

Workgroup 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 by **5pm on 02 October 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 cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Paul Jones	
Company name:	Uniper UK Ltd	
Email address:	paul.jones@uniper.energy	
Phone number:	07771975782	
Which best describes your organisation?	<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☐ 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 Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitate the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>In principle, this proposal could provide greater certainty to developers and be useful in reducing risk around TNUoS fluctuations. However, fixing in this manner does potentially undermine the cost reflectivity of the signal. It also could lock in unfavourable prices for parties, should later forecasts and outturn prices reduce from that set out in original forecasts. It is hard to gauge at this point whether an appropriate balance can be achieved between these factors.</p> <p>We also do not fully agree with the logic of the original solution. In seeking to improve predictability, it makes sense to identify an envelope around the forecast which widens to reflect the increasing uncertainty around forecasting for longer periods. A forecast made now for 10 years hence will have a greater uncertainty than one made for next year. However, the way that the original utilises this is to tighten the envelope around the original price forecast made 10 years before the year concerned, rather than around any subsequent forecast made.</p> <p>For instance, if it is accepted that the risk around a forecast made 10 years before a particular year is plus or minus £2.5/kW and the forecast at that point is £26/kW, then the expected outcome in 10 years time will be between £23.5/kW and £28.5/kW. However, if the forecast 4 years later for the same year is expected to have an uncertainty range of plus or minus £0.75/kW, this should be measured around the forecast made at that time, not around the original one made at the 10 years ahead stage. So if the new forecast is £27/kW, then expected range would be £26.25/kW to £27.75/kW and not £25.25/kW to £26.75/kW.</p> <p>The original modification proposal envelope converges in on the value set 10 years ahead. The rationale seems to be that if a subsequent forecast is found within this narrowing envelope at any point, then the original forecast must have been proven to be more likely and there can be a greater confidence in that original forecast. However, the envelope should not narrow around the original forecast, it should narrow around the</p>

		latest view, albeit staying within any previous envelope which was set for the same charging year.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Not at present. Should the net benefits of the proposal become more apparent and the logic of the solution become clearer, then appropriate implementation approaches can be considered.</p>
3	Do you have any other comments?	No thank you.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We do not want to propose an alternative solution at this stage, but suggest that the workgroup continue to consider alternative approaches, such as set out in the consultation document and annexes 9 and 10.</p>

Specific Workgroup Consultation questions

5	The Original proposal is to limit the maximum variance by £2.50/kW per charging zone. Do you feel this is an appropriate level?	It must be noted that this level is somewhat arbitrary, as it has not been based on specific analysis. However, it is not clear what analysis could be undertaken to derive a more quantitative value.
6	The Original proposal deems a 10-year period to fix tariffs between the pre-defined Cap and Collar ranges appropriate. Is there an alternative length of time that would need to be considered?	Shorter durations could be considered. Essentially, reducing the risk for generators will mean more volatile costs for demand to some extent. A shorter timescale could be considered if it is viewed that the risk with shorter term forecasts is lower, even when this is accounted for to some extent with narrower caps and collars being applied.
7	The Proposer has provided a mechanism by which components that feed into the wider tariff is allocated. The proposal apportions the Cap and Collar by the proportion of revenue collected for each component. Is there an	<p>The revenue based approach could limit the impact on suppliers and customers. If a greater proportion of revenue is recovered through a particular charge element, then it would make sense in this respect to allocate a proportionately greater amount of the envelope to that element.</p> <p>There doesn't appear to be a strong rationale to apply the other approaches. The accuracy of the forecast for each element of the charge is not affected by how much generation capacity is exposed to it, nor its ALF.</p>

	alternative methodology that could be used?	They are unlikely to be a good proxy for the revenue based approach either, as they ignore the prices of the individual charges. The analysis in Annex 14 doesn't help the understanding of this, as it seems to show a revenue based approach based on actual or forecast revenue data, versus capacity and liability approaches illustrated using a stylised calculation with 6 hypothetical generators.
8	Should there be a provision to trigger a re-opener in tariffs to reflect the considerable amount of reform planned both through Open Governance and via the TNUoS Task Force?	This is one of the major issues with this proposal. If CMP413 is implemented, it could not fully provide the stability that it is intended to, as a subsequent CUSC charging modification could overwrite and negate it. In this respect it is probably unnecessary to include a specific provision for a reopener in CMP413, rather than to simply recognise and record the above risk as part of the workgroup process.
9	The Original proposal aims to protect Generators from unpredictable tariffs as the rational is that inefficient costs could ultimately cost consumers more. A breach to the Cap and Collar is socialised to Demand Users. Do you think this is appropriate?	This is likely to be down to whether an appropriate balance between lower risk for generators and associated increased risk for suppliers/demand can be achieved, with the assumption that lower generation risk will be seen by customers in the form of lower wholesale prices and lower costs of support schemes. How to measure and achieve that balance is the challenge.
10	Please provide any evidence to support the merit of greater predictability over cost reflectivity (Clearly mark your response confidential if you wish this to be directed straight to Ofgem).	As we mention above, this is very difficult to measure.