

**CUSC Code Administrator Consultation Response Proforma****CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1<sup>st</sup> April 2021'**

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 **2pm on 19 November 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 Mullen [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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**For reference the applicable CUSC 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 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).*

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 CMP353 Original solution facilitates the Applicable Objectives?	<p>I understand the proposer's concern that there will large locational impacts due to the change in the Expansion Constant and Expansion Factors. Due to the timing to this change, parties that see significant change will have little time to prepare, whereas parties in zones that see less change will be less affected. Preventing such a large change to the variables will support competition between existing Users as it removes the locational shock. However, it is well known that the variables would be recalculated at the beginning of a price control and existing figures inflated by RPI are placeholders. Suppressing the locational signal prevents accurate signalling of networks costs and "protects" some Users from the true cost of their network use. Due to the locational nature of the impact, some areas will appear to be lower cost than the TO data suggests they are, this distorting charging signals for future Users. This Modification is intended to be temporary, so the risk to ongoing charging signals is, hopefully, minimal. On balance, this Modification is slightly positive against ACO(a).</p> <p>There is no reason to believe that network costs going forward are not represented by the TO data. With tighter price controls and more emphasis on non-network solutions, the change in TO costs that has led to this increase in the Expansion Constant is likely to continue. This modification is choosing to ignore developments in transmission businesses. The modification is therefore negative against ACO(c).</p> <p>Overall, I do not believe this Modification facilitates the ACOs.</p>
2	Do you support the proposed implementation approach?	<p>Yes, but I am concerned there is no formal plan for addressing the underlying issue as soon as possible. It is clear the proposer intends this modification to be a temporary fix, but there is the potential for a lasting solution to take time, allowing this non-cost-reflective charging to continue. The legal text does not specify a time to revert to the baseline methodology if no other solution is found.</p>

3	Do you have any other comments?	<p>The delay in getting the data from the TOs is unfortunate but the ESO have confirmed in the Transmission Charging Methodology Forum that they are reasonably confident there is consistency across the TOs. I understand there is a question about whether the cost data provided is consistent with that used for RIIO-T1, but the proposer has not presented any evidence to confirm or deny that to industry.</p> <p>The nature of network builds has changed since the beginning of the previous price control and NG ESO and NGET seem to believe the difference from before RIIO-T1 will continue throughout RIIO-T2. To prevent those changes in network costs coming through into the charges because they would affect some Users more than others seems to miss the main point of locational charging. The proposer has raised this modification in response to industry concerns that the sudden and significant change in these variables is causing volatility in the tariffs. I believe that is a side effect of that fact that these variables are reviewed infrequently and information allowing industry to make their own estimates is largely unavailable. Looking at April 2021 tariffs in particular, as this modification is intended to be temporary, there is such a large range of scenarios (such as CMP317/327) that the absolute change due to the Expansion Constant is lost in the noise. This modification, in fact, adds yet another scenario to the November forecasts for parties to juggle. I wholeheartedly support the ESO's aim to want to understand the locational impact and prepare Users but it does not make sense to ignore the baseline methodology because the result is a surprise. The process and timings behind recalculating the expansion factor should definitely be examined, regardless of the end result of this Modification.</p>
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