

CUSC Alternative Form

CMP368 Alternative 19: Updating Charges for the Physical Assets Required for Connection, Generation Output and Generator charges for the purpose of maintaining compliance with the Limiting Regulation;

Overview: This alternative is the same as the Baseline except that it includes the TNUoS charges paid by all Embedded Generators, and the associated volumes, in the Limiting Regulation range compliance calculation

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What is the proposed alternative solution?

This alternative is the same as the Baseline except that it includes all TNUoS charges (generation and demand) paid by Embedded Generators, and their associated volumes injected directly or indirectly to the transmission system, as well as TNUoS charges levied on station demand of transmission connected Generators, in the Limiting Regulation range compliance calculation.

Output from Distributed Generators is injected, via the distribution system (a network of privately-owned wires), onto the transmission system. Nothing in the Limiting Regulation excludes injection that is not directly onto the transmission system from the compliance calculation. There is no size exclusion within the Limiting Regulation; it is any producer who pays transmission charges.

Reference is made to the Workgroup Consultation response from ESB:

'As per the ENTSO-E Overview of Transmission Tariffs in Europe: Synthesis 2018 report: *"Network users subject to transmission tariffs (either directly, via a transmission-related tariff component, or indirectly, via a part of the distribution tariffs) can be connected either to the transmission network or to the distribution network (indeed a distribution-connected network user benefits from the existence of the transmission network and is therefore usually called to contribute to its cost recovery)."*

We also note that ACER Practice report on transmission tariff methodologies in Europe concludes the following: *"ACER notes that in most jurisdictions (including DK, ES, FI, IE, PT, RO, SE) the calculation of annual total transmission tariff charges paid by producers includes both the relevant payments by producers connected at transmission level as well as those connected at the distribution level".*'

The reference here is to **total** transmission tariffs. This appears to include all transmission charges levied on Generators as opposed to Final Demand and is therefore consistent with the treatment that has been the outcome of the TCR SCR which distinguishes between demand of generators (and storage) and end user demand when applying the transmission demand residual charge. For avoidance of doubt demand charges for storage are included with charges for station demand in the calculation of compliance with the Limiting Regulation.

This alternative results from a belief that the proposals in this mod developed by NGENSO in response to Ofgem's Direction regarding the definition of charges for assets within the Connection Exclusion are subject to ongoing subjectivity and legal challenge, that Ofgem's guidance at the start and during the development of the mod has been insufficiently precise in its detail, it has not been possible in the time allocated to this modification to develop robust, consistent, practically applicable business rules and that independent legal advice is necessary to determine exactly what is and is not within the Connection Exclusion as stated by SP renewables in its Workgroup consultation response and therefore the Baseline should remain until such time as that independent legal advice gives sufficient degree of clarity to improve the current definition.

What is the difference between this and the Original Proposal?

The Baseline only includes volumes and charges paid by Large Distributed Generators. This Alternative views the inclusion of volumes directly or indirectly injected by all Embedded Generators, as well as demand charges levied on station demand of all Generators, is necessary for legal compliance with the Limiting Regulation. It views the business rules for defining charges for assets within the Connection Exclusion within the Original to be insufficiently precise and subject to legal challenge.

What is the impact of this change?

Proposer's Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	None: This mod is required for compliance with the Limiting Regulation.
(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;	Positive: Compliance with the Limiting Regulation is necessary for fair cross border competition.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Positive: Neither the Baseline nor the Original are legally compliant
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Negative/None: This will require more work from NGESO to set charges but is required to be legally compliant.
*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).	

Reference material:

1. ESB Workgroup Consultation Response
2. SP Renewables Workgroup Consultation Response

When will this change take place?

Implementation date: As Original
Implementation approach: As Original

Acronyms, key terms and reference material

Acronym / key term	Meaning