A landscape photograph featuring snow-capped mountains under a cloudy sky. In the foreground, several bright yellow light trails curve across a valley, suggesting a path or a journey. The overall tone is warm and dramatic.

Meeting 108
8th Oct 2020

**Transmission Charging
Methodologies Forum and
CUSC Issues Steering Group**

nationalgridESO

Agenda

1	Introduction, meeting objectives	Jenny Doherty - NGESO	10:30 – 10:35
2	Code administrator update	Paul Mullen - NGESO	10:35 – 10:50
3	TNUoS Global Security Factor	Jo Zhou - NGESO	10:50 – 11:05
4	TO Data Provision for the Expansion Constant Calculation	Matt Wootton - NGESO	11:05 – 11:10
5	TCR Update	Grahame Neale - NGESO	11:10 – 11:15
6	TO Revenue Forecast	Jo Zhou - NGESO	11:15 – 11:30
7	Second Balancing Services Charges Task Force	Eleanor Horn - NGESO, Paul Jones - Uniper	11:30 – 11:50
8	Brexit CUSC Changes	Katharina Birkner - NGESO	11:50 – 12:05
9	AOB	Jenny Doherty - NGESO	12:05 – 12:10

Code Administrator Update

Paul Mullen, NGENSO



Authority Decisions Summary (as at 6 October 2020)

Awaiting Authority Decision

- Ofgem prioritising decisions on TCR Modifications and **CMP324/325**. TCR Modifications are:
 - **Transmission Generation Residual - CMP317/327 and CMP339;**
 - **Transmission Demand Residual – CMP334, CMP335/336 and CMP343/340;** and
 - **BSUoS – CMP333.**
- Update on **CMP280** published 2 October 2020.
- **CMP292** decision was expected 20 September 2019; however this has been further de-prioritised as Ofgem are prioritising decisions on the TCR Modifications.

Implementations Summary (as at 6 October 2020)

Implementations

- **CMP342** – Self Governance Appeal received 2 October 2020 so won't be implemented 9 October 2020.
- **CMP348** – implemented 8 September 2020.

Panel Update (as at 6 October 2020)

18 September 2020

- **CMP333** – Panel unanimously recommended that the Original better facilitated the CUSC Objectives than the arrangements currently set out in CUSC.

25 September 2020

- **CMP351** - Panel unanimously agreed that this should follow the standard governance route and proceed to Code Administrator Consultation; and
- Carried out determination vote for **CMP346** and **CMP347** – both will be implemented on 1 April 2021 unless there are any Appeals received in the 15 working day Appeals Window (6 October 2020 to 27 October 2020).

1 October 2020

- Panel recommendation votes carried out for **CMP335/336** and **CMP343/340**.

Panel Update (as at 6 October 2020)

30 October 2020

- **1 possible new Modification** - Correction to Forecasting Performance Value at Risk (FPVAR) formula in Section 3;
- **CMP300** - being presented to Panel to sign off that Workgroup has met its Terms of Reference; and
- Deep-Dive of Prioritisation Stack.

In Flight Modification Updates



In flight Modifications (as at 6 October 2020)

0 open Workgroup Consultations

0 open Code Administrator Consultations

2 CUSC Workgroups held in September

- 9 held across CUSC, Grid Code, STC and SQSS
- 11 to be held across CUSC (3 CUSC), Grid Code, SQSS and STC in October

For updates on all “live” Modifications please visit “Modification Tracker” at:


<https://www.nationalgrideso.com/industry-information/codes>

Prioritisation Stack

All Modifications previously in Tranche 2 and 3 were prioritised at June Panel



Panel took into account Proposer's views and placed in one of 5 categories – High, Medium to High, Medium, Low to Medium and Low



Prioritisation will be reviewed at Panel on a monthly basis with deep dive on a quarterly basis (next deep dive October 2020)

CUSC Workgroups for next 3 months (as at 6 October 2020)

October (total = 3)

- CMP328 x 2 (15 Oct and TBC)
- CMP344 (w/c 19 Oct)

December (total = 5)

- CMP328 x 2
- CMP330
- CMP311
- CMP326

November (total = 4)

- CMP344
- CMP330 – 9 Nov
- CMP311
- CMP326

See Notes explaining what each Modification is seeking to achieve

2020 Dates



CUSC 2020 Workgroups and Panel dates

CUSC - Workgroups	1	2	3	4
March	6	12	20	26
April	3	9	15	23
May	8	14	22	28
June	5	10	15	25
July	10	16	24	30
August	7	13	21	27
September	4	10	18	24
October	9	14	23	29
November	6	11	16	23
December	30/11	7	17	21

CUSC	Panel Dates	Papers Day	Modification Submission Date	TCMF
January	31	23	16	9
February	28	20	13	6
March	27	19	12	5
April	24	16	7	2
May	29	20	13	7
June	26	18	11	4
July	31	23	16	9
August	28	20	13	6
September	25	17	10	3
October	30	22	15	8
November	27	19	12	5
December	18	10	3	26/11

Global security factor – the decimal place (update following September TCMF)

Jo Zhou, National Grid ESO

October 2020





TO Data Provision for the Expansion Constant Calculation - Update

Matt Wootton, National Grid ESO

TCR – Update

Grahame Neale, National Grid ESO



For further information on P402 please visit: <https://www.elexon.co.uk/mod-proposal/p402/>

November TNUoS Draft Tariffs for 2021/22 - onshore TOs revenue

Jo Zhou, National Grid ESO

October 2020



TO's Revenue for Draft TNUoS Tariffs

We are due to publish 2021/22 TNUoS draft tariffs in November, ahead of Ofgem's final determination (FD) on RIIO-T2. Onshore TOs have confirmed that they would submit the same revenue data in their RIIO2 business plan for TNUoS tariffs. We are seeking customers and stakeholders' view on the baseline assumptions in the draft forecast.

Assumptions	Onshore TOs	Ofgem's Draft Determination
Annuity*	5.8%	4.1%
Allowed baseline spending over RIIO-T2 period (£bn)	10.8 (equivalent to additional revenue of £126m/year in T2)	5.9 (equivalent to additional revenue of £41m/year in T2)

* Annuity factor (%) is dependent on the allowed rate of return and asset depreciation, and the calculation is described in CUSC14.15.64 where WACC is 5.39% and asset life is 50 years.

By replacing T1 WACC with indicative T2 WACC of 3.27%, we get the Indicative annuity factor of 4.1% - this leads to a reduction of around £600m/year to TOs' revenue (assuming the same overhead factor of 1.8% in T1 and T2)

Caveats – e.g. generic asset life, assumed existing asset base, not taking into account of incentives or uncertainty mechanism...

$$\text{Annuityfactor} = \frac{1}{\left[\frac{1 - (1 + WACC)^{-\text{AssetLife}}}{WACC} \right]}$$

Summary and next steps

- Illustrating the difference between TOs' revenue forecast, and Ofgem's draft determination
- Seeking customers and stakeholders' view on the baseline assumptions in the draft forecast
- If you have any comments please let us know at: TNUoS.queries@nationalgrideso.com



Second Balancing Services Task Force

Paul Jones, Uniper

Eleanor Horn, NGENSO

08/10/2020

The Second Balancing Services Task Force published its Final Report on 30th September

- The Task Force was set up in January 2020 to tackle two deliverables:
 1. Who should pay BSUoS?
 2. How should the charge be recovered?
- A consultation was run from 22nd July – 26th August to gather industry feedback, 35 responses were received from a wide range of industry parties, of which two are confidential.

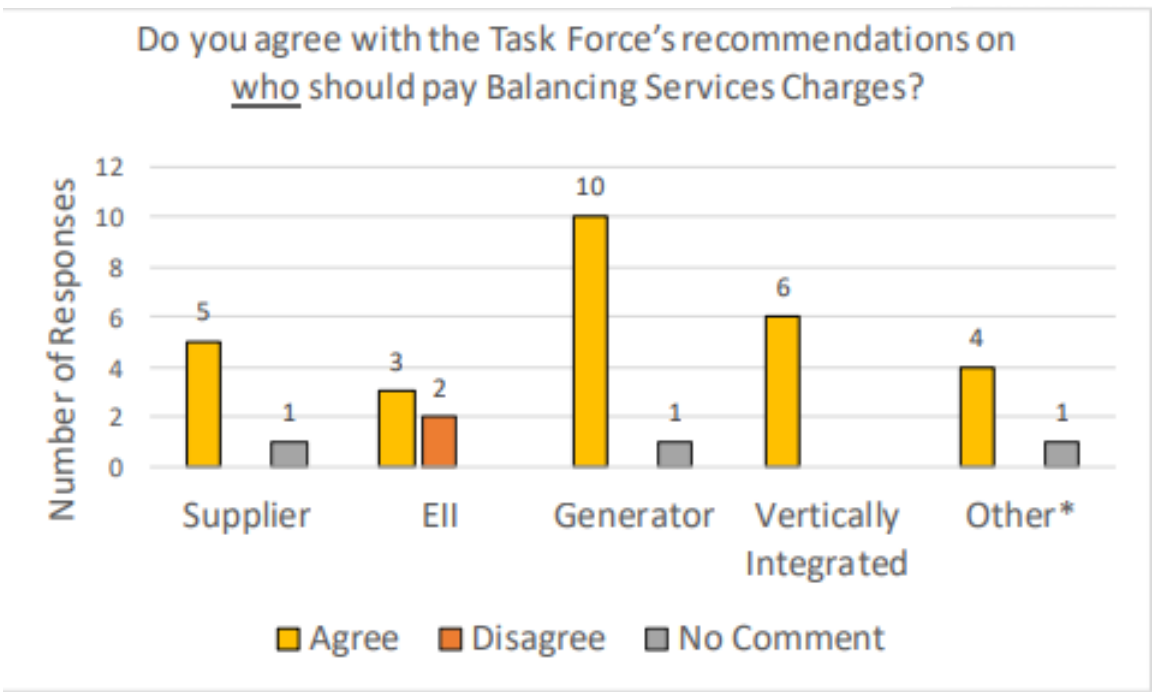
Deliverable 1: Final Demand only should pay.

The Task Force's final recommendations are that Final Demand only should pay BSUoS.

Task Force's Key Reasons

- Mitigating existing distortions between generators
- Minimal impact on decarbonisation
- Most efficient way of charging a “cost-recovery” charge.

Consultation Feedback

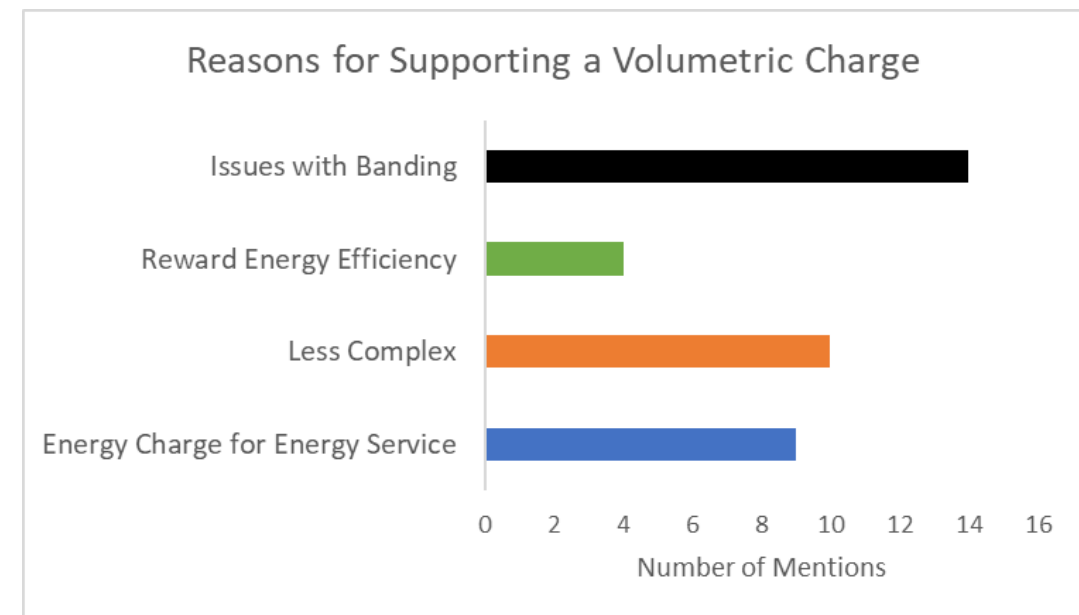
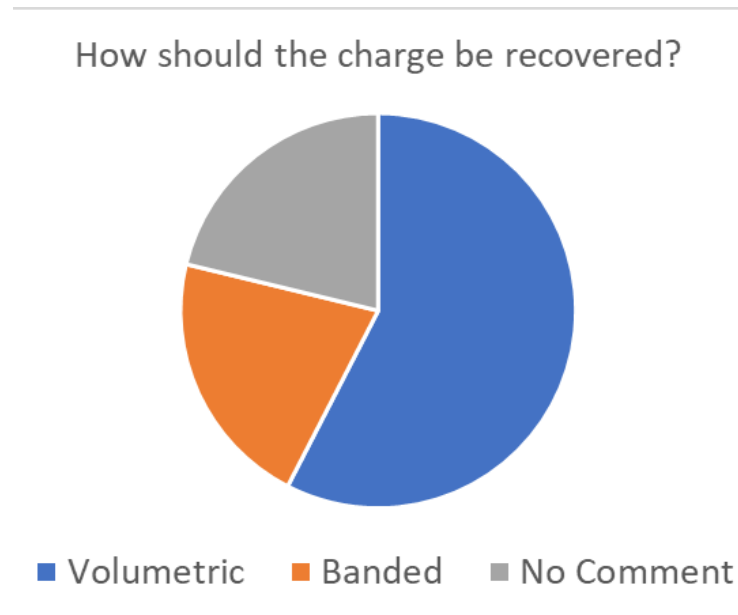


Deliverable 2: BSUoS should be a fixed, volumetric charge with 14/15 months fix/notice.

The Task Force's final recommendations on Deliverable 2 are:

1. BSUoS should be a volumetric (£/MWh) charge.
2. BSUoS charges should be fixed ex ante.
3. The combined length of fix and notice period should be 14/15 months.

Ignoring responses which offered no comment, **73%** of respondents believed that a volumetric charge was the most appropriate option for BSUoS charging.

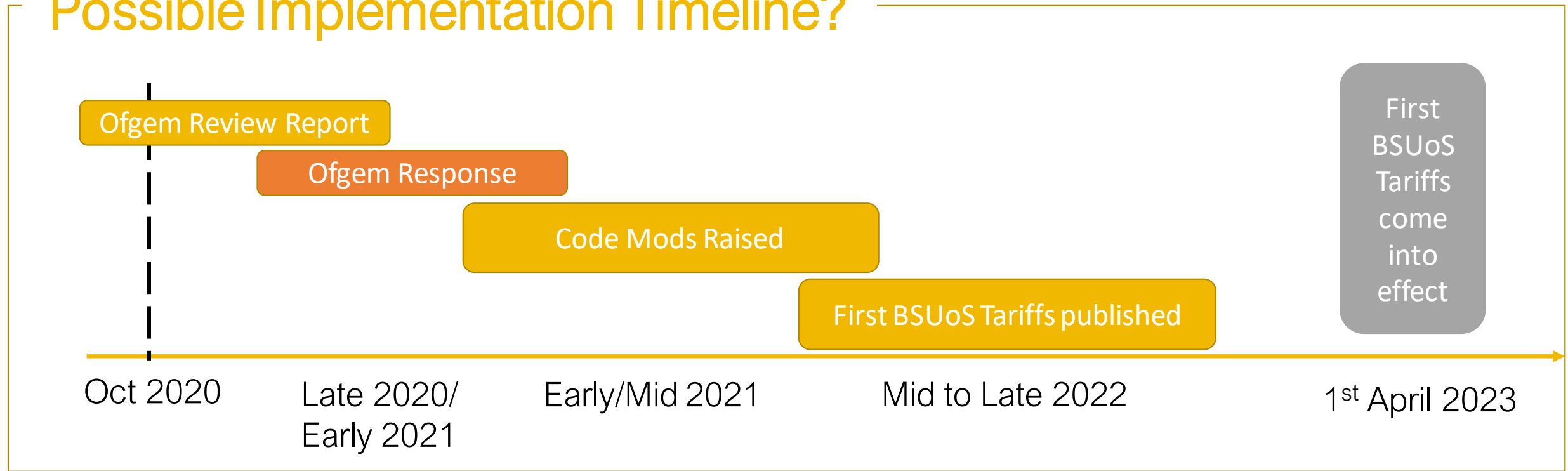


What happens next?

Ofgem will now review the Task Force's recommendations

Task Force recommend 2 years' notice to industry following Ofgem's response

Possible Implementation Timeline?



Brexit CUSC Changes

Katharina Birkner, National Grid ESO



Brexit situation and possible outcomes

- The European Union Withdrawal Act (2018) was approved by the house of Lords on the 22nd January 2020. This initiated 11 months negotiation for a post Brexit EU relationship.
- The withdrawal agreement states that all EU network codes in place or approved by ACER ahead of exit day will be copied into GB law except for elements that aren't operable.
- As the negotiations are slowly drawing to an end there are 2 possible options:

Deal

This option currently looks less likely. Due to the UK negotiation team having expressed a preference to be outside of the internal energy market, there is a chance that an agreement, a “deal” situation could look similar to the “no deal” scenario initially. A “deal” scenario may require further negotiations to identify alternative options for the ongoing relationship on energy.

If an agreement is reached we will withdraw our CUSC Brexit mods and raise new ones.

No Deal

This option currently appears more likely due to the outstanding sticking points.

BEIS have a series of SIs that have been laid in place to copy EU network codes into GB law.

Code modifications have been raised previously to account for a “no deal” Brexit to ensure the CUSC remains accurate. These mods have been reviewed to include relevant updates since last year

CUSC Impact

In 2019 we raised 2 CUSC mods to ensure the CUSC remains accurate in the event the UK leaves the EU without an agreement. These have both been withdrawn once it was confirmed that the European Union Withdrawal Act (2018) had been agreed.

CMP309: CUSC changes in the event the UK leaves the EU without an agreement

CMP309 seeks to ensure any retained EU law functions effectively in the CUSC in a “no deal” scenario taking into consideration the provisions of relevant statutory instruments under the Withdrawal Act. Legal text changes impact section 8 in the CUSC (CUSC modification) and section 11 in the CUSC (definitions)

CMP310: CUSC section 14 changes in the event the UK leaves the EU without an agreement

CMP310, is the equivalent to CMP309 for CUSC section 14 changes (charging methodologies)

We will raise CMP309 and CMP310 again at October CUSC panel including additional legal text changes that are required due to the implementation of CMP322 and CMP323 (EBGL Art 18 T&Cs implementation) to propose a new Code Administrator Consultation.

Legal Text highlights

SI 2019 No. 532 – Exiting the European Union (Electricity) laid 15th June 2019 copied the ITC agreement and Electricity Balancing Regulation into GB law

CUSC Section 11 (Definitions)

- Adding definition for Electricity Balancing Regulation (in place of previous definition as Electricity Balancing Guidelines) and subsequent EBR definitions
- Adding definitions for Retained EU law and Legally Binding Decisions from the EU Commission and ACER

CUSC Section 4 (Balancing Services)

- Updating EBGL Art 18 (T&Cs) provisions ensuring they contain updated definitions from Section 11
- Updating exhibit Y reference from EU law to appropriate statutory instrument

CUSC Section 8 (CUSC Modification)

- Ensuring Section 8 contains updated definitions from Section 11

CUSC Section 14 (Charging Methodologies)

- Updating reference from EU law reference to Retained EU law

AOB & Close

