

CUSC Workgroup Consultation Response Proforma**CMP332: Transmission Demand Residual 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 27 February 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 Paul Mullen at paul.j.mullen@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 CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>The Proposal does address compliance, but it needs to solve the problem resulting from the split in bands, particularly the way that the bands are defined. There seems to be an inconsistency in having some sites charged based on £/kW and others £/kVA. In some of Ofgem's consultation material, they refer to kVA (when talking about domestic customers for example) and elsewhere they refer to MW (when talking about large customers), but also refers to kVA when discussing large customers.</p> <p>Depending on the way a site uses electricity this may have a material impact on the scale of their charges.. It is therefore important that the charges are all based on the same units and £/kW is consistent with other charges across the market. It would be unduly discriminatory to charge some customers based on one unit and others on another without justification for the difference. This is particularly relevant in light of OMW stability and reactive power services now being procured by National Grid ESO</p>
2	Do you support the proposed implementation approach?	The proposed implementation, as outlined in the consultation document, appears to be defining the bands by reference to kW in terms of the demand of a site. We support this implementation approach which we would expect to be reflected in the legal drafting.
3	Do you have any other comments?	It is not clear at this stage how the conclusions of CMP334 – definition of demand – will feed into CMP332.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes – to make all charges based on £/kW and none on £/kVA, unless this is now the proposal as we note kVA is only mentioned in the Ofgem documents and is not referred to in this consultation. This may simply need to be clarified.
Specific CMP332 Workgroup Consultation questions		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver	Yes, on the assumption that banding is on a kW basis, we believe that the modification delivers the SCR direction. The current method of recovering residual charges on HH customers if via a £/kW

	Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.	charge. We cannot see analysis in the TCR SCR Direction that supports a change in the use of kW.
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what do you suggest instead, and why?	We believe that one transmission band is too generic for the different types of customers and loads attached to the transmission network. This is also particularly relevant for 0MW export stability and reactive power services (if the intention is for them to fall within the definition of users required to pay TNUoS). Stability service providers are likely to be transmission connected and have single-figure MW power consumption. We encourage the workgroup to ask Ofgem to re-consider banding of transmission connected users for this reason. On a review of the data in annex 5, we suggest sensible bands could be approximately <10MW (to catch existing and future small users, including stability service providers), ~10 to ~40MW (to catch the majority of users) and approximately >40MW (to catch large users).
7	The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original solution (for CMP332) proposes to use a standard 12 months period for all. What period of historical data do you think is required for setting the bands, and why?	This seems like a reasonable timeframe to provide some stability to the allocation between bandings. However, where a site has a major change in use some appeals process would be required.
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?	Carry forward as a K factor as are other revenue mismatches under price controls.
9	Should we use Measurement Classes rather than "No MIC"	If the MIC is available, then why would you not use this. We note that the MIC is defined as kW or kVA,

	or “MIC” to determine initial grouping for the charging bands at low voltage, and why?	so it is important to define which measurement is to be used. We suggest kW.
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?	It would seem inconsistent to charge some customers on capacity and some in volume, especially where the volume is estimated as it is not metered. Giving an estimate of equivalent capacity would seem more logical.
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	None other than included in the comments above.