

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
Respondent name:	Joseph Dunn
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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><i>In response to CUSC objective a)</i></p> <p>Yes – SPR believe that the original proposal for 324/25 better facilitates the applicable CUSC objective. This is due to the longer-term stability for generator users.</p> <p><i>In response to CUSC objectives b), c) and d)</i></p> <p>No - SPR believe that the original proposal presents no change in relation to these CUSC objectives.</p> <p><i>In response to CUSC objective e)</i></p> <p>Yes – the original would improve transparency and stability in the setting of TNUoS charges.</p>
2	Do you support the proposed implementation approach?	SPR agree with the proposed implementation date of April 2021 to align with price control, however, the method of implementation would depend on the level of impact and therefore any assessment and forecast of charges required to suitably prepare generators for the changes.
3	Do you have any other comments?	CMP317/27 also has a proposed implementation date of 1 st April 2021. With this modification proposal having a direct effect on generator and TNUoS charging in compliance with EU838/2010 it would be useful to have some sort of impact assessment across various scenarios combining the two (not to mention 324/5) to allow stakeholders to consider implications in the round and to allow NGESO to assess impacts and unintended consequences of the cumulative impacts on charges.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No Comment.
Specific CMP324 and CMP325 Workgroup Consultation questions		
5	What are your views on the potential solutions discussed in the report? Please	SPR's preferred solution based on the information available is to inflate the range with RPI – section 3.3 and 3.31 pages 12/13. The rationale being that the other inputs involved with calculations such as

<p>provide any evidence or rationale for your preferred solution.</p>	<p>Gross Asset Value, Securities etc. within the overall methodology are inflated annually so therefore this nodal range should be to.</p> <p>At present, there is no argument for not inflating the £1/kW differential. This proposal also reduces the degree of averaging within a zone and thus improves the sentiment of the model.</p> <p>With regards to the minimum number of zones per node it would be useful to attain an assessment from the ESO about the implications of this. Particularly if 3 nodes per zone was pursued what would be the highest and lowest nodal cost incurred within the resulting zones. Then to compare with 5, 7 and other permutations. This would allow stakeholders to assess the amount of averaging/theoretical cost reflectiveness in each eventuality.</p> <p><u>Option 1</u></p> <p>SPR acknowledge the benefits of choosing option 1. However, according to the theory represented in the consultation, there may be a downside of worsening locational signals thereby outweighing any benefit.</p> <p>It is important that the current shift towards intermittent/renewable generation presents an ever-changing network and therefore one of the main outcomes of this should be to support the development of the network in the correct, logical locations.</p> <p><u>Fixing Zones</u></p> <p>Fixing the zones whether it be to 27 or 14 is a proposal with some merits but again, does not appear to keep the existing methodology whole with respect to other inputs and how they are treated with respect to inflation.</p> <p>The model currently used by NGESO specifically for the purpose of defining zones suggests that either (i) inflate the £1/kW nodal difference and have ~21 zones or (ii) don't, and (iii) have 50-60 zones. In either, the benefit of this, especially in the case of 21 zones, is that that current costs are taken into account by using a metric of nodal range cost (£/kW). Hence, fixing the zones would reduce the overall effectiveness of the current methodology</p>
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		providing no greater benefit than the 21 zone solution.
6	What are your views on the distributional effects of the potential solutions outlined? Please provide your rationale.	<p>SPR acknowledges that there will be varying implications in terms of distributional effects dependant on the chosen solution.</p> <p>Distributional effects can only be measured against the baseline which should be acknowledged to have little distributional impact when it comes to, for example, siting wind where it is windy.</p>