

CUSC Code Administrator Consultation Response Proforma**CMP334: Transmission Demand Residual – consequential definition changes (TCR)**

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 6 July 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation please contact Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Garth Graham
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For reference the applicable CUSC non-charging objectives are:

Relevant Objective
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Please express your views in the right-hand side of the table below, including your rationale.

Code Administrator Consultation questions		
1	Do you believe that CMP334 Original proposal or WACM1 better facilitates the Applicable CUSC Non-Charging Objectives?	<p><u>Original</u></p> <p>We believe that CMP334 Original will better facilitate; when compared with the Baseline; Applicable Objectives (a) and (d) for the reasons detailed by the Proposer in the proposal form, whilst being neutral in terms of (b) and (c). It will ensure that the Authority's TCR SCR decision of last November/December is put into effect.</p> <p><u>WACM1</u></p> <p>We believe that this proposal is harmful in terms of competition as it results in some parties avoiding paying the applicable cost reflective network charge when they are using the network (as they are demand, but are neither generation or storage, so should, according to the TCR SCR decision from the Authority, pay the demand residual rather than avoid it).</p> <p>As the ESO has acknowledge in its proposal submission, the aim of the WACM1 proposal is to allow a small selected group of parties (who provide some voltage support to the ESO, such as via 'StatComp' equipment) to offer a 'lower' price (as they don't need to include the cost of paying the demand residual) to the ESO for the provision of a certain service needed by the ESO.</p> <p>However, as the Commission's Impact Assessment¹ on EBGL has identified the WACM1 approach will lead to <u>higher</u> prices to end consumers as market participants will not be participating in the provision of voltage services to the ESO under the same competitive rules (as some, but not all, voltage support providers will be avoiding a cost reflective charge, if WACM1 was approved) – see for example page 148 of Volume 5:</p> <p><i>"As more resources participate under the same competitive rules in the markets, markets would become</i></p>

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		<p><i>more competitive. This implies an increase in wholesale prices as they will now reflect the actual marginal cost of generation <u>instead of one technically lowered via rules affecting dispatch. As a result, this will lead to a much more cost-efficient operation of the power system, and consequently to a 7% decrease of its total cost.</u></i>"</p> <p>[emphasis added]</p> <p>The reason why WACM1 results in higher (not lower) costs to end consumers is that; everything else being equal; this means uncompetitive providers of voltage services (who don't pay cost reflective network charges) being able to provide their service offering to the detriment of other providers (who pay cost reflective network charges) who are thus priced out of the service provision by the artificially lower priced providers (because they avoid paying their due share of network costs). This is detrimental to Applicable Objectives (a) and (b).</p> <p>In addition, this would also be in contravention of the Third Package and its associated Network Code requirements as it does not ensure cost reflective charges are applied by the TSO. This is because (i) a small group of parties avoid paying the cost reflective charge whilst (ii) all other parties must pay an (all be it small) uplift to cover the lost revenue that is being avoided being paid by the small group of parties. Accordingly, WACM1 is not better in terms of Applicable Objective (c).</p> <p>WACM1 is neutral in terms of (d).</p>
2	Do you support the proposed implementation approach?	Yes, we support the proposed implementation approach.
3	Do you have any other comments?	Nothing further at this time.