

## **CMP286: Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process.**

### **Authority Decision to send – back CMP286**

#### **Why was CMP286 a send-back?**

On 30 June 2023, the Authority sent back CMP286 (Annex 1) in accordance with Section 8.23.12 and Section 8.23.13 and noted the following:

#### **Deficiencies of Final Modification Report**

On 10 October 2017 E.ON Energy raised two CUSC Modification Proposals CMP286 and 287. These modifications seek to increase the notice period of the Target Revenue component (CMP286) and the demand volume (CMP287) in the TNUoS tariff setting process from two months to fifteen months. Given the interactions between the proposed solutions, the modifications were progressed by a single Workgroup. Whilst it is allowed for the modifications to be considered together, they were never formally amalgamated under CUSC procedures meaning that they remain two distinct code modification proposals. In the FMR (Final Modification Report) submitted to the Authority, these two modifications have been treated as a single CUSC modification proposal and assessed accordingly. Further, there is only one set of combined Legal Text for both modifications annexed to the FMR.

Reasons for send back:

- (a) Procedural issues: single set of Panel voting and a single proposed Legal Text.
- (b) Lack of analysis of the impact of CMP287 alone.

#### **The Authority's Expectations**

The Authority directed that further analysis should be conducted on the impact of CMP287 and on the submitted FMRs should include separate voting and provision of Legal Text for each modification, or the modifications should be formally amalgamated. After addressing these issues, the CUSC Panel should re-submit the revised FMR(s) to the Authority for decision as soon as practicable.

#### **What approach was agreed at CUSC Panel to address this?**

CUSC Panel on 28 July 2023 agreed next steps following send-back on 30 June 2023.

- They noted that the two modifications had never been formally amalgamated by the Panel, so it should have been sent off as two separated FMRs and Legal Text.
- They noted that the Authority are asking the Final Modification Report, Legal Text and Voting to be revised and resubmitted.
- They agreed that this needs to be assessed by a Workgroup (*there is no Workgroup Consultation, or Workgroup Report and no further Workgroup Alternatives can be raised*).
- They agreed to add two additional Terms of reference to answer the deficiencies within the send back letter from the Authority; and
- They agreed (following the assessment by the Workgroup) that a Code Administrator Consultation is needed to be run before it is re-presented to Panel for Recommendation Vote.

## Workgroup Discussions following Authority decision

The Workgroup met on 20 September 2023, 06 October 2023 and 08 November 2023 to address these Terms of Reference and the discussions and conclusions are set out below:

- The Workgroup agreed to not amalgamate and keep both modifications (CMP286 and CMP287) separate,
- Review the DFMR and Legal Text, in order produce once of each for each modification.
- To vote on each modification separately.
- To make clear the analyses regarding CMP286.

### Risk Premia data CMP286

CMP286	2018 Demand			
Scenario	Current Premia (£m)	CMP286 Premia (£)	Variance (£)	Variance (%)
Domestic A	22.9	17.9	-5.0	-22%
Domestic B	28.2	20.2	-8.0	-28%
Domestic C	27.8	24.1	-3.7	-13%
Non-dom 100% fixed	105.8	80.5	-25.3	-24%
Non-dom 75% fixed	79.4	60.4	-19.0	-24%
Non-dom 50% fixed	52.9	40.3	-12.7	-24%
Non-dom 25% fixed	26.5	20.1	-6.3	-24%

2022 Demand			
Current Premia (£m)	CMP286 Premia (£)	Variance (£)	Variance (%)
16.9	13.2	-3.7	-22%
20.7	14.9	-5.9	-28%
20.5	17.7	-2.7	-13%
96.1	73.1	-23.0	-24%
72.1	54.8	-17.2	-24%
48.0	36.5	-11.5	-24%
24.0	18.3	-5.7	-24%

### WACM1

The Workgroup advised and agreed that the WACM1 relates to CMP286 only (Annex 2).

### Terms of Reference

The Workgroup agreed with the addition of Term of Reference g) and h) but considered that h) is only applicable for CMP287 and should be addressed in that modification (Annex 3).

### CMP286 Legal Text

The Workgroup has reviewed and separated the Legal Text for CMP286 from the previous submitted Legal Text that included CMP287.

Legal text for CMP286 can be found in Annex 4.

## Proposer's assessment against Code Objectives

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(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;	<p><b>Positive</b></p> <p>Final TNUoS tariffs are published with a notice period of only 2 months. Suppliers are particularly vulnerable to the short notice period and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with the fixed price contracts they require.</p> <p>This modification will give more certainty to inputs into the TNUoS Charging Methodology that market participants cannot forecast, thereby making the costs that customers pay more reflective of the final charge and consequently reduce the risk premia charged by suppliers. This will reduce the price distortions in the competitive market thereby facilitating effective competition in retail energy supply.</p>
(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);	<b>Neutral</b>
(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;	<b>Neutral</b>
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and	<b>Neutral</b>
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<b>Neutral</b>
<p>*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</p>	

## Workgroup Vote

The Workgroup met on the 6 November 2023 to carry out their Workgroup Vote, after the voting there were some comments made to the Legal Text that needed further consideration from the Workgroup.

## ESO

The Workgroup met again on 8 November 2023 to agree to the Legal Text changes and reconfirm their Workgroup Vote for CMP286. The full Workgroup vote can be found in Annex 5. The tables below provide:

- a summary of how many Workgroup members believed the Original and WACM1 for CMP286 were better than the Baseline (the current CUSC); and
- a summary of the Workgroup Members views on the best option to implement CMP286.

The Applicable CUSC (charging) Objectives are:

### CUSC charging objectives

- 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;
- 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);
- 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;
- d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and
- e) To promote efficiency in the implementation and administration of the system charging methodology

\*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

### Assessment of the Original and WACM1 vs Baseline

The Workgroup concluded by majority that the Original better facilitated the applicable CUSC Objectives than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	5
WACM1	0

### Best Option

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate?
Niall Coyle	E.ON	Original	a)
Stephen Dale	National Grid ESO	Baseline	Not applicable
Andy Colley	SSE Generation Ltd.	Original	a)
Karl Maryon	Drax	Original	a)
Simon Vicary	EDF Energy	Original	a) and e)
Richard Woodward	NGET	Baseline	Not applicable
Robert Longden	Cornwall Energy	Original	a)

**Annexes**

Annex	Information
Annex 1	CMP286 and CMP287 Send Back letter – 30 June 2023
Annex 2	CMP286 WACM1
Annex 3	Post Send Back CMP286 Terms of Reference
Annex 4	Post Send Back CMP286 Proposed Legal Text
Annex 5	Post Send Back CMP286 Alternative and Workgroup Vote