



**ScottishPower Energy Management Limited**  
27 May 2015

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**CUSC Modification Proposal  
CMP264 – Embedded  
Generation Triad Avoidance  
Standstill (EGTAS)**

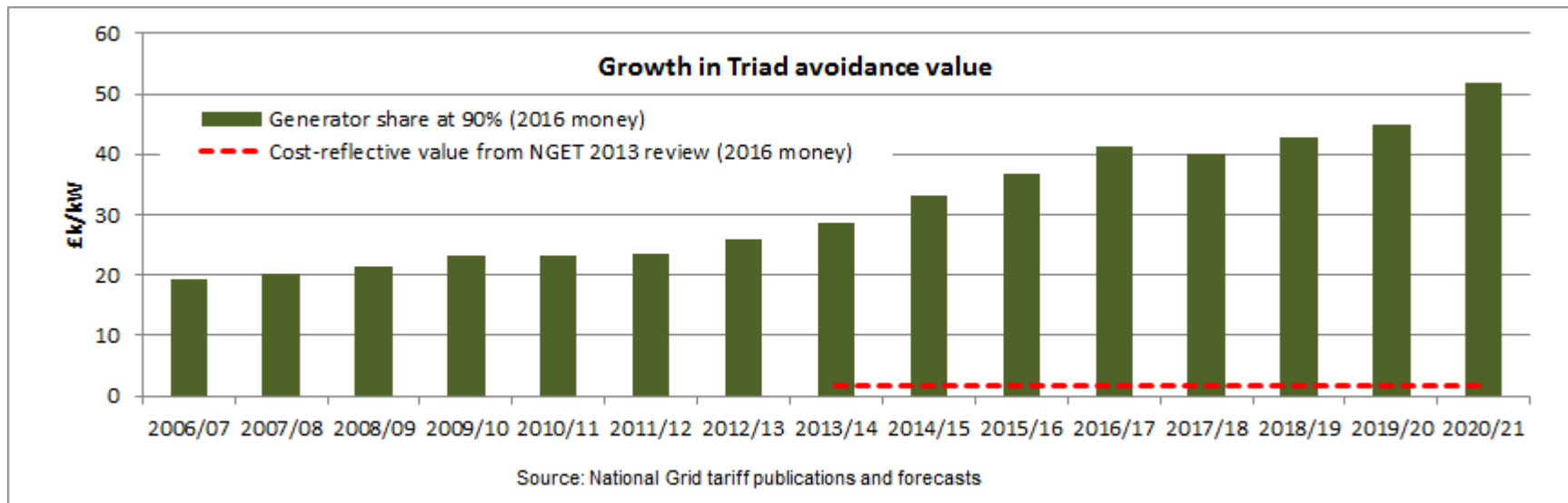
# Embedded Generation Triad Avoidance Standstill (EGTAS) Proposal

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- **Issue that CMP264 seeks to address**
- **How CMP264 addresses the issue**
- **Why CMP264 better meets the code objectives**

# Significant and sharply growing triad avoidance benefits not justified by costs

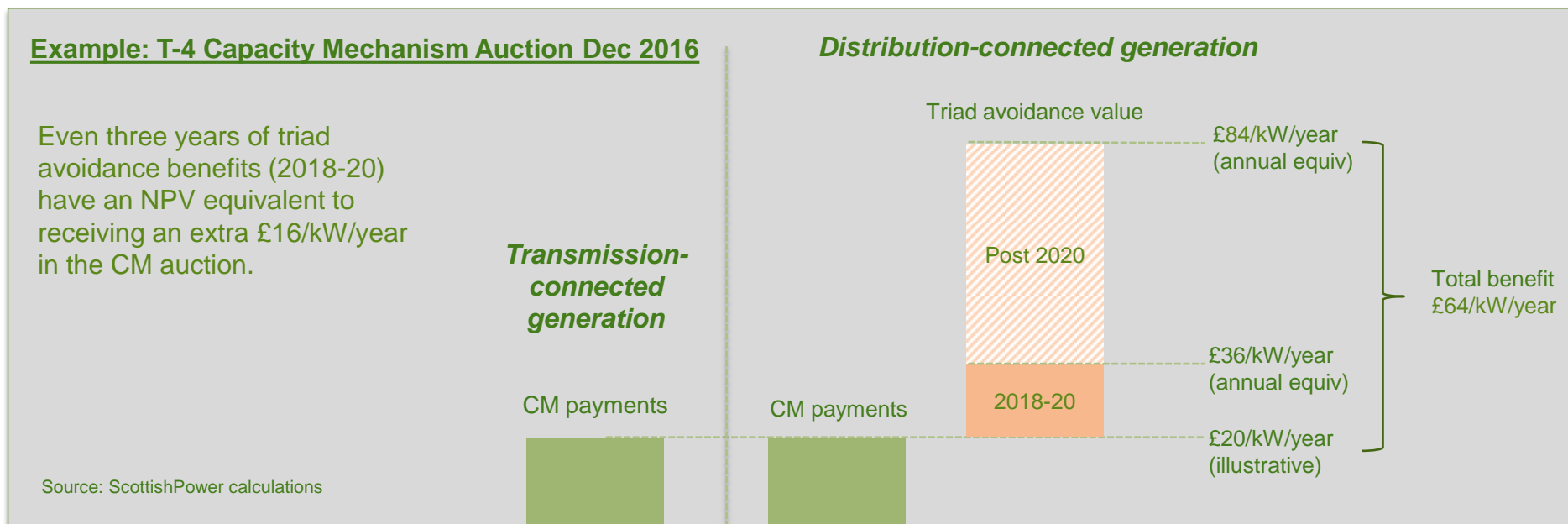
- Embedded generators registered to a Supplier BM Unit may receive a significant benefit from the supplier in respect of reduced TNUoS charges – “Triad avoidance”
- NGET analysis suggests that the value of Triad avoidance is more than 20 times greater than the associated savings from avoided transmission network investment
  - NGET determined average cost saving was **£1.62/kW/year** in 2013/14 money<sup>1</sup>
  - 5 out of the 18 schemes that were assessed showed cost savings of less than **50p/kW/year**
  - average Triad avoidance value for embedded generator in 2018/19 around **£43/kW/year** and growing significantly thereafter



<sup>1</sup> National Grid, Review of the Embedded (Distributed) Generation Benefit arising from transmission charges, 20 December 2013

## Distortion of competition is illustrated by effect on CM

- Large non-cost reflective Triad avoidance values likely to distort CM investment (or closure) decisions, favouring embedded generation units over others by c. £60/kW. If this changes outcomes, it could lead to higher total system costs, higher long term prices and possibly higher emissions
- Ofgem currently considering these issues, but implementation of any resulting changes (eg through SCR) likely to take some time
- Significant distortions to investment could take place in the interim, as a result of non-cost reflective Triad avoidance income received (assuming small units can be built within a year of auction)



## How CMP264 addresses these issues

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- CMP264 limits detriment by suspending access to Triad avoidance for New Embedded Generators (NEGs) until completion and implementation of Ofgem review
  - NEG defined as a half hourly metered embedded generation unit commissioned after 30 June 2017
  - “commissioned” defined as having an MPAN registered and having commenced generation
  
- Suspension is achieved by disallowing the netting of output from NEGs when calculating demand volumes for use in setting supplier tariffs in the Transport and Tariff model and for actual billing
  
- Changes to charging methodology will be temporary, and no enduring difference of treatment between new and existing generation will be created
  - changes will cease to have effect on the “disapplication date”
  - disapplication date is the date when Ofgem confirms that it has completed its consideration of the issues (and any review which may ensue) and any resulting changes have been fully implemented
  
- A BSC amendment will be required to amend the metering data reports to provide information needed to disallow the netting for NEGs

## Why the proposal better meets the code Charging Objectives

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### **Objective (a): facilitation of effective competition**

The modification will mitigate the effects of the current lack of a level playing field between investing in embedded generators and transmission connected generators (and BEGAs) during the period of Ofgem's review, thus better facilitating competition in the generation and supply of electricity.

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### **Objective (b): Cost-reflective charging**

Given the low levels of actual cost savings realised through the Triad management schemes, the suspensory action would ensure that, in respect of New Embedded Generators during the period of Ofgem's review, charges would better reflect costs.

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### **Objective (c): Take account of developments in transmission businesses**

Developments in the transmission system have led to an increase in Triad values, thus increasing the distortions created by embedded generation Triad avoidance to an unsustainable level. This modification mitigates the effect of this by temporarily removing distortion of investment decisions until Ofgem has completed its consideration of the issues (including any review which may ensue) and fully implemented any resulting changes.

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### **Objective (d): Compliance with European rules**

Neutral

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# Summary

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## What we're trying to achieve

- Prevent distortion of investment decisions during Ofgem's consideration and any review process
- Ensure security of supply is delivered as efficiently as possible in next few years

## What we're not trying to achieve

- Solve the long term problem of how to structure transmission network charges
- Establish the precise level of cost-reflective savings
- Address the question of how much grandfathering may (or may not) be appropriate in a long term solution

## Modification timetable



Heena Chauhan – Code Administrator



## Proposed timeline

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26 May 2016	CUSC Modification Proposal submitted
27 May 2016	CUSC Modification tabled at Panel meeting
27 May 2016	Request for Workgroup members (7 Working days)
W/C 13 June 2016	Workgroup meeting 1
W/C 4 July 2016	Workgroup meeting 2
1 August 2016	Workgroup Consultation issued (15 Working days)
22 August 2016	Deadline for responses
30 August 2016	Workgroup meeting 3
22 September 2016	Workgroup report issued to CUSC Panel
30 September 2016	CUSC Panel meeting to discuss Workgroup Report

## Proposed timeline

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4 October 2016	Code Administrator Consultation issued (15 Working days)
25 October 2016	Deadline for responses
31 October 2016	Draft FMR published for industry comment (5 Working days)
7 November 2016	Deadline for comments
17 November 2016	Draft FMR circulated to Panel
25 November 2016	CUSC Panel Recommendation vote
30 November 2016	FMR circulated for Panel comment (5 Working days)
7 December 2016	Deadline for Panel comment
13 December 2016	Final report sent to Authority for decision
20 January 2017	Indicative Authority Decision due (25 Working days)
3 February 2017	Implementation date (10 Working days later)