

CUSC Workgroup Consultation Response Proforma**CMP324 and CMP325: 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 18 March 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Joseph 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 regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP324 and CMP325 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>Yes, the proposal better facilitates CUSC objective (a) as increased stability in the generation zones results in improved investment signals and long-term certainty whilst still providing some cost reflectivity; which when combined should improve consumer outcomes.</p> <p>The proposal also better facilitates CUSC objective (e), as setting generation zones to the 14 GSP groups will eliminate the requirement of refreshing the generation zones at each price control period (improving ESO efficiency) and facilitates greater transparency in TNUoS tariff setting.</p> <p>The proposal is neutral towards all other CUSC objectives.</p>
2	Do you support the proposed implementation approach?	Yes, the implementation date, 1 st April 2021 ¹⁰ , is in line with the next price control period which is in line with CUSC requirement 14.15.37.
3	Do you have any other comments?	<p>It should be noted that;</p> <ul style="list-style-type: none"> since the methodology of calculating nodal prices will not change as a result of this modification (just how these nodal prices are 'averaged' in to zones), any rezoning exercise will result in winners and losers (relative to the previous zoning) which will need to be considered when evaluating responses to this consultation. This modification is aligning the generation zones to the current 14 GSP groups. Should the number of GSP groups change in future, a separate modification will be required to update both the demand and generation zones.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time
Specific CMP324 and CMP325 Workgroup Consultation questions		

5	<p>What are your views on the potential solutions discussed in the report? Please provide any evidence or rationale for your preferred solution.</p>	<p>Our preferred solution is the original, aligning generation zones with demand zones. The reasoning being that fixing generation zones to the 14 GSP groups will result in stable charges over the long term and therefore will result in long term investment signals. Additionally, this solution also achieves full alignment between embedded generators and transmission connected generators which is a key benefit that none of the other solutions does.</p> <p>We can also see the merits of revising the £/MW range and inflating for future years in line with <u>RPI-X(J1) or another inflation factor determined by the workgroup</u>. This method of zoning would provide more cost reflective signals than GSP Groups whilst also limiting the number of zones to a more reasonable amount. However, this method would require review prior to each price control and therefore doesn't provide the key benefit of stable long-term investment signals which is achieved by the original proposal.</p> <p>We can see the short-term stability benefits of fixing the current 27 zones for the next price control period. However, we do not believe this would be cost reflective nor beneficial in the long-term; therefore we do not support this proposal.</p> <p>Additionally, although we can see the reasoning behind setting generation zones according to the ETYS zones, however we don't believe this approach provide any additional benefit over and above the options listed above.</p>
6	<p>What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.</p>	<p>We appreciate the original proposal will increase the distributional effects due to the reduction in the number of generation zones and therefore the greater 'averaging effect' that will occur within a zone – with associated winners and losers. However, we believe the benefits achieved in a stable long-term price signal from the original proposal outweigh this impact across the whole generation community (accepting that this may not be the case for individual projects).</p>

