

Workgroup Consultation Response Proforma**CMP384: Apply adjustments for inflation to manifest error thresholds using indexation**

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 **08 July 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 Ren Walker Lurrentia.walker@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Ryan Ward
Company name:	ScottishPower Renewables
Email address:	Ryan.ward@scottishpower.com
Phone number:	07818538595

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:

- 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 *; and*

- e. *Promoting efficiency in the implementation and administration of the system charging methodology.*

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

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 Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe the Original Solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input checked="" type="checkbox"/> A</td> <td><input checked="" type="checkbox"/> B</td> <td><input checked="" type="checkbox"/> C</td> <td><input type="checkbox"/> D</td> <td><input checked="" type="checkbox"/> E</td> </tr> </table> <p>ScottishPower Renewables believes that the original proposal of revising the manifest error thresholds in line with the present day value better facilitates against the objectives A, B, C and E. However, the proposal is neutral on objective D.</p> <p><u>Objective A</u></p> <p>By increasing the manifest error thresholds in line with the current inflation, it ensures that the thresholds in place remain proportionate, relevant and minimises the likelihood of potentially over/under recovery, impacting users directly. This unforeseen impact can create an unlevel playing field for users, when the objective is to facilitate effective competition between them.</p> <p><u>Objective B & C</u></p> <p>The pass-through reconciliation from the manifest error will be proportionate using the revised thresholds as the value set in October 2006 will be indexed in line with inflation and then the TO price control volume indexation, ensuring consistency and reflective of current industry practise.</p> <p><u>Objective D</u></p> <p>Neutral</p> <p><u>Objective E</u></p> <p>By increasing the manifest error threshold to reflect the current day value, this proposal should reduce ad hoc and unexpected reconciliations late on in the charging year. Unforeseen changes (wins or losses) provide uncertainty and inefficiency for users. If a loss occurs, users are not provided sufficient time to be able to recover for this.</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E			
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>SPR are aligned with the date of the 1st of April 2023.</p>						
3	Do you have any other comments?	<p>SPR are of the view that this proposal should be a simple, quick, and effective CUSC amendment to rectify the static Manifest Error Threshold previously set by the GB ECM-5 decision in October 2006. Please see further comments in the specific WG consultation questions.</p>						

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes
		<input checked="" type="checkbox"/> No
		N/A

Specific Workgroup Consultation questions

1	Do you support the current/new manifest error thresholds and the effect they have on Users being just below/above the threshold?	<p><u>'New Threshold'</u></p> <p>SPR are in support of a revision to CUSC Section 14.17.32 – 14.17.35, by inflating the manifest error thresholds by RPI until 31/04/21 and then Transmission Owner Price Index (TOPI) thereafter.</p> <p>We believe this approach is simple and builds on the GB ECM-05 decision made in October 2006. The materiality of the current threshold was set by National Grid determining an acceptable tolerance in the measurement of circuit data in the DCLF Transport model. 1km was assumed as an acceptable tolerance, with the largest discrepancy that could occur being for a 132kV cable, in a Scottish TO region. This would result in a discrepancy in the locational element of the annual TNUoS charge of approx. £0.5/kW.</p> <p>National Grid recognised that there were limitations with using a single criteria, particularly when considering larger generators. The example provided was for a 2000MW site, using a tariff of £0.49/kW, giving an additional £980,000 with no mechanism for reconciliation. It was deemed appropriate to have a secondary criteria. For the secondary criteria an amount of £250k was proposed, representing a discrepancy of £0.5/kW for a 500 MW typical site.</p> <p>National Grids concluding view was that the primary and secondary criterion are an appropriate and proportionate measure which does not discriminate between classes of users and is equally applicable for generation and demand users of all sizes. We believe these principles still stand today, however, to ensure the thresholds value are still proportionate to the current TNUoS revenue of £3.5bn, we believe they should be inflated to the present day value as recommended in the original proposal.</p> <p><u>Impact on Users</u></p> <p>Users are only notified if an error with their associated TNUoS charge is identified which clears the threshold set. Any users</p>
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		<p>with an error sitting below this limit, regardless of the amount, will not be aware of any potential loss/gain to their business.</p> <p>The number of instances where manifest errors had occurred since their introduced in October 2006 was requested by NGESO. It was noted that there had been no other incidences identified, other than the 3 users in 2021/22. If the manifest error threshold was set in line with inflation, only 1 out of the 3 users would have been impacted. This would have avoided any unforeseen benefit or loss to the two parties.</p>
2	<p>A Generators reconciliation generally occurs in April¹ following the charging year that the manifest error has occurred, should there be different thresholds/and or timings for reconciliation of a credit v charge?</p>	<p>For consistency and fairness, we believe that credits & charges should be set at the same threshold and be collected / paid in the same timeframe.</p> <p>If the timing for reconciliations were to be amended for charges, it would be correct to do the same for credits in order to ensure consistency.</p>

¹ Section 3.13.2 of the CUSC states “As soon as reasonably practicable and in any event by 30 April in each Financial Year The Company shall prepare a generation reconciliation statement (the “Generation Reconciliation Statement”) in respect of generation related Transmission Network Use of System Charges and send it to the User. Such statement shall specify the Actual Amount and the Notional Amount of generation related Transmission Network Use of System Charges for each month during the relevant Financial Year and, in reasonable detail, the information from which such amounts were derived and the manner in which they were calculated”.