

Workgroup Vote – Stage 2

CMP317 and CMP327: Workgroup Vote

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) If WACMs exist, vote on whether each WACM better facilitates the Applicable CUSC Objectives better than the Original Modification Proposal.

2c) Vote on which of the options is best.

The Applicable CUSC Objectives (Charging) are:

- 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 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and
- e. Promoting efficiency in the implementation and administration of the CUSC arrangements.

*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Workgroup Vote

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

Y = Yes, N = No, (-) = Neutral

ACO = Applicable CUSC Objective

| Workgroup Member | Better facilitates ACO (a) | Better facilitates ACO (b) | Better facilitates ACO (c) | Better facilitates ACO (d) | Better facilitates ACO (e) | Overall (Y/N) |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------|
| Grace March – Sembcorp | | | | | | |
| Original | N | - | Y | Y | - | N |
| WACM 1 | N | - | Y | Y | - | N |
| WACM 2 | Y | - | Y | N | - | Y |
| WACM 3 | Y | - | Y | N | - | Y |
| WACM 4 | Y | - | Y | N | - | Y |
| WACM 5 | N | - | Y | N | - | N |
| WACM 6 | N | - | Y | N | N | N |
| WACM 7 | N | - | Y | Y | - | N |
| WACM 8 | N | - | Y | Y | - | N |
| WACM 9 | Y | - | Y | N | - | Y |
| WACM 10 | Y | - | Y | N | - | Y |
| WACM 11 | Y | - | Y | N | - | Y |
| WACM 12 | N | - | Y | N | - | N |
| WACM 13 | N | - | Y | N | N | N |
| WACM 14 | N | - | Y | Y | - | N |
| WACM 15 | N | - | Y | Y | - | N |
| WACM 16 | Y | - | Y | Y | - | Y |
| WACM 17 | Y | - | Y | Y | - | Y |
| WACM 18 | Y | - | Y | Y | - | Y |
| WACM 19 | N | - | Y | Y | - | N |
| WACM 20 | N | - | Y | Y | N | N |
| WACM 21 | N | N | Y | Y | N | N |
| WACM 22 | N | N | Y | Y | N | N |
| WACM 23 | Y | - | Y | N | N | Y |
| WACM 24 | Y | - | Y | N | N | Y |
| WACM 25 | Y | - | Y | N | N | Y |
| WACM 26 | N | - | Y | N | N | N |
| WACM 27 | N | - | Y | N | N | N |

| | | | | | | |
|---------|----------|----------|----------|----------|----------|----------|
| WACM 28 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 29 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 30 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 31 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 32 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 33 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 34 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 35 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 36 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 37 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>Y</i> |
| WACM 38 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>Y</i> |
| WACM 39 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>Y</i> |
| WACM 40 | <i>N</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 41 | <i>N</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 42 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 43 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 44 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 45 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 46 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 47 | <i>N</i> | - | <i>Y</i> | <i>N</i> | - | <i>N</i> |
| WACM 48 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 49 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 50 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 51 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 52 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 53 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | - | <i>Y</i> |
| WACM 54 | <i>N</i> | - | <i>Y</i> | <i>N</i> | - | <i>N</i> |
| WACM 55 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 56 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 57 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 58 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | - | <i>Y</i> |
| WACM 59 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | - | <i>Y</i> |
| WACM 60 | <i>Y</i> | - | <i>Y</i> | <i>Y</i> | - | <i>Y</i> |
| WACM 61 | <i>N</i> | - | <i>Y</i> | <i>Y</i> | - | <i>N</i> |
| WACM 62 | <i>N</i> | - | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 63 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 64 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 65 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 66 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 67 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 68 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 69 | <i>N</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>N</i> |
| WACM 70 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 71 | <i>N</i> | <i>N</i> | <i>Y</i> | <i>Y</i> | <i>N</i> | <i>N</i> |
| WACM 72 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 73 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |
| WACM 74 | <i>Y</i> | - | <i>Y</i> | <i>N</i> | <i>N</i> | <i>Y</i> |

| | | | | | | |
|---------|----------|----------|----------|----------|----------|----------|
| WACM 75 | N | - | Y | N | N | N |
| WACM 76 | N | - | Y | N | N | N |
| WACM 77 | N | N | Y | Y | N | N |
| WACM 78 | N | N | Y | Y | N | N |
| WACM 79 | Y | - | Y | Y | N | Y |
| WACM 80 | Y | - | Y | Y | N | Y |
| WACM 81 | Y | - | Y | Y | N | Y |
| WACM 82 | N | - | Y | Y | N | N |
| WACM 83 | N | - | Y | Y | N | N |

Voting Statement:

The original proposal does not specify a target which, because the way nodal prices are calculated, means generators will be charged at the upper end of the Limiting Regulation. This will have a significant negative effect on international competition and cross-border trade. The distortion between Embedded Generators and Transmission connected generators caused by the negative TGR has a far smaller impact, both in volumes, number of parties and the effect on the wholesale price. Proposals that have no set target, or a target significantly above the upper limits for the rest of Europe are therefore negative against ACO (a).

The definition of assets required for connection that satisfies the Regulation most accurately is "All local circuits & local substations except for pre-existing assets and shared assets".

Generator Only Spurs were used in the CMA's decision as a useful and easily understandable example, but is too narrow to be the appropriate definition. All local circuits and substations is the neatest definition, as it uses terms already used and understood within the charging methodology, but is too broad and would result in generators being charged more than the upper limit. WACMs that use these two definitions are therefore negative against ACO (d).

The other charges suggested by the Workgroup as being in scope of the Limiting Regulation have merit, and a serious material impact. Including these charges in the calculation of charges paid by generators would better facilitate ACO (d) than proposals that do not consider them. The proposed 2-step Ex Ante adjustment seems the most practical way to ensure the Limiting Regulation is not breached, without overly affecting TNUoS charges on generators. WACMs that do not use the 2-step Ex Ante adjustment risk creating volatility because of the unpredictable nature of Congestion Management charges, and therefore distort the long term cost reflective signal that GTNUoS is meant to give. These WACMs are therefore negative against ACO (b). As BSC funding charges are outside the scope of the CUSC, WACMs that incorporate this charge are slightly negative against ACO (e) but the predictable and forecastable nature of this charge means cost reflectivity is preserved and the correct interpretation of the Limiting Regulation will have a positive impact on cross-border trade. In this regard, WACMs that incorporate BSC funding charges are positive against ACO (a) and (d).

I believe WACMs that propose a phased transition for targets of €1.25/MWh are unnecessary, given the lower materiality of the change in costs and therefore are negative against ACO (e). For WACMs that have no set target (so in practice will be closer to the current charges on generators), phasing is definitely appropriate to allow generators to reflect the increase in costs in the wholesale market.

All proposed solutions are in response to the Direction to the ESO to raise CMP327, and therefore are positive against ACO (c).

The best solutions is therefore the ones that use the correct definition of assets required for connection (All local circuits & local substations except for pre-existing assets and shared assets), have a target at or close to €0.5/MWh to facilitate cross-border trade and incorporates

BSC and congestion charges. This combination will give the correct interpretation of EU regulation 838/2010, facilitating ACO(d), have a positive effect on competition between domestic and EU generation, facilitating ACO(a), and allow the ESO to minimise risk of a breach of the Limiting Regulation, thus facilitating ACO(c). Whilst incorporating BSC charges gives a negative impact on ACO(e), it is necessary given Ofgem's decision on P396 which explicitly confirmed "*the Main Funding Share and SVA (Production) Funding Share charges recovered via BSC Charges [are] network access charges for the purposes of the Electricity Regulation [838/2010]*". The best solutions are therefore WACMs 79 to 81. A target of €0/MWh is similar to other member states, so facilitating cross-border trade, and removes the exchange rate risk in the calculation.

Stage 2b – WACM Vote (If required)

Where one or more WACMs exist, does each WACM better facilitate the Applicable CUSC Objectives than the Original Modification Proposal?

| Workgroup Member (Insert Name) | |
|--------------------------------|-----------------------------|
| WACM | Better than Original Yes/No |
| WACM 1 | No |
| WACM 2 | Yes |
| WACM 3 | Yes |
| WACM 4 | Yes |
| WACM 5 | Yes |
| WACM 6 | Yes |
| WACM 7 | Yes |
| WACM 8 | Yes |
| WACM 9 | Yes |
| WACM 10 | Yes |
| WACM 11 | Yes |
| WACM 12 | Yes |
| WACM 13 | Yes |
| WACM 14 | Yes |
| WACM 15 | Yes |
| WACM 16 | Yes |
| WACM 17 | Yes |
| WACM 18 | Yes |
| WACM 19 | Yes |
| WACM 20 | Yes |
| WACM 21 | No |
| WACM 22 | No |
| WACM 23 | Yes |
| WACM 24 | Yes |

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|---------|-----|
| WACM 25 | Yes |
| WACM 26 | Yes |
| WACM 27 | Yes |
| WACM 28 | Yes |
| WACM 29 | Yes |
| WACM 30 | Yes |
| WACM 31 | Yes |
| WACM 32 | Yes |
| WACM 33 | Yes |
| WACM 34 | Yes |
| WACM 35 | Yes |
| WACM 36 | Yes |
| WACM 37 | Yes |
| WACM 38 | Yes |
| WACM 39 | Yes |
| WACM 40 | Yes |
| WACM 41 | Yes |
| WACM 42 | No |
| WACM 43 | No |
| WACM 44 | Yes |
| WACM 45 | Yes |
| WACM 46 | Yes |
| WACM 47 | Yes |
| WACM 48 | Yes |
| WACM 49 | Yes |
| WACM 50 | Yes |
| WACM 51 | Yes |
| WACM 52 | Yes |
| WACM 53 | Yes |
| WACM 54 | Yes |
| WACM 55 | Yes |
| WACM 56 | Yes |
| WACM 57 | Yes |
| WACM 58 | Yes |
| WACM 59 | Yes |
| WACM 60 | Yes |
| WACM 61 | Yes |
| WACM 62 | Yes |
| WACM 63 | No |
| WACM 64 | No |
| WACM 65 | Yes |
| WACM 66 | Yes |
| WACM 67 | Yes |
| WACM 68 | Yes |

| | |
|---------|-----|
| WACM 69 | Yes |
| WACM 70 | Yes |
| WACM 71 | Yes |
| WACM 72 | Yes |
| WACM 73 | Yes |
| WACM 74 | Yes |
| WACM 75 | Yes |
| WACM 76 | Yes |
| WACM 77 | Yes |
| WACM 78 | Yes |
| WACM 79 | Yes |
| WACM 80 | Yes |
| WACM 81 | Yes |
| WACM 82 | Yes |
| WACM 83 | Yes |

Stage 2c – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1 or WACM2)

| Workgroup Member | Company | BEST Option? | Which objective(s) does the change better facilitate? (if baseline not applicable) |
|------------------|-------------|--------------|--|
| Grace March | Sembcorp UK | WACM79 | ACO (a), (c) and (d) |