

White House,  
24 Upper West Street,  
Reigate,  
Surrey  
RH2 9BU  
Home: 01737 242960  
Mobile Telephone Number: 07770 341581  
e-mail: miketoms53@btinternet.com

Nadir Hafeez  
Industry Codes Manager  
Ofgem  
**By email**

10 February 2017

Dear Nadir

**CUSC Modifications Panel Views on Urgency for CMP276 ‘Socialising TO costs associated with “green policies”’.**

On 6 February 2017, Alkane Energy Ltd raised CMP276, with a request that it be treated as an Urgent CUSC Modification Proposal. The CUSC Modifications Panel (“the Panel”) considered CMP276 and the associated request for urgency at the Special CUSC Modifications Panel meeting held on 10 February 2017. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

CMP276 proposes a reduction in the demand residual element of the TNUoS £/kW (“Triad”) charge by creating two new charge lines for all demand offtakes:

- (i) with the level of charge based on a fixed charge per MPAN (or alternatively the import meter size of each consumer) and
- (ii) a simple per kWh charge on all consumers.

Currently demand residual is the cost bucket which is left to capture all TO costs that cannot be otherwise allocated. Unless there is change the current methodology this is forecast to lead to high demand TNUoS payments at the time of Triads, which are widely recognised to be unacceptable and unsustainable. Mods CMP264 and CMP265 deal with a subset of the symptoms only, because they define the defect too narrowly. Their definition prohibits the full range of potential solutions being considered, and by excluding certain types of meter and treating some meters differently to others, this inevitably leads to a discriminatory outcome. This modification is defined to address the underlying cause of the escalation in demand residual and proposes a simple, non-discriminatory approach to its resolution which addresses equitable competition in ALL markets, domestic and international, reduces total cost to consumers and has the structure to form an enduring solution.

**Request for Urgency**

The Panel considered the request for urgency with reference to Ofgem's Guidance on Code Modification Urgency Criteria. The Panel agreed unanimously that CMP276 does not meet these criteria and **should not** be treated as an Urgent CUSC Modification Proposal.

The Panel concluded that although the Proposal had similarities with CMP264/CMP265 and CMP271, the scope of CMP276 was broader and it would require careful deliberation as it is considered significantly more complex than envisaged by the Proposer.

In the discussion, members of the Panel noted a few concerns over granting urgency, set out below;

- Using an urgent process holds an inherent risk of unintended consequences, which may arise due to there being insufficient time for all aspects of a Modification Proposal to be considered;
- There are complex issues identified by the Panel that need to be considered by a Workgroup.
- Attempting to complete consideration of the issues in time for the modification to be determined by the Authority alongside CMP264 and CMP265 would be likely to lead to failure to address all issues in sufficient depth for the Authority to make a properly informed decision on the proposal.

### **Procedure and Timetable**

Having decided to not recommend urgency to Ofgem, the Panel discussed an appropriate process for CMP276. The Panel agreed that the CMP276 proposal would require Workgroup consideration due to the potential implications of the proposal.

The Panel agreed that CMP276 subject to Ofgem's decision on urgency should follow the attached Code Administrators proposed standard timetable (Appendix 1). This was supported unanimously by the Panel. For information, Appendix 2 details the Urgent timetable reviewed and not supported by the Panel.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response.

Yours sincerely



Michael Toms  
CUSC Panel Chair

## Appendix 1 – Recommended Standard Workgroup Timetable

The following standard timetable is indicative for CMP276 as per the recommendation of the Code Administrator and the CUSC Panel.

6 February 2017	CUSC Modification Proposal and request for Urgency submitted
10 February 2017	CUSC Panel meeting to consider proposal and urgency request
10 February 2017	Panel's view on urgency submitted to Ofgem for consultation
10 February 2017	Request for Workgroup members (10 Working days) (responses by 24 February 2017)
17 February 2017	Ofgem's view on urgency provided (5 Working days)
24 February 2017	CUSC Panel meeting to consider Terms of Reference for CMP276
w/c 6 March 2017	Workgroup meeting 1
w/c 27 March 2017	Workgroup meeting 2
w/c 24 April 2017	Workgroup meeting 3
8 May 2017	Workgroup Consultation issued (15 days)
30 May 2017	Deadline for responses
w/c 12 June 2017	Workgroup meeting 4
w/c 1 July 2017	Workgroup meeting 5
w/c 7 August 2017	Workgroup meeting 6 (agree WACMs and Vote)
17 August 2017	Workgroup report issued to CUSC Panel
25 August 2017	CUSC Panel meeting to approve WG Report

### Post Workgroup modification process

30 August 2017	Code Administrator Consultation issued (15 Working days)
20 September 2017	Deadline for responses
3 October 2017	Draft FMR published for industry comment (5 Working Days)
10 October 2017	Deadline for comments
19 October 2017	Draft FMR circulated to Panel
27 October 2017	Panel meeting for Panel recommendation vote
1 November 2017	FMR circulated for Panel comment (3 Working day)
6 November 2017	Deadline for Panel comment
8 November 2017	Final report sent to Authority for decision
13 December 2017	Indicative Authority Decision due (25 working days)
20 December 2017	Implementation date

## Appendix 2 – Not Recommended - Urgent Workgroup Timetable

The following Urgent timetable is indicative for CMP276 and is not a recommendation of the Code Administrator and the CUSC Panel.

6 February 2017	CUSC Modification Proposal and request for Urgency submitted
10 February 2017	CUSC Panel meeting to consider proposal and urgency request
10 February 2017	Panel's view on urgency submitted to Ofgem for consultation
10 February 2017	Request for Workgroup members (5 Working days) (responses by 17 February 2017)
17 February 2017	Ofgem's view on urgency provided (5 Working days)
24 February 2017	CUSC Panel meeting to consider Terms of Reference for CMP276
w/c 27 February 2017	Workgroup meeting 1
w/c 20 March 2017	Workgroup meeting 2
w/c 3 April 2017	Workgroup meeting 3
20 April 2017	Workgroup Consultation issued (10 days)
5 May 2017	Deadline for responses
w/c 15 May 2017	Workgroup meeting 4
w/c 12 June 2017	Workgroup meeting 5
w/c 3 July 2017	Workgroup meeting 6 (agree WACMs and Vote)
20 July 2017	Workgroup report issued to CUSC Panel
28 July 2017	CUSC Panel meeting to approve WG Report

### Post Workgroup modification process

31 July 2017	Code Administrator Consultation issued (5 Working days)
7 August 2017	Deadline for responses
11 August 2017	Draft FMR published for industry comment (3 Working Days)
16 August 2017	Deadline for comments
17 August 2017	Draft FMR circulated to Panel
25 August 2017	Panel meeting for Panel recommendation vote
28 August 2017	FMR circulated for Panel comment (3 Working day)
31 August 2017	Deadline for Panel comment
1 September 2017	Final report sent to Authority for decision
22 September 2017	Indicative Authority Decision due (15 working days)
29 September 2017	Implementation date