

## CUSC Modification Proposal Form

**CMP354:**

## Capacity Allocation and Congestion Management Regulation (CACM) cost sharing consequential changes

**Overview:** This Modification seeks to allow the ESO to ensure that any Capacity Allocation and Congestion Management Regulation (CACM) related payments (determined by the Authority) are paid to relevant interconnector licensees in 2021 and to facilitate the interconnector adjustment payment process for future Authority cost recovery decisions.

## Modification process &amp; timetable

- |   |   |
|---|---|
| 1 | <ul style="list-style-type: none"> <li>• <b>Proposal form</b></li> <li>• 12 November 2020</li> </ul>                                      |
| 2 | <ul style="list-style-type: none"> <li>• <b>Workgroup Consultation</b></li> <li>• n/a</li> </ul>  |
| 3 | <ul style="list-style-type: none"> <li>• <b>Workgroup Report</b></li> <li>• n/a</li> </ul>  |
| 4 | <ul style="list-style-type: none"> <li>• <b>Code Administrator Consultation</b></li> <li>• 1 December 2020 to 22 December 2020</li> </ul> |
| 5 | <ul style="list-style-type: none"> <li>• <b>Draft Code Modification Report</b></li> <li>• 21 January 2021</li> </ul>                      |
| 6 | <ul style="list-style-type: none"> <li>• <b>Final Code Modification Report</b></li> <li>• 9 February 2021</li> </ul>                      |
| 7 | <ul style="list-style-type: none"> <li>• <b>Implementation</b></li> <li>• 1 April 2021</li> </ul>   |

**Status summary:** The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

**This modification is expected to have a: Medium impact** on interconnectors and National Grid ESO

**Proposer's recommendation of governance route**

This modification will proceed straight to Code Administrator Consultation and the Panel will make the decision on whether it should be implemented (Self-Governance).

- **Justification for Self-Governance** - Ofgem have already made decision on cost recovery and this is a consequential change to facilitate this
- **Justification for Code Administrator Consultation** - The solution appears self-evident.

**Who can I talk to about the change?**

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## What is the issue?

Ofgem held a consultation in July 2020 on proposed changes to the electricity interconnector licence and the electricity transmission licence held by National Grid ESO. This sought to:

- align the standard conditions of the electricity interconnector licence with elements of the Clean Energy Package; and
- implement the Ofgem decision on the approach to cost sharing and cost recovery under Regulation (EU) 2015/12224 establishing a guideline on Capacity Allocation and Congestion Management Regulation (the CACM Regulation).

Ofgem published their decision on the 15 October 2020. The licence changes are expected to take effect from the 11 December 2020.

This decision includes the approval for interconnectors to recover one off cost relating to CACM implementation (costs for market coupling during the pilot phase). As these costs will be included in the MAR collected from all TNUoS payers the ESO requires a mechanism to ensure they are correctly paid to interconnector parties.

### Why change?

The CUSC changes will allow interconnectors to recover these one-off costs through TNUoS using the existing cost sharing process detailed in CUSC Section 9 (Interconnectors) utilised currently for cap and floor scheme adjustments. Ofgem, in their [decision letter](#), have encouraged the ESO to bring forward, at the earliest opportunity, the necessary CUSC modifications to enable the ESO to proceed with the payment to interconnectors of the one-off CACM costs included in the TNUoS MAR for 2021/22.

Changes to CUSC section 9 (Interconnectors) and section 11 (Definitions) are required to allow the CUSC to align with electricity interconnector and electricity transmission licence changes and enable payments to interconnectors.

## What is the proposer's solution?

The solution will align the CUSC with the electricity transmission license to allow interconnectors to recover costs approved by Ofgem (positive and negative) through the existing interconnector adjustment payments process.

This alignment and simplification through the legal text allows a level of future proofing for future cost recovery (positive or negative) of interconnector costs through the CUSC should this be required by the electricity and interconnector licences.

## Legal text

Highlighted below are the proposed CUSC legal text changes. Any changes and deletions are shown in red:

Section 11 – Definitions
<p><b>“Interconnector Adjustment Payments”</b> the payments (whether positive or negative) as notified by the <b>Interconnectors to The Company</b> pursuant to the conditions in their respective licences for the purposes of <b>Transmission Licence Special License Condition 3B. Calculation of allowed pass - through items</b></p>
<p><del>“Interconnector Cap and Floor Revenue Adjustment” has the meaning given to that term in Standard Licence Condition 26 of a licence granted for a specific Interconnector under Section 6(1)(e) of the Act (and in the case that the standard conditions in Section G of that licence are in effect);</del></p>
<p><del>“Interconnector Payments” has the meaning given to that term in Special Licence Condition 2 of the licence granted under Section 6(1)(e) of the Act for the Interconnexion France-Angleterre (IFA) Interconnector;</del></p>

Section 9 – Interconnectors
<p>9.22 INTRODUCTION This Part III deals with <b>Interconnector Adjustment Payments and the Interconnector Cap and Floor Revenue Adjustment</b>. The User for the purposes of this Part III will therefore be the Interconnector Owner.</p>
<p>9.23.1 This section sets out when a <b>User</b> shall provide its best estimates of <del>(a) in the case of the Interconnexion FranceAngleterre (IFA) Interconnector, the Interconnector Payments and (b) other Interconnectors, the Interconnector Cap and Floor Revenue Adjustment</del> the <b>Interconnector Adjustment Payments to The Company</b> which is required so that <b>The Company</b> can <b>calculate Transmission Network Use of System Charges</b> and the date by which the <b>User</b> shall provide a statement to the <b>Authority</b> of the estimates sent to <b>The Company</b>.</p>

## What is the impact of this change?

Proposer’s Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
<p>(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;</p>	<p><b>Positive, this change is required to align with the Ofgem licence decision on the 15 October 2020</b></p>

(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	<b>None</b>
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>None</b>
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Positive, the current interconnector adjustment payments process is simplified and future proofed.</b>
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

<b>Impact of the modification on the stakeholder / consumer benefit categories</b>	
<b>Proposer's assessment:</b>	
<b>Stakeholder / consumer benefit categories</b>	<b>Identified impact</b>
Improved safety and reliability of the system	<b>None</b>
Lower bills than would otherwise be the case	<b>None</b>
Benefits for society as a whole	<b>Positive:</b> allows expected costs to be recovered by interconnectors
Reduced environmental damage	<b>None</b>
Improved quality of service	<b>Positive:</b> as this involves simplification of CUSC processes

## When will this change take place?

### Implementation date:

Ofgem have requested that this change is to be implemented as soon as reasonably practical to allow the interconnector CACM payments to take place in 2021. The CUSC needs to be amended before April 2021 at the latest to allow this.

### Date decision required by:

A CUSC Panel decision is desired at the January CUSC panel to avoid implementation challenges.

**Implementation approach:**

Implementation is driven by the licence change and straightforward. The CUSC changes are required to allow the cost recovery through TNUoS.

**Interactions**

This CUSC Modification is consequential to the Ofgem decision on the 15 October 2020 and the resulting electricity interconnector licence changes and electricity transmission licence changes.

**Acronyms, key terms and reference material**

Acronym / key term	Meaning
CACM	Capacity Allocation and Congestion Management Regulation
MAR	Maximum Allowed Revenue
TNUoS	Transmission Network Use of System

**Reference material:**

1. [Ofgem decision on proposed modifications to the standard conditions of the electricity interconnector licence, the special conditions of the electricity interconnector licence held by NGIL and the electricity transmission licence held by NGEN](#)