

CMP261 'Ensuring the TNUoS paid by Generators in GB in Charging Year 2015/16 is in compliance with the €2.5/MWh annual average limit set in EU Regulation 838/2010 Part B (3)'



CUSC Panel – 25 November 2016
John Martin– National Grid

Background

- CMP261 was raised by SSE and was submitted to the CUSC Modifications Panel for their consideration on 9 March 2016.
- CMP261 seeks to ensure that there is an ex post reconciliation of the TNUoS paid by GB Generators during charging year 2015/16 which will take place in Spring 2016 with any amount in excess of the €2.5/MWh upper limit being paid back, via a negative Generator residual levied on all GB Generators who have paid TNUoS during the period 1st April 2015 to 31st March 2016 inclusive.

Workgroup Consultation

- **Nine** responses were received to the Consultation and were considered by the Workgroup.
- **Six** respondents supported the original proposal as better meeting the Applicable CUSC Objectives. **three** respondents did not support it because they believed that the modification does not better facilities the applicable CUSC Objectives as non-compliance has not yet been determined.
- All respondents supported the implementation approach with some caveats that it would be more prudent to allow Supplier sufficient time to correct pricing by collecting monies in a future Charging Year.

WACMS

- 3 WACMs were agreed by the Workgroup
 - **WACM1:** Carries out a Generator Rebate ASAP, charging Suppliers through tariffs in 2018/19;
 - **WACM2:** Carries out both reconciliations through tariff adjustments in the Charging Year 2017/18;
 - **WACM3:** Carries out both reconciliations through tariff adjustments in the Charging Year 2018/19;

Workgroup Conclusions

- Terms of Reference have been met;

	Evidence in Workgroup Report
<i>a) Implementation</i>	Section 4
<i>b) Review draft legal text (agreed by the Workgroup)</i>	Annex 13
<i>c) Consider the legality of breaching the regulation then reconciling the difference the following year</i>	Section 2
<i>d) Assess Impact on Competition</i>	Section 2
<i>e) Assess the impact on Suppliers</i>	Section 2
<i>f) Assess the Impact on the Consumer</i>	Section 2
<i>g) Consider any impact with related CUSC modification Proposal</i>	Section 2
<i>h) Consider when €2.50 is to be calculated</i>	Section 2
<i>i) Consider 2 year delay in the transfer of funds between Generators and Suppliers</i>	Section 4

Proposed CUSC Modification

- This Proposal seeks to amend;
 - CUSC Section 14 – Charging Methodology

Code Administrator Conclusions

- **13** responses were received to the Code Administrator Consultation.
- A variety of views were recorded.
 - **7** respondents supported the Original Proposal and WACM1 because the two options would better facilitate Applicable CUSC Objectives (a), (b) and (d) to ensure that Generator charges for 2015/16 do not breach the €2.50 cap. The majority of respondents preferred WACM1 as it would allow more time for charges to be reflected in Supplier charges, thus minimizing the impacts on the consumer.
 - **6** respondents did not support any change to the current arrangements as any changes would have a negative impact on CUSC objectives (a), (b) and (d) for a variety of reasons ranging from: no clear defect has been identified, sufficient evidence has not been provided that the cap has been breached and organisations with more generation than demand would benefit, organisations with less generation than demand would lose out.

National Grid View

- National Grid considers that it is not clear whether a defect exists. National Grid has followed an industry-agreed process to set the G:D split, established by the CMP224 industry working group, and subsequently ratified by the Regulator, to comply with EU Regulation 838/2010. The CMP224 methodology preserved the ex ante principle that tariffs are set in advance. This is consistent with the intention of EU Regulation 838/2010, which is designed to promote cross border trade.

Minor Changes

- 2 minor changes have been made since the publication of the DFMR:
 - SSE's summary Code Administrator Consultation response has been amended following support of summarising the response by SSE and;
 - Simon Vicary noted a mistake in his voting text which has been amended (highlighted in red below)

*7.12 The adjustment of generation tariffs in 2017/18 (**WACM2**) or 2018/19 (**WACM3**) will not ensure that the generators that overpaid TNUoS in 2015/16 receive adjustments that correctly reverse their overpayments*

Questions before Panel Vote?



Panel Recommendation Vote – Charging Objectives

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

Proposed Timetable

25 Nov 2016	Panel Recommendation Vote
28 Nov 2016	Final FMR circulated for Panel comment
30 Nov 2016	Deadline for Panel comment
2 Dec 2016	Final report sent to Authority for decision
13 Jan 2017	Indicative Authority Decision due
30 Jan 2017	Implementation Date