

Code Administrator Consultation Response Proforma**CMP355 & CMP356 Updating the Indexation methodology used in TNUoS and Transmission Connection Asset charges for RIIO2 (CMP355) & Definition changes for CMP355 (CMP356)**

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 7 January 2021. 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 or cusc.team@nationalgrideso.com

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CMP355**For reference the Applicable CUSC (charging) Objectives are:**

- 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;*
- 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);*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- Promoting efficiency in the implementation and administration of the 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).*

CMP356**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.

CMP355 Standard Consultation questions		
1	Do you believe that the CMP355 Original Proposal better facilitates the Applicable (Charging) Objectives?	<p>The changes proposed in CMP355 are a sensible approach to future-proof the CUSC Charging Methodology, such that it better aligns with the network companies' price control arrangements. This change should therefore improve efficiency in the code arrangements in the short to medium term.</p> <p>However, in order for CMP355 to take effect, the definition proposed in CMP356 should ideally be clarified. We have elaborated on this issue in our response to CMP356 below.</p>
2	Do you support the proposed implementation approach?	<p>Yes. (Notwithstanding our concern over the proposed CMP336 legal text noted above.)</p> <p>In the case of connection asset revaluation for inflation, we believe the outcome of the amendment will be to apply an RPI uplift to the Gross Asset Values for the opening position on 1 April 21, to reflect inflation that has occurred during 2020/21 and noting that RPI has applied throughout RIIO-T1.</p> <p>It would be helpful in publishing the Final Modification Report if this interpretation could be confirmed or clarify the basis of any alternative application.</p>
3	Do you have any other comments?	<p>Clarifying the impact of the amendment</p> <p>Whilst we support aligning the charging methodologies and the price control arrangements where this is relevant and practical, the Final</p>

		<p>Modification Report should clarify that the index used in the CUSC does not affect the total revenue each TO collects or is entitled to, which set by their respective price control and set out in their licence.</p> <p>Interaction with Onshore TO methodologies</p> <p>The Code Administrator's Consultation does not recognise the impact of Onshore TO Charging Statements, albeit this is understandable given the 'urgent' nature of the proposal.</p> <p>The indexation methodology used in the CUSC is currently reciprocated in the TO Charging Statements (and is used in corresponding STC charge setting arrangements too). To ensure that the same GAVs are used by the ESO and Onshore TOs in their respective charging arrangements, each Onshore TO will need to update their Charging Statements to reflect the arrangements used in the CUSC.</p> <p>We believe updating our Onshore TO Charging Statement to align with the CUSC would aid transparency.</p>
CMP356 Standard Consultation questions		
1	Do you believe that the CMP356 Original Proposal better facilitates the Applicable (Non-Charging) Objectives?	<p>CMP356 as drafted may not achieve what the proposer is seeking to do, and we have outlined our reasoning for this below.</p> <p>On a more general point, we believe that CUSC arrangements should be self-contained as much as possible to ensure efficiency and transparency for Users. By referring to Relevant Transmission Licensee's Special Conditions, contained in highly complicated legal documents not necessarily immediately accessible to Users, the proposal adds unnecessary complexity or ambiguity into CUSC arrangements which we think can be avoided.</p>
2	Do you support the proposed implementation approach?	<p>Whilst the amendment to the definitions is made with good intentions, it links the CUSC to Onshore TO licence arrangements which may not actually deliver what the proposer is attempting to achieve by raising CMP355 and CMP356.</p> <p>Special Condition 2.1 Part F text is intended for use in a very specific way to allow the Relevant Transmission Licensees to determine their Allowed Revenue. It was not drafted to support the</p>

		<p>processes set out in CUSC Section 14; a distinct methodology for setting and applying charges to CUSC Parties. For instance:</p> <ul style="list-style-type: none">• the licence methodology averages an inflation index over a 12-month period whereas the charging methodology uses an average index over two 6-month periods in the two prior years; and• the licence methodology calculates a cumulative inflation adjustment, whereas the charging methodology seeks to make separate annual uplifts. <p>We believe the legal text could be improved to standalone from the transmission licences by simply stating the index that will be used and in which charging years.</p> <p>We note that there may not be time to undertake this clarification ahead of completing charge setting for 2021/22 but this may be able to be progressed via an additional house-keeping change soon after.</p>
3	Do you have any other comments?	No.