

Workgroup Consultation			
<h1>CMP398: GC0156 Cost Recovery mechanism for CUSC Parties</h1> <p><b>Overview:</b> The GC0156 proposal will place new obligations, within the Grid Code, upon CUSC Parties who are not contracted with the ESO as Restoration Service Providers. Therefore, a codified cost recovery mechanism is required to prevent the affected parties being commercially disadvantaged by the implementation of the new obligations.</p>	<h2>Modification process &amp; timetable</h2> <ol style="list-style-type: none"> <li>1 <b>Proposal Form</b> 15 September 2022</li> <li>2 <b>Workgroup Consultation</b> 03 January 2023 - 24 January 2023</li> <li>3 <b>Workgroup Report</b> 23 March 2023</li> <li>4 <b>Code Administrator Consultation</b> 04 April 2023 - 04 May 2023</li> <li>5 <b>Draft Final Modification Report</b> 18 May 2023</li> <li>6 <b>Final Modification Report</b> 07 June 2023</li> <li>7 <b>Implementation</b> TBC</li> </ol>		
<p><b>Have 5 minutes?</b> Read our <a href="#">Executive summary</a></p> <p><b>Have 20 minutes?</b> Read the full <a href="#">Workgroup Consultation</a></p> <p><b>Have 30 minutes?</b> Read the full Workgroup Consultation and Annexes.</p>			
<p><b>Status summary:</b> The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.</p>			
<p><b>This modification is expected to have a: High impact</b> on Suppliers and Generators</p>			
<b>Governance route</b>	Standard Governance modification with assessment by a Workgroup		
<b>Who can I talk to about the change?</b>	<table border="0"> <tr> <td style="vertical-align: top;"> <p><b>Proposer:</b> Garth Graham</p> <p><a href="mailto:garth.graham@sse.com">garth.graham@sse.com</a></p> <p>01738 456000</p> </td> <td style="vertical-align: top;"> <p><b>Code Administrator Chair:</b> Banke John-Okwesa</p> <p><a href="mailto:Banke.John-Okwesa@nationalgrideso.com">Banke.John-Okwesa@nationalgrideso.com</a></p> <p>07929716301</p> </td> </tr> </table>	<p><b>Proposer:</b> Garth Graham</p> <p><a href="mailto:garth.graham@sse.com">garth.graham@sse.com</a></p> <p>01738 456000</p>	<p><b>Code Administrator Chair:</b> Banke John-Okwesa</p> <p><a href="mailto:Banke.John-Okwesa@nationalgrideso.com">Banke.John-Okwesa@nationalgrideso.com</a></p> <p>07929716301</p>
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<b>How do I respond?</b>	Send your response proforma to <a href="mailto:cusc.team@nationalgrideso.com">cusc.team@nationalgrideso.com</a> by <b>5pm on 24 January 2023</b>		

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## Executive summary

### What is the issue?

Aspects of the [GC0156](#) proposal requires existing and future sites<sup>1</sup> which do not have a contract, between the CUSC Party and the ESO, for the provision of Restoration Services from the site (which the ESO has indicated is the vast majority of sites) will have an obligation (applied prospectively<sup>2</sup> and retrospectively<sup>3</sup>) to have 72 hours resilience onsite for their plant & apparatus (plus associated Communications infrastructure). Without an express cost recovery mechanism, new or further obligations, arising from ESRS / GC0156, will place those parties at a commercial disadvantage as they will have costs arising from ESRS / GC0156, but no route to recover their associated CAPEX costs incurred / to be incurred or an allowance for their OPEX costs incurred / to be incurred.

### What is the solution and when will it come into effect?

#### Proposer's solution:

A cost recovery mechanism in place for CUSC parties will prevent them from being in a commercially disadvantaged position and able to recover costs through BSUoS ([article 8](#) of Emergency & Restoration Network Code).

#### Implementation date:

The proposed implementation date is 10 working days after the Authority's decision to approve.

#### Summary of potential alternative solution(s) and implementation date(s):

No formal alternatives have currently been raised as part of this modification.

### What is the impact if this change is made?

This modification will affect:

- Generators
- Suppliers

The Proposer believes that this change will have a positive impact on CUSC Parties (that are not contracted Restoration Service Providers) by preventing them from being in a commercially disadvantaged position with the implementation of the new obligations arising from ESRS.

### Interactions

There is an interaction with GC0156 (as set out above) as well as in relation to compliance with Emergency & Restoration Network Code (ERNC).

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<sup>1</sup> At Transmission and, in terms of a BEGA or BELLA, at Distribution.

<sup>2</sup> To new sites going forward.

<sup>3</sup> To existing sites, if GC0156 is approved.

## What is the issue?

As part of its [GC0156](#) proposal, the ESO is proposing that for existing and future sites which do not have a contract, between the CUSC Party and the ESO for the provision of Restoration Services<sup>4</sup> from the site (which the ESO has indicated is the vast majority of sites), will carry an obligation (applied prospectively and retrospectively) to have 72 hours resilience onsite for their plant & apparatus (plus associated Communications infrastructure).

The ESO's high level current thinking, as presented and discussed at the late August 2022 GC0156 Assurance sub-group, about what the obligation would be is that:

*“ESRS will need the users/generators to be able to operate once auxiliary supplies are returned from the system. CUSC Parties will be required to assure their plant and apparatus for a resilience period of up to 72 hours such that when supplies are restored their plant and apparatus can be returned to service in an equivalent time scale that would be expected from a cold plant (had there not been a supply interruption).”*

*Their plant and apparatus should be such that their plant can be shut down in a safe manner in a Partial or Total Shutdown such that it does not pose a risk to plant or personnel without supplies for up to 72 hours so there is some assurance that the plant will not have to be subject to major component replacement thereafter.”*

The merits or otherwise of such an obligation (in the GC0156 Modification) is not strictly relevant for this (CUSC) Modification: which is just focused on an approach to cost recovery that arises from such an obligation.

The current understanding from the GC0156 Markets & Funding sub-group is that all parties which will have new (or further) obligations arising from the ESRS and / or GC0156 will and should have a cost recovery mechanism in place.

In the case of the ESO, TOs and DNOs it will be via their existing price control mechanism (and associated re-openers) as prescribed by law<sup>5</sup>. This allows those parties to recover their associated capital expenditure (CAPEX<sup>6</sup>) costs incurred / to be incurred and an allowance for their operational expenditure (OPEX<sup>7</sup>) costs incurred / to be incurred.

In the case of contracted Restoration Services Providers<sup>8</sup> (i.e. those with Restoration Contracts which could be CUSC Parties or non-CUSC Parties) this will be via the tender(s) / contract(s) that the ESO will undertake / enter into which allows those parties to recover their associated CAPEX costs incurred / to be incurred and an allowance for their OPEX costs to be incurred.

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<sup>4</sup> The ESO's indication to the GC0156 Workgroup is that the number of CUSC Party sites it anticipates contract with for RSP is a subset of the total.

<sup>5</sup> [Commission Regulation \(EU\) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration \(Text with EEA relevance\) \(legislation.gov.uk\)](#)

<sup>6</sup> Also known as capital expenses, capital expenditures can include the purchase of items such as new equipment, machinery, plant, land, buildings, business vehicles, software and intangible assets such as a patent or license.

<sup>7</sup> Examples of operating expenses include rent, depreciation, supplies, materials, insurance, repairs and maintenance expenses, utility expenses, rates, staff costs, travel costs, commodities, fuel and overheads.

<sup>8</sup> This is based on the ESO's view that a RSP is limited to those who have a contract with them to provide, going forward, an Anchor or Top-Up Service (as per GC0156).

It is relevant to note that the UK Government policy, when introducing the new 'Electricity System Restoration Standard'<sup>9</sup> (ESRS) in April 2021, stated that:

*"All parties have been supportive of the establishment of a new Electricity System Restoration Standard, so long as it is implemented in a way which does not commercially disadvantage individual parties."*

*"In the interim, Ofgem would put in place processes to monitor the implementation of the new Standard to ensure that the ESO remains on track with meeting this provision as part of its licence obligations and that any new services will not commercially disadvantage individual parties."*

In the absence of an express cost recovery mechanism for CUSC Parties (which are not contracted Restoration Service Providers) then any new or further obligations, arising from ESRS / GC0156, will place those parties at a commercial disadvantage as they alone; amongst all the obligated parties; will have costs arising, from ESRS / GC0156, but no existing route to recover their associated CAPEX costs incurred / to be incurred or an allowance for their OPEX costs incurred / to be incurred.

To address the defect, the Proposer believes that by allowing for a case-by-case assessment of bona fide CAPEX costs incurred and adopting the ESO's ALoMCP<sup>10</sup> allowance approach for ongoing generic OPEX costs, this will ensure that the relevant parties are not out of pocket and are not, therefore, placed at any commercial disadvantage.

### **Why change?**

In order to comply with UK Government policy and ensure that non-contracted CUSC Parties; who have new or further obligations, prospectively or retrospectively, to support the Electricity System Restoration Standard (currently, as per GC0156); are not commercially disadvantaged, it is necessary to enable them to recover their bona fide (case-by-case) CAPEX costs and an allowance for ongoing OPEX costs. Therefore, a mechanism is required to be introduced into the CUSC for that purpose: hence this Modification.

Furthermore, as the ESO set out in its GC0156 proposal<sup>11</sup>, when considering Applicable (Grid Code) Objective (a) as being positive, it stated that this was because it *"Provides a level playing field for Restoration Service Providers and CUSC Parties..."*. Without this (CUSC) Modification that would not be the case as contracted RSPs would be able to recover their costs whilst non-contracted CUSC Parties would not.

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<sup>9</sup> [Introducing a new 'Electricity System Restoration Standard': policy statement - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/introducing-a-new-electricity-system-restoration-standard)

<sup>10</sup> [The Accelerated Loss of Mains Change Programme \(ALoMCP\) | National Grid ESO ALoMCP did not include ongoing OPEX cost as there was no cost to recover](#)

<sup>11</sup> [download \(nationalgrideso.com\)](#)

## What is the solution and when will it come into effect?

### Proposer's solution

#### Claims Principles

- Based on the principle set out in Article 8<sup>12</sup> (Cost Recovery)<sup>13</sup> of ERNC
- *The costs borne by CUSC Parties stemming from the obligations laid down in GC0156 shall be assessed and those costs assessed as reasonable, efficient and proportionate shall be recovered via BSUoS.*

#### Items to be claimed for

- As per previous list of CAPEX cost items shared with BEIS, Ofgem, ESRS groups and GC0156 workgroup (and sub-groups) namely:
  - (i) *design an on-site solution to that Grid Code approved obligation;*
  - (ii) *identify costed solutions;*
  - (iii) *seek and obtain the necessary planning permission(s) and associated other permits etc.;*
  - (iv) *procure;*
  - (v) *construct;*
  - (vi) *commission<sup>14</sup>; and*
  - (vii) *train the necessary staff (as well as possibly recruit more staff); plus*
  - (viii) *Ongoing annual OPEX costs.*

#### Process to be followed

- Follow the process principles already established in the BSC<sup>15</sup> (Ofgem and BEIS approved<sup>16</sup>) for Generators to make *ex post* claims for costs<sup>17</sup> that arise under the Fuel Security Code<sup>18</sup> which, at a high level, would include:
  - CUSC Panel appoints committee of independent experts<sup>19</sup> (no CUSC Parties, or ESO, on the committee, Ofgem can observe) to assess claims.
  - Claims submitted directly to the committee.

<sup>12</sup> See Footnote (5) above for link.

<sup>13</sup> (1) *"The costs borne by system operators subject to network tariff regulation and stemming from the obligations laid down in this Regulation shall be assessed by the relevant regulatory authorities in accordance with Article 37 of Directive 2009/72/EC. Costs assessed as reasonable, efficient and proportionate shall be recovered through network tariffs or other appropriate mechanisms."*

<sup>14</sup> Including any assurance testing etc., arising from GC0156

<sup>15</sup> Section G of the BSC provides further details – see footnotes below for links to a summary of Section G as well as to the section itself.

<sup>16</sup> And therefore considered as simple and efficient (as they would not support a complex and inefficient approach).

<sup>17</sup> Known, in respect of the Fuel Security Code, as 'Exceptional Costs'.

<sup>18</sup> [Fuel Security Code \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

<sup>19</sup> It may be appropriate / efficient to have a subset of experts to consider one or more of the items (i)-(viii) who report back to the committee.

- Claims include all requisite information / justification needed by the committee (who can ask for further information if needed).
- *Ex ante* pre-expenditure approval requests (as can occur with Networks) can be submitted to the committee for CAPEX items in excess of £[100]k as well as *ex post*<sup>20</sup> claims.
- *Ex ante*<sup>21</sup> allowance for OPEX costs set by committee.

*Note: proposed changes to be made to the above proposed process are noted in the "Workgroup considerations" section.*

### Payment

- Claims for CAPEX costs incurred or to be incurred (including requests for pre-approval of expenditure) assessed by the committee to be *reasonable, efficient and proportionate*<sup>22</sup> shall be paid by the ESO within one month of the committee validated claim or pre-approved expenditure request.
- In the case of a pre-approved expenditure request, this can include an option for the payment (or stage payment), by the ESO, of the contractor / sub-contractor directly.
- For OPEX, the claims committee to set out, after consultation with stakeholders, an annual<sup>23</sup> allowance (inflated<sup>24</sup>); which maybe based on technology types / types of claimants and asset size; for such items as, for example, staff costs<sup>25</sup>, ongoing training<sup>26</sup>, assurance activities<sup>27</sup>, fuel<sup>28</sup>, maintenance, rates<sup>29</sup>, permit renewals, statutory equipment testing etc., etc.

### Avoidable Costs (AvCo)

As has been noted in the early September GC0156 Markets & Funding sub-group meeting, Section G<sup>30</sup> of the BSC<sup>31</sup> covers just those costs that arise during<sup>32</sup> (but not before<sup>33</sup>) any actual Total or Partial System Shutdown (a 'Black Start' event). These costs are limited to 'Avoidable Costs'<sup>34</sup> and do not cover either initial (or replacement) CAPEX or OPEX that arise out with a 'Black Start' event.

<sup>20</sup> But there can be no 'double dipping' / 'double payment' / 'double recovery' in terms of *ex ante* and *ex post* - although an *ex ante* claim, say, of £100k could be extended, via an *ex post* claim, by, say, £20k if the total cost comes in at £120k (but could not be £100k *ex ante* and £100k *ex post*). This additional, *ex post*, cost might, for example, arise where a contractor incurs subsequent additional (bona fide) costs.

<sup>21</sup> The suggestion would be to cover the period from 1<sup>st</sup> April to 31<sup>st</sup> March.

<sup>22</sup> Based on the legal standard set out in Article 8 ERNC as retained UK law.

<sup>23</sup> It may be appropriate for these payments to be made monthly.

<sup>24</sup> Such as by using CPI-H or the one set, for the TOs, by GEMA in the relevant price control.

<sup>25</sup> Such as overtime (if testing etc., needs to occur out with normal hours) or for additional staff.

<sup>26</sup> Both as determined by the equipment provider but also the training needs arising from GC0156 (as currently being discussed in the GC0156 Assurance sub-group).

<sup>27</sup> Including any assurance testing etc., arising from GC0156.

<sup>28</sup> Such as for testing purposes and for 'cycling' (as the fuel in the tank degrades over time and is replaced).

<sup>29</sup> Installing the additional equipment to meet the GC0156 obligation may give rise to a higher business rates charge.

<sup>30</sup> [Simple Guide to BSC Section G: Contingencies \(elexon.co.uk\)](https://www.elexon.co.uk/section-g-contingencies)

<sup>31</sup> [BSC Section G: Contingencies \(elexon.co.uk\)](https://www.elexon.co.uk/section-g-contingencies)

<sup>32</sup> Therefore, if no 'Black Start' event occurs, no 'Avoidable Cost' claims are able to be made under the BSC.

<sup>33</sup> Or indeed after.

<sup>34</sup> As defined in Section G of the BSC.

The Proposer suggests that within the solution for this (CUSC) Modification, wording is included to make clear that any party who is claiming, under this solution, funds for CAPEX (and the OPEX allowance) cannot subsequently seek to claim for those same costs under any (BSC) Section G claims (if it arises) – there can be no ‘double dipping’/ ‘double payment’ / ‘double recovery’.

Therefore, the intent would be to include wording, in the (CUSC) solution, that permits the documentation / information / submission(s) made by any party to the (CUSC) claims committee set up for this Modifications’ purpose to be subsequently shared with any BSC appointed (Section G) Claims Committee that is considering ‘Avoidable Cost’ claims.

## Workgroup considerations

The Workgroup convened 2 times to discuss the perceived issue, detail the scope of the proposed defect and assess the proposal in terms of the Applicable Code Objectives.

At the first workgroup meeting, the Proposer delivered a presentation outlining the proposed solution and its benefits. The discussions on various aspects of the modification proposal are detailed below:

### Cost Recovery Mechanism

The issue of recovery of the cost was discussed, and it was agreed that this would be via BSUoS. Some Workgroup members were interested to know how the costs of the claims could fit in with the potential fixed annual BSUoS that [CMP361](#) could introduce. The ESO representative noted that under the current baseline approach, the underlying costs that drive BSUoS are passed on as BSUoS charges as they are incurred. Supposing CMP361 or one of its variants is implemented, some degree of annual fixing of a flat forecast BSUoS charges would need to be done by the ESO.

### Claims committee

In terms of the process of recovering costs, the proposed approach is to follow the process principles already set out in the BSC for generators to make *ex post* claims under the Fuel Security Code (FSC). To this regard, the CUSC Panel will appoint a committee of independent experts to assess claims excluding CUSC Parties or ESO (Ofgem may observe). Some workgroup members felt that conflict of interest may arise from this proposed arrangement. The Proposer suggested that to avoid this, the proposed solution will be modified to include that the President of the Chartered Institute of Arbitrators could be asked to appoint the members of the claims assessment panel and not the CUSC panel.

The ESO representative felt that including the ESO in the claims committee might be more reasonable although, the Proposer’s rationale against this is to prevent issues of commercial confidentiality and conflict of interest. The Proposer felt the ESO may face the issue of resource constraint or lack of required expertise such as power station operations experts. The ESO representative suggested that the ESO does have ex power station staff, and that if the settlements department lacked expertise, consultancy support could be sought. Also, the ESO has balanced incentives in terms of running an economic transmission system yet complying in future with the new ESRS licence condition. In response to this, the Proposer noted that the ESO’s cost of compliance with the new ESRS licence condition is recoverable by the ESO.



Majority of the workgroup supported the proposed requirement to set up an independent claims committee as this would avoid any potential conflicts of interest and maximise industry confidence in the process. Renumeration of the committee was discussed, and it was suggested that the renumeration process under the BSC will be adopted – the daily pay rate of committee members will be decided by the President of the Chartered Institute of Arbitrators.

#### Proposed Payment Process

The proposed approach for payments would be that claims for CAPEX costs incurred or requests for pre-approved expenditure (starting at a proposed level of £100k) assessed by the committee should be reasonable, efficient, and proportionate and shall be paid by the ESO within one month of the claim or pre-approved expenditure request. For OPEX, claims committee to set out, after consultation with stakeholders, an annual allowance (inflated) which will be based on technology types/types of claimants and asset for size; costs for staff; ongoing training; fuel etc.

A Workgroup member asked how the ESO will estimate the annual total cost of claims. The ESO representative advised the Workgroup that the ESO view at the October 2022 CUSC Panel meeting was that the Workgroup would assess cost estimates as it may be difficult for the ESO due to not having the required information; and it was on this basis that item (f) had been included in the Workgroup's Terms of Reference: "*Use reasonable endeavours to consider the cost impacts and benefits on consumers*".

The Proposer noted that the ESO, via a request issued on the ESO's behalf by BEIS, had recently obtained cost information for meeting the 72 hours resilience requirement. Majority of Workgroup members felt that cost estimation/analysis did not fall within the remit of this modification as it is seeking to clarify cost mechanisms and will not impose costs on parties. The Workgroup felt that it is more appropriate that cost estimation/analysis is carried out as part of the GC0156 modification.

#### ESO response to Proposal Requirements

The ESO representative felt that the measures set out in the modification proposal would have been considerably different if the cost would have been borne by the generator and the ESO believed that a number of generators were compliant with the new GC0156 obligations. Majority of the Workgroup disagreed and supported that funding is necessary.

The ESO representative contended that the probabilistic assessment of compliance would be more pessimistic, and work deemed necessary to comply and claims submitted might be higher, if compliance costs were ultimately consumer-funded and not generator-funded. A Workgroup member was concerned to ensure that costs could materially be reduced for a minor diminution of compliance with GC0156 and that this should be considered. In response, the Proposer suggested below additional legal text (agreed by the Workgroup) to assist in minimising costs:

*"The Claimant party shall use reasonable endeavours, exercising good Industry practice, to identify if compliance with the GC0156 requirement could be achieved at a materially lower cost by meeting a lesser technical requirement (such as by providing resilience for less than 72 hours) and if so, then they shall advise the ESO accordingly and liaise with the ESO about possible solutions associated with a derogation. If appropriate, they shall*

*seek a derogation from Ofgem on that basis. If a derogation is not forthcoming then the cost (subject to being reasonable, efficient and proportionate) shall be claimed for.”*

#### Proposed changes to the original proposed solution

Following workgroup discussions and deliberations, the Proposer made some changes to certain aspects of the initial proposed solution:

- To avoid conflict of interest, the President of the Chartered Institute of Arbitrators should be asked to appoint the members of the claims assessment panel not the CUSC panel.

#### **Draft legal text**

The Legal text will be prepared post Workgroup Consultation, based on the Proposer's solution.

### **What is the impact of this change?**

CUSC Parties (that are not contracted Restoration Service Providers) from being in a commercially disadvantaged position by the implementation of the new obligations arising from ESRS.

#### **Proposer's assessment against Code Objectives**

##### **Proposer's assessment against CUSC Non-Charging Objectives**

<b>Relevant Objective</b>	<b>Identified impact</b>
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive Provide assurance that the new licence obligation issued in Oct 2021 can be satisfied and discharged in a non-discriminatory way.
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive By ensuring that CUSC Parties who are obligated by the Grid Code (but do not have a relevant contract with the ESO) to undertake activities required for ESRS are able to recover their bona fide costs this will facilitate effective competition in the generation and supply of electricity.

(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive  By having a simple and efficient procedure for any bona fide costs to be recoverable this will promote efficiency in the administration of the CUSC arrangements.
*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

**Standard Workgroup consultation question:** Do you believe that CMP398 Original proposal better facilitates the Applicable Objectives?

### When will this change take place?

#### Implementation date

10 Business Days after an Authority decision.

#### Date decision required by

According to the current timeline for the GC0156 modification, the FMR is planned to be submitted to GEMA on 05 June 2023. To ensure that GEMA has access to the complete package of code changes arising from ESRS it is necessary that this CUSC Modification FMR is also provided to GEMA at the start of June 2023.

#### Implementation approach

It will be necessary, once approved, for the President of the Chartered Institute of Arbitrators to appoint a claims committee to assess (CAPEX) claims and consider the (OPEX) allowance.

**Standard Workgroup consultation question:** Do you support the implementation approach?

### Interactions

- |                                                            |                                                            |                                              |                                |
|------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> Grid Code              | <input type="checkbox"/> BSC                               | <input type="checkbox"/> STC                 | <input type="checkbox"/> SQSS  |
| <input checked="" type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs <sup>35</sup> | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

<sup>35</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.

There is an interaction with GC0156 (as set out above) as well as in relation to compliance with ERNC. However, the proposed solution for this modification will have no impact on the Electricity Balancing Regulation (EBR).

## How to respond

### **Standard Workgroup consultation questions**

1. Do you believe that CMP398 Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

### **Specific Workgroup consultation questions**

5. Given that most generators have some inherent resilience that has to be maintained regardless of this modification/regardless of ESRS, do you believe the inherent resilience should be considered when generators are requesting for funding for 72hrs resilience? If so, please explain why?
6. The terms of reference of the workgroup requests that the workgroup estimates a cost impact for this modification, if approved. Do you have any cost information (anonymised/hypothetical) for CMP398 that you can share with the Workgroup? if so, please do so.
7. The Proposer is considering adding this wording to CMP398: *“The Claimant party shall use reasonable endeavours, exercising good Industry practice, to identify if compliance with the GC0156 requirement could be achieved at a materially lower cost by meeting a lesser technical requirement (such as by providing resilience for less than 72 hours) and if so, then they shall advise the ESO accordingly and liaise with the ESO about possible solutions associated with a derogation. If appropriate, they shall seek a derogation from Ofgem on that basis. If a derogation is not forthcoming then the cost (subject to being reasonable, efficient and proportionate) shall be claimed for.”* Do you consider there would be a lot of such cases?
8. Do you agree with the proposed level of £100k for ex ante pre approval or should the level be higher or lower than this, and if so, why?

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) using the response pro-forma which can be found on the [CMP398](#) modification page.

<https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp398-gc0156-cost>

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

*If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.*

## Acronyms, key terms and reference material

Acronym / key term	Meaning
ALoMCP	Accelerated Loss of Mains Change Programme (see footnote 10)
BEGA	Bilateral Embedded Generation Agreement
BEIS	(UK Govt Dept of) Business, Energy & Industrial Strategy
BELLA	Bilateral Embedded Licence exemptable Large power station Agreement
BSC	Balancing and Settlement Code
CAPEX	Capital Expenditure (see footnote 6)
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ERNC	Emergency & Restoration Network Code
ESO	Electricity System Operator (aka "The Company")
FSC	Fuel Security Code
ESRS	Electricity System Restoration Standard (see footnote 9)
GEMA	Gas and Electricity Markets Authority (aka "The Authority")
OPEX	Operational Expenditure (see footnote 7)
RSPs	Restoration Service Providers
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

## Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference