

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 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

Respondent details	Please enter your details	
Respondent name:	Ben Shafran	
Company name:	Energy Systems Catapult	
Email address:	Ben.shafran@es.catapult.org.uk	
Phone number:	Click or tap here to enter text.	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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 checked="" 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?	<p>Mark the Objectives which you believe the proposed solution(s) better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</td> </tr> <tr> <td>WACM1</td> <td><input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</td> </tr> </table> <p>We consider that neither the Original proposal nor WACM1 facilitates the Objectives better than the Baseline. In particular, we consider that both the Original proposal and WACM1 would:</p> <ul style="list-style-type: none"> undermine Objective A (facilitating competition) by distorting the locational price signals faced by generators, and by increasing the risk of gaming by generators as to their exposure to TNUoS tariffs; and weaken delivery of Objective C (accounting for developments in licensees' transmission business) by disconnecting TNUoS generator tariffs from developments in the transmission system. 	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
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					
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original <input type="checkbox"/>WACM1 <input checked="" type="checkbox"/>Baseline <input type="checkbox"/>No preference</p> <p>Across the energy sector it is recognised that locational price signals need to play a central role in informing investment and operational decisions as we transition to a zero carbon electricity system. The need for better</p>				

		<p>locational price signals has been reflected in the Department for Energy Security and Net Zero second consultation on its Review of Electricity Market Arrangements. Both the Original proposal and WACM1 are at odds with this view of the role of locational price signals.</p> <p>Since the electricity transmission system will be undergoing extensive changes in terms of the scale and volume of reinforcement, it stands to reason that locational signals would also change over time. The Original proposal and WACM1 seek to insulate generators from changes in these signals and, in doing so, are likely to lead to considerable inefficiencies in where generation assets site, how they are sized, and how they are operated. These in turn would increase the costs of the electricity system and place a greater cost burden on energy consumers, threatening the Net Zero transition itself.</p>
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>We are concerned that neither the Original proposal nor WACM1 address the question of how “Year 1” would be set for each generator. We consider that there is a risk the Original proposal and WACM1 could lead to gaming by new generators in terms of when they connect – e.g. so that they could benefit from narrower ranges or benefit from the capped tariff for longer.</p>
4	Do you have any other comments?	<p>A core principle in financial economics is the causal relationship between risk and cost (of capital) – an increase in a party’s exposure to risk begets an increase in the costs it faces to manage that risk.</p> <p>The Original proposal flies in the face of this well-established principle: it seeks to transfer risk from generators to consumers by capping the variation in generators’ exposure to TNUoS tariffs, but it also seeks to transfer costs to consumers in terms of any residual costs that are not recovered from generators due to their tariffs being capped.</p> <p>In this regard, WACM1 is marginally preferable to the Original proposal. However, we stress our fundamental concerns with both the Original proposal and WACM1 in terms of their impact on competition, efficient location and</p>

		operation, and the challenge of implementing either proposal.
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