

CUSC Code Administrator Consultation Response Proforma**CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st 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 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 or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Alwyn Poulter
Company name:	Vattenfall
Email address:	Alwyn.poulter@vattenfall.com
Phone number:	07771528054

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 use of the 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).*

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 better facilitates the Applicable Objectives?	<p>Vattenfall supports the implementation of CMP353 and believes that the modification better facilitates the Applicable Objectives.</p> <p>We believe that, if implemented at the start of the RII02 price control, the current EC and EFs methodology would lead to reduction in the level of competition in the electricity generation market.</p> <p>It is likely that a TNUoS cost shock to certain parties with little advance notice of the effects it will have on them will erode investor confidence in the UK electricity market and would likely impact development portfolios. This is likely to reduce the number of projects, or the timing of investments and reduce competition in the market.</p> <p>We would also note that there is currently significant volatility in TNUoS pricing, and investors need cost certainty and clear TNUoS forecastability when planning and delivering long-term investments at lowest cost of the UK consumer.</p> <p>We also note that locational price volatility is a significant challenge for operation sites, where projects have been built and financed at a specific point in time based on the best view of TNUoS. These projects cannot react to changes in locational signals, therefore volatility in TNUoS costs simply adds risk to the projects.</p> <p>Lastly, we note that the greatest negative impact will be on generation in regions (Scotland in particular) with the greatest prospective renewable energy resource. A further c.60% rise increase in TNUoS compounded with the impact of TCR will more than double TNUoS charges for these projects. Since TNUoS charges in these regions are already a very significant proportion of project LEC these increases may undermine the business cases of several otherwise active viable projects and thereby reduce the future volume of renewable electricity. This cost increase will also impact on repowering and life extension decisions and may lead to further greenfield development. Conversely it is likely to incentivise carbon-emitting generation in regions of low renewable energy resource. Without this</p>

		modification the cost of meeting net zero may increase if the UK needs to procure more expensive technologies in the place of lower cost renewable energy sources to decarbonise the electricity sector
2	Do you support the proposed implementation approach?	<p>We support the implementation of this modification in time for the Apr-21 price control and recommend an early decision process to allow this to take place.</p> <p>We believe that the inflation index should be in line with the RII02 final determinations.</p>
3	Do you have any other comments?	We believe it is vitally important that any data used to drive TNUoS pricing is robust and complete, and it is important that the enduring solution is progressed and provides certainty for industry.