

## 1.1 CUSC Workgroup Consultation Response Proforma

**CMP343: Transmission Demand Residual bandings and allocation for 1 April 2022 implementation (TCR)****CMP340: Consequential changes for CMP332 (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](mailto:cusc.team@nationalgrideso.com) by **5pm on 31 July 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 [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

Respondent details	Please enter your details
<b>Respondent name:</b>	Simon Vicary
<b>Company name:</b>	EDF Energy Customers Limited
<b>Email address:</b>	simon.vicary@edfenergy.com
<b>Phone number:</b>	07875 110961

**For reference the CUSC (charging) objectives for CMP343 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).*

**For reference the CUSC (non-charging) objectives for CMP340 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 regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.**

**CMP343**

Standard Workgroup Consultation questions CMP343		
1	Do you believe that the CMP343 Original Proposal better facilitate the Applicable CUSC Objectives? Please explain your rationale.	<p>Yes, but we consider that the optimal solution needs to address the comparative distortions to sites that connect either to the distribution or transmission network. We would therefore support the alternative proposals, in particular those with 4 transmission bands, that go some way to achieving this.</p> <p>Please find below our assessment against the applicable CUSC objectives:</p> <ol style="list-style-type: none"> <li>a) Neutral</li> <li>b) Positive as NGESO has been directed to raise this modification and implement its effects by the Authority.</li> <li>c) Neutral</li> <li>d) Neutral</li> <li>e) Neutral</li> </ol>
2	Do you believe that any of the CMP343 proposed alternative solutions better facilitate the Applicable CUSC Objectives?	<p>Yes, sites connected to the different parts of the network need to be treated as equitably as possible. Therefore, a similar site should not face discriminatory charges by virtue of being connected at LV, HV, EHV or transmission level. We consider alternative proposal 5 to be the best option, with 4</p>

	Please explain your rationale.	<p>transmission bands, as used for the Distribution level, to avoid distortive charges between small and large sites. Having 4 transmission bands will deliver more cost reflective and fairer prices to sites connected at Transmission level.</p> <p>Also, the direction of this modification is to deliver a solution to recover residual costs. We believe that altering any resulting negative locational signal is not within the scope of this modification. In principle we agree with maintaining the prevailing negative locational signal. Except for two zones, the incentive and opportunity for customers to increase demand will be low. The Reform of Access and Forward-Looking Charges SCR is expected to address this from April 2023, unless this work is added to the scope of this modification.</p> <p>Please find below our assessment of alternative proposal 5 against the applicable CUSC objectives:</p> <ul style="list-style-type: none"> <li>a) Positive as NGESO has been directed to raise this modification and implement its effects by the Authority.</li> <li>b) Positive as it will avoid distortive charges between small and large sites.</li> <li>c) Neutral</li> <li>d) Neutral</li> <li>e) Neutral</li> </ul>
3	Do you support the proposed implementation approach?	Yes. Implementation from 1 <sup>st</sup> April 2022 gives the industry and consumers enough notice of this change.
4	Do you have any other comments?	No
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time.
<b>Specific CMP343 Workgroup Consultation questions</b>		
6	Do you agree with the proposed methodology on page 7 of the Workgroup Consultation document to calculate a volumetric p/kWh	Yes, the proposed volumetric basis seems the fairest solution to avoid market distortions such as a site with thousands of MPANs paying the same as one with tens of MPANs.

	residual charge for Unmetered Supply (UMS) Demand? Please provide the rationale for your response.															
7	<p>Following the CMP332 Workgroup consultation, the CMP343/340 Workgroup has developed alternative options for 2 or 4 transmission bands and has produced some analysis to show the impacts. This can be found in Annex 8. What are your views on whether there should be 1, 2 or 4 transmission bands? Please provide the rationale for your response.</p>	<p>We consider the best solution is to have 4 transmission bands, as used for the Distribution level, to avoid distortive charges between small and large sites.</p> <p>Having 4 transmission bands will deliver more cost reflective and fairer prices to sites connected at Transmission level.</p> <p>Using the available analysis from workgroups we still feel there is a potential for similar size of sites to contribute substantially different amounts for similar access to the electricity transmission network. The example below shows how a site could pay more than 100 times the TDR if connected to the transmission network compared to being connected at LV.</p> <table><tr><td></td><td>Transmission 1 Band</td><td>Transmission 2 bands</td><td>Transmission 4 bands</td><td>Distribution &lt;11kV (LV) equivalent per site</td><td>Distribution 11kV (HV) equivalent per site</td><td>Distribution 33kV (EHV) equivalent per site</td></tr><tr><td>110GWh or up to 11MW Capacity</td><td>£696k</td><td>£2,646k</td><td>£2,646k</td><td>£6k</td><td>£75k</td><td>£261k</td></tr></table>		Transmission 1 Band	Transmission 2 bands	Transmission 4 bands	Distribution <11kV (LV) equivalent per site	Distribution 11kV (HV) equivalent per site	Distribution 33kV (EHV) equivalent per site	110GWh or up to 11MW Capacity	£696k	£2,646k	£2,646k	£6k	£75k	£261k
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110GWh or up to 11MW Capacity	£696k	£2,646k	£2,646k	£6k	£75k	£261k										
8	<p>The Workgroup has proposed that if there were 2 transmission bands, these would be divided at the 85<sup>th</sup> percentile (as this coincides with the point beyond which the sites are more than twice the size of the mean total consumption). Do you agree with this method? Please provide the rationale for your response?</p>	<p>Yes. We consider 4 transmission bands to be the best solution, but despite 2 bands still better than just one, as it goes some way to avoiding distortive charges between small and large sites, it is still too distortive when comparing similar sized sites across different network voltage connections.</p> <p>The 85<sup>th</sup> percentile is the best split for 2 transmission bands as this coincides with the point beyond which the sites are more than twice the size of the mean total consumption.</p>														
9	<p>The assumptions that underpin the analysis on transmission banding to set out illustrative charges are contained in Annex 9.</p>	<p>The assumptions set out in Annex 9 seem reasonable.</p>														

	Please provide any comments on these assumptions.	
10	Following the CMP332 workgroup consultation, the CMP343/340 Workgroup has developed options A, B and C to address the treatment of zones that have a negative locational tariff. Which of these options do you support? Please provide the rationale for your response.	<p>The direction of this modification is to deliver a solution to recover residual costs. We believe that altering any resulting negative locational signal is not within the scope of this modification.</p> <p>In principle we agree with maintaining the prevailing negative locational signal. Except for two zones, the incentive and opportunity for customers to increase demand will be low.</p> <p>The Reform of Access and Forward-Looking Charges SCR is expected to address this from April 2023, unless this work is specifically added to the scope of this modification.</p>
<b>Question 11 is for those who responded to the CMP332 consultation</b>		
11	CMP343/340 builds on the CMP332 solution. Please let us know if anything has changed in your response since the CMP332 Workgroup Consultation.	In our response to the CMP332 consultation we raised concerns about the implementation date being too soon (1 <sup>st</sup> April 2021) and that the Original proposal was for UMS to be included in the banding structure, which we were concerned would lead to market distortions. We noted that the Original proposal for CMP343 now addresses these concerns but have highlighted others about some of the proposed solutions in this response.

**CMP340**

Standard Workgroup Consultation questions CMP340		
12	Do you believe that the CMP340 Original Proposal better facilitates the Applicable (non-charging) CUSC Objectives?	<p>Yes.</p> <p>Please find below our assessment against the applicable CUSC objectives:</p> <ul style="list-style-type: none"> <li>a) Positive as NGESO has been directed to raise this modification and implement its effects by the Authority.</li> <li>b) Neutral</li> <li>c) Neutral</li> <li>d) Neutral</li> </ul>
13	Do you support the proposed implementation approach?	<p>Yes.</p> <p>Implementation from 1<sup>st</sup> April 2022 gives the industry and consumers enough notice of this change.</p>
14	Do you have any other comments?	No.
15	Do you wish to raise a Workgroup	Not at this time.

	Consultation Alternative Request for the Workgroup to consider?	
<b>Specific CMP340 Workgroup Consultation question</b>		
16	Annex 11 sets out the initial thoughts on the potential changes to the CUSC Section 11 definitions that would need to change to support the CMP343 Original and other potential solutions. Do you have any comments on the proposed changes?	The potential changes to the CUSC Section 11 definitions seem reasonable.