

Code Administrator Consultation Response Proforma**CMP393: Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage**

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 01 May 2024**. 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 Teri Puddefoot terri.puddefoot@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Simon Lord	
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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 checked="" 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** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

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);

- 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 Code Administrator Consultation questions		
1	Please provide your assessment for the proposed solution against the Applicable Objectives?	Mark the Objectives which you believe the proposed 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>It is negative against the baseline.</p> <ul style="list-style-type: none"> a) It will provide an incentive for storage to locate furthest from demand increasing the need for network reinforcement and remove the incentive for storage to locate close to demand, where it can be most effective at reducing consumer costs and increasing competition. b) The charges will have a much reduced/zero locational signal and, as such, will not reflect the development of the network, and will be at odds with the principles underpinning TNUoS charges of cost reflectivity. c) The TOs will plan the network on the basis of generation/demand at peak as such it will not take account of development in the TO's business. <p>In terms of Ofgem's wider objective relating to achieving Net Zero at lowest cost, the modification will remove the location signal for storage to locate close to major demand centres. This is the place where storage is most effective in terms of energy arbitrage and in these locations the network cost will be smallest. It will encourage storage to locate furthest away from demand</p>

		where project land and other costs are lower increasing overall network costs.
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference
		Click or tap here to enter text.
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Click or tap here to enter text.
4	Do you have any other comments?	<p>The modification effectively (by using net load factor, 0% for all storage) proposes removing the year round locational element from storage. The consequence is that in areas closet to demand (typical the South of the GB) storage TNUoS charges increase where as in areas furthest away from demand centre storage costs reduce significantly.</p> <p>Annex 12 shows clear example of the cost increase that will be faced by storage closest to demand centres. There is no justification for cost increases being imposed on this class of users as their location is likely to reduce network size and hence investment. This is clearly at odds with the fundamental design of the TNUoS model, that seeks to impost lowest costs on generation that is sited closest to demand as this will reduce the size of the network.</p> <p>The TNUoS charges are based on peak load flow condition which is the primary design criteria for networks, both the year round and the peak scenarios use the same demand criteria. Analysis was presented to the group (Annex 11) shows that there was low correlatqqions between storage use during period of constraint; this is to be expected as the principle driver of generation (storage or conventional) is market price. Storage has a role to manage constraints but the “reward” for this actively is via the BM and other traded markets where the ESO manages storage (generation and demand) and final demand in real time to relieve constraints with “constrained off” payments being made where appropriate.</p> <p>TNUoS is primarily designed to be cost reflective imposing costs that help to minimise network investment.</p>

	<p>The analysis has shown (Appendix 11) that storage can and does export at time of high levels of system congestion (and by implication demand) as such removing the Year round element from storage is demonstrably not cost reflective. It is highly likely that new storage installations will be treated as generation from a network design perspective as it has the same price seeking characteristics.</p> <p>The proposal seeks to reward storage for demand activity where generation charges are highest; this brings in the prospect of undue discrimination between classes of demand as demand credits are floored in most Northern zones but storage would be able to access these negative charges.</p>
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