

CUSC Workgroup Consultation

CMP333: BSUoS – charging Supplier Users on gross demand (TCR)

Overview: On 21st 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

Modification process & timetable

1	• Proposal form • 13 December 2019
2	• Workgroup Consultation • 13 February 2020 - 5 March 2020
3	• Workgroup Report • 19 March 2020
4	• Code Administrator Consultation • 1 April 2020 - 24 April 2020
5	• Draft Code Modification Report • 13 May 2020
6	• Final Code Modification Report • 1 June 2020
7	• Implementation • 01 April 2021

Have 5 minutes? Read our [Executive summary](#)

Have 20 minutes? Read the full [Workgroup Consultation document](#)

Have 30 minutes? Read the full Workgroup Consultation document and annexes

Status summary: Workgroup Consultation. The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised

This modification is expected to impact:

High – Supplier Users and Embedded Generators

Governance route

This modification will be assessed by a Workgroup and Ofgem will make the decision on whether it should be implemented

Who can I talk to about the change?



Proposer: Jennifer Doherty, National Grid ESO

Code Administrator - Chair: Chrissie Brown

Phone: 07866794568

Email: Christine.brown1@nationalgrideso.com

How do I respond?

Consultation closes on 5 March 2020 [Respond](#) by sending your response proforma to cusc.team@nationalgrideso.com by the closing date

Executive Summary

On 21st November, The Authority published a [Direction](#) requiring National Grid Electricity System Operator to raise changes to the CUSC giving effect to their Decision to levy Balancing System Use of System (BSUoS) charges to Suppliers on the basis of their gross demand (“the Decision”).

What is the issue?

Suppliers’ balancing services charges are currently levied on a ‘net’ demand basis at the point the transmission network meets the distribution network. In some cases, suppliers effectively receive a discount on their balancing services charges for contracting with smaller distributed generators as this has the effect of reducing their net demand. The majority of these discounts are passed onto smaller distributed generators in the form of payments from suppliers.

These ‘Embedded Benefits’ distort competition and do not reflect any difference in the value provided or the cost imposed on the electricity network system.

What is the solution and when will it come into effect?

Proposer’s solution: Supplier’s liability will be based on its gross demand volumes.

Implementation date: As directed by the Authority this change needs to be implemented to be effective from 1 April 2021.

Summary of potential alternative solution(s) and implementation date(s):

No alternatives have been raised or discussed ahead of this Consultation being issued.

What is the impact if this change is made?

Who will it impact?

This change will impact Suppliers and Generators who receive BSUoS as an Embedded Benefit.

Workgroup Consultation

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Introduction

This document is the CMP333 **Workgroup's Consultation**. This document outlines;

- What the issue is
- What solution has been brought forward by the Proposer
- Workgroup considerations
- What other solutions the Workgroup has been considering
- The business rules that will be used to form the basis of the legal text post consultation

The Workgroup are seeking your view on the proposed change and what they have worked on so far. The questions they are seeking answers on are embedded within the document and outlined in the **How to respond** section.

What is the issue?

What is the issue?

On 21st November, The Authority published a [Direction](#) requiring National Grid Electricity System Operator to raise changes to the CUSC giving effect to their Decision to levy Balancing System Use of System charges to Suppliers on the basis of their gross demand ("the Decision").

Why is it an issue?

The full rationale for this change can be found in Ofgem's [Targeted Charging Review decision](#). The ESO has raised this change to comply with "The Direction" issued following that Review.

In summary, the direction 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.

What is the solution?

Proposer's Solution: A Supplier's liability will be based on its gross demand volumes.

The solution will be calculated as follows;

- To calculate the overall BSUoS cost per settlement period, the costs for each settlement period will be divided by the total BSUoS chargeable volumes in that half hour. The total BSUoS chargeable volumes will be calculated by the sum of BSUoS liable **transmission connected sites*** net Trading Unit positions and Supplier BM Units gross demand positions all adjusted for the Transmission Loss Multiplier.
- **Transmission Connected sites*** will be charged BSUoS on the net position of their trading units in a settlement period which may be in delivering or exporting mode.
- **Supplier BM Units** will be charged BSUoS on a gross demand basis for each Supplier BM Unit per settlement period and not on a Trading Unit basis
- Exempt Export BM Units (both SVA and CVA) will be treated in the same way as Supplier BM Units and therefore will not receive an embedded benefit or be charged when exporting but will be charged BSUoS when importing.

* including sites with a BEGA that are not Exempt Export BM Units

The proposer noted that the concept of Trading Units allows users to net their overall usage. Removing the Trading Unit concept from transmission connected generators would have broader implications than those referred to directly in the direction, the proposer did not take forward this approach at this time. The Workgroup agreed that the TCR Direction was clear regarding the changes required and recognised that it did not direct any changes to Trading Unit concepts for Transmission connected assets.

Workgroup Considerations

The Workgroup considered how this would differ from the current arrangements.

Table 1 below shows how BSUoS is treated at present

Table 2 illustrates how this would change under the proposed solution to CMP333

Table 1:

Current Situation (Baseline)	Net Direction of Trading Unit/Base Trading Unit	
	Offtaking (importing)	Delivering (exporting)
Direction of BM Unit		
Offtaking (importing)	Pays	Credit
Delivering (exporting)	Credit	Pays

Table 2:

CMP333		
Type of BM Unit	Direction of BM Unit	Basis of charging
Transmission Connected Generators		As Baseline*
Embedded Generators with BEGA and not Exempt Export BM Units		As Baseline*
Transmission Connected Demand		As Baseline*
Distribution Connected Demand Sites (Supplier BM Units)	BM Unit Gross Demand is positive (gross import)**	Pays
	BM Unit Gross Demand is zero	No liability
Distribution connected Exempt Export BM Units	Offtaking (importing)	Pays***
	Delivering (exporting)	No liability***

Notes:

* BM Unit pays or receives credit based on its direction compared with that of its Trading Unit

** Gross Demand (Import) data as provided to ESO in the TNUoS report as set out in Table 7 of Section V of the BSC

*** Consistent treatment to Supplier BM Units

The orange cells indicate arrangements that change under this proposal

The Workgroup discussed how this would work in Trading Units. The impact on the BSUoS charge within seven scenarios of Trading Units is illustrated in Annex 4.

The Workgroup also discussed how Exempt Export BM Units should be treated to be aligned with Ofgem's direction. Exempt Export BM Units may contain either SVA or CVA registered meters however by default are assigned to the Base Trading Unit for the GSP Group. Generally this means that an Exempt Export BM Unit will currently receive a credit when Delivering (exporting) and the GSP Group is importing. The proposers solution removes the credit for these units treating them in the same way as Supplier BM Units.

Consultation question: Does the proposed solution discharge the direction from the Authority?

Other work:

The Workgroup considered the ongoing work in modification [CMP308 'Removal of BSUoS charges from Generation'](#). The Workgroup concluded that while the work undertaken to date as part of this Workgroup was useful, this change should be standalone and make the changes directed by the Authority.

Potential options

The Workgroup considered the direction provided by the Authority in the two Workgroup meetings held prior to Consultation and concluded that at this stage they were not considering any other solutions.

Consultation question: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Draft Legal text

The Workgroup discussed and agreed the business rules that are outlined in the solution section above for the legal text to be based on. This will be developed following the closure of this consultation.

What is the impact of this change?

Who will it impact?

Suppliers and generators who receive the BSUoS Embedded Benefit

What are the positive impacts?

An assessment of BSUoS price based on the 2018/2019 charging year was completed and can be found in **Table 3** below.

- On average, we would expect to see around a 10% drop in the BSUoS price across the year due to the increase in the BSUoS liable chargeable volume. This would differ per settlement period.

Table 3:

Net demand Average Price		Gross Demand Average Price		Variance, £	Diff, %
£	3.24504	£	2.91426	£-0.33	-10.2%

The partial removal of the distortion between Embedded and Transmission connected generators should result in higher competition across the market. As well as lower network charges, this should result in lower costs for the end consumer. The Authority carried out an impact assessment as part of their Targeted Charging Review.

BSC impact

An amendment to the BSC will be required to ensure the transfer of data under BSUoS charging timescales. This modification will be raised shortly.

Proposer's Assessment against Code Objectives

Impact of the modification on the Code objectives:	
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	None

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;	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) To promote efficiency in the implementation and administration of the Grid Code arrangements	None

Consultation question: Do you believe that CMP333 Original proposal better facilitates the Applicable CUSC Objectives?

When will this change take place?

This change must be implemented so that it takes effect on 1 April 2021, as per Ofgem's Direction.

Consultation question: Do you support the implementation approach?

How to respond

The CMP333 Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions highlighted in the report and summarised below:

Standard Workgroup Consultation questions:

1. Do you believe that CMP333 Original proposal better facilitate the Applicable CUSC Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific CMP333 Workgroup Consultations:

5. Does this solution discharge the direction from the Authority?

Please send your response using the response pro-forma which can be found on the National Grid ESO website via the following link:

<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp333-bsuos-charging-supplier-users-gross>

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form that can be located at the following link or get in contact with us via email at cusc.team@nationalgrideso.com

<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc>

Views are invited upon the proposals outlined in this consultation, which should be received by **5pm on 5 March 2020**. Your formal responses must be emailed to:

cusc.team@nationalgrideso.com

If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid ESO's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response marked "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential".

Acronym table and reference material

Acronym	Meaning
BSUoS	Balancing System Use of System
ESO	Electricity System Operator
BM Unit	Balancing Mechanism Unit
TNUoS	Transmission Network Use of System
BEGA	Bilateral Embedded Generation Agreement
TCR	Targeted Charging Review

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of Reference
Annex 3	Urgency letter and response from Ofgem
Annex 4	Trading Unit analysis spreadsheet

Reference material:

1. [Ofgem direction letter](#)
2. [Ofgem Targeted Charging Review decision](#)