

Trisha McAuley OBE  
Independent Chair  
CUSC & Grid Code Panel

Nadir Hafeez  
Ofgem  
**By email**

18 December 2020

Dear Nadir

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for **CMP355: 'Updating the Indexation methodology used in TNUoS and Transmission Connection Asset charges for RIIO2'**

On 17 December 2020, National Grid ESO raised CMP355. The Proposer sent a request to the CUSC Panel Secretary for the modification to be treated as urgent.

The CUSC Modifications Panel ("the Panel") on 18 December 2020 considered CMP355 and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

Currently, Section 14 of CUSC uses the Retail Price Index (RPI) as the measure for index-linking various parts of the charging methodologies. With the RIIO2 Final Decision from Ofgem, the RPI measure of indexation has been replaced and so the CUSC needs to be revised accordingly to use the correct measure for setting TNUoS and Transmission Connection Asset (TCA) charges. CMP355 specifically seeks to change the relevant parts of Section 14 so that references to RPI are revised to the indexation method as set out in the transmission licence.

Note that CMP356 has been raised to support CMP355 by changing Section 11 to add supporting definitions. The request for Urgency for CMP356 is covered by a separate letter, which is being sent at the same time as this letter.

All documentation for this modification can be located via the following link:

<https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp355-cmp356>

The Proposer set out their rationale for Urgency against Ofgem's Urgency criteria, which is as follows:

- ***The Proposer considers that this is an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s) and therefore meets Ofgem's Urgency Criteria (a). This is due to incorrectly calculated network tariffs requiring revision. To avoid this, CMP355 requires approval in time to allow the ESO to set tariffs at the end of January 2021; and***
- ***The Proposer also considers that this is an imminent issue or a current issue that if not urgently addressed may cause a party to be in breach of any relevant legal requirements (i.e. compliance with CUSC if the ESO just use the revised indexation approach without updating CUSC) and therefore meets Ofgem's Urgency Criteria (c). If the proposal was not treated as Urgent it would not have time to complete and be approved prior to the tariff setting process being completed. If this were to happen, the ESO will be non-compliant with CUSC and so its licence.***

## **Request for Urgency**

The Panel considered the request for urgency with reference to [Ofgem Guidance on Code Modification Urgency Criteria](#). The unanimous view of the Panel is that **CMP355 does meet** Ofgem's Urgency criteria<sup>1</sup>. Therefore, CMP355 should be treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

- Panel agreed that with the Proposer's view that there would be a significant commercial impact on parties, consumers or other stakeholder(s). Specifically, without this change, the Panel noted that there would be an aggregate £29.3m per annum of over-recovery of TNUoS and Transmission Connection Asset charges;
- The majority of Panel agreed with the Proposer's view that, if the ESO just used the revised indexation approach without updating CUSC, the ESO would be non-compliant with CUSC and so its licence; and
- Panel agreed with the Proposer's recommendation that this needs to be implemented by 25 January 2021 to allow this to be factored into the final TNUoS tariffs published at the end of January 2021. To achieve this the timeline needs to be constrained and therefore will require to be progressed on an urgent basis. Specifically,

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<sup>1</sup> Ofgem's current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) A significant commercial impact on parties, consumers or other stakeholder(s); or
- b) A significant impact on the safety and security of the electricity and/or gas systems; or
- c) A party to be in breach of any relevant legal requirements.

- Code Administrator Consultation period of less than 15 working days is required; and
- There would be less than 5 clear working days between publication of the Draft Final Modification Report and Panel's recommendation vote.

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

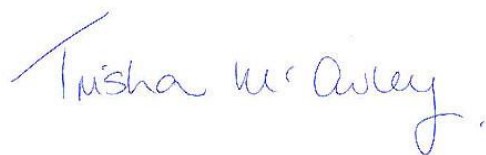
### **Procedure and Timetable**

Having decided to **recommend urgency** to Ofgem, the Panel discussed an appropriate timetable for CMP355, which would be progressed jointly with CMP356.

The Panel agreed that CMP355 subject to Ofgem's decision on Urgency should follow the attached Code Administrator's proposed timetable (Appendix 1 **Urgent recommendation**).

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE  
Independent Chair of the CUSC and Grid Code Panel

### **Appendix 1 – Urgent Timeline**

<b>Modification Stage</b>	<b>Date</b>
Request for Urgency Received	17 December 2020
Panel consideration of Urgency	18 December 2020
Ofgem decision on Urgency	5pm on 21 December 2020
Code Administrator Consultation (10 working days)	22 December 2020 to 5pm on 7 January 2021
Draft Final Modification Report issued to Panel and Industry (2 Working Days ahead of Panel)	11 January 2021 (9am)
Draft Final Modification Report presented to Panel / Panel Recommendation Vote	13 January 2021
Final Modification Report issued to Panel to check votes recorded correctly (1 working day)	13 January 2021
Submit Final Modification Report to Authority	15 January 2021
Authority Decision	22 January 2021
Date of Implementation	1 April 2021