

Modification proposal:	<b>Connection and Use of System Code (CUSC) 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 (CMP360)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Owner (ESO), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	25 March 2021	Implementation date:	1 April 2021

## Background

The Transmission Licence allows the ESO to collect revenue associated with Balancing Services Activity through Balancing Services Use of System ('BSUoS') charges. The BSUoS charging methodology is set out in Section 14 of the CUSC<sup>3</sup>. As part of enacting the RIIO-2 price control, the formulae in the Transmission Licence associated with Balancing Services Activity have been updated.<sup>4</sup> This modification has been brought forward to address misalignment between the CUSC and the new licence conditions introduced by Ofgem as part of RIIO-2.

## The modification proposal

Currently, the BSUoS charging methodology within the CUSC uses various definitions and formulae to calculate BSUoS charges, including:

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licences>

- External BSUoS Charge for each Settlement Period ( $BSUoS_{EXTj_d}$ ); and
- Internal BSUoS Charge for each Settlement Period ( $BSUoS_{INTj_d}$ )

As part of Ofgem's Final Determination on the ESO's RIIO-2 price control, the formulae related to these two terms were changed.

CMP360 was raised by NGESO ('the Proposer') on 14 January 2021. It changes the relevant parts of Section 14 of the CUSC 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 RIIO-2. To further align with the RIIO-2 licence, the text regarding 'External Incentive Payments' ( $IncPay_{Ext_d}$  and  $IncPay_{Ext_t}$ ) will also be updated and any out of date references to the terms will be removed from the CUSC.

### **CUSC Panel recommendation**

On 2 March 2021, the CUSC Panel voted on CMP360 against the Applicable CUSC Charging Objectives as set out in Standard Condition C5 of the Electricity Transmission Licence<sup>5</sup>. The CUSC Panel unanimously voted that CMP360 better facilitated the Applicable CUSC Charging Objectives in comparison to the existing provisions contained in the CUSC (the 'Baseline').

### **Our decision**

On 4 March 2021, the Final Modification Report (FMR)<sup>6</sup> was published. We have considered the issues raised in the FMR and we have taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the Applicable CUSC Charging Objectives; and

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<sup>5</sup>

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

<sup>6</sup> <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp360-aligning>

- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>7</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate CUSC Charging Objectives (c) and (e) as set out in Standard Licence Condition C5: Use of System charging methodology, and has a neutral impact on CUSC Charging Objectives (a), (b) and (d):

***(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;***

We agree with the Proposer that, by aligning Section 14 of the CUSC to the licence changes introduced as part of RIIO-2, the modification proposal is consistent with developments in the transmission licensees' transmission businesses.

***(e) promoting efficiency in the implementation and administration of the system charging methodology***

We agree with the Proposer that, by removing redundant terminology from the CUSC and aligning Section 14 of the CUSC to the RIIO-2 licence changes, the modification proposal promotes efficiency in the implementation and administration of the system charging methodology.

### **Decision notice**

In accordance with Standard Condition C10 of the Transmission Licence, the Authority hereby directs that modification proposal 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'*" be made.

**Simon Wilde**

**Director, Analysis and Assurance**

Signed on behalf of the Authority and authorised for that purpose

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<sup>7</sup> The Authority's statutory duties are wider than matters which the CUSC Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.