

Email from Kayt Button, Ofgem, to Rob Marshall, ESO, Chair of Modification on 29/04/2020.

Hi Rob

Thank you for your reply. We will not be providing additional guidance to the group regarding P396. We think that the work group is taking a reasonable approach to evaluating different options for the CMP317/327 solution and we will continue to remain independent during this industry-led process.

In my observations of the workgroup, there has been significant debate re- the interpretation of the defects being addressed and the scope of the TCR Direction issued by Ofgem. We would ask the workgroup to carefully consider the defects and the directions that these modifications are seeking to address and ensure that modification proposals are submitted that meet the terms of the TCR Direction. For reference, I have pulled out some of the relevant descriptions from the modification proposal and the TCR Direction below.

The stated purpose of CMP317 is:

To define, for the purposes of EU regulation 838/2010, which specific elements of generator TNUoS pertain to assets required for connection, which specific elements should therefore be excluded when considering whether generator TNUoS charges fall within the stipulated range of €0-2.50/MWh and to establish a methodology for maintaining compliance in charge setting on an ex ante and an ex post basis. This is necessary as the application of section 14.14.5 (v) of the CUSC no longer ensures compliance with the €0 - €2.5/MWh charge range in future year.

The purpose of CMP327 is to meet the terms of the TCR Direction and the proposal states:

On 21st November 2019 The Authority directed The Company to change the TNUoS Charging Methodology such that the Residual element of Generator TNUoS is £0 and ensure that the correct interpretation of 838/2010 is incorporated. This CMP has been raised to give effect to that direction.

The TCR Direction states:

The Proposal(s) must set out proposals to modify the Use of System Charging Methodology, Section 14 of CUSC to set the TGR to £0, subject to ensuring ongoing compliance with EU Regulation No 838/2010 (in particular, the requirement that average transmission charges paid by producers in each Member State must be within prescribed ranges – which for Ireland, Great Britain and Northern Ireland is 0 to 2.50 EUR/MWh). This should be achieved by charging generators all applicable charges (having factored in the correct interpretation of the connection exclusion as set out in EU Regulation 838/2010), and adjusted if needed to ensure compliance with the 0 to 2.50 EUR/MWh range.

If the workgroup thinks that additional changes are required to the CUSC to meet the requirements of the TCR Direction (over and above incorporation of the correct connection exclusion and setting the TGR to zero) it should incorporate such changes into WACMs together with clear justification for their inclusion. We will consider the final modification report (including alternatives) when submitted.

We welcome a constructive approach to engagement with industry on issues arising. Clearly there may be differing opinions among industry but equally there is significant expertise among the panel members to enable them to resolve how they intend to address such issues. This is the nature of the industry led process and rather than us intervening by seeking to resolve these issues outside of the formal process (by providing guidance mid-way through it), the industry should instead seek to address such issues itself and provide its collective considered recommendation to us in the form of the FMR. Clearly we welcome any observations.

Many Thanks

Kayt

**Kayt Button**

Senior Manager

Electricity System Integration

10 South Colonnade

Canary Wharf

London

E14 4PU