

Shazia Akhtar, CMP280 Workgroup Chair
National Grid House
Gallows Hill
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CV34 6DA

By email only
Cc: Tricia McCauley, CUSC Modification Panel Chair

12 December 2018

Dear Shazia,

CMP280 - Decision not to withdraw our request for an alternative CUSC Modification

Further to discussion at the CUSC Modification Panel on 30 November 2018, I am writing to explain why we still believe that the CMP280 Workgroup should progress an alternative solution that allows storage facilities to benefit from revised network charging arrangements, irrespective of whether they are registered in the CVA or SVA arrangements. In summary, we are concerned that the original proposal risks unintended consequences in the operation and supply of storage facilities and that a solution due to be implemented in February 2019 to support EMR charging can easily support a CMP280 SVA alternative. Furthermore, the EMR solution is well defined, supported by industry and the BSC Panel and would not require a BSC Modification or Change Proposal to enable an SVA alternative.

It has been a long-standing principle of the market design embodied in the CUSC and BSC (dating back to the approval of BSC Modification P100 in 2003) that the reduction in BSUoS and TNUoS accruing to the Lead Party responsible for an Embedded Exemptible Power Station should be unaffected by whether they chose to register in CVA or SVA. The BSC concept of 'Base Trading Unit' and the current provisions of Section 14 of the CUSC are carefully engineered to ensure that the reduction in charges available to a Supplier registering meters at an Embedded Exemptible Power Station (in SVA) exactly matches the reduction in charges (or payment, if appropriate) that would be available to a BSC Party registering the same meters in CVA. For the CMP280 Workgroup to change this principle now risks unintended consequences, and may severely undermine competition in the market for providing electricity to storage facilities by incentivising storage operators to buy electricity from BSC Parties qualified to register BMUs in CVA.

The Workgroup and CUSC Modification Panel were concerned about timescales and the complexity of developing and assessing an SVA alternative. We understand these concerns, and are wholly supportive of developing the SVA Alternative in a way that avoids delaying the CMP280 process. Firstly, we propose that the SVA alternative mirrors the original proposal as far as possible, by using the same tariff structure (i.e. to split the current Final £/kW Tariff into a locational and residual tariff). Secondly, we propose that the CMP280 Workgroup does not attempt to invent new processes for identifying Imports to storage facilities, but instead makes use of processes already being implemented under BSC governance (see Panel paper 284/07) for purposes of EMR (CFD and CM) charging.

The BSC Panel has recognised that building processes (and an appropriate assurance regime) to determine the volumes of electricity each Supplier has provided to SVA-registered storage facilities is a complex task (particularly for 'behind the meter' storage co-located with demand). It has therefore (following industry consultation) agreed a two-stage process:

- An enduring solution will be delivered through the BSC Modification process, once Ofgem has published its decision on 'Clarifying the regulatory regime for electricity storage', and could potentially be delivered in 2020.
- In the meantime, to mitigate harm to the SVA-registered storage sector, an interim solution will be delivered for the most straightforward case of storage that is not co-located with demand. This solution will be implemented on 4 February 2019. It will operate under BSC governance, but will be operated by EMRS. It will use existing Supplier and Party Agent interfaces and processes – i.e. use of the D0354 and D0357 data flows which are already used by Suppliers and their agents to report SVA HH metered data for CM purposes.

We propose that the CMP280 SVA alternative should apply only to storage facilities falling within the scope of the interim solution (i.e. those that are not co-located with demand, are operated by Generation Licence holder, and have successfully applied through the EMRS process), enabling Suppliers to exclude these SVA-registered storage facilities' metered volumes from the calculation of Suppliers' Demand Residual TNUoS Charges. The only extra changes necessary to support this CMP280 SVA alternative would be i) for Suppliers to identify to ELEXON which of the SVA metering systems they are already reporting for EMR purposes relate to eligible storage facilities; and ii) for ELEXON and National Grid to agree how ELEXON should send aggregated SVA storage metered volumes to National Grid so it can exclude these volumes from the calculation of Suppliers TNUoS demand residual charges.

Seeing as a technical solution for collecting and reporting SVA HH metered data (which would include eligible storage facilities) is already due to be implemented in February 2019, we don't see these changes requiring considerable further development under CMP280 and therefore affecting the assessment or implementation of an SVA alternative under CMP280. Furthermore, as we propose to use the EMR solution being implemented under BSC governance early next year and BSC Section V already authorises ELEXON to report consumption data to NG for charging purposes, we believe no further BSC Modification or Change Proposal is necessary. We will agree with NG how to report aggregated metered volumes to it and if necessary this can be specified in the CUSC.

We understand that some CMP280 Workgroup members have asked how an SVA solution would be assured, e.g. to ensure that only eligible storage facilities are excluded and that metered data is collected and reported correctly. Firstly, we propose that only storage facilities operated by generation licence holder are excluded. This is aligned with the EMR solution, which only applies to licensed generators, and as CMP280 Workgroup members had suggested will make it easier for Suppliers to validate if a storage customer is eligible. Secondly, as part of our solution for EMR charging, the BSC Panel approved the development of assurance measures which, because of the common process and eligibility of SVA generators and storage between the EMR and CUSC solutions, we believe can be applied equally for CUSC purposes too.

We hope this letter explains our reasons for not withdrawing and hope that through assessment of our proposal against the relevant CUSC objectives the CMP280 workgroup or the CMP280 Chair will adopt our request as a formal Workgroup Alternative CUSC Modification.

Yours sincerely,

Nicholas Rubin
Market Architect