



## Introduction of a Generator Demand TNUoS Charge

14 June 2017

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## Current CUSC Charging Basis

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### **CUSC 14.17.10 (BCA & BEGA)**

The Chargeable Demand for a Power Station with a Bilateral Connection Agreement or Licensable Generation with a Bilateral Embedded Generation Agreement will be based on **the average of the net import over each Triad leg** of the BM Units associated with the Power Station during the Triad

### **CUSC 14.17.10 (Exemptible Generation with a BEGA)**

The Chargeable Demand Capacity for Exemptible Generation and Distribution Interconnectors with a Bilateral embedded Generation Agreement will be based on **the average of the metered volume of each BM Unit during the Triad.**

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## Defect

Potential for storage users to contribute more towards residual cost recovery than other users (some of whom they compete with in the provision of ancillary services)

- Ofgem's joint call for evidence with BEIS on a 'Smart Flexible Energy System' set out view that "while storage should pay forward-looking network charges for both import and export, there are instances where storage may pay more towards the residual cost of the network when compared to other network users. We think that this could place them at a competitive disadvantage."
- Storage users pay network charges both as demand and generation users and contribute towards residual charges twice.
- TCR highlighted that residual charges are not intended to be cost-reflective and should serve only to recover TNUoS revenue – in a way that is fair, reduces distortions and is proportionate/practical.
- Argument may apply equally to generation users

## Potential solution and timing

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- Creation of a new Generator Demand TNUoS charge applicable to storage [and generator] parties that does not include the demand residual
  - The new charge would consist of the demand locational TNUoS tariff elements, floored at zero. Flooring would prevent any perverse incentive for generators in areas with negative demand locational charges to pump/import at times of peak demand.
  - Flooring of the demand locational tariff may no longer be required if the perverse incentive is removed, as a result of other possible reforms to the use of Triad in demand charging
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- We agree with Ofgem “*we think there are adjustments to the current system that are warranted in the short term, in order to address a potential distortion to competition.*”

## Proposal better meets CUSC Objectives (a) and (b) than baseline

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Objective (a) 'that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity ...

- Proposal removes potential over-recovery of residual TNUoS charges from storage [and generator] users through exposure to both generator and demand residual charges.
- Places generator and storage users who compete with each other in the provision of ancillary services and in the energy market on a more level playing-field better facilitating competition.

Objective (b) 'that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs ...

- Retaining locational demand tariff provides cost-reflective signal.
- Residual element of the TNUoS tariff is not intended to be cost reflective. Recovering both generation and demand residual charges from storage [and generation] creates a double charge when compared to other users; this does not appear fair and creates competitive distortions.



## Removal of a Generator Import BSUoS Charges

14 June 2017

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### CUSC 14.29.4

All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with Interconnectors) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement period.

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### Defect

We support Ofgem's view *“the current charging regime means storage will pay more BSUoS charges than its competitors providing similar services”*

### CUSC 14.29.4

All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with Interconnectors ) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement period, **except that energy taken from the system by Exemptible Storage BMUs shall be disregarded.**

For purpose of Section 14(2) of the CUSC – The Statement of the Balancing Services Use of System Charging Methodology –

An **Exemptible Storage BMU** is a BMU that consists of:

- (a) a means of converting electricity imported from the National Grid system into a form of energy which can be stored, and of storing the energy which has been so converted; and
- (b) a generating unit which is wholly or mainly used to re-convert the stored energy into electrical energy for the purpose of its supply to the National Grid system.



### Proposal better meets CUSC Objective (a) than the baseline

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Objective (a) 'that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity ...

- Places generator and storage users who compete with each other in the provision of ancillary services and in the energy market on a more level playing field.

Objective (b) 'that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs ....

- Given the nature of storage units and the system support role that they play, they are very unlikely to impose double the balancing costs on the system when compared to other users.

We agree with Ofgem : *“the relative disadvantage for storage from the current arrangements – whereby storage pays BSUoS as both demand and generation – is sufficiently material that it should be addressed ahead of any potential future change to BSUoS.”*

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