








CUSC Modification Proposal Form		At what stage is this document in the process?								
<h1>CMP278</h1> <h2>BSIS 2017 Housekeeping</h2>		<table border="1"> <tr> <td>01</td> <td>Initial Written Assessment</td> </tr> <tr> <td>04</td> <td>Code Administrator Consultation</td> </tr> <tr> <td>05</td> <td>Draft CUSC Modification Report</td> </tr> <tr> <td>06</td> <td>Final CUSC Modification Report</td> </tr> </table>	01	Initial Written Assessment	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
01	Initial Written Assessment									
04	Code Administrator Consultation									
05	Draft CUSC Modification Report									
06	Final CUSC Modification Report									
<p>Purpose of Modification: Update CUSC sections 14.30.11 and 14.32 to reflect the changed cap and collar and sharing factors of the Balancing Services Incentive Scheme as detailed in the current Ofgem Statutory License Consultation and; update 14.32 example BSUoS calculation to reflect changed terms within external BSUoS costs detailed in License change.</p>										
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> subject to self-governance <p>This modification was raised 17 March 2017 by Stephen McAllister of National Grid and will be presented by the Proposer to the Panel on 31 March 2017. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>									
	<p>High Impact: NGET</p>									
	<p>Medium Impact: Supplier and Generators</p>									
	<p>Low Impact:</p>									

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10	Recommendations	11	 01189363223
Timetable			National Grid Representative: Stephen McAllister
<i>The Code Administrator will update the timetable.</i>			
The Code Administrator recommends the following Self Governance timetable:			 Stephen.McAllister@nationalgrid.com
Code Administrator consultation issued (20 WD)	03/04/2017		
Deadline for responses	05/05/2017		
Draft CUSC Modification Report issued for industry comment	11/05/2017		 01189363223
Deadline for comment	18/05/2017		
Draft CUSC Modification Report issued to CUSC Panel	18/05/2017		
CUSC Panel determination vote	26/05/2017		
Appeals window open (15WD)	30/05/2017		
Appeals window closes	20/06/2017		
Decision implemented in CUSC	22/06/2017		

Details of Proposer: (Organisation Name)	Stephen McAllister National Grid
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:	Stephen McAllister National Grid 0118 9363223 Stephen.McAllister@nationalgrid.com
Details of Representative’s Alternate: Name: Organisation: Telephone Number: Email Address:	Carol Carlin National Grid 0118 936 3923 Carol.Carlin@nationalgrid.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment:	

Impact on Core Industry Documentation. Please mark the relevant boxes with an “x” and provide any supporting information

BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
STC	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>

(Please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

1 Summary

Defect

Update CUSC sections 14.30.11 and 14.32 to reflect the changed cap and collar and sharing factors of the Balancing Services Incentive Scheme as detailed in the current Ofgem Statutory License Consultation here:

<https://www.ofgem.gov.uk/publications-and-updates/final-proposals-electricity-system-operator-incentives-april-2017>

Update 14.32 example BSUoS calculation to reflect changed terms within external BSUoS costs detailed in License change here:

https://www.ofgem.gov.uk/system/files/docs/2017/03/notice_under_section_11a2_of_the_electricity_act_1989.pdf

What

Ofgem launched a consultation on their final proposals for a one year interim incentive scheme for the electricity System Operator (SO) to be in place from the 1 April 2017 to 31 March 2018. Within this scheme they aim to secure specific improvements to the existing framework as well as introduce new incentives around demand forecasting and pilot a new mechanism between the SO and TO (raised in a separate modification).

Within the CUSC, sections 14.30.11 and 14.32 contain references to the BSIS cap and collar and sharing factor of £25mn/£25mn/25% respectively. From 1 April 2017 Ofgem have imposed a change to NGET License where these terms become £10mn/£10mn/10% respectively.

14.32 (which detail an example BSUoS calculation) also need updating to reflect changes to terms in external BSUoS charges.

The License change is at time of writing (17 March 2017) in Statutory Consultation period. Ofgem intends the License condition to be applied from 1 April 2017.

Why

The change to the CUSC should be made to ensure the CUSC reflects the current License as these changes are definitely going to be made by Ofgem.

How

CUSC 14.30.11 and 14.32 should be amended where necessary to reflect the updated BSIS cap/collar/sharing factors of £10mn/£10mn/10% respectively, and the changes to the terms which comprise external BSUoS charges.

2 Governance

The proposal should be suitable for self-governance because the modification is the result of a License change. The modification is unlikely to discriminate between different classes of CUSC Parties and is unlikely to have a material effect on:

- i) Existing or future electricity customers;
- ii) Competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity,
- iii) The operation of the National Electricity Transmission System
- iv) Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies
- v) The CUSC's governance procedures or the CUSC's modification procedures

The CUSC needs to be modified as soon as possible to reflect the License changes currently under Statutory Consultation by Ofgem.

Requested Next Steps

This modification should be subject to self-governance and proceed to allow the changes to be implemented in the CUSC as soon as possible as the new licence conditions will apply from 1 April 2017.

Ofgem desires the changes to be (retrospectively) effective from 1 April 2017.

3 Why Change?

The CUSC needs changed to reflect the License change directed by Ofgem.

See details here: <https://www.ofgem.gov.uk/publications-and-updates/final-proposals-electricity-system-operator-incentives-april-2017>

https://www.ofgem.gov.uk/system/files/docs/2017/03/notice_under_section_11a2_of_the_electricity_act_1989.pdf

Ensuring that the CUSC and licence are up to date and aligned will better facilitate charging objectives (b) and (c).

4 Code Specific Matters

Technical Skillsets

Understanding of System Operator License Conditions.

Reference Documents

<https://www.ofgem.gov.uk/publications-and-updates/final-proposals-electricity-system-operator-incentives-april-2017>

https://www.ofgem.gov.uk/system/files/docs/2017/03/notice_under_section_11a2_of_the_electricity_act_1989.pdf

5 Solution

CUSC 14.30.11 and 14.32 should be amended to reflect the updated BSIS cap and collar and sharing factors of £10mn/£10mn/10% respectively.

This includes Table 9.1 and associated graph, and related example calculations. Example legal text is provided below.

6 Impacts & Other Considerations

This is related to CMP277, the purpose of which is to update CUSC sections 14.30.11 and 14.32 to reflect changes to the terms of external BSUoS costs relating to the new SO-TO funding mechanism as detailed in the current Ofgem Statutory License Consultation here: <https://www.ofgem.gov.uk/publications-and-updates/final-proposals-electricity-system-operator-incentives-april-2017>

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No

Consumer Impacts

None.

7 Relevant Objectives

Impact of the modification on the Applicable CUSC Objectives (Charging):

Relevant Objective	Identified impact
(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;	None
(b) That compliance with the use of system charging	Positive

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 accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence 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*;	Positive
(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; and	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	None
*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).	

As the modification impacts Section 14 this change positively impacts objectives (b) and (c) to efficiently align the methodology with the latest incentive scheme and accounts for the development within the licensee’s business.

8 Implementation

The CUSC needs to be modified as soon as possible to reflect the License changes currently under Statutory Consultation by Ofgem.

Ofgem desires the License changes to be effective from 1 April 2017.

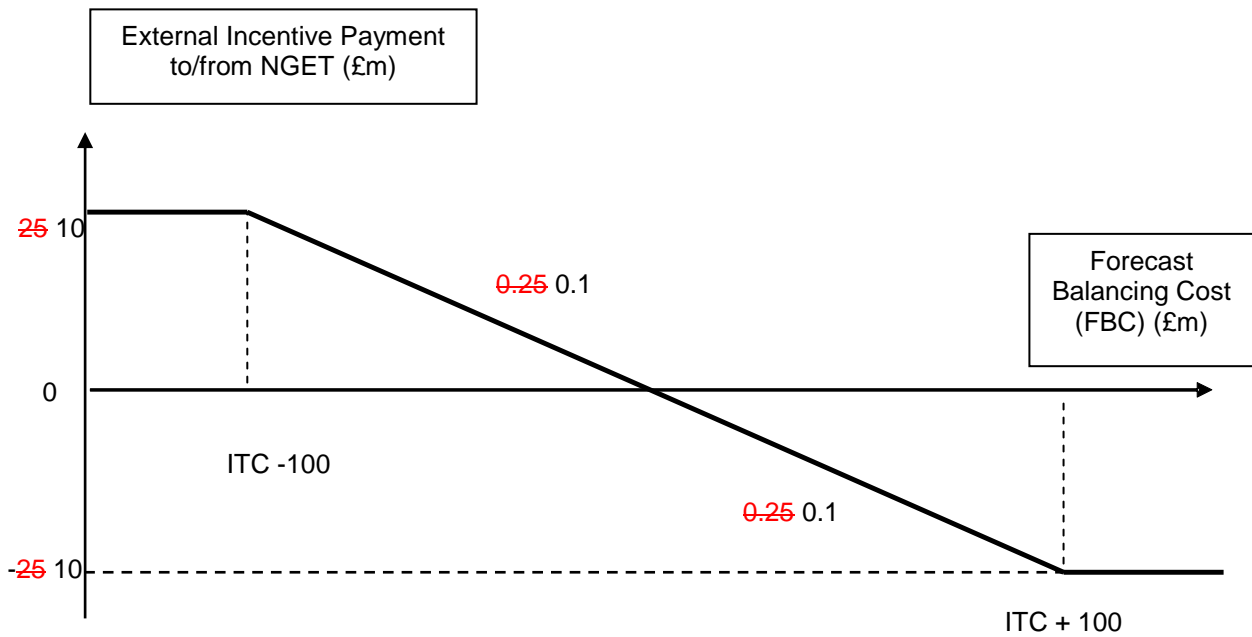
9 Legal Text

14.30.11 page 121:

Table 9.1

Forecast Balancing Cost (FBC)	M_t £m	SF_t	CB_t £m

FBC < (Incentive Target Cost – 100)	0	0	2510
(Incentive Target Cost -100) <= FBC < (Incentive Target Cost)	Incentive Target Cost	2510%	0
Incentive Target Cost = FBC	FBC	0	0
(Incentive Target Cost) < FBC <= (Incentive Target Cost + 100)	Incentive Target Cost	2510%	0
(Incentive Target Cost + 100)	0	0	-2510



14.30.13 page 121:

14.30.13 Daily Incentivised Balancing Cost (IBC_d) is calculated as follows:

$$IBC_d = \sum_{j \in d} (CSOBM_{jd} + BSCCV_{jd}) + BSCCA_d - OM_d - RT_d$$

14.32 Page 129:

Calculation of the Daily External SO Incentive Scheme Payment

The first step is to calculate the Daily Incentivised Balancing Cost (IBC_1 for day one) for that day using the following formula. These are the daily incentivised cost elements used to calculate the external SO incentive payment.

$$\begin{aligned}
 IBC_1 &= CSOBM_1 + BSCCA_1 + BSCCV_1 - OM_1 - RT_1 \\
 &= £800,000 + £500,000 + £250,000 - £0 - £0 \\
 &= £1,550,000
 \end{aligned}$$

Assuming that	CSOBM ₁	=	£800,000
	BSCCA ₁	=	£500,000
	BSCCV ₁	=	£250,000
	OM ₁	=	£0
	RT ₁	=	£0

14.32 Page 132:

The costs of the external SO Settlement Period variables are as follows (these are the daily values included in the IBC₁ equation divided by 48 Settlement Periods).

$$\begin{aligned}
 CSOBM &= £16,667 \\
 BSCCV &= £5,208
 \end{aligned}$$

RFIIR₁, ROV₄, BSFS₄, BSC₁, NGSOTOC₁, IONT₄ and LBS₁ are all zero.

The costs of the external SO Settlement Day variables are as follows:

$$\begin{aligned}
 IncpayEXT &= £-45,034 \\
 BSCCA &= £500,000 \\
 ET &= £0 \\
 OM &= £0
 \end{aligned}$$

$$\begin{aligned}
 BSUoSEXT_{11} &= £16,667 + £5,208 + [(-£45,034 + £500,000 + £0 - £0 + £0 + £0 + £0 + £0) / 48] \\
 &= £16,667 + £5,208 + £9,478 \\
 &= £31,353
 \end{aligned}$$

14.32 Page 134:

Again, the first step is to calculate the Daily Incentivised Balancing Cost for day 2 (IBC₂) using the following formula:

$$\begin{aligned}
 IBC_2 &= CSOBM_2 + BSCCA_2 + BSCCV_2 - OM_2 - RT_2 \\
 &= £600,000 + £150,000 + £100,000 - £0 - £0 \\
 &= £850,000
 \end{aligned}$$

Assuming that	CSOBM ₂	=	£600,000
	BSCCA ₂	=	£150,000
	BSCCV ₂	=	£100,000
	OM ₂	=	£0
	RT ₂	=	£0

14.32 Page 135:

The costs of the external SO Settlement Period variables are as follows:

CSOBM = £12,500
 BSCCV = £2,083

~~RFIIR~~₂, ~~ROV~~₂, ~~BSFS~~₂, BSC₂, ~~NC~~₂, SOTOC₂, ~~IONT~~₂ and LBS₂ are all zero.

The costs of the external SO Settlement Day variables are as follows:

IncpayEXT = £129,966
 BSCCA = £150,000
 ET = £0
 OM = £0

$$\begin{aligned} BSUoSEXT_{12} &= £12,500 + £2,083 + [(£129,966 + £150,000 + £0 - £0 + £0 + £0 + £0 + £0) / 48] \\ &= £12,500 + £2,083 + £5,833 \\ &= £20,416 \end{aligned}$$

14.3

2 Page 137:

Calculation of the Daily External SO Incentive Scheme Payment

$$\begin{aligned} IBC_{365} &= CSOBM_{365} + BSCCA_{365} + BSCCV_{365} - OM_{365} - RT_{365} \\ &= £700,000 + £200,000 + £150,000 - £0 - £0 \\ &= £1,050,000 \end{aligned}$$

Assuming that	CSOBM ₃₆₅	=	£700,000
	BSCCA ₃₆₅	=	£200,000
	BSCCV ₃₆₅	=	£150,000
	OM ₃₆₅	=	£0
	RT ₃₆₅	=	£0

14.32 Page 138:

The costs of the external SO Settlement Period variables are as follows:

CSOBM = £14,583
 BSCCV = £3,125

~~RFIIR~~₃₆₅, ~~ROV~~₃₆₅, ~~BSFS~~₃₆₅, BSC₃₆₅, ~~NC~~₃₆₅, SOTOC₃₆₅, ~~IONT~~₃₆₅ and LBS₃₆₅ are all zero.

The costs of the external SO Settlement Day variables are as follows:

IncpayEXT = £275,700
 BSCCA = £200,000
 ET = £0
 OM = £0

$$\begin{aligned} BSUoSEXT_{365} &= £14,583 + £3,125 + (£275,700 + £200,000 + £0 - £0 + £0 + £0 + £0 + £0) / 48 \\ &= £14,583 + £3,125 + £9,910 \\ &= £27,618 \end{aligned}$$

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self Governance procedures should apply