

**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
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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?	Mark the Objectives which you believe each solution better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>We agree that TNUoS tariffs should reflect the forward-looking incremental cost of work on the transmission network to accommodate additional generation / demand in particular zones.</p> <p>In principle, we support efforts to improve the cost reflectivity of TNUoS charges, providing they provide a meaningful signal and don't have a negative impact on competition.</p> <p>We acknowledge that the underlying cost parameters such as the Expansion Constant and Expansion Factors should be reviewed to ensure they are remain fit-for-purpose. However, we are not convinced that at this stage a robust case for updating these parameters has been presented through either CMP375 or CMP315.</p> <p>In order to make a thorough assessment of CMP315 and CMP375 against the Applicable CUSC Objectives we require more information and data. We would welcome indicative Expansion Constants and Expansion Factors under the CMP315 and CMP375 proposals, accompanied by the resulting TNUoS tariffs. This would enable parties to make a more comprehensive assessment of the impact of these proposals on competition and cost reflectivity. It would also demonstrate the difference between the CMP315 and CMP375 solutions more clearly – which we currently believe is not well-defined.</p> <p><b>Applicable CUSC Charging Objective a) – Impact unclear</b></p> <p>As we set out above, at this point we are unclear what the impact on competition would be if either CMP315 or CMP375 are implemented.</p> <p>Without additional data, we are unsure what the materiality of CMP315 or CMP375 would be. Implementing any change which could have a significant commercial impact on parties should have an appropriate lead time. We are concerned that April 23 implementation wouldn't have allowed a reasonable time for parties to forecast the impact of such changes. Depending on the materiality of CMP315 and</p>

		<p>CMP375, implementing these changes from April 23 could have a negative impact on competition.</p> <p><b>Applicable CUSC Charging Objective b) – Potentially Positive</b></p> <p>We appreciate that the aim of these modifications is to increase the cost reflectivity of TNUoS charges by updating the Expansion Constant and Factors. However, we require more detail on the proposed methodologies and indicative values to be convinced that the proposed changes would improve the cost reflectivity of TNUoS charges.</p>						
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 per our response Question 1, we have not concluded if CMP375 or CMP315 would better facilitate the Applicable CUSC Objectives.</p> <p><b>Applicable CUSC Charging Objective a) – Impact unclear</b></p> <p>Please see our response to Question 1.</p> <p><b>Applicable CUSC Charging Objective b) – Potentially Positive</b></p> <p>Please see our response to Question 1.</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 checked="" type="checkbox"/>No</p> <p>We have not been able to establish if April 23 implementation is appropriate.</p> <p>CMP315 and CMP375 will impact the TNUoS charge which is paid by network users and passed through to end consumers. Depending on the materiality of any change, we not convinced that April 23 gives parties sufficient notice.</p> <p>Any changes to charges because of CMP315 or CMP375 wouldn't have been easily forecastable. Some suppliers will already have fixed contracts from April 23. Significant changes to tariffs without sufficient notice can have a negative impact on competition and increase the cost for end consumers.</p>						
4	Do you have any other comments?	<p>We want to stress the importance of obtaining the relevant cost data from the TO's. This will enable a more comprehensive assessment of the modifications by workgroup members and allow parties to better understand the impact these changes could have on TNUoS charges.</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
		N/A

### 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.	In principle, we would support the Expansion Constant including other types of work which the TO's undertake to accommodate additional generation / demand on the system, in addition to just new build circuits.
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 have found it difficult to assess the merits of the different approaches without the underlying data.</p> <p>In principle, the expansion constant should reflect the cost of accommodating additional flows on the network, either through new circuit build or other types of works.</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>We believe there could be merit in exploring this approach in more detail.</p> <p>This method would make the Expansion Constant more forward-looking and could improve the cost reflectivity of forward-looking charges and investment signals.</p> <p>We would welcome some accompanying analysis to understand how in practise this approach would deliver different outcomes to the CMP315 and CMP375 originals.</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.	We are not opposed to these approaches if they improve the cost reflectivity of the Expansion Constant. However, we believe the forward-looking approach outlined in the question above could be an alternative way forward.
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.	The list of data items appears to be comprehensive.
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>The analysis was useful although it didn't model the exact impact this approach would have on tariffs.</p> <p>It could be beneficial to explore their approach in more detail.</p>
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>In principle, we do not believe it is good regulatory practise to implement changes that have a significant commercial impact on parties with short or no notice period. We need more detail on the materiality of change to be able to consider potential implementation options in more detail. If the materiality is low, an April 23 implementation might be appropriate.</p> <p>Forecastability of charges is important for generators and suppliers who will be looking to agree fixed contracts, and will likely already have some fixed agreements from April 23. Significant change with little notice increases the regulatory risk faced by the industry and can have a negative impact on competition. This could increase costs for end consumers.</p>