

Modification proposal:	Connection and Use of System Code (CUSC) CMP319: Consequential changes to section 11 of the CUSC as a result of CMP280 and/or 281 (CMP319)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	National Grid Electricity System Owner (NGESO), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	21 May 2020	Implementation date:	1 April 2021

Background

In July 2017, we announced our joint plan with government, the Smart Systems and Flexibility Plan (SSFP).³ The SSFP concluded that electricity storage facilities are not end consumers of energy. In the regulatory framework, we consider electricity storage to be a form of electricity generation where it behaves as such. We noted that the current charging regime could put some electricity storage at a disadvantage relative to other types of generators and flexibility providers. With this in mind, our view is that charging arrangements should not discriminate between these types of electricity storage and generation.

On 24 January 2019, we published an open letter which outlined the implications for electricity storage with respect to the charging reforms we are making as part of the Targeted Charging Review (TCR) Significant Code Review (SCR).⁴ We also referred to the closely-related Balancing Services Charges Task Force that subsequently reported in May 2019, concluding that Balancing Services Charges (BSUoS) should be treated as a cost recovery charge.⁵

To address the issues we identified with network charges, industry parties have proposed modifications to the codes governing distribution and transmission charges. In particular, two CUSC modification proposals (CMP) seek to exclude electricity storage facilities from:

- transmission network use of system (TNUoS) demand residual (CMP280 - *Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users*);⁶ and
- BSUoS import charges (CMP281 - *Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities*).⁷

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ https://www.ofgem.gov.uk/system/files/docs/2017/07/upgrading_our_energy_system_-_smart_systems_and_flexibility_plan.pdf

⁴ https://www.ofgem.gov.uk/system/files/docs/2019/01/storage_and_charging_reform_2201f.pdf

⁵ <http://www.chargingfutures.com/media/1348/balancing-services-charges-task-force-final-report.pdf>

⁶ <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp280-creation>

⁷ <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp281-removal>

To facilitate these modifications, a Balancing and Settlement Code (BSC) modification (P383 - *Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281*) was also raised, to enable appropriate reporting of demand data to NGENSO.⁸

We approved P383⁹ on 28 February 2020 and CMP281¹⁰ on 14 May 2020. CMP280 is with us for decision. The decision on CMP319 does not fetter our discretion with respect to the decision on CMP280.

The modification proposal

Engie ('the Proposer') raised CMP319 and submitted it to the CUSC Modifications Panel (the 'Panel') for its consideration on 26 July 2019. The proposer believed that this modification would have a positive impact on applicable objectives (a) and (b) of the CUSC.

The aim of CMP319 is to ensure that consequential changes needed to implement CMP280 and/or CMP281 are included in Section 11 of the CUSC (Interpretation and Definitions).

The proposed CMP319 solution provides the definitions to cover the terms, processes and requirements for the implementation of CMP280 and/or CMP281. CMP319 proposes to add definitions for the following terms:

- electricity storage;
- electricity storage facility;
- storage facility operator;
- storage tariff;
- declaration;
- SVA storage facility; and
- CVA storage facility.

CUSC Panel¹¹ recommendation

At the CUSC Panel meeting on 12 September 2019, a majority of the CUSC Panel considered that CMP319 would better facilitate the applicable CUSC objectives and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the modification proposal and the final Modification Report (FMR) dated 15 October 2019. We have considered and taken into

⁸ <https://www.elexon.co.uk/mod-proposal/p383/>

⁹ <https://www.ofgem.gov.uk/publications-and-updates/p383-enhanced-reporting-demand-data-netso-facilitate-cusc-modifications-cmp280-and-cmp281>

¹⁰ <https://www.ofgem.gov.uk/publications-and-updates/cmp281-removal-bsuos-charges-energy-taken-national-grid-system-storage-facilities>

¹¹ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

account the responses to the industry consultation on the modification proposal which are attached to the FMR.¹² We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the CUSC;¹³ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹⁴

Reasons for our decision

We consider this modification proposal will better facilitate applicable CUSC objectives (a) and (d) and has a neutral impact on the other applicable objectives.

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence

The Proposer considered that CMP319 better facilitates this objective because 'removing a distortion in competition will better facilitate competition.'

Half of the Panel members considered that it better facilitates objective (a) with other half suggesting it is neutral with respect to this objective.

We think that CMP319 would better facilitate objective (a), because it introduces definitions necessary for CMP281 (and for the CMP280 proposal, should it be subsequently approved). This modification will enable NGENSO to ensure consistency and clarity in the use of the new terms across the CUSC. It enables the implementation of changes to section 14 of the CUSC (Charging Methodologies) brought about by CMP281 (and by the CMP280 proposal, should it be subsequently approved). We think that competition is relevant to objective (b) and we discuss this below.

(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

The Proposer considers that CMP319 would better facilitate this objective because both residual charges and BSUoS charges should be treated as cost-recovery charges. The Proposer considers that CMP319 would remove a distortion where electricity storage users pay a disproportionate amount of these costs compared with other generators. Half of the Panel members supported this view with other half suggesting it is neutral with respect to this objective.

We consider that CMP319 is neutral against objective (b).

CMP280 and CMP281 have the potential to address the current disadvantage faced by some electricity storage sites compared with other types of generators and flexibility providers, and therefore have the potential to promote effective competition. However, CMP319's primary function is as an enabler of those proposals, and when it is assessed alone against this objective, it does not have the potential to affect competition in the

¹² CUSC modification proposals, modification reports and representations can be viewed on NGENSO's website at: <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc/modifications>

¹³ As set out in Standard Condition C10(1) of the Electricity Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

¹⁴ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

generation of electricity. We consider the impact on effective competition as appropriate against the CUSC charging objectives when assessing CMP280 and CMP281.

(d) promoting efficiency in the implementation and administration of the CUSC arrangements

The Proposer considered CMP319 to be neutral against this objective. Two Panel members considered CMP319 would better facilitate this objective, while the remainder felt it was neutral against this objective.

We consider that CMP319 would better facilitate objective (d).

This is a consequential modification supporting the implementation of CMP280 and/or CMP281. We approved CMP281 on 14 May 2020 and this modification introduces definitions necessary for the implementation of CMP280 (were it to be approved) and/or CMP281. CMP319 introduces a set of definitions in the CUSC which can be used in the remainder of the code, making the implementation and administration of the code more efficient.

Interaction with determination on CMP280

We have yet to make a final determination with respect to CMP280 and this decision does not fetter our discretion with respect to the decision on CMP280.

Depending on our decision with respect to CMP280 there may be definitions which CMP319 adds that are not ultimately required. If this is the case, we would expect a housekeeping modification to be raised to remove superfluous definitions.

Decision notice

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal CMP319: *Consequential changes to section 11 of the CUSC as a result of CMP280 and/or 281* be made.

Andrew Self

Deputy Director, Electricity Access and Charging – Energy Systems Transition

Signed on behalf of the Authority and authorised for that purpose