

CUSC Code Administrator Consultation Response Proforma**CMP343 & CMP340 - Transmission Demand Bandings and allocation (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 **22 September 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.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

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CMP343**For reference the applicable CUSC Charging 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 use of system charging methodology.*

**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).*

CMP340

For reference the applicable CUSC non-charging objectives are:

- 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.

CMP343 - Standard Code Administrator Consultation questions		
1	Do you believe that the CMP343 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7, WACM8 or WACM9 better facilitates the Applicable CUSC Charging Objectives?	<p>The TCR residual charging methodology improves cost reflectivity by ensuring that residual charges are unavoidable and that all users of the network face the same charges as others that are similar to them (in the same charging band). There are two key variables that change between the various options presented by the CMP343 workgroup.</p> <p>1. Treatment of locational tariffs</p> <p>The decoupling of locational and residual tariffs creates a perverse behavioural incentive to consume energy across the peak periods on the network (triad) if mitigating action is not taken. 2 options for mitigating action were developed by the workgroup in addition to not taking mitigating action.</p> <p>The options that allow unfloored locational tariffs (WACM3, WACM4 and WACM5) allow this perverse behavioural incentive to be effective. This acts against signals in other markets (like the wholesale market) and acts as a distortion to effective competition whilst also increasing risk to security of supply (as ESO has no data on behaviour patterns when parties are incentivised to consume energy over triad). Therefore, all alternatives that introduce this behavioural signal are significantly worse against ACO (a).</p>

	<p>WACM6, WACM7 and WACM8 introduce a highly complex methodology that will create distinct residual tariffs for each charging band in each GSP group resulting in between 266 and 308 different tariffs. Whilst this will remove the incentive to consume over triad (and so the negative impacts on ACO (a), it is too complex and cumbersome for an interim solution and so performs poorly against ACO (e).</p> <p>This therefore means that against the variable of locational tariffs, we believe only the Original, WACM1, WACM2 and WACM9 efficiently improve competition in the supply of electricity by moving the residual charge to a fixed per site charge without introducing a perverse incentive to consume at peak times.</p> <p>2. Number/type of transmission bands</p> <p>There will be a balance that needs to be found between cost reflectivity and stability. One band will provide stable charges but also significant charges for small sites. Conversely, 4 bands will provide more volatile charges and help smaller sites but will significantly increase charges for larger sites who have traditionally triad avoided.</p> <p>The ESO have concerns with options that create multiple Charging Bands with very small cohorts of sites in one band. For the purpose of TNUoS charging all of the Charging Bands for lower voltages (EHV, HV etc) will have over 100 different connections (based on the latest ESO estimates) within each band, but at Transmission in some of the proposed alternatives there will be some bands with fewer than 10 connections. This creates a large volatility risk for charges year on year as the behaviour of each individual site will have a large impact on the tariff for the whole band.</p> <p>In addition, banding for Transmission Connected sites on the basis of consumption also fails to take into account new connections and consequently fails to enable the charging methodology to adequately account for new connections.</p> <p>Overall, we believe the Original, WACM1, WACM2 and WACM9 are suitable options for implementing the TCR</p>
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		decision when revised against the CUSC Applicable Objectives.
2	Do you support the proposed implementation approach for CMP343?	Yes, we support the proposed implementation approach to ensure the benefits of Ofgem's direction are met and the ESO's license obligations are met.
3	Do you have any other comments for CMP343?	<p>Whilst not specifically on CMP343, we would note the following in respect of the TCR more generally;</p> <ul style="list-style-type: none"> • Despite aligning the CUSC and DCUSA methodologies as much as possible, there is still a fundamental difference between larger DNO connected sites (whose methodology is based on capacity) and transmission connected sites (where the options proposed under CMP343 are consumption or voltage based). This is due to the fundamental difference of there being no CUSC equivalent concept of MIC as is used in DCUSA. Whilst this can be created, it will take significant time and need to be developed/discussed as part of the Access & Forward Looking Charges SCR. Given the above and the timescales imposed by the TCR decision, we believe the proposals developed by the workgroup are the best compromise options. • As shown in the Workgroup discussions, there are interactions between the Targeted Charging Review and Access & Forward-Looking Charges SCRs in respect of the TNUoS methodology. As such, we would like to remind all parties of this fact when the decision on the Access & Forward-Looking Charges SCR is made. This could potentially result in a significant re-work of the technical solution created as part of CMP343.

CMP340 - Standard Code Administrator Consultation questions

1	Do you believe that the CMP340 Original solution, WACM1 or WACM2 better facilitates the Applicable CUSC Objectives?	All of the options presented under CMP340 facilitate delivery of Ofgem's TCR Direction and the associated benefits whilst ensuring the CUSC is fit for purpose. Therefore, all the options are positive against ACO A, B and D and positive overall. All of the options are neutral against ACO C as there is
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		no interaction with European Regulation 2009/714/EC.
2	Do you support the proposed implementation approach for CMP340?	Yes, we support the proposed implementation approach to ensure the benefits of Ofgem's direction are met and the ESO's license obligations are met.
3	Do you have any other comments for CMP340?	Not a this time