

CUSC Final Self-Governance Modification Report

CMP347: Offshore Local TNUoS Tariff Clarifications

Overview:

This modification seeks to clarify the Embedded Transmission Use of System (ETUoS) Tariff, that forms part of the Offshore Transmission Owner's (OFTO's) revenue stream, to ensure the treatment for the three offshore local tariffs are consistent with each other. It also seeks to amend incorrect references relating to offshore local tariffs.

Modification process & timetable



Have 3 minutes Read our [Executive summary](#)

Have 10 minutes Read the full [Final Self-Governance Modification Report](#)

Have 20 minutes Read the full [Final Self-Governance Modification Report](#) and annexes

Status summary: The CUSC Panel have unanimously determined that this should be implemented.

This modification is expected to have a:
Low impact

Generator Users liable for Offshore Local TNUoS charges.

Governance route

The CUSC Panel unanimously agreed that this modification should follow the self-governance route and proceed to Code Administrator Consultation. The Panel made the decision on whether it should be implemented.

Who can I talk to about the change?

Proposer:

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Appeals Window	If you want to appeal this decision, please send your appeals form and relevant documentary evidence to industrycodes@ofgem.gov.uk by 5pm on 27 October 2020 and ensure you copy in cusc.team@nationalgrideso.com
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Executive Summary

CMP347 intends to clarify the Embedded Transmission Use of System (ETUoS) Tariff, that forms part of the Offshore Transmission Owner's (OFTO's) revenue stream, to ensure the treatment for the three offshore local tariffs are consistent with each other. It also seeks to amend incorrect references relating to offshore local tariffs.

What is the issue?

There is ambiguity and out of date references within CUSC Section 14 about the treatment of offshore local tariffs. Rectifying this will avoid confusion and improve the clarity and understanding of ESO's charges.

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

Proposers solution:

To amend the Embedded Transmission Use of System Charges "ETUoS" section (Paragraph 14.18.25) to remove ambiguity and ensure that it's treatment is consistent with the other offshore local tariffs.

It will also amend the Expansion Constant and OFTO Specific Expansion Factors sections to remove and replace out of date references.

Implementation date:

The proposed implementation date is 01 April 2021 providing no appeals are received by 5pm on 27 October 2020.

Panel determination:

The CUSC Panel have unanimously determined that this should be implemented.

What is the impact if this change is made?

Who will it impact?

This modification will have a low impact on Generator Users liable for Offshore Local TNUoS charges

Interactions

This modification has no interaction with any CUSC modifications

Introduction

This document is the CMP347 **Final Self-Governance Modification Report**. This document outlines;

- **What is the issue?**
- **What is the solution?**
 - Proposer's solution
 - Legal text
- **What is the impact of this change?**
- Code Administrator Consultation summary
- Panel Determination Vote
- **When will the change taken place?**
- Acronym table and reference material

What is the issue?

What is the issue?

Offshore local TNUoS tariffs are the specific tariffs a generator connected to an Offshore Transmission Owner (OFTO) pays for the offshore transmission infrastructure that it uses. There are three components to offshore local tariffs which may apply: The Offshore local circuit tariff, Offshore substation tariff and, if applicable, Embedded Transmission Use of System tariff (ETUoS)

The three tariffs, set at the point of transfer of offshore assets to an OFTO, are each calculated using the actual project costs incurred in the construction of the assets to identify the proportion of the OFTO's revenue that should be recovered by each tariff.

NGESO have noticed that there is ambiguity and out of date references within CUSC Section 14 about the treatment of offshore local tariffs.

Why is it an issue?

The purpose of this CUSC modification proposal aims to avoid ambiguity in CUSC section 14 by clarifying the existing text to ensure consistency in the setting of offshore local tariffs and removing inaccurate references. This will avoid confusion and improve the clarity and understanding of our charges.

What is the solution?

Proposer's solution:

This modification seeks to amend the Embedded Transmission Use of System Charges "ETUoS" section (which starts at Paragraph 14.18.25) to remove ambiguity and ensure that it's treatment is consistent with the other offshore local tariffs.

In particular, the following should be addressed:

1. Rename the OFTO related ETUoS Tariff to be ETUOSOFTO Tariff (referred to at Paragraph 14.18.27), and also rename the DNO pass through charge (referred to at Paragraph 14.18.26) to be the ETUOSDNO Charge, to ensure that it is clear which charge is being discussed;

2. The formula for calculating the ETUoSOFTO Tariff should be included;
3. It should be made clear that inflation, in line with the associated OFTO's revenue, should be applied to the ETUoSOFTO Tariff, for each year within a price control; and
4. It should state that the ETUoSOFTO Tariff must be reset for the new price control.

It will also amend the Expansion Constant and OFTO Specific Expansion Factors sections to remove and replace out of date references, specifically:

1. CUSC paragraph 14.15.68 states that "The process used to derive circuit expansion factors for Offshore Transmission Owner networks is described in 14.15.78"; however, 14.15.78 refers to Onshore Local Circuit Expansion Factors. Paragraph 14.15.68 should be updated to instead reference paragraph 14.15.80 where Offshore Circuit Expansion Factors are introduced.
2. CUSC paragraph 14.15.84 should be updated to say that Prevailing OFFSHORE TRANSMISSION OWNER specific expansion factors will be published in the Charging Statement. The Charging Statement contains up to date Expansion Factors and is published each year on the ESO website, in line with the National Grid Electricity System Operator Licence Condition C5A.
3. CUSC paragraph 14.15.84 also states that OFTO specific expansion factors shall be recalculated at the start of each price control period using the formula in paragraph 14.15.71. This reference appears to be out of date since there is no formula within that paragraph. This reference should be updated to refer to paragraph 14.15.82, which contains the calculation for all year's following the initial year in which asset transfer happens.
4. CUSC paragraph 14.15.81 has a misleading reference to the year of "connection", this should be updated to say the year that the offshore transmission assets are transferred to the OFTO.

NGESO believe that this solution will clarify the existing offshore tariff setting process to remove any ambiguity and ensure consistency between the three offshore local tariffs is maintained

This proposal seeks to clarify the text in line with the existing process as it is understood and carried out. For the avoidance of doubt, it does not propose any changes to the calculation of the tariffs, and therefore there is no impact on the collection of Transmission Owner or Offshore Transmission Owner allowed revenue

Legal text

The legal text for this change can be found in Annex 3.

What is the impact of this change?

Who will it impact?

This modification will have a low impact on Generator Users liable for Offshore Local TNUoS charges

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 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;	None
(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 Transmission Licence under Standard Condition C10, paragraph 1; and	None
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive
*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).	

The proposers view is that this modification will have a positive impact on the CUSC applicable objectives (a) and (e):

(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

The proposed changes remove a barrier to entry which could be caused by ambiguous or misleading information being included in the CUSC. Confusion regarding tariff calculations and where to find current OFTO specific expansion factors could cause new customers to inadvertently use incorrect information.

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

The proposed changes will provide customers with one accurate place to find current Offshore Transmission Owner specific expansion factors and will only require a single CUSC modification to achieve it. This avoids additional administrative burden on the industry of having to raise annual CUSC modifications to keep the parameters up to date within the CUSC since they are subject to annual indexation.

Code Administrator Consultation Summary

The Code Administrator Consultation was issued on the 20 August 2020 and closed on 11 September 2020. No responses were received.

Panel Determination Vote

The CUSC Panel met on the 25 September 2020 to carry out their determination vote. They assessed whether a change should be made to the CUSC by assessing the proposed change against the Applicable Objectives.

CMP347

Vote 1: Does the Original facilitate the objectives better than the Baseline (the current CUSC arrangements)?

Panel Member - Andy Pace

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes

Voting Statement

This mod clarifies the Embedded Transmission Use of System (ETUoS) Tariff to ensure the treatment for the three offshore local tariffs are consistent with each other and seeks to amend incorrect references relating to offshore local tariffs. This change is a clarification of existing practices and removes ambiguity from the CUSC and thereby better meets applicable CUSC objectives (A) and (E).

Panel Member – Cem Suleyman

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement By providing additional clarity in the CUSC, CMP347 better facilitates Applicable CUSC Objective (e).						

Panel Member – Garth Graham

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement Ensuring consistency in approach with the offshore situation as well as correcting incorrect references will better facilitate the relevant applicable objectives.						

Panel Member – Grace March

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement This modification clarifies information related to a type of generation, which could therefore be affected competition. Correcting references and providing clarification will facilitate ACO(e) by making the CUSC easier and more efficient to use.						

Panel Member – Mark Herring for Jon Wisdom

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						

CMP347 ensures consistency in the treatment of all three offshore local tariffs and ensures that references for offshore local tariffs are correct.

This better facilitates objective (a) as it removes a barrier to entry which could be caused by users being unable to find the correct information relating to offshore tariffs. It also better facilitates objective (e) as there is one place to find current parameters and will only require a single CUSC modification to achieve it. This avoids additional administrative burden on the industry of having to raise annual CUSC modifications to keep the parameters up to date for those which are subject to annual indexation.

Panel Member – Simon Lord for Joe Dunn

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						
CMP 347 will clarify various tariff specific issue detailed in the CUSC related to Offshore Local TNUoS calcification this will add clarity to the CUSC						

Panel Member – Mark Duffield

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						
The amendments relating to ETUOS provide additional clarity within the body of the CUSC for parties that may be affected by them potentially marginally better facilitating objective A. The clarifications more generally promote the more efficient functioning of the CUSC and thus meet the requirements of better facilitating objective E.						

Panel Member – Paul Jones

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						
Better promotes competition and improves efficiency in the charging arrangements by removing ambiguity and providing references to values in the charging statement.						

Panel Member – Paul Mott

	Better facilitates ACO (a)?	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						
This change will remove a number of incorrect references in the CUSC in relation to embedded offshore wind, and will rename the OFTO related ETUoS Tariff to be the "ETUoSOFTO" Tariff (referred to at Paragraph 14.18.27), and will rename the DNO pass through charge (referred to at Paragraph 14.18.26) to be the "ETUOSDNO Charge", to ensure that it is clear which charge component is being discussed at each point. The change isn't intended to affect actual net entire tariffs to embedded wind farms. The clarity helps facilitate (e) code efficiency, and perhaps (a) competition (through improved clarity)						

Vote 2 – Which option is the best?

Panel Member	BEST Option?
Andy Pace	Original
Cem Suleyman	Original
Garth Graham	Original
Grace March	Original
Mark Herring for Jon Wisdom	Original
Simon Lord for Joe Dunn	Original

Mark Duffield	Original
Paul Jones	Original
Paul Mott	Original

Panel conclusion

The CUSC Panel have unanimously determined that this should be implemented.

When will this change take place?

Implementation date:

The proposed implementation date is 01 April 2021 providing no appeals are received by 5pm on 27 October 2020.

Implementation approach:

This modification contains clarifications for calculations that are linked to the Price Control it would ideally be approved prior to the beginning of the RIIO-2 price control period, in April 2021, for implementation on 01 April 2021.

Acronym table and reference material

Acronym	Meaning
ACER	Agency for the Cooperation of Energy Regulators
CUSC	Connection and Use of System Code
DNO	Distribution Network Operator
ESO	Electricity Transmission Owner
ETUoS	Embedded Transmission Use of System
OFTO	Offshore Transmission Owner's
STC	System Operator Transmission Owner Code
TCMF	Transmission Charging Methodology Forum
TNUoS	Transmission Network Use of System

Reference material:

1. <https://www.nationalgrideso.com/industry-information/charging/charging-guidance>

Annexes

Annex	Information
Annex 1	CMP347 Proposal Form
Annex 2	Self-Governance statement
Annex 3	Legal Text