

**CUSC Code Administrator Consultation Response Proforma****CMP343 & CMP340 - Transmission Demand Bandings and allocation (TCR)**

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 **22 September 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation, please contact [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>	Gerard Armstrong
<b>Company name:</b>	South Tees Site Company Ltd
<b>Email address:</b>	Gerard.Armstrong@southteesdc.com
<b>Phone number:</b>	+44 (0) 7783 421834

**CMP343****For reference the applicable CUSC Charging objectives 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 use of system charging methodology.*

*\*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).*

**CMP340****For reference the applicable CUSC non-charging objectives are:**

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- b) *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and*
- d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

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

**Please express your views in the right-hand side of the table below, including your rationale.**

<b>CMP343 - Standard Code Administrator Consultation questions</b>		
1	Do you believe that the CMP343 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7, WACM8 or WACM9 better facilitates the Applicable CUSC Charging Objectives?	<p>South Tees Site Company Ltd has two sites connected to the transmission system.</p> <p>Our understanding of the TCR reform was that it would make recovery of network charges fairer for users.</p> <p>There is a diverse range of customer sites connected to the transmission network and we feel that the most appropriate banding option or WACM is one that uses the 4 (or more) band approach. Customers must also be able to move between bands to ensure no undue discrimination between system users and ensure the TO charges do not distort competition in other markets (chemicals, steel, cement, etc.). The proposal for 1 band is not consistent with objective a) as it is unduly discriminatory in treating very different sites the same manner. On object b) it seems neither fair nor cost reflective. Finally, it seems inconsistent with Ofgem's primary duty to protect the interests of customers.</p> <p>Without some banding a 2MW demand and a 2GW demand pay the same price, which just does not seem to be either equitable or cost reflective. The 2MW site cannot be using the same amount of the TO as a 2GW site would. Such a huge spread must create the risk that Ofgem incentivises sites to either come off the TO onto the DNO or to just go "off-grid" either via generation on-site or by relocating business offshore. The latter would not seem consistent with the</p>

	<p>Government's industrial strategy and our understanding is most TO networks are already congested.</p> <p>Considering the interests of customers, take the example of two chemicals plants. One is 20MW and another 100MW, can Ofgem think of any other markets (water, chemicals, haulage, telecoms, gas, etc.) in which the difference in demand of this scale results in the same charge? Now let's say the 20MW site expands to 200MW, but the 100MW plant goes down to 50MW due to energy efficiency improvements – would other markets simply not reflect this?</p> <p>If other I&amp;C customers saw this scale of difference in demand on the DNO networks, the TCR analysis suggests they move between bands. So if there is no change in charges because a customer is TO connected this cannot be seen as being fair, cost reflective or unduly discriminatory. Ofgem needs to be mindful that many of the sites are TO connected because that is where they were told to connect – they had no choice.</p> <p>Interestingly, Ofgem's one band proposal also removes an incentive to improve energy efficiency, as the total cost of energy for a TO connected customers will be relatively minimal and they would be looking to reduce their total energy bill not just the energy element.</p> <p>While we understand that Ofgem believes that customers should not be able to avoid residual charges, many customers have undertaken significant capital investment to manage Triads. These assets will now become stranded as the value of "energy saved" will have to be so much higher if that energy management does not include the saving on reducing the need for a bigger TO network. We note that much of the TO cost increases comes from investment in things like offshore wind and the bootstraps. Larger TO connected users do not benefit from these plants, which is recognised in the EII scheme. Instead what is vital to them is international competitive energy prices and we have seen no evidence that Ofgem has undertaken any assessment of the impact on such customers. Instead Ofgem's impact assessment refers to I&amp;C customers, which will include retail, car manufacture, etc. I&amp;C is not like EII, who already need to be energy efficient as energy is a significant proportion of cost (up to 80-90% in some industries). Most are also international</p>
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		<p>companies so can move offshore, as we have seen happen over the years in sectors such as steel.</p> <p>Furthermore, once investors write off equipment for demand management, and the embedded benefits have been removed, is Ofgem convinced that the TO could take the peak demand that may result? Again, we have seen no robust analysis that we will not face the equivalent of a rushed interruption service in a cold winter (similar to GC143 that gencos faced).</p>
2	Do you support the proposed implementation approach for CMP343?	We support the implementation timescales of April 2022, but only if issues with complex sites such as ours can be resolved. Our site has a flow through issue, so there is a need to match the final demand in a situation with more than one band.
3	Do you have any other comments for CMP343?	We would strongly urge Ofgem that they remain consistent to the principles they used to determine the recovery of charges from sites at the distribution level. We see that EHV sites, where there is also a varied amount of different sized sites connected to the network, that a 4-band approach was approved. We see no other compelling reasoning why this should not also be the case for sites connected to the transmission network.

**CMP340 - Standard Code Administrator Consultation questions**

1	Do you believe that the CMP340 Original solution, WACM1 or WACM2 better facilitates the Applicable CUSC Objectives?	No comment
2	Do you support the proposed implementation approach for CMP340?	No comment
3	Do you have any other comments for CMP340?	No comment.