

Workgroup Consultation Response Proforma**CMP315:** TNUoS Review of the expansion constant and the elements of the transmission system charged for and**CMP375:** Enduring Expansion Constant & Expansion Factor Review

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 17 May 2022**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

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

Respondent details	Please enter your details
Respondent name:	George Moran
Company name:	Centrica
Email address:	George.moran@centrica.com
Phone number:	07447 611983

I wish my response to be:

(Please mark the relevant box)

☐ Non-Confidential☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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;*

- d. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- e. 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).*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions								
1	Do you believe that the CMP315 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>Insufficient detail has been provided to allow us to make a conclusion on the merit of the modification.</p> <p>However, what does appear clear at this stage is that the change has the potential to have a material impact on the TNUoS charges faced by Parties and the consultation provides no indication of what these changes could look like.</p> <p>We believe that insufficient notice of large changes to charges is detrimental to competition, and we note this was a principal driver for implementation of CMP353. Therefore, we do not believe that any proposal which results in significant changes to tariffs with an April 2023 implementation date can be considered to better facilitate the objectives (due to the detrimental impact on competition).</p>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
2	Do you believe that the CMP375 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table> <p>As above.</p>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We do not believe April 2023 is viable due to the lack of impact assessment presented in the consultation and the potential for these impacts to be material.</p> <p>CMP353 was progressed urgently to avoid an unforeseeable and material change to TNUoS tariffs because of updated calculations for the expansion constant. Therefore, it would seem strange if this subsequent review of the expansion constant sought to rush through changes that resulted in unforeseeable and material changes to TNUoS tariffs.</p>						
4	Do you have any other comments?	There is a lack of detail in the consultation regarding the proposals, and they appear to remain very much a work in progress. The lack of tariff and impact assessment is						

		<p>particularly concerning for a change that has the potential to materially change TNUoS tariffs.</p> <p>We are concerned that the goal seems to be achieving an April 2023 implementation rather than getting to the right answer. We believe the upcoming TNUoS Task Force would be a more appropriate forum to consider the issues raised in this consultation.</p>
5	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Click or tap here to enter text.
		Click or tap here to enter text.
		Click or tap here to enter text.

Specific Workgroup Consultation questions

6	Do you agree with the CMP315 and CMP375 Proposers' conclusions that the Expansion Constant should also include circuit reinforcement, non-circuit works and life extension works in addition to new circuit build. Are there any other reinforcement types that should be included? Please provide justification for your response.	Insufficient detail and data has been provided to explain what these different investments represent and how the two change proposals intend to treat them (e.g. how incremental capacity is calculated and annuitized for each)
7	CMP315 and CMP375 have different proportions of each reinforcement type in the basket for the calculation of the Expansion Constant because the Proposers have different interpretations as to what the Expansion Constant should represent. Which one of these interpretations do you agree with or do you have a different approach? Please provide justification for your response.	<p>The principles of what maturity the system has reached, what the expansion constant is for and how locational signals should work are very much distanced from the consultation – but should be fundamental to the outcome and would indicate the answers to the technical issues of what should be included or excluded, and over what period etc. There is no framework here to make an evaluation and no evidence provided to base it on.</p> <p>We believe the upcoming TNUoS Task Force would be a more appropriate forum to consider these big issues.</p>

8	A Workgroup Member has also suggested an alternative approach to establish the forward-looking marginal cost over a realistic 5–10-year time horizon. Do you agree with this interpretation or would you suggest a different approach? Please provide justification for your response.	
9	CMP315 and CMP375 Originals propose using the last 10 years historical data when calculating the Expansion Constant/Expansion Factors. Do you agree with this approach or are there alternative approaches to consider? Please provide justification for your response.	Without the last 10 years of data being provided and analysed this is difficult to answer.
10	Do you agree with the list of data items, the ESO require from Transmission Owners to calculate the Expansion Constant. Please provide justification for your response.	Click or tap here to enter text.
11	In their analysis, Lane Clark and Peacock (LCP) have provided an alternative implementation approach proposing non-circuit build to be allocated to existing circuits and thereby included within the EFs rather than creating proxy circuits (as proposed by the CMP315 and CMP375 Original). Do you have any thoughts on this and do you agree with LCP's proposal for reinforcement factors? Please provide justification for your response.	Click or tap here to enter text.
12	To achieve implementation by 1 April 2023, the Workgroup understand that it will not be possible under the current timeline to include the new EC/EFs in the draft TNUoS tariffs for 2023/2024. Do you support this and, if so, in the absence of draft TNUoS tariffs for 2023/2024, what detail will you need ahead of final TNUoS tariffs being published?	<p>We do not support implementation by 1 April 2023 due to the lack of impact assessment provided in the consultation and the potential for changes to be material. Such movements cannot have been factored into commercial decisions (e.g. capacity market bidding or supply tariffs) and so will result in windfall gains and losses across Parties.</p> <p>If the change results in material changes to TNUoS charges then we suggest a 2 year implementation lag to allow Parties to reflect the new charges in commercial arrangements.</p>

