

**Second Code Administrator Consultation Response Proforma****CMP344: Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology**

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 January 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 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 |
|-------------------------|---------------------------|
| <b>Respondent name:</b> | Tom Steward               |
| <b>Company name:</b>    | RWE Renewables            |
| <b>Email address:</b>   | Tom.Steward@RWE.com       |
| <b>Phone number:</b>    | 07825900330               |

**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.*

*\*\*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  | Do you believe that the CMP344 Original Proposal better facilitates the Applicable Objectives? | Mark the Objectives which you believe each solution better facilitates:   |
|  |  | <div>Original      <input checked="" type="checkbox"/> A    <input checked="" type="checkbox"/> B    <input type="checkbox"/> C    <input type="checkbox"/> D    <input checked="" type="checkbox"/> E</div> <p>A – Better - This allows offshore generators to compete on a level playing-field with other forms of generation that do not face the risk of IAEs being included in local tariffs. Also allows offshore generators to more closely compete with each other on the basis of underlying project costs, rather than differences in expectation of risk of IAEs occurring.</p> <p>B – Better – IAEs do not constitute a signal that developers are able to respond to - there is no evidence that an offshore generator is able to take any action to avoid the occurrence of IAEs.</p> <p>Some have argued that the risk of IAEs gives developers an incentive to ensure a high standard of cable construction. However under a generator-build approach to offshore transmission construction, a developer already has a very strong incentive to ensure a cable is constructed to an exceptionally high standard. Any cable failures (whether granted an IAE or not) result in the generator being either entirely, or partially, unable to export power – thereby losing significant revenues.</p> <p>Under a pure OFTO-build model, a generator is not involved in the cable development process, and therefore has no influence over the standard of cable construction.</p> <p>The BSUoS taskforce showed that a signal which cannot be responded to becomes a pass-through risk, and is therefore most efficiently placed directly onto demand.</p> |

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|---|--|--|
|   |  | <p>Alternatively, if an IAE may be deemed not to be sending a signal at all then it becomes merely a tool for revenue recovery. This was demonstrated by the TCR and subsequent code modifications to be most efficiently placed directly onto demand users in a way that cannot be easily avoided.</p> <p>C- Neutral</p> <p>D – Neutral</p> <p>E – Better – CMP344 brings clarity to something which is not currently addressed in the CUSC, thereby reducing the risk of lengthy and costly disputes between users and transmission licensees that could arise as a result of the arrangements. CMP344 also reduces the complexity of administration of TNUoS charges – requiring a single-stage recovery from demand users, rather than the current two-stage recovery first from demand users, and then offshore generators in the following price control period.</p> |
| 2 | Do you support the proposed implementation approach? | <p><input checked="" type="checkbox"/> Yes<br/><input type="checkbox"/> No</p> <p>Implementation of CMP344 will have no impact on demand tariffs ahead of the next price control, therefore implementation in April 2023, in line with the introduction of the TDR definition, is a logical approach.</p>  |
| 3 | Do you have any other comments?                      | As demonstrated by the Cornwall Insight analysis, implementation of CMP344 is consistent with taking all possible steps to reduce costs to end consumers.  |