

**Code Administrator Consultation Response Proforma****CMP413: Rolling 10-year wider TNUoS generation tariffs**

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](mailto:cusc.team@nationalgrideso.com) by **5pm on 18 March 2024**. 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 [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Craig Duffy	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

**I wish my response to be:**

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

**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 solution(s) against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution(s) better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM1 <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>We do not believe that either the original or WACM1 are consistent with the following objectives:</p> <p>a. Competition</p> <p>The proposal and WACM1 may aid competition if they result in the divergence in tariffs between the north and south of the country being less than this would otherwise have been, however, we think it is likely that they will result in a greater divergence than would otherwise have been the case as:</p> <ul style="list-style-type: none"> <li>• Ten-year tariffs are likely to be based on project connection agreements at the time of the tariff-setting process and it is likely that a significant proportion of projects will connect later than their contracted connection date;</li> <li>• It is likely that a proportion of projects in the connection queue in the north of GB will not be consented, or fail to proceed for other reasons, yet this capacity would impact on generator tariffs, unnecessarily and unfairly we would assert;</li> <li>• It is possible that forecasts may underestimate the growth of demand in the north of the country</li> </ul>

		<p>The net result of these issues would reduce competition between generators in the north, which would be hit with higher charges, and generators in the south, which would benefit from overly negative charges.</p> <p>b. Cost reflectivity</p> <p>We believe that there is likely to be significant difference between the assumptions which inform the ten-year forecast tariffs and the actual outturn in terms of capacity and location of generation, storage and demand, and this will lead to charges not reflecting the real costs of connection at the time of connection. We fail to see how this is aligned with this CUSC objective.</p> <p>c. Takes account of development in TOs' businesses</p> <p>As per point b, we believe that the proposal and the WACM would lead to tariffs not being aligned with the development of infrastructure in each of the TO's businesses, as tariffs will be aligned with a forecast for TO infrastructure made ten years prior and the outturn may well diverge from this significantly.</p> <p>e. Efficiency</p> <p>We believe the proposal would add complexity to the charging methodology and is not, therefore, consistent with this objective.</p>
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input type="checkbox"/> WACM1 <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference
		See above
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Click or tap here to enter text.
4	Do you have any other comments?	<p>We have significant concerns over the validity of any forecast for TNUoS tariffs ten years hence, given the many factors which impact on these, including the changing generation and demand background across GB and within specific generation zones.</p> <p>We believe there will be significant margin for error in any forecast given the scale of change which can arise in a ten year period and projects would, therefore, be burdened with charges or benefit from negative charges</p>

	<p>at a level which would not have been the case if charges continued to be set on a year-by-year basis.</p> <p>Moreover, there is no other aspect of the charging methodology for transmission or distribution which works in this way, and we fail to see why there is a rationale to apply it here.</p> <p>We also believe the mod is flawed as tariffs could/would be amended if future modifications specifically mandated this. We believe that it would be necessary to reflect the outcomes of any modifications which resulted in significant changes to the CUSC, such as CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs if this is implemented, as the alternative would be to leave generators with tariffs based on a formula which industry and the regulator had agreed was flawed. As such, we think it is unlikely that tariffs would be fixed for ten years.</p> <p>Finally, there are other modifications in flight, for example, which would reduce volatility and increase predictability, the overall objective of this proposal. For example, CMP432 would reduce the overall level of charges paid in the north and the level of negative charges in the south, which is one of the drivers of volatility.</p>
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