

Trisha McAuley OBE
Independent Chair
CUSC & Grid Code Panel

Nadir Hafeez
Ofgem
By email

2 November 2020

Dear Nadir

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for **CMP353: 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021'**.

On 29 October 2020, National Grid ESO raised CMP353. The Proposer sent a request to the CUSC Panel Secretary for the modification to be treated as urgent.

The CUSC Modifications Panel ("the Panel") on 30 October 2020 considered CMP353 and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

The Expansion Constant (EC) is an element of the TNUoS charging methodology that determines the £/MW/km value of 400kV Overhead Line (OHL). This then feeds into the other costs of assets within the model. The EC has a direct impact on the locational signal that Generators and Suppliers face both through establishing the cost of 400kV OHL and the corresponding Expansion Factors (EFs) that relate to other asset types. It is set at the start of each price control period where it is re-assessed based on projects built in the last ten years and then inflated each year by RPI. The EC forms an integral part of the methodology, which will set draft and final TNUoS tariffs in this November and January respectively, applying to customers from April 2021. Due to the lower number of built projects in RIIO-1 and the relatively high value of these in comparison to the projects in previous price controls, the EC and EFs have increased significantly and will substantially increase locational TNUoS for some industry participants.

Discussions with Ofgem and the industry suggest that it is not certain that this effect on the locational signal is appropriate and that more time to analyse it and determine whether to implement it would be beneficial. Therefore, the ESO considers that continuing with the current EC value whilst allowing further work to be done to review and potentially change it if necessary in RIIO-2 is an appropriate way forward. Therefore, CMP353 seeks to stabilise the locational signal at the start of the RIIO-2 period at the RIIO-1 value plus relevant inflation in each charging year until such time as the effect of any change in the locational signal can be better understood.

All documentation for this modification can be located via the following link:
<https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/stabilising>

The Proposer set out their rationale for Urgency against Ofgem's Urgency criteria, which is as follows:

"The Proposer considers that this is an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s) and therefore meets Ofgem's Urgency Criteria (a).

The Proposer considers that without Urgent change there would be a significant commercial impact on market participants due to the large changes in locational tariffs that would otherwise take effect on the 1 April 2021 and so without sufficient notice for them to understand and prepare for the effects. If the proposal was not treated as Urgent it would not have time to complete and be approved prior to the tariff setting process in December and January".

Request for Urgency

The Panel considered the request for urgency with reference to [Ofgem Guidance on Code Modification Urgency Criteria](#). The unanimous view of the Panel is that **CMP353 does meet** Ofgem's Urgency criteria (a)¹ and **SHOULD** be treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

- Panel agreed that with the Proposer's view that using the current data provided by the Transmission Owners will have a significant commercial impact on market participants due to the large changes in locational tariffs;
- Panel agreed that it was prudent to recommend urgency status for CMP353 given the need for a quick resolution of the material uncertainties on post-April tariffs that now exist for CUSC parties; and
- Panel agreed with the Proposer's recommendation that this needs to be implemented by 2 December 2020 to allow this to be factored into the final TNUoS tariffs published at the end of January 2021. To achieve this the timeline needs to be constrained and therefore will require to be progressed on an urgent basis. Specifically,
 - Code Administrator Consultation period of less than 15 working days is required; and

¹ Ofgem's current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) A significant commercial impact on parties, consumers or other stakeholder(s); or
- b) A significant impact on the safety and security of the electricity and/or gas systems; or
- c) A party to be in breach of any relevant legal requirements.

- There would be less than 5 clear working days between publication of the Draft Final Modification Report and Panel's recommendation vote.

Panel also noted that the current CMP315² is considering similar subject matter to CMP353. However, Panel agreed with the Proposer's view that CMP315 and CMP353 do not fall within with the provisions around conflicting Modification Proposals within CUSC Section 8.16.6. Furthermore, they agreed that CMP315 could be considered, alongside any further Modification Proposals if necessary, as part of an enduring solution to address the potential issues in the current calculation of the EC and EFs.

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

Procedure and Timetable

Having decided to **recommend urgency** to Ofgem, the Panel discussed an appropriate timetable for CMP353.

The Panel agreed that CMP353 subject to Ofgem's decision on Urgency should follow the attached Code Administrator's proposed timetable (Appendix 1 **Urgent recommendation**).

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE
Independent Chair of the CUSC and Grid Code Panel

² <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp315-tnuos>

Appendix 1– Urgent Timeline

Modification Stage	Date
Request for Urgency Received	29 October 2020
Panel consideration of Urgency	30 October 2020
Ofgem decision on Urgency	5pm on 3 November 2020
Code Administrator Consultation	2pm on 5 November 2020 to 2pm on 19 November 2020
Draft Final Modification Report issued to Panel and Industry (2 Working Days ahead of Panel)	20 November 2020
Draft Final Modification Report presented to Panel / Panel Recommendation Vote	24 November 2020
Final Modification Report issued to Panel to check votes recorded correctly	3pm on 24 November 2020
Submit Final Modification Report to Authority	3pm on 25 November 2020
Authority Decision	2 December 2020
Date of Implementation	1 April 2021