

Workgroup Consultation Response Proforma**CMP411: Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies.**

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 **5pm** on **7 July 2023**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network <input type="checkbox"/> Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body	<input type="checkbox"/> Interconnector <input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential

☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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 *; and*
- e. *Promoting efficiency in the implementation and administration of the system charging methodology.*

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

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

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitate the Applicable Objectives?	<p>Mark the Objectives which you believe the Original better facilitates:</p> <p>Original <input checked="" type="checkbox"/>A <input type="checkbox"/>B <input checked="" type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</p> <p>This proposal introduces a concept that will ultimately benefit competition and therefore satisfies CUSC Objective a.</p> <p>Correct allocation of costs between Users is paramount. The proposal does not allow us to make the necessary judgement against CUSC objective b, which we are negative on given the information contained in the workgroup report.</p> <p>Anticipatory Investment is a new concept within the CUSC but the inclusion of this concept aligns to the development in the network and satisfies CUSC Objective c.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>We support the general implementation of this concept as required by Ofgem. The full implementation approach has not been detailed and so it cannot be commented upon. We do not support every element of the proposed implementation approach as described here.</p>
3	Do you have any other comments?	<p>Yes</p> <p>The defect does not seem to be explained in the consultation, but it is presumably that CUSC section 14 is silent on how Anticipatory Investment can be recovered via TNUoS.</p>

		<p>Limiting the legal text changes to paragraph 14.15.93 for offshore local circuit tariff and 14.15.134 for the offshore local substation tariff is insufficient for such a major change to the TNUoS methodology. We would suggest that the Workgroup considers a wider update, including section 14.14 Principles, and also considers the application of the methodology to onshore AI.</p> <p>It is unclear whether the AI cost gap tariff will be different depending on connection date, or the same value for any connection date in a given financial year. If it is not a fixed annualised value this is inconsistent with existing tariffs and therefore non-competitive.</p> <p>The “Worked Example” is too vague and does not consider or explain different realistic timing and configuration scenarios (including multiple subsequent generators) and their implications and risks to all parties. It does not allow the proposal to be assessed properly.</p> <p>Full confidence in “lower bills than would otherwise be the case” is questionable, when the consumer is paying for the AI cost gap until the later generator covers it. We agree that if the modification provides sufficient clarity this may provide offshore developers with greater confidence and reduce investment risk, reducing overall costs to consumers.</p> <p>The modification introduces additional workload for the ESO and additional complexity in calculation and forecasting of TNUoS, and it therefore cannot be guaranteed that it will not impact the quality of service provided by the ESO.</p>
4	<p>Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Whilst at this moment we do not want to raise a formal alternative we would want the workgroup to consider the following.</p> <p>This is a major change to the TNUoS methodology. We would suggest that the Workgroup considers a wider update to the legal text, including section 14.14 Principles.</p> <p>We would request consideration of more detailed and varied worked examples to consider different realistic timing and configuration scenarios and their implications and risks to all parties, to allow the implementation</p>

		<p>proposal to be assessed fully. This could include some cancellation scenarios.</p> <p>We would also suggest that the Workgroup considers the potential application of the methodology to future onshore AI, to enable consistency of approach.</p>
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Specific Workgroup Consultation questions

5	Consider recovery of the AI cost gap if the subsequent generator connects at a much later point in time e.g., 15-20 years later.	<p>Could this scenario even be considered cost-effective? Is it not more appropriate to ask why the AI and asset construction would be approved, and paid for by the consumer, if the AI element of the asset is not going to be used for 15-20 years?</p> <p>As a comparison, if a transmission asset was taken out of service with 15-20 years life left in it the relevant User would pay a significant Termination Charge (14.6.1).</p>
6	Consider the options for applying inflation, e.g., should it be CPI or RPI linked?	This should be consistent with the existing approach in the CUSC.
7	If a local circuit changes to a wider circuit, should the subsequent generator still pay for the AI cost gap and AI, or should this be filtered through the wider tariff?	The TNUoS charged in a given year relating to a section of network should reflect the use of that section of network in that year. So if the use has changed from sole use by the “subsequent generator” to a wider usage, the TNUoS charged should reflect that change and the AI element should be moved into the Wider tariff.
8	Does your answer to Q7 change if the majority of the AI was built specifically for a specific local generator but may be utilised by the wider system during certain periods?	No. The TNUoS tariff should reflect the usage.
9	Are there any other comments in relation to Q7 and Q8 on a broader perspective?	No

Specific Workgroup Consultation questions

10	Consider the impact on consumers if the subsequent generator(s) don't connect to the National Electricity Transmission System.	Presumably an appropriate amount of the abortive AI will be recovered from the subsequent generator's cancellation charges, and returned to the consumer via TDR. Maybe the Workgroup would like to model this complete scenario in more detail, to inform both CMP411 and CMP402.
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