

## Draft Final Modification Report

# CMP360: Aligning Section 14 of the CUSC ‘Balancing Services Use of System Charging Methodology’ to the licence changes introduced by RIIO-2 in respect of the ‘System Operator Revenue Restriction’

**Overview:** Currently, Section 14 of CUSC uses various formulae and definitions for the calculation of the External and Internal Balancing Services Use of System (BSUoS) charge for each Settlement Period. With the RIIO-2 Final Determination from Ofgem, elements of the System Operator Revenue Restriction formulae have changed and so the CUSC needs to be revised accordingly to align with the updated licence conditions.

## Modification process &amp; timetable



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

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

**Have 30 minutes?** Read the full [Draft Final Modification Report](#) and Annexes.

**Status summary:** Draft Final Modification Report. This Report will be submitted to the CUSC Panel for them to carry out their Recommendation Vote on whether this change should happen.

**Panel recommendation:** Panel recommendation vote to be held at the Special CUSC Panel on 2 March 2021.

**This modification is expected to have a:**

**Low impact** to National Grid Electricity System Operator and those CUSC Users who pay Balancing Services Use of System charges.

<b>Proposer's recommendation of governance route</b>	The CUSC Panel by majority agreed that this modification should follow the standard governance route and proceed to Code Administrator Consultation.	
<b>Who can I talk to about the change?</b>	<b>Proposer:</b> James Stone, National Grid ESO <a href="mailto:James.Stone@nationalgrideso.com">James.Stone@nationalgrideso.com</a> Phone: 07971002704	<b>Code Administrator Contact:</b> Paul Mullen <a href="mailto:Paul.j.mullen@nationalgrideso.com">Paul.j.mullen@nationalgrideso.com</a> Phone: 07794537028

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## What is the issue?

The Transmission Licence allows the Electricity System Operator to collect revenue in respect of the Balancing Services Activity through the Balancing Services Use of System (BSUoS) charge.

Currently, the BSUoS charging methodology within Section 14 of the CUSC uses various definitions and formulae to calculate BSUoS charges, specifically;

- External BSUoS Charge for each Settlement Period ( $BSUoS_{EXT_{jd}}$ ); and
- Internal BSUoS Charge for each Settlement Period ( $BSUoS_{INT_{jd}}$ )

As part of Ofgem's Final Determination on the Electricity System Operator (ESO) RIIO-2 price control, the formulae within the Chapter 4: System Operator Revenue Restriction of the new licence special conditions has changed. Therefore, the CUSC needs to be updated to reflect the updated arrangements, including an update to the BSUoS Acronym Definitions in Section 14. These changes need to be approved in time for the new price control period commencing on 1 April 2021.

This modification has been drafted to enact the CUSC Section 14 changes required by the new electricity transmission licence special conditions.

### Why change?

The RIIO-2 electricity transmission licence special conditions establish the charging restrictions that determine the level of allowed revenue that may be recovered by the ESO, associated with its External and Internal costs in relation to Balancing Services Activity. These new special conditions incorporate updated formulae and definitions used in the calculation of BSUoS charges payable by relevant CUSC Users.

Without this modification there will be misalignment between the CUSC and the new licence conditions introduced by Ofgem as part of RII0-2. This will consequently result in charges to Users who pay BSUoS not being reflective of changes to the ESO's licence.

### What is the Proposer's solution?

To change the relevant parts of Section 14 (as shown in Annex 3) so that the definitions and formulae used to calculate External and Internal BSUoS charges for each Settlement Period reflect the methodology used in the ESO licence for RII0-2.

The wording for 'Calculation of the daily External Incentive Payment (IncPayExtd)' will also be updated and any out of date references are also to be removed from the CUSC.

### Draft Legal text

See Annex 2.

Annex 3 has also been added to help the reader to quickly identify where the terms introduced by the legal text are referenced in the Licence.

### What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives	
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;	<b>Neutral</b>
(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);	<b>Neutral</b>
(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;	<b>Positive:</b> Updates the CUSC for developments in the Electricity System Operator price control
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>Neutral</b>
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<b>Positive:</b> Updates the CUSC to reflect

	changes for RII0-2 arrangements
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\*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).

### Impact of the modification on the stakeholder / consumer benefit categories

#### Proposer's assessment:

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	<b>None</b>
Lower bills than would otherwise be the case	<b>None</b>
Benefits for society as a whole	<b>None</b>
Reduced environmental damage	<b>None</b>
Improved quality of service	<b>None</b>

### Code Administrator Consultation summary

The Code Administrator Consultation was issued on the 1 February 2021 and closed on 19 February 2021 with 3 responses received. A summary of the responses can be found in the table below, and the full responses can be found in Annex 4.

#### Code Administrator Consultation summary

Question	
Do you believe that the CMP360 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>All three respondents agreed that CMP360 Original Proposal does facilitate Applicable Objectives (c) and (e).</p> <p>Two of the three respondents agreed that CMP360 Original Proposal is neutral against objectives (a), (b) and (d).</p>
Do you support the proposed implementation approach?	<p>Two of the three respondents supported the implementation approach for CMP360.</p> <p>One respondent did not support the implementation approach. They believe CMP360 will disadvantage Suppliers due to the way they</p>

	understand BSUoS to be calculated under currently enforced/proposed Price Caps. They requested any amendments to be properly reflected in the Price Cap methodology in line with the implementation date of CMP360.
Do you have any other comments?	No further comments.
<b>Legal text issues raised in the consultation</b>	
No legal text issues raised in the consultation.	

### Panel Recommendation vote

The Panel will meet on 2 March 2021 to carry out their recommendation vote.

### When will this change take place?

#### Implementation date:

To be implemented for the RII0-2 price control period from 1 April 2021.

#### Date decision required by:

A decision is required from CUSC Panel in w/c 1 March 2021 to ensure implementation ahead of 1 April 2021 as a 15 working day Self-Governance Appeals window will need to be opened, after CUSC Panel's decision, ahead of implementation.

#### Implementation approach:

This modification will amend CUSC Section 14 'The Statement of the Balancing Services Use of System Charging Methodology'.

### Interactions

This Modification has no further interactions.

### Acronyms, key terms and reference material

Acronym / key term	Meaning
BSUoS	Balancing Services Use of System
ESO	Electricity System Operator
RIIO-2	The second RIIO price control period (2021-2026)

#### Reference material:

<https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-riio-2-transmission-gas-distribution-and-electricity-system-operator-licences>

**Annexes**

Annex	Information
Annex 1	Proposal form
Annex 2	Legal Text
Annex 3	Licence References for CM360 Code Administrator Consultation
Annex 4	Code Administrator Consultation Responses