

**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](mailto: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](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>	Catherine Wicks
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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;*

- 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>We are supportive of CMP375 over CMP315.</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>We are supportive of CMP375 and see benefit in the LCP approach.</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 checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>The methodology should be updated to be cost-reflective. It should be updated at pace to stabilise TNUoS in the regions where heavy renewable investment is required to reach 2035 network decarbonisation goals and support the wider transition to net-zero.</p>						
4	Do you have any other comments?	Please see supporting letter.						
5	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>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p>						

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	Yes, these items reflect real-world solutions being implemented to facilitate cheaper/quicker connections.

	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.	
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>We believe CMP375 is better suited to reflect the marginal cost of network investment included in the TNUoS signal.</p> <p>A quantitative analysis would be useful to enhance understanding of the proposals.</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.	<p>A quantitative analysis would be useful to enhance understanding of the proposals.</p> <p>Qualitatively, TNUoS represents forward-looking signals therefore should include, if not favour, forecast data.</p>
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.	<p>A quantitative analysis would be useful to enhance understanding of the different approaches.</p> <p>Qualitatively, TNUoS represents forward-looking signals therefore should include, if not favour, forecast data.</p>
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.	<p>We support the LCP approach which appears to provide an easier solution to incorporating non-circuit build into the existing model. Qualitatively, it makes more sense to allocate non-circuit build costs within existing elements instead of adding complexity (and potential for double counting) through the creation of proxy circuits.</p> <p>A quantitative analysis would be useful to enhance understanding of difference</p>

		between CMP375 and LCP approach impacts.
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>Quick implementation of a more cost reflective methodology is the preferred action.</p> <p>A quantitative analysis of the approach should provide enough detail to allow stakeholders to understand the likely impact to the 2023/2024 tariffs. The analysis can be provided as a sensitivity, as soon as feasible after publication of the draft 23/24 tariffs.</p>

17 May 2022

To whom it may concern,

**Re: CMP315/375 Working Group Consultation**

ERG is a top 10 European onshore wind energy producer with a fully operational portfolio of approximately 2 GW in Europe, which equates to the capacity to supply electricity to 1.45M homes.

ERG actively contributes to the fight against climate change by investing in green energy and in the strong potential of Scottish wind energy. ERG's development strategy is fully aligned with the UK and Scottish Government's policies and objectives for a transition to renewables, stimulating job creation and local supply-chain opportunities.

*Expansion Constant*

We are broadly supportive of CMP375 (in preference to CMP315) and we particularly see benefit in the Lane, Clark and Peacock (LCP) approach.

We believe the expansion constant and expansion factor methodology is overdue for an update in light of the cost savings made by network owners through innovative technical and commercial solutions.<sup>1</sup> There is a strong case to reduce the expansion constant input and to find an enduring solution to make it more cost reflective of the marginal cost of investment in the GB electricity network and make TNUoS less volatile.

While we support in principle the CMP375 proposal and LCP approach, to assess the proposed options in detail, including historical / forecast cost-basis, it would be useful to understand the quantitative impact of each.

We support progression of this CUSC modification with implementation in April 2023, and agree it should not be delayed based on the not yet formalised scope of the TNUoS task force. Quick fixes are essential to ensure continued investment and build out of renewables in the right places, ensuring our progress towards net zero is not delayed for years pending a long-term wider review.

*Comments on TNUoS Impacts*

For projects in the north of the country, the current high TNUoS charges account for a large proportion of otherwise fairly stable operational expenditure<sup>2</sup> and the project owner is exposed to unpredictable increases in this charge, adding risk to finance. This increased risk (along with

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<sup>1</sup> For example the GEMS system in south west Scotland which provides a commercial solution to managing capacity on the local network instead of triggering reinforcements.

<sup>2</sup> Confidential information evidencing the impact of the scale of the charge on opex submitted to OFGEM by email July2021

a high value assigned to the charge) has the effect of raising the LCOE for the wind farms thereby raising the costs of decarbonising the network for the consumer.

As a wind farm generator, locational considerations such as energy resource and planning policy support override TNUoS signals. Large capex projects cannot respond to locational signals in TNUoS once a project is constructed and counterintuitively, the more projects that are constructed in the north will likely increase the TNUoS charge for existing projects in the north. There is a strong case to put less weight on locational signals to allow sensible development in a geographically diverse generation base required to support net zero at lowest cost.

TNUoS charging methodology is highly complex and sensitive to changes making the annual charges unpredictably volatile. The locational signal of the charge is unjustifiably strong. It results in significant charging variation amongst users of the GB transmission network, and a charge that is uncompetitive when compared with European interconnected generators who can supply electricity to the GB market without having to pay TNUoS.<sup>3</sup> ERG operates in six European countries (excluding the UK) with a pipeline in a further two countries. There are different connection and use of system charging methodologies throughout these countries however, in all of them, transmission use costs are negligible. The costs in GB (in the north in particular) are significantly high.

To unlock investment and construction the TNUoS charges need to send the right signals to investors. This means being competitive within the GB and European interconnected markets and ensuring stability in the charge over the lifetime of projects.

Your sincerely,

*Catherine Wicks*

Head of UK Business Development and M&A  
ERG UK Holding Ltd.

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<sup>3</sup> *Charging the wrong way How electricity generators access the GB market*, RIDG, <https://www.renewableuk.com/news/566798/Charging-the-Wrong-Way-report-on-grid-transmission-charges-.htm>