



Making a positive difference
for energy consumers

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Dear Trisha,

**CMP358 'Implementation of the Small Generation Discount into the CUSC' and
'CMP359: 'Definition changes for CMP358' – decision on urgency**

On 12 January 2021, Afton Wind Farm Ltd (the Proposer) raised CMP358 and CMP359 to move the Small Generation Discount (SGD) into the Connection and Use of System Code (CUSC), following its removal from the National Grid Electricity System Operator's (ESO) licence after 31 March 2021.

On 13 January 2021, the CUSC Modification Panel (the Panel) wrote to us requesting our decision on whether to grant urgency to CMP358 and CMP359. The Panel's view was that urgency should not be granted.

We have considered both the Proposer's and the Panel's arguments and have decided that CMP358 and CMP359 should not be progressed on an urgent basis. We set out our reasoning below.

Background

The SGD is a scheme that sought to address differences in charging arrangements between smaller generators connected at 132kV, which is part of the distribution network in England and Wales, but part of the transmission network in Scotland. The disparity arises because 132kV generators in Scotland are liable for transmission charges, while 132kV generators

in England and Wales are not.¹ The SGD was introduced to reduce the transmission charges of small 132kV connected generators in Scotland to improve competition with 132kV connected generators in England and Wales who received Embedded Benefits, with specific references to transmission network use of system (TNUoS) generation and demand residual charges.²

Changes as a result of our decisions on CMP264/265 and the Targeted Charging Review (TCR), made on 21 November 2019³, remove the differential treatment in relation to residual network charges, which the SGD was introduced to address. There is a remaining Embedded Benefit relating to balancing services charges, which is being considered by the Balancing Services Charges Taskforce. However, as we made clear in our TCR decision, the SGD was designed to compensate for transmission residual charges only and not for differences in balancing services charges.

The proposal

CMP358 and CMP359 propose to introduce arrangements for the SGD to be carried over into the CUSC, which means it will continue from 1 April 2021. The Proposer is seeking urgent status for this modification to enable it to be implemented (if it were approved) in time to be reflected in transmission charges commencing from 1 April 2021 – i.e. to ensure there is no gap between the SGD ceasing to apply under the ESO's licence and taking effect in charges under the CUSC.

The Proposer's view is that the request for urgency with regards to CMP358 and CMP359 satisfies Ofgem's Urgency Criteria⁴ (a) that if not urgently addressed it may cause "*a significant commercial impact on parties, consumers or stakeholder(s)*". No other grounds for urgency within the Urgency Criteria have been raised by the Proposer or the Panel.

Panel view

The Panel considered CMP358/CMP359 and the associated request for urgency at its meeting held on 13 January 2021 and wrote to us the same day with its recommendation that the urgency request should not be granted. Their rationale was:

- The majority of the Panel did not agree that uncertainty for users is material and that it would meet Urgency Criteria (a).

¹ Until April 2018, 132kV generators in England and Wales were treated as negative demand for the purposes of transmission charging and typically received a benefit from suppliers for reducing their demand transmission charges. Since April 2018, this has been replaced by the Embedded Export Tariff.

² "Embedded Benefits" refers to differences in transmission and balancing charges for smaller generators compared to larger generators, which led to payments to all generators.

³ <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

⁴ Ofgem's published guidance: https://www.ofgem.gov.uk/system/files/docs/2016/02/urgency_criteria.pdf

- The majority of the Panel did not agree that this is an imminent or current issue, as it has been widely understood that the SGD was ending on 31 March 2021.
- The Panel's view was that a workgroup would be needed to assess CMP358 and CMP359, which means that, even with urgent status, it would not be possible for a decision to be made on the proposal in time for it to be reflected in final tariffs published at the end of January. This means that, if approved, a mid-year tariff adjustment might be required.

Our views

In reaching our decision on urgency we have considered the details within the modification proposal, the justification for urgency, the views of the Panel and we have also assessed the request against the Urgency Criteria set out in our published guidance.

While we recognise that the expiration of the SGD will have a commercial impact on some parties, we do not agree with the Proposer's view that this justifies the modification being granted urgent status. We agree with the Panel that this does not meet the "imminent or current issue requirement" of the Urgency Criteria (which may relate to timing), given the industry has been aware for a significant period of time that the SGD would end on 31 March 2021. CMP302⁵ was raised in 2018 to address the fact the SGD was due to expire on 31 March 2019, although it was withdrawn, as Ofgem made a decision⁶ on 24 January 2019 (following a consultation in November 2018) to extend the SGD under the transmission licence until 31 March 2021. The fact the modification proposal was not raised in a timely manner is insufficient justification for it to be "urgent" when raised and go straight to consultation without working group input.

The Proposer is not suggesting a workgroup on the basis that a) this would make an implementation date of 1 April 2021 difficult to achieve and b) it is not clear what a workgroup would need to discuss. However, we note the Panel's view that it is necessary for a workgroup to assess the proposal, which means, even if the modification progresses under an urgent timetable, it will not be finished in time to be reflected in transmission charges from 1 April 2021. We can find no compelling reason to dispense with the workgroup requirement through our assessment of the arguments provided to us by the Proposer and the Panel.

Finally, we recognise that, if urgent status is not granted and the modification is approved under normal timeframes, there would be a period of time during which the SGD would no

⁵ <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp302-extend>

⁶ https://www.ofgem.gov.uk/system/files/docs/2019/01/sqd_decision_letter_final.pdf

longer apply under the ESO's licence, but would also not be applicable under the CUSC. However, the Proposer has not provided evidence that the commercial impact on parties could not be mitigated through the use of a mid-year tariff adjustment (if the proposal is approved). Indeed the prospect of a mid-year tariff adjustment was raised as a possibility by the Panel.

For the avoidance of doubt, in making our decision on whether to grant the modification proposal urgent status, we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters our discretion in respect of the proposal.

Other issues

We consider there may be some ambiguity in the wording of the CUSC Panel's letter regarding when the timetable in Appendix 1 should apply, given the Panel's view that, even with urgent status it will not be possible to implement by 25 January 2021. If approved, it would be necessary for the decision to be made by this date to allow it to be reflected in the final TNUoS tariffs, which will be published at the end of January 2021. For the avoidance of doubt, our decision to reject the request for urgency means that the modification should be assessed under the standard timetable, including a 15 working day Code Administrator Consultation period.

Yours sincerely,

Andrew Self

Deputy Director, Electricity Networks Charging & Access

Duly authorised on behalf of the Authority