

Modification proposal:	<b>Connection and Use of System Code (CUSC) CMP318: Maintaining Non Half-Hourly (NHH) charging arrangements for Measurement Classes F and G (CMP318)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator, Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	11 November 2019	Implementation date:	1 April 2020

## Background

In 2016, we published a paper<sup>3</sup> setting out our conclusions for removing barriers to customers in Profile Classes 1-4<sup>4</sup> electing to move to half-hourly settlement (HHS). One of the barriers we identified in our conclusions paper was that, as a result of a defect in the transmission network use of system (TNUoS) charging arrangements, suppliers were being double-charged for customers who elected to move to HHS, in the year they migrated. This is because the non-half hourly (NHH) methodology bases charges on the total volume consumed daily between 4-7pm over the whole year, while the half hourly (HH) methodology bases charges on consumption during the three peak periods (known as "Triads") between November and February.

In December 2016, we approved CMP266,<sup>5</sup> which introduced a change so that suppliers would continue to incur charges for their customers who migrated to HHS under Measurement Classes F and G<sup>6</sup> that were calculated using the NHH charging methodology. However, charges would be calculated using their customers' actual consumption. This change is time-limited and ceases to apply from 1 April 2020.

When CMP266 was implemented, it was anticipated that a decision on whether to introduce HHS for all customers in Profile Classes 1-4 would be made by 31 March 2020, which, if implemented, would remove the issue of TNUoS charging being a barrier to elective HHS. However, on 6 September 2019, we published an updated timeline<sup>7</sup> for reaching a decision on market-wide HHS, with the decision not expected to be published until Q3 2020 (i.e. between July and September).

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/05/elective\\_hhs\\_conclusions\\_paper.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf)

<sup>4</sup> Profile classes apply load profiles to groups of customers who are generally considered to have similar consumption patterns: 1 = Domestic Unrestricted, 2 = Domestic Economy 7, 3 = Non-Domestic Unrestricted and 4 = Non-Domestic Economy 7.

<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/12/cmp266\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/12/cmp266_decision.pdf)

<sup>6</sup> Measurement Class F applies to HH domestic customers and Measurement Class G applies to HH non-domestic customers with whole current meters.

<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/change-timetable-settlement-reform-scr>

The revised timeline means that, absent a prolongation of the arrangements under CMP266, or other changes to the TNUoS charging methodologies, the double counting issue will occur again from 1 April 2020.

### **The modification proposal**

The National Grid Energy System Operator (the “proposer”) raised CMP318 on 22 May 2019, a proposal to maintain the change implemented under CMP266 until 31 March 2023. The proposer considered that this would better facilitate CUSC relevant objective (a),<sup>8</sup> by preventing a distortion between suppliers who actively promote HHS and those that do not, and relevant objective (e),<sup>9</sup> by keeping the status quo until the planned implementation date for more wholesale charging reforms, which the proposer considers will prevent layering changes to the charging arrangements. The proposer considered that CMP318 would be neutral against the other objectives.

Under CMP318, suppliers’ charges for their HHS customers in measurement classes F and G would be calculated in accordance with the NHH methodology, rather than the HH methodology, until 31 March 2023, to ensure that they are not double-charged for customers who elect to migrate to HHS within a financial year.

This proposed end date aligns with the planned implementation date for changes to the TNUoS charging methodologies under our Access and Forward Looking Charges significant code review (Access SCR).<sup>10</sup> We note that the Final Modification Report (FMR) also refers to the implementation of the Targeted Charging Review (TCR); however, we are yet to decide on an three implementation date.

### **CUSC Panel<sup>11</sup> recommendation**

At the CUSC Panel meeting on 30 August 2019, the majority of CUSC Panel members considered that CMP318 would better facilitate the CUSC objectives and the Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the FMR dated 10 October 2019. We have considered and taken into account the responses to the Code Administrator consultation on the modification proposal, which are attached to the FMR.<sup>12</sup> We have concluded that:

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<sup>8</sup> (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.

<sup>9</sup> (e) promoting efficiency in the implementation and administration of the system charging methodology.

<sup>10</sup> Our Access SCR reforms are expected to be implemented by 1 April 2023.

<sup>11</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

<sup>12</sup> CUSC modification proposals, modification reports and representations can be viewed on National Grid Electricity System Operator’s website at

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

1. implementation of the modification proposal will better facilitate the achievement of the relevant charging objectives of the CUSC;<sup>13</sup> and
2. directing that the modification be made is consistent with our principal objective and statutory duties.<sup>14</sup>

### **Reasons for our decision**

We consider that this modification proposal will better facilitate CUSC objectives (a) and (e) and has a neutral impact on the other relevant 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;***

Unless a change is made to extend the timeframe during which suppliers are charged for their customers in Measurement Classes F and G using the NHH charging methodology, suppliers would be double-charged for customers who elect to migrate during the financial year. The higher the number of customers a supplier has that have moved to elective HHS, the greater the amount that they could be double-charged. This would create a distortion in the competition in the supply of electricity and a disincentive for suppliers to encourage their customers to elect to migrate to HHS.

The proposer, the CUSC Panel and the respondents to the consultation unanimously agreed that CMP318 better supports CUSC objective (a) than the baseline.

We agree that CMP318 better facilitates CUSC objective (a), because it will remove a distortion faced by suppliers who have Measurement Class F and G customers that elect to migrate to HHS. As set out in our decision on CMP266, we also consider that removing the double-charging distortion may also facilitate competition by allowing suppliers to develop new products, which require a customer to be electively HH settled.

***(e) promoting efficiency in the implementation and administration of the system charging methodology.***

The proposer and several CUSC Panel members considered that CMP318 better facilitates CUSC objective (e), because it reduces the number of potential changes to the charging methodologies by extending the end date for the current arrangements until the SCRs are expected to have been implemented. The proposer expects that the outcomes of the SCRs will address the distortion on a permanent basis.

In their consultation response, ELEXON advised that it is now possible to separately identify the demand data for customers in Measurement Class G, in respect of whom a different charging methodology could apply. However, we note ELEXON's view that

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<sup>13</sup> As set out in Standard Condition C5(5) of the Electricity Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

<sup>14</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended from time to time.

extending the application of the arrangements under CMP266 is the most pragmatic approach to address the risk of double-charging in the immediate term, within the possible timeframes.

We agree with the proposer that extending the CMP266 arrangements until any changes under the TCR and Access SCR have been implemented would better promote efficiency in the implementation and administration of the methodology. We also note that no suppliers raised any concerns with the proposal to maintain the current approach for customers in Measurement Class G until 31 March 2023. Therefore, we agree with the proposer that CMP318 better facilitates CUSC objective (e) compared to the baseline.

### **Decision notice**

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal CMP318: *Maintaining Non Half-Hourly (NHH) charging arrangements for Measurement Classes F and G* be made.

**Jon Parker**

**Head of Electricity Network Access, Systems & Networks**

Signed on behalf of the Authority and authorised for that purpose