











CUSC Modification Proposal Form		At what stage is this document in the process?												
<h1 style="color: #00a651;">CMP327:</h1> <p style="color: #00a651;"><b>Mod Title:</b> Removing the Generator Residual from TNUoS Charges (TCR)</p>		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">01</td> <td style="background-color: #00a651; color: white; border: 1px solid black; border-radius: 5px; text-align: center;">Proposal Form</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">02</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">03</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">04</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Code Administrator Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">05</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Draft CUSC Modification Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">06</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Final CUSC Modification Report</td> </tr> </table>	01	Proposal Form	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
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<p><b>Purpose of Modification:</b> On 21st November 2019 The Authority directed The Company to change the TNUoS Charging Methodology such that the Residual element of Generator TNUoS is £0 and ensure that the correct interpretation of 838/2010 is incorporated. This CMP has been raised to give effect to that direction.</p>														
	<p><b>The Proposer recommends that this modification should be:</b> assessed by a Workgroup, specifically the Workgroup reviewing CMP317, should be treated as Urgent and should proceed as such under a timetable agreed with the Authority</p> <p>This modification was raised <i>28th November 2019</i> and will be presented by the Proposer to the Panel on <b>29 November 2019</b>. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>													
	<p><b>High Impact:</b> Generator Users liable for TNUoS</p>													
	<p><b>Medium Impact</b> Supplier Users liable for TNUoS</p>													

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<b>Timetable</b>		 email address
<i>The Code Administrator will update the timetable.</i>		 telephone
<b>The Code Administrator recommends the following timetable:</b> <i>(amend as appropriate)</i>		Proposer: Insert name
		 email address
		 telephone
		National Grid Representative: Jonathan Wisdom
		 <a href="mailto:jon.wisdom@nationalgrid.co.uk">jon.wisdom@nationalgrid.co.uk</a>
		 07929375010
Initial consideration by Workgroup	dd month year	
Workgroup Consultation issued to the Industry	dd month year	
Modification concluded by Workgroup	dd month year	
Workgroup Report presented to Panel	dd month year	
Code Administration Consultation Report issued to the Industry	dd month year	
Draft Final Modification Report presented to Panel	dd month year	
Modification Panel decision	dd month year	
Final Modification Report issued the Authority	dd month year	
Decision implemented in CUSC	dd month year	

**Proposer Details**

<b>Details of Proposer:</b> (Organisation Name)	National Grid Electricity System Operator
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party (& The relevant Licensee)
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Jonathan Wisdom National Grid ESO 07929 375010 jon.wisdom@nationalgrideso.com
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Eleanor Horn National Grid ESO <a href="mailto:eleanor.horn@nationalgrideso.com">eleanor.horn@nationalgrideso.com</a> 07966186088
<b>Attachments (Yes/No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	

# 1 Summary

## Defect

The ESO, as the Licensee responsible for the CUSC, has received an Authority Direction to set the residual element of TNUoS to £0 for Generator Users. To do this, the TNUoS generation residual (TGR) should be removed from the methodology.

Additionally, ESO currently uses the TGR to maintain compliance with Part B of EC Regulation 838/2010. The solution to comply with Ofgem's direction letter must not preclude ESO compliance with 838/2010 while charging generators all applicable charges. CMP317 is currently assessing how to best incorporate these changes into the CUSC and this proposal must work with the existing CMP317 modification proposal to achieve the above.

## What

Section 14 of CUSC currently allows the ESO, when setting tariffs for Generator Users, to apply a negative residual charge to bring total expected TNUoS recovery from Generator Users into the €0-2.50/MWh range. The methodology should change to remove a residual element to Generator TNUoS tariffs.

To achieve this the Authority, on 21st November 2019, directed the ESO to *"....modify the Use of System Charging Methodology, Section 14 of CUSC to set the TGR to £0, subject to ensuring ongoing compliance with EU Regulation No 838/2010 (in particular, the requirement that average transmission charges paid by producers in each Member State must be within prescribed ranges – which for Ireland, Great Britain and Northern Ireland is 0 to 2.50 EUR/MWh). This should be achieved by charging generators all applicable charges (having factored in the correct interpretation of the connection exclusion as set out in EU Regulation 838/2010), and adjusted if needed to ensure compliance with the 0 to 2.50 EUR/MWh range."*

Additionally the Authority have specified that: *"NGESO must work in conjunction with the relevant industry workgroup(s) in place for CMP317 (and provide such input as appropriate) to seek to ensure that any impact on that modification proposal by the TCR Decision is addressed in a manner that does not undermine NGESO's ability to comply with its obligations under this Direction. In doing so, the Proposal(s) must set out proposals for an appropriate adjustment charge to ensure compliance with the EU Regulation 838/2010, if NGESO considers it necessary (see paragraphs 4.76 to 4.78 of the TCR Decision).*

## Why

The ESO has a Licence obligation to comply with Directions issued by the Authority. The rationale for removal of the TGR has been outlined in the Targeted Charging Review (TCR) SCR decision document and direction letter.

## How

Assess this CMP alongside CMP317 given the significant interdependencies and, subject to CMP317 providing a means to maintain compliance through the use of a non-cost-reflective adjustment to tariffs on an ex ante basis, remove the TGR from Section 14 in so far as it relates to Generator charges.

## 2 Governance

### Justification for Normal & Urgent Procedures

This CMP needs to be assessed by a Workgroup given its material effect on Generator TNUoS charges, and consequentially, competition.

This CMP should be treated as Urgent because it has to be implemented by April 2021, which means the solution to this, and CMP317, on which it is contingent, must be approved and in place by October 2020. At the time of drafting this CMP, CMP317, has had 6 Workgroup meetings and is yet to undergo consultation. Both this CMP and CMP317, therefore, need to be treated as Urgent to ensure that the ESO can comply with the Direction letter. This Direction, published 21<sup>st</sup> November 2019, states that as of 1<sup>st</sup> April 2021, there will be no TGR. Failure to treat this CMP and its now counterpart CMP317 as Urgent will likely result in the Targeted Charging Review SCR Decisions being implemented later than required by The Authority.

### Requested Next Steps

This modification should be assessed by a Workgroup and treated as Urgent.

## 3 Why Change?

The ESO has a Licence and CUSC obligation to comply with Authority Directions; the rationale for setting the TGR to £0 is detailed in multiple Ofgem publications under the Targeted Charging Review SCR.

## 4 Code Specific Matters

### Technical Skillsets

Detailed understanding of Generator TNUoS charges;

Detailed understanding of CMP317 and the TCR

### Reference Documents

Authority Decision:- [https://www.ofgem.gov.uk/system/files/docs/2019/11/tcr\\_final\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/tcr_final_decision.pdf)

Direction letter:- [https://www.ofgem.gov.uk/system/files/docs/2019/11/cusc\\_direction\\_1.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/cusc_direction_1.pdf)

## 5 Solution

The CUSC should – subject to CMP317 providing a separate mechanism for ex ante and ex post compliance with the Limiting Regulation – remove the reference to the residual element of Generator TNUoS charges.

## 6 Impacts & Other Considerations

There are no cross-code effects. There is a material effect to Generator Users who are liable for TNUoS charges

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

This CMP is resultant of the Targeted Charging Review SCR and will need to be linked to CMP317.

### Consumer Impacts

This change will increase the proportion of charges paid by Generator Users and may result in lower costs to consumers if the full scale of these cost increases are not passed through.

## 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;	Positive – The Authority have determined that the removal of the TGR removes an embedded disbenefit (i.e. it is a credit that only transmission-connected Generator Users receive)
(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);	None
(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	Positive – the ESO has been directed to raise this CMP

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	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	None
*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).	

## 8 Implementation

This CMP is required to be implemented on 1<sup>st</sup> April 2021

## 9 Legal Text

None provided as this is a deletion subject to the outcome of a separate CMP

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to agree that Normal but Urgent procedures should apply, and to refer this proposal to the existing CMP317 Workgroup for assessment.