

**Workgroup Consultation Response Proforma****CMP286 & CMP287: Improve TNUoS predictability through increased notice of the Target Revenue (CMP286) and inputs (CMP287) used in the TNUoS Tariff Setting Process**

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](mailto:cusc.team@nationalgrideso.com) by **5pm on 9 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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details
<b>Respondent name:</b>	Grace March
<b>Company name:</b>	Sembcorp Energy Ltd
<b>Email address:</b>	Grace.march@sembcorp.com
<b>Phone number:</b>	0554439689

**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*

- 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 CMP286 and CMP287 Original proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe the Original solution better facilitates:</p> <p>Original      <input checked="" type="checkbox"/> A    <input type="checkbox"/> B    <input type="checkbox"/> C    <input type="checkbox"/> D    <input type="checkbox"/> E</p> <p>Under the baseline, suppliers that have predominately multi-year fixed contracts with customers are required to price TNUoS with a high degree of variation in forecasts, whereas suppliers with shorter-term contracts or those with pass-through costs do not face this difficulty. Removing uncertainty would facilitate competition between suppliers with different markets/commercial approaches (ACOba). However, the large variations in forecasts suggests that TNUoS recovery is difficult to predict (by anyone) in as advance as the Proposer is suggesting. This creates a real risk of over/under recovery that would need to be factored into following years, thus increasing TNUoS volatility in the medium-term and pushing the certainty (that would still need to be accounted for) further down the contract length i.e. the first 10 months may be known, but there is now greater uncertainty for months 11 onwards than under the baseline.</p> <p>I also believe this proposal is negative against ACObb) as the networks are/will be undergoing a period of fast-paced change to meet Net Zero and fixing data early (so that charges are based on the network as of 15 months before – December 22 data for April 24 charges) will be less cost reflective of the network as is it is when the charges 'land'.</p> <p>The proposer has not demonstrated that it is appropriate to align distribution and transmission charging timelines, just that this modification would. Given the different size, input, scale and proportion of user types affected, it is not clear to me that alignment would automatically be a benefit.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><a href="#">Click or tap here to enter text.</a></p>
3	Do you have any other comments?	<p>The point that suppliers of fixed tariffs are exposed to consider uncertainty in TNUoS tariffs is a good point, and one that could be picked up by the upcoming TNUoS task forces.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<div> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </div> <div> <p>Whilst I do not intend to raise a workgroup request, the workgroup did not consider setting the NHH tariffs with more than 2 months notice and then setting the HH tariffs / residual later when inputs are firm. This could create a distortion between cost-reflectivity between HH and NHH tariffs, affect the residual, and create more work for the ESO. It would, however, address the proposer's issue.</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p> </div>
---	--------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### Specific Workgroup Consultation questions

5	The Workgroup have concluded that if the CMP286 and CMP287 Original are approved, the risk premia that Suppliers price into contracts will be reduced. Do you agree with this conclusion? Please provide rationale for your response.	<div> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </div> <div> <p>For suppliers that offer only short-term or pass-through contracts, any premia will not need to change significantly.</p> <p>For suppliers that do offer longer-term fixed term contracts, uncertainty around under/over recover through fixing the inputs too early will increase volatility of TNUoS charges and so the uncertainty (and risk premia) will be appear 'later' in the contract.</p> <p>Given the amount of change TNUoS (and the wider industry such as wholesale prices) is facing in the near and medium term future, it is unlikely the risk premia 'attributed' to TNUoS alone is significant.</p> </div>
6	Does the CMP286 and CMP287 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how? <i>Confidential Information can be shared with Ofgem directly</i>	<div> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </div> <div> <p>Click or tap here to enter text.</p> </div>

7	Are there other options which could enable Suppliers to mitigate the issues the proposer is seeking to address via this modification, which could avoid the need for code/licence changes (as applicable)? Please provide rationale for your response.	<input type="checkbox"/> Yes <input type="checkbox"/> No  Suppliers could choose to offer pass-through, or partial pass-through, contracts to consumers for multi-year contracts, but that would be a commercial decision.
8	Do you have any additional analysis that supports or counters the benefits of CMP286 and CMP287? Are you content to share this directly with Ofgem?	<input type="checkbox"/> Yes <input type="checkbox"/> No  N/A