

Pivot Power – response from email

Dear TCR team

We welcome the opportunity to respond to the CMP343 – Minded-to decision and draft impact assessment.

We believe Ofgem has reached the right conclusion in its minded-to decision, choosing the 4-band variant. Throughout this process we have not fully understood Ofgem's preference for banded rather than per-unit tariffs. Existing DUoS charges show the complexity of per-unit tariffs is manageable, and there would be ways of imposing caps or reducing per-unit rates for the largest users to reflect some reasonable economies of scale. Bands create cliff-edges at the boundaries, and encourage games to be played to hold onto currently allocated capacity or to avoid triggering reclassification into a higher band. But we think the CUSC Panel was right to unilaterally support WACM2 as the fairest of the options available, and think Ofgem is doing the right thing to support that recommendation.

We agree that that delaying implementation from April 2022 to April 2023 is necessary given the delays in the process, and provides the minimum sensible period for those most affected by the changes to budget accordingly.

Our responses to the specific questions you raised are as follows:

Question 1: Do you agree with our assessment of the distributional impacts of the flooring approaches?

We understand that flooring approaches impact the net amount of demand residual to be recovered, and we have no basis to challenge your calculations.

Question 2: Do you agree that, of the flooring options presented, flooring at 0 best meets the TCR Principles and Applicable CUSC Charging Objectives?

Yes, we agree.

Question 3: Do you agree with our assessment of the distributional impacts of the banding approaches?

We have no basis to challenge your forecasts of the likely amounts of these banding charges.

Question 4: Do you agree that, of the banding options presented, four bands best meets the TCR Principles and Applicable CUSC Charging Objectives?

Yes, a single or dual-band approach would render the kind of innovation we are trying to bring to the transmission network via our tertiary connections completely unviable. As above, we would pose for future consideration whether it would make sense to move to a more unitary (per-unit) mechanism at some point in the future.

Question 5: Do you consider that any of the options presented adequately addresses very small users (including those associated with mixed use sites)?

The four-band option addresses the majority of our concerns, but there is further work to do. We are still left with some projects where very small demand (e.g. 2 MVA EV charging hub) might face

£120k annual transmission charges, which would otherwise be paying £30k if distribution-connected. This could still render an otherwise viable project uneconomic, and begs the question 'Why the difference?' – it's hard to understand why connection voltage level should be a big differentiator in transmission use of system charge.

Question 6: Do you agree with our minded-to decision to approve CMP343 WACM2?

Yes.

Question 7: Do you agree with our minded-to decision that implementation should be delayed by a year, until April 2023?

Yes, this modification has been delayed for too long to still be reasonably implementable for April 2022.

Please don't hesitate to contact me if I can provide any further information.

Best regards

Matthew