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for energy consumers

Generator, suppliers and other
interested parties

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Dear Stakeholders

Decision on industry proposals (CMP264 and CMP265) to change electricity transmission charging arrangements for Embedded Generators

At its meeting on 15 June 2017 the Gas and Electricity Markets Authority (the **Authority**) made its decision on the above proposals relating to the Connection and Use of System Code (**CUSC**). This letter sets out the Authority's decision on those proposals and provides an overview of its next steps.

We are providing notification of this decision in order to ensure that commercially sensitive information is released as soon as possible and to assist those parties who hold 2015 T-4 Capacity Market (CM) contracts.

Background

The full background to these proposals may be found in our document entitled "*Embedded Benefits: Consultation on CMP264 and CMP265 minded to decision and draft Impact Assessment*" published on 1 March 2017 (the **Consultation**).¹ We received 86 responses to our Consultation and stakeholders have engaged extensively with us over the matters set out in that document.

Since the Consultation closed, we have been engaged in carefully considering the representations made. This has included updating the modelling analysis and other aspects of our Impact Assessment.

The Authority considered these matters at its meeting on 15 June 2017.

Decision

The Authority has decided to confirm its "minded to" decision as set out in the Consultation. It therefore decided to direct that Workgroup Alternative CUSC Modification (**WACM**) 4 should be made. The Authority has concluded that, of all the WACMs submitted to us for

¹ <https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-consultation-cmp264-and-cmp265-minded-decision-and-draft-impact-assessment>

decision, WACM 4 will best facilitates the CUSC objectives and is consistent with the Authority's statutory duties.

WACM 4 removes the TNUoS² Demand Residual (TDR) payments to smaller EG and introduces a new payment (equivalent to the avoided GSP³ costs), introducing the changes through a three-year phased implementation, beginning on 1 April 2018.

Next steps

We understand that knowledge of the Authority's decision is likely to impact on stakeholder's investment decisions in relation to the Financial Commitment Milestone (**FCM**) of 22 June 2017 for the 2015 Capacity Auction. We are publishing this letter following the Authority meeting in order to assist stakeholders with their decision-making.

We will publish our final Impact Assessment setting out the reasons for our decision and directions that the modification (and consequential changes) be made by Thursday 22 June 2017.

Yours faithfully

Frances Warburton
Partner, Energy Systems

² Transmission Network Use of System

³ Grid Supply Point, the point where the transmission and distribution networks meet