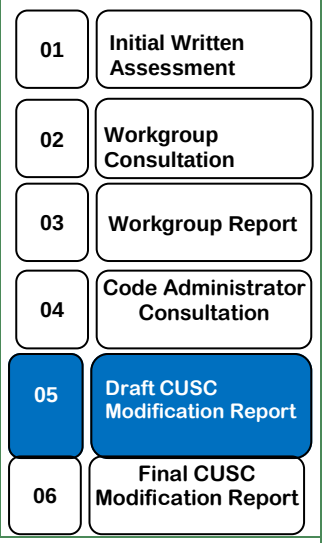
Stage 05 Draft CUSC Modification Report	At what stage is this document in the process?

CMP296: Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.



Purpose of Modification: P344 introduces a new class of BMU, and a new class of BMU registrant to the BSC ("Virtual Lead Parties"); it is necessary to amend the CUSC to expand the BSUoS exemption to these Virtual Lead Parties.

This Draft Final Modification Report has been prepared in accordance with the terms of the CUSC. An electronic version of this document and all other CMP296 related documentation can be found on the National Grid website via the following link:

https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code/modifications/aligning-cusc-bsc-post-p344

The purpose of this document is to assist the CUSC Panel in making its recommendation on whether to implement CMP296.

Low Impact BSUoS Chargeable Parties

Contents

Timetable

The Code Administrator recommends the following timetable:

Code Administration Consultation Report issued to the Industry	22 May 2018
Draft Final Modification Report presented to Panel	29 June 2018
Modification Panel Recommendation Vote	29 June 2018
Final Modification Report issued to Authority (25 WD)	6 July 2018
Indicative Decision Date	10 August 2018
Decision implemented in CUSC (2WD after determination)	13 August 2018

Any questions?

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1 About this document

CMP296 was proposed by National Grid and was submitted to the CUSC Modifications Panel for its consideration on 27 April 2018. The Panel decided to send the Proposal to a Code Administrator Consultation.

CMP296 aims to support P344, which introduces a new class of BMU, and a new class of BMU registrant to the BSC ("Virtual Lead Parties"); it is necessary to amend the CUSC to expand the BSUoS exemption to these Virtual Lead Parties..

Code Administrator Consultation Responses

1 response was received to the Code Administrator Consultation. A summary of the response can be found in Section 6 of this document. The respondent agreed that the proposal better facilitates the applicable CUSC objectives.

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https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code

2 Original Proposal

Defect

BSC modification P344 creates the concept of Virtual Lead Parties which will have "Secondary BMUs" registered to them. Any sites where metered volume is settled through the Supplier Volume Allocation method, and which participate in delivering reserve services through TERRE will also have their volume registered against these Virtual Lead Parties and Secondary BMUs (in addition to the extant SVA registration to the relevant Supplier). The purpose of this is to allow the System Operator to track that services have been delivered. However, without appropriate changes to the CUSC these BMUs may also incur BSUoS charges.

Therefore we propose to remove Secondary BM Units/Virtual Lead Parties from BSUoS liabilities. A separate modification will be raised to incorporate these terms into Section 11.

What

The existing BSUoS liability exemption in 14.30.4, which applies to Interconnectors, should be expanded to cover all BMUs associated to a Virtual Lead Party.

Why

The metered volumes attributed to the Secondary BMUs are already chargeable under the Supplier's Base BMU and therefore without exempting Virtual Lead Parties and Secondary BMUs from BSUoS, the same metered volumes would be chargeable twice.

How

Introduce the concept of 'Virtual Lead Parties' into the CUSC Section 14, and with a separate CMP into Section 11, and then expand the exemption noted – inter alia – in 14.30.4 such that it covers the Secondary BMUs of Virtual Lead Parties.

3 Proposer's solution

Section 3 (Proposer's solution) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 7 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.

Legal text attached

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

It is influenced by, but does not influence BSC P344.

Consumer Impacts

Leads to more cost-reflective and appropriate charging. Without this modification, the VLP would be liable for BSUoS charges against SVA volumes which are already considered in the charging arrangements for the Supplier – this would not be cost-reflective as it would effectively increase the number of chargeable parties without a corresponding increase in volumes.

4 CMP296: 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;	Insert from Proposal
(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	Insert from Proposal

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;	Insert from Proposal
(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	Insert from Proposal
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Insert from Proposal
*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).	

5 Implementation

Proposer's initial view:

Implementation should align with that for BSC P344 which, at the time of writing is 1 April 2019. If P344 is delayed for any reason, this Proposal should be implemented at the start of the Charging Year immediately preceding the relevant P344 BSC Release implementation.

6 Code Administrator Consultation Response Summary

The Code Administrator Consultation was issued on 23 May 2018 for 15 Working Days, with a close date of 14 June 2018.

1 responses were received to the Code Administrator Consultation and is detailed in the table below

Respondent	Do you believe that CMP296 better facilitates the Applicable CUSC objectives?	Do you support the proposed implementation approach?	Do you have any other comments?

Joshua Logan, Drax	BSUoS recovers the cost of balancing the electricity system and includes the BM costs incurred by NG. This would also include the costs associated with procuring reserves through TERRE. BSUoS is recovered from generators and suppliers based on their metered volumes. As such, the cost of balancing actions are socialised appropriately. This modification will not change those arrangements. It is envisaged that the VLP will only be a provider of balancing services, and will neither own energy or purchase energy on behalf of customers through the wholesale market. Consequently, it will be neither a generator or a supplier and will not be liable for BSUoS cost recovery. However, we do have a number of concerns which we express with reference to the applicable objectives. We note that where a VLP does not deliver TERRE or BM acceptances it will be exposed to non-delivery charges, we support this and believe it will incentivise the VLP to accurately deliver accepted volumes. Applicable Objective (a) – Positive We agree with the defect and do not believe that it is appropriate to charge BSUoS on the same metered volume twice through the supplier and the VLP. Doing so could have a harmful impact on competition. We will remain mindful that there could be a detrimental impact on competition due to the cross-subsidisation recovered through BSUoS. Suppliers and generators will be paying through BSUoS for the services VLPs deliver to the SO. We would welcome analysis of its materiality/ Impact on BSUoS paying parties. Applicable Objective (b) – Positive We do not believe it is cost reflective to charge BSUoS on the	The implementation approach seems reasonable and should align with P344 and GC0097.	Yes, we agree it would not be appropriate to charge BSUoS on the same metered volumes twice and it therefore seems sensible to exempt VLPs. Although, we believe it is critical that industry have visibility of what the impact could be on BSUoS charges in the future and would welcome further analysis as participation evolves.

	same metered volume twice, once for suppliers and once for VLPs. In this sense, excluding VLPs from BSUoS would better result in charges that reflect costs. However, we question if the cross-subsidisation that will occur is cost reflective, BSUoS paying parties will be paying for the services VLPs deliver to the SO.		

7 Legal Text

Attached in Annex 2.

Text Commentary

The existing BSUoS exemption for Interconnectors is extended to all Secondary BMUs and Virtual Lead Parties.

8 Impacts

Costs

Code administration costs	
Resource costs	£0
Total Code Administrator costs	**£0**

Industry costs (Standard CMP)	
Resource costs	**£908.00** – 1 Consultation • 0 Workgroup meetings • 0 Workgroup members • 1.5 man days effort per meeting • 1.5 man days effort per consultation response • 1 consultation respondent
Total Code Administrator costs	**£908.00**
Total Industry Costs	**£908.00**

Annex 1 – Terms of Reference

nationalgrid

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP296 WORKGROUP

Balancing and Settlement Code (BSC) modification P344 (Project TERRE) introduces a new class of Balancing Mechanism Unit (BMU), and a new class of BMU registrant to the BSC ("Virtual Lead Parties" or "VLPs"). As these changes are facilitated by P344, it is necessary to amend the CUSC to expand the pre-existing BSUoS exemption to these Virtual Lead Parties. In order to do so, NGET have raised CMP296 to amend the code accordingly.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP296 Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.

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

Non-Standard (Charging) Objectives

(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 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;

(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

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

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:

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 **15 working days** as determined by the 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 **TBC** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **TBC.**

Membership

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

Role	Name	Representing
Chairman	NAME	National Grid
National Grid Representative	NAME	National Grid
Industry Representatives	NAME NAME	Company (Proposer) Company
Authority Representatives	NAME	OFGEM
Technical secretary	NAME	National Grid
Observers	NAME	Company

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 CMP297 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

Proposed CMP296 Timetable

The Code Administrator recommends the following timetable:	
Initial consideration by Workgroup	TBC
Workgroup Consultation issued to the Industry	TBC
Modification concluded by Workgroup	TBC
Workgroup Report presented to Panel	TBC
Code Administration Consultation Report issued to the Industry	TBC
Draft Final Modification Report presented to Panel	TBC
Modification Panel decision	TBC
Final Modification Report issued the Authority	TBC
Decision implemented in CUSC	TBC

Annex 2 – CMP296 Legal text

14.29.4 All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with either Interconnectors or Virtual Lead Parties) 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.

14.30.4 BM Unit and Trading Units associated with Interconnectors, including those associated with the Interconnector Error Administrator, are not liable for BSUoS charges. BM Units, including Secondary BM Units, which are associated with Virtual Lead Parties are not liable for BSUoS charges.

Secondary BM Unit	as defined in the Balancing and Settlement Code
Virtual Lead Party	as defined in the Balancing and Settlement Code

Annex 3 – Code Administrator Consultation Responses

CUSC Code Administrator Consultation Response Proforma

CMP296 – Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **14 June 2018** to cusc.team@nationalgrid.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Joshua Logan* *Joshua.logan@drax.com* *01757 612736*
Company Name:	*Drax Power Ltd*
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	For reference, the Applicable CUSC objectives are: Non-Standard (Charging) Objectives **(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 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;

	(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 **(e)** Promoting efficiency in the implementation and administration of the CUSC arrangements. **Response** BSUoS recovers the cost of balancing the electricity system and includes the BM costs incurred by NG. This would also include the costs associated with procuring reserves through TERRE. BSUoS is recovered from generators and suppliers based on their metered volumes. As such, the cost of balancing actions are socialised appropriately. This modification will not change those arrangements. It is envisaged that the VLP will only be a provider of balancing services, and will neither own energy or purchase energy on behalf of customers through the wholesale market. Consequently, it will be neither a generator or a supplier and will not be liable for BSUoS cost recovery. However, we do have a number of concerns which we express with reference to the applicable objectives. We note that where a VLP does not deliver TERRE or BM acceptances it will be exposed to non-delivery charges, we support this and believe it will incentivise the VLP to accurately deliver accepted volumes. **Applicable Objective (a) – Positive** We agree with the defect and do not believe that it is appropriate to charge BSUoS on the same metered volume twice through the supplier and the VLP. Doing so could have a harmful impact on competition. We will remain mindful that there could be a detrimental impact on competition due to the cross-subsidisation recovered through BSUoS. Suppliers and generators will be paying through BSUoS for the services VLPs deliver to the SO. We would welcome analysis of its materiality/ Impact on BSUoS paying parties. **Applicable Objective (b) – Positive** We do not believe it is cost reflective to charge BSUoS on the same metered volume twice, once for suppliers and once for VLPs. In this sense, excluding VLPs from BSUoS would better result in charges that reflect costs. However, we question if the cross-subsidisation that will occur is cost reflective, BSUoS paying parties will be paying for the services VLPs deliver to the

	SO.
Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	The implementation approach seems reasonable and should align with P344 and GC0097.
Do you have any other comments?	Yes, we agree it would not be appropriate to charge BSUoS on the same metered volumes twice and it therefore seems sensible to exempt VLPs. Although, we believe it is critical that industry have visibility of what the impact could be on BSUoS charges in the future and would welcome further analysis as participation evolves.