

Code Administrator Consultation Response Proforma**CMP286 & CMP287: Improving TNUoS Predictability through Increased Notice of the Target Revenue & Inputs used in the TNUoS Tariff Setting Process**

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 **1 November 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 Jennifer Groome paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Paul Bedford
Company name:	Drax Group plc (including Opus Energy and Drax Energy Solutions)
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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.

CMP286 & CMP287**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. To promote 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 CMP286 & CMP287 Code Administrator Consultation questions		
1	Do you believe that the CMP286 & CMP287 Original Proposal and/or WACM1, better facilitates the Applicable Objectives?	<p>We believe that both the Original Proposal and WACM1 better facilitate the Applicable Objectives than the current arrangements. However, we favour the Original Proposal because we believe it is simpler and better facilitates the Applicable Objectives.</p> <p>We recognise that WACM1 shares many of the same benefits as the Original Proposal, but we don't believe it's appropriate that, for WACM1, relevant costs borne by the Company should not be locked down also. Even though these costs are expected to be relatively small, there is potential for them to increase materially in the future. Scenarios outlined during workgroup discussions show an estimated range of £70-£150 million. We do not believe it is in the interests of consumers to not lock down these costs.</p> <p>Certainty of TNUoS charges is a significant issue for consumers, suppliers and generators. Both proposals will improve transparency and foresight in the tariff setting process which results in benefits aligned with Applicable CUSC Objectives a) and b).</p> <p>For Applicable objective a), improving transparency and giving greater certainty to inputs into the TNUoS Charging Methodology should enable suppliers to better understand costs that are within their control.</p> <p>That focus will increase the competitive pressure across suppliers leading to economically efficient prices for consumers. It will also enable suppliers to better reflect the actual TNUoS costs in charges to customers and reduce (if not remove) any risk premia that is currently included in charges to mitigate the uncertainty in forecasting transmission network charges. This is supported with quantifiable analysis conducted by NGESO through the RFI.</p>

		<p>For Applicable objective b), if Target Revenue (CMP286) and parameters that feed into the TNUoS tariff setting process (CMP287) are fixed 15 months ahead of TNUoS tariffs going live, and the ESO holds the risk of forecasting error rather than Suppliers (who have no ability to control such a risk), then it will incentivise the ESO to forecast charges more accurately.</p> <p>In addition, changes to the methodology would align the CUSC with the DCUSA for which the notification for changes to Distribution Use of System charges is 15 months. This would create greater cross-code alignment.</p> <p>We also note that CMP244, which previously sought to set all tariff components between 6 and 8 months prior to the effective date, was rejected by Ofgem due to a lack of quantifiable evidence. Reflecting that oversight, CMP286/CMP287 includes the necessary supporting analysis.</p> <p>That analysis shows that customer prices include risk premia reflecting suppliers' exposure to uncertain cost elements, such as TNUoS. We believe the ESO is better placed to mitigate the risk of TNUoS uncertainty as they understand the underlying cost drivers far better than Suppliers and can therefore forecast them more accurately, and they can also better manage the exposure because they will have a lower cost of capital than many suppliers.</p>
Pau2	Do you support the proposed implementation approach?	Yes. We support the proposed solution for Target Revenue to be fixed 15 months ahead of TNUoS tariffs going live (CMP286) and for certain parameters that feed into the TNUoS tariff setting process to be fixed 15 months ahead of tariffs going live (CMP287). We also support the proposed 31 December 2023 implementation date (effective 1 April 2025).
3	Do you have any other comments?	Not at this time.