



CUSC Modification Proposal Form		At what stage is this document in the process?
<h1 style="color: #00a651;">CMP333</h1> <p><b>Mod Title:</b> BSUoS – charging Supplier Users on gross demand (TCR)</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">01</span> <div style="background-color: #00a651; color: white; border-radius: 5px; padding: 5px; text-align: center;">Proposal Form</div> </div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">02</span> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Workgroup Consultation</div> </div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">03</span> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Workgroup Report</div> </div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">04</span> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Code Administrator Consultation</div> </div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">05</span> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Draft CUSC Modification Report</div> </div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; display: flex; align-items: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 5px;">06</span> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Final CUSC Modification Report</div> </div> </div>
<p><b>Purpose of Modification:</b> On 21<sup>st</sup> November 2019, The Authority published a direction for ESO to raise a CUSC Modification Proposal (CMP) which will give effect to their decision to levy BSUoS to Suppliers on a gross volumetric basis.</p>		
	<p><b>The Proposer recommends that this modification should</b> be treated as an Urgent Modification Proposal and assessed by a Workgroup.</p> <p>This modification was raised 12 December 2019 and will be presented by the Proposer to the Panel on 13 December 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p><b>High Impact:</b> Supplier Users, Embedded Generators</p>	

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Timetable		
<p><b>The Code Administrator recommends the following timetable:</b> <i>(to be updated at 1<sup>st</sup> Workgroup meeting)</i></p>		
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 ESO
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Jennifer Doherty National Grid ESO Jennifer.doherty@nationalgrideso.com
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Jon Wisdom National Grid ESO Jon.wisdom@nationalgrideso.com
<b>Attachments</b> <b>No, legal text to follow</b>	

**Impact on Core Industry Documentation.**

*Please mark the relevant boxes with an "x" and provide any supporting information*

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

Although ESO considers this change to be minor from a data point of view a BSC change may be required to provide appropriate volume data for charging BSUoS to Suppliers depending on the solution(s) created by the Workgroup.

## 1 Summary

### Defect

On 21st November, The Authority published a Direction<sup>1</sup> henceforward referred to as “the Direction” requiring ESO to raise CMPs giving effect to their Decision<sup>2</sup> to levy BSUoS charges to Suppliers on the basis of their gross demand (“the Decision”).

### What

“The Direction” states in paragraph 47 that the CMP must “...modify the Use of System Charging Methodology, Section 14 of CUSC regarding the basis on which suppliers’ balancing services charges are applied. In particular, such charges are to be applied using gross demand measured at the Grid Supply Point, having the effect of removing the Embedded Benefit that enables the offsetting of Suppliers’ net demand and in turn, a reduction of liability for balancing services charges. This will remove payments from suppliers to smaller distributed generators for this service.”

To give effect to “The Decision”, Section 14 insofar as it relates specifically to the BSUoS charging methodology (14.30) should be changed to use gross Supplier volumes rather than net Supplier volumes; this is consistent with TNUoS charging arrangements for Suppliers.

### Why

The full rationale for this change can be found in Ofgem’s Targeted Charging Review papers and consultations. ESO has raised this CMP to comply with “The Direction” issued as a result of that Review. In summary, “The Decision” identifies that removing the Embedded Benefit will increase competition between embedded and transmission connected generators. Charging Suppliers for BSUoS on a gross basis will remove the incentive for Suppliers to contract with Embedded Generators, paying them a so-called “embedded benefit”, for their services in reducing that Supplier’s BSUoS liabilities. This will increase competition in the generation of electricity and should lead to cost savings to consumers.

### How

Draft legal text will be provided before the first working group, but in brief, a Supplier’s liability will be based on its gross demand volumes.

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<sup>1</sup> [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)

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_formatted\\_updated9.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_formatted_updated9.pdf)

## 2 Governance

### Justification for Normal Procedures

This change cannot be self-governance as it relates to charging, and therefore has an effect on industry competition, specifically between embedded and transmission-connected generation.

This CMP should proceed to a Workgroup. ESO will provide draft legal text to the Code Administrator as part of this CUSC modification proposal.

The Proposer considers that this proposal should be treated as urgent; an Authority direction has been given to the ESO with consequential changes required to other systems, industry codes and processes. If the proposal were not to proceed as urgent it would put at risk ESO's ability to comply with "The Direction" and therefore result in legal consequences. ESO believes this falls within Ofgem's urgency criteria.

### Requested Next Steps

This modification should proceed to proceed to a Workgroup on an Urgent basis.

## 3 Why Change?

As stated in Ofgem's Decision document for the Targeted Charging Review and as per the Direction given to the ESO as a result of their Decision.

## 4 Code Specific Matters

### Technical Skillsets

Familiarity with the Decision and Direction, BSUoS charging arrangements and Section 14.29-14.30 of the CUSC.

### Reference Documents

Targeted Charging Review Decision

[https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_formatted\\_updated9.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_formatted_updated9.pdf)

Directions to Licencee's

[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

Supplier's liability will be based on its gross demand volumes.

Legal Text to be provided by the proposed before the first working group.

## 6 Impacts & Other Considerations

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

This CMP is resultant of the TCR and does not affect an SCR; there will be a second BSUoS Task Force, the outcome of which is likely to build on this solution.

### Consumer Impacts

It is broadly expected that – all other things being equal – the £/MWh charge paid by consumers will be lower owing to an increase in the volume of chargeable MWh.

## 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
(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 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 (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 must be implemented so that it takes effect on 1 April 2021.

## 9 Legal Text

### Text Commentary

Text is attached and gives effect to the Decision

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to agree that Urgent governance procedures should apply and the Proposal proceeds to a Workgroup.