CUSC Modification Proposal Form	At what stage is this document in the process?

CMP343:

Mod Title: Transmission Demand Residual bandings and allocation for 1 April 2022 implementation (TCR)

01	Proposal Form
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

Purpose of Modification: The Authority has issued a modified Direction to The Company requiring them to withdraw CUSC Modification Proposal CMP332 and raise a new CUSC Modification Proposal (CMP) to give effect to the TCR Decision with an implementation date of 1st April 2022. This CMP will deliver that Decision by creating a methodology by which the residual element of demand Transmission Network Use of System (TNUoS) charges can be apportioned to Half-Hourly (HH) and Non Half-Hourly (NHH) demand, and a separate methodology to determine 'bands' against which the residual element of demand TNUoS is levied.

The Proposer recommends that this modification should be:

- assessed by a joint Workgroup alongside the Consequential Definitions Modification (CMP340) that was raised in March 2020

This modification was raised 12 May 2020 and will be presented by the Proposer to the Panel on 29 May 2020**.** The Panel will consider the Proposer's recommendation and determine the appropriate route.

High Impact: National Grid ESO, Distribution Network Operators (DNO), Suppliers and Demand Users connected to the Transmission Network

Contents

Timetable

The Code Administrator recommends the following timetable:

Workgroup Nominations	29 May 2020 to 19 June 2020
Initial consideration by Workgroup	22 June 2020
Workgroup Consultation	29 June 2020 to 20 July 2020
Workgroup Report issued to Panel	4 August 2020
Workgroup Report presented to Panel (Special Panel)	12 August 2020
Code Administration Consultation	14 August 2020 to 14 September 2020
Draft Final Modification Report issued to Panel	17 September 2020
Draft Final Modification Report presented to Panel for recommendation vote	25 September 2020
Final Modification Report issued to the Panel to check votes recorded correctly	29 September 2020
Final Modification Report issued to the Authority	7 October 2020
Decision implemented in CUSC	1 April 2022

Any questions?

Contact:

Code Administrator - Paul Mullen

paul.j.mullen@nationalgrideso.com

07794537028

Proposer:

Grahame Neale

Grahame.neale@nationalgrideso.com

07787261242

National Grid ESO Representative:

Grahame Neale

email address.

Grahame.neale@nationalgrideso.com

07787261242

Proposer Details

Details of Proposer: (Organisation Name)	NGESO
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	 Grahame Neale National Grid ESO grahame.neal@nationalgrideso.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	 Eleanor Horn National Grid ESO eleanor.horn@nationalgrideso.com
Attachments (Yes/No): No **If Yes, Title and No. of pages of each Attachment:**	

Impact on Core Industry Documentation.

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

BSC	X
Grid Code	
STC	
Other	X

For The Company to create residual demand charges under the new intended charging structures several data inputs will be required. The Proposer considers that for an efficient charging structure to be established across DNOs and the ESO that a single source of information should be used. This will require changes to the BSC, DCUSA and potentially MRA.

1 Summary

Defect

The Authority issued, on 21 November 2019 a Direction, and on 31 March 2020 a modified Direction, to The Company to raise such modifications as are necessary to give effect to their Decision(s) under the Targeted Charging Review (TCR) SCR. This CMP is concerned with the treatment of the residual element of Demand TNUoS. All references herein to 'residual' mean the residual element of Demand TNUoS unless otherwise specified. Per Paragraphs 13-16,18-23, 26-31, 33a and 34 of the Direction, and with due regard to Paragraphs 24, and 25 ibid, this CMP must deliver:

- A methodology to appropriately split residual recovery between HH and NHH demand, by voltage level, including the creation of a separate residual tariff for Unmetered Supply (UMS) volumes; and
- The application of residual charges to Final Demand only (as defined in Paragraph 15 ibid), levied on a Single Site basis; and
- Charging Bands, set at the 40th, 70th and 85th percentiles of either Maximum Import Capacity or, where no Maximum Import Capacity has been agreed between DNO and consumer, consumption values in kWh, for each of the following category of consumer :
    - LV-Connected Non-Domestic demand Sites with a Maximum Import Capacity;
    - LV-Connected Non-Domestic demand Sites without a Maximum Import Capacity;
    - Separately, HV-Connected and EHV-Connected demand Sites (both with Maximum Import Capacities); and
- A methodology to apportion the residual to each Band within each of these voltage-based categories, where the total value paid by demand in each Band is directly proportional to that Band's consumption as a percentage of total national (gross) consumption, such values to be recovered through specific residual Tariffs which must be the same for each demand Site within a Band; and
- A residual charge, or a set of charges for Sites connected directly to the Transmission Network;
- A single residual charge for LV-Connected Domestic Sites;
- A single p/kWh residual tariff for Final Demand Unmetered Supplies; and
- A process to review the Bands and, separately, the finalisation of a residual charge Tariff structure, including a consideration of a pence per Site per day option.

No other Paragraph of the 21st November 2019 Direction will be addressed within this CMP. The implementation date of 1st April 2022 will address the 31st March 2020 Direction in full. A separate modification proposal (CMP334) has been raised to address the definitions of Single Site and Final Demand (as per paragraphs 13-16 of the Direction). CMP335 and CMP336 have been raised to deal with the Paragraphs of the 21st November 2019 Direction not covered by this CMP.

What

The Company, on receipt of total annual national gross consumption, split by Measurement Class, and the site aggregate MVA value of Maximum Import Capacities agreed between consumers and DNOs, will

determine and publish the Bands that apply at each voltage level, having calculated the Bands in accordance with the requisite percentiles.

The Company will have an obligation, following approval of DCP358 by The Authority, for it or its nominated Agent to determine and publish the Bands by 31st October 2020 in advance of the commencement of the Onshore Transmission Owner Price Control in April 2021. For subsequent Onshore Transmission Owner Price Controls this Band setting exercise will be repeated.

The demand charging methodology for TNUoS as is:

1. Takes the zonal HH locational tariff output of the DCLF ICRP model, and multiplies it by the zonal forecast gross volume (MW) at system peak, to derive a 'target' value of revenue to be recovered from the demand locational in each zone (for example, using the forecast 20/21 tariff information, zone 14 tariff of £3.97/kW multiplied by 2550MW would give a total expected locational recovery of £10.12m);
2. The total (national) value to be recovered from demand is the sum of the TOs' allowed revenues, minus the total revenue anticipated through Generation TNUoS tariffs which are structured in part to maintain compliance with limiting regulation 838/2010, plus the cost of the Embedded Export Tariff;
3. The total value to be recovered as determined in step 2, minus the expected revenue recovered through the HH demand locational (the £10.12m in step 1, plus the other 13 locational expected recoveries calculated in the same way) is the residual, which is then divided by the national forecast gross volume (MW) at system peak to create the HH residual £/kW. No NHH residual is currently calculated. All demand tariffs are floored at £0;

This methodology needs to change, such that steps 1 and 2 above remain unchanged, but step 3 becomes:

3a. The non-residual revenue recovered from HH demand is the zonal triad demand multiplied by the zonal locational tariff (taking zone 14 again, £3.97/kW multiplied by 738.38MW = £2.93m). The remaining locational zonal amount to collect, per step 1 (in this case £10.12m minus £2.93m, so £7.19m) must then be applied to NHH. The locational value attributed to NHH through this process should then be divided by the 4-7pm chargeable NHH volume to derive a p/kWh NHH locational tariff.

As a result of this initial change, there will be specific NHH and HH locational tariffs for each zone.

The sum of revenues recovered through both NHH and HH locational tariffs, subtracted from the value determined in step 2 above (the demand residual) needs to be allocated between each voltage, and within voltage between each Band. It is proposed that the process for this should be, initially to create Charging Groups, which shall be Domestic, and, for Non-Domestic: LV-Connected, no MIC, LV-Connected with MIC, HV-Connected, EHV-Connected, Transmission-Connected and Unmetered Supplies (UMS). Within each Charging Group will be one or more Bands set in accordance with the percentiles specified in the Direction. Following determination of the Charging Groups and Bands:

4. The amount of residual payable by demand in each Charging Group should be calculated by taking the total of the HH and NHH annual volume consumed by that Group (MWh) and dividing it by the national HH and NHH annual volume (MWh), converted into a percentage then applied to the total residual £m figure;
5. To split between Bands within a Charging Group, using LV-Connected, no Maximum Import Capacity as an example, the LV-Connected, no MIC annual volumes, need to be expressed as a percentage of all LV annual volumes (as the overall Charging Group), with that

percentage then being applied to the value derived in step 4 above (the total residual allocated to LV). This process is repeated for all Bands within a Charging Group.

6. For the purposes of the UMS Charging Group only a single p/kWh tariff will be created to recover the portion of the residual allocated to this Charging Group.

The Proposer continues to believe following discussions within the CMP332 workgroup that, pending the outcome of the Access and Forward-Looking Charges SCR, the existing floor of £0 on demand tariffs should be retained, such that in zones where the locational element of the tariff (or the new, solely locational demand tariff) is negative as an outcome of either the DC Load Flow Investment Cost Related Pricing DCLFICRP model (more commonly referred to as the "Transport model") or the above NHH allocative methodology, it is floored at £0 and demand users are not paid to import over peak periods, as is the case today.

The Proposer now believes, following discussions within the CMP332 workgroup, that Unmetered Supply Final Demand Sites should not be included in the Band setting methodology. Unmetered Supply Final Demand Sites will be included in the tariff setting methodology and a portion of the Transmission Demand Residual will be apportioned to these sites based on their annual consumption. Instead of a £/site/day tariff, Unmetered Supply Final Demand Sites will face a p/kWh Residual tariff. This is in line with the methodology adopted for the levying of Distribution Demand Residual tariffs for these sites under DCUSA.

This new modification will follow the Authority's stipulation in their new Direction with respect to the following statement: "*Our Consent to NGESO's withdrawal request, and the attached new Direction, impact the new TDR charges only, changing **only** their implementation date from April 2021 to April 2022."* Emphasis has been added to aid readers.

Why

The rationale for the Decision(s) made by the Authority in respect of the Targeted Charging Review SCR can be found in the Ofgem/GEMA publications relating to that SCR. The Company, per Condition C10 (para 6C(a)) of its Licence, and Section 8.17.6(a) of CUSC, is required to raise CMPs when Directed to do so by the Authority.

The rationale for the request to withdraw CMP332 and to raise a subsequent CUSC Modification Proposal with a new implementation date of 2022 can be found at https://www.ofgem.gov.uk/publications-and-updates/consent-withdraw-cmp332-and-direction-raise-new-cusc-modification-proposal-new-transmission-demand-residual-charges-targeted-charging-review-tcr-1

How

A broad rewrite of Section 14 (insofar as it relates to demand TNUoS charges) is required to give effect to the above partial solution, and to deliver the process elements of the Defect not covered in the What section of this CMP.

An existing modification proposal CMP340, originally raised to enable definitional changes for the solution and alternatives of CMP332, will accompany this new modification proposal to enable the definitional changes required to Section 11 of the CUSC to facilitate the solution derived under the new modification proposal.

2 Governance

Justification for Normal Procedures

The Proposal should proceed under Normal Governance and be subject to an Authority Decision.

Requested Next Steps

This modification should be prioritised by the CUSC Panel to ensure an expedited progression of the Authority's new direction and should proceed as such under a timetable agreed with the CUSC Panel, and be sent to a Workgroup (to be jointly held with CMP340) for assessment.

3 Why Change?

The rationale for the Decision(s) made by the Authority in respect of the Targeted Charging Review SCR can be found in the Ofgem/GEMA publications relating to that SCR. The Company, per Condition C10 (para 6C(a)) of its Licence, and Section 8.17.6(a) of CUSC, is required to raise CMPs when Directed to do so by the Authority.

The rationale for the request to withdraw CMP332 and to raise a subsequent CUSC Modification Proposal with a new implementation date of 1 April 2022 can be found at https://www.ofgem.gov.uk/publications-and-updates/consent-withdraw-cmp332-and-direction-raise-new-cusc-modification-proposal-new-transmission-demand-residual-charges-targeted-charging-review-tcr-1

4 Code Specific Matters

Technical Skillsets

Expertise in demand TNUoS charging, understanding of Ofgem's Targeted Charging Review and resultant decisions.

It is useful, although not essential, for prospective workgroup members to have a working knowledge of the progress of CMP332 up until the point of its withdrawal by NGESO and the other in flight industry change projects which were raised to deliver the TCR changes to demand residual charging.

Reference Documents

Authority Decision:- 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

Authority approval to withdraw CMP332 and raise a new modification

https://www.ofgem.gov.uk/system/files/docs/2020/03/letter_to_ngeso_re_cmp332_consent_to_withdrawal_and_new_direction_0.pdf

5 Solution

Demand residual charges should be calculated and applied in the manner specified above and in Ofgem's Decision and Direction letters of the 21st November 2019 and 31st March 2020 with the Direction of the 31st March 2020 taking precedence where discrepancies arise.

The ESO's Original solution proposal for CMP343 includes but is not limited to:

- The charging of the Transmission Demand Residual to Directly Connected Final Demand Sites through a single Charging Band. This is with respect to Term 10) of the 21st November 2019 Authority Direction.
- The flooring at £0/kW for Half Hourly metered Sites and £0/kWh for Non-Half Hourly metered sites such that in zones where the locational element of the tariff (or the new, solely locational demand tariff) is negative as an outcome of either the DC Load Flow Investment Cost Related Pricing DCLFICRP model (more commonly referred to as the "Transport model") or the above NHH allocative methodology, it is floored at £0 and demand users are not paid to import over peak periods, as is the case today.
- The development of a volumetric, p/kWh Residual charge for Unmetered Supply Final Demand Sites only. All other Final Demand Sites will face a fixed £/site Residual charge.
- An implementation date of 1 April 2022 as directed by the Authority in its modified Direction of 31st March 2020.

6 Impacts & Other Considerations

This is a large-scale change that will require amendments and consequential changes to all Supplier and DNO processes. In particular, NGESO will require data input (likely via Elexon) for site level information of capacity and annual consumption and site counts per relevant band or category. This will further need to be broken down by Grid Supply Point Group and Supplier to allow relevant billing processes to take place. There is a contingency between this CMP and the DCUSA/BSC/MRA changes – this CMP will create the charging methodology but it cannot be practically implemented until the relevant non-CUSC changes are approved and the requisite data-gathering processes are completed.

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.

Consumer Impacts

Ofgem have established that there are consumer benefits to this change due to flexible customers no longer being able to avoid the costs of residual transmission charges.

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;	None
(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 as NGESO has been directed to raise this modification and implement its effects by the Authority.
(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).	

NGESO has been directed to raise and implement this modification by the Authority to enact their SCR Decision.

8 Implementation

These modifications need to be implemented for the Charging Year commencing on 1st April 2022 to allow The Company to comply with the Direction letter issued by The Authority on the 31st March 2020.

An Authority decision is needed as soon as is practicable to support the development of the substantial system and process changes at NGESO and within Industry needed to implement the solution. The current timescales for the modification are to deliver the Final Modification Report to Ofgem on 7th October 2020. Until a decision is received from the Authority on the preferred solution there is still uncertainty about some of the finer points of the solution where alternatives may be raised. This uncertainty impacts on implementation planning capability. To minimise inefficient system and process

change planning the ESO needs to receive a decision from the Authority on CMP343 by 30th November 2020.

9 Legal Text

Text Commentary

To be presented to Workgroup ahead of 1st Workgroup.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal governance procedures should apply;
- Refer this proposal to a Workgroup for assessment; and
- Agree that this proposal should be developed via a joint Workgroup alongside CMP340.

