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CUSC Alternative Form - Charging

CMP444 Alternative Request 8: Base data adjustment

Overview: The Alternative proposes that for the cap and floor calculation, 2 years of historic and 3 years of forecast data are used. This means years 23/24-27/28.

Proposer: Lambert Kleinjans, Energiekontor

☒ I/We confirm that this Alternative Request proposes to modify the charging section of the CUSC only

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Guidance for Alternative Proposers

Who can raise an Alternative? Any CUSC or BSC Party, or Citizens Advice can raise an Alternative Request in response to the Workgroup Consultation.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the CUSC Modification Proposal, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Alternatives? ESO will develop the Legal text for all Workgroup Alternative Modifications and will liaise with the Alternative Proposer to do so.

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1. What is the proposed alternative solution?

It is to use the NESO proposed cap and floor, however to use for the data set years 23/24 – 27/28. This is instead of the 5 year forecast.

The background for this are as follows:

- The Ofgem letter identifies great uncertainty and fluctuations in the TNuoS forecasts
- The Ofgem letter identifies concerns in particularly in the context of Clean Power 2030
- The fact is large amounts of consented and buildable by 2030 (implementable) clean power is in Scotland; this generating plant is subject to the largest amount and swings in TNUoS – the large swings lead to an increase in cost of capital
- There is an unprecedented TEC queue of new generating plant and storage – much of it without land rights or planning consents. This is being dealt with through CMP434 and CMP435. According to the recent connections reform consultation only 34% of contracted TEC is ready in terms of land rights and planning.
- The current NESO modelling assumes all of this is implemented and requires network upgrades – it does not consider that storage would reduce the need for upgrades

The reasons for the change are as follows:

- Anything beyond 2027/28 has not yet passed trigger. Anything before trigger can at very low-cost delay it's grid date. Therefore, any new connections beyond this point can be considered speculative.
- In the context of only 34% of the grid queue having secured land rights and planning there appears a large amount of speculative TEC in the forecast
- New Clean Power, particularly in Scotland, is at risk of carrying a large amount of theoretical cost for: 1. speculative upgrades, 2. Upgrades that would be avoided if storage was properly modelled
- The end result would be more costly power for the end consumer as CFD's would end up at higher prices to cover this phantom TNUoS increase that is being modelled, but unlikely to materialise.
- Ofgem have stated in the open letter that:

We also accept that the NGESO's 10-year projections are the only publicly available indication of long-term charge levels. Ofgem has publicly suggested that we do not think those projections are likely to materialise, based on in-progress and planned TNUoS reforms such as those resulting from the TNUoS Task Force. However, we are unable

In short Ofgem recognise that the 10 year forecast is unlikely to materialise due to ongoing reforms. It is important that the cap and floor is set at a level that is nowhere near these figures. Otherwise, there is a risk of locking in a figure which Ofgem do not expect, locking in high costs in cost of capital and CFD's.

- If we are to lock in a figure it is more accurate to fix on actual than forecast. A forecast is a limited view of what may come, therefore 2 years of actual are included in this proposal.
- Going beyond 2027/28 and not using actual, risks projects in Scotland carrying actual increased cost of capital costs of modelling based on inaccurate future data, which Ofgem states is unlikely to materialise. This does not enable fair competition across GB.
- TNUoS are the single biggest operational costs for most Scottish projects and high fluctuations and uncertainty in this leads to increases in cost of capital. It is important that the value is as accurate as possible and enables fair competition across GB.

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2. What is the difference between this and the Original Proposal?

The use of a more cost reflective dataset.

3. What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(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;	Positive: As per the Original Proposal this change would facilitate enhanced competition in generation, by decreasing uncertainty for projects, allowing them to proceed at competitive costs, whether CfD supported or not. Improved cost of capital
(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);	Positive: This Alternative retains the cost-reflective element of TNUoS charges, finding a better level of balance between cost reflectivity and ensuring project required to meet Clean Power 2030 Plan are delivered.
(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*;	Neutral: NO relevant developments apply.
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Positive: Once an appropriate Adjustment Tariff is calculated and applied, this proposal is consistent with these regulations.
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive: This Alternative is easy to calculate and does not increase the admin burden for NESO

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	significantly and no more so that the Original proposal.
<p>* See Electricity System Operator Licence</p> <p>**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.</p>	

When will this change take place?

Implementation date:

Same as Original Proposal, 1st April 2026.

Implementation approach:

Same as Original Proposal, only requiring a slight adjustment to how the value of the cap and floor are derived.

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4. Acronyms, key terms and reference material

Key Terms

Acronym / key term	Meaning
Deciles	A statistical measure that divides a dataset into 10 equal parts, raking data from smallest to largest. Each decile represents 10% of the data.
1 st Decile	The value below which the lowest 10% of the forecast Tariffs sit.
9 th Decile	The value below which the lowest 90% of the forecast Tariffs sit.
Mean	The mean (or arithmetic average) is a measure of the central tendency of a dataset. It is calculated by summing up all the values in the dataset and dividing the total by the number of values.
NESO	National Energy System Operator
Standard Deviation	The standard deviation measures the amount of variation or dispersion in a dataset. It indicates how much individual data points deviate, on average, from the mean. A low standard deviation means the data points are close to the mean, while a high standard deviation indicates they are spread out.

References

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Public Figures

Figure 1. A sample normal distribution, where μ is the mean. **Error! Bookmark not defined.**

Figure 2. Density Function of the System Peak Shared Tariff across all TNUoS zones and years from 2025-2026 to 2029-2030. X-axis: £/kW (in real 2025-2026), y-axis: count. **Error! Bookmark not defined.**

Figure 3. Density Function of the Year Round Shared Tariff across all TNUoS zones and years from 2025-2026 to 2029-2030. X-axis: £/kW (in real 2025-2026), y-axis: count. **Error! Bookmark not defined.**

Figure 4. Density Function of the Year Round Not Shared Tariff across all TNUoS zones and years from 2025-2026 to 2029-2030. X-axis: £/kW (in real 2025-2026), y-axis: count. **Error! Bookmark not defined.**

Figure 5. Year Round Shared Tariff for the 5-year projection across zones (on the x-axis) and years (between lines). SD Floor falls outside of the range of the data. **Error! Bookmark not defined.**

Figure 6. Year Round NOT Shared Tariff for the 5-year projection across zones (on the x-axis) and years (between lines). SD Floor falls outside of the range of the data. **Error! Bookmark not defined.**