



**Transmission Charging
Methodologies Forum and
CUSC Issues Steering
Group**

Meeting 134 - 04 May 2023

Agenda

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| 1 | Introduction, meeting objectives and review of previous actions Claire Huxley - ESO | 10:30 - 10:35 |
| 2 | Code Administrator update Paul Mullen - Code Administrator ESO | 10:35 - 10:45 |
| 3 | GB Connections Reforms verbal update Dovydas Dyson - ESO | 10:45 - 10:55 |
| 4 | TCMF Sub-group – Enduring Fixed BSUoS verbal update Damian Clough - SSE | 10:55 - 11:05 |
| 5 | OTNR update Nitin Prajapati - ESO | 11:05 - 11:15 |
| 6 | Deep dive on the TO revenue change from November forecast to January final tariff Nick Everitt & Ishtyaq Hussain - ESO | 11:15 - 11:35 |
| 7 | AOB and Meeting Close Claire Huxley - ESO | 11:35 - 11:50 |
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TCMF Objective and Expectations

Objective

Develop ideas, understand impacts to industry and modification content discussion, related to the Charging and Connection matters.

Anyone can bring an agenda item (not just the ESO!)

Expectations

Be respectful of each other's opinions and polite when providing feedback and asking questions

Contribute to the discussion

Language and Conduct to be consistent with the values of equality and diversity

Keep to agreed scope

Review of previous actions

ID	Month	Agenda Item	Description	Owner	Notes	Target Date	Status
23-02	Mar 23		To present a deep dive on the TO revenue change from November forecast to January final tariff at TCMF.	Nick George / Nick Everitt		May	Open

Code Administrator update

Paul Mullen - Code Administrator ESO

Key Updates since last TCMF

New Modifications

- **CMP414** (Enact the Workgroup solution from **CMP330/CMP374**, by updating Exhibit B, Section 2 and Section 11 of the CUSC) – Code Administrator Consultation to be issued 1 June 2023 for both **CMP414** and **CMP330/CMP374** (Contestability re: Transmission Connections)

Decisions

- **CMP288** (Charging arrangements for customer delays and backfeeds) – will be Authority send-back (as confirmed by Ofgem at April 2023 CUSC Panel)

Key Updates since last TCMF

Current Consultations

- **CMP376** (Queue Management) - Code Administrator Consultation closing 5pm on 4 May 2023.
- **CMP392** (Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation) - Workgroup Consultation closing 5pm on 5 May 2023
- **CMP398** (GC0156 Cost Recovery mechanism for CUSC Parties) and **CMP412** (CMP398 Consequential Charging Modification) - Code Administrator Consultations opened 2 May 2023 and to run until 2 June 2023
- **CMP408** (Allowing consideration of a different notice period for BSUoS tariff settings) – Workgroup Consultation opened 27 April 2023 and to run until 22 May 2023
- **CMP331** (*Option to replace generic Annual Load Factors (ALFs) with site specific ALFs*) - Code Administrator Consultation will run from 9 May 2023 to 5pm 31 May 2023

Other

- **CMP315/CMP375** (Expansion Constant Review) – Workgroup Report was due to be presented to May 2023 Panel but potential changes to one of the options
- **CMP385** (Improvements to Securities and Liabilities provisions within CUSC) - formally withdrawn at CUSC Panel 28 April 2023
- **CMP396** (Re-introduction Of BSUoS on Interconnector Lead Parties) - Independent legal advice now published and next steps to be agreed at May 2023 Panel.
- **CMP410** (Payment Timescales for Monthly Payments) – Appeals Window 14 April 2023 to 5pm on 9 May 2023.
- **CMP413** (Rolling 10-year wider TNUoS generation tariffs) – 1st Workgroup 11 May 2023

Useful Links

For updates on all “live” Modifications please visit our “Modification Tracker” [here](#)

Ofgem’s expected decision date / date they intend to publish an impact assessment or consultation, for code modifications/proposals that are with them for decision is [here](#)

For summary of key decisions at latest Panel please click [here](#)

For current prioritisation stack please click [here](#)

CUSC 2023 - Panel dates

CUSC	Panel Dates	Papers Day	Modification Submission Date	(TCMF) CUSC Development Forum
January	27 (Face to Face Meeting)	19	12	5
February	24	16	9	2
March	31	23	16	9
April	28 (Face to Face Meeting)	20	13	6
May	26	18	11	4
June	30	22	15	8
July	28 (Face to Face Meeting)	20	13	6
August	25	17	10	3
September	29	21	14	7
October	27 (Face to Face Meeting)	19	12	5
November	24	16	9	2
December	15	7	30/11	23/11

GB Connections Reforms verbal update

Dovydas Dyson - ESO



TCMF Sub-group – Enduring Fixed BSUoS verbal update

Damian Clough - SSE



OTNR update

Nitin Prajapati - ESO

Offshore Coordination Code Modification Sub-Groups

Since the last update in January, the ESO have set up two Offshore Coordination (OC) Code Modification Sub-Groups with industry members, one focussing on TNUoS charging arrangements and the other considering the technical methodology.

OC Code Modification Sub-Group: TNUoS Charging Arrangements

- Four Sub-Group meetings have been held, primarily discussing the Holistic Network Design (HND) and focusing on the principles to be adopted when assigning a generation zone to offshore assets for Wider Tariff Purposes.
- Several options for key principles were discussed and assessed by the Sub-Group and following feedback it was agreed that adopting the current principles and methodology where possible (i.e. use of locational signals etc) to create new offshore zone/s was preferable.
- During discussions it has been noted there are interactions between any potential offshore generation zones modification and the outcome of CMP315/375 (expansion constant review) as well a need to review the current zoning methodology as per Ofgem's request on CMP324/5.
- We are currently working on drafting a modification that considers offshore zoning in the context of the expansion constant review and a wider review taking into consider Ofgem's request on CMP324/5.
- Within the Sub-Group we have also started to discuss the approach to reviewing onshore generator charges for their use of or access to the offshore non radial transmission. We will continue this discussion in the coming weeks.

Offshore Coordination Code Modification Sub-Groups

OC Code Modification Sub-Group: Technical Methodology Considerations

- The first Sub-Group meeting was held in late April.
- The first meeting gave the opportunity for the members to outline their thoughts on the most important technical issues.
- There was an assessment of five proposed solutions related to considerations relating to Generator Commissioning clauses.
- An internal working group at ESO is digging deep in to the technical codes to understand HND implications:
 - Security and Quality of Supply Standard: Areas in Chapter 1 and 7 have been assessed and solutions are being developed.
 - Grid Code: Assessment of ECC Section 6 is on-going, as well as issues relating to Multi-terminal HVDC links
 - The System Operator Transmission Owner Code: Section K will be assessed.

In Progress OTNR Code Modifications

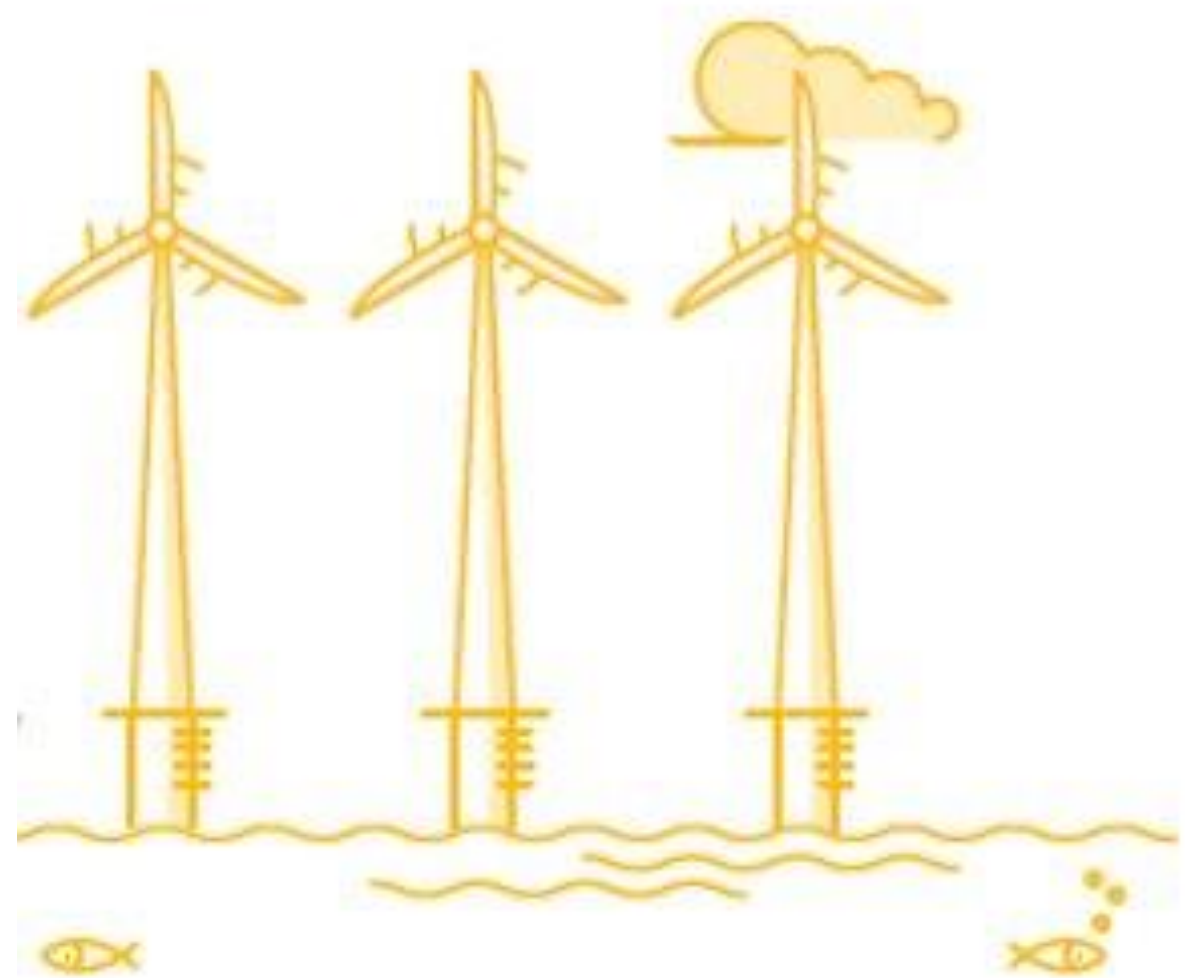
CMP411: Introduction of Anticipatory Investment (AI) principles within the Section 14 Charging Methodologies

- Two Working Group (WG) meetings have been held in April with the next one planned for late May.
- A process diagram outlining the recovery method for AI and the AI Cost Gap has been discussed along with the proposed approach from a calculated perspective.
- There has also been discussions around the appropriate tariff to recover the AI Cost Gap, the application of inflation, the duration of the AI Cost Gap recovery period as well as implications of the subsequent generator failing to connect.
- In the next WG meeting we will go through a worked example and talk through more detail on the application of AI to the HND.

CMP402: Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements

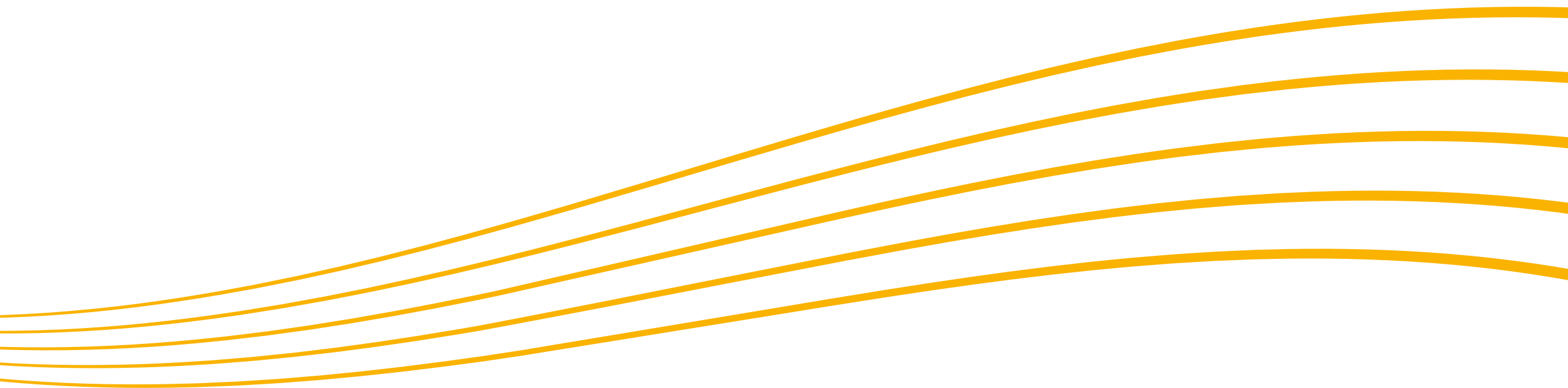
- There have been four WG meetings to date, with the next workgroup meeting proposed for mid May.
- The group have talked through a number of alternate solutions to the Proposers fixed pre and post Financial Investment liability percentages. In summary, the suggested alternate proposals are:
 - Application of an asset reuse factor (which will follow current CUSC Section 15 principles)
 - Liabilities are calculated in line with the Early-Stage Cost Assessment process
 - Sharing factor
 - Capping in alignment with proportion of AI cost determination
- Although outside of the remit of the CUSC proposal, it has been suggested that once the Early-Stage Cost Assessment guidance has been published by Ofgem, this may help to aid future discussions.

Thank you!
Any questions?



Deep dive on the TO revenue change from November forecast to January final tariff

Nick Everitt & Ishtyaq Hussain - ESO



TO increase costs for TNUoS final tariffs context

- TNUoS Final Tariffs revenue to be collected increased by c.£450m since the draft tariff forecast in November. The main drivers were by changes in TO MAR.
- At the tariff webinar on 14th February, it was indicated that there were 2 drivers to this increase in MAR:
 1. Inflation
 2. K-correction
- **Inflation:** This increased the TO MAR by c.£288m. The inflation factor is based on the whole year so wouldn't have been known for draft submission.
- **K-correction:** This increased the TO MAR by c.£180m since draft forecast. It used to be the case that the K correction would recover T-2 but that has changed for RIIO-2. K correction now recovers under recovery for the previous year. This translates to higher movement in K correction between draft and Final tariff submission.
- We will reach out to the TO's to see if they can send representatives for future TCMF's / Final tariff submission webinars to help understand the main drivers behind the variance of draft and Final tariff submission.

TO Revenue comparison between Draft and Final Tariffs

Transmission Revenue Forecast			NGET			SSE			SP			Total		
Description	Licence Term	Draft	Final	Variance	Draft	Final	Variance	Draft	Final	Variance	Draft	Final	Variance	
		2023/24			2023/24			2023/24			2023/24			
Inflation 2018/19	PI _{2018/19}	283.3	283.3	0.0	283.3	283.3	0.0	283.3	283.3	0.0	849.9	849.9	0.0	
Inflation	PI _t	342.0	351.6	9.7	342.0	351.6	9.7	349.3	351.6	2.3	1033.2	1054.9	21.7	
Opening Base Revenue Allowance (2018/19 prices)	A1 R _t	1788.8	1843.7	54.8	602.2	661.6	59.3	378.4	408.9	30.5	2769.4	2914.1	144.7	
Price Control Financial Model Iteration Adjustment	A2 ADJ _t	37.2	56.1	18.9	-22.4	-20.2	2.3	19.2	22.1	2.9	33.9	58.0	24.1	
[ADJR_t = R_t * PI_t / PI_{2018/19} + ADJ_t]	A ADJR_t	2196.4	2344.4	148.0	704.5	801.0	96.5	485.7	529.6	43.9	3386.6	3675.0	288.4	
SONIA	B1 It-1	4.78%	2.28%	-2.50%	4.78%	2.28%	-2.50%	4.78%	2.28%	-2.50%	14.35%	6.85%	-7.49%	
Allowed Revenue	B2 AR _{t-1}	1,761.4	1,763.4	2.1	662.4	662.4	0.0	357.6	359.2	1.6	2,781.4	2,785.0	3.6	
Recovered Revenue	B4 RR _{t-1}	1,761.4	1,658.0	-103.3	670.9	623.0	-47.9	336.1	332.3	-3.8	2,768.4	2,613.4	-155.0	
Correction Term [K_t = (AR_{t-1} - RR_{t-1}) * (1 + I_{t-1} + 1.15%)]	B K_t	0.0	109.0	109.0	-9.0	40.8	49.8	22.8	27.8	5.0	13.7	177.5	163.8	
Legacy pass-through	C1 LP _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Legacy MOD	C2 LMOD _t	-53.2	-54.7	-1.5	16.5	14.0	-2.5	-11.6	-11.6	-0.1	-48.3	-52.3	-4.0	
Legacy K correction	C3 LK _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Legacy TRU term	C4 LTRU _t	-1.6	-1.6	-0.0	0.0	3.4	3.4	1.3	1.3	0.0	-0.3	3.0	3.4	
Close out of the RIIO-ET1 stakeholder satisfaction output	C5 LSSO _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme	C6 LEDR _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Close out of the RIIO-ET1 Incentive in respect of the sulphur hexafluoride (SF6) gas emissions incentive	C7 LSF _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied	C8 LRI _t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Close out of RIIO-1 Network Outputs	C9 NOCO _t	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.0	
Legacy Adjustment [LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + LSSO_t + LEDR_t + LSF_t + LRI_t]	C LAR_t	-54.8	-56.3	-1.5	16.5	17.4	0.9	-10.2	-10.3	-0.1	-48.5	-49.2	-0.7	
Total Allowed Revenue [AR_t = ADJR_t + K_t + LAR_t]	D AR_t	2141.6	2397.1	255.4	711.9	859.1	147.2	498.2	547.1	48.9	3351.8	3803.3	451.5	

AOB & Close