Workgroup Consultation Response Proforma

CMP315: TNUoS Review of the expansion constant and the elements of the transmission system charged for and

CMP375: Enduring Expansion Constant & Expansion Factor Review

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 **17 May 2022**. 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 Paul Mullen Paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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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.*

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

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 CMP315 Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates: Original ☐A ☐B ☐C ☒D ☒E No, CMP 315 proposes to include in the Expansion Constant (EC) calculation all historical assets and work undertaken on the National Transmission Electricity System (NETS) over its lifetime. This would not only be non-cost reflective but also lead to an unduly stronger locational signal and thus higher and more volatile TNUoS tariff overall. Therefore, we do not see how CMP 315 will meet objectives a, b and c. We believe that a new methodology is required.
2	Do you believe that the CMP375 Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates: Original ☒A ☒B ☒C ☒D ☒E Yes, we believe that CMP 375 is better than the status quo, it transparently improves cost reflectivity by better reflecting how Transmission Owners (TOs) invest in their network, therefore better meets all the CUSC charging objectives. However, the 'proxy circuit' approach to certain network interventions under the CMP375 Original remains a serious flaw, which we hope will be addressed before the proposal is finalised. Furthermore, the proposed approach to data inputs does not address the problems identified in CMP353, and so there is scope for further improvement.
3	Do you support the proposed implementation approach?	☒Yes ☐No Please read the points in Qs 6-12
4	Do you have any other comments?	We believe that the LCP proposal is the best and most cost-reflective approach. This is better than the CMP 315 proposal and better that the original CMP 375 approach.
5	Do you wish to raise a Workgroup Consultation Alternative Request for	☐Yes ☒No Click or tap here to enter text.

	the Workgroup to consider?	Click or tap here to enter text.
		Click or tap here to enter text.

Specific Workgroup Consultation questions		
6	Do you agree with the CMP315 and CMP375 Proposers' conclusions that the Expansion Constant should also include circuit reinforcement, non-circuit works and life extension works in addition to new circuit build. Are there any other reinforcement types that should be included? Please provide justification for your response.	Yes, we think that the expansion constant must include circuit reinforcement, non-circuit works, and life extension works in addition to new circuit build. We believe that SMART reinforcement could be added in the future when those becomes more prominent providing firm capacity. However, it is important to note that a specific methodology would be required for calculating additional capacity created by SMART reinforcements, to ensure it is monitored and captured consistently. We would like to acknowledge that CMP315 and CMP375 could have some cross-over and duplication of work with the expected TNUoS taskforce, which has not been formalised yet. However, we believe that going ahead with this code modification is a sensible approach. This is mainly because the TNUoS task force is expected to have a wider review of TNUoS methodology, and longer delivery timelines, whereas with this modification methodology, improvements can be realised in the immediate-term.
7	CMP315 and CMP375 have different proportions of each reinforcement type in the basket for the calculation of the Expansion Constant because the Proposers have different interpretations as to what the Expansion Constant should represent. Which one of these interpretations do you agree with or do you have a different approach? Please	We believe that CMP 375 reflects better the growth of NETS. Adding further project works into the EC methodology, will allow a more comprehensive view to the type of network reinforcements, and the incremental costs of transporting a MW/km. This in turn will improve the cost reflectivity of TNUoS. We agree with the statement that the TNUoS model needs to change to better reflect the reality of developments in the NETS where incremental cost is no longer based on the installation of 400kV circuits.

	provide justification for your response.	
8	A Workgroup Member has also suggested an alternative approach to establish the forward-looking marginal cost over a realistic 5–10-year time horizon. Do you agree with this interpretation or would you suggest a different approach? Please provide justification for your response.	Yes, we agree with this interpretation. As indicated in p13 of the consultation, we agree with the statement that the 400 kV NETS is unlikely to be decommissioned or expanded with new 400kV circuits, thus, to continue focussing on this as the primary driver in a forward-looking charge would be sub-optimal. In this context, we agree with the proposed alternate approach which would replace the cost of new build 400kV in the EC with a representative “basket” of techniques and technologies that are expected to be used over the next 5-10 years.
9	CMP315 and CMP375 Originals propose using the last 10 years historical data when calculating the Expansion Constant/Expansion Factors. Do you agree with this approach or are there alternative approaches to consider? Please provide justification for your response.	We believe that this approach doesn’t solve the risk of significant step-changes in EC/EF at each price control, so new alternatives should be considered, including rolling averages and incremental year on year adjustments. We refer to the decision letter of CMP353 in stressing the importance of avoiding unforeseeable step-changes in EC/EF. Using 10 years as a period of historical data input is reasonable. Nonetheless, we believe that a “basket of technologies and techniques” will be more forward-looking – in line with the LCP proposal. It could also be possible to have both a historic input period and a forward – looking basket of technologies, as set out on page 15 of the consultation “Cost data inputs vs reinforcement type inputs”. We would welcome further development of this, including a worked example as a possible WACM to CMP375.
10	Do you agree with the list of data items, the ESO require from Transmission Owners to calculate the Expansion Constant. Please provide justification for your response.	Without further detail on the implementation of any of the options, it is difficult to indicate what is or is not needed in the data request. However, any data request must be clear, specific, and transparent. Requests need to be timely to ensure TOs can adequately resource the data. The specifics of the data request and timescales need to be codified within the STC, with the agreement of the STC Panel.
11	In their analysis, Lane Clark and Peacock (LCP) have provided an	We believe that the LCP approach is the best option presented. Appropriately forward-looking, deliverable, and suitably averaged.

	alternative implementation approach proposing non-circuit build to be allocated to existing circuits and thereby included within the EFs rather than creating proxy circuits (as proposed by the CMP315 and CMP375 Original). Do you have any thoughts on this and do you agree with LCP's proposal for reinforcement factors? Please provide justification for your response.	The proposed "allocation to existing circuits" of non-circuit reinforcements better reflects how incremental capacity is delivered, and better reflects the difference from a counterfactual scenario of no investment made. By contrast, a proxy circuit approach sharpens the locational signal even when no additional capacity has been made available, which we believe is not cost reflective. The "proxy circuit" approach to non-circuit reinforcement is a significant flaw in CMP375 and CMP315 Originals.
12	To achieve implementation by 1 April 2023, the Workgroup understand that it will not be possible under the current timeline to include the new EC/EFs in the draft TNUoS tariffs for 2023/2024. Do you support this and, if so, in the absence of draft TNUoS tariffs for 2023/2024, what detail will you need ahead of final TNUoS tariffs being published?	In the absence of draft TNUoS tariffs for 2023/2024, we would expect that the ESO provides a sensitivity study of possible new tariffs under this modification at the earliest reasonable opportunity, which may not align with the typical draft tariff publication programme.