

CUSC Code Administrator Consultation Response Proforma**CMP324/5 Generation Zones – changes for RIIO-T2 and Rezoning – CMP324 expansion**

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 24 June 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 Joe Henry joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**Objective (d) 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.

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP324/5 Original solution, WACM1, WACM2 or WACM3 better facilitates the Applicable CUSC Objectives?	<p>We believe the Original, WACM2 and WACM3 better facilitate the applicable objectives. We consider WACM1 does not better facilitate the applicable objectives.</p> <p><u>Original – overall positive impact</u></p> <p>Applicable Objective (a): Positive impact</p> <p>Alignment with demand zones will increase the predictability of the resulting Generator TNUoS signals and will also facilitate greater alignment between Transmission and Distribution connected generation charging arrangements. Therefore, on an enduring basis the proposal will have a positive impact on competition.</p> <p>However, we also recognise that the short implementation timescales for the original are likely to produce short-term distributional impacts, which could have a negative impact on competition.</p> <p>Applicable Objective (b): Neutral impact</p> <p>It is accepted that zoning according to the 14 GSP zones will reduce the locational granularity of Generator charges and will therefore have a negative impact on cost reflectivity when considered in its purist sense. However, we consider this is offset by an expected improvement in the <i>effectiveness</i> of the resulting cost signals in influencing investment decisions, due to a stable zonal regime and more predictable charges.</p> <p>Applicable Objective (c): No impact</p> <p>Applicable Objective (d): No impact</p> <p>Applicable Objective (e): Positive impact</p> <p>Fixed zones and connectivity map will improve transparency and simplify the TNUoS tariff setting processes on a long-term basis.</p> <p><u>WACM1 – overall negative impact</u></p> <p>Applicable Objective (a): Negative impact</p> <p>Has the same negative impact as the Original with respect to the short implementation timescales,</p>

	<p>without the offsetting positive impact of aligning Generation and Demand zones.</p> <p>Applicable Objective (b): Negative impact</p> <p>Increasing the zoning range to £2.25/kW from £1/kW will be less cost reflective than the baseline, when considered in its purist sense. Unlike the Original, we consider this is only partially offset by an expected improvement in the <i>effectiveness</i> of the resulting cost signals in influencing investment decisions. The wider zoning range should help produce more predictable future charges, but the lack of stable zonal regime will limit the benefit of this.</p> <p>Applicable Objective (c): No impact</p> <p>Applicable Objective (d): No impact</p> <p>Applicable Objective (e): No impact</p> <p><u>WACM2 – overall positive impact</u></p> <p>Applicable Objective (a): Neutral impact</p> <p>Maintains the status quo zones.</p> <p>Applicable Objective (b): Neutral impact</p> <p>Fixing at the current 27 zones will reduce the locational granularity of Generator charges vs the baseline and will therefore have a negative impact on cost reflectivity when considered in its purist sense. However, we consider this is offset by an expected improvement in the effectiveness of the resulting cost signals in influencing investment decisions, due to a stable zonal regime and more predictable charges.</p> <p>Applicable Objective (c): No impact</p> <p>Applicable Objective (d): No impact</p> <p>Applicable Objective (e): Positive impact</p> <p>Fixed zones and connectivity map will improve transparency and simplify the TNUoS tariff setting processes on a long-term basis.</p> <p><u>WACM3 – overall positive impact</u></p> <p>Applicable Objective (a): Positive impact</p>
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		<p>Alignment with demand zones will increase the predictability of the resulting Generator TNUoS signals and will also facilitate greater alignment between Transmission and Distribution connected generation charging arrangements. Therefore, on an enduring basis the proposal will have a positive impact on competition.</p> <p>WACM3 also contains more appropriate implementation timescales, which will have a positive impact on competition.</p> <p>Applicable Objective (b): Neutral impact</p> <p>It is accepted that zoning according to the current 27 zones or the proposed 14 GSP zones from 2023 will reduce the locational granularity of Generator charges and will therefore have a negative impact on cost reflectivity when considered in its purist sense. However, we consider this is offset by an expected improvement in the <i>effectiveness</i> of the resulting cost signals in influencing investment decisions, due to a stable zonal regime and more predictable charges.</p> <p>Applicable Objective (c): No impact</p> <p>Applicable Objective (d): No impact</p> <p>Applicable Objective (e): Positive impact</p> <p>Fixed zones and connectivity map will improve transparency and simplify the TNUoS tariff setting processes on a long-term basis.</p>
2	Do you support the proposed implementation approach?	<p>As we set out in our workgroup consultation response, we consider that the current 27 zones should be maintained for a suitable implementation period, before moving to the GSP zonal approach. This would allow asset owners to make effective decisions, for example, with respect to cancellation charges.</p> <p>The merits of each of the various options are finely balanced, however the resulting indicative charges are significantly different, and the true impact of the options will not be known until late 2020. Therefore, whichever option is deemed to be the most appropriate enduring approach, we would recommend a suitable lead time for implementation – maintaining the current 27 zones in the interim.</p>
3	Do you have any other comments?	No.

