

Workgroup Consultation Response – Pro-Forma

CMP308: Removal of BSUoS charges from Generation

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 by **8 May 2019** to cusc.team@nationalgrideso.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

Respondent:	<p>Alan Currie</p> <p>Alan.currie@ventientenergy.com</p> <p>01312432390</p>
Company Name:	<i>Ventient Energy</i>
<p>Please express your views regarding the Workgroup Consultation, including rationale.</p> <p>(Please include any issues, suggestions or queries)</p>	<p>For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology are:</p> <p>(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;</p> <p>(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);</p> <p>(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;</p> <p>(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</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*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).</p>

Standard workgroup consultation questions

1	Do you believe that CMP308 Original proposal, better facilitates the Applicable CUSC Objectives?	<p>No. The level playing field between GB and interconnected countries should not be implemented to the detriment to the GB embedded generation community. If CMP308 was implemented under the current proposals along with the ongoing Targeted Charging Review (TCR) Significant Code Review (SCR) proposals which include the removal of embedded benefits, the embedded generation community will not be in the neutral position as described in the CMP308 work group impact assessment. This could result in a negative forward-looking signal to future embedded generation which would be detrimental to overall system use and system costs.</p>
2	Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	<p>We do not support the implementation approach as the impact assessment does not fully address the impact to the embedded generation community given the ongoing TCR proposals.</p> <p>Should the TCR proposals for the BSUoS embedded benefit be implemented in either partial or full reform embedded generation that currently receive a benefit would not be in the neutral position portrayed in the work group impact assessment. An approach that delivers a neutral position to generation and consumer considering the TCR proposals should be reviewed further.</p>
3	Do you have any other comments?	<p>We believe that the workgroup report does not sufficiently address the potentially focused negative impact that CMP308 coupled with the TCR BSUoS reforms will have on embedded generation. The impact of a reduced wholesale market price through CMP308 and partial or full reform of BSUoS through the ongoing TCR would result in a negative impact on embedded generation which is not reflected in the work group documentation.</p> <p>Embedded generation is dominated by renewables which are currently unsupported in a fully merchant market. Commercial thresholds are difficult to reach for new build sites and a reduced wholesale power price will only make this harder to achieve. CMP308 combined with reform proposals of BSUoS through the TCR could create a negative forward-looking signal for connection at the embedded level and further development of low cost, low carbon generation.</p>

		We would encourage the work group to provide a more holistic review and impact assessment of CMP308 along with the TCR BSUoS proposals and report findings prior to any decision.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<i>If yes, please complete a WG Consultation Alternative Request form, available on National Grid's ESO website¹, and return to the CUSC inbox at cusc.team@nationalgrideso.com</i>

Specific questions for CMP308

5	Do you feel it is more efficient for BSUoS to be handled by customers / suppliers rather than customers / suppliers and generators?	Yes, but this would have to be implemented in a way that generation at all connection levels and the consumers are left in a neutral cost/revenue position. Under the current proposal a negative forward-looking signal could be introduced to future generation at the embedded level if both CMP308 and either partial or full reform of BSUoS in implemented. Loss of revenue through lower whole sale power price due to CMP308 combined with loss of BSUoS embedded benefit would create a negative forward-looking signal at the embedded level.
6	If CMP308 were to be implemented, what would your thoughts be in regard to combined/net risk premia?	Commenting upon the Ventient business point of view, cost saving would be negligible.
7	What do you feel would be a sufficient lead time for the implementation of this modification? Would you support a non-April (i.e. October) implementation date in any given year? Please provide an explanation for your response	We believe that our response focuses less on potential timings of implantation and more on the fundamentals of the proposal. Further work is required to convey the combined impacts of CMP308 with the TCR BSUoS proposals prior to commenting upon timeframes.
8	Has the Analysis comprehensively considered	No. We believe that CMP308 in conjunction with TCR BSUoS reform would result in a negative forward looking signal to embedded generation.

¹<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc>

	consumer/system benefits, or can you identify any area which may need more consideration by the workgroup?	Embedded generation is currently dominated by renewables which have the lowest Levelised Cost of Energy (LCOE). To introduce a negative forward-looking signal to generation at this level would be detrimental to overall system use and also consumers who would benefit from increased volume of low-cost energy.
9	Are there any thoughts on the impact of CMP308 on the generation mix, be that short or long term?	The embedded generation community which is dominated by renewables would not be in the neutral position described in the work group discussion (section 2.5.6) if the current TCR proposals are implemented. Full or partial reform to BSUoS embedded benefit, coupled with a reduction in power price equivalent to the BSUoS price would have a focused negative impact on the embedded generation community. This could result in a negative signal to embedded generation affecting the long-term generation mix which will be detrimental to overall system use, system costs and ultimately consumer costs.
10	Are there any unintended consequences of CMP308 which have not as yet been considered by the workgroup?	<p>As discussed throughout this response we believe that an unintended negative forward-looking signal to generation at the embedded level could occur if CMP308 and BSUoS reforms implemented through the current TCR proposals.</p> <p>Unintended consequences could be listed as:</p> <ol style="list-style-type: none"> 1) Less generation connecting at the embedded level negatively impacting system use. 2) Less low-cost generation from renewables which currently deliver the lowest LCOE to consumer benefit. 3) Negative impact on decarbonisation through less renewable generation connecting at the embedded level.
11	Will there be any specific impact on renewable or distributed generation, be that long or short term?	Yes. As per Q9, if the TCR full or partial reform to BSUoS is implemented, the embedded generation community which is dominated by renewables would be negatively impacted for the long term. The work group consultation response states that an increase in BSUoS embedded benefit payments leads to an assumed offset to the wholesale market price decrease. If the BSUoS embedded benefits are removed through the TCR proposals the embedded generation will not be in a neutral position but be negatively impacted. This could create a long-term

		negative signal for connection at the distribution level which would directly impact both distributed generation and renewables which dominate generation at this connection level. As discussed in Q10 a negative impact on embedded generation would impact efficient system use, consumer cost with less low-cost energy and decarbonisation targets through less renewable generation.
12	Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail.	Commenting upon the Ventient business point of view, costs incurred would be negligible.