

CUSC Modification Proposal Form (for nationalgrid Charging Methodology Proposals) CMP255

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal

Revised definition of the upper limit of Generation Charges in the charging methodology with removal of the reference to the 27% charging cap

Submission Date

16th November 2015

Description of the Issue or Defect that the CUSC Modification Proposal seeks to address

On 8th October 2014 Ofgem approved CUSC Modification Proposal CMP224. This adjusts the G:D Split each year to mitigate the potential risk of exceeding the upper limit on average generation charges established under European Commission Regulation (EU) No. 838/2010 (the Regulation). The Regulation restricts average transmission charges paid by electricity generators in the EU to 0-2.5 Euros/MWh.

Under CMP224, the upper limit to Generation charges has been implemented as a variable described as "CApec". This is defined as the "*Upper limit of the range specified by European Commission Regulation 838/2010 Part B paragraph 3 (or any subsequent regulation specifying such a limit) on annual average transmission charge payable by generation*".

There is guidance published by ACER in April 2014 (Opinion no. 09/2014) which, if adopted, could mean that the limit specified in European Commission Regulation 838/2010 would no longer apply. If this were to happen CMP224 is designed so that the proportion of charges paid by generators would revert back to 27%.

This situation has created uncertainty about the level of charges that will apply under the CUSC. Since the outcome depends on external influences, namely decisions and actions of the European Commission, it is difficult to anticipate what changes may be implemented or when it will happen.

A reversion to the 27% allocation of transmission costs to generation in TNUoS charges would result in a material increase in costs attributed to generation without any appropriate lead time.

This poses a particular problem to generators who are making assumptions about the cost of TNUoS charges in future years in order to determine a bid price for the capacity market auction and contracts for difference.

Description of the CUSC Modification Proposal

It is proposed that, if limits to generation charges imposed by European Commission Regulations no longer apply, the requirement for generation allocation of costs to revert to 27% should be removed. Instead the current limit of 2.5 Euros/MWh should remain until a new limit can be agreed and implemented by means of a CUSC modification. This will ensure that whatever limit succeeds the current CAPEC value is appropriate at the time, is agreed by all affected parties and has a suitable implementation period. It will reduce the risk to generators of a large increase in costs, caused by external influences at short notice.

The revised wording to implement this change could be as follows:

“CAPEC means 2.5 Euros/MWh or such lower number as may be specified in a European Commission Regulation that sets an upper limit on the annual average transmission charge payable by generation that is expressed in euros/MWh ~~Upper limit of the range specified by European Commission Regulation 838/2010 Part B paragraph 3 (or any subsequent regulation specifying such a limit) on annual average transmission charge payable by generation~~”.

In addition, it is proposed that the reference to 27% allocation of costs to generation is removed from the text.

“v). The application of a Transmission Network Use of System Revenue split between generation and demand where the proportion of the total revenue paid by generation, for the purposes of tariff setting, is ~~the lower of 0.27 or~~ x times the total revenue, where x for a charging year n is calculated as”

The consequence of this change is that volatility in Generation charges would be better managed, particularly in the circumstances where the European Commission Regulation was to be revoked or significantly modified.

Impact on the CUSC

This modification aims to change Section 14 – Charging Methodologies as described above.

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other
(please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

Urgency Recommended: Yes / No

No

Justification for Urgency Recommendation

N/A

Self-Governance Recommended: Yes / No

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

N/A

Impact on Computer Systems and Processes used by CUSC Parties:

N/A

Details of any Related Modification to Other Industry Codes

N/A

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives for Charging:

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- (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) 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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (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.
- (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.

Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Objective (a): The current legal drafting of CMP224 creates uncertainty associated with the level of cost recovery associated with Generation charges. In particular the linkage to European Commission Regulation (EU) No. 838/2010 (the Regulation) or "any subsequent regulation" creates uncertainty and risk in the CUSC about the level of generation charges. The proposed modification will improve stability of generation charges, ensure that any future change to the generation charges cap will be subject to a further modification and will result in generation charges that are not conditional on external circumstances. Overall the proposed modification will reduce risk for generators and costs for customers. Consequently the modification would better meet Objective (a).

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Additional details

Details of Proposer: (Organisation Name)	Bill Reed RWE Supply and Trading GmbH 017893893835 Bill.Reed@rwe.com
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or “National Consumer Council”)	CUSC Party
Details of Proposer’s Representative: Name: Organisation: Telephone Number: Email Address:	Bill Reed RWE Supply and Trading GmbH 017893893835 Bill.Reed@rwe.com
Details of Representative’s Alternate: Name: Organisation: Telephone Number: Email Address:	Raoul Thulin RWE Supply and Trading GmbH 01793892167 Raoul.Thulin@rwe.com
Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:	

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 653606

For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/Current/>

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to jade.clarke@nationalgrid.com copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
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If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.