

# CMP244 - Set final TNUoS tariffs at least 15 months ahead of each charging year' and CMP256 'Potential consequential changes to the CUSC as a result of CMP244'



CUSC Panel – 27 May 2016  
Heena Chauhan

## Proposed CUSC Modification

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- CMP244 sought to increase the length of the notice period for TNUoS tariffs (currently 2 months) to a suggested period of 15 months. This has subsequently been changed by the Proposer to a notice period of 200 calendar days. CMP256 seeks to introduce consequential changes to Section 3 and 11 of the CUSC, as a result of charging modification CMP244.
- The CUSC Panel agreed that CMP256 should be considered by a Workgroup and decided it appropriate for the existing CMP244 Workgroup to consider CMP256 alongside CMP244.
  - CMP244 was raised by EDF Energy and submitted to the CUSC Modifications Panel for their consideration in May 2015.
  - CMP256 was raised by EDF Energy and submitted to the CUSC Modifications Panel (the Panel) for their consideration in November 2015.

# Workgroup Consultation

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- The CMP244 and CMP256 Workgroup met on 8th February 2016 to agree on any alternatives to the Original Proposal and to vote.
- CMP244
  - 20 responses to the consultation were received.
  - There were no WACMs proposed for CMP244 so the Workgroup only voted on the Original Proposal.
- CMP256
  - 2 responses to the consultation were received.
  - As there were no WACMs raised to CMP244, there was only the Original Proposal for CMP256.

## Workgroup vote

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- It was agreed by majority that CMP244 and CMP256 better met the Applicable CUSC Objectives (for charging modifications) and therefore should be implemented.

# Workaroup Conclusions - TOR

ToR	Report reference(s)
<p>a) Mid year tariff changes Decided no change to the current arrangement around mid year tariff changes.i.e. can happen but only when mandated by Ofgem.</p>	2.14 and 2.15
<p>b) Impact on EU regulation 838/2010 (2.5 Euro cap) Discussed increased risk of breaching EC regulation 838/2010. Noted that there has recently been some work on reviewing the error margin and has just been increased to 8.2%. Suggest to keep under review, no direct change to this approach as a result of this mod.</p>	2.55 to 2.58
<p>c)Transition Discussed in the workgroup that the potential other regulatory changes needed here (e.g. STC change to request earlier binding revenue forecasts from Scottish TOs) means that the longer notice period cannot be in place in time for the 17/18 charging year (which would mean publication of tariffs in Sept 16). Workgroup pushed for a slightly longer notice period for 17/18 as a transition arrangement but as other parties are currently not obliged to give us revenue forecasts until 25<sup>th</sup> Jan this is not possible without regulatory change.</p>	3.1 to 3.33
<p>d) Identifying parties holding risks Our working assumption is that NGET hold the revenue risk of OFTO and i/crs (as they will not be obliged to give us a binding revenue forecast ahead of us setting tariffs). But that Scottish TOs bear their own revenue risk by submitting earlier binding revenue forecasts.</p>	2.42 to 2.45
<p>e) Longer notice period vs volatility of tariffs Considered in the Workgroup analysis considering potential under / over recovery of revenue against time.</p>	2.35 to 2.40 mainly, plus elsewhere
<p>f) TEC reductions – should notice period / cancellation charge be changed? And j) Securities and liabilities for generators Discussed that there would be no change in user commitment as a result of this mod.</p>	2.11
<p>g) Interaction with licence changes Considered the relevant NGET (and other TO) licence terms around under / over recovery of revenue plus changes to, for example, the inflation forecast used in calculating revenue. These changes will be progressed separately to the mod process.</p>	2.22 to 2.26
<p>h) Delay in passing on cost reductions See o) below (they wanted to understand how much tariffs could be ‘out’ by on the locational element)</p>	2.29 to 2.32 Annex 11

# Workgroup Conclusions - TOR

ToR	Report reference(s)
<p>i) Large TO involvement – possible delay            Large TO involvement – worry here was that an initiative funded by TNUoS e.g. SWW could be delayed if there was a longer timescale before income could be collected. Less of an issue under a 200 day notice period than a 15 month one. Also discussed that the regime will drive behaviour i.e. a Caithness Moray scenario couldn't really happen, would have to announce this before tariffs were published.</p>	
<p>k) Should a longer notice period apply to both demand and generation? And l) Should suppliers have the option to remain on a 2m notice period?            Considered too complex as would have to change billing systems and run several ks.</p>	2.67 and 2.68
<p>m) Financing under / over recovery            See g)</p>	2.22 to 2.26
<p>n) Independent System Operator            ISO – noted difficulties here. If the System Operator function became independent of National Grid as a TO, it would presumably have a higher cost of capital and therefore it could become more expensive for this entity to finance under / over recovery. All we can say at this stage is that we have to develop for today's scenario not possible future ones.</p>	2.46
<p>o) Impact on locational tariffs due to delay in commissioning or closure of generation            Workgroup wanted to understand the impact of various types of generation opening / closing unexpectedly) after tariffs had been published (and hence tariffs being 'out'). This has been done.</p>	Annex 11 and paragraphs 2.29 to 2.32
<p>p) Annualised Load Factors            Under a 15m notice period would be using very old ALF data. This is not the case for a 200 day notice period – where we continue to use data from t-2 to t-7. Have proposed a clarification in the legal text to show which years of data are used for ALFs.</p>	2.111
<p>q) Implementation            See c) transition.</p>	
<p>r) Review of legal text            See draft legal text. Made more complex by the fact that the CUSC has changed substantially since the mod was raised (Transmit)</p>	Annex 13 and 14

## Workgroup Conclusions -

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- It is proposed to make any changes under CMP256 conditional upon, and at the same time as, those implemented to Section 14 under CMP244. The result is that all sections of the CUSC will be updated concurrently to reflect any change in the TNUoS notice period. Suggested implementation 1 January 2017.

# Legal Text Amendments Post Code Administrator Consultation nationalgrid

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- Since the legal text for CMP244/256 was drafted for the Code Administrator consultation, some further minor changes have been identified as necessary. The latest draft of the legal text is included in Annex 15 of this document and shows a copy of the text that was published in the Code Administrator Consultation with the subsequent changes clearly shown alongside these. These are as follows:
  - a) Some minor additions for greater clarity e.g. suggest 'April' in paragraph 14.15.6 becomes '1st April' for clarity
  - b) Typo identified in paragraph 14.29 'Predictability of tariffs' section – The Authority have requested 300 calendar days' notice of any intention to change use of system charges, not 200 as was in the previous draft
  - c) Paragraph 14.29 – updated date by which modification proposals should be initiated to allow sufficient time for potential changes to the following year's tariffs
  - d) Paragraph 14.15.107 – previously suggested 25th August as publication date for ALFs, this has been updated to 5th August to allow adequate time for any User query to be completed ahead of final tariff publication
  - e) Some paragraph references updated as per final version of post CMP213 legal text
  - f) Lastly, several paragraphs of the legal text referred to the 7 year statement. Some, but not all of these were updated to refer to the ETYS in the legal text drafted for the Code Administrator consultation. Therefore any remaining references in the paragraphs identified for change have been updated to refer to the ETYS. It is noted that there is currently a consultation out to industry as some of the information that is currently in the ETYS that is used for TNUoS setting purposes may go into different documents with different names in future. The Code governance team have advised that the relevant references to the ETYS are added to the legal text for now, with a later housekeeping CUSC mod to be taken forward for any future required changes in this area.



## Code Administrator Consultation

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- Fourteen responses were received to the Code Administrator Consultation.
- The majority of responses broadly supported the CMP244/256 proposals, and the suggested implementation approach, and these respondents noted the positive impact on competition and stability of tariffs.
- Four responses did not support the proposal, noting issues around the cost of under / over recovery in the longer term, how under / over recovery would be recovered from users, and whether the costs of the modifications outweighed the benefit.
- Two Transmission Owners also responded to the consultation raising concerns about the need to provide revenue forecasts earlier.

## Questions before Panel Vote?



# Panel Recommendation Vote

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- The Applicable CUSC objectives for CMP244 are:
  - (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 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);
  - (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; and
  - (d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
  
- The Applicable CUSC objectives for CMP256 are;
  - (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission License;
  - (b) Facilitating effective competition in the generation and supply of electricity, and (so far as is consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
  - (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

# Vote 1 – CMP244

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
<b>James Anderson</b>					
Original					
<b>Bob Brown</b>					
Original					
<b>Kyle Martin</b>					
Original					
<b>Garth Graham</b>					
Original					
<b>Nikki Jamieson</b>					
Original					
<b>Paul Jones</b>					
Original					
<b>Simon Lord</b>					
Original					
<b>Cem Suleyman</b>					
Original					
<b>Paul Mott</b>					
Original					

# Vote 1 – CMP256

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Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
<b>James Anderson</b>				
Original				
<b>Bob Brown</b>				
Original				
<b>Kyle Martin</b>				
Original				
<b>Garth Graham</b>				
Original				
<b>Nikki Jamieson</b>				
Original				
<b>Paul Jones</b>				
Original				
<b>Simon Lord</b>				
Original				
<b>Cem Suleyman</b>				
Original				
<b>Paul Mott</b>				
Original				

## Proposed Timetable

23 <sup>rd</sup> March 2016	Issue CA Consultation (20 Working days)
22 <sup>nd</sup> April 2016	CA Consultation closes
28 <sup>th</sup> April 2016	Issue draft FMR for comment
6 <sup>th</sup> May 2016	Deadline for comment
19 <sup>th</sup> May 2016	CUSC Panel Papers Day
<b>27<sup>th</sup> May 2016</b>	<b>Panel Recommendation vote</b>
<b>9<sup>th</sup> June 2016</b>	<b>FMR submitted to Authority</b>
<b>14<sup>th</sup> July 2016</b>	<b>Authority decision due</b>
<b>1<sup>st</sup> January 2017</b>	<b>CMP244 and CMP256 Implemented</b>