CMP280

# *Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users*

# CMP280 – Generator Demand TNUoS Tariff

## Defect

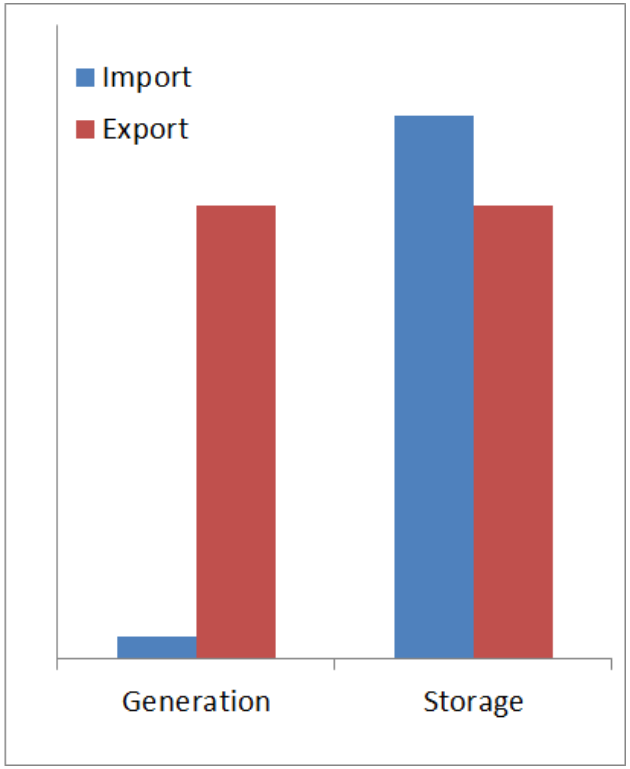
Potential for storage users to contribute more towards residual cost recovery* than other users (some of whom they compete with in the provision of ancillary services)

* *because in the case of storage, imports are greater than exports, whereas for generators, imports are typically a small proportion of exports*

**Current CUSC Charging Basis**

CUSC 14.17.10 (BCA & BEGA): The Chargeable Demand for a Power Station with a Bilateral Connection Agreement or Licensable Generation with a Bilateral Embedded Generation Agreement will be based on **the average of the net import over each Triad leg** of the BM Units associated with the Power Station during the Triad

CUSC 14.17.10 (Exemptible Generation with a BEGA): The Chargeable Demand Capacity for Exemptible Generation and Distribution Interconnectors with a Bilateral embedded Generation Agreement will be based on **the average of the metered volume of each BM Unit during the Triad**



# CMP280 – Generator Demand TNUoS Tariff (ctd)

## We believe proposal is aligned with Ofgem policy intent

- Storage users pay network charges both as demand and generation users and contribute towards residual charges twice
- TCR highlighted that residual charges are not intended to be cost-reflective and should serve only to recover TNUoS revenue – in a way that is fair, reduces distortions and is proportionate/practical
- Our proposal also removes demand residual charges from generation users, though the effect is smaller

*"…we set out our view that while storage should pay forward-looking network charges for both import and export, there are instances where storage may pay more towards the residual cost of the network when compared with other network users. We think this could place them at a competitive disadvantage."*

Ofgem TCR consultation, para 8.1

# CMP280 – Generator Demand TNUoS Tariff (ctd)

## Proposed Solution

- Creation of a new Generator Demand TNUoS tariff applicable to storage and generator parties that does not include the demand residual.
- The new tariff would consist of the demand locational TNUoS tariff elements, floored at zero. Flooring would prevent any perverse incentive for generators in areas with negative demand locational charges to pump/import at times of peak demand.
- Flooring of the demand locational tariff may no longer be required if the perverse incentive is removed, as a result of other possible reforms to the use of Triad in demand charging.

## Timing

- We believe this is an example of an adjustment to the current system that is warranted in the short term, in order to address a potential distortion to competition
- We are seeking implementation in April 2018

# CMP280 – Generator Demand TNUoS Tariff (ctd)

## Proposal better meets CUSC Objective (a) than the baseline

Objective (a) 'that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity …

**Positive**

- Proposal removes potential over-recovery of residual TNUoS charges from storage and generator users through exposure to both generator and demand residual charges.
- Places generator and storage users who compete with each other in the provision of ancillary services and in the energy market on a more level playing-field, better facilitating competition.

Objective (b) 'that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs …

**Positive/No impact**

- Retaining locational demand tariff provides cost-reflective signal.
- Residual element of the TNUoS tariff is not intended to be cost reflective; this aspect of the proposal will have little impact on cost reflectivity other than removing a distortion whereby some users pay a disproportionate amount of the costs.

# Proposed Timetable: CMP280



CUSC Panel – 30 June 2017

Heena Chauhan

# Code Administrator - Proposed Progression

nationalgrid

- The Panel is therefore asked to agree:
  - If CMP280 should be progressed using:
    - Standard CUSC Proposal timetable (with Workgroup)

# Approach for initial WG meetings – *Improving the use of Industry time*

nationalgrid

- **Pre work** by Code Admin and Proposer:
  - Start developing Workgroup Report with the Proposer
  - Identify pre-reading/analysis requirements for the Workgroup
- **Meeting 1**: WebEx meeting to ensure Workgroup members have:
  - a full understanding of the context of the modification
  - consistent understanding of the baseline
  - identified specific areas of focus/analysis needed
  - Understood the scope under the ToR
- **Meeting 2**: Review of draft Workgroup Report and add any other relevant areas of discussion *(note: the draft Workgroup Report will be issued out to members one week prior to this meeting)*
- **Post meeting 2**, the Workgroup will be required to provide final comments prior to the Workgroup Consultation being issued out to the Industry.

# Proposed Timetable for CMP280 (Scottish Power)

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|---|---|
| 22 June 2017 | CUSC Modification Proposal submitted |
| **30 June 2017** | Modification Presented to the Panel |
| 30 June 2017 | Request for Workgroup Members (10 working days) |
| w/c 31 July 2017 | **Meeting 1** via Webex to ensure Workgroup members have a fully understanding of the context of the modification |
| w/c 18 September 2017 | Circulate draft Workgroup Report |
| w/c 25 September 2017 | **Meeting 2** - agree Workgroup report |
| 9 October 2017 | Workgroup Consultation issued to the Industry (15WD) |
| w/c 13 November 2017 | **Meeting 3** - Workgroup view consultation responses |
| w/c 20 November 217 | **Meeting 4** - Agree options, finalise legal text and vote |
| 4 December 2017 | Workgroup Report issued to CUSC Panel |
| **15 December2017** | CUSC Panel meeting to discuss Workgroup Report |
| 15 December 2017 | Code Administration Consultation Report issued to the Industry (15 WD) |
| 12 January 2018 | Draft FMR published for industry comment (5 Working days) |
| 18 January 2018 | Draft Final Modification Report presented to Panel |
| **26 January 2018** | CUSC Panel Recommendation vote |
| 19 February 2018 | Final Modification Report issued the Authority |
| 2 April 2018 | Decision implemented in CUSC |