

Workgroup Consultation Response Proforma

CMP331: Option to replace generic Annual Load Factors with Site Specific ALFs

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 11 January 2023**. 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 Sally.musaka@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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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;*
- 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.*

**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 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>ESO does not believe the proposal better facilitates any of the objectives than the baseline.</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 support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>						
3	Do you have any other comments?	<p>It is unclear how the solution would represent a more effective position than the policy in place to date, and how such a change would better facilitate the relevant objectives, particularly from the perspective of efficiency for end consumers and not introducing change that benefits only a small part of the market.</p> <p>It is also unclear what has materially changed since CMP213 was implemented that would warrant this change. The data presented to date does not, in our opinion, lead to a clear view for changing the policy decision set out in CMP213 to a world where more complexity and costs are felt by wider CUSC parties.</p> <p>From a process perspective ESO has concerns about how the use of site-specific ALFs provided by the user or independent assessor would work in practice. ESO would have to accept these values in good faith that they are accurate and there is no way currently of assessing the validity of these values from either the Generator or the third party. There is also no guarantee or data presented that these ALFs would lead to more accurate TNUoS charges than the current methodology.</p> <p>CMP213, which was implemented in 2016, determined that generic ALFs are designed and used in their current form for the sake of simplicity of application rather than 100% accuracy. For CMP213, the use of forecasted data to determine ALFs for individual users was considered and rejected, as this would make charges less transparent. Ofgem indicated within the implementation letter for CMP213 that the ALF design under WACM2 was approved for the following reason:</p>						

		<p>“It represents a simple, transparent proxy for the impact of a generator on constraint costs, and therefore on transmission investment, taking into account the mix of generation in an area. However, it will not precisely reflect the impact a generator has on transmission investment in every circumstance, especially at the extremes, for example, when there is 0% or 100% of a particular type of generator in a zone. A more accurate calculation that captured all the factors that affect investment decision-making would require considerably more complexity. We think this would make the charging methodology less transparent and more difficult to forecast. ESO considers that this could be a barrier to entry, reduce competition and could offset any gains from the additional precision.”</p> <p>In summary, it is unclear from the evidence provided how this proposal would better meet the applicable objectives especially as it would only be relevant to a small number of Generators/developers for a limited period of time. A change in this regard is complex without having the data or rationale to be beneficial to all. The ESO view at this time therefore is that there is limited evidence to support a change in the way generic ALFs are designed and used, as it would make the methodology more complex without clear data supporting the wider benefit to the industry and end consumers.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>One alternative solution to the proposed defect that could be applied already is the use of zonal generic ALFs as a more accurate representation of typical load factors for any one technology in a specific generation zone. This is already possible under the CUSC – “where within a category there is a significant locational difference consideration will be given to zonal generic factors” – however rarely if ever used to date as it would only have made a marginal difference to individual cases so far. The proposer has indicated they do not think this is a solution to the defect.</p>

Specific Workgroup Consultation questions

5	Do you believe that reconciliation of Generic or	Reconciliation was not part of the original proposal and is an additional revision of the current process and
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	<p>site-specific ALFs to actual ALFs should take place? And if so whether the reconciliation of charges would cause issues for Parties?</p>	<p>policy to consider, which would involve reconciliation of the generic ALF calculation for a limited number of Generators. It could result in some Generators being charged more or less, as well as a potential overall net increase or decrease of TNUoS generation revenue.</p> <p>As per the ESO response above, it is difficult to understand from the data and the case presented to date why there would be a significant benefit to change the way generic ALFs are calculated and used from the process in place today (together with the decision and approach implemented in CMP213). An inclusion of generic ALFs in the current reconciliation process is a significant change of scope and methodology.</p> <p>Should the workgroup and industry agree this is a favourable alternate/WACM change in policy, then it would require a detailed impact assessment as to how this would work in practice and the impact of such a change on all parties.</p>
6	<p>What could be considered acceptable evidence as part of the independent assessment for the ESO to verify whether the site-specific ALFs are a fair and realistic forecast?</p>	<p>It is difficult to say what could be considered a fair and realistic forecast, as any forecast will never be 100% accurate. A common methodology to estimate site-specific ALFs would need to be developed and used by all parties who wish to submit a site-specific ALF. This would need to contain the same information for all independent assessments so that they can be fairly and transparently assessed by the ESO. However, it is difficult to see how this solution would better meet the CUSC Applicable Objectives than the current baseline.</p>
7	<p>Should there be any legal obligations on Users to be fully open and transparent with the independent third party and the ESO when calculating a site-specific ALF?</p>	<p>Yes. This would mitigate the risk of less accurate data being submitted and the knock-on effect this would have on other TNUoS parties' charges.</p>
8	<p>Do you agree CMP331 only applies to new generators or should existing generators retrofitting new plant be eligible?</p>	<p>It should apply to all parties who are required to use a generic ALF, such as new Generators or mothballed power stations coming back online and data for their actual ALF is not available.</p>