



Making a positive difference
for energy consumers

Trisha McAuley, CUSC Panel Chair
c/o National Grid Electricity
System Operator Limited
Faraday House
Gallows Hill
Warwick CV34 6DA

Email: harriet.harmon@ofgem.gov.uk

Date: 30 June 2023

Dear Trisha,

Authority decision to send back Connection and Use of System Code (CUSC) Modification Proposals CMP286 and CMP287: 'Improving TNUoS Predictability through Increased Notice of the Target Revenue & Inputs used in the TNUoS Tariff Setting Process'.

On 10 October 2017 E. ON Energy (the 'Proposer') raised CUSC Modification Proposals (CMP) 286 and 287 ('the Proposals'). The Proposals concern the process for setting Transmission Network Use of System (TNUoS) charges. Specifically the Proposals seek to 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.

The CUSC Panel submitted a single Final Modification Report (FMR) to us ("the Authority"¹) in respect of both proposals on 7 December 2022². We have decided that we cannot properly form an opinion on the Proposals based on the FMR submitted and we therefore direct that the FMR is revised and resubmitted.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² We appreciate that the timescales for this decision have been longer than are typical, as a result of other critical priorities across our work on electricity connections and charging.

Context

Given the interactions between the proposed solutions, the Proposals were progressed by a single Workgroup. Whilst this allowed the Proposals to be considered together, the Proposals were never formally amalgamated under CUSC procedures meaning that they remain two distinct code modification proposals³. In the FMR, 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 proposals annexed to the FMR.

Reasons for send back

We have decided to send back the Proposal as we are unable to determine the individual impact of each of the change proposals. This is due to the following reasons, which we expand on below:

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

(a) Procedural issues: single set of Panel voting and a single proposed legal text

The FMR states that the CUSC Panel voted on both CMP286 and CMP287 together after the Code Administrator explained that, while not formally amalgamated, it would be impractical to separate out the solutions. We disagree with this conclusion on the basis that each proposal appears to be distinct and capable of separate implementation. Additionally, the legal text provided alongside the FMR within Annex 9 is a combined legal text change for both CMP286 and CMP287.

Where Proposals are not formally amalgamated, the Authority is required to take separate decisions on the merits of each individual proposal with reference to the Applicable CUSC Objectives, and our principal objective and other statutory duties. In doing so, we take account of the issues raised in the FMR, including taking account of the responses to industry consultations and the votes and statements of the Workgroup and CUSC Panel. In this case, given in particular the absence of separate voting on each of the Proposals, we consider that we are unable to properly form an opinion on the merits of each. Further, given the legal text has been combined, we consider we are able to assess the impact of each Proposal.

We consider that the Proposals either need to be formally amalgamated and re-submitted to us in a single FMR and combined legal text (curing the deficiencies in the supporting

³ CUSC 8.19.2 provides for amalgamation of proposals
<https://www.nationalgrideso.com/document/91381/download>

evidence for CMP287 as outlined below), or the Proposals require to be properly separated with distinct legal text and separate assessment/voting in respect of each proposal.

Where amalgamation is not pursued, we invite the CUSC Panel to consider the extent to which further Workgroup assessment and/or industry consultation may be required to present a full and clearly separate assessment of each modification.

When re-submitting the FMR(s) to us, the Workgroup should ensure that the legal text reflects the latest iteration of Section 14 of the CUSC.

(b) Lack of analysis of the impact of CMP287

The analyses provided in the annexes of the FMR outline the Proposer's assessment of TNUoS volatility, the results of a Request for Information on risk premia reduction, and a Transmission Owner's analysis of increased costs from the disparity between the 15 month forecast and actual required revenue. Whilst the analysis resulting from the Request for Information demonstrates a clear impact in reduced risk premia payable by fixed-contract consumers, the Transmission Owner's analysis does not clearly demonstrate the overall costs from fixing only demand inputs 15 months before tariffs go live (CMP287), specifying only the increased costs from allowed revenue under 15 months fixing (CMP286). We cannot determine the cost to consumers of implementing CMP287 as it is uncertain how often forecasts of demand have been incorrect, the magnitudes of this difference, and therefore what the costs incurred would have been. On this basis, we consider that we are unable to properly form an opinion.

We consider that the FMR for CMP287, whether as part of a combined FMR with CMP286 after formal amalgamation or alternatively as its own distinct FMR, needs to contain additional analysis on the impact of CMP287 compared to the baseline isolated from that of CMP286. Such analysis should include a demonstration of how often forecasts for previous charging years would have been incorrect and what the subsequent increased cost to consumers would have been.

Direction

In view of these deficiencies within the FMR and associated annexes, we cannot properly form an opinion on the Proposals. Therefore we direct that further analysis should be conducted on the impact of CMP287 and the submitted FMRs should include separate voting and provision of legal text for each Proposal, or the Proposals should be formally

amalgamated. After addressing these issues, the CUSC Panel should re-submit the revised FMR(s) to us for decision as soon as practicable.

Yours sincerely,

Harriet Harmon

Head of Electricity Transmission Charging, Energy Systems Management & Security

Duly authorised on behalf of the Authority