

# CUSC Alternative and Workgroup Vote

## CMP425: Billing Demand Transmission Residual by Site

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

### Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

### Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

## Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

## The Applicable CUSC Objectives (Charging) are:

- 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;
- 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);
- 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.

## Workgroup Vote

**Stage 1 – Alternative Vote** – No Alternatives were raised

### Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Lisa Waters – Waters Wye Associates acting for Nissan Motor Manufacturing UK					
Original	Yes	Yes	Yes	Neutral	Yes	Yes
<p><b>Voting Statement:</b></p> <p>This change would clarify that it was Ofgem's intent that the residual charge should be levied by site, not by customer, following the conclusions of its charging review. The change therefore better fulfils objective (b), complying with the charging methodology Ofgem asked to be implemented.</p> <p>The change would remove the incentive on customers on a shared site to also share a supply to keep their transmission charges lower. It is vital for the functioning of the energy supply market that all customers can choose their suppliers and negotiate a supply agreement that supports their own business needs. The change therefore better facilitates objective (a) by improving supply competition for very large, TO connected sites.</p> <p>It's essential for the UK's economic and sustainability agenda to allow companies such as Nissan to be competitive in their own global markets. The investment as set out in Nissan's EV36Zero announcement, with the addition of a gigafactories to produce EV manufacturing Hub is testament to this. As customers develop their businesses, with the aim of greater electrification, the transmission system will also need to develop. This change is therefore</p>						

enabling the transmission system to develop, in line with objective (c), encouraging more customers to consider TO connections without being discouraged by the charging regime.

Creating a longer-term way to administer charges to customers on shared sites will also make the administration of the TO charges more efficient, better fulfilling objective (e).

Nissan also notes that the change would be in line with Ofgem's wider duties to protect the interests of customers wherever possible by promoting competition.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Martin Cahill – ESO					
Original	Neutral	Neutral	Neutral	Neutral	Yes	Yes

## Voting Statement:

We previously raised a risk with the workgroup around the potential for this modification to encourage the formation of larger private networks to reduce TDR costs. Other members did not agree, noting that this already exists in the current arrangements through behind the meter connections and larger networks with a single supplier. We have since been considering this further and believe it could be a material risk, though not one that can be quantified well at this stage as to the possible future growth that could occur in such arrangements or their impact on the TNUoS charges to other users.

In our response to Ofgem's open letter we intend to outline concerns about transmission connected IDNOs making use of the self-supply exemption to reduce network charges for demand sites, and are conscious of parallels here.

To be clear, we do not see any issue with the setup proposed by Nissan and AESC UK, and are only concerned about a precedent encouraging the formation of other larger private networks that could allow connected demand sites to avoid site-by-site TDR charges (as appropriate to their band) that they would normally expect to pay if they were directly-connected demand to the usual host onshore TO (NGET, SPTL or SHETL). We also recognise that this is an urgent modification which we do not wish to block. As such we support on the basis of the proposer's site and situation, noting here these potential concerns. The reasons listed above are why we have decided on a neutral position for applicable objectives A and B.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Grace March – Sembcorp Energy					
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

## Voting Statement:

This modification alters the CUSC to make it more reflective of Ofgem's intention that the Transmission Demand Residual be charged 'by Site' and as such removes a financial barrier

that disincentivises choice of supplier where customers share a connection point. It will also make the TDR recovery more reflective of the use of system within the banding structure.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Edda Dirks – SSE Generation					
Original	Neutral	Yes	Yes	-	Yes	Yes

## Voting Statement:

I concur with the proposer that the Original Proposal better facilitates ACOs (b), (c) and (e), for the reasoning set out in the proposal form.

With regards to ACO (a), I accept that this proposal could facilitate effective competition in the supply of electricity but only if suppliers are fully informed of the customer's arrangements in terms of their private network connection, including the customer's consumption share at the Connection Site, especially at the quoting stage. If this was not the case then, in my view, competition in supply could in fact be adversely affected.

I note that the Workgroup report concludes that this issue is unlikely to arise, with the existing processes considered to provide sufficient transparency to existing and prospective suppliers. Nonetheless, I would have liked to have seen more engagement with suppliers on this point, and more opportunity to explore whether any further measures are required. However, I appreciate that the 'urgent' status applied to this modification has put a limit on the amount of engagement possible in the time available. As it stands, I consider the impact on ACO (a) to be neutral.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Nick Booth – Nick Booth Ltd acting for Envision AESC					
Original	Yes	Yes	Yes	Neutral	Yes	Yes

## Voting Statement:

This change would clarify that it was Ofgem's intent that the residual charge should be charged once per site rather than multiple charges where more than one BMU exists on the site. It would also removes the current loophole where consumers can reduce the overall residual charge for a single site by dividing into multiple smaller BMU. The change therefore better fulfils objective (b), complying with the charging methodology Ofgem asked to be implemented.

The change would remove the additional cost of consumers having their own BMU (& supplier) when operating on a large TO connected site. It is important that there are no unnecessary barriers to customers choosing their own suppliers and negotiating a supply agreement that supports their own business needs. The change therefore better facilitates objective (a) by improving supply competition for very large, TO connected sites.

The above then supports large consumers clustering together on large T connected sites. This change is therefore enabling the transmission system to develop, in line with objective (c), encouraging more customers to consider TO connections without being discouraged by the charging regime.

Creating a longer term way to administer charges to customers on shared sites will also make the administration of the TO charges more efficient, better fulfilling objective (e).

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Jones – Uniper					
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes

## Voting Statement:

This is clarifying what the CUSC already effectively says in 14.17.13, as it states that charges are paid in respect of Final Demand Sites. However, 14.17.13 is presently written contemplating multiple Final Demand Sites per Supplier BM Unit and not multiple Supplier BM Units per Final Demand Site. Therefore, it is open to misinterpretation. CMP425 is also in line with the Ofgem decision on the Targeted Charging Review. This should therefore improve efficiency of the CUSC arrangements by clarifying what the solution should be and in doing so helps promote competition by avoiding an alternative interpretation which could frustrate it.

Of the 6 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	6

## Stage 2b – Workgroup Vote

Which option is the best? Baseline, Proposer solution (Original Proposal)

Workgroup Member	Company	Industry Sector	Best Option?	Which objective(s) does the change better facilitate?
Lisa Waters	Waters Wye Associates acting for Nissan Motor Manufacturing UK	Demand (nominated by ESO)	Original	A, B, C and E
Martin Cahill	ESO	System Operator	Original	E
Grace March	Sembcorp Energy	Supplier	Original	A and B
Edda Dirks	SSE Generation	Generator	Original	B, C and E
Nick Booth	Nick Booth Ltd acting for Envision AESC	Demand	Original	A, B, C and E
Paul Jones	Uniper	Generator	Original	A and E