

CUSC Modification Proposal Form

CMP408: Allowing consideration of a different notice period for BSUoS tariff settings

Overview: Following the approval of CMP361 WACM 3, of an ex-ante fixed BSUoS tariff with a 9 month notice and 6-month fix. Ofgem have stated that there is a need to amend the notice periods and therefore, this modification seeks to amend the notice period to a 3-month notice period.

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.

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

Final Demand Users, Suppliers, Electricity System Operator

**Proposer's
recommendation
of governance
route**

Standard Governance modification with assessment by a Workgroup

**Who can I talk to
about the change?**

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What is the issue?

BSUoS charges are how the ESO recovers the costs associated with balancing the electricity system. CMP361 and CMP362 were raised to implement the recommendation of the second Balancing services task force to recover BSUoS charges as a flat volumetric charge set on an ex-ante basis. This is in addition to CMP308, which following its approval in April 2022 will move BSUoS charges to final demand only. All have an implementation date of 01 April 2023.

In October 2022, Ofgem consulted on their position for CMP361 and CMP362 and received consultation responses indicating that BSUoS certainty is important, particularly avoiding mid-period tariff resets. Following the approval in December 2022, of CMP361/362 WACM 3, that identifies a 9-month notice and 6-month fix for BSUoS tariffs, however noting that the notice period requires further input from industry. Ofgem have clearly stated that they continue to believe that a 3-month Notice Period is appropriate. Subsequently, the ESO are raising this CUSC modification by Ofgem to address this concern.

Why change?

Since the CMP361/362 workgroup finished in summer 2021, BSUoS costs have been much higher and more volatile. In order to ensure the tariffs provide suppliers with sufficient advance notice of charges and mitigates the risk of inaccuracy in a forecast set in advance, we are proposing updating the Notice Period to 3 months. A shorter notice period allows for more accurate BSUoS tariff settings, removing the need to include risk premia in supplier's cost forecasting. We expect to discuss implementation arrangements at workgroup. The BSUoS tariffs for the first two 6-month periods (1 April 2023 to 30 September 2023 and 1 October 2023 to 31 March 2024) will be published by the end of January 2023. Our view is the 3-month notice period, if approved, should be implemented for the next available tariff period and would supersede any prior published tariff under the 6-month notice period. We believe the benefits to improved forecast accuracy from moving to the 3-month notice period, while BSUoS costs are generally high and volatile, outweigh the disadvantages of republishing the tariff.

What is the proposer's solution?

On balance, we consider that a shorter notice period should be considered. Our proposed solution has the following features:

- 3-month notice period i.e. final tariff published by 3 months in advance of the tariff starting every 6 months, so 1 January and 1 June each year.
- Implementation of the amended notice period would be for the next available tariff period to allow for ESO tariff publication.

Draft legal text

CUSC Section 14.31 would need to be updated to implement this modification to change the notice period of BSUoS tariff setting.

What is the impact of this change?

Proposer's assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
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(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;	Positive The shorter notice period allows for more accurate forecasting for BSUoS costs, therefore allowing a reduction in risk premiums being charged to consumers.
(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);	Positive The proposal improves cost reflective charging due to a shorter notice period, meaning that forecasts should be more accurate.
(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;	Positive The proposal supports implementation of the recommendation of the second Balancing Services Task Force by addressing industry concerns about a shorter notice period will allow for increased accuracy on BSUoS forecasting.
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral No impact
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive The proposal supports the overall aim to implement an ex-ante BSUoS solution with the greatest overall benefit. A shorter notice period means the tariff is likely to be more accurate with less risk of tariff reset during the fixed period, or even during the notice period.

**The Electricity Regulation referred to in objective (d) 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.

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	Neutral No impact
Lower bills than would otherwise be the case	Positive A shorter notice period allows for more accurate forecasting further reducing the need for risk premia.
Benefits for society as a whole	Neutral No impact
Reduced environmental damage	Neutral No impact
Improved quality of service	Positive A shorter notice period means less risk of needing to reset the tariff within the fixed period as generally forecast accuracy improves across the time horizon.

When will this change take place?

Implementation date

01 April 2024

Date decision required by

To allow the ESO time to publish a final tariff under the approved methodology a decision is required by Ofgem by October 2023.

Implementation approach

Limited IT changes are required prior to the implementation date.

Proposer's justification for governance route

Governance route: Standard Governance modification with assessment by a Workgroup

The workgroup route has been selected to engage industry further on the need for a shorter notice period. Extensive discussion was done in prior workgroups for CMP361, however given the changing BSUoS landscape, with increased volatility, more discussion is needed to ensure 3 months' notice period is still appropriate.

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 ¹ | <input checked="" type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

Ofgem have asked the ESO to raise a modification with a different notice period other than that, that has been approved in CMP361/362 WACM 3.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
WACM	Workgroup Alternative Code Modification
ESO	Electricity System Operator
CMP	CUSC Modification Proposal
BSUoS	Balancing Services Use of System charges

Reference material

- [CMP 361/362 – Minded to decision and draft impact assessment](#)
- [CMP361/362 – Second Ofgem Consultation](#)
- [Ofgem response to publication of the final report of the second BSUoS Task Force](#)
- [Final Report – Second Balancing Services Charges Task Force](#)
- [Targeted Charging Review: Decision and Impact Assessment](#)

¹ 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.