Making a positive difference
for energy consumers

Trisha McAuley OBE, Independent Chair
CUSC Panel
c/o National Grid ESO Limited
Faraday House, Gallows Hill
Warwick, CV34 6DA

Phone: 020 7901 7000
Email: eleanor.wood@ofgem.gov.uk
Cc: cusc.team@nationalgrideso.com

29 February 2024

Dear Trisha,

CMP430: *Adjustments to TNUoS Charging from 2025 to support the Market Wide Half Hourly Settlement (MHHS) Programme* – decision on urgency.

On 16 February 2024, National Grid Electricity System Operator ('NGESO' or the 'Proposer') raised Connection and Use of System Code (CUSC) Modification Proposal CMP430[1] (the 'Proposal'). This modification was raised alongside CMP431: *Adjustments to TNUoS Charging from 2025 to support the Market Half Hourly Settlement (MHHS) Programme (Non-Charging)*[2], an associated modification addressing the non-charging aspects of the stated defect. The Proposer subsequently presented both CMP430 and CMP431 to the CUSC Modifications Panel (the 'Panel') on 23 February 2024, requesting that they be treated as Urgent CUSC Modification Proposals.

[1] CMP430: Adjustments to TNUoS Charging from 2025 to support the Market Wide Half Hourly Settlement (MHHS) Programme | ESO (nationalgrideso.com)
[2] CMP431:Adjustments to TNUoS Charging from 2025 to support the Market Half Hourly Settlement (MHHS) Programme (Non-Charging) | ESO (nationalgrideso.com)

The Panel considered the Proposer's urgency request at its meeting on 23 February 2024. On the same day the Panel wrote to inform us[3] of its unanimous view that CMP430, should be treated as an Urgent CUSC Modification Proposal.[4]

We have considered both the Panel's and the Proposer's reasons for urgency. We have decided that CMP430 will progress on an urgent basis. We have set out our reasoning below.

Background

The demand locational element of Transmission Network Use of System (TNUoS) charges contains two methodologies, Non-Half Hourly (NHH) and Half-Hourly (HH). Generally, small and domestic sites are charged on a NHH basis, while larger sites are charged using the HH methodology. Measurement Class (MC) is a data item used to determine how a site is charged, and is currently based on a site's maximum demand, whether a site is domestic or non-domestic, and what type of meter a site has.

In April 2021, Ofgem published a full business case[5] for a market-wide transition to HH settlement. This initiated the MHHS Programme, which aims to expand the benefits arising from currently HH settled sites across the entire demand market.

The Code Change and Development Group (CCDG)[6], was one of three industry working groups supporting the MHHS Programme. The CCDG was made up of network licensees (including NGESO) and industry experts. It was responsible for making recommendations on the code changes required to facilitate the MHHS Programme.

One such recommendation was that a new data item – Consumption Component Class (CCC) – would replace the existing MC. In 2020, the CCDG recommended that MC would be deleted from the settlement IT system being developed as part of the migration to MHHS.

However, it has come to light that the new CCC data item does not contain a key variable used in the determination of MC – the maximum demand of each site. Without this, the settlement system cannot distinguish between sites of high peak demand and those of low demand, instead classifying sites by only meter type and whether domestic or non-domestic. This loss of data will prevent appropriate charging.

[3] References to the "Authority", "Ofgem", "we", and "our" are used interchangeable 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.

[4] Urgency Request (nationalgrideso.com)
[5] MHHS Full Business Case (ofgem.gov.uk)
[6] MHHS Code Change and Development Group (ceased) - Elexon BSC

The Proposal

The solution presented by the Proposer aims to change Section 14 of the CUSC to address the defect outlined above, by maintaining, as close to existing arrangements as possible, the current charging methodologies for demand sites.

Urgency request

In its urgency request, the Proposer explained why it was requesting urgency, highlighting one of the three criteria set out in Ofgem's Guidance on Code Modification Urgency Criteria ("Ofgem's Urgency Criteria" [7]): *a) a significant commercial impact on parties, consumers or other stakeholder(s).*

The Proposer considers the Proposal should proceed under an urgent timeline on the basis that it relates to an imminent issue that, if not urgently addressed, would impact parties, and potentially consumers. The Proposer outlines the following impacts if the defects are not addressed under urgent timescales:

- "Parties will not have adequate notice of charging arrangements and tariff setting for Charging Year 2025 which introduces increased commercial risk
- There will be a significant increase in the instances of double charging sites under two different methodologies in the same Charging Year, again having a commercial impact on parties and potentially consumers
- Suppliers are not likely to have sufficient time to adjust their MHHS Migration plans under MHHS governance to mitigate double charging risk
- CUSC changes would be misaligned with MHHS Programme Milestones which could introduce a lack of clarity to all MHHS Programme Participants within the timebound, major reform of settlement arrangements
- MHHS is a key enabler for realising demand-shifting benefits for transmission networks. Estimate £1.4bn by 2034. A single year's delay in MHHS would lead to £90m in lost benefits. Both those figures come from DESNZ (BEIS) 2019 smart meter roll out CBA[8], so if the exercise were repeated today, both figures would likely be higher. There are also unmonetized benefits for the distribution network from demand-shifting that would likely be reduced by any delay."

Panel view

The Panel considered the request for urgency with reference to Ofgem's Urgency Criteria. The Panel members unanimously agreed to recommend to Ofgem that CMP430 should be progressed as urgent. The Panel's rationale for urgent treatment is set out in their letter to Ofgem.

---

[7] Ofgem Guidance on Code Modification Urgency Criteria, published 2 August 2022
[8] Smart Metering Implementation Programme - Cost-Benefit Analysis 2019 (publishing.service.gov.uk)

Panel members agreed with the Proposer's justification for urgency against Ofgem's criteria (a), recognising the potential for a significant commercial impact if not addressed.

One Panel member highlighted that there is a potential risk of adverse financial impact to consumers and an impact to suppliers of finding a workaround solution at such a short timescale, and that any delay to the MHHS Programme would be financially detrimental.

Our decision

In reaching our decision on urgency, we have considered the details within the Proposal, the justification provided by the Proposer, and the views of the Panel. We have assessed the request against the urgency criteria set out in our published guidance.

Our guidance sets out that an urgent modification proposal should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

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

We are satisfied that the progression of this modification proposal is related to an imminent issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholders. If this modification is not progressed under an urgent timeline a significant number of sites, both commercial and domestic, could be inappropriately charged, potentially resulting in detrimental impacts for both consumers and businesses. This could include substantially higher TNUoS charges for domestic households if they are moved to the HH charging methodology, as well as an increased likelihood of double charging of sites under the two different methodologies in the same charging year. We therefore accept the Proposal being treated as urgent and agree that the modification should follow the urgent timetable set out in the Panel's letter to allow for sufficient notice of charging arrangements and tariff setting for the 2025 charging year.

We note that the defect for CMP430 and CMP431 indicates that the Measurement Class datum was deleted 'as part of' Ofgem's MHHS full business publication. We do not agree that the defect has arisen as a necessary outcome of the MHHS programme implementation. Our view is that implementation could have been managed differently, to avoid this situation, similarly to how it has been done for distribution charging. We understand that at distribution level, the Distribution Network Operators (DNOs) have worked with the Programme to create new data items that mitigate potential charging issues stemming from the deletion of the Measurement Class. We therefore consider that the issues outlined in CMP430 and CMP431 could have been mitigated through other means, or at least without the need for urgency given the timing of the initial recommendations being made.

For the avoidance of doubt, in accepting the request for urgency, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal.

If you have any comments or questions about this letter, please contact David Tooby at David.Tooby@ofgem.gov.uk.

Yours sincerely,

Eleanor Wood

Deputy Director of Energy Systems Management & Security

Duly authorised on behalf of the Authority

Appendix 1 – Approved Urgent Timeline[9]

Modification Stage	Date
Modification presented to Panel	23 February 2024
Workgroup Nominations	23 February 2024 – 29 February 2024
Ofgem decision on Urgency	29 February 2024 (5pm)
Workgroup 1	06 March 2024
Workgroup 2	11 March 2024
Workgroup 3	13 March 2024
Workgroup 4	19 March 2024
Workgroup 5	28 March 2024
Workgroup 6	05 April 2024
Workgroup 7	15 April 2024
Workgroup Consultation (5 business days)	17 April 2024 – 24 April 2024
Workgroup 8	29 April 2024
Workgroup 9	03 May 2024
Workgroup 10	08 May 2024
Workgroup 11	14 May 2024
Workgroup 12	20 May 2024
Workgroup 13	24 May 2024
Workgroup 14	30 May 2024
Workgroup report issued to Panel	04 June 2024
Panel sign off that Workgroup Report has met its Terms of Reference	07 June 2024
Code Administrator Consultation (5 working days)	10 June 2024 – 14 June 2024
Draft Final Modification Report issued to Panel and Industry	24 June 2024
Draft Final Modification Report presented to Panel / Panel Recommendation Vote	28 June 2024
Final Modification Report issued to Panel to check votes recorded correctly	28 June 2024
Submit Final Modification Report to Authority	28 June 2024 (5pm)
Authority Decision	ASAP
Date of Implementation	1 April 2025

[9] Reproduced from Appendix 1 – Urgent Timeline, Urgency Request (nationalgrideso.com)

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk