ CMP375 Original ☐WACM2 ☐Baseline ☐No preference
		We believe that the inclusion of substation costs will be most cost reflective.
4	Do you support the proposed implementation approach?	☒Yes ☐No
		ESO and TOs will ideally need to produce medium to long term forecasts of the proportions of the different types of expected future works that will be included in EC calculations, in order for network users to be able to continue to forecast TNUoS Tariffs with a similar degree of accuracy, as described above.
5	Do you have any other comments?	During the workgroup process, real data was not made available to the work group in a timely or fully transparent way. Analysis has featured dummy data, NOA data, and partial real datasets in different combinations for different purposes and background data and calculations have often not been made available, only final results. Hence, there has been significant confusion and lack of alignment amongst the workgroup as to what was actually being proposed as the solutions were developed, whether the numbers provided were meaningful or not, as well as making it more difficult to recognise potential problems or flaws that needed to be addressed. In some cases, ESO has presented results that appear to have been incorrect, but it has been difficult for workgroup to cross check and verify because the detailed calculations have not been shown. In our view this lack of transparency with real data is by far the main reason why this modification process has

		taken so long. We think the workgroup could have probably produced a better final solution had they had better access to data.