

**CUSC Modification Proposal Form
(for Charging Methodology proposals)**

CMP202

Title of the CUSC Modification Proposal: *(mandatory by proposer)*

Revised treatment of BSUoS charges for lead parties of Interconnector BM Units

Submission Date *(mandatory by Proposer)*

8th December 2011

Description of the CUSC Modification Proposal: *(mandatory by proposer)*

This proposal aims to further the European Commission's objectives of facilitating cross-border access and developing a Europe-wide single internal market in electricity.

Interconnectors are, in effect, treated within the EU Third Package as extensions to a Member State's transmission system which facilitate pan-European trade essential to supporting a single Europe-wide market in electricity. In the current GB arrangements, Interconnector flows are treated as if they were a Generator or Demand, which is inconsistent with arrangements across Europe.

The Transmission Licence allows NGET to recover revenue in respect of the Balancing Services Activity, including the operation of the transmission system, through Balancing Services Use of System (BSUoS) charges. Liable CUSC parties pay BSUoS charges, based on their energy taken from, or supplied to the transmission system on a non locational MWh basis. BSUoS charges are paid for by all CUSC parties, including Lead Parties for flows on Interconnectors BM Units. This has the effect of reducing the number of occasions where potentially beneficial trades could have taken place and therefore potentially conflicts with the EU objectives. In particular, it creates a barrier to exports from the GB transmission system across Interconnectors.

In addition, the application of BSUoS to cross-border flows creates a differential between those trades that facilitate competition within a national market and pan European trades that facilitate competition across a single European electricity market. A non physical trader operating within the GB market does not pay BSUoS. However, trades between GB and other Member States, which in the context of a single European market can also be considered as non-physical, are subject to BSUoS charges when they result in flows to / from GB. Efficient trading between GB and other Member States is therefore frustrated by the application of a BSUoS charge.

This proposal aims to address these issues by removing BSUoS charges for Interconnector BM Units, and, in doing so, further align GB arrangements with EU objectives and facilitates greater use of Interconnectors, and encourages further cross-border trading.

Description of Issue or Defect that the CUSC Modification Proposal seeks to Address:

(mandatory by proposer)

The current arrangements for BSUoS charging can potentially lead to:

- A restriction on Interconnector flows, in particular on exports from GB
- A restriction to trade, in particular, for non physical parties

This is potentially inconsistent with the objectives of the EU Third package.

Impact on the CUSC: *(this should be given where possible)*

Revision to Section 14 – Charging Methodologies, Part 2 – The Statement of the Use of System Charging Methodology, Section 2 – The Statement of the Balancing Services Use of System Charging Methodology

Main Sections affected are 14.29 and 14.30

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No (assessed in accordance with Authority Guidance – see guidance notes for website link)

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information: (this should be given where possible)

BSC

Grid Code

STC

Other
(please specify)

Wider implications on BSC cash-flows may need to be explored.

Urgency Recommended: Yes / No (optional by Proposer)

Justification for Urgency Recommendation (mandatory by Proposer if recommending progression as an Urgent Modification Proposal)

Self-Governance Recommended: Yes / No (mandatory by Proposer)

Justification for Self-Governance Recommendation (mandatory by Proposer if recommending progression as Self-governance Modification Proposal)

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews? (mandatory by Proposer in order to assist the Panel in deciding whether a Modification Proposal should undergo a SCR Suitability Assessment)

Yes. As this proposal seeks to make revisions to the BSUoS Methodology only, it has no interaction with the ongoing TNUoS SCR.

Impact on Computer Systems and Processes used by CUSC Parties: (this should be given where possible)

Minor Impact on National Grid Electricity Transmission's BSUoS charging system.
Mainly depending on the consideration of BSC cash flow implications, on BSC and User systems.
Possibly also on how Interconnector volumes are notified and treated

Details of any Related Modifications to Other Industry Codes (including related CUSC Modification Proposals): (where known)

Justification for CUSC Modification Proposal with reference to Applicable CUSC Objectives:
(mandatory by proposer)

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- (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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard 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.

Full justification:

National Grid believes that this proposal better facilitates effective competition through promoting more efficient trading across EU Member States. It will also remove any perverse incentive for limited trade or inefficient trades that arise from attempts to manage BSUoS exposure.

In that an objective of EU legislation is to promote a single internal market in electricity and facilitate greater cross-border trading, National Grid believes that this proposal properly reflects its duties in the development of its transmission business.

Details of Proposer: (Organisation's Name)	National Grid Electricity Transmission Ltd.
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party, "National Consumer Council" or Materially Affected Party)	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Iain Pielage National Grid Electricity Transmission Ltd 01926 656360 Iain.Pielage@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Andy Wainwright National Grid Electricity Transmission Ltd 01926 655944 Andy.Wainwright@uk.ngrid.com
Attachments (Yes/No):	
If Yes, Title and No. of pages of each Attachment:	