nationalgrid

Stage 05: Draft CUSC Modification Report

Connection and Use of System Code

(CUSC)

CMP266

'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	**Draft CUSC Modification Report**
06	Final CUSC Modification Report

CMP266 seeks to prevent double charging of TNUoS for a meter electing to be HH settled, all demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

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High Impact: Suppliers

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Any Questions?

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About this document

This is a draft of the CUSC Modification Report which contains responses to the Code Administrator Consultation and has been prepared and issued by National Grid as Code Administrator under the rules and procedures specified in the CUSC. The purpose of this document is to assist the CUSC Panel in making their recommendation on whether to implement CMP266

.An electronic version of this document and all other CMP266 related documentation can be found on the National Grid website via the following link: http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP266/

Document Control

Version	Date	Author	Change Reference
1	17 November 2016	Code Administrator	Draft Final Modification Report to Industry and CUSC Panel

1 Summary

1.1 This document describes the Original CMP266 CUSC Modification Proposal (the Proposal), summarises the deliberations of the Workgroup and sets out the options for potential Workgroup Alternative CUSC Modifications (WACMs).

1.2 CMP266 was proposed by National Grid and was submitted to the CUSC Modifications Panel for its consideration on 16 June 2016. A copy of this Proposal is provided within Annex 1. The Panel decided to send the Proposal to a Workgroup to be developed and assessed against the CUSC Applicable Objectives. The Workgroup have consulted and gained views with the wider industry on the Proposal and considered these responses. They have also agreed the WACMs and voted on the best solution to the defect to report back to the Panel at the October 2016 CUSC Panel meeting.

1.3 CMP266 aims to remove demand TNUoS charging as a barrier to future elective half hourly settlement.

Workgroup Conclusions

1.4 Eight responses were received to the Workgroup Consultation

1.5 The Workgroup met on 6 October 2016 to review the Workgroup Consultation responses and voted on the Original Proposal and the eight Workgroup Alternative CUSC Modifications.

1.6 Six Workgroup members voted and overall, WACM1, WACM2, WACM3 and WACM6 had one vote each as better facilitating the applicable CUSC objectives. WACM5 received two votes as better facilitating the applicable CUSC objectives.

Code Administrator Responses

1.7 The Workgroup reported back to the Panel at the CUSC Panel meeting on 28 October 2016. The Panel decided that this Modification Report should proceed to Code Administrator Consultation for 15 Working Days.

1.8 Ten responses were received to the Code Administrator Consultation. A summary of these responses can be found within Section 9. Annex 5 of this report contains the complete responses received to this consultation.

1.9 Of the ten respondents, two preferred the Original Proposal and two preferred WACM1. Support for WACM3, WACM4, WACM5, WACM6 and the proposal in general are also noted.

1.10 Two respondents did not support the modification. Many respondents highlighted the for need a distinct industry assessment to address all charging related issues due to the many current modifications and their reliance on one another.

1.11 This Draft CUSC Modification Report has been prepared in accordance with the terms of the CUSC. An electronic version of this document and all other CMP266 related documentation can be found on the National Grid website via the following link:

http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP266/

2 Background

Defect

2.1 When a meter within Profile Classes 1-4 moves from being Non Half Hourly (NHH) settled to Half Hourly (HH) settled within the same TNUoS charging year, the Supplier and ultimately the end consumer is liable for both a NHH TNUoS liability and HH TNUoS liability for that charging year. Ofgem's stated aim is to remove barriers to allow Elective Half Hourly settlement from early 2017. This defect therefore needs to be removed.

2.2 Demand taken from NHH and HH meters is charged differently. For NHH settled meters, Suppliers are charged based on cumulative demand taken between the hours of 4pm-7pm every day throughout the charging year. For HH settled meters, a Supplier's annual liability is based on average half hourly demand taken over the three highest System peaks from the start of November to the end of February. These are commonly known as Triads. Suppliers then pass on the TNUoS liability to end consumer, but how this happens in practice is the responsibility of the Supplier.

2.3 Potential overcharging occurs due to the differences in how demand is charged. If a meter moves to HH settlement on for example 1 August, it will have been charged under the NHH Methodology for four months i.e. 4pm-7pm every day. Demand for this consumer will now be charged under the HH Methodology for the remaining months in the year. As HH demand is based on demand over the winter months, the consumer will definitely take demand over the three Triads. The Supplier will therefore be charged four months of NHH and a full year's worth of HH liability.

2.4 The amount of overcharging is dependent on when the consumer moves from being NHH settled to HH settled, with movement around the start of November historically picking up the largest amount of 'overcharging'. However if a consumer moves at the end of the Triad season they can achieve a saving by avoiding a month's worth of NHH as well as avoiding the Triad season. If a consumer moves within the Triad season the Supplier will not know the effect on its TNUoS liability until Triads are confirmed and announced.

Initial Proposal

2.5 With reference to Ofgem's recent "Elective half-hourly settlement conclusions paper[1] issued on 27 May 2016, there are two main solutions to the defect which the proposer has considered.

2.6 **Solution one:** To prevent double charging in a given charging year a consumer migrating from NHH settled to HH settled will be charged under the NHH methodology for the year in which they migrate and then will be charged under the HH methodology for future full charging years up until HH settlement is mandatory for all consumers.

2.7 **Solution two:** To prevent double charging of TNUoS for a meter electing to be HH settled, all demand within Measurement Classes F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers. Other solutions such as treating all demand sub100kW as NHH up until all consumers are HH settled have been discussed at the Transmission Charging Methodology Forum (TCMF). In its conclusions paper, Ofgem said that it thought a Modification should be raised to extend

[1] *https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf*)

the NHH transmission charging structure to Measurement Classes F and G. The Initial proposed solution to address the defect for this modification was the following:

To prevent double charging of TNUoS for a meter electing to be HH settled, all demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

In detail

2.8 For the purposes of settlement, customers are assigned to a Profile Class according to their consumption pattern and meter type. Domestic and smaller non-domestic customers are assigned to Profile Classes 1-4 and are within Measurement Class A.

Measurement Class	Description
A	Non Half Hourly Metered
B	Non Half Hourly Un-Metered
C	HH metered in 100kW Premises
D	Half Hourly Unmetered
E	Half Hourly Metering Equipment at below 100kW Premises with current transformer
F	Half Hourly Metering Equipment at below 100kW Premises with current transformer or whole current, and at Domestic Premises
G	Half Hourly Metering Equipment at below 100kW Premises with whole current and not at Domestic Premises

Table 1

2.9 When meters currently in Measurement Class A elect to be HH settled the majority move into either Measurement Class F or G. Measurement Class F is used for Half Hourly domestic Metering Systems and Measurement Class G for sub-100kW non-domestic Metering Systems with whole-current Meters.

2.10 National Grid receives aggregated demand data from ELEXON in a file called P210. This file is used to calculate and invoice the TNUoS Demand liability. The P210 file splits up the total demand for a BMU into either HH or NHH demand. All Half Hourly settled demand is aggregated together. When a meter moves from being NHH settled to HH settled the demand for this meter automatically moves from the NHH to HH in the P210 file. The movement of this demand within a charging year causes 'overcharging' as the Supplier and ultimately the end consumer is liable for NHH charges for part of the year for demand between the hours of 4pm-7pm each day, plus HH charges which are an annual charge based on winter use over the Triad half hours.

2.11 To prevent double charging all demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

2.12 As National Grid does not receive individual meter demand or aggregated demand per Measurement Class to continue to charge Measurement Classes F & G under the NHH methodology, will require ELEXON to send National Grid the demand for Measurement

Class F for the Settlement Periods relating to 4-7pm. This allows National Grid to amend the P210 file and original demand. The alternative would be for the amendments necessary to the P210 file to be carried out by other Industry parties and National Grid receives the 'correct' amended demand data on which to calculate TNUoS charges. The overriding proposal is the same for either approach.

Options identified prior to the Workgroup Consultation taking place to resolve the defect

2.13 The Workgroup identified and discussed a number of different options to resolve the defect. These can be found in Section 3.16 to 3.27.

2.14 Prior to the Workgroup Consultation and based on these original set of options (Section 3.17 to 3.28 of this report), National Grid were currently minded to go with Option 1 at this stage following Workgroup discussions, with the potential to use Option 3 for Charging Year 2018/19. If however there becomes increased certainty over the implementation of BSC Modification P339[2] for 1 April 2017 then Option 3 would become National Grid's preferred proposal.

2.15 Following the Workgroup Consultation, these options were reviewed again and updated. Table 5 within Section 4 of this report clarifies these updated options. National Grid now confirms that their preferred solution to this defect would be Option 7 (WACM 5) within this Table 5.

2.16 BSC Modification P339 has been raised to introduce new Consumption Component Classes (CCCs) for Measurement Classes 'E', 'F' and 'G' to enable aggregated consumption volumes for both Active Import (AI) and Active Export (AE) to be identified separately.

2.17 Without the approval and implementation of BSC Modification P339 it is not possible to treat demand for Measurement Classes differently as National Grid receives aggregated demand data for sub100kW. P339 could be implemented during the Charging Year 2017/18, although the Workgroup is currently proposing implementation on 1 April 2017. This creates a potential gap where National Grid would not be able to receive separate demand data for that class between the time a meter migrates to HH settlement from NHH settlement and the timing of the implementation of P339. It is also currently not possible to split users up within the same Measurement Class based on the year they move to being HH settled, as this data is not currently provided to ELEXON so cannot be passed onto National Grid. Therefore for 2017/18 National Grid believe that the systems will not be in place and may preclude some of the options.

2.18 Regardless of the system changes there was discussion within the Workgroup, whether the HH methodology is the most appropriate Methodology for smaller domestic customers, and whether or not Suppliers systems could be designed to manage consumers bills based on Triad demand.

2.19 For the Charging Year 2018/19 it will be possible to separate demand for each Measurement Class. National Grid is therefore open to Option 3 for the charging year 2018/19, which splits up demand for Measurement Class E, F and G, therefore allowing Measurement Class E to move to the HH methodology. These consumers are arguably larger and therefore more suited to the HH methodology which works better for consumers on fixed year-long contracts.

2.20 Outside of this Modification there has been discussion over the future role of Triads. Although the HH methodology is currently part of baseline and that is what the defect is compared too is there merit in moving consumers across to a HH methodology which may

alter? National Grid therefore do not support the need for any large scale system changes which will allow demand within a Measurement Class to be separated therefore aiding any option which allowed users to move across to the HH methodology.

3 Workgroup Discussions

3.1 This section provides information regarding what the Workgroup have discussed in relation to this proposal. The points discussed concerned a number of different areas as presented below.

National Grid Charging

3.2 Suppliers are invoiced based on aggregated demand at the GSP. The aggregated demand is a combination of demand from Non Half Hourly (NHH) meters and Half Hourly (HH) meters of which the Suppliers are responsible for. Total demand for each BMU is shown in the SAA-IO14 file.

3.3 HH and NHH meters are charged under different methodologies. Therefore it is necessary to split up the demand for each Half Hour settlement period. National Grid receives from ELEXON a bespoke file called the P210 or TUOS file. This splits up the demand for each BMU into NHH and HH demand. Figure 1 illustrates this below.

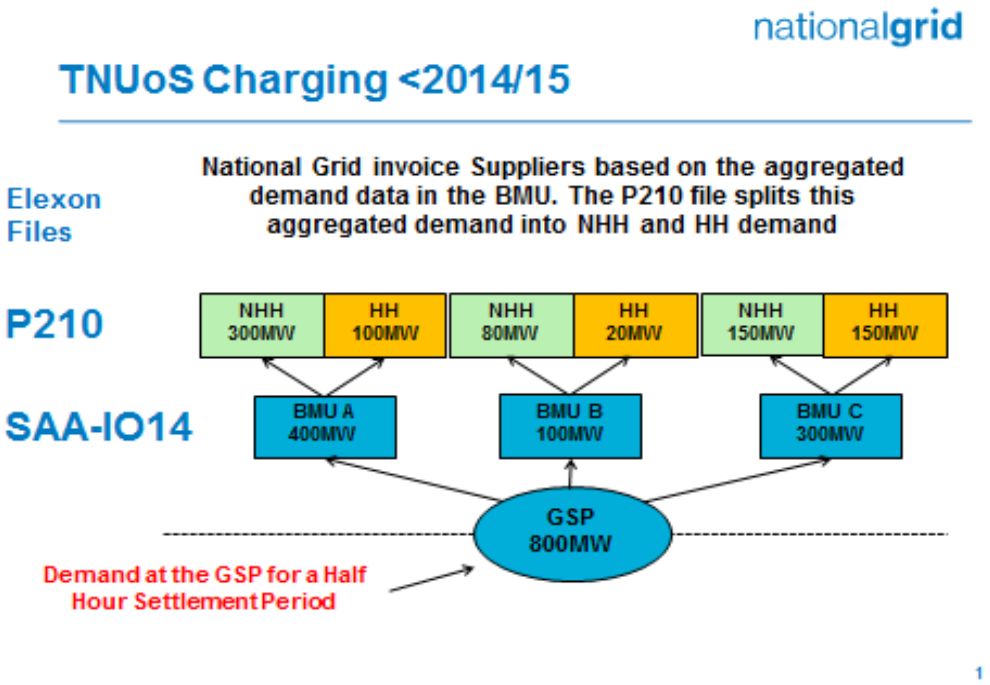

Figure 1

3.4 As described in the defect when a consumer moves from being NHH settled to HH settled the Supplier and ultimately the end consumer may see an increased TNUoS liability for that charging year purely through changing settlement rather than a change in demand use. BSC Modification P272[3] made HH settlement mandatory for all meters in Profile Class 5-8 with Advanced Meters (AMR). CMP241[4] introduced a further process to prevent 'overcharging'

[3] https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/

[4] http://www2.nationalgrid.com/UK/Industry-information/Electricity-Codes/CUSC/Modifications/CMP241/

for meters migrating as part of P272 by treating the meter as NHH for the whole charging year.

3.5 When a meter migrates from NHH settlement to HH settlement it moves from Measurement Class A to Measurement Class E, F or G. Figure 2 shows the effect of the migration on the P210 file. Demand moves from NHH to HH. The P210 file does not show individual meter demand. Therefore the change seen is the aggregated effect of all meters migrating.

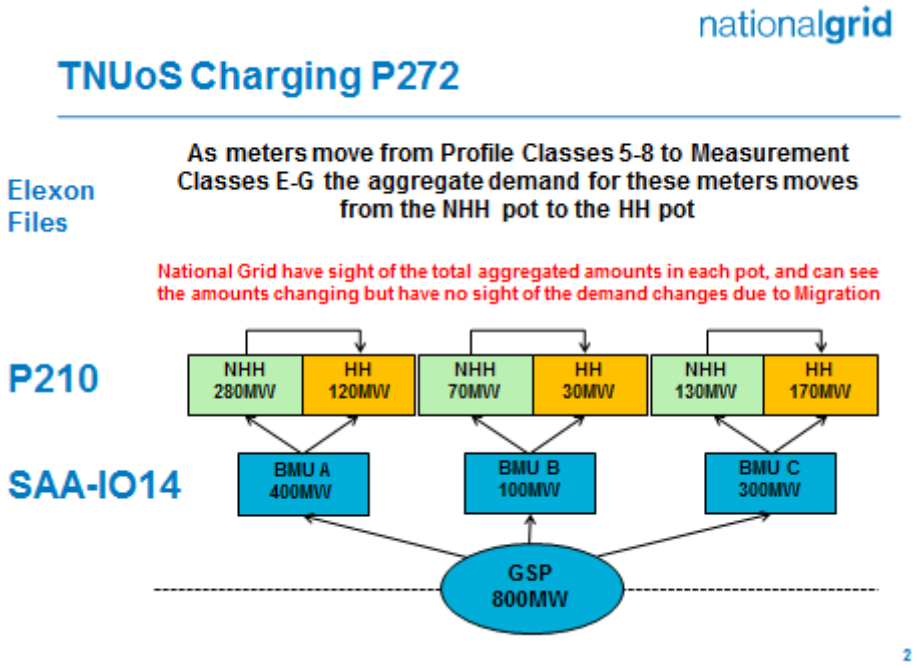

Figure 2

3.6 To separate out the demand for those meters migrating as part of P272 a further file was created which showed aggregated demand for Measurement Classes E-G (sub 100kW (Figure 3). This file allows the demand for these meters to be moved from the HH demand to the NHH demand (figure 4). Demand over the Triad half hours for these meters will therefore be 0 removing the 'overcharging' issue.

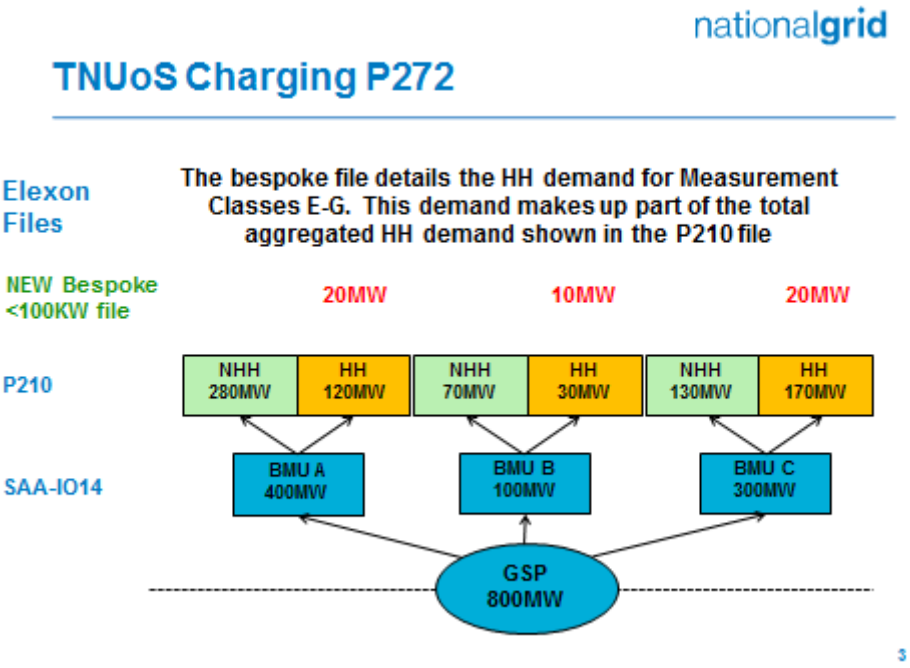

Figure 3

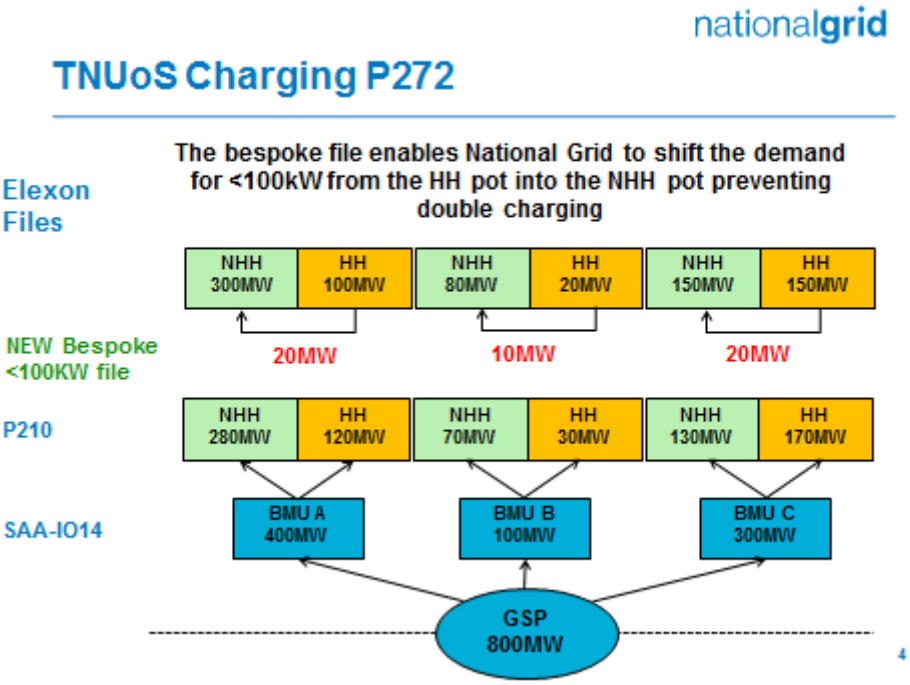

Figure 4

3.7 When meters migrate from profile Classes 1-4 the majority move into either Measurement Class F or G dependent on the meter type and whether the meter is classed as domestic. A few meters in these profiles are classes such as Current Transformers (CT) and therefore would move into Measurement Class E

3.8 To prevent overcharging, a similar process undertaken as part of CMP241 is proposed. However, if all sub 100kW demand was treated as NHH for the charging years or years, then meters which had migrated as part of P272 and had prepared or were expecting to be charged under the HH methodology would now not be charged under the HH methodology. This may or may not be a good thing from the perspective of the end consumer, dependent on their individual demand usage and how flexible they are prepared to be. A BSC Modification (P339) is running in parallel with this Modification, which will split up demand for each Measurement Class (E, F and G).

P339

3.9 This BSC modification seeks to introduce new Consumption Component Classes (CCC). This modification allows the demand data for sub 100kW meters to be split up into individual Measurement Classes E, F and G and introduces new CCCs for micro-generation.

3.10 BSC Modification P339 was raised in advance of CMP266 and is a mechanism to provide the data required for CMP266 to be implemented for the majority of the WACMs.

3.11 It does not allow demand to be separated out on the basis of Profile Class 5-8 or Profile Class 1-4, or time a meter migrated into the Measurement Class i.e.

- Measurement Class F 2015/16
- Measurement Class F 2016/17

3.12 Although the Industry is aiming to have P339 accepted by the Authority around December 2016, it must be noted that this does not mean it will be implemented at the same time as it is approved (the Workgroup are making the assumption that it is accepted for the purposes of this report).

3.13 Discussions with ELEXON note that implementation may be carried out at different periods of the year, depending on existing planned work amongst other things.

3.14 The implications of a delay in implementation is discussed in the timings section

Options (Pre Workgroup Consultation)

3.15 The defect for this modification has already been discussed earlier in 2016 at an Industry Workgroup which was set up, with the aim of removing barriers to elective HH Settlement. From these discussions, two initial options were derived which would remove the defect of Demand TNUoS as a barrier to a consumer who wished to move to HH settlement. For reference, Options 2 and 3 in the list of options below, are the same as those that are listed in paragraph 4.29 in Ofgem's conclusion paper on HH Elective Settlement[5]. Option 3 was initially chosen as preferable.

3.16 As the Workgroup discussions progressed, and further information was gathered with regards to BSC Modification P339, a number of other options were created and discussed. The list of options below describes how the option would work in practice and what the Workgroup saw as the main strengths and weaknesses and any issues from a system perspective of this approach to addressing the defect. These are detailed in Table 2.

3.17 **Option 1 (Original):** Continue treating all meters in Measurement Class E-G (sub100kW) as NHH up until all meters become HH settled by 1 April 2020. This is the continuation of the

[5] https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf

workaround which was put in place to avoid overcharging as meters migrated as part of P272.

- Not reliant on P339.
- Maintains status quo, so minimal changes needed.
- Prevents meters migrating as part of P272 being charged under the HH methodology which consumers would have been expecting and may have invested for.

3.18 **Option 2:** When a meter migrates to Measurement Class F-G they are charged under the NHH methodology for the charging year it migrates to avoid double charging then as HH for the remaining charging years.

- Reliant on P339 to split F-G from E.
- Central System not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently.
- Whole Current meters (Measurement Class G) migrating as part of P272 (over 50% of P272 meters); will be charged differently to Current Transformer meters (Measurement Class E).
- Being charged under the HH methodology may not be appropriate for domestic customers.

3.19 **Option 3:** All meters in Measurement Class F-G charged under the NHH methodology until 2020.

- Reliant on P339 to split F-G from E.
- Whole Current meters (Measurement Class G) migrating as part of P272 (over 50% of P272 meters); will be charged differently to Current Transformer meters (Measurement Class E).
- Part of P272 meters charged as expected under the HH methodology.

3.20 **Option 4:** All meters in Measurement Class F are charged under the NHH methodology for the year it migrates then HH for all other charging years. Under this option only Measurement Class F is treated as NHH for the full year in which it migrates to prevent 'overcharging'. Measurement Class G is charged under existing methodology.

- Reliant on P339.
- Central System not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently.
- Defect for Measurement Class G meters not resolved >2 million meters.
- P272 meters charged under the HH methodology as expected.

3.21 **Option 5: All meters in Measurement Class F charged under the NHH methodology until 2020.** Under this option only Measurement Class F is treated as NHH for the full year in which it migrates to prevent 'overcharging'. Measurement Class G is charged under existing methodology.

- Reliant on P339.
- Defect for Measurement Class G meters not resolved >2 million meters.
- P272 meters charged under the HH methodology as expected.

3.22 **Option 5b:** All meters in Measurement Class F treated as NHH enduring. G treated as NHH for first year it migrates then HH for all years onwards.

- Reliant on P339.

- Central System not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently.
- P272 meters charged under the HH methodology as expected.
- Workgroup believes NHH methodology more suited to domestic customers (F) and HH to Measurement Class G.

3.23 **Option 5c:** All meters in Measurement Class F treated as NHH enduring. G treated as NHH up until 2020 then on HH.

- Reliant on P339.
- Central System not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently. However time to make this change as not needed until 2020.
- P272 meters not charged under the HH methodology as expected.
- Whole Current meters (Measurement Class G) migrating as part of P272 (over 50% of P272 meters); will be charged differently to Current Transformer meters (Measurement Class E).

3.24 **Option 6:** Meters migrating into Measurement Class G charged under the NHH methodology for the year it migrates then HH for all other charging years.

- Does not deal with Measurement Class F which makes up the vast majority of the defect. Therefore this option was not seen as appropriate by the Workgroup.

3.25 Option 7: All meters in Measurement Class G charged under the NHH methodology until 2020.

- Does not deal with Measurement Class F which makes up the vast majority of the defect. Therefore this option was not seen as appropriate by the Workgroup.

3.26 **Option 8:** Suppliers confirm which methodology they want a meter to be charged under.

- The Workgroup felt that the complexity involved putting the systems in place to allow this option to work, as well as the ability of National Grid to forecast demand bases necessary to set cost reflective tariffs and then collect allowed revenues made this option unworkable.

3.27 **Option 9: Charge all meters under the HH methodology, using profiled data for the NHH meters.** To prevent overcharging a user must be charged under either the NHH or HH methodology for the full year. All the options above repeat previous fixes by treating the migrating meter as NHH for the full year. This option removes the defect by treating the meter as HH by using profiled data.

- Not reliant on P339.
- Simple to introduce.
- Reverses the rationale behind the introduction of the NHH methodology.
- ~85% of TNUoS revenue based on demand over 3 half hours

3.28 **Option 10: Charge all meters year round, removing Triad.** Instead of just charging E, F and G as NHH this option goes one step further and charges all demand users based on usage between 4-7pm

- Fundamental change to the methodology for demand users who will have being charged under the HH methodology since conception. These end consumers will be unaware of this change, and at short notice.

Discrimination

3.29 The Workgroup is aware that the methodology states that when a meter is Half Hourly settled then it is charged using the HH methodology. A number of the proposals do not follow this, i.e. they maintain the NHH methodology whilst being settled HH. The Workgroup needs to make it clear why different sets of consumers are being treated differently and the rationale behind it.

3.30 Workgroup members suggested that it was unfair to discriminate against customers purely based on the type of meter installed. This will happen by treating customers with whole current meters (Measurement Class G) differently to customers with Current Transformer meters (Measurement Class E).

3.31 It was noted by a Workgroup member that sites with Current Transformer meters are likely to be installed on larger sites. Discussions within the Workgroup noted that the HH methodology is more suited to and was originally designed for larger sites so although this discrimination will exist for Whole Current (WC) and CT meters, it may be appropriate to discriminate based on size.

3.32 As demand for Measurement Class G cannot currently be split up by ELEXON, based on the time the meter moved into the class, the result of meters are charged under different methodologies.

3.33 Being charged under the HH methodology can benefit some customers who can move their demand away from the traditional Triad periods, or if their peaks are already at different periods of the day. However, by contrast, being charged under the HH methodology will not benefit consumers who take demand over the traditional Triad periods and are unable to reduce their demand.

Introduction of NHH methodology

3.34 The NHH methodology was introduced at the same time competition was introduced into the Supply market 2000/2001.

3.35 Previous to this, all meters were charged under the HH methodology with profiled data used for the NHH meters to determine the Triad values.

3.36 It was argued that being charged under the HH and then current methodology for all users was not conducive to switching and therefore new competition.

3.37 The rationale was as the charging year progresses a Supplier is incentivised not to take on new customers as they will be subject to a full year's worth of TNUoS liability based on Triad demand over the winter but do not have a full charging year to collect this liability from the consumer. As it was the customer's own choice when they would switch, either the new Supplier would have to take on a loss leading tariff for the first year or have an uncompetitive tariff.

3.38 The Workgroup agreed that they would like to gain specific industry views on HH methodology and when they consulted with the Industry. All responses were reviewed by the Workgroup and are discussed in more in detail in Post Workgroup Consultation Workgroup Discussions within this section of the document.

Movement to the HH Methodology

3.39 Some of the options propose moving to the HH methodology the first full charging year after migrating.

3.40 As highlighted in previous CUSC Modification (CMP260[6]) there is the desire for certain consumers to be charged under the HH methodology as soon as possible and this is an expectation post April 2017.

3.41 For some consumers this gives them the opportunity to reduce their TNUoS liability to £zero, so some Suppliers will see this as a new innovative product which would be welcomed by certain consumers. By not allowing the movement to the HH methodology, this could be classed as stifling innovation.

3.42 It was noted that over the past few years, due to the increase in Triad avoidance, and lack of obvious Triad days over the winter, Triad periods have been harder to predict. It is no guarantee therefore that liability will be reduced to zero. It just gives consumers that opportunity, which is understandably attractive. As NHH is charged 4pm-7pm every day throughout the year then it is not feasible to achieve a similar zero TNUoS liability as under the HH methodology. A Workgroup member stated that there is uncertainty with the Triads, whereas there is certainty with the NHH methodology. If they demand manage 4pm-7pm then they will receive a reduction.

3.43 In fact due to the differences in average Peak assumed in the NHH methodology, and maximum Peak being charged under the HH methodology may result in an increased TNUoS liability.

3.44 Some Workgroup members noted that although Triad avoidance may result in a reduction in the end consumers' energy bill, it may not be clear to the consumer that the reduction was due to the avoidance of Transmission costs. This is because of how network costs are shown in the end consumer bill and wrapped up in the energy cost. Distribution and Transmission costs would need to be separated and explained to the consumer. As DUoS charges are similar to the NHH methodology then this split in network costs may not be necessary if the NHH methodology is maintained.

3.45 It was mentioned that the Triad avoidance benefit may not be commensurate with the change and effort necessary to avoid Triads. I.e. for domestic customers the TNUoS liability for the end consumer is estimated at £20-30.

3.46 For some consumers they may see this as an added level of complexity and are not yet ready to demand manage to the level necessary to achieve savings under the HH methodology.

3.47 A Workgroup member added that movement to the HH methodology may not be wanted by Suppliers. Not all Suppliers will want the added complexity of having to explain to the end consumer how Triads work, then have the systems in place to be able to forecast variable demand levels and liability as well as send out Triad warnings.

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[6] http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP260/

3.48 As part of the TNUoS billing process, Suppliers are invoiced based on their own forecast of HH and NHH demand, then at the end of the charging year they are invoiced based on actual demand. The use of actual demand is carried out through a process called the Initial demand reconciliation. If forecasts are incorrect then this can lead to the need to provide more credit, and large payments/credits at the demand reconciliations. For smaller Suppliers this can be problematic.

3.49 As Triads are not announced until the end of the charging year, Suppliers will not be able to calculate the actual liability for the end consumer until after the date of actual demand usage over the Triad period. Therefore a key question is, will Suppliers then invoice the end consumer based on actual usage, similar to pass through contracts, or will the Supplier absorb the risk of forecast usage being different to what is charged? If it's the latter, then although actual demand data will be used to charge the Supplier, the end consumers TNUoS charge will be based on an average forecast similar to the NHH profiling.

3.50 As mentioned above, there is the potential for increased risk to the Supplier of there being a divergence between costs passed through to the end consumer and what the Supplier is charged from National Grid. Will this then lead to an increase in Risk premia charged to the end consumer to cover this divergence?

3.51 As well as the risks and potential costs mentioned above, incorrect forecasts of demand and Triad avoidance may also lead to increased imbalance payments through the BSC[7].

3.52 At the same time it is important to give a balanced perspective of moving to the HH methodology. The premise of the HH methodology is that it reduces the need to reinforce the System at Peak. Any increased Triad avoidance therefore reduces the need to invest in the System at Peak. There are also Security of Supply benefits. Reduced demand results in there being less Generation needed at Peak. However it must be noted that from a cost point of view this will only be a benefit if Triad avoidance is fairly predictable.

Timings

3.53 National Grid set draft TNUoS tariffs in December 2016 for the charging year 2017/18 charging year then finalise tariffs at the end of January 2017 for the same charging year.

3.54 Nearly all proposals suggest maintaining the NHH methodology for the year in which a meter migrates. Ordinarily this will therefore not affect National Grid's forecasted charging bases used for TNUoS charges as shown in the analysis section. However current forecasts for 2017/18 assume all P272 migrated meters are charged under the HH methodology.

3.55 If Measurement Class G meters are charged based on the NHH methodology then this will may have an impact on the charging bases with a reduction in ~2GW's of HH chargeable demand and an increase in NHH demand. It is estimated that the actual impact of tariffs will be limited as due to the linkage between Peaks and NHH demand.

3.56 A more significant issue is the Implementation of P339.

Implementation of P339

[7] https://www.elexon.co.uk/reference/credit-pricing/trading-charges/

3.57 P339 is currently proposed as being implemented at the start of April 2017. P339 is critical, if demand is required to be split up into separate Measurement Classes and therefore allow demand to be treated differently for sub100 KW.

3.58 If P339 is implemented in June 2017 what will this mean in practice? All sub 100kW demand before June will be grouped up as sub 100kW (i.e. Measurement Class E-G together). This is because the collation and splitting of Measurement Classes cannot be made retrospective to the implementation date of P339.

3.59 To prevent overcharging of HH on top of NHH, all HH demand for the relevant Measurement Classes is moved from the 4pm-7pm half hours and added to the equivalent NHH half hours.

3.60 This adjustment results in there being zero demand at Triad relating to that Measurement Class, but also ensures at the same time by moving it into the NHH half hour, they are correctly charged the NHH liability. If the HH was just removed but not added to the NHH half hour then this would, incorrectly result in no charge.

3.61 If a meter for example migrates in June to HH settlement, the demand for this meter moves to the HH pot. Up until then they would be charged as NHH. Under this scenario there is no issue for that meter, but still does not solve the issues with regards to meters which move to being HH settled before this date.

3.62 At the moment there are currently 3.6 million smart and advanced meters installed[8]. Some of these meters, will be Gas meters, some will already be settled HH, and some may not be capable of being read and therefore settled HH. Regardless of exact numbers of meters affected by this modification it does highlight the risk that a number of meters may wish to be settled HH before P339 is implemented but the demand data for these meters cannot be separated out to allow this to happen.

3.63 As the implementation of P339 moves further into the charging year the issue regarding 3.62 increases. For example an implementation in November for a meter moving in June results in for July, August, September and October National Grid would not be able to separate out the demand for this Measurement Class from any other demand in the sub100kW demand which is contained in the HH pot. This is illustrated in figure 5 below.

8

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/533060/2016_Q1_Smart_Meters_Report.pdf

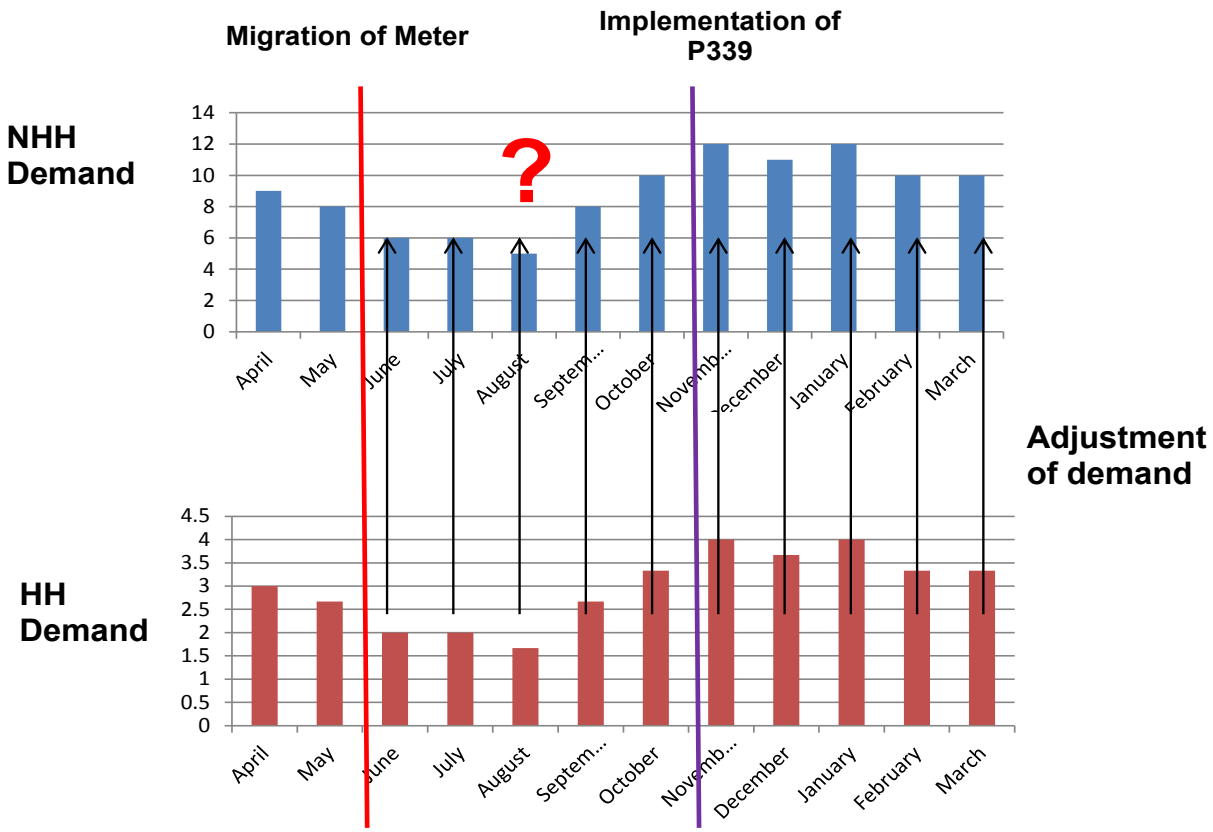

Figure 5

3.64 For the period June to October National Grid would not be able to move demand associated with Measurement Class F or G from the HH pot as it cannot be separated out.

3.65 Therefore either National Grid move all sub100kW demand and treat it as NHH or accept for those months between migration and implementation, the Supplier will not be charged NHH liability for those meters migrating. It should be noted that the HH pot will also be higher. However as Triads are charged November to end of February this 'extra' demand in the HH pot will not result in an increased liability or overcharge.

3.66 The implementation timing of P339 may therefore cause issues in terms of TNUoS recovery. This is of course making the assumption that P339 and this proposal is accepted.

3.67 The under recovery for the period noted in figure 5 can be taken into account in charge setting, but to be able to do so, National Grid will need the following information;

- An estimation of the numbers of meters migrating to HH settlement in profile Classes 1-4, the demand associated with these meters, and the month in which they will move
- A firm implementation date for P339. As the decision date for P339 is not until December at the earliest then this leaves little time for analysis for charge setting

3.68 With this data an adjustment can then be made to the NHH charging base to take into account that it will be lower for that gap between migration to HH settlement and the implementation of P339.

3.69 However if an adjustment is made to the charging base those meters not migrating (NHH), will in effect be paying for those meters migrating to HH settlement through an increase in their NHH tariff.

3.70 Please note that National Grid charge Suppliers TNUoS. Suppliers, then pass on the TNUoS liability to the end consumer through their own tariffs. Suppliers could therefore manage these 'missing months' themselves to ensure remaining NHH customers do not pay.

Cost Reflectivity and Potential Volatility of Tariffs

3.71 To be able to set cost reflective tariffs it is necessary to be able to accurately forecast the demand on which the tariff will be levied. If this is done incorrectly tariffs may not be cost reflective. A follow on from this is increased risk of over and under recovering. National Grid SO is incentivised through penal interest rates not to recover more and less revenue than our allowed revenues. As well as penal interest rates there is also a cash-flow risk on Industry parties and opportunity cost.

3.72 Over and under recovery from one year is recovered in later years through a term called 'K' which increases or decreases allowed revenues for future years. Options which move meters to the HH methodology need to balance any advantages with the potential increased risk of over and under recovery due to the uncertainty over exactly how these meters will behave over Triads with no historic demand data other than profiles to use to estimate demand bases.

3.73 Any movement of meters to the HH methodology requires being able to accurately forecast the NHH demand associated with these meters so as to reduce the NHH demand bases appropriately. There are no industry plans detailing which Profile Classes will be migrating and when they will migrate, unlike P272 which was a mandatory requirement and therefore had migration plans, as requested by the Performance Assurance Board[9].

3.74 This current lack of information causes significant issues with regards to the timing of the implementation of P339 and when a meter moves to being HH settled (please see section 3.57, Implementation of P339)

3.75 A further task would be to forecast demand which will be subject to the HH methodology. Peak demand will be based on average Peak demand for Profiles 1-4. However there are significant differences in terms of peak for the different profiles and the numbers of meters and demand associated with each profile.

3.76 The change in Peak changes the HH tariff. If the Peak reduces then the HH residual goes up and vice versa.

[9] Further information on the Performance Assurance Board: https://www.elexon.co.uk/group/performance-assurance-board-pab/

3.77 The following table (Table 2) shows a matrix of options discussed by the Workgroup prior to the Workgroup Consultation. This table was reviewed again after the Workgroup Consultation by the Workgroup and an updated agreed Options table can be found in Section 4 of this report. Those options greyed out were considered by the Workgroup were not considered to be a practical option for this proposal.

Option No.	NHH Methodology	HH Methodology	End date	National Grid System change	BSC Changes	CUSC Objective A - competition	CUSC Objective B - cost reflectively	Discriminatory	Rationale why could be best option	Considerations	impacts on 'vulnerable' customers	Impacts on discouraging move to HH Settlement
Option 1	EFG Will `be charged as NHH until all meters move to HH	Only start once all meters have moved to HH settlement	?	Extends workaround for HH meters <April 2015 as per CMP241	Continue sending sub<100kW file workaround needed for P272. Not dependent on implementation of P339.	Treats all SVA meters the same. Doesn't push costs from NHH to HH. Limits innovation on Triads. Customers already promised HH	Consumers are charged on the same basis as current.	Will be treating different sizes of HH settled customers differently i.e sub 100kw and greater 100kw	No system changes. Simplest in terms of tariff setting. Not dependent on P339. Maintains status quo	P272 customers expecting to be charged under the Triad methodology will now not be. They will continue to be charged as they currently are	Demand management does increase tariffs but arguably potentially not as much as if charged HH	Yes
Option 2	Charged as NHH for whole year in which they migrate	Move after first full charging year they migrated	2020	Manually adjust P210 data similar to P272 workaround but data does not now include **E.** Extra process needs to be created to treat meters within a Measurement Class differently depending on year they migrated	P339 allows demand for F/G from E to be split up. However would need to split up a MC based on COMC process to show i.e. demand for <2017 demand, >2017 which would require a further BSC modification to be implemented by April 2018 (potentially with associated Data Transfer Catalogue changes)	Allows innovative tariffs linked to Triad Avoidance. HH methodology potentially prevents or disincentivises switching	Requirement to accurately forecast numbers of meters in the HH category for that year, the HH demand associated with them and how they may react over Triad. More difficult to set cost reflective tariffs	Customers treated differently dependent on meter type for the first year as all G will be treated as NHH including P272 meters	Removes discrimination regarding different HH settled meters being charged under separate methodologies (after the 1st year)	Can the system change in the BSC mod actually be done? This Workgroup cannot make that decision.	Increased Triad avoidance pushes costs onto NHH. Any forecasting error is borne by customers who cannot demand manage	Consumers may not want to be charged under the HH methodology
Option 3	NHH until **all** PC 1-4 becomes HH (2020??)	Only until **all** PC 1-4 moved	2020	Manually adjust P210 data similar to P272 workaround but data does not now include **E.**	P339 allows demand for F/G from E to be split up. Problems with mistiming of Implementation of P339 if not April 2017	Some P272 meters in G want to be charged under HH but now cannot be. Stops innovation Triad Avoidance. HH stops switching	No requirement to forecast HH volumes or Triad behaviour	Customers treated differently dependent on meter type. HH settled meters treated differently	Allows E to be charged as HH	How to handle implementation date of P339		None

Option No.	NHH Methodology	HH Methodology	End date	National Grid System change	BSC Changes	CUSC Objective A - competition	CUSC Objective B - cost reflectively	Discriminatory	Rationale why could be best option	Considerations	impacts on 'vulnerable' customers	Impacts on discouraging move to HH Settlement
Option 4	F for first year	F move after first full charging year they migrated		Manually adjust P210 data similar to P272 workaround but does not now include **E&G.** Extra process to treat meters within MC F differently depending on year they migrated	P339 allows demand for F from E/G to be split up. However would need to split up a MC based on COMC process to show i.e. demand for <2017 demand, >2017	Allows innovative tariffs Triad Avoidance. HH methodology potentially prevents or disincentivises switching	Requirement to accurately forecast numbers of meters in the HH category for that year, the HH demand associated with them and how they may react over Triad. More difficult to set cost reflective tariffs	Treats classes differently	Majority of meters in terms of numbers and demand moving will be F	Doesn't stop overcharging for meters moving as part of G	Costs from Triad avoidance pushed on consumers who do not or cannot Triad avoid	Consumers may not want to be charged under the HH methodology
Option 5	MC F NHH until **all** PC 1-4 becomes HH (2020??)	For MC F - After **all** PC 1-4 moved		Manually adjust P210 data similar to P272 workaround but does not now include **E&G.**	P339 allows demand for F from E/G to be split up.	Doesn't allow innovative tariffs Triad Avoidance	No requirement to forecast HH volumes or Triad behaviour. Will need to for G	Treats classes differently	Majority of meters in terms of numbers and demand moving will be F. Doesn't move these meters to HH methodology	Doesn't stop overcharging for meters moving as part of G	None	
Option 5b)	F remains NHH enduring and G for year it migrates	MC G after first year		Manually adjust P210 data similar to P272 workaround but does not now include **E&G.** Extra process to treat meters within MC F differently depending on year they migrated. Adds complication in terms of billing	P339 allows demand for F from E/G to be split up. However would need to split up a MC based on COMC process to show i.e. demand for <2017 demand, >2017	Doesn't allow innovative tariffs Triad Avoidance for domestic.	No requirement to forecast HH volumes or Triad behaviour for domestic consumers	Treats classes differently	G more likely to want to be charged under HH methodology. Stops overcharging	Can the system change in the BSC mod actually be done? This Workgroup cannot make that decision.	Less impact due to domestic consumers not being charged Traid	
Option 5c	F remains enduring and G subject to Triads in 2020	After 2020 but only MC G		Manually adjust P210 data similar to P272 workaround but data does not now include **E.**	P339 allows demand for F/G from E to be split up. Problems with mistiming of Implementation of P339 if not April 2017	P272 meters in G want to be charged under HH but now cannot be. Stops innovation linked to Triad avoidance. HH stops switching	No requirement to forecast HH volumes or Triad behaviour	Customers treated differently dependent on meter type. HH settled meters treated differently	Allows E to be charged as HH	How to handle implementation date of P339		None

Option No.	NHH Methodology	HH Methodology	End date	National Grid System change	BSC Changes	CUSC Objective A - competition	CUSC Objective B - cost reflectively	Discriminatory	Rationale why could be best option	Considerations	impacts on 'vulnerable' customers	Impacts on discouraging move to HH Settlement
Option 6	first year	Move after first year		Manually adjust P210 data similar to P272 workaround but does not now include **E&G.** Extra process to treat meters within MC F differently depending on year they migrated	P339 allows demand for G from E/G to be split up. However would need to split up a MC based on COMC process to show i.e. demand for <2017 demand, >2017	Allows innovative tariffs linked to Triad avoidance. HH methodology potentially prevents or disincentivises switching	Requirement to accurately forecast numbers of meters in the HH category for that year, the HH demand associated with them and how they may react over Triad. More difficult to set cost reflective tariffs	Treats classes differently	Majority of meters in terms of numbers and demand moving will be F	Doesn't stop overcharging for meters moving as part of F which will be the majority	Costs from Triad avoidance pushed on consumers who do not or cannot Triad avoid	Consumers may not want to be charged under the HH methodology
Option 7	MC G NHH until **all** PC 1-4 becomes HH (2020)	For MC G - After **all** PC 1-4 moved		Manually adjust P210 data similar to P272 workaround but does not now include **E&G.**	P339 allows demand for G from E/G to be split up.	Doesn't allow innovative tariffs linked to Triad avoidance	No requirement to forecast HH volumes or Triad behaviour. Will need to for G	Treats classes differently	Majority of meters in terms of numbers and demand moving will be F. Doesn't move these meters to HH methodology	Doesn't stop overcharging for meters moving as part of F which will be the majority	None	
Option 8	first year	Move after first year		Numerous	Numerous					Workgroup decided that system changes and complexity ruled out this option		
Option 9	Outside the scope of this Workgroup. I.e. we would be changing the how demand is aggregated											
Option 10	Outside the scope of this Workgroup. I.e. we would be changing the demand methodology											

Table 2

Analysis

3.78 National Grid were asked to analyse the effect of 25% of remaining NHH settled meters moving across to HH settlement each year and therefore changing the methodology on which they are charged. (It was noted within the Workgroup that 25% was an optimistic number for migration based on P272).

3.79 To do this National Grid calculated the NHH demand at Peak from forecast June 2017/18 tariffs.

3.80 This amount was then reduced by 25% as NHH demand would be moving to HH demand from as part of the migration from the previous year.

3.81 Because migrating meters would be treated as NHH for the full year in which they migrate the timing of when they migrate in the year is immaterial for the purpose of this analysis.

3.82 Therefore for 2018/19 NHH demand for 2017/18 was reduced by 25%. This demand was further reduced by 10% to take into account that they are now incentivised to Triad avoid. A Workgroup member stated that this assumes that Suppliers are able to incentivise consumers to avoid Triads through their tariffs. If not, then there would be no TNUoS incentive to avoid demand at Peak. It may be the case that early movers, Triad avoid more than 10-25%, but the late movers do not Triad avoid at all.

3.83 This adjusted amount was then added to the amount of demand which is charged the HH tariff over Triad (HH Chargeable). This process was then repeated for each subsequent year. The change in the tariffs and residual is shown in Table 3 below.

3.84 As HH and NHH tariffs increase, the Peak reduces and the amount of revenue to be recovered from NHH increases.

3.85 National Grid has used a conservative Triad avoidance figure of 10%. If National Grid were to use a figure of 25% avoidance then the change in tariffs is more pronounced as shown in Table 4

3.86 The increase in Triad avoidance will have a major effect on the timing of the Triads.

3.87 The proportion of NHH demand compared to HH demand at Triad has historically been 70-30%. However on recent Triads, this has ranged from 74-26% to 79-21%. By incentivising existing NHH demand (which makes up the larger amount of Triad demand) to Triad avoid, this will have an effect on the timings of the Triad. The actual effect is impossible to predict.

3.88 This uncertainty and increased risk over the amount of demand at Peak, or when the Triads may occur, will potentially increase Industry costs. At the same time it will reduce Peaks, potentially reducing future investment, and increase security of Supply due to the need for less Generation.

Changes in Peak and TNUoS liability

3.89 A question was asked within the Workgroup about the effect on the TNUoS liability from moving from the NHH methodology to the HH methodology, with one liability based on usage between 4pm-7pm, with the other based on winter peaks. The argument being that they are one is a capacity charge whereas one is an energy charge. The difference may lead to liabilities changing simply due to moving methodologies.

3.90 Figure 5 illustrates how HH and NHH tariffs are calculated from a TNUoS perspective. First of System demand is forecasted at Triad. System demand includes both NHH settled and HH settled.

3.91 The revenue to be recovered from each zone equals the locational charge for that zone multiplied by System zonal Demand, plus revenue collected through the residual.

3.92 Only HH settled consumers who are charged for taking demand over the Triads (or paid if generating) affect the revenue recovered based on Triad demand. The remaining revenue to be recovered from the zone is charged on NHH consumers within that zone.

3.93 To calculate the NHH tariff National Grid forecast chargeable NHH demand throughout the year for each zone. The remaining revenue to be recovered for that zone is then divided by the NHH demand to give a tariff.

3.94 NHH tariffs are therefore indirectly calculated based on NHH demand at Peak. If actual Peak usage for a consumer is close to the average Profile at Peak, and actual use throughout the year is close to average use then the Supplier will see no change in TNUoS liability from changing from NHH to HH settlement for that consumer.

3.95 However as average Profiles are used it is likely that actual use will differ from averages. Therefore the effect on end consumers is very individualistic. Some consumers will benefit simply by changing methodologies as their demand over the Triads is lower than average but they have higher than average use at different periods between 4pm-7pm, whereas some users may have a higher than average use at Triad and will therefore be charged more simply by changing methodologies.

3.96 As stated earlier within the report, those consumers affected most will be those who cannot demand shift from Peak or those who are NHH settled. The choice to be NHH settled may be due to factors outside the control of the consumer themselves i.e. delay in smart meters being installed.

3.97 If HH settled consumers actually reduce demand at Peak, then this pushes up the HH tariff (Revenue / Peak = Tariff). If the HH tariff increases the effect on NHH consumers is minimal.

3.98 Suppliers are best placed to calculate the effect on individual portfolios and consumers.

	2017/18			2018/19			2019/20			2020/21			2021/22		
Zone	NHH (p/kwh)	HH (£/kW)	Residual	NHH (p/kwh)	HH (£/kW)	Residual	NHH (p/kv	HH (£/kW	Residual	NHH (p/kwh)	HH (£/kW	Residual	NHH (p/kwh)	HH (£/kW	Residual
1	5.17	30.34	47.95	5.30	31.13	48.75	5.44	31.95	49.57	5.59	32.80	50.42	0	33.68	51.30
2	4.85	30.26		4.98	31.06		5.11	31.88		5.25	32.73		0	33.61	
3	5.71	38.78		5.83	39.58		5.95	40.40		6.07	41.25		0	42.13	
4	6.12	44.85		6.22	45.65		6.34	46.47		6.45	47.32		0	48.20	
5	6.00	44.71		6.11	45.51		6.22	46.33		6.33	47.18		0	48.06	
6	7.03	46.58		7.15	47.38		7.27	48.20		7.40	49.05		0	49.93	
7	6.64	47.96		6.75	48.75		6.86	49.57		6.98	50.42		0	51.30	
8	6.58	49.42		6.69	50.21		6.80	51.03		6.91	51.88		0	52.76	
9	7.02	49.89		7.13	50.68		7.25	51.50		7.37	52.35		0	53.23	
10	6.14	46.55		6.25	47.34		6.35	48.16		6.47	49.01		0	49.89	
11	6.90	52.86		7.01	53.65		7.11	54.47		7.22	55.32		0	56.20	
12	7.09	55.34		7.20	56.13		7.30	56.95		7.41	57.80		0	58.68	
13	6.95	53.84		7.06	54.63		7.16	55.45		7.27	56.30		0	57.18	
14	6.97	52.43		7.08	53.22		7.19	54.04		7.30	54.89		0	55.77	

Table 2

	2017/18			2018/19			2019/20			2020/21			2021/22		
Zone	NHH (p/kwh)	HH (£/kW)	Residual	NHH (p/kwh)	HH (£/kW)	Residual	NHH (p/kv	HH (£/kW	Residual	NHH (p/kwh)	HH (£/kW	Residual	NHH (p/kwh)	HH (£/kW	Residual
1	5.17	30.34	47.95	5.51	32.37	49.99	5.89	34.59	52.21	6.31	37.03	54.64	0	39.70	57.32
2	4.85	30.26		5.18	32.30		5.54	34.52		5.93	36.95		0	39.63	
3	5.71	38.78		6.01	40.82		6.33	43.04		6.69	45.47		0	48.15	
4	6.12	44.85		6.39	46.89		6.70	49.11		7.03	51.54		0	54.22	
5	6.00	44.71		6.27	46.75		6.57	48.97		6.90	51.40		0	54.08	
6	7.03	46.58		7.33	48.62		7.67	50.84		8.03	53.27		0	55.95	
7	6.64	47.96		6.92	49.99		7.23	52.21		7.57	54.65		0	57.32	
8	6.58	49.42		6.85	51.46		7.15	53.68		7.47	56.11		0	58.78	
9	7.02	49.89		7.31	51.92		7.62	54.14		7.96	56.57		0	59.25	
10	6.14	46.55		6.41	48.58		6.70	50.81		7.02	53.24		0	55.91	
11	6.90	52.86		7.17	54.89		7.46	57.11		7.77	59.55		0	62.22	
12	7.09	55.34		7.36	57.37		7.64	59.59		7.95	62.02		0	64.70	
13	6.95	53.84		7.22	55.87		7.50	58.09		7.82	60.53		0	63.20	
14	6.97	52.43		7.24	54.47		7.54	56.69		7.86	59.12		0	61.79	

Table 3

Tariffs for 2017/18 assuming P272 meters are charged under the HH methodology

			FIXED		FIXED					
		A	B	A*B	C	A*C	=P6	D	B+C	E
Derivation of Zonal Demand HH Tariffs - Peak									**Final HH Demand Tariffs**	
Zone	**Zone Name**	**Total Demand Charge Base: Triad Demand (GW)**	**Peak Security Transport Zonal Tariff (£/kW)**	**Peak Security Transport Zonal Revenue (£m)**	**Year Round Transport Zonal Tariff (£/kW)**	**Year Round Transport Zonal Revenue (£m)**	**Residual Tariff (£/kW)**	**Residual Zonal (£m)**	**Final Zonal Tariff (£/kW)**	**Final Zonal Revenue Recovery (£m)**
1	Northern Scotland	0.675	2.41	1.62	-20.02	-13.52	47.95	32.37	30.34	20.48
2	Southern Scotland	3.339	0.13	0.43	-17.82	-59.51	47.95	160.14	30.26	101.06
3	Northern	2.272	-2.93	-6.65	-6.24	-14.18	47.95	108.93	38.78	88.10
4	North West	4.030	-1.17	-4.71	-1.93	-7.78	47.95	193.24	44.85	180.74
5	Yorkshire	3.688	-3.07	-11.32	-0.17	-0.63	47.95	176.84	44.71	164.89
6	N Wales & Mersey	2.457	-1.55	-3.80	0.18	0.43	47.95	117.85	46.58	114.47
7	East Midlands	4.574	-2.11	-9.67	2.12	9.68	47.95	219.35	47.96	219.37
8	Midlands	4.314	-1.47	-6.33	2.93	12.65	47.95	206.86	49.42	213.18
9	Eastern	6.093	1.26	7.67	0.67	4.10	47.95	292.20	49.89	303.96
10	South Wales	1.725	-5.69	-9.82	4.29	7.39	47.95	82.70	46.55	80.28
11	South East	3.487	3.88	13.53	1.02	3.57	47.95	167.22	52.86	184.31
12	London	4.779	5.11	24.42	2.27	10.85	47.95	229.17	55.34	264.44
13	Southern	5.335	1.80	9.62	4.08	21.76	47.95	255.83	53.84	287.21
14	South Western	2.334	-0.76	-1.78	5.24	12.23	47.95	111.93	52.43	122.38
		49.101		**3.23**		**-12.97**		**2,354.62**		**2,344.88**

Derivation of Capped Zonal Demand NHH Tari				F		=E-F	G		=(E-F)/G	
Zone	**Zone Name**	**Total Demand Charge Base: Triad Demand (MW)**	**Chargeable HH Zonal Triad Demand (MW)**	**HH Zonal Triad Demand Revenue Recovery (£m)**	**Residual NHH Zonal Triad Demand (MW)**	**Required NHH Zonal Revenue Recovery (£m)**	**NHH Zonal 1600-1900 Demand (TWh)**	**NHH Zonal 1600-1900 Demand Share (%**	**NHH Zonal Tariff (p/kWh)**	
1	Northern Scotland	674.92	- 501.281	-15.21	1,176.20	35.68	0.690656	3%	5.17	
2	Southern Scotland	3,339.47	713.999	21.61	2,625.47	79.45	1.637004	7%	4.85	
3	Northern	2,271.58	616.820	23.92	1,654.76	64.18	1.124312	5%	5.71	
4	North West	4,029.55	1,421.969	63.78	2,607.58	116.96	1.912312	8%	6.12	
5	Yorkshire	3,687.66	1,334.079	59.65	2,353.58	105.24	1.754188	7%	6.00	
6	N Wales & Mersey	2,457.44	623.385	29.04	1,834.06	85.43	1.216042	5%	7.03	
7	East Midlands	4,574.14	1,596.876	76.58	2,977.26	142.78	2.149957	9%	6.64	
8	Midlands	4,313.67	1,754.313	86.70	2,559.36	126.48	1.921899	8%	6.58	
9	Eastern	6,093.15	1,818.441	90.71	4,274.71	213.25	3.037684	13%	7.02	
10	South Wales	1,724.64	653.004	30.40	1,071.64	49.88	0.812283	3%	6.14	
11	South East	3,486.96	1,107.568	58.54	2,379.39	125.77	1.822334	8%	6.90	
12	London	4,778.78	2,470.281	136.70	2,308.50	127.74	1.800674	8%	7.09	
13	Southern	5,334.77	2,094.656	112.77	3,240.11	174.44	2.508254	11%	6.95	
14	South Western	2,334.09	703.094	36.86	1,631.00	85.51	1.226226	5%	6.97	
		49,100.82	**16,407.21**	**812.07**	**32,693.61**	**1,532.81**	**23.61**			

Table 4

4 Post Workgroup Consultation Discussions

4.1 The Workgroup met on 4 October 2016 and 6 October 2016 following the Workgroup Consultation to review the responses, develop the proposal further and vote. This section in particular focuses on;

- Workgroup consultation responses summary;
- Updated Options table;
- Risk of double charging if a consumer chooses to revert back to being NHH settled;
- Risk of double charging when changing Supplier;
- Discussions with ELEXON and any requirements for a consequential modification.

Workgroup consultation responses summary

4.2 The Workgroup Consultation received eight responses. As well as the standard Workgroup Consultation questions, the Workgroup agreed to ask two CMP266 specific questions. These were:

Question 5: Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?

Question 6: Will the HH methodology discourage switching?

4.3 The Workgroup reviewed all responses to the Workgroup consultation and noted that the majority of responses supported Options 1 and 3, a summary of these responses can be found in Section 7 with full responses included within Annex 4 of this report.

4.4 The Workgroup also noted that in relation to the Workgroup Specific questions asked within the consultation, that some of respondents believed that HH methodology was more relevant to those customers that had the ability to load shift. The respondents had mixed view in relation to whether they believed the HH methodology would discourage switching.

4.5 The Workgroup also noted that one respondent who also a Workgroup member had raised a WACM for this proposal. This was discussed by the Workgroup and developed within the Workgroups option table (Table 5)

4.6 Whilst reviewing the Workgroup Consultation responses, one Workgroup member raised the possibility of implementing a process to provide a rebate or a refund for customers where double charging occurred, to be managed by National Grid. Another Workgroup member confirmed that this had been raised during discussions for the development of CMP244 and at the time had been seen as unfair to customers whilst another considered that this could be open to gaming. The National Grid representative noted that this also went against the principle of K.

Updated Options table;

4.7 Following the Workgroup Consultation the Workgroup review their original options table and updated their scope of options. This table (Table 5) also clarifies the options that were supported as WACMs. The options where the row has been coloured in grey have been discounted by the Workgroup as being unfeasible and were not be supported as a Workgroup. The Workgroup vote against these options can be seen in Section 8 of this document.

WACMs	Ref to Options voted on	Ref to WG rpt.	Description	Which MC	Which CY affective to	What system changes
Original	n/a	Option 1	Measurement Classes E,F & G will be charged under the NHH methodology (using actual HH data) up until to 31/3/2020. Any meters migrating under the current methodology may be double charged in that charging year in which they migrate	E,F,G	31/03/2020	None
WACM1	Option 1	Option 3 & 5C	Measurement Classes F & G will continue to be charged under the NHH methodology up until to 31/3/2020. Measurement Class E will be unaffected by this modification (i.e. treated as HH). Any meters in Measurement Classes F & G migrating after 31/03/20 may be double charged in the charging year in which they migrate	F & G	31/03/2020	Reliant on P339 being in place by 01/04/2017
WACM2	Option 2	new	Meters migrating into Measurement Classes E,F & G will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology. Meters in Measurement Classes E,F & G before 1st April 17 will be treated as HH.	E, F & G		Reliant on another Modification not yet known being in place for 1/4/2017
WACM3	Option 3	Option 2	Measurement Classes F and G will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology. Measurement Classes E will be charged under existing methodology with no new changes i.e. will be charged as HH. Meters in Measurement Classes F & G before 1st April 17 will be treated as HH.	F & G		Reliant on P339 being in place by 01/04/2017, as well as another Modification not yet known being in place for 1/4/2017
n/a	Option 4	Option 4	Meters in Measurement Class F only, will be charged under the NHH methodology for the whole charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology. Measurement Classes E and G will be charged under existing methodology with no new changes i.e. status quo	F		Reliant on P339 being in place by 01/04/2017, as well as another Modification not yet known being in place for 1/4/2017
n/a	Option 5	Option 5	Meters in Measurement Class F only will be charged under the NHH methodology up until 31/03/20. Measurement Classes E and G will be charged under existing methodology with no new changes i.e. status quo	F	31/03/2020	Reliant on P339 being in place by 01/04/2017
WACM4	Option 6	Option 5B	All meters in Measurement Class F only will be charged under the NHH methodology up until 31/03/2020. Meters moving to Measurement Class G will be charged under the NHH methodology for the full charging year in which they migrate then under the HH methodology for the following full charging year. Meters in Measurement Class G before 1st April 2017 will be treated as HH. Meters in Measurement Class E will be unaffected by this modification (i.e. treated as HH)	F & G	31/03/2020	Reliant on P339 being in place by 01/04/2017, as well as another Modification not yet known being in place for 1/4/2017

WACM5	Option 7	WACM 1 with delay	Measurement Classes E,F & G will be charged under the NHH methodology for the charging year 2017/18. This is to allow for any delay in the implementation of P339 and is effectively a continuation of P272 process (without 14.17.29.3). Meters in Measurement Class E will then be charged under the HH methodology from 1/4/2018. Measurement Classes F & G will continue to be charged under the NHH methodology up until 31/03/2020. This is effectively the same as WACM1 but allowing for a delay in P339 which is needed to split up the demand for Measurement Classes E, F & G from each other	E, F & G	31/03/2020	Reliant on P339 being in place by 01/04/2018
WACM6	Option 8	WACM 2 with delay	'Measurement Classes E, F & G will be charged under the NHH methodology to allow for any delay in the implementation of P339 for the charging year 2017/18. Continuation of P272 process (without 14.17.29.3). After this, meters migrating to Measurement Classes E,F & G will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology'. Meters in Measurement Classes E, F & G before 1st April 2018 will be charged HH for the 18/19 charging year onwards	E, F & G		Reliant on P339 being in place by 01/04/2018, as well as another Modification not yet known being in place for 1/4/2018
WACM7	Option 9	WACM 3 with delay	Measurement Classes E, F & G will be charged under the NHH methodology to allow for any delay in the implementation of P339 for the charging year 2017/18. Continuation of P272 process (without 14.17.29.3). After this, all meters in measurement class E will be charged under the HH methodology. Meters migrating to Measurement Classes F & G will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology. Meters in Measurement Classes F & G before 1st April 2018 will be charged HH for the 18/19 charging year onwards.	E, F & G		Reliant on P339 being in place by 01/04/2018
n/a	Option 10	WACM with delay	Measurement Classes E, F & G will be charged under the NHH methodology to allow for any delay in the implementation of P339 for the charging year 2017/18. Continuation of P272 process. After this, all meters in Measurement Classes E and G will be charged under the HH methodology. Meters migrating to Measurement Class F will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology'	E, F & G		Reliant on P339 being in place by 01/04/2018, as well as another Modification not yet known being in place for 1/4/2018
WACM8	Option 11	WACM 4 with delay	Measurement Classes E, F & G will be charged under the NHH methodology to allow for any delay in the implementation of P339 for the charging year 2017/18. Continuation of P272 process (not including 14.17.29.3). After this, all meters in Measurement Class E will be charged under the HH methodology. Meters in Measurement Class F only will be charged under the NHH methodology up until 31/03/2020. Meters migrating to Measurement Class G will be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they will be charged under the HH methodology.' Meters in Measurement Class G before 1st April 2018 will be charged HH for the 18/19 charging year onwards.	E, F & G	31/03/2020	Reliant on P339 being in place by 01/04/2018, as well as another Modification not yet known being in place for 1/4/2018

Table 5

Risk of double charging if a consumer chooses to revert back to being NHH settled

4.8 There is an unavoidable risk of when change of suppliers occurs that a consumer can be charged HH for 11 months of the year, i.e. the full Triad season, and then moved to back to NHH. Therefore under these circumstances consumers will pick up NHH charges on top of HH charges.

4.9 There could also be circumstances where suppliers could move between NHH and HH charges within the same year thus reducing TNUoS liability through gaming

Risk of double charging when changing Supplier

4.10 The Workgroup member highlighted a potential issue with the Workgroup relating to the potential to double charge consumers under a Change of Supplier (CoS) event.

4.11 When reviewing the proposed WACMs, the Workgroup member identified an issue with options favouring a 'stepped' approach to charging (revert to HH charging after the year of the switch to HH settlement). This was not raised in their consultation response and they asked the Workgroup to consider this issue prior to voting.

4.12 They noted that in essence, double-charging will still apply in all cases where a switch from HH back to NHH settlement occurs.

4.13 For any MPAN with a SMETS-1 smart meter installed, a change of settlement status from HH to NHH (e.g. Measurement Class F to Measurement Class A) will occur concurrently with a change of supplier. This MPAN will be subject to Triad charges for the entire year (incurred by the old supplier), and non-half hourly charges for the months between the change of supplier date and the end of the charging this year (incurred by the new supplier). As such, the old supplier will be overcharged for transmission costs. This issue will only face smart metered sites and not AMRs, for which a different Change of Measurement Class process may apply and referred the Workgroup to www.elexon.co.uk/group/change-measurement-class-comc-smart-meters

4.14 They highlighted the following case which the asked the Workgroup to consider:

1. MPAN 'xxxx' is switched from Measurement class A to Measurement class F on 1st March 2017 by supplier 'A'

2. Supplier 'A' maintains responsibility for the supply until 1st March 2019, when the customer chooses to switch to supplier 'B'

3. This change of supplier event triggers a change from Measurement Class F back to A.

4.15 This Workgroup member concluded that in the case that a WACM which maintains non-half hourly charging until 2020, there is no issue, as MPAN 'xxxx' is charge NHH TNUoS for the duration.

4.16 They also concluded that in the case where a WACM proposing a stepped change to HH Triad charging is chosen, MPAN 'xxxx' is charged NHH TNUoS until 31 March 2018. From 1 April 2018, HH Triad charging is used, with charges applied to supplier 'A' for the entire charging year. Between 1 March and 31 March, NHH charging is levied on supplier 'B'.xxx.

4.17 The Workgroup agreed that anything that created an option for consumers to flip back could cause issues.

4.18 The Workgroup also recognised that they would need to identify the customers that had migrated prior to P272 in order to understand how these could be treated in the future. One Workgroup member confirmed that these customers were supported by a manual process that they would be keen to preserve. The National Grid representative replied that the workaround as described in 14.17.29.3 of the CUSC was time limited, and was provided to allow meters which were HH settled before 1 April 2015 to continue to be settled as HH during the Implementation of P272. After 1 April 2017 all meters affected by P272 should be HH settled so therefore there is no need for a workaround to be continued. Any meters that have not migrated will be double charged under the current baseline. It is worth noting that the Workgroup have not considered the existing manual process in any of the options in Table 5.

4.19 This workaround therefore will not be in place the charging year 2017/18. However the workaround will continue for reconciliations relating to charging years before 1 April 2017, i.e. for the Charging Year 2016/17 the reconciliation takes place in June 2017.

Discussions with ELEXON and any requirements for a consequential modification.

4.20 National Grid contacted ELEXON to identify the requirements for a potential consequential modification that could be required to implement some of the CMP266 options (WACMs 2-4 and 6-8).

4.21 It was noted that if the changes were extensive, it would require cost benefit analysis to be carried to understand if this is beneficial to consumers.

4.22 The purpose of this discussions was to identify if National Grid would be able to charge for TNUoS in different ways within a given Measurement Class, based on whether customers underwent a Change of Measurement Class (CoMC) in the current charging year or not.

4.23 To do this, National Grid would need a bespoke file with half-hourly consumption data for meters in [applicable combination of Measurement Classes E/F/G] that have undergone a CoMC in the current charging year.

- The purpose of this bespoke file would be the same as the current P272 one – for National Grid to subtract this demand from the HH total and to add it to the NHH total, so that suppliers could be charged under the NHH methodology for these meter points.
- No information required for customers in Measurement Class E, F and G who have undergone CoMC in previous charging years, as their information is already in the HH category in the P210 file. (Exceptions are WACM4 and WACM8, which would charge all customers in Measurement Class F using the NHH methodology up to 2020, while only charging customers in Measurement Class G using the NHH methodology for the first charging year in this Measurement Class. In these cases the bespoke file would also need to include the demand from all customers in Measurement Class F).
- This file wouldn't need to provide information on consumption for meters before they moved into Measurement Class E, F, and G]. (I.e. – if a meter moved to Measurement Class F on 1 July, its consumption would be counted within in the bespoke file from that date. Its consumption up to 30 June would not be included, because it wouldn't have been in Measurement Class F then).

4.24 National Grid would also need ELEXON to provide the relevant data (rather than National Grid obtaining it directly from suppliers)

4.25 Additionally National Grid would require aggregated data (rather than information on individual meter points)

4.26 For ELEXON to be in a position to provide this data there would need to be a suitable indicator to identify whether a meter underwent a CoMC in the current charging year. Three possible options would be:

- A data item for whether there had been a CoMC in the current charging year or not. (Yes/No). However, this would need to be 'reset' in some way at the start of a new charging year – do any existing data items work in a similar way?
- A data item showing the charging year of the last CoMC.
- Potentially use the J0094 data item (Effective from Settlement Date {MSMCDC}) on the D0289. However, this is a specific date – is this level of detail required, and could excessive detail lead to more unwieldy consumption data flows?

4.27 Consumption data would need to be passed to ELEXON that was aggregated by one of the above. (I.e. – for a given consumption component class, the consumption would be subdivided by [whether CoMC in current charging year/charging year of last CoMC/J0094]).

- This would potentially only need to happen for relevant CCCs (i.e. ones relating to the applicable Measurement Classes), rather than for all CCCs.

4.28 In order to do this, one option would be:

- Assume that the HHDC has the date of the last CoMC from the D0289. This would mean that there wouldn't need to be any changes to the consumption data flows from the supplier to the HHDC for smart meters (as introduced through DTC CP3496).
- The HHDC would need to add the indicator (as discussed above) when sending consumption data to the HHDA. This would require a change to the D0036. (Is it possible to clone the D0036 instead and edit this??)
- When aggregating, the HHDA would need to split consumption data by the indicator for the relevant CCCs. It would then need to send this aggregated information to SVAA. This would require a change to the D0040/D0298. (Is it possible to clone the D0040/D0298 instead and edit this??)
- To send/receive this information would require systems changes for HHDCs, HHDAs and SVAA. If there are changes to existing data flows, there would also be potential systems changes for others who receive them (suppliers and DNOs).
- ELEXON would need to make systems changes to develop the new bespoke file.

4.29 Information provided in this section has been provided to aid Ofgem in any decision making. However this was not discussed in great detail by the Workgroup as this would need to be carried out under a different modification process and fell outside the scope of CMP266.

5 Impact and Assessment

Impact on the CUSC

5.1 New paragraphs will need to be created in section 14 of the CUSC. These new paragraphs will be similar in nature to current paragraphs under the title Implementation of P272 (14.17.29.1-14.17.29.6)

Impact on Greenhouse Gas Emissions

5.2 None identified.

Impact on Core Industry Documents

5.3 None identified.

Impact on other Industry Documents

5.4 None identified.

Costs

Code administration costs	
Resource costs	**£9,075** - 6 Workgroup meetings **£182**- Catering
Total Code Administrator costs	**£9,257**

Industry costs (Standard CMP)	
Resource costs	**£27,225** - 6 Workgroup meetings **£16,335**- 2 Consultations • 6 Workgroup meetings • 6 Workgroup members • 1.5 man days effort per meeting • 1.5 man days effort per consultation response • 18 consultation respondents
Total Industry Costs	**£43,560**

6 Proposed Implementation and Transition

6.1 Details of discussions carried out by the Workgroup regarding implementation are captured within Section 3 of this report.

6.2 A straw man model was produced, Figure 6 below, following discussions with ELEXON to show changes required to split Measurement Class Demand data up based on the CoMC date. This discussion took place after the Workgroup vote.

6.3 The changes proposed would require a Data Transfer Catalogue (DTC) Change with Gemserve as opposed to ELEXON. The estimated lead time for this would be 6 months to undertake the proposal and design, and 6 months for implementation. Half Hourly Data Aggregators may then require 6 months to undertake changes to their systems.

6.4 No estimation of costs has been made at this stage.

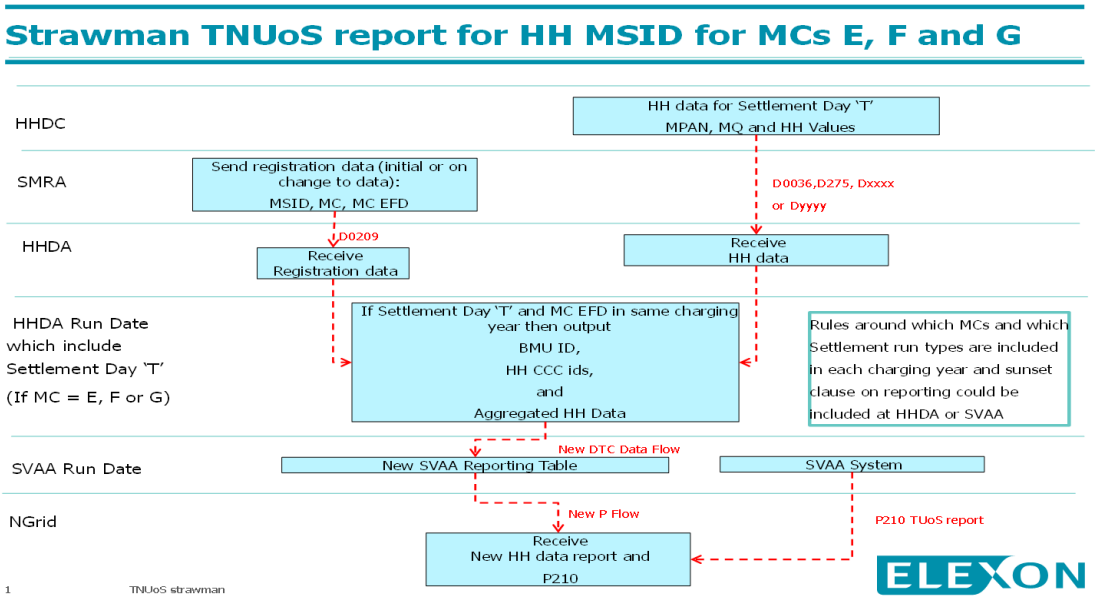

Figure 6

7 Workgroup Consultation Responses

7.1 Eight responses were received to the Workgroup Consultation. These responses are contained within Annex 4 of this report. The Workgroup reviewed all responses to the Workgroup consultation and noted that the majority of responses supported Options 1 and 3. The Workgroup also noted that in relation to the Workgroup Specific questions asked within the consultation, that some of respondents believed that HH methodology was more relevant to those customers that had the ability to load shift. The respondents had mixed views in relation to whether they believed the HH methodology would discourage switching.

7.2 The Workgroup also noted that one respondent who also a Workgroup member had raised a WACM for this proposal. This was discussed by the Workgroup and developed within the Workgroups option table (Table 5)

7.3 The following table provides an overview of the Standard Workgroup question responses received.

	1 Do you believe that the CMP266 Original Proposal better facilitates the Applicable CUSC Objectives?	2 Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?	3 Do you have any other comments?	4 Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?
EDF energy	Note that National Grid is currently minded to go with what the workgroup calls Option 1. Option 2 is effectively described in paragraph 4.29 in Ofgem's conclusion paper (https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf) on HH Elective Settlement. Option 2 is the most desirable and obvious option; moving to HH TNUoS settlement once other settlement for that site is on a HH basis, yet avoiding double-charging in the transition year. We do not favour Option 3 (charge them under the NHH TNUoS methodology until 2020).	Preference is for option 2, not option 1. Workgroup's concerns noted that option 1 becomes increasingly infeasible for April 2017 delivery, if P339 is delayed beyond April 2017; however, Option 3, where they are settled as NHH in TNUoS terms until 2020, seems a disproportionate response compared to option 2.	No	No
E.ON	Option 9 strikes a reasonable balance between mitigating the defect and being a practicable longer-term solution, assuming that industry moves quickly in electively settling sites as HH. Option 1 could be an appropriate near-term solution to the defect. Given that there are currently several modifications progressing which affect demand TNUoS charging methodologies, we believe it would be beneficial to conduct a thorough and independent review given the scope of changes to the system. We feel progression of options under CMP266 should be reserved until industry has greater clarity on the outcome of P339. Treating Measurement Class E differently to F and G seems problematic. Options 2-7 inclusive do not resolve the defect noted for any CT-metered sites and whilst WC meters constitute >50% of the overall P272 meter points, there is a sizable number of CT-metered sites which will not be covered by these options. We consider that it effectively penalises Suppliers and potentially customers for the metering configuration at a premises by not resolving the defect. Option 10 should not be considered further as it effectively removes any attribution of costs to peak network usage, which does not appear consistent with other industry policy aims. Option 1 is not reliant on P339 and extends the existing arrangement which was put in place to support P272. Whilst we appreciate and value the simplicity of this solution we are not convinced that it is a viable longer-term solution. However, if there is a significant delay in sites transitioning from NHH to HH, then this option is preferable to Option 9 as it retains the NHH structure for NHH sites. Option 9 would require, to ensure cost-reflectivity, sites to be transferred to HH in the near-term. Option 9 removes much of the uncertainty around forecasting costs for demand users, and will not need to change again once industry has transitioned to a fully HH market.	No commentary offered.	No	No
Haven Power	We believe Option 1 and 3 better facilitates the applicable CUSC objectives. There is a clear need to remove demand TNUoS charging as a barrier to future elective half hourly settlement and the approach favoured by National Grid is the fairest and least complicated way of addressing the defect.	We support the proposed implementation approach. Option 1 is the simplest option to address the defect and we believe the benefits of simplicity and tariff predictability outweigh the expectations of those customers who were expecting to be able to benefit from the HH TNUoS methodology once they moved to HH Settlement. Option 3 is also supported by us if the progression of P339 allows it to be implemented.	We believe this approach is the fairest and least disruptive approach for consumers. The resulting simplicity and tariff predictability benefits all consumers.	No
Opus Energy	We believe that option 1, which would continue to treat all meters in Measurement Class E-G as NHH until all meters become HH settled best facilitates the Applicable CUSC Objectives. In summary this is because • Practical issues with alternative options make them unsuitable	We support the implementation of option 1 for 1st April 2017. We agree that a solution needs to be implemented by 1st April 2017 to avoid potential overcharging on migrating sites. Since P339	No	No

	• We believe the NHH methodology is in principle more appropriate for these customers • It reduces uncertainty about which method will apply to which sites in any given year • This is the fourth different recent modification to the transitional TNUoS charging arrangements for migrating sites. Attempting to address this issue in isolation for migrating 5-8s has missed out a lot of complexity which this modification now has the difficult job of resolving. The regulatory uncertainty over charging arrangements will also contribute to increased pricing risk for suppliers. We are concerned that rushing a decision about the enduring charging arrangements into a modification which is time constrained by immediate transitional issues risks repeating this mistake. We feel that the recently raised CMP271 represents an opportunity for the enduring arrangements to be more thoroughly considered so that further modifications on the same subject can be avoided. We therefore suggest a modification to Option 1 so that these meters would be charged TNUoS using the NHH methodology until the implementation date of CMP271 rather than 1st April 2020 or until all meters are mandatory HH settled. We agree with the workgroup that certain options are not workable and have therefore not considered these further in our response. We do not consider options 4 or 5 to be appropriate as they do not solve the problem of possible overcharging in the year of migration for Measurement Class G. We do not consider options 2 or 5b to be workable, as these require the additional information of the year of migration. This leaves options 1, 3 (the original proposal), and 5c as the only feasible options.	would be required for all other options and this cannot be guaranteed to be implemented by April 2017, option 1 is the only one that works for this timetable.		

OVO Energy	Objectives (a) and (b) are facilitated by options 3, 5b and 5c. In each case, NHH is the correct charging methodology for Measurement Class F and Measurement Class G premises (1.3.1 to 1.3.6), while triad is applicable to Measurement Class E premises (1.5). Option 5c is the solution recommended by OVO (1.4). Option 1 meets Applicable CUSC Objectives (a) and (b) for premises in Measurement Classes F and G, but not E (see 1.5). Option 2 resolves the double charging issue but fails to meet CUSC objectives (a) as triad methodology leaves a barrier to elective HH settlement (1.3 -1.13) or (b) as it will impact charge attribution.	OVO supports implementation options 3, 5b or 5c. 5c is the preferred approach, as OVO believes it provides the greatest longevity. Option 2 is not considered acceptable due to the application of unsuitable triad charging methodology to Measurement Class F premises. Option 1 is considered acceptable for smaller sites, but may raise concerns around AMR premises.	No	No
RWE npower	We do not believe CMP266 original proposal better facilitates the applicable CUSC objectives as outlined below. (a) CMP266 will not facilitate effective competition as the proposed change will result certain customers being adversely impacted due to not being able to demand manage to reduce Triad costs. CMP266 limits the options for how customers can be managed for TNUoS charging. Customers who have moved to HH metering in order to demand manage will be disadvantaged as they will not be able to influence the reduction of their transmission liability. (b) Cost reflectivity will not be improved through CMP266. Customers who have a desire to demand manage during the Triad season will not be able to benefit for reducing their transmission liability. (c) For relevant objective (c) demand side management to increase system margin and defer network reinforcement is an increasing feature of network operators businesses. Allowing more customers to be settled under the HH methodology for TNUoS will allow those customers to fully realise the benefit of demand management activity at peak. It is also consistent with the original intentions and benefits of P272. CMP266 does not enable customers to realise the benefits of demand managing.	We do not support the proposed implementation approach for CMP266 as it will introduce disparity between how HH customers are managed for TNUoS charging.	No	Yes – see attached
Scottish Power	CMP266 Original proposal contained 2 potential solutions. With the end customer in mind Scottish Power have designed and delivered an end to end communications lifecycle and pricing strategy, based on the agreement that their charges will reflect TNUoS HH from April 2017. Whilst Scottish Power agree that a solution is required to address the issue of double charging customers for the year they migrate from NHH onto HH settlement, we are strongly opposed to the subset of options based upon Original proposal Solution 2, which provides a minimal cost solution for National Grid and more importantly erodes the benefit of cost reflective pricing to the end customer. Scottish Power reacted quickly to instruction from OFGEM to work with customers in moving towards HH charging and has encouraged our customers to develop plans for 2017 onwards that are driven towards demand management, cost reduction, and the potential to de risk demand around Triad periods. We have written out to all of our customers and informed them of our suggested approach, working closely with customers who are looking to Scottish Power as their energy experts. To reverse these plans will result in costs being incurred to a large number of our customer base, and would move away from any focus on demand management, which provides customers with an incentive to manage load at key times. Objective 'a' is therefore not achieved through the proposed solution(s), as this would not promote effective competition, as customer costs would be impacted by this change, removing customer ability to reduce costs through demand management. Objective 'b' is also not achieved, as customers on Measurement Classes F and G would not incur accurate Triad charges during applicable periods, and therefore not incentivise customers to manage this demand.	No. The P272 Programme has 6 months remaining before all applicable customers have been successfully migrated. Scottish Power strongly believe that a shift in direction in prices and charging this late in the Programme, which includes the peak renewal round of October 2016 , is not feasible and puts customers that are undertaking peak management at risk	Scottish Power believe that a sensible approach to charging was contained in the Original Proposal, Solution One, and would encourage further discussion and development of this approach, which would resolve the issue associated with double charging customers during their migration year, as well as providing a stable and consistent platform for charging thereafter.	We wish for Original Proposal, Solution One to be considered in more detail.
Smartest Energy	At a high level, and without going into any of the options at this stage, the proposal to prevent double charging is clearly better for competition compared with the baseline and something needs to be done. It is important to ensure that a 'status quo' mentality does not undermine the development of new consumer products, allows consumers to fully benefit from Smart Meters and reduces the need for excess generation capacity solely to manage the system peak. Most of the changes proposed delay the benefits listed.	Implementing Option 3 (if feasible) or Option 3 (if Option 3 not feasible) seems like the most pragmatic approach. Option 2/Option 8 would be the best way of ensuring that sites are not discriminated against (i.e. not being denied access to HH charging),	If Option 1 prevails we assume that the arrangements for Measurement Class E sites which have already given notice	No

		although we wonder whether option 2 is appropriate as it is silent on what would happen to any sites transferring to Measurement Class E. However, we also feel that something needs to be done about the Triad charging methodology sooner or later anyway and developing something around option 10 may be the means to do this. We have a general preference for Triad to move to a winter peak charge like the capacity market It would be better to align the charging hours with the Capacity Mechanism. If the scheme can be reformed now more customers would be able to load manage and take part in the capacity market for winter 2018 because of the aligned incentives. See full response in Annex.	that they wish to remain on the HH tariff will continue under the process put in place by CMP241/CMP247. This needs to be made clear in the next round of documentation.	

7.4 The following table provides an overview of the CMP266 Specific Workgroup question responses received;

	Q5: Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?	Q6: Will the HH methodology discourage switching?
EDF energy	Not clear why there should be any difference. See response to question 6.	No, it should not do so. New Supplier may not know, when quoting to prospective customer during period Nov-Feb, whether customer had consumption during a Triad that might have already occurred, this will not be important for a customer of such a small size, as there will be many customers on account with that Supplier, and the particular consumption of one at time of Triad, will be irrelevant due to diversity of small customer base.
E.ON	We do not necessarily consider one or the other methodology to be more appropriate for any specific customer group. In the Non-Domestic market, there is a wide range of risk appetites, with some customers wanting to 'fix' their costs for a defined period of time and others willing to have them passed through at the actual outturn. We don't believe therefore that the issue is one of how Suppliers are charged, but of how Suppliers manage those costs through their contracts and product offerings.	Each Supplier may adopt a different approach when it comes to their own pricing and re-charging methodology. It is hard to envisage any significant detriment to switching as a result of a change in the structure of TNUoS. (this is predicated on an assumption that all Suppliers will be broadly consistent in their treatment of TNUoS charges.)
Haven Power	No comment	No comment
Opus Energy	HH TNUoS charging arrangements is not determined by whether a customer is on a long term fixed tariff or a traditional domestic tariff but by how large the site is, how practical it is to load shift, and how frequently there are change of tenancies. No clear advantage has been demonstrated for charging customers migrating from Profile Classes 1-8 using the HH methodology, but that there are numerous disadvantages. On other hand, an incentive to reduce winter / year round 4-7pm demand may prove actionable through energy efficiency measures when combined with the DUoS and Capacity Market charges also levied at these times. Question whether there are vulnerability issues if domestic customers are encouraged to reduce their demand specifically on the cold days when Triads are likely to occur. Do not believe that the HH methodology is likely to discourage a customer from wanting to switch, as this is still within their control, we do believe it would add unnecessary risk to suppliers, which could result in higher risk premiums being applied to all customers and less competition for certain business at certain times of the year. We therefore believe than the NHH charging would better facilitate applicable objective a) – effective competition in supply. Forecasting accuracy	See response to question 5
OVO Energy	See comments in section 1. HH Triad charging methodology is appropriate only for sites where load shifting is possible is inappropriate for domestic sites.	For domestic sites, Triad risk would be absorbed by the supplier. As such it should not affect customers' decision to switch. Indirectly, use of the HH methodology will serve as a barrier to HH settlement, which OVO believes is to the detriment of competition.
RWE npower	The HH methodology is more appropriate for business customers who have the capability and appetite to demand manage during the Triad season to reduce system peak and their transmission liability.	No the HH methodology will not discourage switching – it will offer customers the choice to demand manage in order to reduce their transmission liability (where possible).
Scottish Power	*No response*	*No response*
Smartest Energy	Yes	Yes

8 Views

Workgroup View

8.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP266 has been fully considered. The following table highlights the scope of the Workgroup and evidences where the Workgroup believe this has been met.

Issue to be addressed by the Workgroup	Evidence
a) Carry out an impact assessment on consumers.	This has been reviewed by the Workgroup but recognised that it if difficult to provide a full assessment. See Sections 2, 3 and 4.
b) Be mindful of the 2 options highlighted in the paper published by Ofgem on 27 May 2016 in particular paragraph 4.29 as part of the development of the modification	Section 2, 3 and 4.
c) The capability and speed of how quickly National Grid and ELEXON can update their systems and BSC agents if impacted	Table 5 clearly demonstrates the requirement for BSC changes.
d) Identify the impact on Supplier Billing systems	Sections 3 and 4
e) Smart meter roll out and SMETs 1 adoption.	Sections 2, 3 & 4
f) Consider the timing impacts on when TNUoS forecasting	Sections 2, 3 & 4

8.2 For reference the Use of System Charging Methodology Objectives 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*;

(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; and

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

*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).

WACM Vote

Ahead of the Workgroup Vote the Workgroup voted on which options they would support as WACMS. The criteria of these options can be seen in Table 5 in Section 4 of this document. Out of eleven options, seven were supported by majority the Workgroup and one option was saved by the Workgroup Chair. The Chair chose to support this option as it would allow the CUSC Panel and ultimately the Authority to be provided with a wide range of alternatives that reflects the views of the Workgroup to meet the defects described.

Member	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Option 10	Option 11
Ref to previous options identified in Section 3, Table 2 of this document	3 & 5	**n/a**	**2**	**4**	**5**	**5b**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Supported by:	Damian Clough	**Garth Graham**	**Herdial Dosanjh**			**Garth Graham**	**Damian Clough**	**Garth Graham**	**Herdial Dosanjh**		**Herdial Dosanjh**
Damian Clough – National Grid	yes	yes	yes	no	no	yes	yes	yes	yes	no	yes
Herdial Dosanjh (Daniel Hickman) – RWE npower	no	yes	yes	no	no	no	yes	yes	yes	no	yes
Karl Maryon – Haven Power	yes	yes	yes	no	no	no	no	no	no	no	no
Garth Graham – SSE	yes	yes	yes	no - not cost reflective and competition	no - not cost reflective and competition	yes	yes	yes	yes	no - not cost reflective and competition	yes
Gregory Edwards – British Gas	no	yes	no	no	no	no	no	yes	no	no	no
Eric Graham – TMA											
Overall	3/5	5/5	4/5	0/5	0/5	2/5	3/5	4/5	3/5	0/5	3/5
Supported by Chair if	n/a	n/a	n/a	No	No	Yes	n/a	n/a	n/a	No	n/a

applicable (yes / no)											
WACM Reference	WACM 1	WACM 2	WACM 3			WACM 4	WACM 5	WACM 6	WACM 7		WACM 8

Workgroup Vote

8.3 The Workgroup met on 6 October 2016 and voted on the Original Proposal and eight WACMs (Workgroup Alternative CUSC Modifications). Overall, WACM1, WACM2, WACM3 and WACM6 had one vote each as better facilitating the applicable CUSC objectives. WACM5 had two votes as better facilitating the applicable CUSC objectives. The votes received are as follows;

Vote 1 – *does the original or WACM facilitate the objectives better than the Baseline?*

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Damian Clough – National Grid						
Original	Yes	Yes	Yes	Neutral	Yes	Yes
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	Neutral	Neutral	No	No
WACM3	No	No	Neutral	Neutral	No	No
WACM4	No	No	Neutral	Neutral	No	No
WACM5	Yes	Yes	Yes	Neutral	Yes	Yes
WACM6	No	No	Neutral	Neutral	No	No
WACM7	No	No	Neutral	Neutral	No	No
WACM8	No	No	Neutral	Neutral	No	No
Herdial Dosanjh (Daniel Hickman) – RWE npower						
Original	No	No	Neutral	Neutral	Neutral	No
WACM1	No	No	Neutral	Neutral	Neutral	No
WACM2	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM3	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM4	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM5	No	No	Neutral	Neutral	Neutral	No
WACM6	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM7	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM8	Yes	Yes	Neutral	Neutral	Neutral	Yes
Karl Maryon – Haven Power						
Original	Yes	Yes	Yes	Neutral	Yes	Yes
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	Neutral	Neutral	No	No
WACM3	No	No	Neutral	Neutral	No	No
WACM4	No	No	Neutral	Neutral	No	No
WACM5	No	No	No	Neutral	No	No
WACM6	No	No	Neutral	Neutral	No	No

WACM7	No	No	Neutral	Neutral	No	No
WACM8	No	No	Neutral	Neutral	No	No
Garth Graham – SSE						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM1	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM2	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM3	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM4	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM5	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM6	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM7	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM8	Yes	Yes	Neutral	Neutral	Neutral	Yes
Gregory Edwards – British Gas						
Original	Yes	Neutral	Neutral	Neutral	Yes	-
WACM1	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM2	Yes	Neutral	Neutral	Neutral	No	Yes
WACM3	Yes	Neutral	Neutral	Neutral	No	Yes
WACM4	No	Neutral	Neutral	Neutral	No	No
WACM5	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM6	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM7	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM8	No	Neutral	Neutral	Neutral	No	No
Eric Graham – TMA						
Original	Yes	Yes	Yes	Neutral	Yes	Yes
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	Neutral	Neutral	No	No
WACM3	No	No	Neutral	Neutral	No	No
WACM4	No	No	Neutral	Neutral	No	No
WACM5	No	No	No	Neutral	No	No
WACM6	No	No	Neutral	Neutral	No	No
WACM7	No	No	Neutral	Neutral	No	No
WACM8	No	No	Neutral	Neutral	No	No

Vote 2 – *does the WACM facilitate the objectives better than the Original?*

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Damian Clough – National Grid						
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	No	Neutral	No	No
WACM3	No	No	No	Neutral	No	No
WACM4	No	No	No	Neutral	No	No
WACM5	Yes	Yes	Yes	Neutral	Yes	Yes
WACM6	No	No	No	Neutral	No	No
WACM7	No	No	No	Neutral	No	No
WACM8	No	No	No	Neutral	No	No

Herdial Dosanjh (Daniel Hickman) – RWE npower						
WACM1	No	No	Neutral	Neutral	Neutral	No
WACM2	No	No	Neutral	Neutral	Neutral	No
WACM3	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM4	No	No	Neutral	Neutral	Neutral	No
WACM5	No	No	Neutral	Neutral	Neutral	No
WACM6	No	No	Neutral	Neutral	Neutral	No
WACM7	Yes	Yes	Neutral	Neutral	Neutral	Yes
WACM8	No	No	Neutral	Neutral	Neutral	No
Karl Maryon – Haven Power						
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	No	Neutral	No	No
WACM3	No	No	No	Neutral	No	No
WACM4	No	No	No	Neutral	No	No
WACM5	No	No	No	Neutral	No	No
WACM6	No	No	No	Neutral	No	No
WACM7	No	No	No	Neutral	No	No
WACM8	No	No	No	Neutral	No	No
Garth Graham – SSE						
WACM1	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
WACM2	Neutral	Yes	Neutral	Neutral	Neutral	Yes
WACM3	Neutral	Yes	Neutral	Neutral	Neutral	Yes
WACM4	Neutral	Yes	Neutral	Neutral	Neutral	Yes
WACM5	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
WACM6	Neutral	Yes	Neutral	Neutral	Neutral	Yes
WACM7	Neutral	Yes	Neutral	Neutral	Neutral	Yes
WACM8	Neutral	Yes	Neutral	Neutral	Neutral	Yes
Gregory Edwards – British Gas						
WACM1	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM2	Yes	No	Neutral	Neutral	No	Neutral
WACM3	Neutral	Neutral	Neutral	Neutral	Yes	Neutral
WACM4	No	Neutral	Neutral	Neutral	- Neutral	No
WACM5	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM6	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM7	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM8	No	Neutral	Neutral	Neutral	Yes	Neutral
Eric Graham – TMA						
WACM1	Yes	Yes	Yes	Neutral	Yes	Yes
WACM2	No	No	No	Neutral	No	No
WACM3	No	No	No	Neutral	No	No
WACM4	No	No	No	Neutral	No	No
WACM5	Yes	Yes	Yes	Neutral	Yes	Yes
WACM6	No	No	No	Neutral	No	No
WACM7	No	No	No	Neutral	No	No
WACM8	No	No	No	Neutral	No	No

<u>Vote 3</u> – ***Which option is the best?***

Workgroup Member	BEST Option?
Damian Clough – National Grid	**WACM5**
Herdial Dosanjh (Daniel Hickman) – RWE npower	**WACM3**
Karl Maryon – Haven Power	**WACM1**
Garth Graham – SSE	**WACM2**
Gregory Edwards – British Gas	**WACM6**
Eric Graham – TMA	**WACM5**

8.4 Each Workgroup member provided further justification as to why they voted as they did, this is detailed below;

Damian Clough

For Vote 1: All options solve the defect which is double charging of NHH and HH within the same charging year. By solving double charging they are more cost reflective than baseline as a consumer should not face double charges purely due to moving to HH settlement and no change in demand use.

This means all are initially better than the baseline apart from d) which is neutral.

However for WACM2,3,4,6,7,8 these propose treating Measurement Classes differently, and then one step further by treating meters within a Measurement Class differently based on when they migrated into the Measurement Class. This then makes these proposals worse than the baseline due to;

a) By treating Measurement Class's differently and having the same size customer charged differently, purely based on how they are settled creates an added level of complexity. This may act as a barrier to entry for new Suppliers, and may favour large Suppliers who are more able to cross subsidise or absorb any errors/mistakes in not forecasting demand and setting tariffs accurately.

b) Whilst there exists a distinct difference between the NHH and HH methodologies and time periods over which NHH and HH liabilities are calculated, there will be the drive for consumers to switch to a methodology purely because it benefits them, rather than it encouraging them to reduce demand Peak. These avoided costs will borne by consumers on the NHH methodology, whilst at the same time providing no new system benefit.

There is nothing stopping consumers moving back to NHH settlement within the same charging year. When forecasting and finalising tariffs there will be the need to forecast numbers switching to HH settlement and their behaviour over the Triad periods. The above factors causes increased difficulty in setting cost reflective tariffs and will more than likely create increased volatility between tariff forecasts leading up to the point when they are finalised. Increased volatility and uncertainty inevitably feeds through to a Suppliers risk premia ultimately paid for by the end consumer as discussed within CMP244. The original maintains an appropriate balance between cost reflectivity and predictability. Therefore removing one barrier may create a new barrier which will affect all users and not just those migrating therefore worse than baseline

c) Neutral

e) Inefficient to put in place a number of large system changes to move customers temporarily to a methodology which is likely to change.

For Vote 2: **WACM1**

a) Measurement Class E tend to be larger consumers who are more suited to Triad charging. There is a balance to be made between complexity but these consumers (vast majority) will have migrated to HH settlement as part of P272 so will be expecting to be settled under the HH methodology for charging year 2017/18. The blocker of double charging is not there at all for this class or very minimal when compared to the other classes. As long as National Grid can accurately forecast demand for these users (with the help of Suppliers) then this is very marginally better from an industry point of view, and not necessarily from National Grid's point of view but is a pragmatic solution.
b) Measurement Class E tend to be larger consumers who are more suited to Triad charging, and Suppliers will be more able and willing to set tariffs and pass through costs, making the whole process more cost reflective. For domestic consumer in Classes F and G this will be a lot more difficult.
c) Very marginally better due to HH tariffs being partly capacity based, and ACER not recommending that Transmission Costs should be commodity based. However Europe is moving towards tariff harmonisation so this may change.

WACM5

Same as above; however for a) and b) the years delay allows the system to be fully tested, and Industry and National Grid to gauge the demand usage of this Measurement Class (E). Previous data only showed <100kW aggregated. This will allow more cost reflective charges and reduce potential tariff volatility flowing through to future years affecting other consumers disproportionately. For e) there is the distinct possibility that consumers will move to a tariff methodology for one year which due to Industry change will revert back to something more similar to the NHH Methodology, i.e. recognising year round costs and the signal not being as sharp as being based on 3 settlement periods (Triads).

Any meters moving into Measurement Class E after 31 March 2017 will be double charged under WACM1 and not WACM5

Herdial Dosanjh (Daniel Hickman)

The original change proposal for CMP266 limits customers who have moved to HH as part of P272 to receive the benefits of load managing for Triads. This does not support cost reflectivity as there would be 2 methodologies for HH customers; they both can't be cost reflective. The original does not fully utilise HH data that is available from P272 impacted customers. These core themes run through some of the WACMs being proposed. We support the WACMs that achieve the most cost reflective solution to the defect in the shortest time this in turn enables impacted customers to receive the benefits for load managing. We recognise the dependency on the implementation of the P339 BSC mod and an additional mod that had not yet been raised so have also supported variants of earlier WACMs which have factored in potential delays to dependant BSC mods. The rationale for this was to provide Ofgem with pragmatic range of options when making their final decision.

Garth Graham

For Vote 1: The Original and all the WACMs are neutral with respect to (c) and (d). Original and all WACMs are better in terms of facilitating competition (a) as it removes the double charging impact which allows users to compete better. Original and all the WACMs are better in terms of facilitating cost reflectivity (b) as it removes the double charging. Double charging would not be cost reflective, so removing this is better.

For Vote 2: All the WACMs are neutral with respect to (c) and (d) when compared with the Original. All the WACMs which have classes E, F and G are neutral when compared to the Original in terms of better for competition. All the STEPS WACMs are better than the original in terms of cost reflectivity as they charge the party at the earliest practical opportunity (namely from the next 1st April onwards) the cost reflective HH charge.

Gregory Edwards
All options appear neutral against applicable objectives C and D.

The Original and WACM1 are discounted because both might not solve the defect identified by the Proposer.

WACM4 and WACM8, which involve differential treatment across Measurement Classes F and G within any given charging year to 1 April 2020, are also discounted. No robust evidence was identified during workgroup discussions or in responses to the workgroup consultation which justifies differential treatment. Without sufficient justification, there is a concern there may be a negative impact on competition and on the relevant customers.

WACM 5 and WACM8 (and the Original and WACM1, WACM 4), which involve the 'blanket' delay of HH charging for all meters in at least one of Measurement Classes E, F or G until 1 April 2020, are not preferred. No robust evidence was identified during workgroup discussions or in responses to the workgroup consultation which justifies the 'blanket' delay. HH charging should be implemented as soon as reasonably possible for those customers for which it possible so they can choose HH charging arrangements, which might more closely align which their requirements. Without sufficient justification, there is a concern there may be a negative impact on competition and on the relevant customers.

WACM2, WACM3, WACM6 and WACM7 involve solutions which address the 'overlap' of NHH and HH charging arrangements in any given charging year to 1 April 2020 but without the 'blanket' delay of HH changing for either of Measurement Classes E, F or G and the differential treatment across Measurement Classes in a given charging year. These options involve charging customers in Measurement Classes E, F and G as of 1 April 2017 (or 1 April 2018) according to HH arrangements. WACM2 and WACM3 allow elective HH charging arrangements to be implemented for those customers migrating after 1 April 2017 while WACM6 and WACM7 allow elective arrangements to be implemented for those customers migrating after 1 April 2018.

In isolation, WACM2 or WACM3 appear to represent the better solution for those customers that wish to be charged according to HH arrangements as quickly as possible. However, discussions during workgroup meetings suggest that central system changes needed to facilitate elective HH charging may require a lead time of about six months. This suggests there may be practical constraints on implementing WACM2 or WACM3 for 1 April 2017 and, as such, could render either option infeasible.

WACM6 and WACM7 involve the delay of elective HH charging to 1 April 2018, to accommodate the lead time for system changes mentioned above. WACM6 involves the delay of HH charging for those migrating into Measurement Classes E, F and G while WACM7 involves the delay for just those migrating into Measurement Classes F and G (it assumes all relevant customers will have migrated into Measurement Class E by 1 April 2017). Both options involve solutions that address the defect identified by the Proposer and allow elective HH charging to be implemented as soon as reasonably possible while accommodating the lead time for the necessary system changes. Further, these options appear to mitigate the potential negative impact on competition described above. However, WACM6 is the preferred option because of the additional benefit of the 'backstop' protection for any residual customers that may experience technical delays in migrating into Measurement Class E by 1 April 2017.

Eric Graham
We all agreed that all the WACMs addressed the double charging flaw.

However only two , to my mind, represent acceptable outcomes : the original and five; because these preserve the NHH charging methodology and represent a) the Authority getting what they want, i.e. HH settlement enabled for elective; b) a reasonable prospect this could be available for Aril 2017 ; c) lowest risk (for consumers and Suppliers (not least to their billing systems) because of least change); and d) do not create a disincentive, for anyone, to having these metering systems settle HH.

9 Code Administrator Consultation Responses

9.1 Ten responses were received to the Code Administrator Consultation. These responses are contained within Annex 5 of this report.

9.2 Of the ten responses, two preferred the Original Proposal; two preferred WACM1. Support for WACM3, WACM4, WACM5, WACM6 and the proposal in general are also noted. Two respondents did not support the modification. Many respondents highlighted the for need a distinct industry assessment to address all charging related issues due to the many current modifications and their reliance on one another.

9.3 The following table provides an overview of the responses received:

	Do you believe that CMP266 better facilitates the Applicable CUSC Objectives? Please include your reasoning.	Do you support the proposed implementation approach? If not, please provide reasoning why.	Do you have any other comments?
British Gas	The Original and WACM6 are the only options represent an improvement compared to the baseline and are capable of approval. Do not believe WACM1, WACM2, WACM3 or WACM4, which involve an implementation date of April 2017 are capable of approval. These options are dependent on the implementation of either or both P339 and another modification the BSC which has yet to be defined. Recognise WACM6 is dependent on the approval of P339 and another modification the BSC which has yet to be defined - may present risks to the implementation of WACM6. We support the Original because it is not contingent on modification of other industry codes. It also removes barrier as of April 2017 and also allows the industry an opportunity to develop and implement the contingent code modifications that would support a targeted approach.	Support implementation approach of the Original.	n/a
Ecotricity	We believe that the intentions of this modification better facilitates objective B of the Applicable CUSC Objectives as it will lead to a better reflection of the costs incurred by the transmission licensees.	Support the implementation of WACM1 as this is much fairer on consumers, due to the fact the consumers shall collectively start paying the expected costs at the same time. WACM3 would be unfair to consumers as they will be disadvantaged if they migrated, which would be a flaw in the principle that elective HH settlement should be offered as an incentive.	n/a
EDF	CMP266 Original and some of the variants, would see sites in measurement classes E, F, and G that migrate from NHH metered to HH metered and settled in energy terms, remain on a NHH TNUoS charging basis until 31/3/2020. We believe this to be undesirable: customers need to	The WACMs each have their own issues and dependencies. Tentatively, WACM7 looks the most workable option that avoids any delay to allowing customers to take full advantage of “smart”, but avoids	No

	be allowed to benefit from smart meters and to benefit from their load management; these versions of CMP266 would deny them this. Tentatively, WACM7 looks the most workable option that avoids any delay to allowing customers to take full advantage of "smart".	reliance on BSCP339 from 1/4/17 and avoids reliance on other system changes not being initiated and of unknown practicality.	
Electricity North West	We do believe CMP266 by preventing the double charging of TNUoS for a meter electing to be HH settled will better facilitate the applicable CUSC objectives (a) and (e).	Yes we support the implementation approach.	No
Engie	No comment.	No. This modification places a requirement on suppliers to be able to effectively manage TNUoS costs for sites that have a HH measurement class with NHH charging methodology. There will be a significant time, resource and system cost associated with accommodating such changes. In addition, some suppliers may be fixing TNUoS costs into periods beyond the mandatory change to HH settlement date now and a change to the rules partway through this period could create friction for them.	No.
EON	We are not able, at this time to fully support any WACM noted in the CMP 266 consultation and can offer agreement in principle only until such time as greater clarity of the future state of TNUoS methodologies is provided. E.ON believes that given the complexity and interaction of the current changes going through the CUSC modification process, the possibility for unintended consequences that negatively impact the CUSC objectives is significant. It is apparent that the CUSC process is not appropriate to explore the range of issues and outcomes associated with TNUoS charging. Therefore E.ON believes a more strategic approach would be more prudent and lower risk, by conducting a thorough and robust review of TNUoS charging and implementing any resulting changes through an appropriate transition.	E.ON believes that the effective from date of any option which is contingent on P339 implementation should be deferred to April 2018 at the earliest. The broader issue however is the somewhat fragmented review of TNUoS currently underway. The effects of other CUSC modification proposals on CMP 266 could be substantial and could change industry's preferred approach to handling NHH-HH transition arrangements – we strongly believe that a holistic approach to such proposals would give market participants greater clarity and certainty of costs to Suppliers and ultimately consumers.	E.ON believes that a thorough and independent review of the TNUoS charging methodology is required, using appropriate analysis to supply evidence and justifications for any required changes. We believe this would be best achieved through a Significant Code Review, led by Ofgem.
OPUS Energy	Supports the Original as there are practical issues with alternative options make them unsuitable. We believe the NHH methodology is in principle more appropriate to incentivise these customers to reduce peak demand given their level of energy intensity and iIt reduces uncertainty about which method will apply to which sites in any given year. Support for the Original as best followed by WACM5	We support the implementation of the Original Proposal for 1st April 2017. We would also support the implementation of WACM 5 for 1st April 2017, but the Original Proposal is our preferred solution. We agree that a solution needs to be implemented by 1st April 2017 to avoid potential overcharging on migrating sites. All options other than the Original Proposal and WACM 5 require either P339 by April 2017 or another modification to enable different charging based on the year of migration by April 2017 or April 2018. These additional modifications cannot be guaranteed to be ready by the required dates, so are unfeasible.	Under other proposals (CMP274) the continuation of the current Triad charging methodology is being reviewed. It would be advantageous to the whole industry if all the changes in this area were brought together as a package to ensure there are no conflicts or unintended consequences. As noted in this response there are already a number of change proposals which are reliant on each other, so a consolidated view would be beneficial to all stakeholders.
OVO	OVO's first preference would be for WACM 1 to be adopted. OVO's second preference would be for WACM 5 to be adopted, if a delay to P 339 were to	We support the proposed implementation approach of WACMs 1, 4, 5 and 8.	No

	occur or become evident before 1 April 2016. OVO would also support WACM 4 or WACM 8 being adopted if WACMs 1 and 5 were not considered feasible but only on the grounds that WACMs 4 and 8 satisfy. that customers in measurement class G would not be able to avoid paying for TNUoS by strategically switching from HH to NHH or vice versa at an opportune time of the year. We do not support any of the remaining WACMs	WACM 1 is our preference however. WACMs 4 and 8 would potentially require additional workarounds to prevent measurement class G sites from avoiding TNUoS by electing in and out of HH settlement at opportune times of the year.	
Scottish Power	WACM2-4 inclusive all aim to reflect TNUoS charging for Measurement Classes F, which would promote competition through innovative products to encourage customers to manage demand at peak times. This would better facilitate applicable CUSC objectives (a) as well as (b), as cost reflective charging would be achieved. WACM1 and WACM5-8 inclusive will go against applicable objectives (a) and (b), as would stifle competition through an inability to offer products that reflect demand management, which in turn would result in costs not reflecting consumption.	If the decision taken to progress with the options that result in HH charging from April 2017 for some Measurement Classes, the Scottish Power support the implementation approach.	Within the workgroup discussions (3.46 and 3.47) there is reference to complexity of HH charging methodology for consumers and suppliers. The Ofgem-led directive for P272-impacted consumers focussed on consumer education, which should not be difficult for Suppliers to provide, as Triad charging is not a new concept. Therefore this risk should not be significant.
Smartest Energy	Yes. It is in the interests of competition to avoid double charging of TNUoS.	We think that WACM 5 is the most sensible proposal, avoiding double charging during the roll-out of smart metering but allowing elective customers to go onto an HH tariff as soon as practically possible.	We are still assuming that the arrangements for measurement class E sites which have already given notice that they wish to remain on the HH tariff will continue under the process put in place by CMP241/CMP247.

Annex 1 – CMP266 CUSC Modification Proposal Form

CUSC Modification Proposal Form CMP266

nationalgrid

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal

Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement

Submission Date

16/06/2016

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

When a meter within Profile Classes 1-4 moves from being Non Half Hourly (NHH) settled to Half Hourly (HH) settled within the same TNUoS charging year, the Supplier and ultimately the end consumer is liable for both a NHH TNUoS liability and HH TNUoS liability for that charging year. Ofgem's stated aim is to remove barriers to allow Elective Half Hourly settlement from early 2017. This defect therefore needs to be removed.

Description of the CUSC Modification Proposal

With reference to Ofgem's recent "Elective half-hourly settlement conclusions paper" (https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf) issued on 27th May 2016. There are two main solutions to the defect which the proposer has considered.

1) *To prevent double charging in a given charging year a consumer migrating from NHH settled to HH settled will be charged under the NHH methodology for the year in which they migrate and then will be charged under the HH methodology for future full charging years up until HH settlement is mandatory for all consumers.*
2) *To prevent double charging of TNUoS for a meter electing to be HH settled, all demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.*

Other solutions such as treating all demand sub100kW as NHH up until all consumers are HH settled have been discussed at TCMF. In its conclusions paper, Ofgem said that it thought a modification should be raised to extend the NHH transmission charging structure to measurement classes F and G. The merits of these other solutions will be discussed at a workgroup level."

The proposed solution to address the defect for this modification is the following;

2) To prevent double charging of TNUoS for a meter electing to be HH settled, all

demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

In detail

For the purposes of settlement, customers are assigned to a Profile Class according to their consumption pattern and meter type. Domestic and smaller non-domestic customers are assigned to Profile Classes 1-4 and are within Measurement Class A.

When meters currently in Measurement Classes A elect to be HH settled the majority move into either Measurement Class F or G. Measurement Class F is used for Half Hourly domestic Metering Systems and Measurement Class G for sub-100kW non-domestic Metering Systems with whole-current Meters.

National Grid receives aggregated demand data from Elexon in a file called P210. This file is used to calculate and invoice the TNUoS Demand liability . The P210 file splits up the total demand for a BMU into either HH or NHH demand. All Half Hourly settled demand is aggregated together. When a meter moves from being NHH settled to HH settled the demand for this meter automatically moves from the NHH to HH in the P210 file. The movement of this demand within a charging year causes 'overcharging' as the Supplier and ultimately the end consumer is liable for NHH charges for part of the year for demand between the hours of 4-7pm each day, plus HH charges which are an annual charge based on winter use over the Triad half hours.

To prevent double charging all demand within Measurement Class F will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

As National Grid does not receive individual meter demand or aggregated demand per Measurement Class; to continue to charge Measurement Class F under the NHH methodology, will either require Elexon to send National Grid the demand for Measurement Class F for the Settlement Periods relating to 4-7pm. This allows National Grid to amend the P210 file and original demand. The alternative would be, these amendments necessary to the P210 file are carried out by other Industry parties and National Grid receives the 'correct' amended demand data on which to calculate TNUoS charges. The overriding proposal is the same for either approach.

Impact on the CUSC

Section 14

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

No

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

BSC ☒

Grid Code ☐

STC ☐

Other ☐
(please specify)

Discussions will need to be had about the most appropriate way for demand data to amended either by National Grid or amended then provided to National Grid. The lead time for any of these changes are significantly longer than the lead time for this modification as thy need to be in place of invoicing and not tariff setting (which is sooner).

BSC modification P339 seeks to introduce new Consumption Component Classes (to align with measurement classes E, F and G) – this could help Elexon to provide National Grid with the relevant data.

Urgency Recommended: No

No

Justification for Urgency Recommendation

If you have answered yes above, please describe why this Modification should be treated as Urgent.

An Urgent Modification Proposal should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

a) *A significant commercial impact on parties, consumers or other stakeholder(s); or*
b) *A significant impact on the safety and security of the electricity and/or has systems; or*
c) *A party to be in breach of any relevant legal requirements.*

You can find the full urgency criteria on the Ofgem's website:
http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=213&refer=Licensing/IndCodes/Governance

Self-Governance Recommended: No

No

Justification for Self-Governance Recommendation

If you have answered yes above, please describe why this Modification should be treated as Self-Governance.

A Modification Proposal may be considered Self-governance where it is unlikely to have a material effect on:

- *Existing or future electricity customers;*
- *Competition in generation or supply;*
- *The operation of the transmission system;*
- *Security of Supply;*
- *Governance of the CUSC*
- *And it is unlikely to discriminate against different classes of CUSC Parties.*

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

Please justify whether this modification should be exempt from any Significant Code Review (SCR) undertaken by Ofgem. You can find guidance on the launch and conduct of SCRs on Ofgem's website, along with details of any current SCRs at: http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=197&refer=Licensing/IndCodes/Governance.
For further information on whether this Proposal may interact with any ongoing SCRs, please contact the Panel Secretary.

Impact on Computer Systems and Processes used by CUSC Parties:

Not all HH settled customers will be charged under the HH methodology. This; as noted with other modifications, can cause issues with Suppliers billings systems.

Details of any Related Modification to Other Industry Codes

None

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

This section is mandatory. You should detail why this Proposal better facilitates the Applicable CUSC Objectives compared to the current baseline. Please note that one or more Objective

must be justified.

Please tick the relevant boxes and provide justification:

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;

It is necessary to remove the blocker of being overcharged from moving from being NHH settled to HH settled as this will prevent consumers electing to be HH settled.

HH settlement allows end users to be charged on their actual energy use over peak periods as opposed to profiled data. This will aid the potential future creation of innovative tariffs thus creating competition, and may aid the creation of demand response products.

Comparison against other solutions will be done at a workgroup level

☒ (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);

Consumers liabilities calculated under the NHH methodology are based on profiled data which is average usage for all users within the same Profile. Consumers liabilities are therefore not directly matched to their actual usage within the time periods on which they are charged. By allowing consumers to be charged on their actual demand matches allows tariffs to better reflects costs

☐ (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).

Additional details

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission (NGET)
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:	Damian Clough National Grid Electricity Transmission (NGET) 01926656416 Damian.Clough@nationalgrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Paul Wakeley National Grid Electricity Transmission (NGET) 01926656416 Paul.Wakeley@nationalgrid.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 and copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

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.

Annex 2 – CMP266 Terms of Reference

nationalgrid

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP 266 WORKSHOP

CMP266 seeks to prevent double charging of TNUoS for a meter electing to be HH settled, all demand within Measurement Class F & G will be charged under the TNUoS NHH methodology from April 2017 up until HH settlement is mandatory for all consumers.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal **CMP266: Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement** tabled by National Grid at the Modifications Panel meeting on 24 June 2016.

2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

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).

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.

5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:

a) Carry out an impact assessment on consumers.
b) Be mindful of the 2 options highlighted in the paper published by Ofgem on 27 May 2016 in particular paragraph 4.29 as part of the development of the modification
c) The capability and speed of how quickly National Grid and ELEXON can update their systems and BSC agents if impacted
d) Identify the impact on Supplier Billing systems
e) Smart meter roll out and SMETs 1 adoption.
f) Consider the timing impacts on when TNUoS forecasting

6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.

7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.

8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.

9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.

10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of **10 working days** as determined by the Modifications Panel.

11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the

Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on **22 September 2016** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **30 September 2016**.

Membership

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
Chairman	Caroline Wright	National Grid
National Grid Representative	Damian Clough	National Grid
Industry Representatives	Karl Maryon Daniel Hickman/Herdial Dosanjh Gregory Edwards Eric Graham	Haven Power Npower British Gas TMA
Authority Representatives	Martin Bell	OFGEM
Technical secretary	Heena Chauhan	National Grid
Observers		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP266 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.

15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise]. There may be up to three rounds of voting, as follows:

- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
- Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal*;*
- Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.

17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.

19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

Appendix 1

Proposed CMP266 Timetable

16 June 2016	CUSC Modification Proposal submitted
24 June 2016	CUSC Modification tabled at Panel meeting
27 June 2016	Request for Workgroup members (5 Working days)
20 July 2016	Workgroup meeting 1
3 August 2016	Workgroup meeting 2
17 August 2016	Workgroup meeting 3
14 September 2016	Workgroup Consultation issued (10 Working days)
28 September 2016	Deadline for responses
4 October 2016	Workgroup meeting 4
6 October 2016	Workgroup meeting 5 (vote)
20 October 2016	Workgroup report issued to CUSC Panel
28 October 2016	CUSC Panel meeting to discuss Workgroup Report

1 November 2016	Code Administrator Consultation issued (10 Working days)
15 November 2016	Deadline for responses
17 November 2016	Draft FMR published for industry comment (5 Working days)
24 November 2016	Deadline for comments
17 November 2016	Draft FMR circulated to Panel (late paper)
25 November 2016	CUSC Panel Recommendation vote
25 November 2016	FMR circulated for Panel comment (3 Working days)
29 November 2016	Deadline for Panel comment
30 November 2016	Final report sent to Authority for decision
21 December 2016	Indicative Authority Decision due (15 Working days)
23 December 2016	Implementation date (2 Working days later)

Annex 3 – Workgroup attendance register

A – Attended
X – Absent
O – Alternate
D – Dial-in

Name	Organisation	Role	20 July 2016	3 August 2016	17 August 2016	4 October 2016	6 October 2016
Caroline Wright	National Grid	Chair	A	A	A	A	A
Heena Chauhan (alternate is Ellen Bishop)	National Grid	Technical Secretary	A	A	O	A	A
Damian Clough	National Grid	Proposer	A	A	A	A	A
Karl Maryon	Haven Power	Workgroup member	A	A	A		A
Daniel Hickman (alternate is Herdial Dosanjh)	RWE npower	Workgroup member	A	O	A	O	O
Gregory Edwards	British Gas	Workgroup member	A	A	A	A	A
Eric Graham	TMA	Workgroup member	A	A	X	D	A
Martin Bell (alternate is James Earl)	Ofgem	Workgroup observer	A	OD	A	A	A
Garth Graham	SSE	Workgroup member	X	D	D	A	X
Elizabeth Allkins (alternate is Barney Scott)	OVO Energy	Observer	X	A	D	O	X

Annex 4 – Workgroup Consultation Responses

CUSC Workgroup Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **28 September 2016** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	Paul Mott
Company Name:	EDF Energy
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We note that National Grid is currently minded to go with what the workgroup calls Option 1 at this stage following Workgroup discussions. Option 1 entails continuing treating all meters in Measurement Class E-G (sub100kW) as NHH up until all meters become HH settled. The option referred to by the workgroup as Option 2, which is not favoured by National Grid as a basis for CMP266 Original at this stage, would be that when a meter migrates to Measurement Class F-G they are charged under the NHH methodology for the charging year it migrates to avoid double charging then charged for TNUoS purposes as HH for the remaining charging years – i.e. once HH settled, charged as per the HH TNUoS method for each following charging year, avoiding double charging in the year of migration. Option 2 is effectively described in paragraph 4.29 in Ofgem's conclusion paper (https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf) on HH Elective Settlement. Option 2 is the most desirable and obvious option; moving to HH TNUoS settlement once other settlement for that site is on a HH basis, yet avoiding double-charging in the transition year. We understand that for Option 2 to work, BSC modification P339 is needed to be in place so as to split measurement classes F-G from E, and central systems need a supporting change so as to be able to split data based on migration date to HH settlement, of each meter. Elexon and the industry aim to have P339 accepted by Ofgem around December of this year, if the determination is made within the key performance indicator target; P339 is currently proposed as being implemented at the start of April 2017. We do not favour Option 3 (charge them under the NHH TNUoS methodology until 2020). In the longer run, we would like to see a review/reform of the demand charging base, and hope that this may be taken forward as part of Ofgem's and Grid's charging review, or view Ofgem passing a suitable CUSC mod or variant if one is developed in a fitting form. This could alleviate a possible phenomenon whereby some demand premises formerly in profile classes 1 to 4, once HH-metered, could reduce their TNUoS network charges through "triad avoidance" leaving other premises paying slightly more as a result, as a likely outcome would be a move away from triads to a wider charging time measurement window, perhaps also to some reliance on fixed, perhaps demand capacity, charging for demand TNUoS.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	Our preference is for option 2, not option 1. We note the workgroup's concerns that option 1 becomes increasingly infeasible for April 2017 delivery, if P339 is delayed beyond April 2017; however, jumping to Option 3, where they are settled as NHH in TNUoS terms until 2020, seems a disproportionate response compared to option 2.
3	**Do you have any other comments?**	No
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No

Specific questions for CMP266

Q	Question	Response
5	**Is the HH methodology more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	No comment – it is not clear why there should be any difference. See also response to question 6.
6	**Will the HH methodology discourage switching?**	No, it should not do so. Insofar as the new Supplier may not know, when quoting to the prospective customer during the period November to February, whether the prospective customer had consumption during a triad that might (which is itself uncertain) have already occurred, this will not be important for a customer of such a small size, as there will be many customers on account with that Supplier, and the particular consumption of one at time of triad, will be irrelevant due to the diversity of the (numerous) small customer base.

CUSC Workgroup Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **28 September 2016** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

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Respondent:	*Laurence Barrett* *Laurence.Barrett@eon-uk.com*
Company Name:	*E.ON*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We are of the view that in principle Option 9 as noted in the consultation document strikes a reasonable balance between mitigating the defect and being a practicable longer-term solution, assuming that industry moves quickly in electively settling sites as HH. We also believe that Option 1 could be an appropriate near-term solution to the defect. We are however conscious that support of any option is subject to the outcome of the requisite commercial analysis and the impacts on customers, especially in the Domestic market are more fully understood. Given that there are currently several modifications progressing which affect demand TNUoS charging methodologies, we believe it would be beneficial to conduct a thorough and independent review given the scope of changes to the system. We note that most of the other options noted in the consultation paper are dependent on the approval and implementation of BSC change P339; we feel that progression of such options under CMP 266 should be reserved for a time when industry has greater clarity on the outcome of P339 to avoid duplication of effort and to allow for any changes to P339 red line draft. Treating Measurement Class E differently to F and G seems problematic. Options 2-7 inclusive do not resolve the defect noted for any CT-metered sites and whilst WC meters constitute >50% of the overall P272 meter points, there is a sizable number of CT-metered sites which will not be covered by these options. We consider that this is not conducive to better facilitation of Applicable Objective (a) as it effectively penalises Suppliers and potentially customers for the metering configuration at a premises by not resolving the defect. We are also mindful that each option is reliant on P339 and would need to be revisited again in future, which we don't think is an efficient way of managing changes in TNUoS charging. We believe Option 10 should not be considered further as it effectively removes any attribution of costs to peak network usage, which does not appear consistent with other industry policy aims. Such a change should only be considered following a thorough and independent review. Option 1 is not reliant on P339 and extends the existing arrangement which was put in place to support P272. Whilst we appreciate and value the simplicity of this solution we are not convinced that it is a viable longer-term solution as it may require a further CUSC change further down to line to address how to handle TNUoS in a fully HH world. However, if there is a significant delay in sites transitioning from NHH to HH, then this option is preferable to Option 9 as it retains the NHH structure for NHH sites. Option 9 would require, to ensure cost-reflectivity, sites to be transferred to HH in the near-term. Option 9 does facilitate Applicable Objective (a) as it removes much of the uncertainty around forecasting costs for demand users, and will not need to change again once industry has transitioned to a fully HH market. We aren't necessarily supportive of a triad approach for Domestic or smaller B2B customers but rather value the consistency that a move to one overall structure can provide as we are of the view that any remedy must function appropriately during the transition period. We are cognisant of the link between Option 9 and the approach proposed for DUoS under DCUSA proposal DCP 268 which seeks to implement a HH methodology to support the transition from NHH to HH. Whilst UoS charges are not inter-dependent, we do believe that as industry it would be prudent to have a general principal about how we want to handle customer charges.

2	**Do you support the proposed implementation approach?**	No commentary offered.
3	**Do you have any other comments?**	No.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No.

Specific questions for CMP266

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	We do not necessarily consider one or the other methodology to be more appropriate for any specific customer group. In the Non-Domestic market, there is a wide range of risk appetites, with some customers wanting to 'fix' their costs for a defined period of time and others willing to have them passed through at the actual outturn – the propriety of the charging methodology therefore is more a question of product offerings and customer demand. In the Domestic market DSR facilitated by HH settlement can be of value but again, it's down to the customer's choice. We don't believe therefore that the issue is one of how Suppliers are charged, but of how Suppliers manage those costs through their contracts and product offerings.
6	**Will the HH methodology discourage switching?**	Each Supplier may adopt a different approach when it comes to their own pricing and re-charging methodology. It is hard to envisage any significant detriment to switching as a result of a change in the structure of TNUoS although we are mindful that this is predicated on an assumption that all Suppliers will be broadly consistent in their treatment of TNUoS charges.

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Respondent:	*Karl Maryon* *01473 237874*
Company Name:	*Haven Power*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We believe that CMP266 as favoured by National Grid (Option 1 and 3) better facilitates the applicable CUSC objectives. There is a clear need to remove demand TNUoS charging as a barrier to future elective half hourly settlement and the approach favoured by National Grid is the fairest and least complicated way of addressing the defect.
2	**Do you support the proposed implementation approach?**	We support the proposed implementation approach. Option 1 is the simplest option to address the defect and we believe the benefits of simplicity and tariff predictability outweigh the expectations of those customers who were expecting to be able to benefit from the HH TNUoS methodology once they moved to HH Settlement. Option 3 is also supported by us if the progression of P339 allows it to be implemented.
3	**Do you have any other comments?**	We believe this approach is the fairest and least disruptive approach for consumers. The resulting simplicity and tariff predictability benefits all consumers.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com* No

Specific questions for CMP266

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	No comment
6	**Will the HH methodology discourage switching?**	No comment

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

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Respondent:	Paul Bedford Tel: 01604 673256 Email: Paul.bedford@opusenergy.com
Company Name:	*Opus Energy Ltd*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We believe that option 1, which would continue to treat all meters in Measurement Class E-G as NHH until all meters become HH settled best facilitates the Applicable CUSC Objectives. We have included more detail below but in summary this is because • Practical issues with alternative options make them unsuitable • We believe the NHH methodology is in principle more appropriate for these customers (see question 5) • It reduces uncertainty about which method will apply to which sites in any given year • This modification follows CMP241, CMP247 and CMP260 as the fourth different recent modification to the transitional TNUoS charging arrangements for migrating sites. Attempting to address this issue in isolation for migrating 5-8s has missed out a lot of complexity which this modification now has the difficult job of resolving. The regulatory uncertainty over charging arrangements will also contribute to increased pricing risk for suppliers. We are concerned that rushing a decision about the enduring charging arrangements into a modification which is time constrained by immediate transitional issues risks repeating this mistake. We feel that the recently raised CMP271 represents an opportunity for the enduring arrangements to be more thoroughly considered so that further modifications on the same subject can be avoided. We therefore suggest a modification to Option 1 so that these meters would be charged TNUoS using the NHH methodology until the implementation date of CMP271 rather than 1st April 2020 or until all meters are mandatory HH settled. We are aware that the CMP271 implementation date is currently proposed as 1st April 2020 anyway but feel it makes sense to define it in this way in case CMP271 is delayed. We see little evidence amongst this group of customers of a desire for disaggregated products which would be required for them to benefit from a change in TNUoS calculation. Therefore we do not believe this proposal would be in any way detrimental to these customers, and would likely mean their costs will be lower as the risks of supplying them will be reduced – as discussed in question 5. *Practical issues with alternative options* - We agree with the workgroup that certain options are not workable and have therefore not considered these further in our response. Options 9 and 10 were considered outside the scope of the workgroup, and option 8 was considered by the workgroup to be unworkable. Options 6 and 7 were not considered appropriate by the workgroup as they do not solve the problem of possible overcharging in the year of migration for measurement class F. We do not consider options 4 or 5 to be appropriate as they do not solve the problem of possible overcharging in the year of migration for measurement class G. We do not consider options 2 or 5b to be workable, as these require the additional information of the year of migration. This would require an additional BSC modification for National Grid to be able to charge TNUoS based on this, and it is unknown by the workgroup whether this would be possible. It would also create added complexity for supplier pricing of TNUoS and forecasting of TNUoS demand. In particular, suppliers would need to know the year of migration in order to price the TNUoS using the correct methodology, and in many cases this will not be known at point of pricing, which could create a barrier to switching. This leaves options 1, 3 (the original proposal), and 5c as the only feasible options, which are the only ones we will refer to in the remainder of this response. Option 1 has the least practical issues and is the only option which does not rely on P339 to treat measurement classes E, F and G differently to each other, so this is the only sensible option for 2017/18, since the implementation of P339 cannot be guaranteed by April 2017. *We believe the NHH methodology is more suitable*- See points under question 5 below. This leads us to prefer Option 1 over options 3 and 5c. However, we acknowledge that the situation is more debatable for Measurement Class E sites and therefore can also see the potential merits of option 5c *It reduces uncertainty*- Option 1 comes with a lower uncertainty that options 3 and 5c, it therefore best facilitates CUSC objective (b) because it can be expected to be the best option for accurate TNUoS tariff setting and therefore stability of TNUoS tariffs, If there are different methodologies for 2017/18 and for 2018/19 onwards (as would be the case in National Grid's currently favoured approach of going with option 1, with the potential to undertake option 3 for 2018/19), this will introduce added complexities for supplier pricing. For options 3 and 5c further risk is introduced by uncertainty of P339 being ready for 1st April 2017. In order to set correct TNUoS tariffs, National Grid needs to be able to accurately forecast the NHH and HH demand charging bases, which will be difficult if there is uncertainty whether certain classes of site will be NHH or HH. Triad demand is also significantly more difficult to forecast than NHH TNUoS demand, particularly with little or no historic demand data over Triad for these meters. Therefore, options 3 and 5c are likely to decrease both the accuracy of National Grid's tariff setting and forecasting, increasing tariff volatility and therefore supplier risk premiums. The accuracy of supplier TNUoS demand forecasts would also be reduced. This would lead to an increased likelihood of suppliers needing to lodge credit cover for TNUoS, and also increased reconciliation invoices at the end of the charging year.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	We support the implementation of option 1 for 1st April 2017. We agree that a solution needs to be implemented by 1st April 2017 to avoid potential overcharging on migrating sites. Since P339 would be required for all other options and this cannot be guaranteed to be implemented by April 2017, option 1 is the only one that works for this timetable.
3	**Do you have any other comments?**	No.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No.*

Specific questions for CMP254

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	The appropriateness of the HH TNUoS charging arrangements is not determined by whether a customer is on a long term fixed tariff or a traditional domestic tariff but by how large the site is, how practical it is to load shift, and how frequently there are change of tenancies. We believe there no clear advantage has been demonstrated for charging customers migrating from Profile Classes 1-8 using the HH methodology, but that there are numerous disadvantages such as: • Triad avoidance is a less appropriate incentive than reduction of 4-7pm demand for customers of this size. They are not energy intensive so will see limited savings compared to the value of their core business. • The nature of customers within this sector (particularly the volume of change of tenancies) makes HH pricing more risky for suppliers • The HH method is more difficult to forecast, impacting tariff setting and credit cover While we believe our points below are applicable to measurement classes E, F and G we do acknowledge that the argument is far closer for measurement class E sites. Triad avoidance is a less appropriate incentive These customers are unlikely to be able to Triad avoid due to their size, so there is no benefit in terms of reducing peaks and therefore future investment, or improving security of supply. For domestic customers, the Triad cost for the end consumer is estimated at £20-30 for the year, as stated in the consultation. For small non-domestic customers, we estimate the Triad costs to be in the region of £80-100. The extent of the costs involved in forecasting Triad periods (normally through a third party warning service) and of reducing consumption in potential Triad periods is likely to far exceed the potential benefit. On other hand, an incentive to reduce winter / year round 4-7pm demand may prove actionable through energy efficiency measures when combined with the DUoS and Capacity Market charges also levied at these times. These changes are more appropriate for these customers than through trying to pick the TRIAD periods. We would also question whether there are vulnerability issues if domestic customers are encouraged to reduce their demand specifically on the cold days when Triads are likely to occur. The nature of customers within this sector Moving these customers to the HH methodology also goes against the reason the NHH methodology was introduced in the first place. As mentioned in the consultation, the NHH methodology was introduced at the same time competition was introduced into the Supply market, as it was argued that the HH methodology was not conducive to switching and therefore new competition. The customers have not changed just because they have become HH settled, so there is no logic in changing the methodology on which they are charged TNUoS. While we do not believe that the HH methodology is likely to discourage a customer from wanting to switch, as this is still within their control, we do believe it would add unnecessary risk to suppliers, which could result in higher risk premiums being applied to all customers and less competition for certain business at certain times of the year. There are various risks in relation to switching that are introduced to the supplier with HH TNUoS charging, such as the possibility of only having the customer over the Triad period before it switches to another supplier. These risks are present in the current HH market but in a much reduced form. This is because the increased change of tenancy rate within the small business and domestic markets make a customer not serving their whole contract much more likely. We therefore believe than the NHH charging would better facilitate applicable objective a) – effective competition in supply. Forecasting accuracy As explained in our response to question 1, there are several disadvantages to charging customers migrated from profiles 1-8 using the HH methodology, including difficulties for both suppliers and National Grid with forecasting Triad demand, potentially leading to TNUoS tariffs that are volatile and not cost reflective, as well as various additional risks on suppliers which could lead to additional risk premiums being applied and therefore increased costs for end consumers.

Q	Question	Response
6	**Will the HH methodology discourage switching?**	See response to question 5

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Company Name:	*OVO Energy*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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

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Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	**YES** Objectives (a) and (b) are facilitated by options 3, 5b and 5c. In each case, NHH is the correct charging methodology for measurement class F and measurement class G premises, while triad is applicable to measurement class E premises. We do not believe triad is suitable for measurement classes F and G for several reasons; please see question 3 for our detailed rationale. We do believe that half-hourly triad charging is appropriate for measurement class E sites. Option 5c is the solution recommended by OVO. Option 1 meets Applicable CUSC Objectives (a) and (b) for premises in measurement classes F and G, but not E (see question 3). Option 2 resolves the double charging issue but fails to meet CUSC objectives (a) as triad methodology leaves a barrier to elective HH settlement or (b) as it will impact charge attribution.
2	**Do you support the proposed implementation approach?**	**YES** OVO supports implementation options 3, 5b or 5c. 5c is the prefered approach, as OVO believes it provides the greatest longevity. Option 2 is not considered acceptable due to the application of unsuitable triad charging methodology to measurement class F premises. Option 1 is considered acceptable for smaller sites, but may raise concerns around AMR premises.

Q	Question	Response
3	**Do you have any other comments?**	**YES** OVO is strongly in favour of introducing elective Half-Hourly Settlement (HHS) for both domestic and smaller non-domestic premises. We believe that the ability to settle customers on a half hourly basis will facilitate more effective competition in the energy market and should lead to greater choice and innovation in the market. We are also confident that introducing elective HHS will enable suppliers to provide more cost reflective products, that may encourage more efficient use of the energy system. As well as the identified double-charging barrier to half-hourly settlement, we believe that application of the triad charging methodology to measurement class F and G sites is inappropriate for a number of reasons: • Domestic customers do not as of yet have sufficient tools and information available to them to engage in load shifting. • Domestic customer demand is relatively inelastic and is influenced by seasonal factors such as temperature to a greater extent than industrial and commercial demand. Domestic customers are therefore unlikely to be able to respond to the extreme price signal of the TRIAD mechanism to the same extent as industrial and commercial customers. • Retaining the TRIAD mechanism for domestic HHS customers will re-allocate a large proportion of the TRIAD charge from industrial and commercial customers (with load-shifting capabilities) to domestic customers. We think the potential for this reallocation is particularly worrisome considering that the TRIAD periods tend to occur on particularly cold winter periods when many domestic customers may be wholly reliant on their electricity to heat their premises or power essential appliances. • Domestic suppliers may not have the ability to both accurately forecast and communicate the potential for a triad period to occur. The complexity associated with trying to design systems to accurately inform and forewarn customers of a potential triad period would therefore require significant operational resources which we would consider inefficient at a time when major operational change is needed elsewhere in the market. • The existing supply licence conditions restrict the ability of domestic suppliers to recover the cost of the triad on an individual line item basis. Even if these rules were substantially changed however it is unlikely that carving out industry charges would be an attractive commercial proposition for domestic customers. This could dissuade suppliers engaging in elective half-hourly settlement. As such, in principle OVO supports modification options which continue to apply non-half hourly TNUoS charging to measurement classes F and G sites, and objects to those preferring half-hourly triad charging. We do however believe that triad is more applicable to measurement class E sites as these sites are typically larger, and in most cases equipped with an AMR rather than smart meter. Given their size, they have more ability to load shift

Q	Question	Response
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	**NO**

Specific questions for CMP254

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	**YES** See comments in answer 3. HH triad charging methodology is appropriate and cost-reflective only for sites where load shifting is possible is inappropriate for domestic sites.
6	**Will the HH methodology discourage switching?**	For domestic sites, TRIAD risk would be absorbed by the supplier. As such it should not directly affect customers' decision to switch. Indirectly, however, use of the HH methodology will serve as a barrier to HH settlement, which OVO believes is to the detriment of competition.

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Respondent:	*Herdial Dosanjh Herdial.Dosanjh@npower.com*
Company Name:	*RWE npower*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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

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Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We do not believe CMP266 original proposal better facilitates the applicable CUSC objectives as outlined below. (a) CMP266 will not facilitate effective competition as the proposed change will result certain customers being adversely impacted due to not being able to demand manage to reduce triad costs. CMP266 limits the options for how customers can be managed for TNUoS charging. Customers who have moved to HH metering in order to demand manage will be disadvantaged as they will not be able to influence the reduction of their transmission liability. (b) Cost reflectivity will not be improved through CMP266. Customers who have a desire to demand manage during the Triad season will not be able to benefit for reducing their transmission liability. (c) For relevant objective (c) demand side management to increase system margin and defer network reinforcement is an increasing feature of network operators businesses. Allowing more customers to be settled under the HH methodology for TNUoS will allow those customers to fully realise the benefit of demand management activity at peak. It is also consistent with the original intentions and benefits of P272. CMP266 does not enable customers to realise the benefits of demand managing. (d) We are neutral on this objective.
2	**Do you support the proposed implementation approach?**	We do not support the proposed implementation approach for CMP266 as it will introduce disparity between how HH customers are managed for TNUoS charging.
3	**Do you have any other comments?**	No
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	Yes – see attached

Specific questions for CMP254

Q	Question	Response

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	The HH methodology is more appropriate for business customers who have the capability and appetite to demand manage during the triad season to reduce system peak and their transmission liability.
6	**Will the HH methodology discourage switching?**	No the HH methodology will not discourage switching – it will offer customers the choice to demand manage in order to reduce their transmission liability (where possible).

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Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Paul Carman* *Paul.Carman@ScottishPower.com* *01416145523*
Company Name:	*ScottishPower*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	CMP266 Original proposal contained 2 potential solutions. Solution One (2.6 in document) provided a feasible solution that would address the defect presented in the modification proposal, and was in line with previous direction from OFGEM around the treatment of HH customers migrated through the P272 Programme, which aims to provide customers with more accurate charging based on their consumption, and allows for customers to reduce costs through peak demand management. Solution 2, whilst addressing the defect surrounding double-charging, makes no attempt to address peak demand challenges. This proposal merely delays any solution for HH customers migrated through P272 to manage their demand and associated costs until HH settlement becomes mandatory. ScottishPower believe this is a risk that should be addressed sooner. ScottishPower believe Option 1 (3.16) is a reversal to the approved intentions of CMP260 and the key objectives to the P272 Programme. With the end customer in mind ScottishPower have designed and delivered an end to end communications lifecycle and pricing strategy, based on the agreement that their charges will reflect TNUoS HH from April 2017. Whilst ScottishPower agree that a solution is required to address the issue of double charging customers for the year they migrate from NHH onto HH settlement, we are strongly opposed to the subset of options based upon Original proposal Solution 2, which provides a minimal cost solution for National Grid and more importantly erodes the benefit of cost reflective pricing to the end customer ScottishPower reacted quickly to instruction from OFGEM to work with customers in moving towards HH charging and have encouraged our customers to develop plans for 2017 onwards that are driven towards demand management, cost reduction, and the potential to de risk demand around TRIAD periods. We have written out to all of our customers and informed them of our suggested approach, working closely with customers who are looking to ScottishPower as their energy experts. To reverse these plans will result in costs being incurred to a large number of our customer base, and would move away from any focus on demand management, which provides customers with an incentive to manage load at key times.

Q	Question	Response
1		Objective 'a' is therefore not achieved through the proposed solution(s), as this would not promote effective competition, as customer costs would be impacted by this change, removing customer ability to reduce costs through demand management. Objective 'b' is also not achieved, as customers on measurement classes F and G would not incur accurate TRIAD charges during applicable periods, and therefore not incentivise customers to manage this demand.
2	**Do you support the proposed implementation approach?**	No. The P272 Programme has 6 months remaining before all applicable customers have been successfully migrated. ScottishPower strongly believe that a shift in direction in prices and charging this late in the Programme, which includes the peak renewal round of October 2016 , is not feasible and puts customers that are undertaking peak management at risk
3	**Do you have any other comments?**	ScottishPower believe that a sensible approach to charging was contained in the Original Proposal, Solution One, and would encourage further discussion and development of this approach, which would resolve the issue associated with double charging customers during their migration year, as well as providing a stable and consistent platform for charging thereafter.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com* We wish for Original Proposal, Solution One to be considered in more detail.

Specific questions for CMP254

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	
6	**Will the HH methodology discourage switching?**	

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

CUSC Workgroup Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **28 September 2016** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Colin Prestwich*
Company Name:	*SmartestEnergy*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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).*

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP266 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	At a high level, and without going into any of the options at this stage, the proposal to prevent double charging is clearly better for competition compared with the baseline and something needs to be done. It is important to ensure that a 'status quo' mentality does not undermine the development of new consumer products, allows consumers to fully benefit from Smart Meters and reduces the need for excess generation capacity solely to manage the system peak. Most of the changes proposed delay the benefits listed.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	Implementing Option 3 (if feasible) or Option 3 (if Option 3 not feasible) seems like the most pragmatic approach. Option 2/Option 8 would be the best way of ensuring that sites are not discriminated against (i.e. not being denied access to HH charging), although we wonder whether option 2 is appropriate as it is silent on what would happen to any sites transferring to Measurement Class E. However, we also feel that something needs to be done about the Triad charging methodology sooner or later anyway and *developing something around option 10* may be the means to do this. We have a general preference for Triad to move to a winter peak charge like the capacity market or, if Triad response is seen as essential, then to investigate Triad charging for sites above a certain size, allowing smaller sites to opt in if they wanted. One problem with the current Triad arrangement is that customers are switching off for a lot of hours unnecessarily. It would be better to align the charging hours with the Capacity Mechanism. If the scheme can be reformed now more customers would be able to load manage and take part in the capacity market for winter 2018 because of the aligned incentives. We think that there are two ways to prevent the double charging and evolve TNUoS more generally which the Working Group should consider; Suggestion 1 – reform TNUoS charges in their entirety such that, the consumer charge is levied during the same charging window as the capacity market, i.e. Mon-Fri, Nov-Feb, 16:00-19:00 effective from April 2018. Given the extent to which it is a regulated revenue, there could be scope for a year round element as well as a peak charge, but aligning with the capacity market charging hours gives consumers a reliable cost signal (as opposed to the hit-and-miss nature of TRIAD) from which they can take demand reduction measures or invest in demand reduction. Suggestion 2 – reform TNUoS charges in their entirety as in option 1, with a derogation such that demand side capacity market contracts are still charged as per TRIAD charge, with the aim of ensuring that the incentives are aligned. This would mean that consumers with the most flexibility would be responsive at system stress but would not have to turn down unnecessarily. This could be extended such that all MPANs over 1MW capacity are still charged TRIAD. This would be effective April 2018.

Q	Question	Response
3	**Do you have any other comments?**	If Option 1 prevails we assume that the arrangements for measurement class E sites which have already given notice that they wish to remain on the HH tariff will continue under the process put in place by CMP241/CMP247. This needs to be made clear in the next round of documentation.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No

Specific questions for CMP266

Q	Question	Response
5	**Is the HH methodology therefore more appropriate to customers with long term fixed price contracts rather than the traditional domestic tariffs?**	Yes
6	**Will the HH methodology discourage switching?**	Yes

Annex 5 – Code Administrator Consultation Responses

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

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Any queries on the content of the consultation should be addressed to Heena Chauhan at Heena.Chauhan@Nationalgrid.com

These responses will be included within the Draft CUSC Modification Report to the CUSC Panel and within the Final CUSC Modification Report to the Authority.

Respondent:	*Andy Manning* *Andy.manning@britishgas.co.uk*
Company Name:	*British Gas*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	Under the baseline arrangements that will exist as of April 2017, overcharging of TNUoS can occur for those meters that are migrated into measurement classes E, F and G during a charging year. We support efforts to remove this barrier to elective half hourly settlement. We believe the Original and WACM6 are the only options represent an improvement compared to the baseline and are capable of approval. We do not believe WACM1, WACM2, WACM3 or WACM4, which involve an implementation date of April 2017 are capable of approval. These options are dependent on the implementation of either or both P339 and another modification the BSC which has yet to be defined. As outlined in the consultation, it is unlikely that either modification will be implemented by April 2017 and, as such, these options are considered infeasible. We believe a targeted approach which applies to all meters in measurement classes E, F and G represents the optimum approach the removal of this particular barrier to elective HH settlement. We recognise that WACM6 is dependent on the approval of P339 and another modification the BSC which has yet to be defined. This may present risks to the implementation of WACM6. We support the Original because it is not contingent on modification of other industry codes. The implementation of the Original removes the barrier as of April 2017 and also allows the industry an opportunity to develop and implement the contingent code modifications that would support a targeted approach. At that stage, another modification may be raised which delivers a targeted approach to solving the defect. **Applicable Objective (a) and (b):** WACM5, WACM7 and WACM8, which involve differential treatment across measurement classes E, F and G within any given charging year to 2020, are worse than the baseline. No robust evidence was identified during workgroup discussions or in responses to the workgroup consultation which justifies differential treatment. Without sufficient justification, there is a concern there may be a negative impact on competition and on the relevant customers and that differential NHH/HH approaches do not reflect costs incurred by the transmission licensees. **Applicable Objectives (c), (d) and (e):** All options are neutral against these objectives.

Q	Question	Response
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	We support the approach to implementation of the Original.
3	**Do you have any other comments?**	n/a

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

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Respondent:	*Joshua Phelps/01453 840637/joshua.phelps@ecotricity.co.uk*
Company Name:	*The Renewable Energy Company (Ecotricity)*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	We believe that the intentions of this modification better facilitates objective B of the Applicable CUSC Objectives as it will lead to a better reflection of the costs incurred by the transmission licensees.
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	We would support the implementation approach that is detailed in Alternative 1.
3	**Do you have any other comments?**	We would support the implementation of Alternative 1 as this is much fairer on consumers, due to the fact the consumers shall collectively start paying the expected costs at the same time. Alternative 3 would be unfair to consumers as they will be disadvantaged if they migrated, which would be a flaw in the principle that elective HH settlement should be offered as an incentive.

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

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These responses will be included within the Draft CUSC Modification Report to the CUSC Panel and within the Final CUSC Modification Report to the Authority.

Respondent:	Paul Mott
Company Name:	EDF Energy
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response

1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	CMP266 Original and some of the variants, would see sites in measurement classes E, F, and G that migrate from NHH metered to HH metered and settled in energy terms, remain on a NHH TNUoS charging basis until 31/3/2020. We believe this to be undesirable : customers need to be allowed to benefit from smart meters and to benefit from their load management; these versions of CMP266 would deny them this. WACM 1 still prevents measurement classes F and G from benefitting from HH settlement in TNUoS terms until 2020; it does allow measurement class E meters to move to HH TNUoS settlement. So WACM1 has the same flaw as the original, for F and G. WACM2 allows meters for profile classes E, F, and G to all be charged under the NHH method for the full charging year within/during which they migrate; then they are charged TNUoS on a HH basis from the next charging year. This avoids double charging in the year of transition for all classes. It doesn't easily work because the Central System is not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently. However, if these issues could be overcome, WACM2 would allow customers to benefit in a timely manner from smart meters and to benefit from their load management WACM3 has measurement class E treated as now (charged as HH) and has new meters in F and G treated as NHH in their migration year, then HH, for TNUoS settlement purposes. This is reliant on BSCP339 being in place by 1/4/17, to split F-G from E. It doesn't work because the Central System is not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently. However, if these issues could be overcome, WACM3 would allow customers to benefit in a timely manner from smart meters and to benefit from their load management. WACM4 has meters in class F being NHH TNUoS-settled up to 2020. E unaffected (treat as HH); new meters in G post April 2017 to be NHH in migration year then HH. This is reliant on BSCP339 being in place by 1/4/17, to split F-G from E. It doesn't work because of the Central System issue mentioned above, and would delay for too long, the time when class F customers can fully benefit from smart meters and to benefit from their load management WACM 5, which one could categorise as "WACM1 with delay", has measurement classes E F and G all NHH charged for 2017/18, to allow for BSCP339 being later than 1/4/17, with class E being HH settled (TNUoS) from 2018 and F and G being HH settled (TNUoS) from 2020. The delay in HH TNUoS settlement for F and G in WACM5 makes it undesirable for the reasons outlined earlier in this response. It does avoid dependency on system changes. CONTINUED

		CONTINUED WACM6, which one could categorise as "WACM2 with delay", has profile classes EF and G charged as NHH until 1/4/18, to allow for BSCP339 being late, from when new meters in EFG will be charged NHH for the full charging year within which they migrate, then HH; meters in EFG before 1/4/18 will all be charged HH TNUoS only from 1/4/18 onwards. This doesn't work because the Central System is not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently – no system change proposal has been made. However, if these issues could be overcome, WACM6 would allow customers to benefit in a moderately timely manner from smart meters and to benefit from their load management. WACM7, which one could categorise as "WACM3 with delay", would have Classes E, F & G meters TNUoS-charged as NHH to allow for delay in the implementation of P339 for the charging year 2017/18. After this, all meters in measurement class E would be TNUoS-charged as HH. Meters migrating to F & G would be charged under the NHH methodology for the full charging year in which they migrate, then for the following full charging year they would be charged as HH. Meters in Measurement Classes F & G before 1st April 2018 would be charged HH for the 18/19 charging year onwards. Double charging is avoided, there isn't the reliance on as-yet-unproposed system changes that we have in WACMs 2, 3, 4, and 8, and there is plenty of time for BSC P339 to be implemented. **Tentatively, WACM7 looks the most workable option that avoids any delay to allowing customers to take full advantage of "smart".** WACM8, which one could categorise as "WACM4 with delay", would see measurement Classes E, F & G TNUoS-charged as NHH to allow for any delay in the implementation of P339 for the charging year 2017/18. After this, all meters in Class E would be TNUoS-charged as HH. Meters in Class F only would be TNUoS-charged as NHH up until 31/03/2020, delaying smart for them in TNUoS space. Meters migrating to Measurement Class G would be charged under the NHH methodology for the full charging year in which they migrate. Then for the following full charging year they would be charged under the HH methodology. Meters in Measurement Class G before 1st April 2018 would be charged HH for the 18/19 charging year onwards. This doesn't work because the Central System is not able to split data based on migration date, and no modification in place to change the system to allow this to happen, meaning not able to charge meters within the same Measurement Class differently – no system change proposal has been made. The delay in HH TNUoS settlement for F and G in WACM8 makes it undesirable for the reasons outlined earlier in this response.

2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	The WACMs each have their own issues and dependencies. Tentatively, WACM7 looks the most workable option that avoids any delay to allowing customers to take full advantage of “smart”, but avoids reliance on BSCP339 from 1/4/17 and avoids reliance on other system changes not being initiated and of unknown practicality.
3	**Do you have any other comments?**	No

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

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Respondent:	*Andrew Sherry (Andrew.Sherry@enwl.co.uk)*
Company Name:	*Electricity North West*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	We do believe CMP266 by preventing the double charging of TNUoS for a meter electing to be HH settled will better facilitate the applicable CUSC objectives (a) and (e).
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	Yes we support the implementation approach.
3	**Do you have any other comments?**	No additional comments to add.

CUSC Code Administrator Consultation Response Proforma

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Respondent:	*Anonymous response required*
Company Name:	*Engie*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	No comment.
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	No. This modification places a requirement on suppliers to be able to effectively manage TNUoS costs for sites that have a HH measurement class with NHH charging methodology. There will be a significant time, resource and system cost associated with accommodating such changes. In addition, some suppliers may be fixing TNUoS costs into periods beyond the mandatory change to HH settlement date now and a change to the rules partway through this period could create friction for them.
3	**Do you have any other comments?**	No.

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

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Please send your responses by 15 **November 2016** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at Heena.Chauhan@Nationalgrid.com

These responses will be included within the Draft CUSC Modification Report to the CUSC Panel and within the Final CUSC Modification Report to the Authority.

Respondent:	*Laurence Barrett* *Laurence.barrett@eon-uk.com*
Company Name:	*E.ON*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	E.ON agrees in principle with the workgroup's assessment that WACM5 provides a reasonable solution to the defect and therefore better meets the applicable CUSC objectives. Whilst we note that WACM5 may well still lead to a double-charge for Non Domestic CT-metered premises, we consider that the scale of such a potential double-charge would be minimal in comparison with that of the existing methodology, especially when applied to Domestic premises, and that the timescales for implementation give Suppliers sufficient notice to be able to plan accordingly. E.ON is also supportive, in principle, of the retention of NHH methodology for Domestic and (generally) lower-consuming Non Domestic premises as we are not convinced that the existing HH methodology is necessarily appropriate for all consumers, although we accept that further analysis is required. Given the dependency on P339 acceptance and implementation, we do agree that building in a one-year contingency for delays in P339 is sensible. E.ON is, however, mindful of the existing CMPs 271 and 274 which seek to alter TNUoS demand charging methodology over the same timeframe as CMP 266. We believe these CMPs to be inextricably linked and that industry is being asked to select an option under CMP 266 – predicated on today's methodology - which will have a materially different outcome on Supplier charges and customer bills should CMPs 271 or 274 be implemented. We are therefore not able, at this time to fully support any WACM noted in the CMP 266 consultation and can offer agreement in principle only until such time as greater clarity of the future state of TNUoS methodologies is provided. E.ON believes that given the complexity and interaction of the current changes going through the CUSC modification process, the possibility for unintended consequences that negatively impact the CUSC objectives is significant. It is apparent that the CUSC process is not appropriate to explore the range of issues and outcomes associated with TNUoS charging. Therefore E.ON believes a more strategic approach would be more prudent and lower risk, by conducting a thorough and robust review of TNUoS charging and implementing any resulting changes through an appropriate transition.

Q	Question	Response
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	E.ON believes that the effective from date of any option which is contingent on P339 implementation should be deferred to April 2018 at the earliest. The broader issue however is the somewhat fragmented review of TNUoS currently underway. The effects of other CUSC modification proposals on CMP 266 could be substantial and could change industry's preferred approach to handling NHH-HH transition arrangements – we strongly believe that a holistic approach to such proposals would give market participants greater clarity and certainty of costs to Suppliers and ultimately consumers.
3	**Do you have any other comments?**	E.ON believes that a thorough and independent review of the TNUoS charging methodology is required, using appropriate analysis to supply evidence and justifications for any required changes. We believe this would be best achieved through a Significant Code Review, led by Ofgem. A more targeted review, which some have suggested, on the other hand does not look at all of the issues in the round, and therefore risks unintended consequences and distortion to the market which is not in the interests of customers.

CUSC Code Administrator Consultation Response Proforma

CMP266 'Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement'

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These responses will be included within the Draft CUSC Modification Report to the CUSC Panel and within the Final CUSC Modification Report to the Authority.

Respondent:	Paul Bedford Tel: 01604 673256 Paul.bedford@opusenergy.com
Company Name:	Opus Energy Ltd
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology**

queries)	(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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	

Option	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall	Opus Opinion
Original	Yes	Yes	Yes	Neutral	Yes	Yes	Best option
WACM 1	Yes	Yes	Yes	Neutral	Yes	Yes	Not feasible as needs P339 by April 2017, which cannot be guaranteed.
WACM 2	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.
WACM 3	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.
WACM 4	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.
WACM 5	Yes	Yes	Yes	Neutral	Yes	Yes	2nd best option
WACM 6	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.
WACM 7	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.
WACM 8	No	No	No	Neutral	No	No	Not feasible as needs modification to charge based on year of migration, which cannot be guaranteed to be ready in time.

Q	Question	Response
		We believe that the Original Proposal, as stated in the Updated Options table in 4.7 (page 29) of the Code Administrator Consultation, which would charge measurement classes E, F and G under the NHH methodology until 31/03/2020, better facilitates the Applicable CUSC Objectives. We note that this is different to the Original Proposal as it appears in the CUSC Modification Proposal Form in Annex 1 (on pages 52–53) of the Code Administrator Consultation, which would charge measurement classes F and G under the NHH methodology until HH settlement is mandatory for all consumers, leaving measurement class E as it is in the current world, and is labelled WACM 1 in the Update Options table in 4.7 (on page 29). We have included more detail below, but in summary our preferred option is the Original Proposal because: • Practical issues with alternative options make them unsuitable. • We believe the NHH methodology is in principle more appropriate to incentivise these customers to reduce peak demand given their level of energy intensity. • It reduces uncertainty about which method will apply to which sites in any given year. This modification follows CMP241, CMP247 and CMP260 as the fourth different recent modification to the transitional TNUoS charging arrangements for migrating sites. Attempting to address this issue in isolation for migrating 5-8s has missed out a lot of complexity which this modification now has the difficult job of resolving. The regulatory uncertainty over charging arrangements will also contribute to increased pricing risk for suppliers. We are concerned that rushing a decision about the enduring charging arrangements into a modification which is time constrained by immediate transitional issues risks repeating this mistake. We feel that the recently raised CMP271 represents an opportunity for the enduring arrangements to be more thoroughly considered so that further modifications on the same subject can be avoided. The Original Proposal and several of the WACMs (1, 4, 5, 8) do not allow for the possibility of not all meters having migrated to HH settlement by 31st March 2020, and in this event the defect that this modification seeks to resolve would again be an issue from 1st April 2020. We would therefore suggest a modification to these proposals so that they are effective until HH settlement is mandatory, rather than 31st March 2020. We are aware that the implementation date of the previously mentioned CMP271 is currently proposed as 1st April 2020, so if approved would change the methodology from 1st April 2020 anyway, but feel it makes

Q	Question	Response
		sense to define the Original Proposal and the WACMs in this way in case CMP271 is delayed or not approved. We see little evidence amongst this group of customers of a desire for disaggregated billing of TNUoS prices which would be required for them to benefit from a change in TNUoS calculation. Therefore we do not believe this proposal would be in any way detrimental to these customers, and would likely mean their costs will be lower as the risks of supplying them will be reduced. *Practical issues with alternative options* We do not consider WACMs 2, 3, 4, 6, 7, 8 to be workable as these require the additional information of the year of migration. This would require an additional modification for Elexon to be able to provide National Grid with the relevant data, in order for National Grid to be able to charge TNUoS based on this. In section 6 "Proposed Implementation and Transition" (page 35) of the Code Administrator Consultation, it is estimated that the necessary changes could take 18 months (made up of 6 months to undertake the proposal and design, 6 months for implementation, and 6 months for the HHDAs to undertake changes to their systems). This means that if work on these changes begins immediately following a decision on CMP266 in December 2016, it is likely that they won't be ready before June 2018, which is two months later than they would be needed for WACMs 6, 7, 8, and 14 months later than they would be needed for WACMs 2, 3, 4. Using a different methodology depending on the year of migration would also create added complexity for supplier pricing of TNUoS and forecasting of TNUoS demand. In particular, suppliers would need to know the year of migration in order to price the TNUoS using the correct methodology, and in many cases this will not be known at point of pricing, which could create a barrier to switching. This means CUSC Objective (a) is worse under WACMs 2, 3, 4, 6, 7, 8. Furthermore, there is the potential for gaming or unintentional undercharging by switching between NHH settlement and HH settlement within a charging year under these WACMs, which could enable the customer/supplier to only pay half a year of NHH TNUoS each year. This applies to WACMs 2, 3, 6, 7 for both domestic and small non-domestic customers, and to WACMs 4 and 8 for small non-domestic customers. For example, suppose a small non-domestic meter is migrated by the supplier to being HH settled in the charging year 2018/19.

Q	Question	Response
		Then, under these WACMS, from 1st April 2019 the meter will be charged under the HH TNUoS methodology. Suppose the supplier then switches the meter back to being NHH settled on 1st November 2019, then it will be charged NHH TNUoS from 1st November 2019. In this case the supplier would pay HH TNUoS for this meter for 1st April 2019 – 31st October 2019, and NHH TNUoS for this meter for 1st November 2019 – 31st March 2020, but since no Triad periods fall in April – October, no TNUoS will be payable for this time. If the supplier also migrates this meter back to HH settlement before the end of the 2019/20, they could repeat this each year and continue to pay only half a year of NHH TNUoS each year until HH settlement is mandatory. A similar situation to that described above was considered in the Code Administrator Consultation under the heading "Risk of double charging when changing supplier" (on page 31), but in the situation considered there, the customer only switched back to NHH settlement after the Triad season, resulting in slight overcharging rather than significant undercharging. In the event of significant undercharging, this could lead to under recovery, which would mean future TNUoS tariffs would need increasing, therefore increasing volatility of TNUoS tariffs. We do not consider WACM 1 to be a sensible option, since it relies on P339 being implemented by April 2017, which cannot be guaranteed. This leaves the Original Proposal and WACM 5 as the only feasible options, which are the only ones we will refer to in the remainder of this response. *We believe the NHH methodology is more suitable* As explained in more detail in our response to question 5 in the Workgroup Consultation, we believe that the NHH methodology is more suitable for customers in measurement classes E–G. We believe that no clear advantage has been demonstrated for charging customers migrating from Profile Classes 1–8 using the HH methodology, but that there are numerous disadvantages such as: • Triad avoidance is a less appropriate incentive than reduction of 4–7pm demand for customers of this size. They are not energy intensive so will see limited savings compared to the value of their core business. • The nature of customers within this sector (particularly the volume of change of tenancies) makes HH pricing more risky for suppliers, so it is likely a risk premium will be applied.

Q	Question	Response
		• The HH method is more difficult to forecast, impacting tariff setting and credit cover. This leads us to prefer the Original Proposal over WACM 5. However, we acknowledge that the situation is more debatable for measurement class E sites, and therefore can see the potential merits of WACM 5. *The Original Proposal reduces uncertainty* The Original Proposal comes with a lower uncertainty than WACM 5, it therefore best facilitates CUSC objective (b) because it can be expected to be the best option for accurate TNUoS tariff setting and therefore stability of TNUoS tariffs. If there are different methodologies for 2017/18 and for 2018/19 onwards as would be the case for WACM 5, this will introduce added complexities for supplier pricing. For WACM 1 further risk would be introduced by uncertainty of P339 being ready for 1st April 2017. In order to set correct TNUoS tariffs, National Grid needs to be able to accurately forecast the NHH and HH demand charging bases, which will be difficult if there is uncertainty whether certain classes of site will be NHH or HH. Triad demand is also significantly more difficult to forecast than NHH TNUoS demand, particularly with little or no historic demand data over Triad for these meters. Therefore WACM 5 is likely to decrease both the accuracy of National Grid's tariff setting and forecasting, increasing tariff volatility and therefore supplier risk premiums. The accuracy of supplier TNUoS demand forecasts would also be reduced. This would lead to an increased likelihood of suppliers needing to lodge credit cover for TNUoS, and also increased reconciliation invoices at the end of the charging year.

Q	Question	Response
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	We support the implementation of the Original Proposal for 1st April 2017. We would also support the implementation of WACM 5 for 1st April 2017, but the Original Proposal is our preferred solution. We agree that a solution needs to be implemented by 1st April 2017 to avoid potential overcharging on migrating sites. All options other than the Original Proposal and WACM 5 require either P339 by April 2017 or another modification to enable different charging based on the year of migration by April 2017 or April 2018. These additional modifications cannot be guaranteed to be ready by the required dates, so are unfeasible.
3	**Do you have any other comments?**	Under other proposals (CMP274) the continuation of the current Triad charging methodology is being reviewed. It would be advantageous to the whole industry if all the changes in this area were brought together as a package to ensure there are no conflicts or unintended consequences. As noted in this response there are already a number of change proposals which are reliant on each other, so a consolidated view would be beneficial to all stakeholders.

CUSC Code Administrator Consultation Response Proforma

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Any queries on the content of the consultation should be addressed to Heena Chauhan at Heena.Chauhan@Nationalgrid.com

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Respondent:	*Conor Maher-McWilliams (01179 303138)*
Company Name:	*OVO Energy*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	OVO's response to the workgroup stage of CMP 266 (OVO's response) outlined that in order to rectify the defect identified by CMP 266 a modification proposal or alternative must: 1. Remove the potential for customers transitioning from non-half hourly (NHH) to half hourly (HH) settlement to be charged twice for TNUoS. 2. Not allow under or overcharging of TNUoS for sites moving in or out of HH settlement. Our specific concern is that a dual methodology for applying TNUoS charges (i.e. NHH TNUoS in the year a site switches and Triad for subsequent years) applied to elective sites creates the potential for sites to be over/undercharged if they exercise the option to elect in and out of HHS. 3. Charge both NHH and HH settled domestic customers on the basis of the NHH TNUoS charge, and, 4. Separate measurement class E sites from measurement class F and G sites for the purpose of TNUoS charging on the grounds that it was appropriate to distinguish between premises based on whether the meter type is a charge transformer (CT) or a whole Current (WC) transformer. OVO's first preference would be for WACM 1 to be adopted. OVO's second preference would be for WACM 5 to be adopted, if a delay to P 339 were to occur or become evident before 1 April 2016. OVO believe that WACMs 1 and 5 best satisfy points 1.- 4. above and are therefore consistent with the applicable CUSC objectives (a) and (b). OVO would also support WACM 4 or WACM 8 being adopted if WACMs 1 and 5 were not considered feasible but only on the grounds that WACMs 4 and 8 satisfied point 2 above. i.e. that customers in measurement class G would not be able to avoid paying for TNUoS by strategically switching from HH to NHH or vice versa at an opportune time of the year. We do not support any of the remaining WACMs as we do not believe they satisfy points 1-4 above.

Q	Question	Response
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	We support the proposed implementation approach of WACMs 1, 4, 5 and 8. WACM 1 is our preference however. WACMs 4 and 8 would potentially require additional workarounds to prevent measurement class G sites from avoiding TNUoS by electing in and out of HH settlement at opportune times of the year.
3	**Do you have any other comments?**	No

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Respondent:	*Paul Carman (Paul.Carman@ScottishPower.com)* *01416145523*
Company Name:	*ScottishPower*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	ScottishPower believe that the resolution of the defect of double charging does need to be addressed, however this must not be to the detriment of applicable CUSC objective (a), which many of the proposed options would be at risk of negatively impacting. The key objectives of the P272 Programme will be reversed should any decision be taken for customers migrated into these Measurement Classes incur TNUoS charging based on the NHH methodology; providing consumers with more accurate charging based on their consumption, allowing consumers cost reductions through peak demand management. WACM2-4 inclusive all aim to reflect TNUoS charging for Measurement Classes F, which would promote competition through innovative products to encourage customers to manage demand at peak times. This would better facilitate applicable CUSC objectives (a) as well as (b), as cost reflective charging would be achieved. WACM1 and WACM5-8 inclusive will go against applicable objectives (a) and (b), as would stifle competition through an inability to offer products that reflect demand management, which in turn would result in costs not reflecting consumption. In the workgroup discussions there is a reference (3.49) to reconciliation charges being passed through. Charges can be calculated and invoiced to the customer based on their contract. Liability on either the customer or the Supplier is pre-determined. Products state clearly on the consumer's invoice those costs that are incurred through Transmission charges, so reference to this (3.44) is inaccurate. There is also reference (3.43) that Triad charges could result in an increased TNUoS liability. This supports the point that the consumer has an ability to reduce the costs should they manage their demand, the charges incurred will be cost-reflective.
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	If the decision taken to progress with the options that result in HH charging from April 2017 for some Measurement Classes, the ScottishPower support the implementation approach.

Q	Question	Response
3	**Do you have any other comments?**	Within the workgroup discussions (3.46 and 3.47) there is reference to complexity of HH charging methodology for consumers and suppliers. The Ofgem-led directive for P272-impacted consumers focussed on consumer education, which should not be difficult for Suppliers to provide, as Triad charging is not a new concept. Therefore this risk should not be significant.

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Respondent:	*Colin Prestwich*
Company Name:	*SmartestEnergy*
Please express your views regarding the Code Administrator Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **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.). (e) promoting efficiency in the implementation and administration of the CUSC arrangements. *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).*

Code Administrator Consultation questions

Q	Question	Response
1	**Do you believe CMP266 or its alternative solution better facilitates the Applicable CUSC Objectives? Please include your reasoning.**	Yes. It is in the interests of competition to avoid double charging of TNUoS.
2	**Do you support the proposed implementation approach? If not, please provide reasoning why.**	We think that WACM 5 is the most sensible proposal, avoiding double charging during the roll-out of smart metering but allowing elective customers to go onto an HH tariff as soon as practically possible.
3	**Do you have any other comments?**	This is not the only CMP of late where it has not been clear what the proposal actually is. We are still assuming that the arrangements for measurement class E sites which have already given notice that they wish to remain on the HH tariff will continue under the process put in place by CMP241/CMP247.

Annex 6 – Draft Legal Text

This section shows the legal changes required for the Original and WACMs. For reference existing CUSC paragraphs have been provided so as to compare and contrast the changes required and subtle differences between the WACMs

ORIGINAL CUSC

Monthly Charges

14.17.1 Throughout the year Users' monthly demand charges will be based on their forecasts of:

- half-hourly metered demand to be supplied during the Triad for each BM Unit, multiplied by the relevant zonal £/kW tariff; and

- non-half hourly metered energy to be supplied over the period 16:00 hrs to 19:00 hrs inclusive every day over the Financial Year for each BM Unit, multiplied by the relevant zonal p/kWh tariff

Users' annual TNUoS demand charges are based on these forecasts and are split evenly over the 12 months of the year. Users have the opportunity to vary their demand forecasts on a quarterly basis over the course of the year, with the demand forecast requested in February relating to the next Financial Year. Users will be notified of the timescales and process for each of the quarterly updates. The Company will revise the monthly Transmission Network Use of System demand charges by calculating the annual charge based on the new forecast, subtracting the amount paid to date, and splitting the remainder evenly over the remaining months. For the avoidance of doubt, only positive demand forecasts (i.e. representing an import from the system) will be accepted.

14.17.2 Users should submit reasonable demand forecasts in accordance with the CUSC. The Company shall use the following methodology to derive a forecast to be used in determining whether a User's forecast is reasonable, in accordance with the CUSC, and this will be used as a replacement forecast if the User's total forecast is deemed unreasonable. The Company will, at all times, use the latest available Settlement data.

For existing Users:

i) The User's Triad demand for the preceding Financial Year will be used where User settlement data is available and where The Company calculates its forecast before the Financial Year. Otherwise, the User's average weekday settlement period 35 half-hourly metered (HH) demand in the Financial Year to date is compared to the equivalent average demand for the corresponding days in the preceding year. The percentage difference is then applied to the User's HH demand at Triad in the preceding Financial Year to derive a forecast of the User's HH demand at Triad for this Financial Year.

ii) The User's non half-hourly metered (NHH) energy consumption over the period 16:00 hrs to 19:00 hrs every day in the Financial Year to date is compared to the equivalent energy consumption over the corresponding days in the preceding year. The percentage difference is then applied to the User's total NHH energy consumption in the

preceding Financial Year to derive a forecast of the User's NHH energy consumption for this Financial Year.

For new Users who have completed a Use of System Supply Confirmation Notice in the current Financial Year:

iii) The User's average weekday settlement period 35 half-hourly metered (HH) demand over the last complete month for which The Company has settlement data is calculated. Total system average HH demand for weekday settlement period 35 for the corresponding month in the previous year is compared to total system HH demand at Triad in that year and a percentage difference is calculated. This percentage is then applied to the User's average HH demand for weekday settlement period 35 over the last month to derive a forecast of the User's HH demand at Triad for this Financial Year.

iv) The User's non half-hourly metered (NHH) energy consumption over the period 16:00 hrs to 19:00 hrs every day over the last complete month for which The Company has settlement data is noted. Total system NHH energy consumption over the corresponding month in the previous year is compared to total system NHH energy consumption over the remaining months of that Financial Year and a percentage difference is calculated. This percentage is then applied to the User's NHH energy consumption over the month described above, and all NHH energy consumption in previous months is added, in order to derive a forecast of the User's NHH metered energy consumption for this Financial Year.

Implementation of P272

14.17.29.1 BSC modification P272 requires Suppliers to move Profile Classes 5-8 to Measurement Class E - G (i.e. moving from NHH to HH settlement) by April 2016. The majority of these meters are expected to transfer during the preceding Charging Years up until the implementation date of P272 and some meters will have been transferred before the start of 1ST April 2015. A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation in the transition to P272 implementation for the purposes of TNUoS charging; and the forecasts that Suppliers should provide to the Company.

14.17.29.2 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2015 and prior to implementation of BSC Modification P272, all demand associated with meters that are in NHH Profile Classes 5 to 8 at the start of that charging year as well as all meters in Measurement Classes E G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year unless 14.17.29.3 applies.

14.17.29.3 Where prior to 1st April 2015 a Profile Class meter has already transferred to Measurement Class settlement (HH) the associated Supplier may opt to treat the demand volume as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging up until implementation of P272, subject

to meeting conditions in 14.17.29.6. If the associated Supplier does not opt to treat the demand volume as Demand Capacity (HH) it will be treated by default as Chargeable Energy Capacity (NHH) for each full Charging Year up until implementation of P272.

14.17.29.4 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information if they accept this default position.

14.17.29.5 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect this position i.e. volumes associated those Metering Systems that have transferred from a Profile Class to a Measurement Class in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity, unless 14.17.29.3 applies.

14.17.29.6 Where a Supplier wishes for Metering Systems that have transferred from Profile Class to Measurement Class in the BSC (NHH to HH settlement) prior to 1st April 2015, to be treated as Chargeable Demand Capacity (HH/ Measurement Class settled) it must inform the Company prior to October 2015. The Company will treat these as Chargeable Demand Capacity (HH / Measurement Class settled) for the purposes of calculating the actual annual liability for the Charging Years up until implementation of P272. For these cases only, the Supplier should notify the Company of the Meter Point Administration Number(s) (MPAN). For these notified meters the Supplier shall provide the Company with verified metered demand data for the hours between 4pm and 7pm of each day of each Charging Year up to implementation of P272 and for each Triad half hour as notified by the Company prior to May of the following Charging Year up until two years after the implementation of P272 to allow reconciliation (e.g. May 2017 and May 2018 for the Charging Year 2016/17). Where the Supplier fails to provide the data or the data is incomplete for a Charging Year TNUoS charges for that MPAN will be reconciled as part of the Supplier's NHH BMU (Chargeable Energy Capacity). Where a Supplier opts, if eligible, for TNUoS liability to be calculated on Chargeable Demand Capacity it shall submit the forecasts referred to in 14.17.29.5 taking account of this.

14.17.29.7 The Company will maintain a list of all MPANs that Suppliers have elected to be treated as HH. This list will be updated monthly and will be provided to registered Suppliers upon request.

ORIGINAL Proposal

All the legal text below is new to the CUSC. Therefore this has not been tracked changed to show the differences between existing and new as its all new.

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 all demand associated with Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year up until the Charging Year which begins after 31st March 2020.

14.17.29.10 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.11 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class E, F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM1

The legal text below is the original with changes made to the original proposal highlighted in yellow. This format is continued for all WACMs with comparisons to the original highlighted in yellow.

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year up until the Charging Year which begins after 31st March 2020. Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (HH).

14.17.29.10 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.11 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM2

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with meters migrating into Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate.

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 all demand associated with meters which were in Measurement Classes E, F and G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class E,F or G within that charging year. For example if a meter was in Measurement Class E,F or G before the 1st April 2017, it will be treated as Chargeable Demand Capacity (HH) for charging year 2017/18, for the time it was in either Measurement Class E,F or G within that charging year.

14.17.29.11 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.12 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class E, F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM3

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with meters migrating into Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate. Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (HH).

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 all demand associated with meters which were in Measurement Classes F and G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class F or G within that charging year. For example if a meter was in Measurement Class F or G before the 1st April 2017, it will be treated as Chargeable Demand Capacity (HH) for charging year 2017/18, for the time it was in either Measurement Class F or G within that charging year.

14.17.29.11 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.12 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM4

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes F will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) up until the Charging Year which begins after 31st March 2020. Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (HH).

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 all demand associated with meters migrating into Measurement Classes G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate.

14.17.29.11 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 all demand associated with meters which were in Measurement Classes G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class G within that charging year. For example if a meter was in Measurement Class G before the 1st April 2017, it will be treated as Chargeable Demand Capacity (HH) for charging year 2017/18, for the time it was in Measurement Class G within that charging year.

14.17.29.12 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.13 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for

the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

THE FOLLOWING LEGAL TEXTS INTRODUCE A YEARS DELAY TO THE PREVIOUS WACMS TO ALLOW FOR ANY DELAY IN P339 AND TO INTRODUCE A SYSTEM CHANGE WHICH ALLOWS DATA TO BE SPLIUT BASED ON THE YEAR IN WHICH IT MIGRATED.

There is no need to do anything for the Original as all meters will be charged NHH.

WACM5 (WACM1 with delay)

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year starting after 31st March 2017 up until the Charging Year which begins after 31st March 2018.

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year up until the Charging Year which begins after 31st March 2020. For each Charging Year which begins after 31 March 2018, demand associated with Measurement Class E, will be treated as Chargeable Demand Capacity (HH).

14.17.29.11 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.12 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM6 (WACM2 with delay)

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year starting after 31st March 2017 up until the Charging Year which begins after 31st March 2018.

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with meters migrating into Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate.

14.17.29.11 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with meters which were in Measurement Classes E, F and G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class E,F or G within that charging year. For example if a meter was in Measurement Class E,F or G before the 1st April 2018, it will be treated as Chargeable Demand Capacity (HH) for charging year 2018/19, for the time it was in either Measurement Class E,F or G within that charging year.

14.17.29.12 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.13 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class E, F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM7 (WACM3 with delay)

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year starting after 31st March 2017 up until the Charging Year which begins after 31st March 2018.

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with meters migrating into Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate. For each Charging Year which begins after 31 March 2018, demand associated with Measurement Class E, will be treated as Chargeable Demand Capacity (HH).

14.17.29.11 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with meters which were in Measurement Classes F and G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class F or G within that charging year. For example if a meter was in Measurement Class F or G before the 1st April 2018, it will be treated as Chargeable Demand Capacity (HH) for charging year 2018/19, for the time it was in either Measurement Class F or G within that charging year.

14.17.29.12 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.13 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G

in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.

WACM8 (WACM4 with delay)

HH Elective Metering from 1st April 2017. The following section describes how meters migrating to, or already within, Measurement Classes E,F and G will be charged in terms of TNUoS after 31st March 2017.

14.17.29.8 A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation for Non Half Hourly (NHH) meters migrating to Measurement Classes F & G for the charging year which begins after 31 March 2017.

14.17.29.9 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2017 demand associated with Measurement Classes E, F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year starting after 31st March 2017 up until the Charging Year which begins after 31st March 2018.

14.17.29.10 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with Measurement Classes F will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) up until the Charging Year which begins after 31st March 2020. For each Charging Year which begins after 31 March 2018, demand associated with Measurement Class E and G, will be treated as Chargeable Demand Capacity (HH).

14.17.29.11 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with meters migrating into Measurement Classes G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year (t) in which they migrate.

14.17.29.12 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2018 demand associated with meters which were in Measurement Classes G before 1st April (t) of the charging year starting after 31st March (t) will be treated as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging for the time it was in either Measurement Class G within that charging year. For example if a meter was in Measurement Class G before the 1st April 2018, it will be treated as Chargeable Demand Capacity (HH) for charging year 2018/19, for the time it was in Measurement Class G within that charging year.

14.17.29.13 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information.

14.17.29.14 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect the basis on which demand will be charged for TNUoS i.e. volumes associated with those Metering Systems that have transferred to Measurement Class F & G in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity.