

CUSC Workgroup Consultation

CMP335 & CMP336 Transmission Demand Residual, billing and consequential changes to CUSC

Overview: To revise Sections 3 & 11 and Section 14 of the CUSC respectively to set out how/when the Residual is recovered from parties once the methodology for how the Residual charges are calculated is determined.

Modification process & timetable

1	• Proposal form • 16 January 2020
2	• Workgroup Consultation • 15 May 2020 - 15 June 2020
3	• Workgroup Report • 4 August 2020
4	• Code Administrator Consultation • 14 August 2020
5	• Draft Code Modification Report • 17 September 2020
6	• Final Code Modification Report • 29 September 2020
7	• Implementation • 01 April 2022

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Workgroup Consultation document

Have 30 minutes? Read the full Workgroup Consultation document and annexes

Status summary: Workgroup Consultation. The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised

This modification is expected to have a: high impact NGESO, Distribution Network Operators, Suppliers and Demand Users connected to the Transmission Network.

Governance route This modification will be assessed by a Workgroup and Ofgem will make the decision on whether it should be implemented.

Who can I talk to about the change?

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How do I respond?

Send your response proforma to cusc.team@nationalgrideso.com by **5pm on 15 June 2020**

Executive Summary

This modification will cover how/when the Demand Residual (the “Residual”) is recovered from parties once the Residual charges are determined using the methodology developed in a separate modification. The separate modification, which will be raised at CUSC Panel on 29 May 2020, will replace the recently withdrawn modification, CMP332. On 25 March 2020, NGENSO wrote to Ofgem seeking withdrawal of CMP332 for it to then be progressed in accordance with any further directions issued by Ofgem in this respect. On 31 March 2020, Ofgem published their [decision on NGENSO’s proposed withdrawal of CMP332](#). This decision provides permission for NGENSO to withdraw CMP332; and Direction for NGENSO to raise a new Modification replacing CMP332 but for implementation 1 year later (April 2022). All other requirements of the Direction remain unchanged.

All aspects of the CMP335/336 Proposal remain unchanged except the Implementation Date to change from 1 April 2021 to 1 April 2022.

What is the issue?

Currently, network cost recovery incentivises inefficient actions and there are differences in treatment across transmission and distribution. The Authority carried out a Significant Code Review (SCR) to address this issue, and on 21 November 2019 directed NGENSO to raise such modifications as are necessary to give effect to their Decisions under their Targeted Charging Review (TCR) SCR. The full rationale for this change can be found in Ofgem’s [TCR SCR Decision](#). Since then, the Authority published a [revised Direction](#) on 31 March 2020.

It must be determined how/when the Residual is allocated to parties which will then be recovered by the Residual charges determined by a separate modification.

What is the solution and when will it come into effect?

Proposers solution:

- Create a process for allocating the Residual to a “Final Demand Site” (as defined under CMP334) to the charging bands determined in a separate modification.
- Determine if existing processes for dispute resolution remain effective.
- Determine what updates need to be made to billing processes and data flows in order to bill the Residual.

Implementation date: The implementation date was originally 1 April 2021 but following the revised Direction for CMP332, this is now 1 April 2022. All aspects of the CMP335/336 Proposal remain unchanged except the Implementation Date to change from 1 April 2021 to 1 April 2022.

For the NGENSO to be able to meet the Implementation Date of 1 April 2022, a decision on CMP335/6 is required from Ofgem by the end of 2020 to enable NGENSO to undertake the necessary system changes and gather the data required in order to set the applicable charges.

What is the impact if this change is made?

Who will it impact?

The main impacts will be upon NGENSO, DNOs and those liable for Demand TNUoS as new processes and requirements will be associated with Demand TNUoS, which therefore will have system implications.

Interactions

This modification will cover how/when the Residual is recovered from parties once the Residual charges are determined using the methodology developed in a separate modification. The separate modification will develop a methodology for the Residual to be applied only to 'Final Demand' on a 'Single Site' basis (as per the Authority's Targeted Charging Review Direction). The terms 'Final Demand', 'Single Site' and 'Final Demand Site' will be defined in CMP334.

Credit arrangements are considered in this modification; however, there is no direct interaction with CMP311¹.

No other codes expected to be impacted by the Proposal.

Introduction

This document is the CMP335 and CMP336 Workgroup Consultation. This document outlines:

- **What is the issue?**
- **What is the solution?**
 - Proposer's solution
 - Workgroup considerations
 - Other potential solutions
 - Legal text
- **What is the impact of this change?**
- **When will the change taken place?**
- **How to respond**
- **Acronym table and reference material**

The Workgroup is seeking views on the proposed change and what it has worked on so far. The questions it is seeking answers on are embedded within the document and outlined in the **How to respond** section.

¹ [CMP311](#): Reassessment of CUSC credit requirements for Suppliers, specifically for "User Allowed Credit" as defined in Section 3, Part III section 3.27 of the CUSC

What is the issue?

What is the issue?

On 21 November 2019, The Authority published a Direction² (referred to as “the Direction”) requiring NGENSO to raise code modifications giving effect to their Decision³ under the TCR SCR. It must be determined how/when the Residual is allocated to parties which will then be recovered by the Residual charges determined by a separate modification⁴.

Why is it an issue?

The full rationale for this change can be found in Ofgem’s [TCR SCR Decision](#).

What is the solution?

These modifications aim to revise Sections 3 and 11 (CMP335) and Section 14 (CMP336) of the CUSC so that the following is compatible with the solution developed under CMP334 and a separate modification. It must be determined how/when the Residual is allocated to parties which will then be recovered by the Residual charges determined by a separate modification:

Allocating the bands:

- Create a process for allocating the “Final Demand Sites (as defined under CMP334) to the bands (determined under a separate modification) as per paragraphs 24 and 25 of the Direction;

Dispute resolution:

- Determine if existing processes for dispute resolution remain effective as per paragraphs 32 and 36 of the Direction;

Billing processes:

- New processes and data flows will need to be created to;
 - Allow Suppliers and Transmission Connected Demand Users to forecast the number of ‘Final Demand Sites’ and place appropriate security in place based on these forecasts;
 - NGENSO to bill the above parties based upon their forecast; and
 - A reconciliation to take place between actual values and User provided forecast values with invoices/credits to be issued accordingly.
- Update the Reconciliation Statements section of CUSC (Section 3.13) insofar as it relates to the Residual;
- Update the Credit Monitoring section of CUSC (Section 3.23) and Appendix 2 of Section 3 as a consequence of the new modification to determine the methodology and CMP334;

² https://www.ofgem.gov.uk/system/files/docs/2019/11/cusc_direction_1.pdf

³ https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_formatted_updated9.pdf

⁴ There was a modification, CMP332, which Ofgem gave approval to withdraw on the basis that its implementation date was too early. It is expected that a new modification will be raised to address this aspect with an implementation date of 2021.

General:

- Add, remove or update any definitions in Section 11 as required, excluding any changes developed under CMP334; and
- Update CUSC Section 14.17.18 through to 14.17.37.

Workgroup Considerations

The Workgroup convened three times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable CUSC Objectives.

Related Modifications

CMP335/CMP336 is one of the CUSC modifications which will change the way the Residual is calculated and charged as per [Ofgem's TCR SCR Direction](#)⁵.

- A separate modification will develop a methodology for the Residual to be applied only to 'Final Demand' consumers on a 'Single Site' basis (as per the Direction). This was originally to be effected by CMP332. However, on 31 March 2020, Ofgem approved the withdrawal of CMP332 and directed NGENSO to raise a new Modification to do what CMP332 was intending to do with an Implementation Date of 1 April 2022. Note that a Workgroup Consultation was run for CMP332 between 6 and 27 February 2020;
- CMP334 has been raised to define "Final Demand" and "Single Site" and as a consequence what a "Final Demand Site" is. CMP334 has been run alongside the Distribution Connection and Use of System Agreement (DCUSA) Change Proposal DCP359⁶, which looks to mirror what CMP334 is seeking to do, but in the DCUSA, thus ensuring that the definitions of "Final Demand", "Single Site" and "Final Demand Site" are consistent across the industry, The Workgroup Consultation for CMP334 ran between 20 March and 14 April 2020; and
- CMP335 and CMP336 has been raised to update the post-tariff processes within CUSC. CMP335 will address the changes required, by Ofgem's TCR SCR Direction, to Sections 3 and 11 of the CUSC and CMP336 will address the changes required, by Ofgem's TCR SCR Direction, to Section 14 of the CUSC. This was to be implemented at the same time as CMP332; however, with CMP332 withdrawn and to be replaced by a new modification, this will now be implemented on 1 April 2022.

See the table below which outlines those aspects of the TCR SCR Direction document that concern the TDR and in which industry code modifications these will be covered. According to the ENA Project Initiation Document NGENSO and the Distribution Network Operators (DNOs), decisions from Ofgem on all these CUSC and DCUSA Modifications

⁵ <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

⁶ <https://www.dcusa.co.uk/wp-content/uploads/2020/01/DCP-359-Change-Proposal-Form-v1.0.pdf>

were needed before 30 June 2020⁷ in order to meet the 1 April 2021 Implementation Date⁸ for the CUSC Modifications. However, in light of Ofgem's revised Direction for NGENSO to raise a new Modification replacing CMP332 but for implementation 1 year later (April 2022), a revised [detailed plan](#) was published on 14 May 2020 to reflect the impact of the 1 year delay to implementation.

CUSC	CMPXXX Creation of a methodology to determine (i) the charging bands and (ii) the tariffs for each band.	CMP334 This will identify who will be liable to pay the TDR by defining 'Final Demand' and 'Site'.		CMP335/CMP336 Update all of the 'post tariff setting' processes (e.g. band allocation, securitisation etc) to reflect the TDR methodology.
DCUSA	DCP358 Determination of Banding Boundaries	DCP359 Customers – who should pay?	DCP360 Allocation to Bands and Interventions	DCP361 Calculation of Charges
BSC	P402 This modification aims to establish the processes and data flows to enable Elexon to collect aggregate data from DNOs and subsequently provide the required data to NETSO.			

To ensure that the proposed Modifications cover the TCR SCR Decision, we have included in Annex 4 a mapping table showing which CUSC and DCUSA Modification covers which paragraph of the TCR SCR Decision.

Workgroup Consultation Question: Based on the mapping table in Annex 4, does the proposed CMP335/CMP336 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.

Scope of CMP335 and CMP336

The CMP335 and CMP336 Workgroup focused on the following key themes for this modification:

1. **Allocating the bands:** Create a process for allocating Final Demand Sites (as defined under CMP334) to the bands (determined under a separate modification) as per paragraphs 24 and 25 of the Direction;
2. **Dispute resolution:** Determine if existing processes for dispute resolution (CUSC Section 7.2 & 7.3) remain effective as per paragraphs 32 and 36 of the Direction; and

⁷ With the exception of DCP361.

⁸ Implementation Date is 1 April 2022 for the DCUSA Modifications

3. **Billing processes:** Update Demand TNUoS billing processes for the revised methodology developed in a separate modification.

1. Allocating the bands

In its direction, Ofgem's banding structure included one band for all transmission connected sites. ESO's original solution for CMP332 includes this requirement, and so if a similar solution was progressed under the replacement modification for CMP332, a methodology to allocate Transmission connected Final Demand Sites to bands is unnecessary. However, Workgroup Alternatives were being developed under CMP332 that would create more than one transmission band, and under the replacement modification for CMP332 these are likely to be raised again. It is prudent that a methodology should be created for NGENSO to perform allocation of Transmission Final Demand sites congruent with any Transmission banding options put forward under the CMP332 replacement modification. The remaining bands in Ofgem's structure are for distribution connected sites; Final Demand Sites will be allocated to these by the relevant DNO. DNOs have a requirement to maintain a methodology of how they allocate Final Demand Sites into bands (developed under DCP360).

As per Ofgem's Direction, distribution sites will be allocated into bands based on either capacity (based on Maximum Import Capacity [MIC]) or consumption, dependent on whether capacity data is available for that site. As it does not have a defined capacity, NGENSO propose to allocate transmission connected Final Demand Sites to bands (if needed) using annual consumption data. There was some concern that there is inconsistency between transmission and distribution banding methods. However, others viewed that although there is some inconsistency, as there is no reliable measure of import capacity for Transmission connected Final Demand Sites annual consumption data was the best option to fulfil the intent laid out in the Authority's direction.

NGESO propose to allocate Final Demand Sites to bands based on the best available data from the following hierarchy:

1. 24 months average consumption data, or
2. if (1) is not available, an average of less than 24 months, or
3. if (1) and (2) are not available, the most recent 12 months average consumption of all transmission connected Final Demand Sites. The Proposer's view is that this step would only ever apply to newly connected Transmission sites.

For completely new sites (where no consumption data is available), it was discussed whether the Connection Entry Capacity (CEC) defined in their Bilateral Connection Agreement (BCA) could be used to allocate the site to an appropriate Transmission band. However, this would require converting capacity values to consumption values using assumptions that would be difficult to justify. Therefore, the most recent 12 months average consumption of all transmission connected Final Demand Sites would instead be used until 12 months of consumption data is available.

The Workgroup noted that this approach is not necessarily consistent with that being proposed for Distribution sites as part of the DCP358 and DCP360 Workgroups. For Final Demand Sites allocated to a band based on capacity, it is proposed that DNO's will average 24 months of data where available, but also average any data less than 24 months. For Final Demand Sites allocated to a band based on consumption, for non-half hourly settled Final Demand Sites, it is proposed that the DNOs will use Estimated Average Consumption

(EAC), and for half hourly settled Final Demand Sites they will use actual metered data as the basis of the data. Where there is no data to average, other information which will best estimate the demand of that Final Demand Site will be used e.g. the capacity on which the site will be billed, or for consumption Final Demand Sites, the Default EAC or typical annual consumption for a comparable site at the same voltage of connection.

In addition, a Workgroup Member noted that the Direction states “no less than 24 months, or longer if the data can be made available” and asked what the process would be if >24 months average consumption data was available. The DCP358 and DCP360 Workgroups sought further clarity from Ofgem on this and since have agreed that a maximum of 24 months is suitable. The Workgroup agreed that any longer would risk that changes over that time would not be captured.

There were concerns regarding the treatment of de-energised sites particularly those that were disconnecting. It was regarded by the Proposer that those customers would be allocated to the band depending on what their capacity was at the time the bands were set. Transmission connected sites that are going to disconnect would continue to pay charges until their disconnection date. Section 6.7 of CUSC outlines a process where those who are disconnecting must give notice.

Workgroup Consultation Question: Do you support the proposed allocation method to allocate transmission connected sites to bands (if more than one band is created under the new modification which will replace CMP332)? If not, what approach would you prefer? Please provide your rationale.

The Workgroup identified the potential risk that NGENSO will under-recover Demand TNUoS charges in the first year the bandings are implemented (2021/22). The CMP332 workgroup asked industry as part of their Workgroup Consultation⁹ how they think any shortfall should be recovered. There was a clear preference that NGENSO should use the existing CUSC methodology which applies a K factor to resolve under recovery. The Workgroup noted that NGENSO are financially penalised if the K factor they apply is outside a 5 to 9.5% tolerance. To mitigate this, it was discussed that NGENSO could coordinate with DNOs to a derogation to their licences to apply for the 2022/23 charging year to recognise that this is outside of their control. There was a clear preference that a within-year tariff change should be avoided as it increases volatility.

Workgroup Consultation Question: Do you think it would be appropriate for ESO to seek a derogation from Ofgem to be outside of the 5% to 9.5% tolerance range where there is under/over recovery arising from successful disputes?

The Workgroup also identified the potential risk of over-recovery of Demand TNUoS charges when new (yet to connect) customers are allocated to bands after the start of the Transmission Owner’s price control. It was suggested that those new customers could be included in the allocation to bands based on the capacity set out in their connection agreements. However, the majority agreed that it would be too complex to include those customers in the initial allocation to bands because they are unlikely to have the data required to be able to allocate them, and because completion dates often move. A further

⁹ The CMP332 Workgroup Consultation ran from 6 to 27 February 2020.

risk was highlighted that some new customers may delay connecting to the NETS to avoid getting a charge¹⁰.

Once allocated to a band, a Final Demand Site will not change bands until the start of the next Transmission Owner price control, unless they are subject to a successful dispute.

2. Disputes

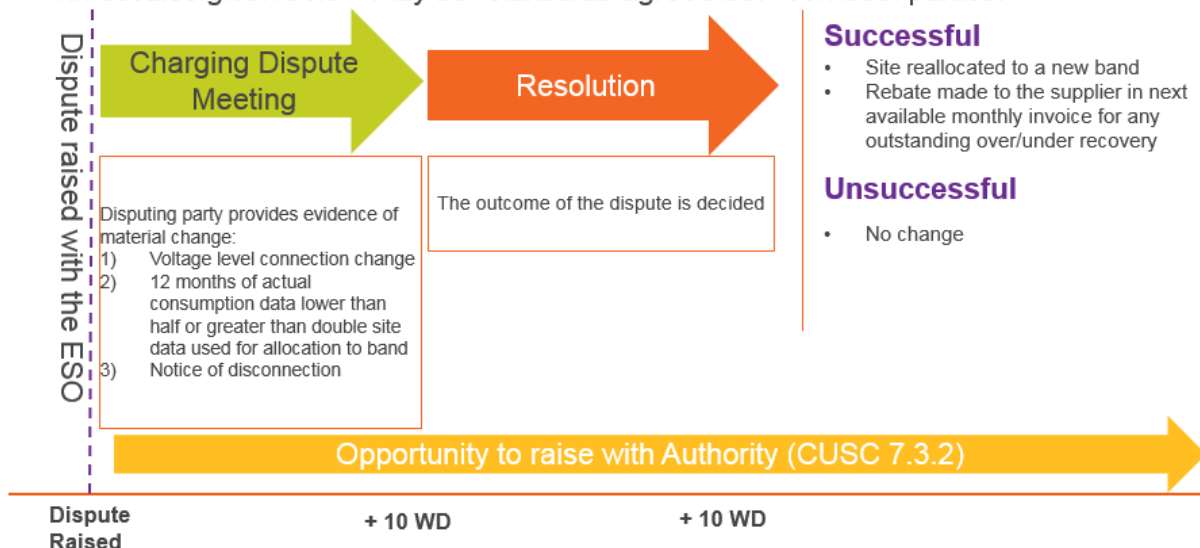
The workgroup will attempt to determine if the existing processes for dispute resolution (CUSC Section 7.2 & 7.3) remain effective as per paragraphs 32 and 36 of the Direction.

If more than one transmission band is created by the replacement modification for CMP332, NGENSO proposes that it will be responsible for managing the disputes process for NETS connected Sites and the relevant DNO will be responsible for managing the disputes process for DNO connected Sites. DNOs will have a requirement to maintain a methodology of how they manage disputes (developed under DCP360). They will also update LLFCs¹¹ following a successful dispute to ensure there is consistency of charges in distribution and transmission.

If more than one band is introduced at transmission, NGENSO proposes that it uses the current disputes processes outlined in sections 7.2 and 7.3 of the CUSC, which is set out in the below diagram.

Transmission Banding Dispute

- Timescales given below may be relaxed as agreed between both parties.



DNOs will have a different process for disputes which will be decided by DCP360. The current position from the DCP360 workgroup is that where a customer of a Final Demand Site believes that they have been allocated to an incorrect charging band, and the customer has not taken the complaint directly to the Authority, then the customer must raise this with the DNO or iDNO. If the DNO or iDNO receives sufficient supporting information from the

¹⁰ CMP288: 'Explicit charging arrangements for customer delays and backfeeds' - looks at delay charges <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/explicit-charging-arrangements-customer>

¹¹ The DNOs propose to use Line Loss Factors Class (LLFC) to identify which band an individual site should be allocated to.

customer, they will resolve the dispute. Where the customer and DNO/iDNO cannot agree, this will be referred to a disputes committee which will submit a final decision. DCP360 will establish the role of the disputes committee which does not currently exist.

If there is one transmission band, all disputes will be from distribution connected parties and so will be raised with either the DNO (or Ofgem¹²). In this case the CUSC will need to reference the DCUSA disputes process.

There were concerns from Suppliers in particular around how long it would take to reimburse customers who successfully dispute the band they have been allocated. The below hypothetical example was given:

- A customer is allocated to band A and they pay £100,000 of charges;
- They believe they belong in band B (which would only attract £40,000 of charges) and raise a dispute on 1 May 2022;
- They successfully challenge their band and receive decision on 1 June 2022. Therefore, instead of paying £100,000, they are liable to pay £40,000; and
- When do they get the £60,000 they originally overpaid back?

To answer this question, the Workgroup noted that there needs to be more clarity on how long it will take for DNOs to update LLFCs. It was agreed that a change log should be updated with all LLFC changes arising from disputes.

Majority of the Workgroup were keen that reimbursements arising from successful disputes should be settled as soon as possible, rather than being reconciled in the RF (~14 months), which is what NGENSO originally proposed. 14 months presents additional risk for Suppliers that they can't mitigate against as they would need to reimburse their customers but would not receive timely reimbursement themselves. NGENSO has now amended its proposal to use settlement runs to reimburse Suppliers, as this would ensure that Suppliers can reimburse customers quicker and it uses the settlements process which is already established in industry.

The overarching disputes process was discussed. It is expected that disputes will be raised first to ESO / DNO and then to Ofgem if customers are still not satisfied. It is expected that Suppliers would manage this on behalf of customers, however it is possible for end Users or Nominated Agents to raise disputes.

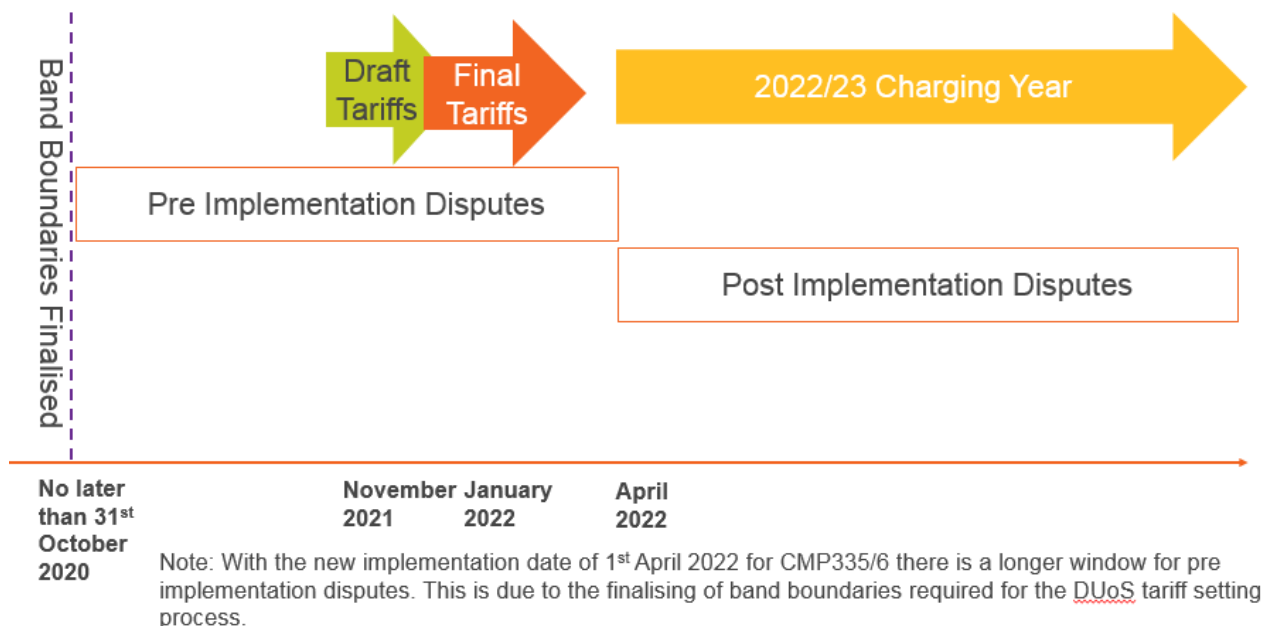
It was discussed that Suppliers are best placed to deal with disputes as they own the direct relationship with the customer. There may be situations where customers who have ongoing disputes change suppliers during this time. The majority of workgroup members agreed that the original Supplier should continue to manage the dispute for the time period they were supplying the customer. If the customer also wished to dispute their band for the time period they were with their new Supplier, the customer would need to raise a second dispute for their new Supplier to manage. This emphasised that there would need to be consistent treatment of disputes as it would be expected that the two disputes in this example would reach the same outcome.

Concerns were raised regarding transmission connected customers who have October start dates, as they could be exposed to an additional 6 months of TNUoS charges. This is because Suppliers recover revenue over the charging year and will need to invoice

¹² Disputes may be raised directly with Ofgem. Ofgem would then be required to settle the dispute within 2 months of receipt (with potential to extend this by 2 months if further information is required).

customers for the additional charges incurred between April and September; who will see increase in costs.

The below diagram sets out the timeline for transmission disputes, if required.



Workgroup Consultation Question: Do you agree with the proposed disputes process for transmission sites? Do you agree that this is compatible with the DCUSA disputes process?

3) Billing processes

NGESO is proposing to update the Demand TNUoS billing processes for the new methodology to charge the Residual.

Currently, suppliers are required to provide forecasts of expected demand to NGESO, which NGESO validate. In their original solution, NGESO propose to update Supplier forecasting requirements to include counts of Final Demand Sites. This would maintain the requirement for Suppliers to submit a forecast every month. However, it has since been considered that supplier forecasts¹³ related to the TDR should no longer be required, because the latest actual site count data can replace the forecasts for the purposes of invoicing.

NGESO's view is that invoicing based on latest actual site counts is more efficient. NGESO have therefore raised an Alternative proposal (annex 5), to calculate monthly invoices based on the latest actual site count for each supplier and each charging band. Invoices would be issued on 1st of the month, with 15-day payment terms. This would then be reconciled as part of the monthly billing.

¹³ NGESO will still require forecasts from Suppliers for non-half hourly and half hourly demand charging after TDR implementation.

This is because forecasting and subsequent forecast validation of site count places a greater administrative burden on industry but provides no greater benefit than using the latest actual site count data. Further benefits include:

- Removes potential for Suppliers to deliberately under forecast
- Reduces data flows, processing and system requirements for all industry participants
- Removes potential for sum of all forecasts to be significantly (more or) less than sum of actual number of sites that exist, reducing risk and potential magnitude of reconciliations
- Removes Forecasting Performance Variance (VAR) methodology

The Workgroup was asked whether there was any desire to move to daily billing. The Workgroup showed no desire for billing to be done more frequently than the current monthly basis given the increased process required.

The below processes demonstrate the difference between the two options:

Option 1 – Bill using the current method with addition of site counts in forecasts

- ***Supplier submits forecast on a monthly basis***
- ***NGESO validates forecast and requests re-submission if necessary***
- Monthly billing based on ***validated forecast***
- Security requirement calculated monthly based on ~ 45 days latest liability & forecasting performance
- Initial reconciliation takes place at end of year
- Forecasting Performance VAR (FPVAR) calculated after initial reconciliation
- FPVAR feeds in to security calculations from October

Option 2 - Bill monthly based on latest actual site count

- ***NGESO receive latest site count data at regular intervals***
- ***Use latest site count data to calculate invoices for TDR based on latest actuals***
- Monthly billing based on ***latest actuals***
- Security requirement calculated monthly based on quarterly security factor
- Initial reconciliation takes place at end of year

Credit monitoring

The current invoicing process, timescales, credit requirements, payment terms and User Allowed Credit arrangements are deemed to be out of scope of this modification as they will be covered under CMP311. CMP311 will be changing the amount of credit that is allowed to Suppliers under the User Allowed Credit requirements, whereas CMP335/336 is adjusting the inputs in to the User Allowed Credit process.

The credit monitoring section of the CUSC will need to be updated under either the original or alternative proposals ESO have raised. The updates required are:

- For ESO's original proposal, ESO propose to only update the current processes for the new data requirements (e.g. to include Site Counts – if a supplier forecast as per the original solution is preferred).

- For ESO's alternative proposal, there will no longer be a requirement for a 45 days latest liability or a forecasting performance variance variable. This is because billing would always be based on the latest actuals for the month being billed.

Workgroup Consultation Question: Do you support the method in ESO's alternative proposal to bill the Transmission Demand Residual? If not, what approach would you prefer? Please provide your rationale.

Draft Legal text

Legal text will be drafted after Workgroup Consultation phase has been completed.

What is the impact of this change? (CMP335 & CMP336)

Who will it impact?

The Main impacts will be upon NGENSO, DNOs and those liable for Demand TNUoS as new processes and requirements will be associated with Demand TNUoS which therefore will have system implications.

What are the positive impacts?

This Modification is supporting the implementation of the Authority's TCR SCR, the consumer impacts of which are documented in the Decision.

Proposer's Assessment against (Charging) Code Objectives

Impact of the modification on the Code objectives:	
Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	Positive
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	Positive
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	Positive

(d) 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 *; and	None
(e) To promote efficiency in the implementation and administration of the CUSC arrangements	Positive
*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

This modification is expected to have a positive impact against CUSC applicable objectives A and D as this proposal will ensure that the CUSC remains fit for purpose with the implementation of the Authority's TCR decision. The rationale for the Decision(s) made by the Authority in respect of the Targeted Charging Review SCR can be found in the Authority/GEMA publications relating to that SCR

There is no expected impact upon CUSC applicable objective B and C.

Workgroup Consultation Question: Do you believe that CMP336 Original proposal better facilitates the Applicable CUSC Objectives?

Proposer's Assessment against (Non-Charging) Code Objectives

Impact of the modification on the Code objectives:	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive
(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;	None
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

This modification is expected to have a positive impact against CUSC Charging applicable objectives A, B, C and E as this proposal will ensure that the CUSC remains fit for purpose with the implementation of the Authority's TCR decision. The rationale for the Decision(s)

made by the Authority in respect of the Targeted Charging Review SCR can be found in the Authority/GEMA publications relating to that SCR

There is no expected impact upon CUSC Charging applicable objective D.

Workgroup Consultation Question: Do you believe that CMP335 Original proposal better facilitates the Applicable CUSC Objectives?

When will this change take place? (CMP335 & CMP336)

This modification needs to be approved with sufficient time to be effective from April 2022 to align with the modification which will address the methodology for calculating the Residual.

Workgroup Consultation Question: Do you support the implementation approach?

Standard Workgroup Consultation questions:

1. Do you believe that CMP335 Original proposal better facilitates the Applicable CUSC Objectives?
2. Do you believe that CMP336 Original proposal better facilitates the Applicable CUSC Objectives?
3. Do you support the proposed implementation approach?
4. Do you have any other comments?
5. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific Workgroup Consultation questions:

6. Based on the mapping table in Annex 4, does the proposed CMP335/CMP336 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.
7. Do you support the proposed allocation method to allocate transmission connected sites to bands (if more than 1 band is created under the new modification which will replace CMP332)? If not, what approach would you prefer? Please provide your rationale.
8. Do you think it would be appropriate for ESO to seek a derogation from Ofgem to be outside of the 5% to 9.5% tolerance range where there is under/over recovery arising from successful disputes?
9. Do you agree with the proposed disputes process for transmission sites? Do you agree that this is compatible with the DCUSA disputes process?
10. Do you support the method in ESO's alternative proposal to bill the Transmission Demand Residual? If not, what approach would you prefer? Please provide your rationale.

How to respond

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@nationalgrideso.com using the response proforma which can be found on the National Grid ESO website via the following link: <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp335-transmission-demand-residual-billing>

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form that can be located at the above link or get in contact with us via email at cusc.team@nationalgrideso.com

If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid ESO's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response marked "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response. Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential".

Acronym table and reference material

Acronym	Meaning
BCA	Bilateral Connection Agreement (BCA)
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DCP	Distribution Code Proposal
DCUSA	Distribution Connection and Use of System Agreement
DNO	Distribution Network Operator
EAC	Estimated Annual Consumption
ESO	National Grid Electricity System Operator
FPVAR	Forecasting Performance Variance
IDNO	Independent Distribution Network Operator
LLFC	Line Loss Factor Class
LV	Low Voltage
MIC	Maximum Import Capacity
NETS	National Electricity Transmission System
NGESO	National Grid Electricity System Operator
PID	ENA Targeted Charging Review Project Initiation document
SCR	Significant Code Review
TNUoS	Transmission Network Use of System
TCR	Targeted Charging Review
TDR	Transmission Demand Residual

Reference material:

1. [Ofgem direction letter](#)
2. [Ofgem Targeted Charging Review decision](#)
3. [Ofgem revised direction](#)
4. [ENA Targeted Charging Review Project Initiation document](#) (updated 14 May)

Annexes

Annex	Information
Annex 1	CMP335 Proposal Form
Annex 2	CMP336 Proposal Form
Annex 3	Terms of Reference
Annex 4	Transmission Demand Residual Cross Code Mapping
Annex 5	CMP335/6 Workgroup Alternative