

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
Respondent name:	Lewis Elder
Company name:	Staterra Energy Limited
Email address:	lelder@staterraenergy.co.uk
Phone number:	07816503718

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 support WACM1 as it balances stability with cost reflectivity, is easy to implement, and aligns the methodology (i.e. indexation) with other calculation inputs in the CUSC – thus better facilitating all the CUSC objectives.</p> <p>Whilst we acknowledge there is a need to provide some stability, the existing CUSC methodology already sufficiently caters for this by grouping nodes into zones (albeit with a necessary update to an indexed figure, as proposed by WACM1).</p> <p>We oppose the Original proposal as it erodes a critical signal to generators to pursue connections which lower cost the electricity consumer, is not cost-reflective (being a key, and fundamental aspect of effective competition), and ultimately creates inefficient investment decisions at the cost of other generators. For these reasons we believe the Original proposal cannot justifiably better facilitate CUSC objectives (a) – (d), but may arguably better facilitate (e) through its simplicity.</p> <p>Further, under the Original proposal, we are concerned the switch to 14 zones (and removal of boundary flexibility) creates a competitive distortion in the treatment of generators in different parts of the country. As can be seen in the table provided in consultation paragraph 3.23, the transition from 27 zones to 14 puts generators located in Scotland at a considerable advantage from a stability perspective (currently 11/27 zones into 2/14) relative to generators located in England and Wales (currently 16/27 zones to 12/14 zones).</p> <p>Finally, we should always be conscious of the fact that the ‘cost’ of improved stability is ultimately recovered through those generators who are in the more efficient network locations (i.e. each zone contains winners and losers). Whilst industry believe some stability should be</p>

		afforded, a step to largely de-link exposure to the nodal prices (by linked to DNO zones) goes too far and cannot be justified under the CUSC objectives.
2	Do you support the proposed implementation approach?	We support April 2021 implementation
3	Do you have any other comments?	We support an additional solution for Scottish Island projects, to be addressed through a separate CUSC modification