

CUSC Alternative and Workgroup Vote

CMP413: Rolling 10-year wider TNUs generation tariffs

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

The Applicable CUSC Objectives (Charging) 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.

*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.

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

“Y” = Yes

“N” = No

“-“ = Neutral (Stage 2 only)

“Abstain”

Workgroup Member	Alternative 1 - Centrica	Alternative 2 - RWE	Alternative 3 - ESO
Damian Clough	y	y	n
Giulia Licocci	n	Abstain	n
Grace March	y	n	n
Hugh Boyle	n	n	n
James Knight/ George Moran	y	y	y

Martin Cahill	y	y	y
Matthew-Stimson	y	n	n
Paul Jones	y	y	y
Ryan Ward/ Lucas Saavedra Murillo	y	y	n
Tom Steward	y	y	n
WACM?	y	y	n

Note – WACM2 was withdrawn prior to Stage 2 of the voting process.

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Damian Clough - SSE Generation					
Original	y	n	y	-	-	n
WACM 1	y	n	y	-	-	n

Voting Statement:

ACO a) Positive: Having knowledge and certainty over future charges creates a level playing field as certain companies are far better at forecasting TNUoS charges or are able to manage the risk due to resources etc. Network Charges shouldn't be so difficult to forecast and predict per se. This is a valiant attempt to remove some risk.

ACO b) Negative. The modification relies on the ability to be able to accurately forecast future charges else it will always struggle against this objective. Unfortunately, the processes, information sources and inputs to the model, price controls etc are not designed or do not provide the level of accuracy required to set an accurate forecast.

ACO c) Positive. As we move more to an Anticipatory Investment world and Connection Date are 7 to 10 years in the future it is crucial that to invest you have more certainty over future costs. This modification aims to achieve that.

Overall. Other processes need to change first before this modification can be considered as the costs in the forecast are highly likely to bear no resemblance to the actual costs. This creates the possibility of Generation and Demand being located in areas and paying a TNUoS fee which bears no resemblance to the costs they have caused. The end consumer picks up this inefficiency.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Grace March - Sembcorp					
Original	y	n	-	-	n	n
WACM 1	y	n	-	-	n	n

Voting Statement:

This modification will allow generators to see more stable and predictable TNUoS tariffs, thus encouraging innovation through new build or retrofitting. It will also allow a more confident view of long-term running costs in future markets. These should encourage competition and remove the need to price TNUoS 'risk' into future prices and operational decisions. As such, this modification is positive against ACO (a). The cap and collar, especially over 10 years, will limit the amount of cost-reflectivity that can be reflected in future tariffs by holding them to a tariff representative of today's forecast. With the amount of change underway in the electricity system, it is likely a ten-year forecast will be significantly inaccurate in later years. When the short-term changes to TNUoS (such as modifications resulting from the Task Force) and longer-term changes (such as the Strategic Review and REMA), the ESO is not able to make suitably accurate forecasts across that timescale, meaning this modification will reduce cost-reflectivity. It is therefore negative against ACO (b).

As this modification essentially limits the materiality of changes to the TNUoS methodology, all significantly material modifications will have to weigh whether the cap/collar should be 'reopened' to effect the changes in real terms. Naturally, the changes would be of benefit (or the modification would not be approved) but at a cost to the confidence this Modification is trying to create. This suggests for every materially significant GTNUoS modification, there are two potential implementation routes: to cause a step-change outside of this principle of this modification or delay the full benefit by ten years. As such, this modification is negative against ACO (e).

In general, we approve of the aim of this modification but there is too much change underway in how the network is planned, how charges are forecast and calculated to justify limiting TNUoS movements at this time. As the impact of over or under-recovery

is lessened by the larger demand charging base, and the WACM avoids having multiple ‘adjustment’ tariffs, we believe that the WACM is preferable to the Original, but neither are an improvement on the Baseline on balance.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Hugh Boyle – EDF Energy Limited					
Original	y	y	y	-	y	Y
WACM 1	y	y	y	-	y	y

Voting Statement:

There is an urgent requirement to provide certainty and predictability of future TNUoS liabilities, especially to generators that are developing projects now in order to support the Government’s objective to decarbonise the power system by 2035 and, in the longer term, to meet Government’s Net Zero target.

There is a separate programme of activity that Ofgem is taking forward that considers other reforms that, whilst maybe with merit, will deliver solutions at some undefined point in the future. The bulk of the investment in low carbon generation is required now and in fact has already been undertaken with a considerable amount of risk. This has been underscored recently by the delay or cancellation of several CfD projects from earlier Allocation Rounds, in addition to a lack of offshore wind procured in the most recent Allocation Round 5. Increases to Administrative Strike Prices in Allocation Round 6 to account for TNUoS risk further highlight the need and benefit that would stem from a predictable tariff regime.

Both the Original and WACM1 better facilitate the following CUSC Objectives:

ACO(a): Providing assurances to Users of the transmission system on their future TNUoS liability is essential. It is inconceivable that existing and potential Users are faced with an uncertain cost projection on the TNUoS liability. Providing a centralised forecast will

better facilitate competition and ensure a level playing field for all Users. This position has been further highlighted by the ESO 10-year TNUoS projection publication published last year. The scale of changes to TNUoS highlighted are completely unexpected and unforecastable by the industry. This materially impacts effective competition between generators due to locality and technology.

ACO(b): Networks charges would align with / be based on transmission owner’s investment plans.

ACO(c): The ESO has a responsibility to ensure that Users TNUoS contributions reflect the use of system charging methodology and the licence conditions of the

Transmission businesses. Providing longer term tariffs will reflect expected developments on the transmission system.

ACO(e): Users need ‘useful’ signals as identified within the scope of the 2022 TNUoS Task Force set out by Ofgem. Providing a longer-term central forecast of TNUoS tariffs will be more efficient for Users.

The aim of the Original proposal is to protect Generators from unpredictable tariffs. The Cap and Collar is then designed to provide a realistic range with only overall net breaches then being recovered from demand. The WACM1 alternative of re-socialising breaches to the cap and collar amongst a relatively small charging base simply compounds risk to Generators, although it is better than Baseline.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	James Knight - Centrica					
Original	<i>n</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>
WACM 1	<i>n</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>

Voting Statement:

ACO(a)

The resulting locational tariffs and signals to generation will inevitably be non-cost reflective due to the overlaying of multiple years of caps/collars and so will lead to inefficient outcomes.

WACM1 provides the basis for limiting the impact of this to generation tariffs to the extent possible, maintaining efficient competition in supply but I believe this to still be negative vs the baseline.

ACO(b)

The resulting locational tariffs and signals to generation will inevitably be non-cost reflective due to the overlaying of multiple years of caps/collars.

WACM1 provides the basis for limiting the impact of this to generation tariffs to the extent possible, which would limit any distortion of demand tariffs but I believe this to still be negative vs the baseline.

ACO(c)

The resulting locational generation tariffs will inevitable not fully take account of the developments in the system due to the overlaying of multiple years of caps/collars.

ESO

WACM1 provides the basis for limiting the impact of this to generation tariffs to the extent possible, allowing demand tariffs to be set having taken account of developments in the transmission licensees' business.

ACO(e)

The additional complexity the proposal introduces into the CUSC makes it negative against objective e. WACM1 provides the basis for limiting the effect of this additional complexity to generation tariffs, with potentially no impact on the setting of demand tariffs.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Martin Cahill - ESO					
Original	<i>n</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>
WACM 1	-	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>

Voting Statement:

While we support the intention of this modification to make TNUoS tariffs more predictable, we do not believe the Original or WACM1 better facilitate the applicable objectives. One of our key concerns is around the impact on demand customers, which WACM1 does address, as it is fairer to recover any revenue shortfall from generation rather than demand.

However, there are still other issues present in both the Original and WACM. These include them not being compatible with potential future changes such as to charging zones, and a reduction in cost reflectivity of TNUoS.

We have also discussed the length of time and resource required to develop a fit for purpose 10 year forecast, and a 2025 implementation would mean implementing with a forecast which still has many data gaps.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Melissa McKerrow – Ocean Winds					
Original	<i>n</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>
WACM 1	<i>n</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>

Voting Statement:

Both the Original Proposal and WACM1 do not better facilitate CUSC applicable objectives as the mod risks locking in tariff, based on the current TNUoS methodology, that will make projects in some regions of GB financially unviable.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Jones – Uniper Energy						
Original	<i>n</i>	<i>n</i>	-	-	<i>n</i>	<i>N</i>
WACM 1	<i>n</i>	<i>n</i>	-	-	<i>n</i>	<i>n</i>

Voting Statement:

Whilst stability in charging can be helpful for competition it is not clear that this proposal would deliver this. In particular, it could result in fixing prices for all parties, based on forecasts which turn out in the longer term to be highly inaccurate, with no option for parties to opt out of this. This could have the effect of locking parties into excessively high prices for a long period. Additionally, it is not clear why the proposed methodology works as it does. If the high and low bands are always set around the original forecast and taper in time towards plus or minus £0.25/kW from this value, then the purpose of the earlier wider bands is not obvious, as the forecast will inevitably converge to this narrow envelope which will be known up to 10 years ahead. By design the proposal aims to reduce cost reflectivity to improve predictability. It also seems more administratively more complex than the baseline.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Ryan Ward – Scottish Power Renewables						
Original	<i>y</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>
WACM 1	<i>y</i>	<i>n</i>	<i>n</i>	-	<i>n</i>	<i>n</i>

Voting Statement:

Both proposals hold merit as they would enhance competition by providing network users with additional certainty regarding TNUoS charges. However, it has become apparent during the workgroups that the forward-looking forecasts will still include significant uncertainties, impacting the ability to recuperate and apportion costs.

ESO

Introducing either of the proposals is unlikely to drive efficiency improvements within the existing charging regime.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Tom Steward – RWE Renewables Ltd						
Original	y	n	y	-	-	y
WACM 1	y	n	y	-	-	y

Voting Statement:

Whilst we believe that fixing TNUoS can support competition between generators, the proposal means modifications that were not foreseen take 10 years to be fully reflected in generators charges and therefore presents a challenge to cost reflective charging.

Of the 9 votes, how many voters said the Original and WACM1 was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	2
WACM1	2

Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Original Proposal or WACM1)

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Damian Clough	SSE Generation	Generator	Baseline	n/a
Grace March	Sembcorp Energy	Generator	Baseline	n/a

ESO

Hugh Boyle	EDF Energy Ltd	Generator, Storage, Supplier	Original	a, b, c, e
James Knight	Centrica	Supplier	Baseline	n/a
Martin Cahill	ESO	Network Operator	Baseline	n/a
Melissa McKerrow	Ocean Winds	Generator	Baseline	n/a
Paul Jones	Uniper Energy	Generator	Baseline	n/a
Ryan Ward	Scottish Power Renewables	Generator	Baseline	n/a
Tom Steward	RWE Renewables Ltd	Generator	Original	a, c