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## Workgroup Consultation Response Proforma

### CMP444: Introducing a cap and floor to wider generation TNUoS Charges

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@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com) by **5pm** on **29 January 2025**. 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@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com).

Respondent details	Please enter your details	
<b>Respondent name:</b>	Damian Clough	
<b>Company name:</b>	SSE Generation	
<b>Email address:</b>	Damian.Clough@sse.com	
<b>Phone number:</b>	Click or tap here to enter text.	
<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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** (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 Workgroup, Panel or the industry for further consideration)

For reference the Applicable CUSC (charging) Objectives are:

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- 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 C11 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 and the ISOP business\*;*
- 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.*

\* See Electricity System Operator Licence

\*\*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.

## **For reference, (for consultation question 6) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:**

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

## **What is the EBR?**

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The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the ESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

**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?	<p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input checked="" type="checkbox"/>A</td> <td><input checked="" 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>Yes. Arguably the tariffs in the 10 year forecast are not realistic of what the tariffs will look like especially due to methodology changes and arguably they are too high to invest therefore they need capping. What is unsure is whether Ofgem feel these tariffs are unpalatable as without significant change the tariffs will eventually reach the levels indicated without change</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E			
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/>Yes</p> <p><input type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>						
3	Do you have any other comments?	<p>We think it needs to be made clearer in the analysis, how various other changes may feed into or not feed into the Cap and Collars. For example if rezoning were to happen, how would this impact on the Cap and Collar calculations. For example; WACM7 creates locational differences through scaling due to Zone 1 being a large outlier compared to the range and the other zones, which therefore creates a large scaling amount deducted from the other zones. If however, we were move to two zones in Scotland as currently proposed in CMP419 this removes outliers. Overall,</p>						

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		tariffs will still rise significantly but there won't be any large outlier zones. Will the scaling still exist without an outlier zone? Similar questions need to be asked about the other mods. What will happen with the deciles under the major ETYS Zones etc. Yes, we must compare to the baseline but at the same time be mindful of how they interact with other changes. Will the cap be based on the status quo, and will the other potential methodology changes alter the cap amounts or not?
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) <input checked="" type="checkbox"/> No Should 29/30 data year be included in the current solutions? There is also merit in extending WACM2 and WACM3 to 3 Tier Zones to align more with TO's, potential Major ETYS Zones, and groupings of tariff levels i.e. North of Scotland, South of Scotland and England & Wales. So these are not necessarily new WACMs but there is potential finessing of existing WACMs. Discussion needs to be had whether Ofgem require a suite of options. It would be a shame if a good solution is rejected over one particular aspect of the solution which could be avoided with a matrix type approach.
5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
6	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.

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Specific Workgroup Consultation questions		
7	Do you believe the cap and floor should have an end date? If so, how long or what is the appropriate trigger.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>No. The Cap and Floor is in the baseline so will require extensive consultation to replace, and needs to be replaced with something better.</p>
8	What level of certainty would be required from this modification to best support investment decisions? Please justify any additional protection required (for example grandfathering rights or any other levels of protection).	<input type="checkbox"/> Yes <input type="checkbox"/> No <p>The Cap and Floor does provide a small bit of certainty. It would provide more, if it was made clear that the tariff levels as shown in the 10 year forecast could not be expected to ever happen as opposed to being partially blocked off for a few years.</p>
9	Does the Original proposal with no specific end date provide Developers with sufficient confidence to make an investment decision? Please justify.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Yes as the end date means that the baseline has to be replaced with something better which will be consulted on with Industry. In reality the Cap only provides a small bit of certainty unless Ofgem are stating that the tariffs at the</p>
10	Does the Original Proposal and any of the Alternatives raised achieve the objectives of the Ofgem letter?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>All of the solutions do, but some more than others.</p>
11	Do you agree with the data set proposed for the calculation of the cap and floor? If not, what data set would you propose? What is your view on the use of NESO's 5-year forecast of April 2024?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We now have an up to date 25/26 tariff data set used for actual charge setting. Using the 29/30 charging year is also up for debate in many of the WACMs. It would have been interesting to see how many of the assumptions from the Clean Energy Action Plan and SSEP may have impacted upon the forecasts. How does Generation especially batteries compare to those in the forecasts</p>

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12	Please provide your assessment of the Original Solution and the 7 Alternative Requests discussed by the Workgroup (additionally, please indicate your preferred solution with associated justification):	
Alternative Request		Assessment
Original Solution		This solution only caps the extremities but leaves space for tariff rises elsewhere. This has the possibility of encouraging inefficient investment by capping low in the extremities relative to the forecast but not biting elsewhere (southern), which could actually create the scenario of pushing up tariffs and uncertainty elsewhere on the system where Generation in AR7 is planned to connect. The cap needs to bite for more locations where flows substantially change due to new connections
Alternative Request 1		By having a larger spread (i.e. 90:10) than the original solution, the cap bites for more locations which therefore reduces uncertainty for more potential new connections. It doesn't however maintain locational differences so Users need to be wary with what that may aid. Overall the fact the cap and floor bites makes this an attractive solution in terms of dealing with the defect.
Alternative Request 2		This solution maintains locational differences albeit at less granulation than the baseline but in line with the current solution for rezoning (CMP419), i.e. two major ETYS zones for Scotland. By having two zones it allows the zones to bite for more locations. Extra Zones does add extra complication but we feel this is justified. However, WACM1 bites more locations
Alternative Request 3		As above but tries to ensure that receiving less locational revenue by capping does not negatively impact other Generators. However whether having increased revenues from locating but not actually

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	preventing flows on the system and benefitting from renewables having to locate where it is windy is justified is another argument for another day.
Alternative Request 4	N/A
Alternative Request 5	We need to fully understand how this WACM works in practice, but aligning to policy decisions in itself does create uncertainty rather than remove it.
Alternative Request 6	There is a lot of merit in removing 29/30 as Ofgem clearly state that centrally planned and strategic work and how it is charged is something which is an issue. 29/30 is the first year when the next big tranche of strategic works hits TNUoS. Therefore should we dismiss these from future CFd and strike prices if we believe they are not appropriate to be charged in their totality. We say yes. Other WACMs may want to adopt this WACM into their own solution or as an extra alternative
Alternative Request 7	This solution does create locational differences but how this is done feel slightly like a fudge. A means to an end but it does meet the objectives. The scaling relies on their being an outlier. (Please see other comments for more on this.)