

Workgroup Consultation Response Proforma**CMP413: Rolling 10-year wider TNUoS generation tariffs**

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 02 October 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 cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Tom Steward	
Company name:	RWE	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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 facilitate the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:
		<div>Original <input checked="" type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</div> <p>A – Neutral</p> <p>The value of the proposal differs between new investment and closure, and therefore on balance the proposal appears neutral against objective A.</p> <p>New investment – positive. A 10 year forecast setting out the charges that generators will incur in the near-term will ensure that developers are making decisions on the basis of the same information. At present different developers will make different assumptions about the near term development of TNUoS. This effect is limited by the 10 year time horizon however.</p> <p>Closure signal – neutral/negative. As projects reach the end of their operating lives, assessments will be made on near-term future costs. If the forecast against which TNUoS tariffs are set is accurate, then this will continue unaffected by CMP413. If the outturn is different from the forecast, this could lead to plants closing that would have (without CMP413) remained open. Alternatively it could lead to plant staying open beyond their cost-efficient lifespan because the fixed period is under-valuing TNUoS.</p> <p>B – Neutral – Where elements of the charging methodology must be periodically reviewed and updated (eg. the value of the expansion constant), these continue to feed through to tariffs, albeit with a 10 year lag.</p> <p>C – Neutral – Developments in the network will continue to be reflected in the charges. Network developments are typically long-term projects, giving time for them to be included in future forecasts. The development of the long-term CSNP will further support this objective.</p> <p>D- Neutral</p> <p>E - Neutral</p>
2	Do you support the proposed implementation approach?	<div><input type="checkbox"/>Yes</div> <div><input checked="" type="checkbox"/>No</div>
		We believe an April 2024 implementation date is not feasible if sufficient due diligence is to be given to

		development of this proposal – including an impact assessment by OFGEM. We believe April 2025 would be more appropriate.
3	Do you have any other comments?	N/a
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 Click or tap here to enter text.

Specific Workgroup Consultation questions

5	The Original proposal is to limit the maximum variance by £2.50/kW per charging zone. Do you feel this is an appropriate level?	Any level of limit is entirely arbitrary, there is no reason to suggest that £2.50/kW is any better or worse than any other level.
6	The Original proposal deems a 10-year period to fix tariffs between the pre-defined Cap and Collar ranges appropriate. Is there an alternative length of time that would need to be considered?	Given the other elements of the proposal, (ie that the fixed period applies to all generators), 10 years feels appropriate to avoid excessive lags to cost reflectivity. However, requiring the projection to be calculated for a longer period eg. 20 years (although not fixing tariffs on that basis) would give developers greater foresight of a possible pathway from year 11 and beyond.
7	The Proposer has provided a mechanism by which components that feed into the wider tariff is allocated. The proposal apportions the Cap and Collar by the proportion of revenue collected for each component. Is there an alternative methodology that could be used?	As discussion in the workgroup has set out, there are a number of ways of dividing the cap and collar values across Peak, Year-Round Shared and Year-Round Not Shared.
8	Should there be a provision to trigger a re-opener in tariffs to reflect the considerable amount	This will be a matter for OFGEM in the approval of each relevant modification. As under DUoS – tariffs should only be opened in exceptional circumstances. Frequent

	of reform planned both through Open Governance and via the TNUoS Task Force?	reopening of the charges is likely to render the modification ineffective in delivering certainty.
9	The Original proposal aims to protect Generators from unpredictable tariffs as the rational is that inefficient costs could ultimately cost consumers more. A breach to the Cap and Collar is socialised to Demand Users. Do you think this is appropriate?	Yes, this appears appropriate. At present, end consumers ultimately face both the costs of the network charges (passed on via wholesale costs, through the CfD etc), as well as the additional cost of risk from unpredictable tariffs. This modification removes this risks in the short term, and so should deliver reduced system costs overall.
10	Please provide any evidence to support the merit of greater predictability over cost reflectivity (Clearly mark your response confidential if you wish this to be directed straight to Ofgem).	As above, improved predictability reduces the need to price in risk. However, given the significant development timelines of some large energy projects, the decision to invest can come significantly more than 10 years before a project comes to fruition. On that basis, this modification may do little to reduce actual risk to developers of new larger assets.