nationalgrid

Stage 02: Workgroup Consultation (for Urgent Modification)

Connection and Use of System Code

CMP241 TNUoS Demand Charges during the Implementation of P272

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

This proposal seeks to treat Profile Classes 5-8 which move to being Half-Hourly settled after 1st April 2015 as Non Half-Hourly for the 2015/16 Charging Year for the purposes of TNUoS charging to avoid liabilities being higher than originally forecast.

This Modification has been classed as urgent

Published on: **4 March 2015**
Length of Consultation: **3 Working Days**
Responses by: **9 March 2015**

National Grid opinion:
CMP241 should be implemented as it better facilitates Applicable CUSC Objective (a), (b) and (c).

High Impact:
Suppliers

Contents

Any Questions?

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About this document

The purpose of this document is for the CMP241 Workgroup to consult with CUSC Parties and other interested industry members. Representations received in response to this consultation document will be considered by the Workgroup before the Workgroup vote and will be included in the Workgroup Report presented to the CUSC Modifications Panel.

If you have any questions about this urgent Workgroup consultation, please contact either the Code Administrator or Workgroup Chairman.

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Document Control

Version	Date	Author	Change Reference
1.0	3 March 2015	Code Administrator	Version for Workgroup Comment
1.1	4 March 2015	Workgroup	Workgroup Consultation

1 Summary

1.1 This document describes the CMP241 Modification Proposal, gives a record of the Workgroup discussions and seeks views from industry members relating to the proposal.

1.2 CMP241 seeks to treat Profile Classes 5-8 which move to being Half-Hourly settled after 1st April 2015 as being Non Half-Hourly settled for all of the 2015/16 Charging Year. This will avoid TNUoS Demand liabilities payable by Suppliers being higher than originally forecasted when TNUoS tariffs for 2015/16 were finalised on 31st January 2015.

1.3 CMP241 was proposed by National Grid Electricity Transmission Plc and submitted to the CUSC Modifications Panel for their consideration on 23 February 2015, the Panel had a special CUSC Panel meeting on 25 February 2015 to discuss this Modification. Further to the Proposer's recommendation that CMP241 should be progressed through the urgent route, the Panel determined that the proposal should be progressed as urgent on the basis that CMP241 is an imminent issue and can have a significant impact. The Authority accepted the Panel's recommendation to progress CMP241 as Urgent. Further details on CMP241 and its treatment as urgent can be found in section 1.7.

1.4 The Panel determined that CMP241 should be developed by a Workgroup and sent to Workgroup Consultation for a period of 3 Working days and that a special CUSC Panel meeting would be held on 13th March 2015 to consider the Workgroup Report and agree the Workgroup have met their Terms of Reference, after which a Code Administrator consultation will be issued on or around 15th March 2015 for a period of 2 Working Days and that a special CUSC Panel meeting would be held on 23rd March 2015 to vote.

1.5 This Workgroup Consultation has been prepared in accordance with the Terms of the CUSC. An electronic copy can be found on the National Grid Website, www.nationalgrid.com/uk/Electricity/Codes/ along with the CUSC Modification Proposal Form.

National Grid's View

1.6 National Grid supports the implementation of CMP241 as it better facilitates Applicable CUSC Objective (a) in that it seeks to provide more predictable charges and reduce uncertainty and (b) by avoiding charging part year for Non Half-Hourly and potentially full year for Half-Hourly is more cost reflective. CMP241 also seeks to facilitate smooth introduction of P272 by minimising transitional impacts on Suppliers which better facilitates CUSC Objectives (a) and (c). CMP241 also seeks to avoid over recovery by National Grid and so there facilitates objective (c).

Treatment as Urgent

1.7 The CUSC Panel considered the Proposer's request for urgency with reference to Ofgem's guidance on Code Modification Urgency Criteria.[1] The majority view of the Panel was that CMP241 should be treated as Urgent for the following reasons:

(i) CMP241 refers to an imminent issue;

[1] Ofgem's Urgency Criteria can be found here:
http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf

(ii) The issues addressed by CMP241 may cause a significant impact on parties, consumers or other stakeholders.

(iii) The CUSC Panel Chairman wrote to the Authority on 25 February 2015 with the request for CMP241 to be treated as an urgent proposal. This letter can be found in Annex 4. The Authority approved the request on 27 February 2015, and a copy of their approval letter can be found in Annex 5.

2 Why change?

2.1 Following Ofgem's approval of BSC Modification P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8', it will be mandatory for Import Meters with an Advanced Meter on Profile Classes 5-8 to become Half Hourly (HH) settled by 1st April 2016. These will be registered to either Measurement Class E (if current transformer metered) or Measurement Class G (if whole current metered). For further information on P272 please refer to the BSC website[2].

2.2 Annual TNUoS demand liabilities are calculated based on the actual metered demand multiplied by the tariff for the zone the demand is located within, the tariff being specific to Non Half Hourly (NHH) or HH settled meters.

2.3 Annual NHH demand is calculated as the total of daily demand between 4pm and 7pm throughout the charging year. Annual HH demand equals the average demand take over the three peak half hour settlement periods (Triads) between the start of November and the end of February.

2.4 To implement P272, meters will be moved across gradually throughout the charging year, rather than in one block at the end. This is understood to be due to various restraints restricting the transition of large numbers of meters all at once. When meters move within the charging year, under the current TNUoS charging methodology, a Supplier will be liable for the NHH demand on a metering system from when it was NHH settled and the HH demand on a metering system from when they were transitioned across. For example, if the metering system was moved across in October, they will be liable for six months of NHH charges based on the demand taken to date. They will also be liable for the HH demand from when the meters start being HH settled. As HH annual demand is based on Triad demand, they will therefore potentially be liable for charges associated with a whole year's worth of HH demand.

2.5 This will mean that the liability for that Supplier (and consumer if these costs are passed on) will be considerably higher than what they would have been if they had either been solely NHH settled or HH settled for the full charging year. As well as changing liabilities for Suppliers if liabilities are higher than what was assumed when finalising TNUoS tariffs for 2015/16 this will lead to over recovery of TNUoS revenue. This over recovery will also feed through to tariffs for 2017/18 leading to increased tariff volatility. The over recovery will result in reduced allowed revenues for all Transmission Users and not just for those Suppliers who paid more and created the over recovery in 2015/16.

2.6 It is estimated that if all metering systems affected by P272 moved across at the end of October 2015, TNUoS demand liabilities for 2015/16 will increase by approximately £70m without this CMP241 modification (accepting this might be a high estimate as all meters cannot move in one stage). This estimation is based on historical average demand per month and NHH, HH demand being as forecast when finalising TNUoS demand tariffs for 2015/16.

2.7 If the transfer is evenly spread across the year it is estimated that the total liabilities could increase by around £40m. This may represent a more realistic estimate. This is based on the total liabilities for this class being

[2] https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/

£140m if charged exclusively HH or NHH and a Triad occurring in December, January and February.

2.8 The transitioning of a meter from being NHH settled and the effects on TNUoS liabilities is an existing defect. However the numbers of meters which have transitioned to date coupled with the fact that Suppliers are in control of when they transition in the charging year makes this defect manageable by the Supplier. However due to the numbers of meters being transitioned as part of P272 the defect for 2015/16 becomes material to Suppliers, hence the need for this modification this charging year.

2.9 The CUSC requires Suppliers to forecast both their HH and NHH volumes in a year. Therefore they are required to represent the same meter in both NHH and HH forecasts, i.e. they cannot currently choose to ignore its contribution to HH prior to transfer.

3 Solution

3.1 This CUSC modification proposal seeks to treat Profile Classes 5-8, which move to being HH settled after the 1st April 2015, as NHH settled for the entire 2015/16 charging year for the purposes of TNUoS charging. The annual TNUoS demand liability for these meters will be based on daily demand taken between the hours of 4-7pm for the whole charging year.

3.2 For those Metering Systems that are currently on Measurement Class E, and therefore HH settled before 1st April 2015, it is proposed that these could be treated as HH settled for the purposes of calculating the actual annual liability for 2015/16. This would be the case only if Suppliers provide verified metered demand data between the hours of 4-7pm for those consumers. If Suppliers do not provide this data, the charges will be calculated as NHH settled. The Supplier will have until the end of September 2015 to decide if they wish to opt for this, including relevant customers/meters. The Supplier will then be required to send the actual metering data to National Grid before the reconciliation process starts (start of June). This is necessary so as to: avoid the situation where a Supplier can make a commercial decision post event based on the more favoured liability and; allow the metering demand data to be removed from the NHH settled file and moved into a HH settled file, thus preventing double counting. This will have no impact on how the volumes are settled in the BSC. As part of the solution National Grid would work with Elexon to ensure that the data files only contain data from the correct meters affected by P272 and CMP241.

4 Workgroup discussions

Workgroup discussions

4.1 The CMP241 Workgroup met on 2nd March 2015 to discuss the Modification Proposal (Annex 1) and the Workgroup Terms of Reference (Annex 2). The Proposer presented his Modification Proposal to the Workgroup and stated that P272 is mandating that Profile Classes 5-8 are settled as Half-Hourly by the end of Charging Year 2015/16. When meters are transitioned from Non Half-Hourly (NHH) to Half-Hourly (HH) within the charging year, they will receive a NHH charge and a HH charge, this will result in their liability being greater than if they were only NHH or HH settled for the whole charging year. This will mean that, depending on the contract with the end consumer, the Supplier will face increased liabilities or the end consumer will face increased bills.

4.2 The Proposer noted that CMP241 seeks to ensure that for the purpose of TNUoS demand charges, all meters within Profile Classes 5-8 moving to Measurement classes E-G after 1st April 2015 will be settled as NHH for the whole charging year up until the implementation of P272. This will avoid meters being settled and charged as both NHH and HH within a charging year, which will also avoid increasing the demand liability. The Proposer advised that where consumers are already being settled as HH before 1st April 2015 (and who would originally have been classed as Profile Class 5-8), meters could be settled as HH for the whole charging year 2015/16 but only if the Supplier provides National Grid with information before the reconciliation and also informs National Grid of its intentions before the Triad season.

4.3 The Proposer advised that CMP241 had been granted urgency by Ofgem and will progress via the agreed timetable (Annex 3). The Proposer noted that if this timetable is delayed for any reason and CMP241 is not implemented by 1st April 2015, this will affect Supplier forecasts. Suppliers need to forecast annual demand according to the current methodology in the CUSC and will be invoiced monthly based on these forecasts. The Proposer estimates that this will lead to Suppliers as a whole paying around £8m per month initially in overlapping charges and noted that these overlapping charges would be returned gradually over the year or as part of the reconciliation in July of the following charging year, which will create cash flow issues. If forecasts are changed within year, any over recovery is prevented for that charging year, although does not prevent any cash flow problems. However, cash flow issues would be avoided by implementing CMP241 on or before 1st April 2015.

4.4 A Workgroup member advised that Measurement Classes F and G will be merged with Measurement Class E and questioned how Elexon would distinguish the volumes of those moving across from this data set and whether this would involve requesting information from Suppliers. The Workgroup member noted that if Elexon did envisage requesting information from Suppliers, it would be useful to know so that Suppliers could prepare for this. The Proposer informed the Workgroup that Elexon will continue to send National Grid a existing data file showing demand data for all NHH settled meters (P210 file). Profile Classes 5-8 will be included within the data set as they are NHH settled. Elexon will send an additional data file showing metering data for Measurement Classes E-G. As Profile Classes 5-8 move to being HH settled, they will move from one file to the other. To calculate annual demand for the whole year, the two files will be added together. NHH demand will then be calculated by totalling demand between 4-7pm from the amalgamated (NHH) data set. The Supplier provided data (for

those meters which they want to be treated as being HH settled) will be deducted from the NHH data set to avoid double counting the treated as HH demand. This process will be undertaken as part of the reconciliation as this is the first time when actual metering data is used to invoice Suppliers.

4.5 It was also questioned whether the data that Elexon provides to National Grid is based on one point in time 'snap shot'. The Proposer clarified that this would be the case and noted that when using any data, National Grid will state which settlement runs relate to which day for transparency. This will be no different from the current reconciliation process which takes metering data at a particular moment in time. Any differences due to the timing of the snap shot (settlement run difference), would be picked up during the final reconciliation 18 months after year end which uses final settlement data.

4.6 It was clarified that the charges for NHH and HH are relatively similar, so charging all customers as being NHH settled for the whole year, rather than HH settled would be preferable to double charging, which currently occurs when a customer switches from NHH to HH mid-year. A Workgroup member questioned what the likely impact would be on revenues to National Grid based on CMP241 being implemented. The Proposer noted that CMP241 prevents a material impact on liabilities and therefore revenues and reverts revenue recovery back to what was forecasted as of 31st January 2015 when TNUoS tariffs for 2015/16 were finalised.

4.7 Another Workgroup member asked whether any gains or losses from providing verified metered demand data would be taken account of within this modification. The Proposer noted that any gains and losses would be picked up through reconciliation either in the 2015/16 or 2016/17 charging years.

4.8 A Workgroup member questioned whether the accuracy of the forecasts provided by Suppliers would be checked. DC noted that there would be scope for this and it would be done as it is under the current methodology. The Performance VAR process undertaken at the end of the year would remain the same. It was also noted that under the current CUSC drafting, Suppliers should forecast on the basis that they will be charged both NHH and HH in the same charging year for the same meter. To do this with any degree of accuracy would be extremely difficult as the Supplier would need to know the transition date for each meter and also assign a proportion of HH demand to this demand based on whether or not the meter will be settled for one, two or three Triads. CMP241 removes the above forecasting complexity. A Workgroup member stated that it would be very difficult to forecast throughout the winter period if meters are moving from NHH to HH settled during this time. The Proposer stated that forecasts of demand provided by Suppliers are forecasts of annual demand. To forecast annual demand, the Supplier would need to have a view of the winter period as of now.

4.9 A Workgroup member noted that Suppliers validate TNUoS charges submitted by National Grid and questioned when the data used to calculate the charges would be available if CMP241 was implemented on 1st April 2015 as proposed. The Workgroup member noted that Suppliers usually do a shadow calculation of their view of the bill provided by National Grid and if they did not have sight of this information, they would not be able to do their validation for the 2015/16 charging year. It was also noted that this would be needed for any Supplier system changes. The Workgroup agreed that wording should be drafted into the proposed legal text to require National Grid to provide this information to Suppliers after the data is received from Elexon. The Proposer noted that this data would be received from Elexon a minimum of 23 days after the end of the charging year. The Proposer took an action to discuss with National Grid's legal team how to draft this within

the proposed legal text. It was also noted that if Suppliers found material errors during validation than the appropriate conversations would be had to correct these before billing. Failing this, the Final reconciliation can be used to solve these errors. However the historic purpose of the final reconciliation is to iron out differences between settlement runs rather than deal with errors however provides a fail-safe to the process.

4.10 A Workgroup member noted that although National Grid may treat a meter as being NHH settled, Suppliers systems may not allow them to treat meters differently. This may mean that for pass through contracts, the Supplier would be charged as if the meter is NHH settled in terms of TNUoS charges but the end consumer would still be charged as if it was HH settled. This Modification Proposal therefore solves the problem of overcharging to the Supplier but does not necessarily prevent all end consumers being double charged.

4.11 The Proposer clarified that CMP241 makes an assumption that all meters would be moved to being HH settled by the end of the 2015/16 charging year (i.e. 31st March 2016). A Workgroup member noted that there will no doubt be a small proportion that have not moved over to HH going into the 2016/17 charging year and questioned how these would be treated under CMP241. It was noted that there is an obligation on Suppliers to have these transferred by implementation of P272, so CMP241 should assume this will happen. If this ends up not being the case, it would be addressed nearer the time.

4.12 A Workgroup member asked the Proposer how National Grid would know whether Measurement Class E HH measurement customers have moved over or not and asked when they would be included in forecasts. The Proposer clarified that as soon as they transfer over, the data moves from the P210 file, into a separate file. This will prevent any double counting. Under CMP241 transition date is not relevant as the meter is treated as NHH for the whole year. For the purposes of forecasting, the Supplier would provide forecasts similar to current forecasts (2014/15 charging year) and will ignore any transition date.

4.13 Another Workgroup member noted that there may be a situation where a Supplier acquires a new customer throughout the charging year and questioned how the Supplier would know whether this customer was NHH or HH settled before 1st April 2015. Suppliers would need to know this so they can provide metering data to National Grid so as to allow it to be treated as being HH settled. The Proposer stated this should be transparent information and that it could be requested from Elexon.

4.14 The Workgroup member asked whether it would be possible for Elexon to provide data to National Grid on the amount of meters switched over from NHH to HH throughout the charging year. The Proposer noted that he would ask Elexon to keep National Grid up to date with this information. It was noted that the assumption for this modification is that everyone will change from NHH to HH by the end of 2015/16 charging Year (i.e. 31st March 2016), and if these assumptions changed based on data received throughout the charging year, the situation would be reviewed.

4.15 The Workgroup also discussed the potential delay to P272 that some parties are seeking and a Workgroup member noted that this should be considered when drafting the proposed legal text for CMP241. The Proposer noted that even if implementation of P272 is delayed, the defect for CMP241 still remains and the delay of P272 may not stop Suppliers moving meters from NHH to HH, but this will be done over a longer period.

4.16 The Proposer noted that National Grid would produce a one page ‘plain English’ statement which explains CMP241 to provide information to industry

parties and other stakeholders that are unaware of the background to this Modification and publish this alongside the CMP241 documents on the National Grid website.

4.17 The Proposer noted that the proposal seeks to better facilitate the Applicable CUSC Charging Objective (a) by ensuring predictable charges and reducing uncertainty. CMP241 also better facilitates CUSC Charging objective (b) by avoiding changing part charging year for those that are NHH settled and better facilitates Objective (c) by ensuring the smooth introduction of the P272 by minimising impact on Suppliers and avoids over recovery by National Grid. The majority of the Workgroup initially agreed with the Proposers' view against the Applicable CUSC Charging Objectives however wanted to note that there is a clear issue between Suppliers and consumers.

Terms of Reference

4.18 The Workgroup considered the issues specified by the Terms of Reference as follows;

(a) Assess Suppliers ability to provide metering data for Measurement Class E meters, which were originally within Profile Classes 5-8 and have moved to being Half-Hourly settled prior to April 1st 2015.

4.19 A Workgroup member noted that depending on what system a Supplier is using, he thought this data should not be difficult to provide and stated that if it is in Measurement Class E a Supplier is obliged to appoint an agent to collect this data, so it should be available to provide to National Grid. The Workgroup agreed to include this as a question within the Workgroup Consultation to gain views from the industry.

(b) Assess how Suppliers obtain demand data per meter and how this then feeds through to the end consumer bill with the objective of determining whether a Supplier can treat actual HH settled meters as NHH settled meters within their own systems for the purposes of applying TNUoS charges.

4.20 One Workgroup member noted that this question within the Workgroup Terms of Reference relates to the discussion the Workgroup has had on the outstanding issue between Suppliers and consumers and the question how the data is fed through. It was noted that the data passed through is subject to contractual arrangements and there would be impacts for the suppliers billing system. The Workgroup agreed to include this as a question within the Workgroup Consultation.

(c) In relation to a) and b) determine if there are any necessary changes to systems to aid the implementation of the modification and if so; the timescales and likely costs of any changes.

4.21 A Workgroup member noted there would be system costs of validating changes from being NHH to HH settled and there will need to be system changes. The Workgroup agreed to seek industry views on this through a question within the Workgroup Consultation.

(d) Implementation.

4.22 The Proposer's view on implementation is that CMP241 should be implemented on or before 1st April 2015, which is the main reason for seeking urgency for this Modification. By being implemented on this date, it gives certainty of charges and gives Suppliers some lead time to change their systems if they need to. One Workgroup member questioned what would happen if the Modification was implemented after 1st April 2015. It

was noted that there would need to be retrospective charging for HH for the part of the 2015/2016 charging year prior to the date of implementation (if later than prior to the start of that charging year). Implementation before the 1st April 2015 prevent the occurrence where a consumer may take demand between 4-7pm from 1st April 2015 onwards assuming that it will be charged based on demand over the Triad periods, only to be told after the event that they will be treated differently.

(e) Review illustrative legal text

4.23 The legal text will be drafted once the Workgroup have fully considered any responses to the Workgroup Consultation and will be available within the Code Administrator Consultation.

5 Impacts

Impact on the CUSC

5.1 CMP241 requires amendments to the following parts of the CUSC:

- Section 14 –Charging Methodology

5.2 The text required to give effect to this proposal is contained in Annex 2 of this document.

Impact on Greenhouse Gas Emissions

5.3 The Proposer has not identified any material impacts on Greenhouse gas Emissions

Impact on Core Industry Documents

5.4 The Proposer has not identified any impacts on Core Industry Documents.

Impact on other Industry Documents

5.5 The Proposer has not identified any impacts on other Industry Documents.

6 Proposed Implementation

6.1 It is proposed that CMP241 should be implemented in line with the agreed timetable on or before 1st April 2015. **Views are invited on this proposed implementation date**.

7 How to Respond

7.1 The Workgroup is seeking views of CUSC Parties and other interested parties in relation to the issues noted in this document and specifically in response to the questions highlighted in the report and summarised below:

Standard Workgroup Consultation questions;

Q1: Do you believe that CMP241 better facilitates the Applicable CUSC Charging objectives?

Q2: Do you support the proposed implementation approach?

Q3: Do you have any other comments?

Q4: Do you with to raise a Workgroup Consultation Alternative request for the Workgroup to consider? Please see 7.4

Specific CMP241 Workgroup Consultation questions;

Q5: Do you consider that Suppliers would be able to provide metering data for Measurement Class E meters which were originally within Profile Classes 5-8 and have moved to being HH settled prior to 1st April 2015?

Q6: If you are a Supplier, will you be able to treat actual HH settled meters as NHH settled meters within your own systems for the purpose of charging TNUoS?

Q7: Do you envisage system changes, if so what are the likely cost and time implications of this?

7.3 Please send your response using the response proforma which can be found on the National Grid website via the following link: http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP241/

7.4 In accordance with Section 8 of the CUSC, CUSC Parties, BSC Parties, the Citizens Advice and the Citizens Advice Scotland may also raise a Workgroup Consultation Alternative Request. If you wish to raise such a request, please use the relevant form available on the National Grid website via the link below;

http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

7.5 Views are invited upon the proposal outlined in this report, which should be received by **17:00 on 9th March 2015**. Your formal response may be emailed to: cusc.team@nationalgrid.com

7.6 If you wish to submit a confidential response please note the following:

Information provided in response to this consultation will be published on National Grid's website unless the response is clearly marked "Private &

Confidential", we will contact you to establish the extent of the confidentiality. A response marked "Private and Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non confidential response.

Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential".

Annex 1 – CMP241 CUSC Modification Proposal Form

CUSC Modification Proposal Form (for Charging Methodology Proposals) CMP241

nationalgrid

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal

TNUoS Demand Charges during the Implementation of P272

Submission Date

23rd February 2015

Description of the Issue or Defect that the CUSC Modification Proposal seeks to address

Following Ofgem's approval of BSC Modification P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8', it will be mandatory for Import Meters with an Advanced Meter on Profile Classes (PCs) 5-8 to become Half Hourly (HH) settled by April 1st 2016.These will be registered to either Measurement Class (MC) E (if current transformer metered) or MC G (if whole current metered).

Annual TNUoS demand liabilities are calculated based on the actual metered demand multiplied by the tariff for the zone the demand is located, the tariff being specific to Non Half Hourly (NHH) or HH settled meters.

NHH demand is calculated as the total of daily demand between 4pm and 7pm throughout the year. HH demand is calculated as the average demand taken over the three peak half hour settlement periods (Triads) between the start of November and the end of February.

To implement P272, the industry has decided that customers will be moved across gradually throughout the charging year, rather than in one block at the end. When customers move within year, under the current TNUoS charging methodology a Supplier will be liable for the NHH demand on a metering system from when it was NHH settled and the HH demand on a metering system from when they were transitioned across. For example, if the metering system was moved across in October they will be liable for six months of all NHH charges and liable for all of the HH charges as they will be HH settled for the whole Triad season.

This will mean that the liability for that Supplier (and consumer if these costs are passed on) will be considerably higher than what they would have been if they had either been solely NHH settled or HH settled for the full year. As well as changing liabilities for Suppliers if liabilities are higher than what was assumed when finalising TNUoS tariffs for 2015/16 this will lead to over recovery of TNUoS revenue. This over recovery will also feed through to tariffs for 2017/18 leading to increased tariff volatility.

We estimate that if all metering systems affected by P272 moved across at the end of October 2015, TNUoS demand liabilities for 2015/16 will increase by around £67m without this

modification. This is based on historical average demand per month and NHH, HH demand being as per forecasted when finalising TNUoS Demand tariffs for 2015/16.

This is a current issue, but due to the very small numbers of Metering Systems that are migrated from NHH to HH, this is usually manageable by the Supplier to avoid the additional TNUoS charge.

Description of the CUSC Modification Proposal

It is proposed that for 2015/16, Profile Classes 5-8 (around 190k Metering Systems) which move to being HH settled after the 1st April 2015 will be treated as NHH for the 2015/16 charging year for the purposes of TNUoS charging. The annual TNUoS liability for these classes will be based on daily demand taken between the hours of 4-7pm for the whole year.

For those Metering Systems that are currently on MC E which are elective HH settled before the 1st April 2015 (around 3k Metering Systems), we will treat these as HH settled for the purposes of calculating the actual annual liability for 2015/16 only if Suppliers provide verified metered demand data between for the hours 4-7pm for those consumers. By providing this data it enables the backing out the NHH demand for that Supplier and calculates HH demand as Triads occur between 4.30pm and 6pm. If Suppliers do not provide the data the charges will be calculated as NHH. The Supplier will have until end of September 2015 to decide if they wish to opt for this including relevant customers/meters, and then the end of April 16 to notify the volumes. This is necessary to avoid the situation where a Supplier can make a commercial decision post event based on the more favourable liability.

As of 2016/17 all consumers who are Half Hourly settled will be treated as such for the purposes of TNUoS charging.

It is suggested that the legal drafting be developed so that it is robust to any change in the April 2016 implementation date.

Impact on the CUSC

Section 14 Charging Methodology.

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No.

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC ☐

Grid Code ☐

STC ☐

Other ☐
(please specify)

No changes to the BSC or its configurable items have been identified and it is unlikely that any will be required. However the modification will remove a concern of Suppliers regarding the implementation of P272. Furthermore data will be required from Elexon to allow National Grid to reconcile the forecast and metered positions of the affected metering systems.

Urgency Recommended:

Yes

Justification for Urgency Recommendation

An Urgent Modification Proposal 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 has systems; or*
c) *A party to be in breach of any relevant legal requirements.*

You can find the full urgency criteria on the Ofgem's website:
http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=213&refer=Licensing/IndCodes/Governance

Suppliers build into the tariffs an estimate of TNUoS liabilities. The transition of consumers from being NHH to HH settled can happen at any time throughout the year. Any uncertainty over the TNUoS liabilities will create a risk to Suppliers. This risk may be passed on to the end consumer through the tariffs the Supplier levy. Therefore knowing what liabilities will apply before fixing tariffs will be beneficial to both the Supplier and subsequently the end consumer.

Suppliers are required to provide changing volume forecasts to National Grid on which their TNUoS charges are invoiced throughout the year. The difference 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.

Therefore Suppliers need to know how different classes of customers 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 Supplies charges, cash flows and future liabilities and securities.

Implementation before the start of the 2015/16 charging year reduces the transitional impact of P272 from a TNUoS charging perspective close to 0. Implementation within the 2015/16 charging year will impact on the Industry with this impact being potentially greater as the year progresses.

There is merit in discussing the modification with the industry as part of the modification process to ensure this modification does not cause an unforeseen impact on Suppliers.

We believe that the above meets the Urgency criteria in principle. Treating this proposal as non-urgent is likely to introduce a six month delay to implementation. We believe that this Proposal should be implemented as soon as possible in the 15/16 charging year to ensure forecasts are accurate.

Self-Governance Recommended:

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

We do not believe this impact on any ongoing SCR.

Impact on Computer Systems and Processes used by CUSC Parties:

N/A

Details of any Related Modification to Other Industry Codes

NGET is in discussion with Elexon and there may be a related BSC proposal that facilitates data exchange, although this is not expected to be urgent if required, as Suppliers are initially invoiced based on their own forecasts.

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives for Charging:

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

x (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;

x (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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

x (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.
These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1.

Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Predictable charges contribute to effective competition and reducing uncertainty reduces end user premiums therefore better facilitating (a).

Avoiding changing part year for NHH and then also for HH is more cost reflective, this better facilitates (b).

The proposal facilitates the smooth introduction of a BSC proposal by minimising the transition impact on Suppliers from a TNUoS charging perspective better facilitating both objectives (a) and (c).

The proposal seeks to avoid over recovery by NGET and so therefore facilitates meeting NGET licence objectives which better facilitates objective (c).

Connection Charging Methodology

☐ (a) that compliance with the connection 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 connection 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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

☐ (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;

☐ (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.

☐ (e) 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.

Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Additional details

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission Plc
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	 Damian Clough NGET 01926656416 Damian.Clough@nationalgrid.com

Details of Representative's Alternate:	
Name:	Alex Haffner
Organisation:	NGET
Telephone Number:	01926655838
Email Address:	Alex.Haffner@nationalgrid.com
Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 653606
For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/Current/

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to jade.clarke@nationalgrid.com and copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.

Annex 2 – Workgroup Terms of Reference

nationalgrid

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP241 WORKGROUP

CMP241 aims to treat Profile Classes 5-8 which move to being Half-Hourly settled after 1st April 2015/16 Charging Year for the purposes of TNUoS charging to avoid liabilities being higher than originally forecast. CMP241 is recommended by the CUSC Modifications Panel to be progressed as an Urgent CUSC Modification Proposal and to follow an expedited timetable.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal **241 'TNUoS Demand Charges during the Implementation of P272'** tabled by National Grid Electricity Transmission Plc at a special CUSC Modifications Panel meeting held on 25th February 2015.

2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

Use of System Charging Methodology

(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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard 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.
These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1.

Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.

5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:

a) Assess Suppliers ability to provide metering data for Measurement Class E meters, which were originally within Profile Classes 5-8 and have moved to being Half Hourly settled prior to April 1st 2015
b) Assess how Suppliers obtain demand data per meter and how this then feeds through to the end consumer bill with the objective of; determining whether a Supplier can treat actual HH settled meters as NHH settled meters within their own systems for the purposes of applying TNUoS charges
c) In relation to a) and b) determine if there are any necessary changes to systems to aid the implementation of the modification and if so; the timescales and likely costs of any changes
d) Implementation
e) Review illustrative legal text

6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.

7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.

8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.

9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.

10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be

for a period of 3 Working days in accordance with the timetable for urgency recommended by the CUSC Modifications Panel.

11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on 12th March 2015 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel at a special meeting on 13th March 2015.

Membership

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
Chairman	Patrick Hynes	
*National Grid Representative**	Damian Clough	National Grid
*Industry Representatives**	TBC	TBC
	TBC	TBC
	TBC	TBC
	TBC	TBC
	TBC	TBC
	TBC	TBC
	TBC	TBC
	TBC	TBC
Authority Representatives	TBC	TBC
Technical secretary	Jade Clarke	Code Administrator
Observers		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The Chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP241 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.

15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:

- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
- Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal*;*
- Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.

17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.

19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

Appendix 1 – Indicative Workgroup Timetable

The following timetable is indicative for CMP241

23 February 2015	CUSC Modification Proposal and request for Urgency submitted
25 February 2015	CUSC Panel considers Proposal and request for Urgency
25 February 2015	Panel's view on urgency submitted to Ofgem for consultation
25 February 2015	Request for Workgroup members (2 Working days)
27 February 2015	Ofgem view on urgency provided
2 March 2015	Workgroup meeting 1
4 March 2015	Workgroup Consultation issued (3 Working days)
9 March 2015	Deadline for responses
10 March 2015	Workgroup meeting 2
12 March 2015	Workgroup report issued to CUSC Panel

13 March 2015	Special Panel meeting to approve report
13 March 2015	Code Administrator Consultation issued (2 Working days)
17 March 2015	Consultation closes
18 March 2015	Draft FMR published for industry comment (1 working day)
19 March 2015	Deadline for comments
20 March 2015	Draft FMR circulated to Panel (1 working day review)
23 March 2015	Special Panel meeting for Panel Recommendation Vote
23 March 2015	Final FMR circulated for Panel comment
24 March 2015	Deadline for Panel comment (1 working day review)
25 March 2015	Final report sent to Authority for decision
31 March 2015	Indicative Authority Decision due (4 working days)
1 April 2015	Implementation Date

Annex 3 – Urgent timetable for CMP241

The agreed urgent timetable for CMP241 is as follows;

23 February 2015	CUSC Modification Proposal and request for Urgency submitted
25 February 2015	Special CUSC Panel meeting to discuss Modification
25 February 2015	Panel's view on urgency submitted to Ofgem for consultation
26 February 2015	Ofgem view on Urgency provided
2 March 2015	Workgroup meeting 1
4 March 2015	Workgroup Consultation issued (3 working days)
9 March 2015	Deadline for responses
10 March 2015	Workgroup meeting 2
12 March 2015	Workgroup report issued to CUSC Panel
13 March 2015	Special Panel meeting to approve report
13 March 2015	Code Administrator Consultation issued (2 working days)
17 March 2015	Deadline for responses
18 March 2015	Draft FMR published for industry comment (1 working day)
19 March 2015	Deadline for comments
20 March 2015	Draft FMR circulated to Panel (1 working day)
23 March 2015	Special Panel meeting for Panel recommendation vote
24 March 2015	Deadline for Panel comment
25 March 2015	Final report sent to Authority for decision
31 March 2015	Indicative Authority Decision due (4 working days)
1 April 2015	Implementation date

Annex 4 – Panel Urgency Request to Authority

White House,
24 Upper West Street,
Reigate,
Surrey
RH2 9BU
Home: 01737 242960
Mobile Telephone Number: 07770 341581
e-mail: miketoms53@btinternet.com

Abid Sheikh
Industry Codes Manager
Ofgem
By email

25 February 2015

Dear Abid

CUSC Modifications Panel Views on request for Urgency for CMP241: TNUoS Demand Charges during the Implementation of P272.

On 23rd February 2015, National Grid Electricity Transmission plc raised CMP241, with a request for the proposal to be treated as an Urgent CUSC Modification Proposal. The CUSC Modifications Panel ("the Panel") considered CMP241 and the associated request for urgency at a special CUSC Modifications Panel held by teleconference on 25th February 2015. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends, should the Authority grant urgency.

Request for Urgency
The Panel considered the request for urgency with reference to Ofgem's Guidance on Code Modification Urgency Criteria. The majority view of the Panel is that CMP241 should be treated as an Urgent CUSC Modification Proposal, for the reasons set out below:

- CMP241 refers to an imminent issue;
- The issues addressed by CMP241 may cause a significant impact on parties, consumers or other stakeholders

In the discussion, members of the Panel also noted a few concerns over granting urgency, set out below;

- Using an urgent process holds an inherent risk of unintended consequences, which may arise due to there being insufficient time for all aspects of a Modification Proposal to be considered;
- Urgency creates a situation with short consultation periods, as much as possible should be done to inform relevant parties of when these consultations will be issued.

Procedure and Timetable
The Proposer included a proposed timeline with the Modification Proposal, which set out recommended process steps and dates. Having agreed to the principle of urgency, the Panel discussed an appropriate process. The Panel agreed that CMP241 would require a Workgroup and subject to Ofgem's decision on Urgency and a Workgroup meeting being moved a day earlier within the Proposed timetable, an additional day should be given to the Workgroup Consultation.

The Panel Members agreed that, if the Authority were to grant Urgency, the timetable attached should be used. Panel Members noted that the timetable assumes two decisions to be provided by the Authority by certain dates, including a decision on this Urgency request by 26th February 2015. We appreciate that it is not within the gift of the Panel to require this to happen.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response.

Yours sincerely

Michael Toms
CUSC Panel Chair

Appendix: Proposed Process and Timetable for Urgency

23 February 2015	CUSC Modification Proposal and request for Urgency submitted
25 February 2015	CUSC Panel considers Proposal and request for Urgency
25 February 2015	Panel's view on urgency submitted to Ofgem for consultation
25 February 2015	Request for Workgroup members (2 Working days)
26 February 2015	Ofgem view on urgency provided
2 March 2015	Workgroup meeting 1
4 March 2015	Workgroup Consultation issued (3 Working days)
9 March 2015	Deadline for responses
10 March 2015	Workgroup meeting 2
12 March 2015	Workgroup report issued to CUSC Panel
13 March 2015	Special Panel meeting to approve report
13 March 2015	Code Administrator Consultation issued (2 Working days)
17 March 2015	Consultation closes
18 March 2015	Draft FMR published for industry comment (1 working day)
19 March 2015	Deadline for comments
20 March 2015	Draft FMR circulated to Panel (1 working day review)
23 March 2015	Special Panel meeting for Panel Recommendation Vote
23 March 2015	Final FMR circulated for Panel comment
24 March 2015	Deadline for Panel comment (1 working day review)
25 March 2015	Final report sent to Authority for decision
31 March 2015	Indicative Authority Decision due (4 working days)
1 April 2015	Implementation Date

Annex 5 – Authority Response to Panel Urgency Request

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

Date: 27 February 2015

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[1] 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

[1] 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.[2]

[2] 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.[3] 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

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

Annex 6 – Workgroup attendance register

Name	Company	Position	02/03/2015
Patrick Hynes	National Grid	Chair	Attend
Jade Clarke	Code Administrator	Technical Secretary	Attend
Damian Clough	National Grid	Proposer	Attend
Garth Graham	SSE	Workgroup Member	Dial-in
Bernard Kellas	SSE Energy Supply	Workgroup Member	Attend
Richard Mawdsley	Haven Power	Workgroup Member	Attend
Herdial Dosnjh	RWE Npower	Workgroup Member	Attend
Guy Phillips	E.ON	Workgroup Member	Attend
Andy Kelsall	Scottish Power	Workgroup Member	Attend
Donald Smith	Ofgem	Authority Representative	Dial-in
David Dalrymple	Scottish Power	Observer	Attend
Steven McKnight	GDF Suez	Observer	Dial-in