

Final CUSC Modification Report

CMP334: Transmission Demand Residual - consequential definition changes (TCR)

Overview: As per the Authority's Targeted Charging Review (TCR) SCR direction the Demand Residual is to be applied only to 'Final Demand' on a 'Site' basis. CMP334 seeks to define these terms in a manner which is consistent with DCUSA Change Proposal 359

Modification process & timetable

- 1 • **Proposal form**
• 16 January 2020
- 2 • **Workgroup Consultation**
• 23 March 2020 to 15 April 2020
- 3 • **Workgroup Report**
• 20 May 2020
- 4 • **Code Administrator Consultation**
• 16 June 2020 (before 9am) to 6 July 2020
- 5 • **Draft Final CUSC Modification Report**
• 23 July 2020
- 6 • **Final CUSC Modification Report**
• 13 August 2020
- 7 • **Implementation**
• 10 Days after Ofgem Decision - to come into effect on 1 April 2022

Have 5 minutes? Read our [Executive summary](#)

Have 20 minutes? Read the full [Final Modification Report](#)

Have 60 minutes? Read the full Final Modification Report and annexes

Status summary: Final CUSC Modification Report. This Report has been submitted to the Authority for them to decide whether this change should happen.

Panel Recommendation: The CUSC Panel unanimously recommended that the Original and by majority that WACM1 better facilitated the CUSC Objectives than the Baseline.

This modification is expected to have a: High Impact NGESO, Suppliers, Demand Users (connected to the Transmission Network or Distribution network) and Distribution Network Operators.

Governance route This modification has been assessed by a joint CUSC/DCUSA 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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Executive Summary

CMP343¹ is developing a methodology for the Residual to be applied only to 'Final Demand' on a 'Site' basis (as per Ofgem's original and updated TCR Direction²); however, CMP343 is not defining these terms. CMP334 seeks to define these terms in a manner which is consistent with the Distribution Connection and Use of System Agreement (DCUSA) and in line with paragraphs 14-17 of Ofgem's TCR Direction to NGENSO³.

What is the issue?

Currently, the CUSC has no concept of 'Final Demand' and 'Single Site' and these terms need to be added to allow the methodology that is being developed under a separate modification to function.

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

Proposers solution: The Proposer seeks to add definitions of "Single Site", "Final Demand" and "Final Demand Site" into the CUSC so it is clear which parties will pay the Transmission Demand Residual charge.

Other solutions:

WACM1 – Amend definition of "Final Demand Site" so those "Single Sites" that import Active Power from the transmission network solely for voltage support are excluded from paying the Transmission Demand Residual.

Workgroup conclusions: 2 Workgroup Members voted for the Original and 5 Workgroup Members voted for WACM1. 1 Workgroup Member did not attend the Workgroup Vote on 13 May 2020.

Implementation date: As directed by the Authority this change needs to be implemented at the earliest opportunity once approved by the Authority, for use of system charging effective from 1 April 2022 Charging Year.

¹ CMP343 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. This was formally withdrawn at CUSC Panel on 24 April 2020.

² <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

https://www.ofgem.gov.uk/system/files/docs/2020/03/letter_to_ngeso_re_cmp332_consent_to_withdrawal_and_new_direction_0.pdf

³ Note a similar, but separate, Direction was issued by the Authority at the same time to the DNOs.

What is the impact if this change is made?

Who will it impact?

Whilst this proposal will not directly affect any party, it will have large impacts on some users when combined with other modifications resulting from the TCR. This is a large-scale change that will require amendments and consequential changes to all Supplier and DNO processes whilst also affecting all demand users.

What are the positive impacts?

The Authority has established that there are consumer benefits to this change due to flexible customers no longer being able to avoid the costs of residual transmission charges.

The DCUSA is impacted by the Proposal – hence why we have jointly run this Workgroup with DCP359, being the equivalent DCUSA modification.

Interactions

CMP334 is one of four CUSC modifications which will change the way the Transmission Demand Residual (TDR) is calculated and charged as per Ofgem's TCR SCR Direction.

Note there is an equivalent DCUSA Modification (DCP359)⁴ being run in parallel with CMP334.

Final Modification Report

This document is the CMP334 Final Modification Report. This document outlines:

- **What is the issue?**
- **What is the solution?**
 - Proposer's solution
 - Workgroup considerations and consultation summary
 - Alternative solutions
 - Legal text
- **What is the impact of this change?**
 - Workgroup vote
 - Code Administrator Consultation Summary
 - Panel Recommendation Vote
- **When will the change take place?**
- **Acronym table and reference material**
- **Annexes**

⁴ <https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-customers-who-should-pay/>

What is the issue?

What is the issue?

The Authority published on 21 November 2019 a Direction to NGENSO to raise such modifications as are necessary to give effect to its Decision(s) under the Targeted Charging Review (TCR) Significant Code Review (SCR).

On 20 December 2019, DNOs and NGENSO published a joint plan (the 'detailed plan'⁵) to deliver the requirements of the Direction. The detailed plan sets out the proposed delivery approach (section 4.5) which includes three CUSC modifications (including CMP332 and this proposal) and four DCUSA modifications.

CMP332 was developing a methodology for the Residual to be applied only to 'Final Demand' on a 'Site' basis (as per the Direction); however, CMP332 was not defining these terms. CMP334 seeks to define these terms in a manner which is consistent with DCUSA and in line with paragraphs 14-17 of the Direction.

Currently, the CUSC has no concept of 'Final Demand' and 'Single Site', together determining a 'Final Demand Site' (i.e. a Single Site which will receive a residual fixed charge) and these definitions need to be added to allow the methodology developed under the replacement modification for CMP332 to function.

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 provided 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 remained unchanged. CMP332 was formally withdrawn at CUSC Panel on 24 April 2020 with the replacement Modification (CMP343) to be raised for the CUSC Panel on 29 May 2020.

A revised [detailed plan](#) was published on 15 May 2020 to reflect the impact of the 1 year delay to implementation of the Transmission solution. The implementation date for the Distribution solution was not affected.

Why is it an issue?

It is explicit in the Direction that the revised Residual methodology should use 'Final Demand' and 'Single Site' for the basis of charging. Therefore, these terms need to be defined.

The rationale for the Decision(s) made by the Authority in respect of the TCR SCR can be found in the Authority/GEMA publications relating to that SCR. NGENSO, as per Condition C10 (para 6C(a)) of its Licence, and Section 8.17.6(a) of CUSC, is required to raise CUSC Modification Proposals when Directed to do so by the Authority.

What is the solution?

Proposer's solution: 'Final Demand', 'Single Site' and 'Final Demand Site' will be defined in the legal text of the CUSC. Due to the need to ensure consistency between CUSC and

⁵ <http://www.chargingfutures.com/media/1390/tcr-joint-eso-dno-pid-v10.pdf>

DCUSA, this proposal has been developed in conjunction with DCUSA Change Proposal 359⁶ via joint workgroups.

Workgroup Considerations

The joint CMP334/DCP359 Workgroup⁷ convened four 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. Two further CMP334 Workgroups were held on 7 and 13 May 2020 to finalise the Workgroup Report and undertake the Workgroup Vote.

The Workgroup held their Workgroup Consultation between 23 March 2020 and 15 April 2020 and received 15 responses. A summary of the consultation responses can be found in Annex 4 and the full responses are in Annex 5 of this document. However, the body of this document calls out the key discussions following the Workgroup Consultation and where this has altered the solution.

Related Modifications

CMP334 is one of four CUSC modifications which will change the way the Transmission Demand Residual (TDR) is calculated and charged as per [Ofgem's TCR SCR Direction](#)⁸.

- CMP332 was raised to develop a methodology for the TDR to be applied only to 'Final Demand' consumers on a 'Site' basis (as per the Direction); being a Final Demand Site. Note that a Workgroup Consultation was run for CMP332 between 6 and 27 February 2020. This has now been withdrawn and Ofgem have also directed NGESO to raise a new Modification replacing CMP332 but for implementation 1 year later (April 2022). This new Modification, CMP343, will be submitted to the May 2020 CUSC Panel;
- CMP334 has been raised to define "Final Demand" and "Single Site" and as a consequence what a "Final Demand Site" is; and
- CMP335 and CMP336 have 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.

⁶ DCP359 is addressing the following items as part of its consultation:

- Definition of Final Demand
- Definition of Single Site
- Definition of Final Demand Site
- Consideration of consequential changes to the arrangements for IDNOs
- Consideration of consequential changes to consumers connected to private wire and complex sites

⁷ Prior to the joint CMP334/DCP359 Workgroup being convened, 2 Workgroups were held on DCP359 on 4 February 2020 and 20 February 2020. Members of CMP334 (who were not party to the discussions on DCP359) were brought up to speed at the 1st joint CMP334/DCP359 Workgroup on 2 March 2020

⁸ <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment> and <https://www.ofgem.gov.uk/publications-and-updates/consent-withdraw-cmp332-and-direction-raise-new-cusc-modification-proposal-new-transmission-demand-residual-charges-targeted-charging-review-tcr-1>

CMP334 has been run alongside the DCUSA Change Proposal DCP359⁹, 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 table below outlines the aspects of the two TCR SCR Direction documents (one for NGENSO and another for the DNOs) that concern the TDR and in which industry code modifications these will be covered.

CUSC	CMP343 & CMP340 Creates a methodology to determine (i) the charging Bands and (ii) the tariffs for each Band. Develops the definitions required for CMP343.	CMP334 This will identify who will be liable to pay the TDR by defining ‘Final Demand’, ‘Single Site’ and ‘Final Demand 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 the National Electricity Transmission System Operator (NETSO).			

In Annex 3 we have included a mapping table showing which CUSC and DCUSA Modification covers which paragraph of the TCR SCR Decision.

Scope

CMP334 will define “Final Demand” and “Single Site”, and as a consequence, what a “Final Demand Site” is.

⁹ <https://www.dcusa.co.uk/wp-content/uploads/2020/01/DCP-359-Change-Proposal-Form-v1.0.pdf>

Single Site

In Paragraph 3.57 (10) of the TCR Decision, Ofgem has stated that a “fixed charge is to be levied on a single site basis”.

Ofgem proposed the following definition for consideration:

Single Site “means one or a collection of buildings, structures or pieces of land in close geographical proximity, owned or occupied by one customer within a defined curtilage on one site, where each building, structure or piece of land serves the other in some necessary or reasonably useful way.”

There was a majority view from the Working Group to keep the definition of a ‘Single Site’ as simple as possible and, for distribution-connected sites, relate it to a Connection Agreement (whether that be in the form of the National Terms of Connection or a Bespoke Connection Agreement).

Specifically, for sites directly connected to the Transmission system, The Proposer has proposed that a “Single Site” equates to the “Connection Site” as this is what defines a site in the Bilateral Connection Agreement. If a party then splits the “Single Site”, it will need a new Bilateral Connection Agreement in order for it to be a different “Single Site”.

Following consideration of Ofgem’s proposed definition and the view of the Proposer, the Workgroup agreed the following definition to be consulted upon:

Single Site “shall mean the **Connection Site** as defined in the **Bilateral Connection Agreement**.”

The majority of respondents to the Workgroup Consultation agreed with this definition in CUSC but some respondents believed that the definition would benefit from explicitly recognising distribution-connected sites. Therefore, the definition has been updated to say:

Single Site shall mean either;

1. For **Users** with a **Bilateral Connection Agreement**, the **Connection Site** as defined in the **Bilateral Connection Agreement**, or
2. For all other parties, as defined as ‘Single Site’ in the **DCUSA**.

2 respondents also raised concerns that the definitions would not work for Private Wire/Complex sites. However, it was noted at the Workgroup held on 20 April 2020 that DCP328 is looking at this area. Therefore, the CMP334/DCP359 Workgroup concluded that changes to such private wire/complex sites would not be included in the DCP359 or CMP334 proposal.

Final Demand

In paragraph 3.57 (1) of the TCR Decision, Ofgem has defined Final Demand as “*electricity which is consumed other than for the purposes of generation or export onto the electricity network*”. Ofgem has made it clear that code modifications to implement the TCR Decision must be based on this definition, and therefore this is the definition which will be used in the CUSC.

Final Demand Site

The Proposer intends to exclude certain sites from being classed as a “Final Demand Site”. Specifically, the Proposer is seeking to maintain the status quo and ensure that licensed

parties that do not currently pay TNUoS (specifically Interconnectors and Distribution Network Operators) are not included in the definition of “Final Demand Site”.

The Workgroup noted that the TCR Direction to NGENSO does not explicitly exclude Interconnectors and Distribution Network Operators from paying the Transmission Demand Residual if they meet the ‘Final Demand’ definition. The Workgroup were content why Distribution Network Operators would be excluded, as otherwise the same demand would be charged the Transmission Demand Residual twice.

However, some Workgroup members sought clarity on how interconnection volumes would be managed in the following two scenarios;

1. Interconnection between networks within GB; and
2. Interconnection between GB and other EU member states

The Proposer confirmed the following:

- Most licensed interconnectors connect GB to other EU member states; however, Moyle connects to Northern Ireland which is not a separate EU member state. The Proposer’s understanding is that, since Northern Ireland is part of the single island of Ireland energy market and electricity system, Moyle would be treated as any other interconnector connecting to an EU member state as it affects the system/market of an independent EU member state; and
- Licensed Interconnector volumes would be removed from the total amount of the Transmission Demand Residual TNUoS charge to be recovered rather than smeared across other parties.

Interconnection between networks within GB (e.g. Transmission Owner to Transmission Owner or DNO/iDNO to DNO/iDNO) is treated differently between Transmission (which has no charges) and Distribution (charges would apply as per the DCUSA methodology).

The Workgroup noted the Proposer’s view as to the definition of a “Final Demand Site”, which was to adopt a binary assessment, whereby if the Single Site has associated Final Demand, it is classified as a “Final Demand Site”.

Some Workgroup Members considered it may be better to define a threshold whereby if Final Demand at a site is equal to or greater than total demand (i.e. Final Demand plus non-Final Demand) by (e.g.) 80%¹⁰, it is then classified as a “Final Demand Site”. However, some Workgroup Members were concerned how to identify what a sensible threshold is. A DNO Workgroup member noted that each DNO is currently carrying out analysis utilising the Frontier Economics Methodology¹¹ as set out in DCP359. There was no support in the Workgroup Consultation responses for a threshold with parties arguing this to be complex, subjective and open to gaming. On 20 April 2020, the CMP334/DCP359 Workgroup agreed not to take this further forward. Concerns were raised by some parties who consider they have minimal demand; however, weaving this into the disputes process was considered to be a more palatable option.

The Workgroup consulted on the following definition:

Final Demand Site “*Shall mean;*

1. For ***Users with a Bilateral Connection Agreement, a Single Site which has associated Final Demand, except Single Sites which are for;***

¹⁰ 80% is an example threshold for illustrative purposes

¹¹ For clarity, the DNOs will be using the Methodology, not the results of Frontier Economics’ analysis

- a. **Users** who own or operate a **Distribution System**, or
 - b. **Interconnector Users**, or
 - c. the purposes of operating an **Eligible Facility** with a valid **Certification**
2. For **Users** with a **Bilateral Embedded Generation Agreement**, as defined as 'Final Demand Site' in the **DCUSA** except **Single Sites** which are for the purposes of operating an **Eligible Facility** with a valid **Certification**
 3. For all other parties, as defined as 'Final Demand Site' in the **DCUSA**"

Final Demand Site - Alternative Solutions

The majority of respondents to the Workgroup Consultation agreed with this definition in CUSC. However, there were a group of respondents who argued that parties who consume demand for the sole purpose of providing voltage support services to the transmission or distribution network should be excluded from paying the Transmission Demand Residual. The Workgroup considered this request at Workgroup meetings on 21 April 2020 and 7 May 2020. The National Grid ESO Workgroup Member agreed to take forward this Workgroup Alternative.

The National Grid ESO Workgroup Member proposed that this Workgroup Alternative be made future proof and argued that "Single Sites" that exist solely to provide Ancillary or Balancing Services that do not require the export of Active Power (as defined in CUSC already i.e. kW, MW, GW etc) to the transmission network are excluded from paying the Transmission Demand Residual (i.e. more than just voltage support services). However, the majority of the Workgroup did not support this as:

- The Workgroup considered this solution to be too wide with 1 Workgroup Member stating that this could result in Single Sites that provide Demand Side Response avoiding the Transmission Demand Residual;
- The Workgroup felt that this went beyond the scope of Ofgem's Direction; and
- The majority of the Workgroup felt that separate Modifications should be brought forward in this area, so each proposed exclusion could be assessed on its merits.

The Chair of the Workgroup agreed with the Workgroup's view and therefore this will not be developed as a WACM.

However, the majority of the Workgroup were content with a Workgroup Alternative that limited the exclusion to those Single Sites that solely provide voltage support and this has been developed as WACM1. To cover WACM1, an additional exclusion has been added to the definition of Final Demand Site for such an "Eligible Services Facility". Additionally, to align with DCUSA, "Eligible Services Facility" was replaced by "Non Final Demand Site" in the legal text.

The updated legal text to cover these discussions is set out in Annex 7 and 8.

Declaration

The Workgroup also discussed the process whereby a User¹² (as defined in CUSC) can demonstrate they do not meet the "Final Demand Site" definition. There was general agreement that it would be for the User to self-declare that they are using demand for the sole purpose of storage or generation at the site in question. If they are later proved to have submitted a false declaration, then that party would be in breach of CUSC.

¹² The intention of the declaration is that this only applies to NETS connected Users (who will be CUSC signatories)

The Proposer noted that the “Certification” process will only apply for those sites that have a direct relationship with ESO (i.e. Transmission Connected sites with BCAs and Distribution Connected sites with BEGAs) and that DCUSA would cover all other eventualities. Some Workgroup Consultation respondents noted that the Certification process that Users would need to follow to show that their “Single Site” is not a “Final Demand Site” was not fully defined. The Workgroup have sought to define this further in the legal text for both CMP334 and DCP359.

Prior to issue of the Workgroup Consultation, the Workgroup noted that Private Wire / Behind the Meter sites would be unable to sign this declaration because they do have some demand. Therefore, they would be charged the Transmission Demand Residual TNUoS charge unless they entered into a new agreement with the DNO and installed separate Boundary Metering to prove they are using demand for the sole purpose of storage or generation. Some respondents to the Workgroup Consultation echoed this point; however, it was noted at the Workgroup held on 20 April 2020 that DCP328 is looking at this area. Therefore, the CMP334/DCP359 Workgroup concluded that changes to such private wire/complex sites would not be included in the DCP359 or CMP334 proposal.

Workgroup Conclusions

The Workgroup concluded unanimously that the Original solution facilitated the applicable CUSC Objectives better than the Baseline.

The Workgroup concluded by majority that WACM1 facilitated the applicable CUSC Objectives better than the Baseline.

2 Workgroup Members voted for the Original and 5 Workgroup Members voted for WACM1.

The Workgroup Vote can be found in the impact section of this report.

Legal Text

The legal text for the Original and WACM1 are set out in Annex 7 and Annex 8 respectively.

What is the impact of this change?

Who will it impact?

Whilst this proposal will not directly affect any party, it will have large impacts on some users when combined with other modifications resulting from the TCR. This is a large-scale change that will require amendments and consequential changes to all Supplier and DNO processes whilst also affecting all demand users.

What are the positive impacts?

The Authority has established that there are consumer benefits to this change due to flexible customers no longer being able to avoid the costs of residual transmission charges.

Workgroup Vote

The Workgroup met on 13 May 2020 to carry out their Workgroup Vote. The full Workgroup vote can be found in Annex 9. The table below provides a summary of the Workgroup members view on the best option to implement this change.

The applicable CUSC non-charging objectives are:

CUSC non-charging objectives

- (a) The efficient discharge by the Licensee of the obligations imposed on 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 *; and
- (d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

*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).

Workgroup Member	Company	Best option?	Which objectives this option better facilitates
Grahame Neale	National Grid ESO	WACM1	(a), (d)
Lee Wells	Northern Powergrid	Did not attend meeting	Did not attend meeting
Simon Lord <i>(Alternate: Andy Rimmer)</i>	Engie	WACM1	(a), (d)
Paul Bedford <i>(Alternate: Karl Maryon)</i>	Opus Energy Ltd	WACM1	(a), (d)
Lee Stone	E.ON	WACM1	(a), (d)
Simon Vicary <i>(Alternate: Binoy Dharsi)</i>	EDF Energy	Original	(a)
Garth Graham	SSE Generation Limited	Original	(a), (d)
Alessandra DeZottis	Sembcorp	WACM1	(a), (d)

The Workgroup concluded that the best option for implementation is WACM1 (5 out of 7 votes). However, there was also support for the Original (2 out of 7 votes).

Code Administrator Consultation Responses

The Code Administrator Consultation was issued on the 16 June 2020 and closed on 6 July 2020 and we received 4 responses. A summary of the responses can be found in the table below and the full responses can be found in Annex 10.

Code Administrator Consultation summary

Question	
<p>Do you believe that CMP334 Original proposal or WACM1 better facilitates the Applicable CUSC Non-Charging Objectives?</p>	<p>CMP334 Original</p> <p>Yes 2</p> <p>Better facilitates CUSC Objectives (a) and (d) – SSE. Note that ENWL did not state which CUSC Objective the CMP334 Original better facilitated</p> <p>No Comment 2</p> <p>CMP334 WACM1</p> <p>Yes 2</p> <p>Better facilitates CUSC Objectives (a), (b) and (d) – Haven Power and Opus Energy</p> <p>No 1</p> <p>Does not better facilitate CUSC Objectives (a), (b) and (c) - SSE</p> <p>“Harmful in terms of competition as it results in some parties avoiding paying the applicable cost reflective network charge when they are using the network (as they are demand, but are neither generation or storage, so should, according to the TCR SCR decision from the Authority, pay the demand residual rather than avoid it)”.(SSE)</p> <p>“Contravention of the Third Package and its associated Network Code requirements as it does not ensure cost reflective charges are applied by the TSO” (SSE)</p> <p>No comment 1</p>
<p>Do you support the proposed implementation approach?</p>	<p>Yes 2</p> <p>No 2 – in summary both respondents support a further year’s delay due to impacts of the current global pandemic and argue it is prudent to align implementation of the TCR programme with delivery of access and forward-looking charges, which is scheduled for April 2023</p>

	<p>“We believe our business customers will find the disruption caused by implementing the TCR difficult to absorb within the proposed timescales when we eventually emerge from this crisis”. (Haven Power)</p> <p>“In order to de-risk its successful implementation and the impact on consumers of material tariff disturbance, we believe it would be beneficial to align implementation of the TCR programme with delivery of access and forward-looking charges, which is scheduled for April 2023”. (Opus Energy)</p>
Do you have any further comments?	<p>Yes 2 (summarised in “Do you support the proposed implementation approach?” question)</p> <p>No 2</p>
Legal text issues raised in the consultation	
No legal text issues raised	

When will this change take place?

Panel Views

The CUSC Panel met on the 31 July 2020 to carry out their recommendation vote.

They assessed whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the code objectives. The full vote can be found below.

Applicable CUSC Charging Objectives

(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; 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;

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);

(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;

(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

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

*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).

CMP334 Vote

Vote 1: Does the Original or WACM1 facilitate the objectives better than the Baseline?

Panel Member: Andy Pace

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes
WACM1	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement

This modification implements the Authority TCR decision by creating definitions required to apply the residual as a fixed charge. This better meets the standard objective (a) as it allows the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence. We prefer WACM1 as it excludes customers that are importing power solely for voltage support purposes. These customers are not imposing any costs on the transmission network and actively providing a service by importing power. It would therefore not be reasonable for these customers to incur the residual TNUoS charge.

Panel Member: Cem Suleyman

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	Yes	Neutral	Neutral	Yes	Yes

Voting Statement

I believe that both the Original and WACM1 better facilitate the Applicable CUSC Objectives (and WACM1 marginally more so than the Original) for the same reasons as given by the Proposer.

Panel Member: Garth Graham

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	No	No	Neutral	No	No
Voting Statement The Original will implement an aspect of the Authority's TCR SCR decision from November 2019 and do so in a way that better facilitates effective competition in the generation and supply of electricity for the reasons the Proposer (and indeed the Authority) have set out. However, WACM1 by introducing non cost reflective pricing and discriminatory treatment means that this does not better facilitate applicable objectives (a), (b) and (d). The ESO needs to recognise the inherent conflict of interest that arises with WACM1 in the way that the ESO approaches this type of situation. Providing 'state aid' to certain parties (in giving them preferential treatment by, for example, not paying the cost reflective charge(s) and/or having more lenient terms & conditions) does not result in lower costs to end consumers as the European Commission's detailed analysis has shown. The ESO's understanding, to date, on this has been flawed in thinking that an artificially lower cost to the ESO leads to greater competition (and lower costs to consumers) as the Commission's analysis proves (and which the ESO has singularly failed evidentially to refute).					

Panel Member: Grace March

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	Yes	Neutral	Neutral	Yes	Yes
Voting Statement Both the Original and WACM delivered the changes requested by Ofgem in a suitable manner. We believe that the definition of Final Demand should exclude those sites that provide only voltage support. They are in competition only with TO assets so there will no negative effect on competition and I believe WACM 1 is closer to the intent of the TCR, in regard to efficiency of cost recovering from end consumers.					

Panel Member: Jon Wisdom

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	Yes	Neutral	Neutral	Yes	Yes

Voting Statement

Both the Original and WACM1 are beneficial against Applicable CUSC Objectives (ACO) A & D whilst neutral against B & C. This is because both options meet NGENSO's license requirement to deliver the parts of Ofgem's direction that were in scope of CMP334 – i.e. defining Final Demand and what a Site is and so meet the requirements of ACO A. In terms of ACO objective D, having a clear definition of final demand and site (that is also aligned with DCUSA) will be beneficial to industry and management of the CUSC as it should make it clear who is liable for any network charges that use these definitions. WACM1 has more benefit for ACO D compared to the Original as it avoids a potential market distortion and inefficiency that would be added by the Original in respect of sites that only provide Balancing Services – specifically Voltage Support services.

Panel Member: Joseph Dunn

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	Neutral	No	Neutral	No	No

Voting Statement

The Original:

Positive in terms of ACO (A) as the definition requirements were a direction from Ofgem.

Neutral in terms of ACO (B)

Neutral in terms of ACO (C)

Positive in terms of ACO (D) as the result will be an improvement in the efficiency of the CUSC arrangements by defining TNUoS relevant terms in alignment with the DCUSA.

WACM1:

Neutral in terms of ACO (A) as it does not facilitate the correct direction from the Authority

Negative in terms of ACO (B) as it results in a group of parties avoiding paying the applicable cost reflective network charge which would distort competition.

Neutral in terms of ACO (C)

Negative in terms of ACO (D) as it would result in unnecessarily adding administrative burden to the CUSC arrangements.

Panel Member: Mark Duffield

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes
WACM1	No	Neutral	Neutral	Neutral	No

Voting Statement

While the Original better facilitates the Applicable CUSC objectives in implementing the TCR direction from Ofgem, I do not believe the full impacts of WACM1 have been analysed. While one specific party has been identified as possibly requiring this exemption for an Eligible Services Facility, at least one respondent to the consultation noted concerns about whether it would be consistent with wider legal obligations. Also the legal text appears to give leeway for other classes of provider to benefit from the additional exemption which may have further unintended consequences.

Panel Member: Andrew Enzor

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	Yes	Neutral	Neutral	Yes	Yes

Voting Statement

ACO(a): both modification proposals enable NG ESO to comply with a direction from the Authority

ACO(b): neutral

ACO(c): neutral

ACO(d): both modification proposals will facilitate implementation of CMP343 (if approved by the Authority) and so facilitate efficiency in the CUSC arrangements

WACM1 is the preferred option. It is a logical extension of Ofgem's definition of final demand to not only exclude electricity which is consumed for the purpose of

operating a generator, but to also exclude electricity which is consumed for the purpose of providing voltage support services

Panel Member: Paul Mott

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
WACM1	No	Neutral	Neutral	Neutral	No

Voting Statement

In Paragraph 3.57 (10) of the TCR Decision, Ofgem stated that a “fixed charge is to

be levied on a single site basis”. So it is explicit in the Direction that the revised Residual methodology should use ‘Final Demand’ and ‘Single Site’ for the basis of charging. Therefore, these terms need to be defined. As to WACM1, I do not, on reflection, support it ... I fear that it may be harmful in terms of facilitating competition, as it seems to result in some parties avoiding paying the applicable cost reflective network charge when they are using the network even though they should be caught as they are demand, and are neither generation or storage... so they should, according to the TCR SCR decision from the Authority, pay the transmission demand residual charge element.

Vote 2 – Which option is the best?

Panel Member	BEST Option?
Andy Pace	WACM1
Cem Suleyman	WACM1
Garth Graham	Original
Grace March	WACM1
Jon Wisdom	WACM1
Joseph Dunn	Original
Mark Duffield	Original

Andrew Enzor	WACM1
Paul Mott	Original

Panel conclusion

The CUSC Panel unanimously recommended that the Original and by majority that WACM1 better facilitated the CUSC Objectives than the Baseline.

5 Panel members voted that WACM1 was best option with 4 Panel members voting that the Original was the best option.

When will this change take place?

This proposal needs to be implemented as soon as possible after approval by the Authority ahead of use of system charges which will be effective from 1 April 2022 to allow NGENSO to comply with the Direction letter published by The Authority on the 21 November 2019.

NGESO have requested Implementation 10 working days after Ofgem's decision; however, CMP334 will not become effective until 1 April 2022.

For NGENSO to be able to meet the effective date of 1 April 2022, a decision on CMP334 is required from Ofgem by no later than November 2020 to enable NGENSO to undertake the necessary system changes and gather the data required in order to set the applicable charges.

Acronym table and reference material

Acronym	Meaning
BEGA	Bilateral Embedded Generator Agreement
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
iDNO	Independent Distribution Network Operator
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
NHH	Non-Half Hourly
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
WACM	Workgroup Alternative CUSC Modification

Reference material:

1. [Ofgem Direction letter to NGESO](#)
2. [Updated Ofgem Direction to NGESO 31 March 2020](#)
3. [Ofgem Targeted Charging Review decision](#)
4. [ENA Targeted Charging Review Project Initiation document 14 May 2020](#)

Annexes

Annex	Information
Annex 1	CMP334 Proposal Form
Annex 2	CMP334 Terms of Reference
Annex 3	Transmission Demand Residual Cross Code Mapping
Annex 4	Workgroup Consultation Responses Summary
Annex 5	CMP334 Workgroup Consultation Responses
Annex 6	Workgroup Alternative CUSC Modification WACM1
Annex 7	Legal Text for CMP334 Original
Annex 8	Legal Text for CMP334 WACM1
Annex 9	Workgroup Vote
Annex 10	Code Administrator Consultation Responses