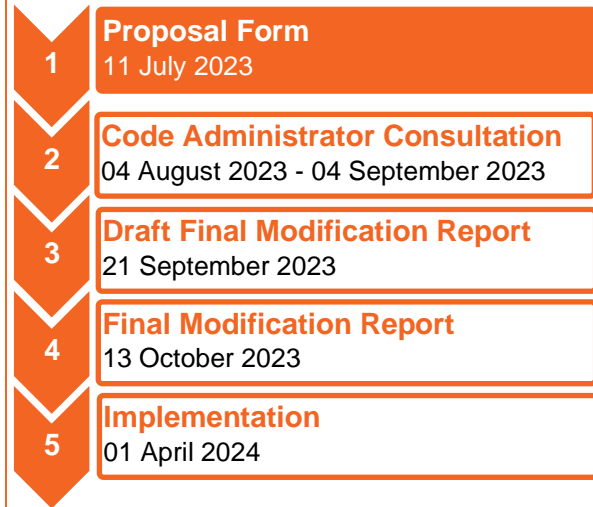


CUSC Modification Proposal Form

CMP416: Amending the Fixed Price Period from 6 to 12months with two seasonal tariffs

Overview: This modification is a consequential modification for CMP408 which looks at a change to a definition in Section 11, amending the Fixed Price Period from 6 months to 12 months with two seasonal tariffs.

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 to proceed straight to Code Administrator Consultation
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Who can I talk to about the change?	Proposer: Alice Taylor Alice.taylor@nationalgrideso.com 07895310443	Code Administrator Contact: Claire Goult Claire.goult@nationalgrideso.com 07938737807
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What is the issue?

[CMP408](#) has been raised as a charging modification to amend the Notice Period from 9 months to 3 months for the Fixed BSUoS tariffs. Under the terms of reference there is consideration of an amendment to the Fixed Price Period of BSUoS in which the definition falls under Section 11 of the CUSC. This modification is being raised in conjunction to [CMP408](#), to change the definition of the Fixed Price Period from 6 months to 12 months, with two seasonal tariffs: a spring summer tariff and an autumn winter tariff. This change is substantially different to that of CMP415 as it allows for two 6 month tariffs within one fixed period. The split tariff would prevent excessive under-recovery of costs in the summer in comparison to the winter. An under-recovery would mean a tariff reset is needed which would mean increased costs to suppliers and end consumers.

Why change?

The existing [CMP408](#) modification proposal will be assessed under the CUSC Charging Applicable Objectives (applicable to Section 14 only). Discussions within [CMP408](#) has led to this modification being raised due to an additional change falling outside of Section 14. The proposed change is being made to Section 11 amending the definition of the Fixed Price Period from 6 months to 12 months, with two seasonal tariffs: a spring summer tariff and an autumn winter tariff. The split tariffs over a 12 month fixed period provides increased accuracy to suppliers when setting BSUoS related costs over that of one tariff within a 12 month fixed period, while still providing the sufficient notice of these tariffs for suppliers to price contracts.

This change is substantially different to CMP415 as it allows for a better risk management method than tariff resets within a Fixed Period. The allowance of two tariffs within a 12 month Fixed Period, can reduce the likelihood of the ESO's working capital fund being depleted mid-year while still providing the certainty to suppliers of BSUoS costs. The impact is that suppliers can further reduce risk premia being built into their prices which lowers costs to end consumers.

Evidence

A fixed BSUoS charge applied on a £/MWh basis means the value of BSUoS recovered across a financial year by the ESO is directly related to BSUoS volume. However, the BSUoS costs incurred are not related to this and can be relatively flat across the year. With a single fixed £/MWh charge (one tariff), this may result in the ESO significantly under-recovering during the summer months with this shortfall recovered over winter.

Given the higher BSUoS costs that have been seen in 2022/2023 there is a risk that the ESO's working capital fund is depleted, requiring a mid-year tariff change, which erodes the benefits of fixed BSUoS to suppliers and end consumers on price certainty. This solution is therefore proactive in preventing this from happening by allowing a spring summer tariff (1 April to 30 September) and an autumn winter tariff (1 October to 30 March).

This change would help support the ESO's working capital and market mechanisms while ensuring that the result will be cash neutral across the whole of the financial year so that there is no additional cost to suppliers and end consumers. This therefore offers suppliers the longer fixed period, whilst providing additional certainty over BSUoS costs via the two tariffs which not only reduces the need for risk premia but also reduces the likelihood of the ESO working capital fund being depleted within a fixed period, subsequently reducing the likelihood of tariff resets within a fixed period.

Full seasonality analysis can be found in Annex 2.

What is the proposer’s solution?

This modification should be considered in conjunction with [CMP408](#) in terms of approval and implementation.

This change relates to a definition of Fixed Price Period in Section 11.

Legal text

“Fixed Price Period”

the period of time during which the **Fixed BSUoS Price** applies. Each **Fixed Price Period** shall apply for ~~six~~ twelve months, from 1st April to ~~30th September and 1st October to~~ 31st March, comprising:
 (a) the Spring Summer Tariff (1st April to 30th September); and
 (b) the Autumn Winter Tariff (1st October to 31st March).

Full legal text can be found in Annex 1.

What is the impact of this change?

Proposer’s assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Neutral [Please provide your rationale]
(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 The two split tariffs within the 12 month fixed period accounts for the potential issue with seasonality. The split tariff would prevent possible under-recovery of costs in the summer in comparison to winter, reducing the likelihood of tariff resets within a fixed period compared to one tariff for a 12 month fixed period. This change provides the certainty required from suppliers but also allows for a better risk management method of the ESO’s working capital fund.

	<p>A longer fixed period allows for suppliers to reduce the risk premia being built into BSUoS prices due to a longer period of certainty. By increasing the fixed period and reducing the notice period this falls in line with the results from the Second BSUoS Taskforce of a 15month overall combined period.</p>
<p>(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and</p>	<p>Neutral [Please provide your rationale]</p>
<p>(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p>	<p>Neutral [Please provide your rationale]</p>
<p>*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.</p>	

When will this change take place?

Implementation date
Implementation date is to be aligned with that of [CMP408](#) which is 1st April 2024.

Date decision required by
End of November 2023.

Implementation approach
The modification can only be approved and implemented in conjunction with [CMP408](#).

Proposer’s justification for governance route
Governance route: Standard Governance modification to proceed straight to Code Administrator Consultation

This modification is intrinsically linked to [CMP408](#), and it has therefore already had multiple Workgroups dedicated to this solution. Therefore, we do not feel that further Workgroup meetings are required and progressing straight to Code Administrator Consultation is the appropriate way forward.

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 |

This modification is a consequence of the modification [CMP408](#).

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
BSUoS	Balancing Services Use of System charges

Reference material

- [CMP408: Allowing consideration of a different notice period for BSUoS tariff settings](#)

Annexes

Annex	Information
Annex 1	Legal Text
Annex 2	Seasonality Analysis

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.