



Making a positive difference  
for energy consumers

Michael Toms  
CUSC Panel Chair  
c/o National Grid Electricity Transmission plc  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick CV34 6DA

Direct dial: 020 7901 7223  
Email: kersti.berge@ofgem.gov.uk

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Dear Mr. Toms,

**CUSC Modifications Panel request for urgency for CMP241: 'TNUoS Demand Charges during the Implementation of P272'**

On 25 February 2015 the Connection and Use of System Code (CUSC) Modifications Panel (the Panel) requested that modification proposal CMP241: 'TNUoS Demand Charges during the Implementation of P272' should be treated as an urgent modification proposal.

This letter sets out our decision **granting** the request for urgency.

**Background to the proposal**

The electricity settlement process determines how much suppliers pay for the energy that their customers use in each half hour of the day. The majority of electricity consumers do not have meters that can record half-hourly (HH) consumption data; therefore they are settled non-half-hourly (NHH) using estimates of their consumption in each half hour. These estimates are based on a consumer's total consumption and its assumed load profile (ie how its total consumption is spread over time), which is determined by a consumer's 'Profile Class'.

NHH consumers are assigned to one of eight Profile Classes, based on their expected consumption pattern and meter type. For example, most domestic consumers are assigned to Profile Class 1, but domestic consumers with an Economy 7<sup>1</sup> meter are assigned to Profile Class 2. As well as setting a consumer's assumed load profile (for the purposes of estimating its HH consumption), a consumer's Profile Class also determines its distribution use of system tariff.

Since 6 April 2014, suppliers have had a licence obligation to supply consumers in Profile Classes 5-8 (who are generally considered to be larger non-domestic consumers) through a HH-capable advanced meter. In October 2014, we approved Balancing and Settlement Code (BSC) modification proposal P272. According to this proposal, suppliers will be required to settle consumers in Profile Classes 5-8 using HH consumption data from 1 April 2016. As part of the P272 solution, and to meet the 1 April 2016 implementation date, suppliers will need to move consumers in Profile Classes 5-8 from

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<sup>1</sup> Economy Seven meters track energy consumption during the day and during the night separately. This allows consumers to access cheaper rates for energy consumed during the night.

NHH settlement to HH settlement during the 2015/16 charging year, ie. the year from 1 April 2015. These consumers will therefore spend part of the year under NHH settlement and part of the year in HH settlement. Under the current charging arrangements, this move from NHH to HH settlement could result in suppliers being over charged for transmission use of system (TNUoS) charges. This is due to the different ways in which TNUoS charges are levied in respect of HH and NHH consumers.

TNUoS charges recover costs in respect of constructing and maintaining the GB electricity transmission system. They are levied on suppliers in respect of their customers' use of the transmission system. The way in which consumers are settled (ie. whether HH or NHH) determines the way in which TNUoS charges are calculated. For NHH consumers, charges are based on use of the network each day between 16:00 and 19:00. However, for HH consumers, TNUoS charges are based on use of the network at 'Triad', the three points of peak demand during the charging year. These normally occur in the latter half of the charging year. So, under the current charging arrangements, if a consumer moves from NHH to HH settlement before Triad, its supplier will be subject to a full year's HH TNUoS charge, but will also receive a NHH TNUoS charge for the part of the year in which the consumer was NHH metered.

Suppliers are required to provide demand forecasts to National Grid Electricity Transmission (NGET). The TNUoS charges levied by NGET on them are based on these forecasts and invoiced throughout the charging year. The difference in charges between actual and forecast demand is subject to interest and also affects the amount of credit that a supplier needs to put in place for the following charging year.

### **The proposal**

NGET proposed CMP241 on 23 February 2015. CMP241 seeks to avoid overcharging as suppliers implement P272 following our recent decision to approve this modification. CMP241 proposes that consumers who move from NHH to HH settlement during a charging year are settled as a NHH consumer for the full year. This will avoid suppliers being overcharged by receiving a full year's HH TNUoS charge and a part year's NHH TNUoS charge in respect of a given consumer and, ultimately, such charges being passed on to consumers.

CMP241 also seeks to remove uncertainty about TNUoS liabilities for suppliers. Suppliers need to know how different classes of consumers will be treated from a charging perspective to provide accurate forecasts to NGET and reflect these charges in their commercial positions accurately. Inaccurate forecasts will impact on suppliers' charges, cash flows and future liabilities and securities.

NGET requested urgent treatment for the proposal to give consumers and suppliers certainty over TNUoS charges in the 2015/16 charging year.

### **Panel Discussion**

The Panel discussed CMP241 at its meeting on 25 February 2015. Panel members agreed that failure to take action could result in over charging of suppliers for their customers in Profile Classes 5-8 and that failure to address this issue expediently will result in significant uncertainty for suppliers and consumers. Panel members raised concerns about the short consultation period proposed but, ultimately, they agreed that CMP241 should be progressed as an urgent modification because not addressing the issues may cause a significant impact on consumers, suppliers or other stakeholders.<sup>2</sup>

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<sup>2</sup> The Panel's letter to the Authority setting out its recommendation for urgent treatment of CMP241 is on National Grid's website here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP241/>

## **Our Views**

Taking into account the Panel's views, we are satisfied, that the proposal meets our criteria for urgent treatment of code modification proposals.<sup>3</sup> In particular, we consider that the proposal is:

**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);**

In our view, it is clear that this issue needs to be addressed to avoid over charging and that delay in doing so will lead to significant uncertainty for suppliers and consumers. NGET has estimated that if all metering systems affected by P272 were to change at the end of October 2015, TNUoS demand liabilities would increase by around £67m without CMP241. We therefore accept that the modification should be addressed through an urgent timetable, because failure to do so would result in a significant commercial impact on suppliers and consumers. We agree with the Panel that this outweighs concerns about the short consultation periods in the Panel's proposed urgent timetable, (eg. the risk that the change results in unintended consequences that may have been identified given a longer consultation period).

## **Urgency Timetable**

The Authority consents to urgency on the grounds that this proposal meets the urgency criteria. We also note the urgent timetable presented by the Panel. We are happy that, given the time available, this timetable is sensible. We note the concerns of Panel members about the risks of processing a modification through an urgent timetable, especially the impact of shortened consultation periods. We note that the urgent timetable seeks to maximise, to the extent possible, consultation periods with industry as well as the use of a Workgroup to discuss the modification. We encourage the CUSC Code Administrator to do as much as possible to inform industry of when consultations are to be issued to ensure appropriate levels of engagement.

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

Yours sincerely,

**Kersti Berge**  
**Partner, Transmission**  
**Duly authorised on behalf of the Authority**

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<sup>3</sup> Our urgency criteria are set out here: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-code-modification-urgency-criteria>