CUSC Panel

Friday 27 October 2023

Faraday House


WELCOME

Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification **(8.3.3)**

Functions (8.3.3)

The **Panel** shall endeavour at all times to operate:

- in an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- with a view to ensuring that the **CUSC** facilitates **achievement of the Applicable CUSC Objectives**.

Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC;** and
2. Shall not have any **conflicts of interest.**

   Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom they were appointed as Panel Member and any Related Person from time to time.

Voting

Any matter is decided by a simple majority of the votes cast at the meeting.
Panel members have to be present for their vote to count and an abstention shall not be counted as a cast vote.

Process	Voting
Urgency	Vote on whether or not to recommend Urgent treatment – in the event of a tie, the Chair shall have the casting vote (CUSC 8.24)
Fast Track	No specific vote, unanimous agreement required (CUSC 8.29)
Workgroup Report	No specific vote, majority agreement required (CUSC 8.22.2)
Draft Final Modification Report	Vote on whether or not to recommend implementation - in the event of a tie, the Chair shall have the casting vote (CUSC 8.11)
Draft Final Self Governance Modification Report	Vote to decide whether to implement – in the event of a tie, the Chair shall have the casting vote (CUSC 8.25)

Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held
29 September 2023

Action Log

New modification submitted

CMP425: Billing Demand Transmission Residual By Site

Andy Marsh and Andy Barker, Nissan

Derek Benfield and Daniel Gribben, AESC UK

Graz Macdonald and Nick Booth

Critical Friend Feedback – CMP425

Code Administrator comments	Amendments made by the Proposer
Timeline options updated Code impacts Some wording clarification	Proposer accepted all amendments made by the Code Administrator

CMP425 – proposer views

Why urgency…

- Following the EV36ZERO announcement in July 2021, Nissan has been working with AESC UK to create an EV manufacturing hub in Sunderland
- A key milestone for business approval for supplier is at the end of November, hence urgency request
- Requirement for urgency of CMP425 decision
- *This CUSC defect will have a significant commercial impact on Nissan and AESC UK*

Decision date vs implementation

- The site is expected to energise in stages starting in December 2025, so there is less “urgency” for implementation, compared to decision
- However, as noted, in the absence of a decision, or at the very least strong indication of industry and CUSC panel support by mid-November, both parties may need to assume they would have to pay £4.3M each (it is not clear we can share a single supplier/BMU)
- We are hopeful that there can be broad and quickly achieved agreement that the proposed solution would have a positive impact on CUSC objectives particularly in terms of competitiveness

CMP425 – Proposer views 2

Why didn't we raise this issue sooner?

- The original plan was for an IDNO connection, and we had understood that EHV4 costs would apply. The delta was between £1.3M shared or £1.3M each - still painful but maybe manageable
- It was just recently that OFGEM raised concerns about connecting an IDNO directly to the Transmission network
- So now the plan is for a private wire network directly connected which means T banding. Each party are borderline T4 banded so we need to know whether it is one T4 charge or two

How many parties would be affected?

- We do not know how many parties this might affect, but we suspect there may be quite a few parties for whom the CUSC is not an area of expertise
- We suspect that non-CUSC parties may not be aware that they could influence the charging regime
- Those that might be aware are suppliers who would have little incentive to raise the mod!
- While a later implementation date may be acceptable to the consortia, we note that other (non-CUSC) parties might have preferred an earlier implementation

Will there be an impact on ESO systems

- We understand that ESO will need to undertake a systems upgrade to implement this mod
- We also understand that they would find this difficult to implement by 1 April 2024
- Hence, we propose an implementation date of 1 April 2025

CMP425 - proposer views 3

Is the solution fully developed?

- In our view the solution is straightforward and fully developed and a workgroup is not required so we can go straight to Code Administrators consultation
- It is the consortia view that any benefit of fine tuning the solution would be immaterial. This consideration should be weighed against the critical timeline that the consortia faces
- It is difficult to see how any unintended consequences could arise that would offset the benefits of this mod, though a Code Administrator Consultation would draw these out
- If the CUSC Panel feels that the proposal needs further development and that a workgroup is required, we would need to ensure that we engage the relevant non-CUSC parties and potential sponsors. Quoracy might be an issue in the required timeframe
- Note we have confirmed with Elexon that there are no BSC implications

Timeline for CMP425– Proposed Urgent Timeline - *Code Administrator Consultation*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Final Modification Report issued to Panel to check votes recorded correctly	17 November 2023 By 2pm
Ofgem grant Urgency	By 02 November 2023 (5pm)	Final Modification Report issued to Ofgem	17 November 2023 By 4pm
Code Administrator Consultation (5 working days)	03 November 2023 to 10 November 2023	Ofgem decision (5 working days)	ASAP
Draft Final Modification Report (DFMR) issued to Panel (2 working days)	15 November 2023	Implementation Date	01 April 2025
Panel undertake DFMR recommendation vote	17 November 2023 By 12pm		

Timeline for CMP425– Standard Timeline *- Code Administrator Consultation*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Final Modification Report issued to Panel to check votes recorded correctly	18 December 2023 to 02 January 2024
Code Administrator Consultation (15 working days)	03 November 2023 to 24 November 2023	Final Modification Report issued to Ofgem	05 January 2024
Draft Final Modification Report (DFMR) issued to Panel (5 working days)	07 December 2023	Ofgem decision	ASAP
Panel undertake DFMR recommendation vote	15 December 2023	Implementation Date	01 April 2025

Timeline for CMP425 – Indicative Urgent Timeline - *Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Panel sign off that Workgroup Report has met its Terms of Reference	24 November 2023
Workgroup Nominations (5 Working Days)	27 October 2023 to 06 November 2023 (due to half term)	Code Administrator Consultation (3 working days)	24 November 2023 to 29 November 2023
Ofgem grant Urgency	02 November 2023 (5pm)	Draft Final Modification Report (DFMR) issued to Panel (2 working days)	04 December 2023
Workgroup 1 (assuming Ofgem have granted Urgency)	07 November 2023	Panel undertake DFMR recommendation vote	06 December 2023 By 12pm
Workgroup 2 (assuming Ofgem have granted Urgency)	09 November 2023	Final Modification Report issued to Panel to check votes recorded correctly	06 December 2023 By 2pm
Workgroup Consultation (3 working days)	10 November 2023 to 15 November 2023	Final Modification Report issued to Ofgem	06 December 2023 By 4pm
Workgroup 3 - Assess Workgroup Consultation Responses	17 November 2023	Ofgem decision (5 working days)	ASAP
Workgroup 4 – Finalise solution and Workgroup Vote	21 November 2023	Implementation Date	01 April 2025
Workgroup report issued to Panel (1 working day)	22 November 2023		

Timeline for CMP425 – Standard Timeline *- Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Code Administrator Consultation (15 working days)	30 April 2024 to 21 May 2024
Workgroup Nominations (15 Working Days)	31 October 2023 to 21 November 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	20 June 2024
Workgroup 1, 2 and 3 To discuss the defect, analysis required and begin refining the solution	8 December 2023 16 January 2024 6 February 2024	Panel undertake DFMR recommendation vote	28 June 2024
Workgroup Consultation (15 working days)	09 February 2024 to 01 March 2024	Final Modification Report issued to Panel to check votes recorded correctly	01 July 2024 to 08 July 2024
Workgroup 3 and 4 To review the Workgroup Consultation responses and to finalise the solution	13 March 2024 10 April 2024	Final Modification Report issued to Ofgem	09 July 2024
Workgroup report issued to Panel (5 working days)	18 April 2024	Ofgem decision	By 30 September 2024
Panel sign off that Workgroup Report has met its Terms of Reference	26 April 2024	Implementation Date	01 April 2025

Ofgem’s Urgency Criteria

Ofgem’s current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

a) A significant commercial impact on parties, consumers or other stakeholder(s); or
b) A significant impact on the safety and security of the electricity and/or gas systems; or
c) A party to be in breach of any relevant legal requirements.

More information can be found at:
https://www.ofgem.gov.uk/sites/default/files/2022-08/Urgency%20Guidance%20-%20FINAL.pdf

Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and proceed directly to Code Administrator Consultation.

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	Nissan and AESC UK are asking that the modification be treated as urgent. Our investments decisions are not yet finalised and transmission charges are now on the critical path. Our senior management teams therefore would ideally like to see this issue resolved before finalising their plans. As Ofgem is aware, Nissan and AESC UK had thought that the IDNO route would address our concerns, but Ofgem has been helpful in indicating that they were not comfortable that an IDNO is appropriate for a TO connected site. This has therefore become an urgent issue for these manufactures seeking to invest in the UK. This is therefore an imminent issue to Nissan and AESC UK with a significant commercial impact on our business plans. An accelerated timetable is unlikely to provide the comfort required to the negotiating parties, either with Workgroups or if progressing straight to Code Administrator Consultation. While we recognise that implementing the modification could come at a later date, the urgency of this modification is in the decision and understanding the direction of travel from relevant stakeholders, i.e. the Authority, CUSC Panel and industry parties (through consultation responses). Ideally, the modification would be progress as Urgent Straight to Code Administrator Consultation, as this would enable the views of industry parties to be publicly available by 15 November.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

CMP425 – the asks of Panel

- **AGREE** that this Modification should proceed directly to Code Administrator Consultation

- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC

- **VOTE** whether or not to recommend Urgency

- **AGREE** timetable for Urgency

- **NOTE** next steps:
  - Under CUSC Section 8.24.4 we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
    - Letter to be sent to Ofgem 27 October 2023
    - Ofgem approval of Urgent treatment sought by 5pm on 02 November 2023
    - Code Administrator Consultation to be run from 03 November 2023 to 10 November 2023

Authority Decisions and Update (as at 18 October 2023)

Decisions Received since last Panel meeting

- None

Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
CMP298 'Updating the Statement of Works process to facilitate aggregated assessment of relevant and collectively relevant embedded generation'	06/04/2022	16/11/2023*
CMP330&CMP374 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10/08/2023	08/03/2024
CMP331 'Option to replace generic Annual Load Factors (ALFs) with site specific ALFs'	12/07/2023	30/10/2023
CMP344 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'	08/02/2023	08/12/2023*
CMP376 'Inclusion of Queue Management process within the CUSC'	07/06/2023	10/11/2023
CMP379 Determining TNUoS demand zones for transmission - connected demand at sites with multiple Distribution Network Operators (DNOs)	07/09/2023	27/10/2023*
CMP398 'GC0156 Cost Recovery mechanism for CUSC Parties'	11/07/2023	15/11/2023*
CMP412 'CMP398 Consequential Charging Modification'	11/07/2023	15/11/2023*
CMP414 'CMP330/CMP374 Consequential Modification'	10/08/2023	08/03/2024

Received Final Modification Reports since last Panel Meeting

Modification	Final Modification Report Received	Expected Decision Date
CMP392 'Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation'	13/10/2023	
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	

The Authority's publication on decisions can be found on their website below:
https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable

* Dates moved since last update

CMP423
Generation Weighted Reference Node

John Tindal SSE

October 2023

Critical Friend Feedback – CMP423

Code Administrator comments	Amendments made by the Proposer
Structure of the proposal to make the document flow better for the reader	Proposer accepted all amendments made by the Code Administrator

What is the issue ?

Defect

- TNUoS Transport model currently calculates incremental flows by bringing total generation and demand into balance by pro-rata increasing all demand using a “demand weighted reference node”. This is not cost reflective and is detrimental for effective competition.

Proposed solution

- Switch from a demand weighted Reference Node to a generation weighted reference node instead

> “*14.15.27 Using these baseline networks for Peak Security and Year Round backgrounds, the model then calculates for a given injection of 1MW of generation at each node, with a corresponding 1MW reduction of generation ~~offtake (net demand)~~ distributed across all generation ~~demand~~ nodes in the network, the increase or decrease in total MWkm of the whole Peak Security and Year Round networks. The proportion of the 1MW reduction of generation ~~offtake~~ allocated to any given generation ~~demand~~ node will be based on the total background nodal generation ~~net demand~~ in the model. For example, with a total net GB generation ~~demand~~ of 60GW in the model, a node with a generation ~~net demand~~ of 600MW would contain 1% of the reduction of generation ~~offtake~~ i.e. 0.01MW*.”

Process

- Normal CUSC Workgroup process
- Implementation 1st April 2026, earlier if possible
- Ofgem decision at least 6 months before implementation to provide sufficient notice for parties

Why Reference Node matters

Before Project TransmiT: Choice of Reference Node did not matter for either absolute, or relative charges for individual users

- Choice of specific Reference Node did not change either the magnitude, or relative locational signals faced by different users because:
  - All users paid their locational tariff and Residual tariff on the same charging base, so any changes cancelled each other out
  - Re-referencing brought charges back to G:D split of 27:73 irrespective of choice of Reference Node

After Project TransmiT: Choice of weighted Reference Node does matter – Impacts both absolute and relative charges paid by individual users

This means it is now important to consider the most appropriate way of dealing with the Reference Node

- **Generation**
  - Different generators pay different elements of TNUoS charge on different charging bases: conventional generators pay the Peak Security tariff, while intermittent generators do not, all generators pay the Year Round Shared tariff by their own different station specific ALF, and conventional carbon generators have their ALF applied to their Year Round Not-Shared tariff, while other generators pay this at 100% of TEC, Generator Adjustment Credit applied on 100% of TEC.
- **Demand**
  - Demand Residual is now applied to a different charging base from the locational demand charges.
  - TNUoS Task Force may split Peak Security and Year Round onto different charging bases

Potential impacts

G:D split may remain the same

Generation

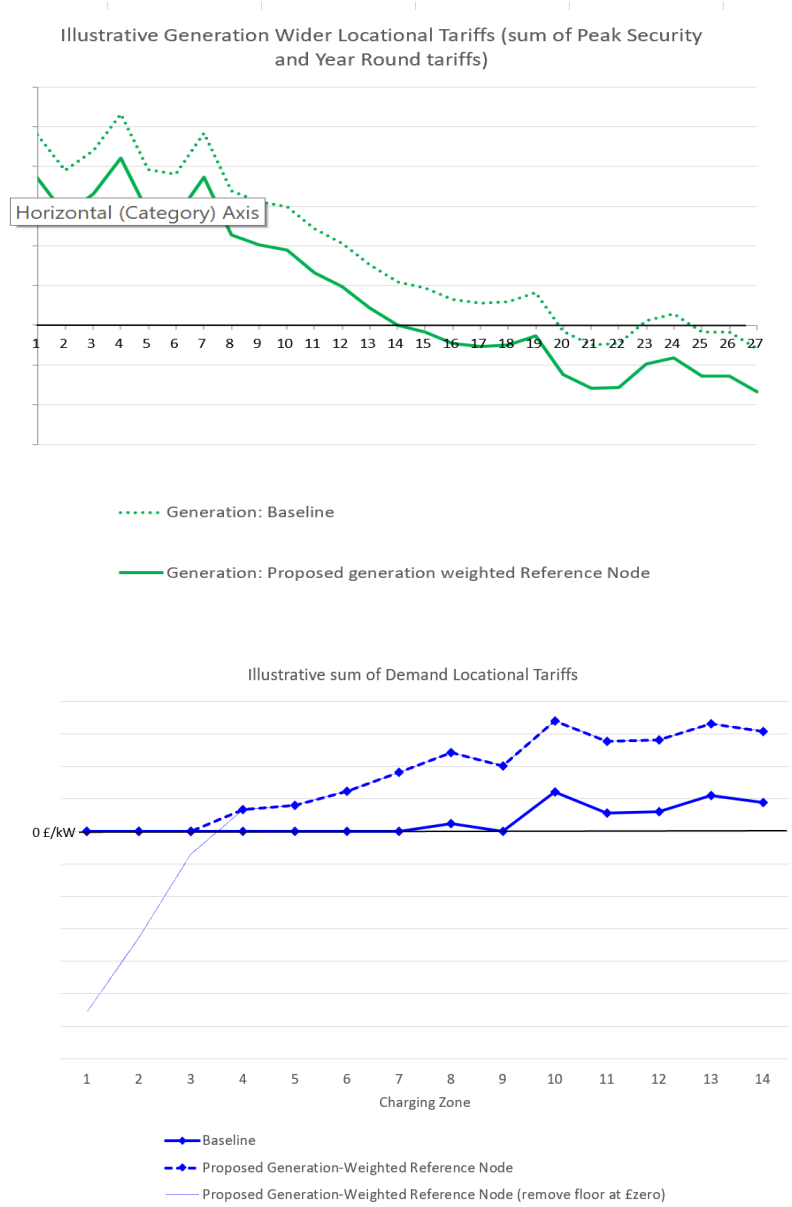
- Reduce scale and need for generator adjustment credit
- Reduce total collected from generation Wider locational towards £zero (currently large £positive collection)

Demand

- Reduce the value of unavoidable Demand Residual charges
- Demand charges weighted more towards Wider locational charge

Other issues to consider

- Network sharing calculation in Transport and Tariff model
- Review potential locations for new generation such as via the TEC Register, seabed leasing, or other planning sources
- Impact on tariffs that may arise from changes in the way circuits may be placed into either Peak Security and Year Round buckets
- Interaction with other TNUoS Task Force proposals



Evaluation against applicable CUSC objectives

Improved cost reflectivity

- **Charges would better reflect incremental transmission system cost/benefit that is caused by a user's decisions**
  - i) **Generation**: For change in generation, system responds by changing generation elsewhere, not by changing demand
  - ii) **Demand**: For change in demand, system responds by changing generation, not by changing demand elsewhere

Improved Effective Competition

- **Better for GB generation vs international markets**: Reduces the distortionary competitive disadvantage of GB generators compared with generators in other countries that do not pay transmission charges

- **Better competition between GB generation and demand**

  More level playing field of price signal between voltage of connection, co-location, or behind customer meters

  - i) **Locational signals**: Reduce distortion caused by demand "floor at £zero" and make demand and generation locational charges more equal/opposite.
  - ii) **Residual charges**: Reduce magnitude of both Demand Residual and Generator Adjustment Credit:
    - Better enable demand to take action to reduce their own TNUoS charges because demand Residual charges are reduced as more of demand charge is weighted towards locational instead of Residual.
    - Reduce distortions caused by different parties being exposed to different adjustments, or residuals. Better align the business case for generation and demand across different voltages, co-located arrangements, and behind customer meters.

Timeline for CMP423– Proposed Timeline - *Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Code Administrator Consultation (15 working days)	02 December 2024 – 23 December 2024
Workgroup Nominations (15 Working Days)	31 October – 21 November 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	23 January 2025
Workgroup 1,2,3, 4 & 5 To discuss the defect, analysis required and begin refining the solution	22 January 2024 27 February 2024 09 April 2024 14 May 2024 25 June 2024	Panel undertake DFMR recommendation vote	31 January 2025
Workgroup Consultation (15 working days)	02 July 2024 – 23 July 2024	Final Modification Report issued to Panel to check votes recorded correctly	04 February 2025 – 11 February 2025
Workgroup 6, 7 & 8 To review the Workgroup Consultation responses and to finalise the solution	07 August 2024 10 September 2024 22 October 2024	Final Modification Report issued to Ofgem	12 February 2025
Workgroup report issued to Panel (5 working days)	21 November 2024	Ofgem decision	30 September 2025
Panel sign off that Workgroup Report has met its Terms of Reference	29 November 2024	Implementation Date	01 April 2026

CMP423 – the asks of Panel

- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)

- **AGREE** that this Modification should proceed to Workgroup

- **AGREE** Workgroup Terms of Reference

- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC.

- **NOTE** the proposed timeline

CMP424: Amendments to Scaling Factors used for Year Round TNUoS Charges

Martin Cahill, ESO

Critical Friend Feedback – CMP424

Code Administrator comments	Amendments made by the Proposer
Timeline added Clarification on methodology/ worked example requested Clarification on cross code impacts requested	Proposer accepted all amendments made by the Code Administrator

What are Scaling Factors?

- Scaling factors are used in the calculation of TNUoS tariffs (Year-Round Background and Peak Security)
- There are pre-defined and variable scaling factors which are detailed in SQSS (Appendix E gives the different parameters (for directly scaled plant) and calculation (for variably scaled plant) to be used
- Factors are used to scale capacity of plants to equal the ACS Peak Demand (estimated unrestricted winter peak demand on the ETS for the average cold spell)
- If any scaling factors are negative the TNUoS tariff model will not work
- e.g. a –ve scaling factor for CCGTs would mean adding 1MW reduces network cost rather than increasing

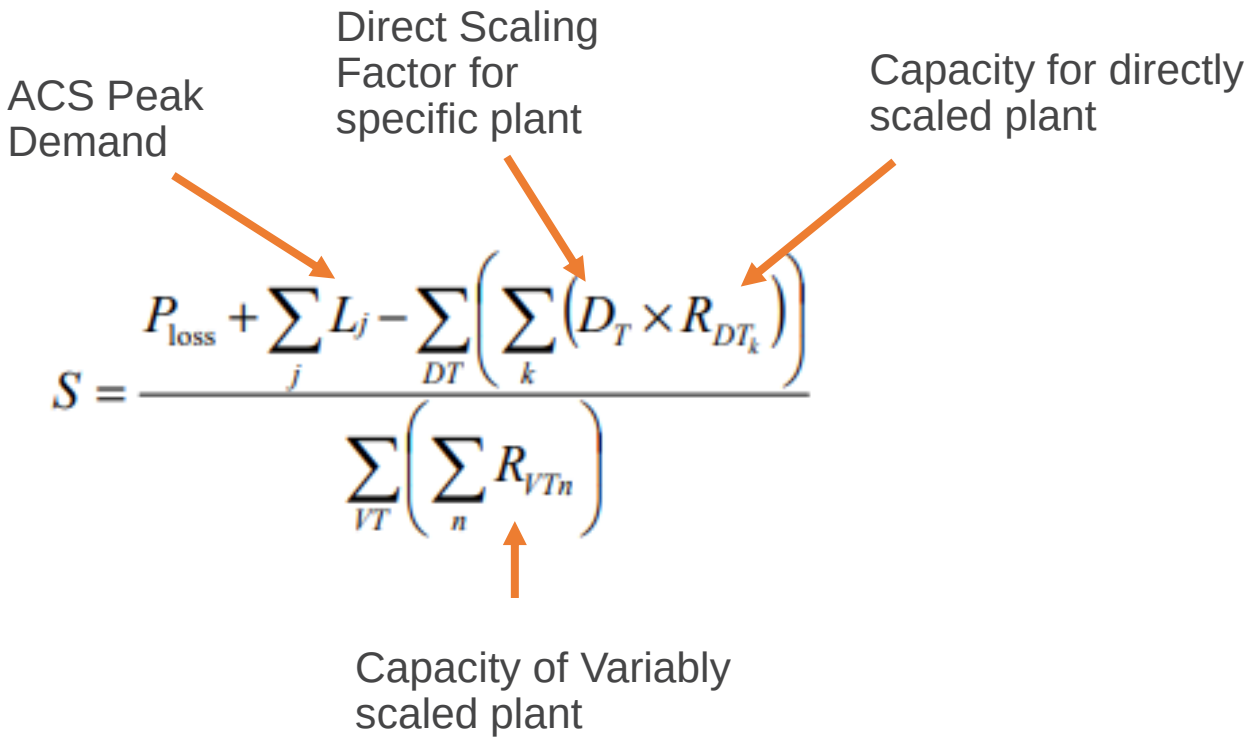
Table 1.5 Generation scaling factors for the purpose of tariff calculation

Generation Plant Type	Peak Security Background	Year-Round Background
Intermittent	Fixed (0%)	Fixed (70%)
Nuclear & CCS	Variable	Fixed (85%)
Interconnectors	Fixed (0%)	Fixed (100%)
Hydro	Variable	Variable
Electricity Storage (including Pumped Storage)	Variable	Fixed (50%)
Peaking	Variable	Fixed (0%)
Other (Conventional)	Variable	Variable

The statement of use of system charges

Why is this an issue?

- Large amount of wind on the network shifts the calculation
- Wind has a direct scaling factor of 70%
- As the amount of wind in relation to other generation types on the network increases, the tc of the formula becomes smaller and smaller, unti is negative and all variably scaled factors becom negative
- This breaks the model for additional calculations on shared tariffs
- In next few years, this will result in negative calculated scaling factors, unless any changes ar made
- TEC register regularly changes so difficult to pinpoint exactly when negative tariffs will occur
- Also a question of current state cost reflectivity – CCGTs around 8%, so adding 1GW of generation would only result in 80MW modelled



What is the proposed solution?

- **Introduce a control to the mechanism which floors Scaling Factors at 10%**
- **Fixed Scaling Factors would uniformly adjust to allow this**
- **This would be introduced as a short term fix, whilst SQSS is reviewed and considers enduring changes to scaling factors**

Why?

- Review of SQSS could take a significant amount of time, and risks –ve scaling factors in calculation before any changes are made
- CUSC currently references SQSS for scaling factors to be used in transport model. This method would maintain alignment to SQSS as much as possible whilst addressing defect
- Relatively simple to implement
- 10% ensures there is some impact included in tariff setting for additional flexible generation (rather than flooring to 0%)
- Variable scaling factors are currently being calculated at around 8% so this would be a minimal change from current state

Timeline for CMP424 – Proposed Timeline - *Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 October 2023	Code Administrator Consultation (15 working days)	30 April 2024 to 21 May 2024
Workgroup Nominations (15 Working Days)	31 October 2023 to 21 November 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	20 June 2024
Workgroup 1,2 and 3 To discuss the defect, analysis required and begin refining the solution	12 December 2023 15 January 2024 5 February 2024	Panel undertake DFMR recommendation vote	28 June 2024
Workgroup Consultation (15 working days)	09 February 2024 to 01 March 2024	Final Modification Report issued to Panel to check votes recorded correctly	01 July 2024 to 08 July 2024
Workgroup 4 and 5 To review the Workgroup Consultation responses and to finalise the solution	18 March 2024 9 April 2024	Final Modification Report issued to Ofgem	07 July 2024
Workgroup report issued to Panel (5 working days)	18 April 2024	Ofgem decision	By 30 September 2024
Panel sign off that Workgroup Report has met its Terms of Reference	26 April 2024	Implementation Date	01 April 2025

CMP424 – the asks of Panel

- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)

- **AGREE** that this Modification should proceed to Workgroup

- **AGREE** Workgroup Terms of Reference

- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC

- **NOTE** the proposed timeline

Inflight Modification Updates

Milly Lewis, Code Administrator

CMP286 : Improving TNUoS Predictability through Increased Notice of the Target Revenue Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem
Previous timeline	19 October 2023	7 December 2023	5 January 2024
New timeline	16 November 2023	19 January 2024	9 February 2024

Rationale: A further Workgroup is required to cover finalise the legal text.

Workgroups Remaining: 1

Ask of Panel: Agree revised timeline

CMP402: Introductory of Anticipatory Investment (AI) principles within the user commitment arrangements Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem
Previous timeline	19 October 2023	7 December 2023	3 January 2024
New timeline	TBC	TBC	TBC

Rationale:

- Further clarity required on the solution including analysis to justify the numbers being codified into the CUSC.
- A late Alternative request made requiring further development and clarity.
- Prospect of a further Alternative being raised once the solution is finalised.

Workgroups Remaining: None currently scheduled

Ask of Panel: To note a new timeline is being considered for CMP402

CMP418: Refine the allocation of Static Var Compensators (SVC) costs at OFTO transfer Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem
Previous timeline	18 January 2024	14 March 2024	04 April 2024
New timeline	15 February 2024	18 April 2024	06 May 2024

Rationale: To align with the Proposer's diary and ensure quoracy.

Workgroups Remaining: 3

Ask of Panel: Agree revised timeline?

CMP419 Generation Zoning Methodology Review Request to change Terms of Reference

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference
Consider EBR implications
Consider how the implementation of a new zoning methodology and its governance associated impact of rezoning will impact the predictability, cost reflectivity, and stability of charges.
Assessing the use of ETYS boundaries and/or use of other methods to develop generation zones before considering how this may or may not increase the range of nodal prices within a generation zone.
Assess the frequency of reviewing the number of generation zones, factoring in the decision from CMP324/325 and associated impacts on the stability of TNUoS charges.
Assess cross code impacts and relevant regulatory changes

CMP419 - the asks of Panel

- **AGREE** the amended and additional points within Terms of Reference

Panel Tracker

Milly Lewis, Code Administrator

Discussions on Prioritisation

- **AGREE where New Modifications that need Workgroups are placed in the prioritisation stack**
- **Deep-dive assessment of all Modifications that sit within the prioritisation stack**

Workgroup Report

CMP315: TNUoS: Review of the expansion constant and the elements of the transmission system charged for and

CMP375: Enduring Expansion Constant & Expansion Factor Review

Milly Lewis

Key points to note to the Panel

- The only difference between the solutions for CMP315 and CMP375 Original is that **CMP315** includes non-circuit elements (e.g. substations) within the works to be factored in when calculating the Expansion Constant, and **CMP375** doesn't.
- It is the view of the Workgroup that CMP315 and CMP375 are mutually exclusive, however given the overlap between the modifications the solutions have been developed in parallel. No request has been made to amalgamate the modifications.
    - CMP315 and CMP375 are separate modifications, with separate terms of reference, solutions, legal text and voting statements

Summary of Solutions

	CMP315 Original	CMP375 Original	CMP375 WACM2
Works Included	Extend the scope of works used in the calculation of the Expansion Constant to include: • New Circuits - construction of a new circuit. • Circuit Reinforcements - reusing existing towers but reinforcing conductor. • Non-Circuit Reinforcements - replacement or enhancement of assets at substations. • Circuit Life Extensions - works to keep existing assets in use for longer than originally intended. Recalculate and apply an Expansion Constant (EC) value (for each circuit type as per today) applicable from the Implementation Date based on the wider scope of works. • Civils Costs - civil costs associated with overhead towers or underground cables are included, based on specific project profiles as described in STCP14-1.	As per CMP315 but excludes Non-Circuit Reinforcements - replacement or enhancement of assets at Substations.	as per CMP375 Original
Weighting Methodology	MW km years based weighting – as of today, the EC is calculated as the length weighted average cost of all relevant construction over the previous 10 years with the construction cost in each relevant year indexed by inflation to the current year. For annuitisation, split the cost of reinforcement that creates new capacity (incremental MW) and new additional life (incremental life).	As per CMP315	Each EC or EF is calculated as a weighted average of cost data based on a set of expected works (a “basket of works”). The basket of expected works will be forward-looking and based on the future works set out in the TOs price control business plans for each voltage level and circuit type. There is also the introduction of MW km to weight the costs of reinforcements. When calculating the representative basket of works, it proposes to use km weightings as this data is already produced as part of TOs regulatory reporting.
Data	Per asset class; 10 years of historic data. Use previous year's data and apply a "smoothing" factor (13% weighting factor applied per year for new build and by implication 87% for the existing build cost, after adding inflation to last year’s value for the same) to mitigate volatility and prevent sudden step changes. After a 5 year period, half of the value of the EC for a given asset class will be driven by new data across that 5 year period, and half of it will be driven by the value preceding it. The Workgroup called this a data half life of 5 years. It matches the current duration of a price control period, and is felt to reflect a reasonable compromise between stability of the cost data and cost-reflectivity, bearing in mind that a marked potential step change in 2020 was regarded as undesirable by all participants and led to the CMP353 being approved. The smoothing is intended to prevent that situation arising again.	As per CMP315	Up to 30 years of historic data (noting that only 10 years of historic data is available currently) and apply a 13% smoothing factor for all years to mitigate volatility. The calculation after year 1 is performed each year using last year’s data bundled up with the previous 10 years. Data is accumulated each year until there is 30years worth, after which it moves to a rolling 30years of data.

Workgroup Vote

Summary of Workgroup Vote:

- The Workgroup concluded by majority that the CMP315 Original better facilitated the applicable CUSC Objectives than the Baseline.
- The Workgroup concluded by majority that the CMP375 Original and WACM2 solutions better facilitated the applicable CUSC Objectives than the Baseline.

CMP315 - Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider Electricity Balancing Regualtion implications	As stated in Interactions section, there are no interactions.
b) Review of the principles of the current methodology	Covered within Transport and Tariff Model Interpretation – General section
c) Consider the effect on both TNUoS demand charges and generation charges	Covered in Tariff Analysis section
d) Consider any interaction with demand TNUoS tariffs if floored at zero	Covered in Tariff Analysis section
e) Consider in terms of aligning with Recital 63 of EU Renewable Energy Directive (2009/28/EC)	This is no longer relevant as it is no longer explicitly recited in the relevant UK Statutory Instrument.
f) Consider the distributional effect on Consumer tariffs	Covered in Tariff Analysis section and what is the impact of this change section
g) Implementation timeframes to be considered ahead of the TO RIIO price controls in 2021	Implementation timeframes considered as part of the workgroup meetings. There is no longer any change in the EC approach due on the transition to the new price control, and therefore has no significant impact.
h) Consider interactions with the Transmission license and any cross code impacts especially STC	Cross code impacts are covered in the Interactions section. Transmission license interactions – this has been considered and there is a fairly limited interaction. The only interaction that has been found is with the Weighted Average Cost of Capital (WACC) and the overhead factor, and there is no need for any changes as a result of this modification. STC interactions are covered also in detail.
i) Be mindful of, and consider, the SCR	Targeted Charging Review Significant Code Review has already been covered by the outcome from Terms of Reference. There are no other interactions to note.
j) Clarify need, as soon as possible, for any external analysis	Covered in Lane and Clark (LCP) analysis section
k) Consider interactions with CMP375	This is covered throughout the Workgroup Report

CMP375 - Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider Electricity Balancing Regualtions implications	As stated in Interactions section, there are no interactions.
b) Consider all elements raised by the Proposer and agree guiding principles	Covered within Transport and Tariff Model Interpretation – General section
c) Review and specify data required from Transmission Owners	Covered in the Data section
d) Consider interactions with CMP315	Considered throughout the Workgroup Report
e) Consider cross code implications, particularly STC	Cross code impacts are covered in the Interactions section. STC interactions are covered in this section also in detail.
f) Consider what notice period would be appropriate	This is covered by the transitional arrangement in the smoothing factor. Detail can be found in the smoothing factor section.
g) Consider providing ~ 5 year TNUoS forecast (from implementation date) that incorporates the Original proposal and potential alternatives as scenarios/sensitivities	The 5 year tariffs show very little difference to the baseline due to the smoothing in and therefore does not materially impact the solutions. Sufficient information has been provided as part of the discussions.
h) Consider the impacts on consumers	Covered in the “What is the impact of this change” section
i) Take into account any wider Charging developments e.g. Rezoning	This is covered in the Other Modifications section

CMP315 & CMP375 - the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that these Modifications can proceed to Code Administrator Consultation
- **NOTE** that these Modifications do not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the ongoing timeline

CMP315 & CMP375 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	31 October 2023 to 5pm on 21 November 2023
Draft Final Modification Report issued to Panel	07 December 2023
Draft Final Modification Report presented to Panel	15 December 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	18 December 2023 – 02 January 2024
Submission of Final Modification Report to Ofgem	11 January 2024
Ofgem decision date	TBC
Implementation Date	01 April 2025

Workgroup Report

CMP411: Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies

Claire Goult (Code Administrator Chair)

Key points to note to the Panel

- There are no cross-code impacts, however this modification has a limited interaction with CMP402: Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements. CMP411 considers AI from a network charging perspective whereas CMP402 considers AI from a User Commitment perspective.

- ESO require a clear 6 months to implement. The Workgroup believe generators would need to have visibility of and understand the methodology for AI cost recovery to allow this to be built into their business plans and aid any investment decisions (Q1 2024 by 31 March 2024 if possible).

Solution and Workgroup Vote

Solution:

- Changes to the CUSC will be required to implement Ofgem's decision in relation to Anticipatory Investment (AI). This Original proposal seeks to introduce AI and a mechanism for the recovery of AI costs within Section 14 charging methodologies subject to Ofgem's final policy decision. Implementation 1 April 2025.
- After the offshore transmission assets have been transferred to an OFTO and prior to the subsequent Generator(s) connecting, the AI Cost Gap will be recovered from Demand customers via the Transmission Demand Residual.
- The AI Cost Gap will be repaid to Demand customers by the subsequent Generator(s) either through the AI Cost Gap Tariff or via one payment in the charging year in which the subsequent Generator(s) connects.

Summary of Workgroup Vote:

- The Workgroup concluded unanimously (5 out of 5) that the Original proposal better facilitated the applicable CUSC objectives than the current Baseline arrangements.

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	No EBR implications.
b) Consider Ofgem's decision on Anticipatory Investment (AI) (published 18 October 2022) and any further decisions/policy	Under consideration of Proposer's solution
c) Consider application of the solution to the Holistic Network Design (HND) and Early Opportunities Projects to ensure principles can be applied to actual designs/offshore windfarm projects	Under consideration of Proposer's solution and within workgroup considerations section (page 12) where scenarios of changes of Transmission Entry Capacity are considered.
d) Consider how the AI Cost Gap* is recovered prior to and post the subsequent generator(s) connecting to the National Electricity Transmission System ***The difference between what is payable to the OFTO by the subsequent generator(s) and cannot be recovered from them is referred to as the 'AI Cost Gap'**	Under consideration of Proposer's solution

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
e) Consider how 'non- AI' and 'AI' values (determined by the early-stage assessment process for projects incurring any AI expenditure) would be recovered from both the initial and subsequent generator(s).	Under consideration of Proposer's solution and in the legal text.
f) Consider how stakeholders would get visibility of how the AI Cost Gap gets calculated and early visibility of the value.	Under consideration of Proposer's solution and within the Workgroup consideration section within the worked example (pages 9-10)
g) Consider the application of inflation and interest to relevant parties in terms of the cost to consumers and the cost to subsequent generator(s).	Within the Workgroup considerations section (pages 11-12)
h) Consider the potential duration of the AI Cost Gap.	Under consideration of Proposer's solution and within the Workgroup considerations section (page 8)
i) Consider the understanding of "known" as per Ofgem's policy decision.	Within the Workgroup considerations section
j) Consider the impact on consumers including if subsequent generator(s) don't connect to the National Electricity Transmission System.	Within the Workgroup consultation summary (page 13-14)

CMP411 – the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the ongoing timeline

CMP411 Next Steps

Milestone	Date
Code Administrator Consultation (20 working days)	06 November 2023 to 27 November 2023
Draft Final Modification Report issued to Panel	07 December 2023
Draft Final Modification Report presented to Panel	15 December 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	18 December 2023 to 02 January 2024
Submission of Final Modification Report to Ofgem	05 January 2024
Ofgem decision date	Requested by 31 March 2024
Implementation Date	1 April 2025

Standing Groups - *Updates on all standing groups relevant to CUSC panel e.g. potential for future governance changes or modifications*

Governance Standing Group – Garth Graham

TCMF – ESO Panel Member

CISG Connections Subgroup Terms of Reference – Joe Henry

Terms of Reference – CISG Subgroup

At CISG subgroup has now met four times. The Terms of Reference were distributed to CUSC Panel ahead of this meeting

The ToR were formulated by ESO and sent to the Sub Group for review. It was asked that these ToR were approved by CUSC Panel

Ask – Do Panel approve the Terms of Reference?

Is there any feedback?

Panel will continue to be updated on the progress of the subgroup

European Updates - *Updates on all European developments relevant to CUSC panel e.g. potential for future governance changes or modifications*

European Code Development – Nadir Hafeez

Joint European Stakeholder Group – Garth Graham

Previous meeting -10 October 2023 Meeting materials and Headline Report
Next meeting – 14 November 2023

Updates on other industry codes

Relevant Interruptions Claim Report

(January, April, July, October)

1 July – 30 September 2023

ESO

Any Other Business

Activities ahead of the next Panel Meeting

Transmission Charging Methodologies Forum	02 November 2023
Modification Proposals to be submitted	09 November 2023
Papers Day	16 November 2023
Panel Meeting	24 November 2023 Teams

Close

Rob Marshall

Acting Independent Chair, CUSC Panel