



| CUSC Modification Proposal Form   |  | At what stage is this document in the process? |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
|---|--|--|----|---------------|----|------------------------|----|------------------|----|---------------------------------|----|--------------------------------|----|--------------------------------|
| <h1 style="color: #00a651;">CMP336</h1> <p><b>Mod Title:</b> Transmission Demand Residual - Billing and consequential changes to CUSC Section 14 (TCR)</p>  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">01</td> <td style="background-color: #00a651; color: white; border: 1px solid black; border-radius: 5px; text-align: center;">Proposal Form</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">02</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">03</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">04</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Code Administrator Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">05</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Draft CUSC Modification Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">06</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Final CUSC Modification Report</td> </tr> </table> |  | 01 | Proposal Form | 02 | Workgroup Consultation | 03 | Workgroup Report | 04 | Code Administrator Consultation | 05 | Draft CUSC Modification Report | 06 | Final CUSC Modification Report |
| 01  | Proposal Form  |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| 02  | Workgroup Consultation   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| 03  | Workgroup Report   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| 04  | Code Administrator Consultation  |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| 05  | Draft CUSC Modification Report   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| 06  | Final CUSC Modification Report   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
| <p><b>Purpose of Modification:</b> The Authority published on 21 November 2019 a Direction to NGENSO to raise such modifications as are necessary to give effect to their Decision(s) under the Targeted Charging Review (TCR) SCR. CMP343 is developing a methodology for the Residual to be applied only to 'Final Demand' on a 'Site' basis (as per the Direction); however it does not cover how/when the Residual is recovered from parties once the Residual charges are determined. Broadly, this modification therefore looks to revise existing processes to account for the CMP343 methodology post tariff creation and create new processes to ensure 'Sites' are allocated to the correct charging band (as created by CMP343).</p> |  |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
|    | <p><b>The Proposer recommends that this modification should be:</b></p> <ul style="list-style-type: none"> <li>assessed by a Workgroup</li> <li>be treated as urgent and should proceed as such under a timetable agreed with the Authority</li> </ul> <p>This modification was raised 16 January 2020 and will be presented by the Proposer to the Panel on 31 January 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
|    | <p><b>High Impact:</b> NGENSO, Distribution Network Operators, Suppliers and Demand Users connected to the Transmission Network.</p>   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
|    | <p><b>Medium Impact</b> N/A</p>  |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |
|    | <p><b>Low Impact</b> N/A</p>   |  |    |               |    |                        |    |                  |    |                                 |    |                                |    |                                |

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| Timetable  |                                |  paul.j.mullen@nationalgrideso.com  |
| <b>The Code Administrator recommends the following timetable:</b> to be agreed at 1 <sup>st</sup> Workgroup) |                                |  07794537 028   |
| Initial consideration by Workgroup   | dd month year                  | Proposer:<br>Grahame Neale   |
| Workgroup Consultation issued to the Industry  | dd month year                  |  <a href="mailto:Grahame.Neale@nationalgrideso.com">Grahame.Neale@nationalgrideso.com</a> |
| Modification concluded by Workgroup  | dd month year                  |  07787 261242   |
| Workgroup Report presented to Panel  | dd month year                  | National Grid ESO Representative:<br>Eleanor Horn  |
| Code Administration Consultation Report issued to the Industry   | dd month year                  |  <a href="mailto:Eleanor.Horn@nationalgrideso.com">Eleanor.Horn@nationalgrideso.com</a> |
| Draft Final Modification Report presented to Panel   | dd month year                  |  07966 186088   |
| Modification Panel decision  | dd month year                  |  |
| Final Modification Report issued the Authority   | dd month year                  |  |
| Decision implemented in CUSC   | dd month year                  |  |

**Proposer Details**

|  |  |
|--|--|
| <b>Details of Proposer:</b><br>(Organisation Name)   | National Grid ESO  |
| Capacity in which the CUSC Modification Proposal is being proposed:<br>(i.e. CUSC Party, BSC Party or "National Consumer Council") | CUSC Party   |
| <b>Details of Proposer's Representative:</b><br>Name:<br>Organisation:<br>Telephone Number:<br>Email Address:                      | Grahame Neale<br>National Grid ESO<br>07787 261242<br><a href="mailto:Grahame.Neale@nationalgrideso.com">Grahame.Neale@nationalgrideso.com</a> |
| <b>Details of Representative's Alternate:</b><br>Name:<br>Organisation:<br>Telephone Number:<br>Email Address:                     | Eleanor Horn<br>National Grid ESO<br>07966 186088<br><a href="mailto:Eleanor.Horn@nationalgrideso.com">Eleanor.Horn@nationalgrideso.com</a>    |
| <b>Attachments (No):</b><br><b>If Yes, Title and No. of pages of each Attachment:</b>  |  |

**Impact on Core Industry Documentation.**

*Please mark the relevant boxes with an "x" and provide any supporting information*

|                  |                          |
|------------------|--------------------------|
| <b>BSC</b>       | <input type="checkbox"/> |
| <b>Grid Code</b> | <input type="checkbox"/> |
| <b>STC</b>       | <input type="checkbox"/> |
| <b>Other</b>     | <input type="checkbox"/> |

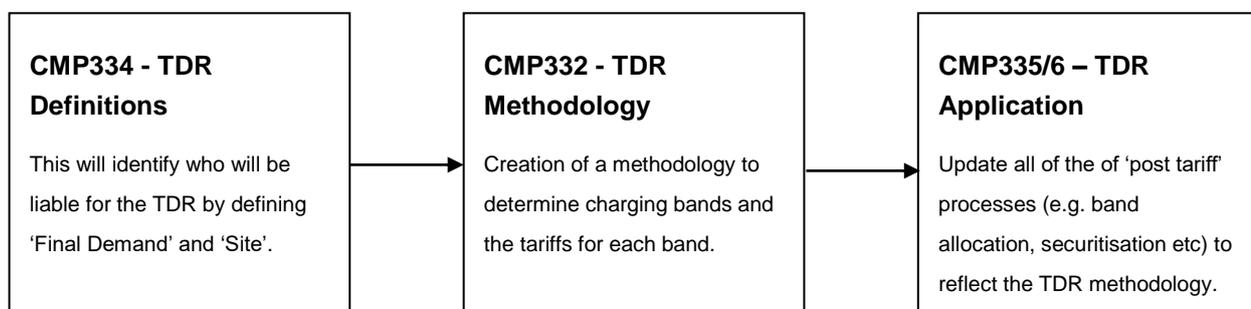
No other codes expected to be impacted by the Proposal

# 1 Summary

## Defect

On 21 November 2019, The Authority published a Direction<sup>1</sup> henceforward referred to as “the Direction” requiring NGESO to raise code modifications giving effect to their Decision<sup>2</sup> under the Targeted Charging Review (TCR) Significant Code Review (SCR). All references herein to ‘Residual’ mean the residual element of Demand TNUoS unless otherwise specified.

On 20 December 2019, DNOs and NGESO published a joint plan<sup>3</sup> (the ‘detailed plan’) 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. The CUSC modifications will be broadly structured as follows;



After the publication of Ofgem’s revised direction<sup>4</sup> on 31<sup>st</sup> March 2020, NGESO have raised CUSC Modification Proposal CMP343 which is concerned with determining a methodology of calculating the residual element of Demand TNUoS – it does not cover how/when the Residual is recovered from parties once the Residual charges are determined.

Therefore this modification aims to revise Section 14 of the CUSC so that the following is compatible with the solution developed under CMP343 and CMP334;

- Create a process for allocating Sites (as defined under CMP334) to the bands (determined under CMP343) as per paragraphs 24 and 25 of the Direction;
- Determine if existing processes for dispute resolution remain effective as per paragraphs 32 and 36 of the Direction;
- 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 CMP343 and CMP334;

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/11/cusc\\_direction\\_1.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/cusc_direction_1.pdf)

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_formatted\\_updated9.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_formatted_updated9.pdf)

<sup>3</sup> <http://www.chargingfutures.com/media/1390/tcr-joint-eso-dno-pid-v10.pdf>

<sup>4</sup> <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>

- 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.

A consequential modification will also be raised to enact changes within Section 3 and 11.

## What

Broadly, the current process for billing and securitisation of Demand TNUoS will need to be updated to account for the solution progressed under CMP343 and the need for Suppliers to provide forecasts of expected 'Final Demand Site' volumes. 'Final Demand' and 'Site' definitions will be developed via a separate CUSC modification (CMP334) and added to Section 11.

New processes and data flows will need to be created to;

1. Allow Suppliers and Transmission Connected Demand Users to continue to submit demand forecasts related to their HH triad and NHH 16:00 – 19:00 demand and place appropriate security with the ESO based on these forecasts;
2. NGENSO to bill the above parties for the locational component of their demand TNUoS charges based upon that forecast; and
3. NGENSO to bill the above parties for the residual component of their demand TNUoS charges based upon the latest historic actual data of Final Demand Site counts and/or Unmetered Supply volumes as appropriate.
4. A reconciliation to take place between actual values and the data used in demand TNUoS billing (a User forecast or historic actual data) with invoices/credits to be issued accordingly.

The current invoicing process, timescales, credit requirements, payment terms and User Allowed Credit arrangements are deemed to be out of scope as they will be discussed under CMP311.

In addition, new processes will need to be designed to allocate Sites to bands (under the methodology of CMP343) and existing processes reviewed to ensure disputes are adequately managed (as per paragraphs 24, 25, 32 and 36 of the Direction).

## Why

Whilst CMP343 will develop the TNUoS Demand Residual methodology in line with the Authority's Decision, CMP343 will not cover the detail of how the methodology will be implemented. Therefore, this modification is required to fully implement the Authority's decision as the current approach to TNUoS liability forecasting, securitisation and billing will not be suitable once CMP343 is implemented.

## How

Broad revisions to Section 14 as highlighted in the Defect are required to give effect to the solution.

## 2 Governance

### Justification for Normal, Urgent Procedures

This Proposal should follow normal governance channels and be treated as urgent. The Company has been directed to raise this modification proposal and implement The Authority's decision by April 2021. To allow the necessary system and process changes to take place (e.g. data exchanges), in order to prevent NGESO from breaching the terms of the Direction and therefore the provisions of its Licence and the CUSC, this modification will need to follow an Urgent timetable.

### Requested Next Steps

This modification should be treated as urgent and should proceed as such under a timetable agreed with the Authority and be sent to Workgroup for assessment.

## 3 Why Change?

Whilst CMP343 will develop the TNUoS Demand Residual methodology in line with the Authority's Decision, CMP343 will not cover the detail of how the methodology will be implemented. Therefore, this modification is required to fully implement the Authority's decision as the current approach to Demand TNUoS will not be suitable once CMP343 is implemented.

## 4 Code Specific Matters

### Technical Skillsets

Understanding of the Authority's Direction

TNUoS billing, securitisation and liability forecasting requirements

### Reference Documents

See footnotes in the Summary section

## 5 Solution

The solution to this Proposal shall consist of;

- Enabling Suppliers and Transmission Connected Demand Users to continue to submit demand forecasts related to their HH triad and NHH 16:00 – 19:00 demand and place appropriate security with the ESO based on these forecasts;
- NGESO to bill the above parties for the locational component of their demand TNUoS charges based upon that forecast; and

- NGESO to bill the above parties for the residual component of their demand TNUoS charges based upon the latest historic actual data of Final Demand Site counts and/or Unmetered Supply volumes as appropriate;
- Reconciliation processes include 'Final Demand Site' forecasts in their calculations specifically for the reconciliation to take place between actual values and the data used in demand TNUoS billing (a User forecast or historic actual data) with invoices/credits to be issued accordingly;
- Confirming the NGESO shall be responsible for allocating Transmission connected Final Demand Sites to the appropriate TDR Charging Bands; and
- That allocation of Transmission connected Final Demand Sites will follow a hierarchy whereby the data item used for allocation will be:
  - i) A mean average of 24 months of latest historic actual data for the Final Demand Site or if not available;
  - ii) A mean average using all available historic actual data for the Final Demand Site up to 24 months or if not available;
  - iii) Should no data be available for the specific Transmission connected Final Demand Site a 12 month mean average of all Transmission connected Final Demand Sites
- Managing any associated disputes with these Transmission Connected Sites through the charging disputes framework laid out in Section 7 noting that at all times a Users' right to raise a dispute to the Authority remains; and
- Confirming the respective DNO shall be responsible for allocating Distribution connected Sites to the appropriate TDR bands, managing any associated disputes with these Distribution connected Sites and the associated data processes to manage these responsibilities.

## 6 Impacts & Other Considerations

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

### **Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

This modification is supporting the implementation of the Authority's Targeted Charging Review SCR.

### **Consumer Impacts**

Whilst this modification by itself does not provide any consumer impacts, it is supporting the implementation of the Authority's Targeted Charging Review SCR, the consumer impacts of which are documented in the Decision.

## 7 Relevant Objectives

### Impact of the modification on the Applicable CUSC Objectives (Charging):

| 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) Promoting 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 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.

## 8 Implementation

This modification needs to be approved with sufficient time to be effective from April 2022 to align with CMP343 but can be progressed via Workgroup on separate timescales.

## 9 Legal Text

To be developed by the Workgroup.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal, urgent governance procedures should apply
- Refer this proposal to a Workgroup for assessment.