

# Stage 06: Final CUSC Modification Report

## Connection and Use of System Code (CUSC)

### CMP208 Provision of Monthly Updates to BSUoS charges for the current and next financial year

This proposal seeks to modify the CUSC to increase the frequency for publishing updates to BSUoS charges from quarterly to monthly for the current and next financial year.

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

Published on:

3<sup>rd</sup> January 2013



***The Panel recommends:***

that CMP208 Original and WACM 1 better meet the Applicable CUSC Objectives and so should be implemented, with a unanimous preference for WACM 1.



***High Impact:***

National Grid Electricity Transmission plc



***Medium Impact:***

Suppliers and Generators



***Low Impact:***

Other CUSC Parties

## Contents



### Any Questions?

Contact:

**Louise McGoldrick**  
Code Administrator



[Louise.McGoldrick@nationalgrid.com](mailto:Louise.McGoldrick@nationalgrid.com)



01926 6565422

Proposer:

**Antony Badger**  
Haven Power

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## About this document

This document is the final CUSC Modification Report which contains details of the CUSC Modifications Panel Recommendation Vote. This document has been prepared and issued by National Grid under the rules and procedures specified in the CUSC. The purpose of this document is to assist the Authority in their decision whether to implement CMP208.

## Document Control

Version	Date	Author	Change Reference
1.0	3 <sup>rd</sup> January 2013	Code Administrator	Version for Submission to Authority

## 1 Summary

- 1.1 This document summarises the CMP208 Modification Proposal, Workgroup discussions and conclusions.
- 1.2 CMP208 was proposed by Haven Power and submitted to the CUSC Modifications Panel for their consideration on 30<sup>th</sup> March 2012. The Panel determined that the proposal should be considered by a Workgroup and that they should report back to the CUSC Modifications Panel following a period for the Workgroup Consultation.
- 1.3 CMP208 seeks to modify the CUSC to increase the existing frequency for publishing updates to BSUoS charges for the current and the next financial year from a quarterly to a monthly basis. The Workgroup discussed that this could be done potentially via the Monthly Balancing Services<sup>1</sup> Summary and acknowledged that updates on BSUoS charges were already being presented by National Grid at the Electricity Operational Forum meetings<sup>2</sup>.
- 1.4 The Workgroup held two meetings in May and June 2012. At the initial meeting the members accepted the Terms of Reference (TOR) a copy of which can be found in Annex 1. The Workgroup considered the issues raised by the CUSC Modification Proposal and these discussions are summarised in Section 4 of this document.
- 1.5 The Workgroup Consultation closed on 27<sup>th</sup> July 2012 and 7 responses were received. These responses can be found in Annex 6. A post-consultation Workgroup meeting was held on 6<sup>th</sup> August 2012 and it was agreed that further work was required with regard to the implementation impact before the Workgroup could carry out their vote, due to the ambiguity of the legal text in terms of the Original and the Workgroup Alternative CUSC Modification. A further meeting was held on 12 September 2012.
- 1.6 The Code Administrator Consultation closed on the 22<sup>nd</sup> November 2012 and five responses were received. In summary, three responses supported the implementation of CMP208 WACM, one response supported CMP208 original, and one response indicated support for both CMP208 original and CMP208 WACM. Copies of the representations are included in Annex 7.
- 1.7 This CUSC Modifications Report has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid website at [www.nationalgrid.com/uk/Electricity/Codes](http://www.nationalgrid.com/uk/Electricity/Codes), along with the CUSC Modification Proposal form.

### National Grid's Opinion

- 1.8 Informal arrangements already exist by which National Grid shares our latest forecasts with the industry, arising from the incentives management process, such as via Operational Forums and the Monthly Balancing Services Summary (MBSS) report. Feedback from the industry is that this information is a key input that customers use within their business processes. This Modification Proposal presents an opportunity to formalise this provision of information, within the codes whilst responding to customer needs and facilitating competition within the industry. National Grid therefore support this modification proposal, although

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<sup>1</sup> [http://www.nationalgrid.com/NR/rdonlyres/3A6F00DE-6421-4A84-829E-5364DF91B4EB/53357/MBSS\\_MARCH\\_2012.pdf](http://www.nationalgrid.com/NR/rdonlyres/3A6F00DE-6421-4A84-829E-5364DF91B4EB/53357/MBSS_MARCH_2012.pdf)

<sup>2</sup> [National Grid: Presentations](#)

believe that the alternative developed by the workgroup provides a better balance between information provision and level of resource requirement.

### **Workgroup Conclusions**

- 1.9 The seven Workgroup members present voted unanimously that CMP208 and WACM1 better facilitate the Applicable CUSC Objectives, with a unanimous preference for WACM1 to be implemented.

### **CUSC Modifications Panel Recommendation**

- 1.10 At the meeting of the CUSC Modifications Panel on the 14<sup>th</sup> December 2012, the Panel voted by a majority (8:1) that CMP208 Original and unanimously that the Workgroup Alternative CUSC Modification better facilitate the Applicable CUSC objectives. The Panel Members unanimously expressed a preference for the WACM to be implemented. Full details can be found in Section 7.

## 2 Why Change?

- 2.1 National Grid Electricity Transmission plc (NGET)'s Transmission Licence allows it to recover revenue in respect of Balancing Services activity through a Balancing Services Use of System (BSUoS) charge, which is recovered equally (50:50) from demand (represented by Suppliers) and generation (represented by Generators). Liable CUSC parties pay BSUoS on a non-locational MWh basis. The BSUoS methodology describing the parties liable for BSUoS charges and how the BSUoS tariff is set is contained within Section 14 of the CUSC.
- 2.2 Currently, National Grid is not obligated under the CUSC to provide updates and commentary on BSUoS charges; however, this is currently being undertaken at the Electricity Operational Forum meetings, which take place six times a year. In addition, National Grid publishes a Monthly Balancing Services Summary which provides information in respect of Balancing Services that National Grid has procured during the relevant month for the purpose of operating the electricity transmission system. By seeking the CUSC obligation to publish further updates to BSUoS charges, for this and the next financial year, on a monthly basis the aim is to increase the visibility of the latest view of future BSUoS charges. In turn this will aid suppliers in assessing their liabilities and managing the activities associated with offering fixed price contracts to suppliers' customers.



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### **BSUoS Methodology**

<http://www.nationalgrid.com/uk/Electricity/Balancing/bsuos/> link to our website to the BSUoS methodology document.

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### 3 Solution

- 3.1 CMP208 proposes that further monthly updates are published to the industry on BSUoS charges for the current and the next financial year to include:
- Estimated BSUoS volumes in TWh
  - Estimated internal BSUoS costs (£m). The “internal costs” include such items as staff wages and other opex costs such as buildings and IT.
  - Estimated average BSUoS charges in £/MWh
  - Graphs and brief commentary highlighting some of the changes
- 3.2 The proposed solution for CMP208 would mean that all of the modelling inputs into Plexos (modelling tool utilised to produce BSUoS updates) would be required to be updated including elements relating to constraints.



### Presentation of Proposal

- 4.1 The Haven Power representative, as Proposer, gave a presentation on CMP208 at the first meeting and gave the background as to why it had been raised. In particular, that due to infrequent updates of future BSUoS charge information it was difficult to forecast future charge liabilities. BSUoS changes can be volatile year on year with CUSC parties finding it difficult to relate BSUoS forecasts to outturns. The slides are available on National Grid's website; please see the information box for the link. The Workgroup then worked through the scope of work listed in the Terms of Reference.

### Workgroup Discussions

- 4.2 BSUoS is calculated half hourly and billed on a daily basis, the charge is aimed at recovering the cost of operating the transmission system. It consists of fixed elements covering System Operator (SO) internal costs and Balancing Services contracts plus the variable elements of daily Ancillary Services, energy balancing and constraint management costs. It was noted by the Workgroup that CMP201 "Removal of BSUoS Charges from Generation" is currently going through the CUSC governance process and could potentially result in all BSUoS charges being recovered from GB Suppliers only.
- 4.3 The Workgroup identified two areas by which BSUoS information is currently received by the industry.
- Monthly Balancing Services Summary (MBSS)
  - Electricity Operational Forum
- 4.4 The Workgroup discussed the MBSS publication which provides information in respect of Balancing Services National Grid has procured during the relevant month for the purpose of operating the electricity transmission system. The debate centred on the information which was provided within Section 9: Summary of BSIS Costs. From the information already provided in the table it was suggested by the Workgroup that additional information was required, specifically a monthly estimated BSUoS volume, estimated internal BSUoS costs, estimated BSUoS charges with some graphs and brief commentary which could highlight any changes for this year and next. The Workgroup suggested that the commentary may be similar to the information already provided at the Electricity Operational Forum.
- 4.5 National Grid is also required to report on the performance of the current incentive scheme to Ofgem under a licence obligation. These reports are produced one month in arrears and demonstrate what has driven changes in both incentive scheme targets, reflecting factors outside of National Grid's control, and changes in costs relative to these targets. These reports contain the same information as the public reports in terms of both outturn and forecast expenditure, in addition to other commercially sensitive information relating to system operation.
- 4.6 At the second Workgroup meeting National Grid provided a presentation which considered the potential changes to the MBSS which could be achieved with minor updates to the background information.
- 4.7 In order to produce more frequent and accurate forecasts changes, various model inputs are required into the Plexos software model for constraints

### **CMP208 Presentation**

The presentation slides used at the first Workgroup meeting are available on National Grid's website at the link below:

<http://www.nationalgrid.com/NR/rdonlyres/E68468F1-8EE2-4BF4-BE90-E9514F1F4E6D/52816/HavenPowerSlides.pdf>



### **MBSS**

The MBSS is published on National Grid's website at the link below:

<http://www.nationalgrid.com/uk/Electricity/Balancing/Summary/>

modelling. The Workgroup noted the following methodology statements which apply to undertaking the modelling:

- The Statement of the Constraint Cost Target Modelling Methodology<sup>3</sup>,
- The Statement of the Energy Balancing Cost Target Modelling Methodology<sup>4</sup>; and
- The Statement of the Ex Ante or Ex Post Treatment of Modelling Inputs Methodology<sup>5</sup>.

4.8 As with the BSIS methodology documents above, producing a forecast requires updates to be made to the input data to produce an “unconstrained” run simulating market despatch of generation followed by a “constrained” run which has additional inputs and simulates the transmission system limits and Balancing System prices.

4.9 The energy model also requires alteration of its inputs in order to produce a forecast; however this is a single stage process here based on regression models.

4.10 The presentation also highlighted that within both the Energy Model and Plexos model inputs are categorised as Ex ante Inputs or Ex post Inputs and that these are combined to create costs targets for each component i.e. Energy Imbalance, Margin, Frequency Response, Fast Reserve, Footroom and Reactive Power using ex ante relationships.

- Ex-ante Inputs are deemed to be controllable and/or can be forecast by National Grid in determining the various costs of operating the system
- Ex-post Inputs are deemed to be uncontrollable and/or cannot be forecast by National Grid in determining the various costs of operating the system.

4.11 In response to the Workgroup comments relating to accuracy and forecasting of information, the National Grid representative concluded the presentation by summarising which data items within the Constraints Model and Energy Model were Ex-post/Ex-ante, the forecast method and gave an indication as to whether a +/- % scenario could be applied. In National Grid's view, this demonstrated that many of the model inputs are not controlled or cannot be forecast by National Grid, e.g. Wholesale fuel prices. The Workgroup commented that rather than looking at the accuracy of forecasts it would be useful to increase the visibility of the latest view of future BSUoS charges. The Input Summary of data items can be found in Annex 3.

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<sup>3</sup> [http://www.nationalgrid.com/NR/rdonlyres/32C1D8DC-D7AB-4C8B-950C-FBBB28A3975B/47900/Constraints\\_Modelling\\_Methodology\\_Issue1\\_18July2011\\_Final.pdf](http://www.nationalgrid.com/NR/rdonlyres/32C1D8DC-D7AB-4C8B-950C-FBBB28A3975B/47900/Constraints_Modelling_Methodology_Issue1_18July2011_Final.pdf)

<sup>4</sup> [http://www.nationalgrid.com/NR/rdonlyres/9A536B73-7545-4484-9BFC-D27D6E5CBD89/47901/Energy\\_Modelling\\_Methodology\\_Issue1\\_18thJuly2011.pdf](http://www.nationalgrid.com/NR/rdonlyres/9A536B73-7545-4484-9BFC-D27D6E5CBD89/47901/Energy_Modelling_Methodology_Issue1_18thJuly2011.pdf)

<sup>5</sup> [http://www.nationalgrid.com/NR/rdonlyres/AF9269A3-F5CA-4153-897B-4EB0B74ADE4B/47902/Treatment\\_of\\_Modelling\\_Inputs\\_Methodology\\_Issue1\\_18July2011.pdf](http://www.nationalgrid.com/NR/rdonlyres/AF9269A3-F5CA-4153-897B-4EB0B74ADE4B/47902/Treatment_of_Modelling_Inputs_Methodology_Issue1_18July2011.pdf)



## **Cost Analysis to provide additional Information via the Monthly Balancing Services Summary**

- 4.12 The National Grid representative estimated that, in order to update the constraint limits and all of the other limits to produce the additional information in the monthly MBSS being proposed, an additional resource requirement of 22 Full Time Equivalent (FTE) staff would be required. It was highlighted that 20 FTEs, who would be Power System Engineers, would be required to produce the constraints analysis, i.e. Transmission Studies. The Workgroup suggested that the additional resource requirement could equate to an approximate cost of £2 million per annum and noted that the recovery of these costs would be via the internal BSUoS scheme and this would have to be reflected into the incentives within National Grid's RIIO submission, however the Authority decision for this Proposal would be received after the deadline for this submission. The Workgroup also estimated that there would be a one-off recruitment cost of approx £100k. National Grid also noted that the resource requirement would reduce if the frequency of the updates was reduced.
- 4.13 The Workgroup discussed that an alternative approach to the above would be to update all of the inputs other than the constraints and only include "big ticket" constraints issues. This could potentially reduce the resource requirement down to 2 FTEs which could be recruited via normal recruitment processes internal to National Grid, i.e. graduate or other training scheme.
- 4.14 At the post consultation meeting the group discussed in more detail the resource requirement and the National Grid representative confirmed that additional studies would need to be carried out each month, which would require the additional 20 FTE Power System Engineers. It was also pointed out that the Monthly Balancing Services Summary<sup>6</sup> now provides further BSUoS information, namely the monthly volume and the estimated monthly volume. The group then considered how long it would realistically take to recruit and train this volume of FTE's. It had been previously considered that 6 months to recruit and 3 months to train would be reasonable but the group recognised that this is difficult to estimate as there are several variables in recruitment. Following further analysis, the National Grid representative confirmed that recruitment of the FTE's would be potentially done in two sequential 6 month tranches with a requirement of 9 months for training in order that the recruits achieved full authorisation.
- 4.15 The group considered that 22 FTE would be able to give a more accurate representation of congestion on the transmission network and that would enable more accurate calculations to be carried out. Further analysis on the requirements was then carried out to demonstrate how the additional resources would lead to an improvement in the quality of data. The Workgroup agreed that the lead time required to recruit the additional staff would result in an implementation date of April 2015.
- 4.16 At the September 2012 Workgroup meeting the National Grid representative presented some figures which sought to demonstrate what impact additional

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<sup>6</sup> <http://www.nationalgrid.com/uk/Electricity/Balancing/Summary/>

resource might have had on the accuracy of the BSIS Target model. To achieve this, the National Grid representative ran the model again, using information which was available after the time period October 2011 – March 2012. The results were as follows:

- Original Forecast
  - Oct 2011 – Mar 2012: **£116m**
  - This figure was published in National Grid's MBSS
  
- Model run with knowledge of Moyle outage at this point
  - Costs over Oct 2011 – Mar 2012: **£83m**
  - At this point, the Moyle outage was expected to be in place until the end of November 2011
  - Running this model would require the additional 2 FTE
  
- Model run with actual constraint limits where these were available (and Moyle)
  - Costs over Oct 2011 – Mar 2012: **£104m**
  - Analysing the actual constraint limits at the time would have required the 22 FTEs
  - NB. There is no constraint limit for Moyle itself
  
- The actual constraint costs over the period Oct 2011 – Mar 2012 was **£158m**
  - This included wind constraint costs, voltage support and Moyle costs

Comparing “Energy Model” initial forecast to ex-post (April 2011 to March 2012):

- Initial total for year:     £483m
- Ex-Post total for year   £515m
- Outturn                     £494m

The Workgroup noted the changes in the costs in the BSIS Target Model for updating with Moyle information, requirement for 2 FTE, followed by updating the model with full constraint limits analysis, requiring 22 FTE. It highlighted to the group that potentially it is the day ahead information that results in a material change in costs due to wind rather than the month ahead data. The Workgroup discussed whether improvements to modelling voltage and wind are required rather than rerunning the BSIS model, but confirmed this is out of scope of the Proposal. The National Grid confirmed that the 2 FTE would look at developing the existing model. The analysis above confirmed that there was very little variation in the Energy Model due to the variables being tightly bound. The Workgroup reiterated the importance of the dialogue between National Grid and the Industry relating to the communication of constraints and assumptions within the model and discussions relating to trends.

4.17 The Workgroup asked whether the costs associated with the information provision only related to NGET. It concluded that no further Transmission Owner information was required and therefore the costs were only going to

be incurred by NGET. Respondents to the Workgroup Consultation agreed with this view.

- 4.18 The Workgroup considered the two solutions and debated whether the additional FTEs to model constraints could have an additional benefit of helping to reduce constraints. However, the Workgroup noted that NGET is already incentivised via the internal and external SO Incentives schemes and that the additional 20 FTE resource would not help with unanticipated fault outages, e.g. events on the Moyle Interconnector in 2011, which can lead to the volatility of BSUoS charges. The Workgroup concluded that the additional resource to update the models could potentially be more beneficial as this would reduce the time between when the fault occurred and it being reflected in the BSUoS charge.
- 4.19 The Workgroup discussed the benefits of the additional £2 million costs associated with the resource requirement and the impact on BSUoS charges and suggested that there would have to be a 50% forecast error to add 10/15p onto the BSUoS charge<sup>7</sup>. The majority of respondents to the Workgroup Consultation felt that end consumers would also benefit from the implementation of CMP208 as well as parties from whom BSUoS charges are recovered from, due to the provision of further information relating to future charges and increased market transparency. Most of the respondents felt that any change in BSUoS costs would have a material impact on their businesses, with one respondent advising that a change above 5% in BSUoS would have a material impact and another advising that it would have an impact of 25p/MWh.

### **Consensus view on variables and assumptions which produce scenarios**

- 4.20 The Workgroup briefly discussed which data inputs are publically available, which elements are forecast by National Grid and the sensitivities around the scenario analysis. In response to this National Grid's presentation highlighted that the Energy Model inputs are categorised as Ex-ante Inputs or Ex-post Inputs, highlighted the forecast method used, and gave an indication as to whether a +/- % scenario could be applied.
- 4.21 The Workgroup explored whether a seminar could be held to gain a consensus view on the variables and assumptions which produce the scenarios. It concluded that in principle a seminar could be held following the full Balancing Services Operational Forum meetings with questions being circulated prior to the meeting. A seminar to discuss the updated forecasts applies to both the original and the WACM.

### **Consider CMP208 against the Self-governance criteria**

- 4.22 The Workgroup considered the following Self governance criteria:

"Self-governance criteria" means a proposal that, if implemented,

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<sup>7</sup> Initial Scheme forecast of constraint costs 2012/13 was £124m. A 50% error would represent +/- £60m. On the basis of 2011/12 volumes of 604TWh, this would represent a BSUoS movement of +/-£0.10/MWh.

a. is unlikely to have a material effect on:

(i) existing or future electricity consumers;

And

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and

(iii) the operation of the national electricity transmission system; and

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the CUSC's governance procedures or the CUSC's modification procedures, and

b. is unlikely to discriminate between different classes of CUSC parties.

Through the Workgroup process it has been identified that the provision of the additional information would require an additional resource requirement of 22 FTEs equating to a potential cost of approximately £2 million and could also have an impact on the SO incentives. As a result of these findings the Workgroup agreed unanimously that CMP208 does not meet the Self-governance criteria as it would be likely to have a material impact on existing or future electricity consumers due to the likely pass-through of the cost of the additional National Grid resources and the potential pass through of any benefit received by Suppliers resulting from reduced risk premiums included within suppliers' charges, associated with BSUoS charge uncertainty.

### **Consider the Transmission Price Control Review in terms of the SO Incentives Scheme**

4.23 The Workgroup considered that as the Transmission Price Control Review, in terms of the SO Incentive Scheme, was still ongoing the solution for CMP208 could not reflect any outcomes of this debate. The Workgroup noted that the current regime covers a period of 2 years, but that future schemes may cover a longer period. The Workgroup also noted that a Stakeholder engagement mini consultation: Electricity System Operator incentives – Renewable generation forecasting<sup>8</sup> had closed with three responses and agreed that they would like to be informed of the next steps in this process but no further action was currently required in respect on CMP208.

4.24 The Workgroup also considered whether the additional resources could potentially mean that NGET would be able to model a more effective and efficient system and therefore NGET would gain some benefit against the SO incentive. The National Grid representative's view was that this is not the case as the scope to move outages around is limited due to the extent of the capital planned works and that costs are unlikely to be reduced in this manner.

4.25 The Workgroup however did comment that the additional resource requirement for the data provision would lead to an increase in BSUoS

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<sup>8</sup> <http://www.nationalgrid.com/uk/Electricity/soincentives/docs/>

charges and therefore there may be a consequential impact on the incentive scheme.

### **Consider the scope for linking when the forecasts are provided**

4.26 Forecasts provided would need to be linked to the availability of input data for those forecasts. Under the existing proposals the latest data available from Transmission Owners on their outage plans for which the System Operator has the results of power system studies would be used each month, as would the latest data for other inputs such as wholesale prices. Within this studied TO outage plan data for the year +1 is currently only available for use from January of the current year, e.g. data for April 2013 to March 2014 would only be available from late January 2013.

### **Consider the consistency with the like-for-like DCUSA Proposal**

4.27 The Workgroup stated that this was more appropriate for the CMP206 Workgroup to consider, as DCP126 looks at the Distribution equivalent to Transmission Network Use of System charges and not BSUoS charges.

### **Workgroup Alternative CUSC Modifications (WACMs)**

4.28 The Workgroup considered the following as a potential alternative:

Provision of Monthly Updates to BSUoS charges for the current and next financial year but the updates to the modelling tools would not include constraint updates other than those which have been identified to have a sizable impact on the industry. As previously noted in paragraph 4.11 a resource requirement of 2 FTEs would be required to produce this potential alternative. The majority of respondents to the Workgroup Consultation felt that there would be merit in progressing the Workgroup Alternative, particularly as it is a low cost option as compared to the Original. The Workgroup unanimously supported progressing this option as a WACM.

### **Legal Text**

4.29 At the post-consultation Workgroup meeting the Workgroup considered the draft legal text that had been provided. The group discussed how much detail is required in the text and noted that the forecasts are over a one month period. The National Grid representative advised that as the granularity is increased, the accuracy reduces so a monthly forecast was seen as a reasonable approach without giving a false sense of accuracy. The group felt that the text should include some wording around information provision, in terms of ensuring a mechanism for providing information to explain and support any changes to previous forecasts. It was agreed that the legal text should capture to a limited extent the obligation to provide this mechanism, without detailing exactly when or how this mechanism would be provided. Revised text was reviewed at the September Workgroup meeting. National Grid confirmed that in WACM1 the Company would make a judgement as to what information items have made a material impact, e.g. changes to fuel prices.

## 5 Impacts and Costs

### Impact on the CUSC

- 5.1 CMP208 requires amendments to the following parts of the CUSC:
- Section 3.15
  - Section 11
- 5.2 The text required to give effect to the Original Proposal and WACM 1 is contained in Annex 5 of this document.

### Impact on Greenhouse Gas Emissions

- 5.3 Neither the proposer nor the Workgroup identified any material impact on Greenhouse Gas emissions.

### Impact on Core Industry Documents

- 5.4 Neither the proposer nor the Workgroup identified any impacts on Core Industry Documents.

### Impact on other Industry Documents

- 5.5 Neither the proposer nor the Workgroup identified any impact on other Industry Documents.

### Implementation Costs

- 5.6 The National Grid representative provided an estimate of 22 additional FTEs to fully implement CMP208. The Workgroup considered a rough estimate of £2m to cover salaries and overheads and a further £100k was suggested by the Workgroup for recruitment costs. National Grid confirmed that this would have to be included as part of its RIIO submission. Based on the above the estimate for fully implementing WACM 1 is considered to be £180k - £200k for an additional 2 FTEs.

### Costs

Code administration costs	
Resource costs	<b>£7,260</b> - Workgroup meetings <b>£208</b> - Catering
Total Code Administrator costs	<b>£7,468</b>

Industry costs (Standard CMP)	
Resource costs	<b>£32, 670</b> - 4 Workgroup meetings <b>£10, 890</b> – 2 Consultations
	<ul style="list-style-type: none"><li>• 4 Workgroup meetings</li></ul>

	<ul style="list-style-type: none"><li>• 9 Workgroup members</li><li>• 1.5 man days effort per meeting</li><li>• 1.5 man days effort per consultation response</li><li>• 12 consultation respondents</li></ul>
Total Industry Costs	<b>£43,560</b>

## 6 Proposed Implementation

- 6.1 The Workgroup proposes that, if approved, CMP208 should be implemented on 1 April 2015 to provide sufficient lead time for National Grid to recruit and train the required resources, as set out in section 4.
- 6.2 The Workgroup proposes that, if approved, WACM1 should be implemented 3 months after an Authority Decision, starting on the 1<sup>st</sup> of the month after an Authority decision.



## Workgroup Conclusion

7.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP208 has been fully considered. On 12 September 2012 the Workgroup voted unanimously that CMP208 and WACM1 better facilitate the Applicable CUSC Objectives, with a unanimous preference for WACM1 to be implemented. Details of these can be found in the tables below.

7.2 For reference the CUSC Objectives are:

- (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence;
- (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
- (c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

### Vote 1: Does CMP208 better facilitate the Applicable CUSC Objectives?

	(a)	(b)	(c)
Antony Badger	No	Yes, improved information provision would help competition.	Neutral
Paul Hurlock	No, ineffective due to the number of people required to implement the solution	Yes	Neutral
Jon Wisdom	No	Yes	Neutral
Esther Sutton	Neutral, in the long run may be worthwhile in conjunction to model improvements.	Yes	Neutral
Rob Hill	No	Yes, due to the obligation to improve information provision	Neutral
Simon Vicary	No, further development of constraint modelling might be a beneficial initiative.	Yes	Neutral
James Anderson	No, additional costs are not justified by the benefits.	Yes, improved information would lead to improved competition.	Neutral

**Vote 1: Does WACM1 better facilitate the Applicable CUSC Objectives?**

	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Antony Badger	Yes	Yes	Neutral
Paul Hurlock	Yes, efficient way of improving on what is currently being done in relation to BSIS information provision.	Yes, facilitating competition by updating the CUSC with an obligation to publish information.	Neutral
Jon Wisdom	Yes, formalising National Grids obligation to publish information.	Yes, as above.	Neutral
Esther Sutton	Yes, as above.	Yes	Neutral
Rob Hill	Yes, more efficient discharge of information obligation.	Yes as above.	Neutral
Simon Vicary	Yes, due to the engagement of participants.	Yes	Neutral
James Anderson	Yes, formalising the provision of forecasts is more efficient.	Yes	Neutral

**Vote 2: Does WACM1 better facilitate the Applicable CUSC objectives than CMP208 Original?**

	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Antony Badger	Yes, more efficient.	Neutral	Neutral
Paul Hurlock	Yes	Neutral	Neutral
Jon Wisdom	Yes, more efficient	Yes, more efficient in relation to costs and benefits.	Neutral
Esther Sutton	Yes	Neutral	Neutral
Rob Hill	Yes, more efficient discharge of information obligation.	Neutral	Neutral
Simon Vicary	Yes	Neutral	Neutral
James Anderson	Yes more efficient.	Yes	Neutral

**Which option BEST facilitates achievement of the ACOs?  
(CUSC Baseline, CMP208 or WACM 1)**

<b>Name</b>	<b>Preference</b>
Antony Badger	WACM1
Paul Hurlock	WACM1
Jon Wisdom	WACM1
Esther Sutton	WACM1
Rob Hill	WACM1
Simon Vicary	WACM1
James Anderson	WACM1

**National Grid's Opinion**

7.3 Informal arrangements already exist by which National Grid shares our latest forecasts with the industry, arising from the incentives management process, such as via Operational Forums and the Monthly Balancing Services Summary (MBSS) report. Feedback from the industry is that this information is a key input that customers use within their business processes. This Modification Proposal presents an opportunity to formalise this provision of information, within the codes whilst responding to customer needs and facilitating competition within the industry. National Grid therefore support this Modification Proposal, although believe that the Alternative developed by the Workgroup provides a better balance between information provision and level of resource requirement.

**CUSC Modifications Panel Recommendation**

7.4 At the meeting of the CUSC Modifications Panel on 14 December 2012, the Panel voted by a majority (8:1) that CMP208 Original and unanimously that the Workgroup Alternative CUSC Modification better facilitate the Applicable CUSC Objectives. The Panel Members unanimously expressed a preference for the WACM to be implemented.

**Original**

<b>Panel Member</b>	<b>Better facilitates ACO (a)?</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Mott	Neutral	Yes, even with 22 FTE there is potentially a cost benefit to the Industry but this is hard to quantify	Neutral	Yes
James Anderson	No	Yes, improves economic decision making.	Neutral	Yes
Alternate: Michael Dodd for Simon Lord	Neutral	Yes	Neutral	Yes
Alternate: Bob Brown for Duncan	Neutral	Yes	Neutral	Yes

<b>Panel Member</b>	<b>Better facilitates ACO (a)?</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Carter				
Michael Dodd	Neutral	Yes	Neutral	Yes
Paul Jones	No, slightly worse.	Yes	Neutral	Yes
Pat Hynes	No, improvements don't justify costs of the original.	Yes, improves industry information and therefore more efficient. However benefits are difficult to quantify.	Neutral	No
Garth Graham	No, slightly worse.	Yes, improves economic decision making.	Neutral	Yes
Bob Brown	Neutral	Yes	Neutral	Yes

### **WACM 1**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Mott	Neutral	Yes	Neutral	Yes
James Anderson	Yes, marginally	Yes	Neutral	Yes
Alternate: Michael Dodd for Simon Lord	Neutral	Yes, more pragmatic approach.	Neutral	Yes
Alternate: Bob Brown for Duncan Carter	Neutral	Yes	Neutral	Yes
Michael Dodd	Neutral	Yes	Neutral	Yes
Paul Jones	Neutral	Yes	Neutral	Yes
Pat Hynes	Neutral	Yes	Neutral	Yes
Garth Graham	Neutral	Yes	Neutral	Yes
Bob Brown	Neutral	Yes	Neutral	Yes

**BEST (CUSC Baseline, CMP208 Original or WACM1)**

Paul Mott	WACM1
James Anderson	WACM1
Alternate: Michael Dodd for Simon Lord	WACM1
Alternate: Bob Brown for Duncan Carter	WACM1
Michael Dodd	WACM1
Paul Jones	WACM1
Patrick Hynes	WACM1
Garth Graham	WACM1
Bob Brown	WACM1

## 8 Workgroup Consultation Responses

8.1 7 responses were received to the Workgroup Consultation. These responses are contained with Annex 6 of this report. The following table provides an overview of the representations received:

Company	Initial Views	Views against ACOs	Implementation approach supported?	Other Comments
Smartest Energy Ltd	Generally supportive.	Yes on (a) Yes on (b)	Yes.	-Issue seems less about regularity of reports and more the quality of the forecast. Not much advantage moving to monthly forecast. Concerns about accuracy of forecasts for which NG needs more resource.
Scottish Power Energy Management Ltd	Supportive.	<i>No response.</i>	Original proposal dependent on NGET's ability to recruit and train approx 20 suitably qualified staff and therefore would need a minimum of 6 months to implement. WG Alternative could be implemented in shorter timescales.	-There would be merit in progressing a lower cost option as a WACM. With limited additional resource and without a full re-run of Plexos, NGET could identify major issues contributing to constraint costs, the expected duration of the constraint and the average cost (£/week) of the constraint to date. This would enable Users to form their own view of the range of constraint cost outcomes.
Gazprom Energy	Supportive.	Yes on (b) Regular, accurate forecasts of BSUoS costs will enable suppliers to forecast own costs better and ensure more accurate pricing results for fixed price contracts.	Yes.	The proposed alternative would only include the most significant constraint costs and the analysis showed these to have the greatest impact on BSUoS costs. It would also come at substantially less cost and therefore seems wise to progress this option.
SSE	Supportive	Yes on (a) and (b). CMP208 better facilitates the reasons set out in paragraphs 7.1 and 7.2 and, of these, the reasoning associated with (b) (7.2) is more compelling than (a). Neutral on (c)	Yes in principle, but the additional 6 month transitional and 3 month training period for transitional purposes seems over generous if only 2 FTEs are required – this should require a shorter lead time in comparison to the	Agree with suggestion of holding a seminar to gain a consensual view on variables and assumptions which produce the scenarios. - Would be useful to follow BSUoS seminar after RIIO stakeholder engagement exercise. Merit in progressing WG alternative for reason set out in 4.13 and 4.14 as this could go a long way in improving the provision of monthly updates on charges whilst avoiding much higher costs (i.e. 2FTE

			22 FTE option.	@~£200k vs 22FTE@~£2M).
Haven Power Limited	Supportive although struggling to understand NGET's indicated resource figures as this is significantly higher than that currently in place.	Yes on (a) CMP208 would provide for more effective discharge of the Company's obligation under the licence relating to provision of details of use of system charges for which a user would become liable through the provision of relevant forecast information. Yes on (b) CMP208 would enable users to improve the accuracy of their forecasts which should lead to more informed plans and strategies. Users would also face less uncertainty so be exposed to less risk.	Yes.	-Timeframe reasoning understood however would actively encourage NGET to phase in the provision of additional information as soon as resources become available. This would give parties the earliest visibility of additional information. -Although BSUoS is not included within the scope of Ofgem's consultation "Mitigating network charging volatility arising from the price control settlement (ref: 52/12)", This would complement Option 1 by providing further information a key, and often volatile, cost incurred by suppliers. This extra information would be even more valuable if CMP201 were to be implemented and suppliers become solely liable for all BSUoS costs. If original proposal rejected, would be supportive of the alternative.
EDF Energy	Supportive as parties will face less uncertainty with respect to future BSUoS charges.	Yes on (a) Through the provision of improved transmission charge (BSUoS) forecast information. Yes on (b) Enables users to improve accuracy of their own forecasts which should lead to more informed plans and pricing strategies. New entry should be facilitated both by reduced cost of capital and by the ease of access to information about ongoing BSUoS.	Yes.	Workgroup Alternative, to consider the inclusion of an additional provision within the mod to have Monthly Updates to BSUoS charges for the current and next financial year, giving 60% of the benefit of CMP208, however, the updates made to the modelling tools each month would not, in this alternative, including any constraint modelling updates, other than those which have a sizable impact on the industry. The alternative gives some of the benefit of CMP208, with a reduction in the resource that NG is required to implement CMP208 original.
RWEpower Ltd	Supportive	Yes on (b) - it will increase transparency to all participants. Proposal may result in an increase in operational costs for NG and are supportive of this to the extent that the benefits case is justifiable.	Timescales for implementation are optimistic. Suggest NG provide a plan so the industry can observe how this will be met. This will also inform the WG as to the suitability of this timeframe.	The potential alternative has merit and may well deliver more quickly than the original. It also does not pose as large a burden on NG in terms of implementation.

## 9 Code Administrator Consultation Response Summary

9.1 Five responses were received to the Code Administrator Consultation which closed on the 22<sup>nd</sup> November 2012. The full responses can be found in Annex 7.

Company	Views against ACOs	Implementation	Other Comments
EDF Energy	CMP208 & WACM, better facilitates ACO (b),	Yes supports implementation approach.	Although EDF has a preference for CMP208, they would like to see WACM implemented as this can be implemented within 3 months.
ScottishPower Energy Management Ltd	CMP208, better facilitates ACO (b), WACM better facilitates ACOs (a) and (b).	Yes supports implementation approach.	WACM better facilitates the ACOs and is the preferred option.
Gazprom Energy	CMP208, better facilitates ACO (b), WACM better facilitates ACOs (a) and (b).	Yes supports implementation approach.	WACM better facilitates the ACOs and is the preferred option. This modification may become more critical with the implementation of CMP201 and notes Ofgem's proposals to introduce a financial incentive regarding the accuracy of BSUoS charge forecasts.
Haven Power Ltd	CMP208, better facilitates ACO (b), WACM better facilitates ACOs (a) and (b).	Yes supports implementation approach	If implemented either the original or WACM would provide a positive step forward to produce regular BSUoS forecast. Notes Ofgem's proposals to introduce a financial incentive on the SO relating to the accuracy of BSUoS forecasts.
SmartestEnergy Ltd	Both original & WACM better facilitates (a) and (b)	Yes supports implementation approach	Believes that CMP208 meets the objectives better than WACM1. Formalising the process and moving to monthly reporting does not improve quality and information. Queries the NGT resource requirement of 22 FTEs. Better to have more accurate forecasts quarterly than less accurate monthly forecasts.



### Workgroup Terms of Reference and Membership TERMS OF REFERENCE FOR CMP208 WORKGROUP

#### Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP208 'Requirement for National Grid Electricity Transmission to provide and update forecasts of BSUoS charges each month' tabled by Haven Power at the CUSC Modifications Panel meeting on 30 March 2012.
2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:
  - (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and
  - (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
  - (c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

#### Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:
  - a) Consider CMP208 against the Self-governance criteria
  - b) Consider the Transmission Price Control Review in terms of the SO Incentives Scheme
  - c) Consider the scope for linking when the forecasts are provided
  - d) Consider the consistency with the like-for-like DCUSA Proposal
  - e) Review the illustrative legal text
6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group

discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.

7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of 3 weeks as determined by the Modifications Panel.
11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on 23 August 2012 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 31 August.

## Membership

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
------	------	--------------

Chairman	Alex Thomason	Code Administrator
National Grid Representative*	Paul Hurlock	National Grid
Industry Representatives*	James Anderson	ScottishPowerEnergy Management
	Simon Vicary	EDF Energy
	Jonathan Wisdom	RWE npower
	Rob Hill	First Utility
	Garth Graham	SSE
	Antony Badger	Haven Power
	Esther Sutton	E.ON
Authority Representatives	Abid Sheikh	Ofgem
Technical secretary	Louise McGoldrick	Code Administrator
Observers		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP208 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise]. There may be up to three rounds of voting, as follows:
- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
  - Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
  - Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

### Appendix: Indicative Workgroup Timetable

The following timetable is indicative for the CMP208 Workgroup.

W/C 16 April	Send out WG nominations
15 May	First Workgroup meeting
W/C 28 May	Second Workgroup meeting
W/C 11 June	Third Workgroup meeting (if required)
20 June	Issue draft Workgroup Consultation for Workgroup comment (5 working days)
27 June	Deadline for comments on draft Workgroup Consultation
2 July	Publish Workgroup consultation (for 3 weeks)
23 July	Deadline for responses to Workgroup consultation
W/C 30 July	Post-consultation Workgroup meeting
14 August	Circulate draft Workgroup Report
21 August	Deadline for comment on Workgroup report
23 August	Submit final Workgroup report to Panel Secretary
31 August	Present Workgroup report to CUSC Modifications Panel

CUSC Modification Proposal Form	CMP208
<p><b>Title of the CUSC Modification Proposal:</b><i>(mandatory by Proposer)</i> Requirement for National Grid Electricity Transmission to provide and update forecasts of BSUoS charges each month</p>	
<p><b>Submission Date</b> <i>(mandatory by Proposer)</i> 2 April 2012</p>	
<p><b>Description of the CUSC Modification Proposal</b><i>(mandatory by Proposer)</i>  This proposal would require National Grid Electricity Transmission (NGET) to publish a current year forecast and a year-ahead forecast of Balancing Services Use of System (BSUoS) charges. It would also require that the forecasts be updated on a monthly basis during the year and that they should be in a prescribed format with commentary posted on the National Grid website.</p>	
<p><b>Description of Issue or Defect that the CUSC Modification Proposal seeks to Address:</b><i>(mandatory by proposer)</i>  Balancing Services Use of System (BSUoS) charges represent a significant and uncontrollable charge to generators and suppliers. They are also not predictable by market participants as they are an output of the interaction of a complex set of costs with the SO incentive arrangements. This position is partly by design: under the current incentive arrangement specific model parameters, and the actual data used is not made public because of the potential for interested parties to determine the SO's incentivised cost targets and potentially influence its performance.  Currently National Grid now provides updates on BSUoS forecasts for current year charges—and now with the introduction of the two year SO incentive scheme—for the following year at periodic Balancing Services Operational Forum meetings. However there are no provisions in the CUSC which require NGET to provide forecasts of BSUoS charges and to do so accurately and regularly. The current arrangement falls short of a requirement, and the frequency of forecast information is insufficient to enable users to gain an adequate and up to date view of the charges they will face and the potential changes to these charges.  Further, if CMP201 <i>Removal of BSUoS Charges from Generators</i> is approved, the level of charges faced by suppliers will effectively double, placing more importance on accurately forecasting this charge so suppliers can assess their liabilities and manage their own charges to customers.  National Grid should therefore be obligated to publish accurate forecasts of BSUoS charges for the current and next financial year, with a relevant level of explanatory commentary in a format approved by grid users as part of the modification working group / consultation process, which should be updated on a monthly basis.</p>	
<p><b>Impact on the CUSC</b> <i>(this should be given where possible)</i>  The proposal would introduce an additional requirement in the CUSC for NGET to produce accurate monthly updated forecasts of BSUoS charges for the current and following financial years.</p>	
<p><b>Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No</b> <i>(mandatory by Proposer. Assessed in accordance with Authority Guidance – see guidance notes for website link)</i>  No</p>	
<p><b>Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information</b><i>(this should be given where possible)</i></p>	

**BSC**

**Grid Code**

**STC**

**Other**

*(please specify)*

**Urgency Recommended: Yes / No** *(optional by Proposer)*

No

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

N/A

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

No

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

N/A

**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

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

**Details of any Related Modification to Other Industry Codes** *(where known):*

The proposer has raised a similar CUSC proposal which would require National Grid to provide regularly updated TNUoS forecasts for the next financial year.

It has also raised a similar DCUSA proposal to require Distribution Network Operators to provide tariff forecasts one year ahead of the charging year which are regularly updated up to the year start.

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

**Please tick the relevant boxes and provide justification:**

(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence

(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1

**Full justification:**

The proposal would better facilitate objective (a) as it would provide for the more effective discharge of The Company's obligation in SC4 paragraph 2 of the Transmission Licence (provision of details of Use of System Charges for which a user would become liable) through the provision of relevant forecast information..

The proposal would better facilitate applicable objective (b) because it would enable grid users to improve the accuracy of their own forecasts and assessments, which should lead to more informed business plans and pricing strategies. Users would also face less uncertainty with respect to future changes in BSUoS charges and so be exposed to less risk. The forecasts would also enable all companies to be on an equal footing with respect to the information on future charges.

The proposal would be neutral in respect of applicable objective (c).

<b>Details of Proposer:</b> (Organisation Name)	Haven Power Limited
<b>Capacity in which the CUSC Modification Proposal is being proposed:</b> (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Antony Badger Head of Supplier Management Haven Power 01473 707182 <a href="mailto:antony.badger@havenpower.com">antony.badger@havenpower.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Nigel Cornwall Cornwall Energy 01692 407865 <a href="mailto:nigel@cornwallenergy.com">nigel@cornwallenergy.com</a>
<b>Attachments (Yes/No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	

## Annex 3 – Input Summary

	Data Item	Ex-Post / Ex-Ante	Forecast Method	Observations/Suggestions
<b>Constraints Model</b>	Wind Load Factor	Ex-Post	Historic Distribution	Could apply 100%/0% scenarios
	Demand Forecast	Ex-Ante	Demand models	Could apply +/-% scenario
	Generator Availability (OC2)	Ex-Ante	OC2 submission	Could update more frequently
	Fuel Prices	Ex-Post	Bloomberg	Can't forecast better than market (e.g. Bloomberg)
	Network Data	Ex-Ante	Fixed	Fixed
	Generation Parameters	Ex-Ante	Fixed	Updated when observed behaviour differs from model
	Constraint Limits	Ex-Ante	Transmission Studies	More frequent updates possible but resource intensive to do accurately
	BM Prices	Ex-Post	SRMC based on Plexos output	Can't forecast better than market (e.g. Bloomberg)
<b>Energy Model</b>	Modelled Relationships	Ex-Ante	Fixed; based on regression analysis	Fixed; ad-hoc updates possible if behaviour does not match real world
	STOR Volume & Price	Ex-Ante	Expected/target volume/price to meet	Commercially sensitive; can be updated after tender rounds
	Reserve for Wind	Ex-Ante	NG Policy	can be updated when/if policy changes
	Demand	Ex-Ante	Demand Models	Could apply +/-% scenario
	Power Price	Ex-Post	Bloomberg	Can't forecast better than market (e.g. Bloomberg)
	Market Length	Ex-Post	Historic Average	NG unable to forecast at longer timescales; require market input or arbitrary +x% scenario
	Headroom	Ex-Post	Historic Average	NG unable to forecast at longer timescales; require market input or arbitrary +x% scenario
	Wind Generation	Ex-Post	Historic Average	Could apply 100%/0% scenarios
	Nuclear Generation	Ex-Post	Historic Average	Related to fault generation outages; could apply +x% scenarios
	RPI	Ex-Post	Fixed	Could apply +/-% scenario



## Annex 4 - Workgroup Attendance Register

Name	Organisation	Role	24/5/12 Attended	12/6/12 Attended	06/8/12 Attended	12/9/12 Attended
Alex Thomason	National Grid	Chairman	Yes	Yes	No*	Yes
Louise McGoldrick	National Grid	Technical Secretary	Yes	Yes	No**	Yes
Paul Hurlock	National Grid	National Grid representative	Yes	Yes	Yes	Yes
Abid Sheikh	Ofgem	Authority representative	Teleconf	Teleconf	Teleconf	No
Anthony Mungall	Ofgem	Authority representative	No	No	No	Teleconf
Antony Badger	Haven Power	Workgroup Member	Yes	Yes	Yes	Yes
Esther Sutton	E.ON	Workgroup Member	Yes	Yes	Yes	Yes
Rob Hill	First Utility	Workgroup Member	Yes	Yes	Yes	Yes
Simon Vicary	EDF Energy	Workgroup Member	Yes	Yes	Yes	Yes
James Anderson	ScottishPower Energy Management	Workgroup Member	Yes	Yes	No	Yes
Garth Graham	SSE	Workgroup Member	Yes	Yes	Yes	No
Jonathan Wisdom	RWE npower	Workgroup Member	No	Yes	Yes	Yes
George Douthwaite	RWE npower	Alternative Workgroup Member	Yes	No	No	No

\* Ian Pashley covered position of Workgroup Chair in place of Alex Thomason

\*\* Emma Clark covered position of Technical Secretary in place of Louise McGoldrick.

For ease of reference, the proposed deleted text is shown in red strikethrough, and any proposed additional text is shown in blue font. Only the relevant paragraphs have been included rather than the entire contents of each section. Subsequent paragraph numbers and any reference to these, along with the numbering in the Contents Page, will be amended accordingly.

### Draft Legal Text for CMP208 Original:

#### Section 3

##### 3.15.3 **Balancing Services Use of System Charges Information**

3.15.3.1 **The Company** shall use reasonable endeavours to publish no later than the last **Business Day** in each month the **Balancing Services Use of System (BSUoS) charges Forecast Information**

3.15.3.2 The **Balancing Services Use of System Charges Forecast** Information will include:

- (a) estimated **BSUoS** volumes
- (b) estimated external **BSUoS** costs
- (c) estimated internal **BSUoS** costs
- (d) estimated average **BSUoS** charges in £/MWh
- (e) incentive scheme performance where applicable

The Company will engage with industry participants to discuss assumptions and provide information to explain and support any changes to previously published **Balancing Services Use of System Charges Forecast** Information.

3.15.3.3 Each update shall be based on the latest information for all available inputs.

#### Section 11 Definitions

"**Balancing Services Use of System Charges**"

the element of **Use of System Charges** payable in respect of the **Balancing Services Activity**;

"**Balancing Services Use of System Charges Forecast Information**"

**The Company's** estimate of the average expected **Balancing Services Use of System Charges** for each month in the **Current Financial Year** and each month of the following **Financial Year**.

"**Balancing Services Use of System Reconciliation Statement**"

as defined in Paragraph 3.15.1;

### Section 3

#### 3.15.4 **Balancing Services Use of System Charges Information**

3.15.3.1 **The Company** shall use reasonable endeavours to publish no later than the last **Business Day** in each month the **Balancing Services Use of System (BSUoS) charges Forecast Information**

3.15.3.2 The **Balancing Services Use of System Charges Forecast** Information will include:

- (a) estimated **BSUoS** volumes
- (b) estimated external **BSUoS** costs
- (c) estimated internal **BSUoS** costs
- (d) estimated average **BSUoS** charges in £/MWh
- (e) incentive scheme performance where applicable

The Company will engage with industry participants to discuss assumptions and provide information to explain and support any changes to previously published **Balancing Services Use of System Charges Forecast** Information.

3.15.3.3 Each update shall be based on the latest information for items which **The Company** reasonably expects to make a material impact to the expected **Balancing Services Use of System Charges**.

### Section 11 Definitions

"**Balancing Services Use of System Charges**"

the element of **Use of System Charges** payable in respect of the **Balancing Services Activity**;

"**Balancing Services Use of System Charges Forecast Information**"

**The Company's** estimate of the average expected **Balancing Services Use of System Charges** for each month in the **Current Financial Year** and each month of the following **Financial Year**.

"**Balancing Services Use of System Reconciliation Statement**"

as defined in Paragraph 3.15.1;

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	Paul Mott
<b>Company Name:</b>	EDF Energy
<b>Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)</b>	We support the change proposal for the Provision of Monthly Updates to BSUoS charges for the Current and next financial year. This will help all parties, from whom BSUoS charges are recovered, to improve the accuracy of their forecasts, leading to better informed business plans and pricing strategies. All parties would also face less uncertainty with respect to future changes in BSUoS charges.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p>We believe that CMP208 would better facilitate applicable objective (a) - the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence, through the provision of improved transmission charge (BSUoS) forecast information.</p> <p>We also believe that CMP208 would better facilitate objective (b) - facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. This is because it would enable grid users to improve the accuracy of their own forecasts and assessments, which should lead to more informed business plans and pricing strategies. By de-risking generation and supply a little (to an equal extent on both sides of the market), Users would be able to finance their operations a little easier, at a lower cost of capital due to reduction in BSUoS risk. The forecasts would also enable all companies, including smaller ones that are less able to assess various events affecting BSUoS prices, to be on a much more equal footing with respect to the information on future charges. New entry should be facilitated both by reduced cost of capital due to de-risking, and by the ease of access to good quality information about ongoing BSUoS.</p> <p>CMP208 appears to be neutral in respect of objective (c) - compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative</b>	Yes.
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<b>suggestion where possible.</b>	
<b>Do you have any other comments?</b>	No.
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	We would like the workgroup to consider, as a potential Workgroup Alternative, the inclusion of an additional provision within the mod. This provision would be for a slightly more basic version of CMP208. There would still be Monthly Updates to BSUoS charges for the current and next financial year, giving 60% of the benefit of CMP208. However, the updates made to the modelling tools each month would not, in this alternative, including any constraint modelling updates, other than those which have a sizable impact on the industry – and these latter might be subject to a subjective material assessment, if not able to be modelled in detail. The alternative gives some of the benefit of CMP208, with a reduction in the resource that NG is stating it would require to implement CMP208 original.

#### Specific questions for CMP208

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?</b>	No.
2	<b>Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?</b>	Yes.

Q	Question	Response																		
3	What level of change in BSUoS costs do Users consider to have a material impact on their business?	<p>A 0.5% increase in the annualised scheme cost is equivalent to an additional £4.4m to the industry. Therefore even a relatively small percentage increase in scheme costs has a material financial impact for suppliers.</p> <table border="1"> <thead> <tr> <th colspan="2">BSUoS Financial impact</th> </tr> </thead> <tbody> <tr> <td>Annual Volume GWh (01/04/2011 - 31/03/2012)</td> <td>603,930</td> </tr> <tr> <td>Scheme Cost</td> <td>£ 884,200,000</td> </tr> <tr> <td>Average BSUoS Cost (£/MWh)</td> <td>£ 1.46</td> </tr> <tr> <td>Market Share (SVA Elexon Market Share data)</td> <td>12.3%</td> </tr> <tr> <td>Contribution</td> <td>£ 108,668,180</td> </tr> <tr> <td>Increase in scheme cost (%)</td> <td>0.5%</td> </tr> <tr> <td>Total increase Scheme Cost (£)</td> <td>£ 4,421,000</td> </tr> <tr> <td>Additional Contribution for EDF Energy</td> <td>£ 543,341</td> </tr> </tbody> </table> <p><b>Sources:</b>  <i>Annual Volume extracted from Elexon BSUoS flow.</i>  <i>Scheme Cost extracted from MBSS BSUoS monthly report published by National Grid</i>  <i>Market Share obtained from SVA market share from Elexon</i></p>	BSUoS Financial impact		Annual Volume GWh (01/04/2011 - 31/03/2012)	603,930	Scheme Cost	£ 884,200,000	Average BSUoS Cost (£/MWh)	£ 1.46	Market Share (SVA Elexon Market Share data)	12.3%	Contribution	£ 108,668,180	Increase in scheme cost (%)	0.5%	Total increase Scheme Cost (£)	£ 4,421,000	Additional Contribution for EDF Energy	£ 543,341
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4	Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?	<p>Yes.</p> <p>We would like to have comprehensive forecast updates but recognise that there may be a significant cost associated with it. This option would provide monthly updates to current year and year ahead forecasts at a lower cost than the proposal, so there is merit in progressing it as a Workgroup Alternative CUSC Modification.</p>																		

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	Tom Breckwoldt, tom.breckwoldt@gazprom-energy.com, +44 (0)845 873 2284.
<b>Company Name:</b>	Gazprom Energy
<b>Please express your views regarding the Workgroup Consultation, including rationale.</b>  <b>(Please include any issues, suggestions or queries)</b>	Regular updates to BSUoS charges for the current and next financial year will mean those parties whom BSUoS charges are recovered from will be able to forecast their costs more accurately and as a result price contracts more effectively. This will be to the benefit of customers.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include</b>	We agree that the modification will better facilitate CUSC objective B) <i>facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</i> Regular, accurate forecasts of BSUoS costs will enable

<b>your reasoning.</b>	suppliers to forecast their own costs better and ensure more accurate pricing results for fixed price contracts.
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<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	Yes.
<b>Do you have any other comments?</b>	No.
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	No.

#### Specific questions for CMP208

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?</b>	No.
2	<b>Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?</b>	It will benefit all parties paying BSUoS who will have more information relating to future charges.
3	<b>What level of change in BSUoS costs do Users consider to have a material impact on their business?</b>	We would consider changes of greater than 5% in BSUoS costs to have a material impact on our business.
4	<b>Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?</b>	Yes – the alternative would only include the most significant constraint costs and the analysis showed these to have the greatest impact on BSUoS costs. It would also come at substantially less cost and therefore seems wise to progress this option.

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	<i>Antony Badger</i>
<b>Company Name:</b>	<i>Haven Power Limited (Haven)</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)</b>	<p><i>Haven is the proposer of CMP208 and participated in each of the Workgroup meetings and the Workgroup Consultation is a fair representation of the discussions.</i></p> <p><i>We have struggled to understand NGET's indicated resource requirements to implement the proposals in CMP208 in full. Good forecasts are the basis for good management and so it is puzzling that the resource level is significantly higher than that currently in place. However, we don't have a detailed level of understanding of the tasks involved and so are unable to challenge any further than the Working Group discussion did.</i></p>
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p><i>We believe CMP208 better facilitates Applicable CUSC Objectives (a) and (b) as set out below.</i></p> <p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p><i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and</i></p> <p><i>As the proposer, we feel that CMP208 would provide for more effective discharge of the Company's obligation under SLC4 paragraph 2(i) of the transmission licence which relate to provision of details of use of system charges for which a user would become liable through the provision of relevant forecast information.</i></p> <p><i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity,</i></p> <p><i>We believe that CMP208 would enable users to improve the accuracy of their forecasts and assessments which should lead to more informed business plans and pricing strategies. Users would also face less uncertainty with respect to future changes in BSUoS charges and so be exposed to less risk.</i></p> <p><i>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</i></p>

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	<p><i>Yes, we agree that any CUSC changes should be implemented within 10 working days of an Authority decision.</i></p> <p><i>We understand the reasoning for the timeframes outlined in the proposed approach to implementation. However, we would actively encourage NGET to phase in the provision of additional information as soon as resource becomes available. This would give parties the earliest visibility of the additional information.</i></p>
<b>Do you have any other</b>	<i>Although BSUoS is not included within the scope of Ofgem's</i>



<b>comments?</b>	<i>consultation “Mitigating network charging volatility arising from the price control settlement (ref: 52/12)”, we believe it would complement Option 1 described in the document by providing further information a key, and often volatile, cost incurred by suppliers. This extra information would be even more valuable if CMP201 were to be implemented and suppliers become solely liable for all BSUoS costs.</i>
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	<i>No.</i>

### Specific questions for CMP208

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?</b>	<i>No, we do not think that any other parties would be required to incur any further costs other than NGET. Other TOs already provide information to NGET, but we do not believe that they would need to provide any further information.</i>
2	<b>Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?</b>	<i>CMP208 would provide real benefits to retail competition through the removal of distortions from price shocks. Suppliers will be better informed on the likely level of future BSUoS charges and will be able to price this in to their retail offerings accordingly. Where there is uncertainty, suppliers will factor in a premium that customers will have to pay.</i>
3	<b>What level of change in BSUoS costs do Users consider to have a material impact on their business?</b>	<i>BSUoS will be factored into retail prices by suppliers. When margins are eroded, either partly or wholly, by unforeseen increases in third party charges such as BSUoS, supply businesses suffer a material impact. During the 2011/12 scheme year we saw BSUoS forecasts deviate from outturn values by ~20% (~£0.30/MWh) – this would cause significant margin erosion and is above the gross margin in some sectors of the retail market. If at some point in the future, BSUoS is recovered solely from suppliers, then improved BSUoS forecasts will become even more valuable.</i>
4	<b>Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?</b>	<i>If the original proposal described in CMP208 were rejected, we would be supportive of the alternative.</i>

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	Jonathan Wisdom ( <a href="mailto:jonathan.wisdom@npower.com">jonathan.wisdom@npower.com</a> ) – 07584 491508
<b>Company Name:</b>	RWE npower Ltd
<b>Please express your views regarding the Workgroup Consultation, including rationale.</b> <b>(Please include any issues, suggestions or queries)</b>	We fully support any proposal that looks to bring greater clarity to the market place. Clarity and transparency ensure that the competitive market functions and ensures a best deal for consumers. In looking to obtain more usable and frequent data CMP208 fulfils this.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<i>It is our view that applicable objective (b) is better facilitated by the implementation of this modification:</i>  The effectiveness of competition is in part informed by the transparency of the marketplace. As this modification will increase transparency to all participants and allow an insight to the progression of National Grid’s dataset from which charges are derived we believe it satisfies this objective. We are aware that this proposal may result in an increase in operational costs for National Grid and are supportive of this to the extent that the benefits case is justifiable.  The workgroup alternative suggested at the last meeting we believe goes a long way to satisfying the majority of this CP. Therefore to avoid significant additional cost being placed upon National Grid we believe this is worth investigating fully.

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	It is our opinion that the timescales for implementation are optimistic in the case of the original. 6months to find and train 20 appropriate people for these roles does not seem sufficient. We suggest that National Grid provide the workgroup with a plan so that the industry can observe how they will meet this target. This will also inform the workgroup as to the suitability of this implementation timeframe.
<b>Do you have any other comments?</b>	No
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	No - Other than that raised by the workgroup.

Specific questions for CMP208

Q	Question	Response
1	Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?	No
2	Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?	Consumers are ultimately the beneficiaries of any increased market transparency which we believe this change delivers. There may be scenarios in which non BSUoS paying parties may benefit from this modification if the CMP201/202 proposals are implemented.
3	What level of change in BSUoS costs do Users consider to have a material impact on their business?	Any change in BSUoS has a material impact on our business.
4	Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?	We believe that the potential alternative has merit and may well deliver more quickly than the original. It also does not pose as large a burden on National Grid in terms of implementation.

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	<i>James Anderson</i>
<b>Company Name:</b>	<i>ScottishPower Energy Management Ltd</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.</b> <b>(Please include any issues, suggestions or queries)</b>	ScottishPower supports the implementation of CMP208 as it better meets the Applicable CUSC Objectives and will provide significantly improved (timing and accuracy) information to Users thus facilitating better economic decision making.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<i>For reference, the Applicable CUSC Objectives are:</i> <i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and</i> <i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity,</i> <i>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the</i>

	<i>Agency.</i>
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<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	<p>Implementation of the Original Proposal would be dependent on National Grid's ability to recruit and train around 20 suitably qualified staff and therefore a minimum of 6 month's implementation would be required.</p> <p>Implementation of the Workgroup Alternative considered at (4) below could be implemented in a shorter timescale perhaps 3 months due to the smaller recruitment requirement.</p>
<b>Do you have any other comments?</b>	No.
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	No.

#### Specific questions for CMP208

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?</b>	No. At present Parties have to commit resource to forecasting BSUoS charges with less than perfect information. This proposal will enable Parties to forecast BSUoS charges utilising the same resource but with improved information.
2	<b>Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?</b>	No. ScottishPower believes that there will also be a benefit to end consumers from the provision of better information on BSUoS charges. Provision of improved information will reduce the risk premium which Suppliers will need to apply when quoting tariffs inclusive of future BSUoS charges.
3	<b>What level of change in BSUoS costs do Users consider to have a material impact on their business?</b>	
4	<b>Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?</b>	Yes. ScottishPower believes that there would be merit in progressing a lower-cost option as a Workgroup Alternative CUSC Modification. With limited additional resource and without a full re-run of the Plexos constraint modelling tool, National Grid could identify the major issues contributing to constraint costs, the expected duration of the constraint and the average cost (£m/week) of the constraint to date. This would enable Users to develop their own view of the possible range of constraint cost outcomes.

**CMP208 – Provision of Monthly Updates to BSUoS charges for the Current and next financial year**

<b>Respondent:</b>	<i>Garth Graham (garth.graham@sse.com)</i>
<b>Company Name:</b>	<i>SSE</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.</b> <b>(Please include any issues, suggestions or queries)</b>	We note the deliberations of the Workgroup as set out in the consultation document. We are minded to support this change for the reasons we set out below as we think that, in particular, the provision of monthly updates to BSUoS charges will be beneficial to competition.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p><i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and</i></p> <p><i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity,</i></p> <p><i>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</i></p> <p>We note the initial assessment against the Applicable CUSC Objectives set out in section 7 of the consultation document. Our initial view is the CMP208 does better facilitate Applicable Objectives (a) and (b) for the reasons set out in paragraphs 7.1 and 7.2 and, of these, the reasoning associated with (b) (7.2) is more compelling than (a). In our view CMP208 is neutral with respect to (c).</p>

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	We support, in principle, the proposed implementation approach, as set out in section 6 of the consultation document. However, whilst a ten Working Day implementation period (to put the details into the CUSC) followed by a further 'transition' period is required, in our view the proposed six month recruitment and three month training period is over generous if only two full time employees are required. In our view the 2FTE (rather than 22 FTE) approach would require a much shorter 'lead time' (than that required for 22 FTEs).
<b>Do you have any other comments?</b>	We agree with the suggestion in paragraph 4.16 of holding a seminar with stakeholders to gain a consensual view on the variables and assumptions which produce the scenarios. We

	are mindful of the seminar National Grid ran earlier this year in London as part of its 'RIIO' stakeholder engagement exercise. This would be a useful model that could be followed with a BSUoS seminar.
<b>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</b>	No.

### Specific questions for CMP208

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<b>Do you think that the solution being progressed by CMP208 will incur any further costs and by any other parties other than those incurred by NGET?</b>	In our view as long as the 2 FTE solution outlined in paragraph 4.11 is adopted then the implementation of CMP208 should not incur any further substantial costs for other parties (or indeed National Grid). In our view such costs would be outweighed by the benefit, to Users (and other stakeholders) that would arise from the provision of monthly BSUoS updates of the type envisaged with CMP208.
2	<b>Do you think that the only parties benefiting from the implementation of CMP208 are the parties from whom BSUoS charges are recovered from?</b>	At a high level, our answer would be yes. However, we note that as BSUoS costs (and the associated risks (and related premium) surrounding the uncertainty of BSUoS) fall, ultimately, on end consumers then they too would benefit from the implementation of CMP208.
3	<b>What level of change in BSUoS costs do Users consider to have a material impact on their business?</b>	Any significant change in the level of BSUoS (and the associated risks around its uncertainty) has a material impact on our BSUoS costs.
4	<b>Do you think there is merit in progressing this option as a Workgroup Alternative CUSC Modification?</b>	Yes, for the reason set out in paragraphs 4.13 and 4.14 as this could go a long way to improving the provision of monthly updates on BSUoS charges whilst avoiding the much higher costs (i.e. two FTE compare to twenty two FTE, or ~£200K v £2M).

## Annex 7 – Code Administrator Consultation Responses

<b>Respondent:</b>	Paul Mott
<b>Company Name:</b>	EDF Energy
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p>Yes, EDF Energy believes that there is a defect in baseline in that not enough information being released. We prefer the original version of this modification as it would have given the most benefit in terms of better facilitating effective competition in the generation and supply of electricity. This would occur through the increased understanding of the make-up of BSUoS costs, enabling better pricing and improved knowledge of inherent risks.</p> <p>We note that NG has stated it would need 22 extra FTEs to deliver CMP208 as drafted. We do believe that the WACM that has been developed gives most of the benefits of CMP208, without the major extra resource requirement at NG. It only needs 2 extra FTEs, as it does not feature full constraint cost modelling.</p> <p>We note that the Original would cost £2m to implement, and that the WACM would cost about £200k, of which £100k is recruitment costs.</p> <p>We believe that the additional benefits (impossible to quantify) of the original could well have had value such that they potentially outweighed the extra resource cost, but we are influenced by the timing. We note that the Original couldn't be implemented before 1st April 2015, due to need to recruit and train 22 extra staff. The WACM could be implemented within 3 months of an Authority decision.</p> <p>We therefore would like to see the WACM implemented.</p> <p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p>(a) the efficient discharge by the licensee of the</p>

	<p>obligations imposed upon it under the Act and by this licence;</p> <p>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</p> <p>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>
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<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	Yes
<b>Do you have any other comments?</b>	No

<b>Respondent:</b>	<i>Man Kwong Liu</i>
<b>Company Name:</b>	<i>IBM (UK) Ltd for and on behalf of ScottishPower Energy Management Ltd</i>
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p>ScottishPower supports the implementation of CMP208 as it better meets the Applicable CUSC Objectives (b) - effective competition, and will provide significantly improved (timing and accuracy) information to Users thus facilitating better economic decision making.</p> <p>ScottishPower also believes that the lower-cost Workgroup Alternative CUSC Modification further better meets the Applicable CUSC Objectives (a) - efficient discharge by the licensee of the obligations (as well as Objective (b)), as the provision of forecasts is more efficiently discharged compared with the Baseline. The WACM is therefore better facilitates the Applicable CUSC objectives than CMP208 Original and is our preferred option.</p>

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	<p>Implementation of the Original Proposal would be dependent on National Grid's ability to recruit and train around 20 suitably qualified staff, 1 April 2015 would therefore provide sufficient lead time.</p> <p>Implementation of the Workgroup Alternative could be implemented in a shorter timescale due to the smaller recruitment requirement, and 3 months after an Authority Decision is appropriate.</p>
<b>Do you have any other comments?</b>	None.



<b>Respondent:</b>	<i>Tom Breckwoldt (tom.breckwoldt@gazprom-energy.com)</i>
<b>Company Name:</b>	<i>Gazprom Energy</i>
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p><i>We believe the alternative modification (WACM1) better facilitates the following Applicable CUSC Objectives:</i></p> <ul style="list-style-type: none"> <li><i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence;</i></li> </ul> <p><i>There is improved information provision to parties.</i></p> <ul style="list-style-type: none"> <li><i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</i></li> </ul> <p><i>This is because regular forecasts of future BSUoS costs will better enable suppliers to forecast their own costs better and more accurately price these into contracts.</i></p> <p><i>The original modification better facilitates CUSC Objective B.</i></p>

<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	<p><i>Yes Gazprom Energy supports the proposed implementation approach. We agree with the unanimous vote from the Working Group that the alternative modification (WACM1) best facilitates the Applicable CUSC Objectives.</i></p> <p><i>Improved information provision through more regular forecasts of BSUoS would be beneficial for all parties trying to price future costs into contracts. This is a current issue, as seen by recent changes to BSUoS forecasts, and the speedier, less costly alternative modification would seem to be the best approach.</i></p>
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<b>Do you have any other comments?</b>	<p><i>This modification change may become even more critical for suppliers if modification proposal CMP 201 Removal of BSUoS Charges from Generators is implemented as this would effectively double the BSUoS liability for suppliers and make BSUoS forecasts even more important. We also note Ofgem's proposals to introduce a financial incentive regarding the accuracy of BSUoS charge forecasts from 2013 and feel this would further enhance CMP208. More regular forecasts are beneficial but the accuracy of these forecasts is crucial.</i></p>
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<b>Respondent:</b>	<i>Antony Badger</i> <i>antony.badger@havenpower.com</i>
<b>Company Name:</b>	<i>Haven Power Ltd</i>
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p><i>For reference, the Applicable CUSC Objectives are:</i></p> <ul style="list-style-type: none"> <li><i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence;</i></li> <li><i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</i></li> <li><i>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</i></li> </ul> <p><i>Our response is based on the Workgroup report and participation in the Workgroup discussions. Both the original and the WACM1 better meet objective (b) as they would require more information to be provided in relation to transmission system operating costs which enables users to be better informed when making pricing decisions (e.g. retail electricity prices).</i></p> <p><i>With the significant resource requirements indicated by NGET for CMP208 original, we don't believe that it would better meet objective (a). WACM1 would better meet objective (a) as formalises the requirement for NGET as SO to provide forecasts with limited additional resource.</i></p>

<b>Do you support the proposed</b>	<b>Yes.</b>
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<b>implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	
<b>Do you have any other comments?</b>	<i>If implemented, either the original or WACM1 would provide a positive step forward in formalising the requirement for NGET (as SO) to produce regular BSUoS forecasts and engage with the industry in relation to forecast changes. Accuracy of the information provided is also important and we see Ofgem's proposals to introduce a financial incentive on the SO on the accuracy of BSUoS forecasts as a positive and complimentary to the implementation of either the original CMP208 or WACM1.</i>

<b>Respondent:</b>	<i>Colin Prestwich</i>
<b>Company Name:</b>	<i>SmartestEnergy Limited</i>
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<p><i>For reference, the Applicable CUSC Objectives are:</i></p> <ul style="list-style-type: none"> <li>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence;</li> <li>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</li> <li>(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</li> </ul> <p>We believe that <u>both</u> the original and WACM1 meet objectives a) and b). Unlike the Work Group we believe that the original meets the objectives better than WACM1. We understand the prevailing view is that the original does not meet Objective a) on the grounds that it is a high cost option but we would argue that the original should still be striven for because constraints are a very significant element of BSUoS which need to be understood better by the whole industry. This is particularly important given the context of CMP201 whereby BSUoS could be placed solely on supply. Suppliers traditionally have less experience of BSUoS and will be entirely dependent on NGT's forecasts.</p>

<b>Do you support the proposed implementation approach? If not, please state why and</b>	Yes
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<b>provide an alternative suggestion where possible.</b>	
<b>Do you have any other comments?</b>	<p>It seems to us that formalising the process and moving to monthly reports does not improve the <u>quality</u> of information. BSUoS costs are very volatile and represent a significant risk to suppliers. By far and away the best way to improve the quality of forecasts is to include more feeds on constraints which it would appear this modification has shied away from.</p> <p>We simply cannot believe that 22 FTEs would be required. We do note, however, NGT's observation that the resource requirement would reduce if the frequency of the updates was reduced. This is an approach we would endorse and which is worthy of further discussion; it is better to have more accurate forecasts quarterly than less accurate monthly forecasts. In short, a smaller number of additional FTEs producing better quality reports should be the aim.</p>