CUSC Modification Proposal CMP276

TCMF 9th/CUSC Panel 10th February 2017

Summary

- Defect is the material competitive distortion that is resulting from current and rising TNUoS demand residual

- Defect is caused by
  - Significant Tx system investment made necessary to take remote renewable and new nuclear generation to demand
  - EU Directive 2009/714/EC €2.50/MWh cap on generator contribution to Tx costs

- Mod is intended as alternative to CMP264, 265 and 271
  - Cannot be WACM to above three owing to restrictive defect definition
  - e.g. CMP271 explicitly excludes changes to Tx generation charges
  - Attempts to address root cause and limit/eliminate competitive distortions

- Overall positive impact assessed against Applicable CUSC Objectives (Charging)
  - Positive for (a)-(c)
  - Neutral/None for (d)-(e)

Key Features

- Retains net metering for transmission charging
  - Historically net metering considered the most appropriate for use of transmission system
  - Smaller industry data flows (and no new ones required)
  - No major changes required to Elexon systems/BSC
  - Limited change required to supplier systems
- Achieves fair and equitable competitive position
  - Embedded generation, exporting or “behind the meter”, and DSR treated exactly the same as demonstrated they have same impact on transmission system
  - Embedded Benefit differential with Transmission connected generation is reduced to analytically supported level
  - Assists international competitive position of all UK generation whilst remaining in compliance with 2009/714/EC
- Cost Reflective
  - No artificial cap/floor on locational signals from Transport and Tariff Model
- Future Proof Charging Structure
  - Values of three charging elements can be flexed over time

Proposed Demand TNUoS Structure

- Retain “Triads” but set demand residual at positive of largest negative locational value arising from Transport and Tariff Model
  - Lowest demand locational charge is zero (non negative) without artificial floor (exactly as WACM7 supported by NG at CUSC Panel)
  - Highest charge in 2020/21 forecast to be £30.41/kW (London)
  - Compare with £79.94/kW (London) if no change made
- Increase negative Tx Generator residual by setting EU Cap at €0/MWh
  - Offshore/remote Tx generators pay onshore Tx generators
  - Forecast 2020/21 generator residual of -£15.19/kW in 2020/21
  - “Genuine” embedded benefit previously estimated by NG to lie in £6.50-£7.25/kW range
  - Reasonable relative competitive position between Tx and Dx generators achieved
- Remaining Tx cost recovery by two new simple charge elements
  - A per (demand) meter charge – cannot form an embedded benefit
  - A flat per kWh charge – would be an embedded benefit supporting baseload CHP generation so encouraging this GHG beneficial form of production

Setting values of new charging elements

- A per meter charge disproportionately impacts low demand consumers
  - Domestic consumers pay more for benefit of connection to system
  - Could be overcome by a “size of meter” charge, but…
  - …this means new data flow and objective of proposer is simplicity
  - Possible to consider a size of meter related charge in future

- Set charge values so typical domestic user indifferent to status quo
  - Use Ofgem recommended demand and energy values for typical domestic user
  - Indicates £36.50/year per meter charge (10p/day)
  - Per MWh energy charge required to be £5.61/MWh to give NG required revenue

- Who is affected?
  - Smaller I&C customers who do not Triad manage should benefit materially
  - Large industrial/smart meter users who are Triad responsive may pay more
  - Consumers overall pay less

Benefits

- Ease of implementation
  - Simple easy to understand charging elements
  - No new Elexon information requirement
  - Minimal changes to supplier systems, PPAs, etc.
  - Quick and low cost to industry
  - Staged implementation possible through “step down” to new level
- Removal of all existing distortions in competitive positions
  - DSR, behind the meter and exporting Dx generation treated the same as now
  - Reduction in differential to Tx generation to an analytically supported level
  - Improved/optimised international competitive position
- Cost reflective to industry / cost reduced to consumers overall
  - No artificial constraints on locational signals
  - A per meter charge removes embedded benefit entirely
  - A per kWh charge recognises system benefits of Dx baseload generation
  - Delivered energy costs to SMEs reduced improving their own business competitiveness

Next Steps – CMP276

Heena Chauhan – Code Administrator

Code Administrator - Proposed Progression

- The Panel is asked to agree:
  - whether CMP276 should be progressed using either;
    - A Standard timetable
    - An Urgent timetable

Urgency Criteria

- Ofgem's current view is that an urgent modification 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 gas systems; or

  c) A party to be in breach of any **relevant legal requirements.**

Proposed timeline – *standard* timetable 1/2

6 February 2017	CUSC Modification Proposal and request for Urgency submitted
10 February 2017	CUSC Panel meeting to consider proposal and urgency request
10 February 2017	Panel's view on urgency submitted to Ofgem for consultation
10 February 2017	Request for Workgroup members (10 Working days) (responses by 24 February 2017)
17 February 2017	Ofgem's view on urgency provided (5 Working days)
24 February 2017	CUSC Panel meeting to consider Terms of Reference for CMP276
w/c 6 March 2017	Workgroup meeting 1
w/c 27 March 2017	Workgroup meeting 2
w/c 24 April 2017	Workgroup meeting 3
8 May 2017	Workgroup Consultation issued (15 days)
30 May 2017	Deadline for responses
w/c 12 June 2017	Workgroup meeting 4
w/c 1 July 2017	Workgroup meeting 5
w/c 7 August 2017	Workgroup meeting 6 (agree WACMs and Vote)
17 August 2017	Workgroup report issued to CUSC Panel
25 August 2017	CUSC Panel meeting to approve WG Report

Proposed timeline – *standard* timetable 2/2

30 August 2017	Code Administrator Consultation issued (15 Working days)
20 September 2017	Deadline for responses
3 October 2017	Draft FMR published for industry comment (5 Working Days)
10 October 2017	Deadline for comments
19 October 2017	Draft FMR circulated to Panel
27 October 2017	Panel meeting for Panel recommendation vote
1 November 2017	FMR circulated for Panel comment (3 Working day)
6 November 2017	Deadline for Panel comment
8 November 2017	Final report sent to Authority for decision
13 December 2017	Indicative Authority Decision due (25 working days)
20 December 2017	Implementation date

Proposed timeline – *Urgent* timetable 1/2

6 February 2017	CUSC Modification Proposal and request for Urgency submitted
10 February 2017	CUSC Panel meeting to consider proposal and urgency request
10 February 2017	Panel's view on urgency submitted to Ofgem for consultation
10 February 2017	Request for Workgroup members (5 Working days) (responses by 17 February 2017)
17 February 2017	Ofgem's view on urgency provided (5 Working days)
24 February 2017	CUSC Panel meeting to consider Terms of Reference for CMP276
w/c 27 February 2017	Workgroup meeting 1
w/c 20 March 2017	Workgroup meeting 2
w/c 3 April 2017	Workgroup meeting 3
20 April 2017	Workgroup Consultation issued (10 days)
5 May 2017	Deadline for responses
w/c 15 May 2017	Workgroup meeting 4
w/c 12 June 2017	Workgroup meeting 5
w/c 3 July 2017	Workgroup meeting 6 (agree WACMs and Vote)
20 July 2017	Workgroup report issued to CUSC Panel
28 July 2017	CUSC Panel meeting to approve WG Report

Proposed timeline – *Urgent* timetable 2/2

31 July 2017	Code Administrator Consultation issued (5 Working days)
7 August 2017	Deadline for responses
11 August 2017	Draft FMR published for industry comment (3 Working Days)
16 August 2017	Deadline for comments
17 August 2017	Draft FMR circulated to Panel
25 August 2017	Panel meeting for Panel recommendation vote
28 August 2017	FMR circulated for Panel comment (3 Working day)
31 August 2017	Deadline for Panel comment
1 September 2017	Final report sent to Authority for decision
22 September 2017	Indicative Authority Decision due (15 working days)
29 September 2017	Implementation date