CUSC Alternative Form

CMP413 Alternative Request 2:
Rolling 10-year wider TNUoS generation tariffs

Overview: Fixing wider generation tariffs on a project-by-project basis

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What is the proposed alternative solution?

Shortcomings of the original CMP413 solution

The original 413 proposal offers some visibility of the following 10 years of TNUoS tariffs, however TNUoS is designed to influence investor behaviour, and this period is not designed to be aligned with key commercial decision-making, such as repowering, CfD or CM bids. The Original also potentially delays the implementation of any methodology changes for all Users for 10 years, which potentially maintains distortive signals in the methodology for longer than is necessary. If key reforms are not delayed under the Original, this implies a reopening of TNUoS tariffs and therefore rendering the proposal ineffective.

There are also concerns regarding the accuracy of the TNUoS 10 year forecast having a detrimental distributional effect. This proposal limits the impact of such a risk to those generators with a fix, by allowing improvements in forecasting to feed through from the following year, as opposed to this being delayed by 10 years as per the original.

How does this WACM resolve these shortcomings?

This WACM attempts to answer these drawbacks by offering generators an option to fix their TNUoS against a profiled forecast from the ESO. The length of the fix would ultimately be subject to the longest period the ESO felt able to reliably forecast, however we propose an aspiration to forecast for a period of 15-20 years to align with CM and CfD periods, plus time to commissioning. We note that this aspirational longer period introduces additional risk in the forecast, however the optional nature of the WACM, rather than being blanket-applied to all generators irrespective of their place in the investment cycle, reduces the financial impact of “getting the forecast wrong”.

How would the fix be calculated?

Akin to the Original, the “fix” would be achieved by taking the Peak, year-round shared, and year-round not-shared values ascribed to the generator by the Transport and Tariff model forecast as calculated by the ESO.

The EU-838/2010 adjustment would continue to be applied independent of the fix. Although this reduces the efficacy of the modification, it is necessary to allow the EU-383/2010 regulation to continue to function.

Future Code Modifications / Policy Changes

It is not possible for a code modification to completely insulate a generator from future code changes, however it is the intention that it should not be necessary to reopen the locational TNUoS tariffs of a generator during the fixed period. Treatment in the event of major structural changes (e.g. the removal of locational TNUoS entirely) is a matter for OFGEM.

This will require an update to section 14 of the CUSC.

What is the difference between this and the Original Proposal?

The Original in effect applies a fix to all generators, whether or not they want or need it. This proposal differs in that is gives optionality to generators to fix TNUoS in line with their own investment cycles.

What is the impact of this change?

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(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;	**Positive** This allows developers to make informed decisions regarding location.
(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);	**Positive** Fixing each generators' costs separately means improvements to the methodology (eg. recalculation of the expansion constant) can be applied to all generators who have yet to fix, or who reach the end of a fixed period. In the CMP413 original, there is an expected 10 year lag between a modification being approved and fully implemented.
(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;	**Positive** Forecasts are reflective of the expected changes in network topography and approved methodology changes. New generators will face updated forecasts which reflect any changes in this.
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral** [Please provide your rationale]
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Neutral** [Please provide your rationale]
**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.	

When will this change take place?

Implementation date:

April 2025

Implementation approach:

As per the Original, ESO will need to commit to a robust long-term forecast.

Acronyms, key terms and reference material

Acronym / key term	Meaning
CfD	Contract for Difference
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
ESO	Electricity System Operator
STC	System Operator Transmission Owner Code
TNUoS	Transmission Network Use of System
ToR	Terms of Reference
T&Cs	Terms and Conditions

Reference material:

1. None