

## CUSC Modification Proposal Form

# CMP384: Apply adjustments for inflation to manifest error thresholds using Indexation

**Overview:** To ensure that fixed manifest error thresholds stated within the CUSC account for inflation and are better aligned with current TNUoS tariffs to which they relate.

## Modification process & timetable



**Status summary:** The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken, requesting that it be treated as urgent and should proceed as such under a timetable agreed with the Authority.

### This modification is expected to have a: High impact

High Impact: All Users liable for Zonal TNUoS Charges

Low Impact: National Grid ESO

<b>Proposer's recommendation of governance route</b>	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)	
<b>Who can I talk to about the change?</b>	<b>Proposer:</b> Ryan Ward ryan.ward@scottishpower.com 0141 614 0000	<b>Code Administrator Contact:</b> Paul Mullen <a href="mailto:Paul.j.mullen@nationalgrideso.com">Paul.j.mullen@nationalgrideso.com</a> 07794537028

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## What is the issue?

The CUSC Section 14.17.34 contains fixed manifest error thresholds which were set and codified at appropriate levels at the time of consideration in October 2006, but which have not been subject to inflation since.

## Why change?

The manifest error thresholds contained in the CUSC are fixed and were set after a decision on GB ECM-05<sup>1</sup> charging modification. Prior to 2006, there had been no accounting for manifest errors. The subject of GB ECM-05 was the impact on Users being overcharged. A threshold was set that was an appropriate and proportionate level of materiality and User uncertainty was limited by restricting any changes to manifest errors found within the charging year. Thresholds should be set to balance the effect that over/under-recovery adjustments to TNUoS, caused by manifest errors, have on Users. If set too low, Users could be significantly impacted in a way that they are unable to incorporate into prices. This is especially true if the error is found late in the charging year. When the error thresholds were set 16 years ago, the TNUoS revenue was much lower than £3.5bn<sup>2</sup> which is where the 2022/23 TNUoS revenue currently stands. The Proposer considers it appropriate to update these thresholds.

At TCMF of 4<sup>th</sup> February<sup>3</sup>, ESO tabled that, by using the current CUSC thresholds (section 14.17.34), three Generator Users will be impacted. According to the information provided by ESO, the individual impact to each User is at least ±£250k. In line with CUSC section 14.17.32 the values will be invoiced in April 2022 to be paid in May 2022. The Proposer considers it appropriate to update the thresholds to ensure the balance of impacts on Users remains and that Users in this charging year and going forward are not disproportionately affected.

## What is the proposer's solution?

Apply an indexation approach to the manifest error thresholds (covered in sections 14.17.32 – 14.17.35). In simple terms, applying RPI until 31<sup>st</sup> of March 2021 and then the Transmission Owner Price Index (TOPI)<sup>4</sup> thereafter.<sup>5</sup>

This proposal will not be applied retrospectively to years prior to the current charging year (April 2021 to March 2022) but will apply to users in the current charging year and onwards to ensure they are not disproportionately impacted. If a decision to approve comes after the reconciliation for 2021/22 then as with the intention of GB ECM-05 this will be applied retrospectively for any affected Users in 2021/22 using the approach applied by National Grid in GB ECM-05.

<sup>1</sup> [Decision in relation to use of system charging methodology modification proposal GB ECM-05: Manifest data errors in the calculation of TNUoS | Ofgem.](#)

<sup>2</sup> See Table 15 of draft 2022/23 tariff publications <https://www.nationalgrideso.com/document/223556/download>.

<sup>3</sup> <https://www.nationalgrideso.com/document/235651/download>.

<sup>4</sup> TOPI is defined as the price index adjustment method as described in Part F of Special Condition 2.15 of the Relevant Transmission Licensee's Transmission Licence (TOPI makes use of CPIH (the Consumer Prices Index Including Owner Occupiers' Housing Costs)).

<sup>5</sup> Note that CMP356 ([CMP355 & CMP356 'Updating the Indexation methodology used in TNUoS and Transmission Connection Asset charges for RII02 \(CMP355\) & Definition changes for CMP355 \(CMP356\)' | National Grid ESO](#)) was previously raised to support CMP355 by adding the definition of Transmission Owner Price Index (TOPI) to Section 11 of the CUSC.

CUSC Section 14.17.34 will be amended to reflect a revised threshold value in 2020/21 real terms and to state going forward that it will be indexed by TOPI.

### **Draft legal text**

14.17.34 A manifest error shall be considered material in the event that such an error or, the net effect of multiple errors, has an impact of the lesser of either:

- a) an error in a User's TNUoS tariff of at least  $\pm\text{£}0.74/\text{kW}$ ; or
- b) an error in a User's TNUoS tariff which results in an error in the annual TNUoS charge of a User in excess of  $\pm\text{£}370,384$ .

*Thresholds are stated in 2020/21 money and will be indexed annually by the Transmission Owner Price Index (TOPI) thereafter.*

## What is the impact of this change?

### Proposer's assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	<b>Positive</b> The proposal will ensure that the manifest error thresholds are increased in line with inflation so that they remain relevant and reduce the possibility of an over/under recovery impacting Users directly which creates an unlevel playing field.
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	<b>Positive</b> The proposal will ensure that pass-through from manifest error is proportionate since it will index the threshold commensurate with TO price control volume indexation.
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	<b>Positive</b> The proposal will ensure that pass through of manifest errors is proportionate since the value set in 2006 would now be indexed with inflation.

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>Neutral</b>
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<b>Positive</b> The proposal will reduce ad hoc unexpected and inaccurately appropriated charges, late in the process.
*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

### Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	<b>Neutral</b>
Lower bills than would otherwise be the case	<b>Neutral</b>
Benefits for society as a whole	<b>Neutral</b>
Reduced environmental damage	<b>Neutral</b>
Improved quality of service	<b>Neutral</b>

## When will this change take place?

### Implementation date

Latest implementation is 31<sup>st</sup> March 2022. This is to ensure that any manifest errors for the current year 2021/22 are charged in an appropriate way and that Users are not directly and unduly impacted in this year.

This proposal will not be applied retrospectively to years prior to the current charging year (*April 2021 to March 2022*) as was the intention of GB ECM-05; however, as with GB ECM-05, if a decision is received after April 2022's reconciliation (of generator 2021/22 charges) then it will be applied for relevant Users during 2021/22 using the approach applied with GB ECM-05.

### Date decision required by

Latest 30<sup>th</sup> March 2022 to allow implementation by 31<sup>st</sup> March 2022 (*at the latest*).

### Implementation approach

This will amend the ESO plans for reconciliation charging. No process or system changes are required.

### Proposer's justification for governance route

Governance route: *Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)*

**This modification proposal is linked to a current and imminent issue that will have a significant commercial impact on CUSC parties (the Proposer argues this impact to be >£250K to each party) and therefore meets Ofgem's Urgency Criteria (a).**

Towards the end of the current charging year, the ESO identified a manifest error impacting three individual Users. However, the application thresholds associated with manifest errors in the CUSC have been in place at fixed values since 2006. Therefore, they are no longer appropriate since after 16 years they are outdated as a materiality threshold.

Updating the threshold by using indexation will be a more appropriate basis by which to judge materiality. This would give a more appropriate threshold of  $\pm£370,384$ . This will mean that Users will not be directly, unduly and inappropriately affected by a reconciliation process below the more appropriate threshold of  $\pm£370,384$ .

In this charging year, the reconciliation process will take place in April, after the charging year has ended, therefore, these Users will have been unable to reflect these additional costs in their prices. Implementing this modification proposal, by indexing the manifest error thresholds by 31<sup>st</sup> March 2022 would avoid this for those whose charges are below the more appropriate threshold of  $\pm£370,384$ .

## Interactions

- |   |   |  |                                |
|---|---|--|--------------------------------|
| <input type="checkbox"/> Grid Code              | <input type="checkbox"/> BSC                              | <input type="checkbox"/> STC                 | <input type="checkbox"/> SQSS  |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs <sup>6</sup> | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

No other interactions

## Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CPIH	Consumer Prices Index including Owner Occupiers' Housing Costs (UK)
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
GEMA	Gas and Electricity Markets Authority
RPI	Retail Price Index
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TCMF	Transmission Charging Methodologies Forum
TNUoS	Transmission Network Use of System
TOPI	Transmission Operator Price Index

## Reference material

- Decision in relation to use of system charging methodology modification proposal GB ECM-05: Manifest data errors in the calculation of TNUoS | Ofgem  
<https://www.ofgem.gov.uk/publications/decision-relation-use-system-charging-methodology-modification-proposal-gb-ecm-05-manifest-data-errors-calculation-tnuos>
- Table 15 of draft 2022/23 tariff publications  
<https://www.nationalgrideso.com/document/223556/download>)
- TCMF presentation  
<https://www.nationalgrideso.com/document/235651/download>
- CMP355&356  
[CMP355 & CMP356 'Updating the Indexation methodology used in TNUoS and Transmission Connection Asset charges for RIIO2 \(CMP355\) & Definition changes for CMP355 \(CMP356\)' | National Grid ESO](#)

<sup>6</sup> If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.