Draft Final Modification Report

CMP344

Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology

Overview: This modification proposal clarifies that the allowed revenue for Transmission Owners recovered from Transmission Users under the Charging Methodologies is fixed for each onshore price control period for onshore transmission licensees and at the point of asset transfer for OFTOs.

Modification process & timetable

1. **Proposal Form** 21 May 2020
2. **Workgroup Consultation** 02 November 2020 – 23 November 2021
3. **Workgroup Report** 27 November 2020
4. **Code Administrator Consultation** 01 December 2020 – 22 December 2021
5. **Draft Final Modification Report** 29 December 2020
6. **Final Modification Report** 12 January 2021
7. **Implementation** 01 April 2021

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Draft Final Modification Report

Have 30 minutes? Read the full Draft Final Modification Report and Annexes.

Status summary: Draft Modification Report. This Report will be submitted to the CUSC Panel for them to carry out their Recommendation Vote on whether this change should happen.

Panel recommendation: *To be added after Special Panel meeting on 8 January 2021*

This modification is expected to have a: High impact/Medium impact/Low impact

High impact on Transmission Owners, Transmission Users including Generation and Suppliers

Medium impact on National Grid ESO

Governance route	This modification has been assessed by a Workgroup and Ofgem will make the decision on whether it should be implemented.	
Who can I talk to about the change?	**Proposer: Proposer:** Bill Reed, RWE Bill.reed@rwe.com Phone: 07795 333 310	**Code Administrator Chair**: Joseph Henry Joseph. Henry2@nationalgrideso.com Phone: 07970 673 220

Contents

Executive summary

This modification proposes to address the CUSC charging arrangements in two important areas; Recovery of “Maximum Allowed Revenue” (MAR) and Treatment of revenue associated with unforeseen or unforeseeable events.

What is the issue?

The defect in the current CUSC arrangements is as follows:
Recovery of “Maximum Allowed Revenue” (MAR)

- Section 14.14.1 sets out the nature of the cost to be recovered from Users.
- Section 14.14.2 specifies that Transmission Network Use of System Charges TNUoS) are set to recover the Maximum Allowed Revenue (MAR)[1]

While it is clear that the intent of Section 14 is to recover the MAR of onshore and offshore transmission owners, this is not set out explicitly in the CUSC.
Treatment of revenue associated with unforeseen or unforeseeable events

- Section 14 of the CUSC does not set out the basis on which revenue adjustments associated with actual costs incurred and costs saved for a Transmission Licensee that occur within price control periods are treated. Within price control revenue adjustments can occur as a result of, for example, Income Adjusting Events (IAEs).

This modification proposal will set out the treatment of revenue adjustments related to unforeseen or unforeseeable events during a period subject to a price control.

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

Proposers solution:
This modification proposes the following changes to Section 14 ’Charging Methodologies’ of CUSC:
i) Changes to Section 14.14.2

- to clarify that the MAR is set for each price control period for onshore TOs and at the point of asset transfer for OFTOs.

ii) A new section of the Charging Methodology
iii) Further changes in Section 14

Implementation date:
This modification proposal should be implemented for the RIIO-2 price control period from April 2021.
The Proposer has also stated his opinion that there should a retrospective application of this modification to 1 April 2021 decision if an Ofgem decision is delayed beyond 31 January 2021 (which would miss implementation for 1 April 2021). This is due to the interactions with the price control.

Summary of potential alternative solution(s) and implementation date(s):
No alternative solutions were discussed by the Workgroup.

Workgroup conclusions:
The Workgroup concluded by majority that the Original better facilitated the Applicable Objectives than the Baseline.

Panel Recommendation: *To be added after Special Panel meeting on 8 January 2021*

What is the impact if this change is made?

This modification is designed to clarify the arrangements that enable Transmission Owners (TOs) both onshore and offshore to recover the costs allowed under the price control and the costs that occur as a result of unforeseen and unforeseeable events. It will impact:

i) **Onshore TOs**: It will make it clear that onshore TOs are allowed to recover the costs that are set at each price control review and allow the recovery of costs related to unforeseen and unforeseeable events through adjustments to the demand residual. This will improve certainty over cost recovery for onshore TOs;

ii) **Offshore Transmission Owners (OFTOs)**: It will make it clear that OFTOs can recover the costs defined at the time of the asset transfer to the OFTO and allow the recovery of costs related to unforeseen and unforeseeable events through adjustments to the demand residual. This will improve certainty over cost recovery for OFTOs;

iii) **Onshore network users:** It will ensure that onshore network users are not exposed to costs associated with the recovery of unforeseen or unforeseeable events as a result of changes to locational transmission charges. This will ensure certainty over transmission costs for onshore network users:

iv) **Offshore Network Users**: It will make it clear that OFTOs can only recover the costs of the network through local charges from the date of the asset transfer and for the life of the OFTO "price control, period". It will also ensure that offshore network users are not exposed to costs associated with the recovery of unforeseen or unforeseeable events as a result of changes to locational transmission charges. This will ensure certainty over transmission costs for offshore network users

v) **Demand Users**: It will impact on demand users as adjustments associated with unforeseen and unforeseeable events will no longer be recovered via the User of the assets but through adjustments to the demand residual and end consumers tariffs, in the same way that other costs on the GB transmission system are allocated to demand users.

Overall the proposals will:

- Ensure that customers and suppliers understand the costs recovery process for within price control period adjustments to allowed revenue associated with actual costs incurred and costs saved for transmission Licensees;
- Reduce the risk for Transmission Licensees and Users, with an overall benefit of reduced cost of capital by ensuing that network companies are able to recover all of the allowed costs of network provision, particularly in relation to income adjusting events for OFTOs through adjustments to the demand residual;

- Facilitate deployment of low carbon generation projects and help to ensure that the Government's commitment of net zero by 2050 is met by ensuring that users of offshore network have greater certainty over the costs of using the system; and
- This change will address ambiguity in relation to treatment of MAR under price control and OFTO arrangements and enable the efficient recovery of revenue adjustments arising from unforeseen and unforeseeable costs, ensuring effective competition in generation and supply of electricity.

Interactions

This modification is linked to the implementation of the RIIO-2 price controls for the Transmission Licensees with effect from April 2021.

What is the issue?

The defect in the current CUSC arrangements is as follows:

Recovery of "Maximum Allowed Revenue" (MAR)

- Section 14.14.1 sets out the nature of the cost to be recovered from Users.
- Section 14.14.2 specifies that Transmission Network Use of System Charges TNUoS) are set to recover the Maximum Allowed Revenue (MAR)

While it is clear that the intent of Section 14 is to recover the MAR of onshore and offshore transmission owners this is not set out explicitly in the CUSC – this modification will address this defect.

Treatment of revenue associated with unforeseen or unforeseeable events

- Section 14 of the CUSC does not set out the basis on which revenue adjustments associated with actual costs incurred and costs saved for a Transmission Licensee that occur within price control periods are treated. Within price control revenue adjustments can occur as a result of, for example, Income Adjusting Events (IAEs).

This modification proposal will set out the treatment of revenue adjustments related to unforeseen or unforeseeable events during a period subject to a price control.

What is the solution?

Proposer's solution:
This modification proposes the following changes to the CUSC:

i) Changes to Section 14.14.2

- to clarify that the MAR is set for each price control period for onshore TOs and at the point of asset transfer for OFTOs. The MAR is not subject to any further modification for the duration of the Price Control Period for onshore TOs and after the asset transfer for OFTSs.

ii) A new section of the Charging Methodology

- to ensure that any revenue adjustments associated with unforeseen and unforeseeable events that result in actual costs incurred and costs saved for TOs and OFTOs outside the relevant price controlled periods are recovered though adjustments to the Demand Residual.

iii) Further changes in Section 14

- to allow the pass through of the revenue adjustment through the demand residual.

The Workgroup convened 3 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable Code Objectives. There was agreement from the Workgroup on the Proposer's main points and this section of the report reflects this and further discussions.

The Workgroup held their Workgroup Consultation between 2 November – 23 November 2020 and received 3 responses. The full responses can be found Annex 4. A summary of these responses can be found on page 10.

Consideration of the Proposer's solution

OFTO licence and price control considerations

The Workgroup identified that specific reference to OFTO's in Section 14 is needed to establish when the costs are set. The Workgroup noted clarification was needed if the IAE[1] means that the MAR can't be affected, then how can demand be recovered. The Workgroup held a discussion around what is allowed to be recovered under the OFTO licence. Within the Policy Decision – Income Adjusting Events in Offshore Transmission Owner Licences from 2018, the IAE provisions are set out in paragraphs 14 to 24 of Amended Standard Condition E12-J3 (Restriction of Transmission Revenue: Allowed Pass-through Items) (the IAE Condition) of the OFTO Licence.

Paragraph 15 of the IAE Condition defines what constitutes an IAE, as follows:

An income adjusting event in 'relevant year t' may arise from any of the following**:**

a. *an event or circumstance constituting force majeure under the STC*;

b. *an event or circumstance resulting from an amendment to the STC not allowed for when allowed transmission owner revenues of the Licensee were determined for the relevant year t*; and:

c. *an event or circumstance other than listed above which, in the opinion of the Authority, is an income adjusting event and is approved by it as such in accordance with paragraph 21 of this licence condition,*

where the event or circumstance has, for relevant year t, increased or decreased costs and/or expenses by more than [£500,000]/[£1,000,000] (the "threshold amount").

Paragraph 15 c. of the IAE Condition is further assessed via these factors:

1) whether the OFTO knew of the event or circumstance before it arose or ought to have known of it;
2) whether the risk of damage of that type was reasonably foreseeable (even if the particular way in which the damage has occurred may not have been);
3) whether there are nevertheless exceptional factors in the relevant case that mean that the event or circumstance, or its consequences, could not have been reasonably foreseeable, and
4) the ability of the OFTO to manage the risk or impact by putting in place and pursuing risk management arrangements such as insurance, commercial recourse against third parties and/or operating practices.

There are sections in the OFTO licence which direct to IAE's and where they are permitted and the IAE's for Onshore are permitted under the TO licences. It was confirmed under 14.14.2, a Maximum Allowed Revenue (MAR) defined for these activities and those associated with pre-vesting connections is set by the Authority at the time of the Transmission Owners' price control review for the succeeding price control period. Transmission Network Use of System Charges are set to recover the Maximum Allowed

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[1] As detailed in The IAE provisions are set out in paragraphs 14 to 24 of Amended Standard Condition E12-J3 (Restriction of Transmission Revenue: Allowed Pass-through Items) (the IAE Condition) of the OFTO Licence

Revenue as set by the Price Control (where necessary, allowing for any Kt adjustment for under or over recovery in a previous year net of the income recovered through pre-vesting connection charges).

ESO's letter dated 27 July 2017

The Proposer's solution looks specifically at amending Section 14 'Charging Methodologies' of the CUSC. 14.14.1 and 14.14.2, as these sections set out the MAR. The CUSC currently doesn't have any arrangements for revenue adjustments and the solution seeks to change the MAR to ensure it is clear for both Onshore and Offshore TO's and what will need to be paid. If the price control settlement allows for revenue adjustment, then the MAR can be recovered by the Onshore TO's.

The MAR set at the time of the price control can be recovered, it is not the intention to defer anything as this should be recovered by the TO's. It was noted by the Workgroup that the IAE means that the MAR is unable to be affected, therefore not able to be recovered through demand. The Workgroup agreed that the ambiguity needs to be removed and the definition of costs clear.

The ESO revenue team attended workgroup meeting 2 to discuss the letter. The Workgroup concluded post discussion that whilst the letter was useful when published, the need for the CUSC to be updated is still relevant. As such, the Original Solution was continued and is at the time of writing being developed further.

The Workgroup also considered Ofgem's policy decision on 28 November 2018 (Paragraph 4.6)[2] that industry needed to address this issue regarding Income Adjusting Events. This had not been undertaken until this proposal was raised and sent to be developed by this Workgroup.

Recovery via the Transmission Demand Residual

The Proposer used the example of the Sloy[3] income adjusting event of 7 July 2009 (and subsequent determination). Whilst this was an IAE, this was recovered through MAR. The recovery in this instance was not targeted at local users, and as such could be used as an example of a precedent, on which this modification follows, as recovery through the TDR would be across all demand users, and not targeted specifically at local users. Recovery through the TDR is the fairest, least distortive method of recovery due to this, and this is further elaborated on page 8, where the Workgroup's considerations on interactions with other Transmission Demand Residual modifications is explored, and also below in the consideration of Offshore Local Circuit Tariffs.

Offshore Local Circuit Tariffs

The Workgroup agreed with the Proposer's solution, that the methodology for Offshore local circuit tariffs should be brought in line with the methodology for Onshore local circuit tariffs as unforeseeable events are not included in the calculations. The Proposer stated that these are costs associated with the total system, and as such should be recovered as part of the demand residual to avoid discriminatory treatment of particular users.

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[2] https://www.ofgem.gov.uk/publications-and-updates/offshore-transmission-generic-ofto-licence-and-guidance-tr6

[3] https://www.ofgem.gov.uk/ofgem-publications/52604/tirg-sloy-determination-pdf

Interactions with current ongoing Transmission Demand Residual modifications

The Workgroup took into consideration the interactions this modification has with current ongoing Transmission Demand Residual (TDR) modifications. Workgroup members agreed that this does overlap with some of the TDR modifications as this modification would require a new parameter to be introduced into Section 14. If the baseline hadn't changed as a result of the TDR modification decision (which is still being considered by Ofgem at the time of publication), this extra parameter would still need to be added to the TDR.

This modification is consistent with the direction of travel of the TDR modifications which have come about as part of the Targeted Charging Review SCR. Whilst there will be an addition to TDR recovery as part of this modification, it is neither contingent on nor impactful of the ongoing work in that area.

Post Workgroup Consultation Considerations

The Workgroup noted the EDF submission with regards to incentives on parties to maintain economic and transmission arrangements. The submission highlights that these incentives remain undiminished in event of CMP344 being approved by the Authority. The Workgroup recognised this and support the input from EDF on this matter.

Tariff Analysis

Post Workgroup consultation and post Workgroup Vote, the ESO provided Tariff Analysis which illustrates the potential impact of CMP344 on the demand residual, based on figures from the current price control. The Workgroup noted that this analysis was being prepared, but did not review this analysis in time for publication of this report. This analysis is contained as an Annex to this report (Annex 5).

The Workgroup noted that there would be a corresponding benefit to consumers from the reduction in the risk associated with income adjusting events which is currently recovered through local charges. This reduction in risk should be reflected in a lower cost of capital for Offshore projects, and potentially in lower CfD prices. This should result in the removal or uncertainty over cost recovery of Income Adjusting Events, manifesting a cost of capital benefit for Offshore TOs.

Workgroup Consultation Summary

CMP344 Workgroup Consultation was opened on 2 November 2020,and closed on 23 November 2020. Responses were received from 8 parties:

- RWE
- EDF
- Vattenfall
- Orsted
- Scottish Power Renewables
- National Grid ESO
- Statkraft
- SSE

Standard Workgroup Consultation questions		
1	Do you believe that the CMP344 Original Proposal better facilitates the Applicable Objectives?	Of the 8 responses received, 7 responses were fully supportive. The ESO, were supportive of the consistency the modification would bring but noted that it may not better facilitate objective b due to concerns re: non cost reflectivity in recovery. *"Our concern is that this change will mean any adjustments associated with these costs will no longer be recovered via the user of the assets but rather through adjustments to the Demand Residual. This will ultimately impact end consumers tariffs which may not result in cost reflective recovery, which therefore may not better facilitate objective b"*
2	Do you support the proposed implementation approach?	All 8 responses were supportive of the implementation approach of April 2021 to some degree. Several responses highlighted that they believe that the modification should be implemented in line with the next price control period. The ESO highlighted that April 2021 would be achievable if a decision was made in enough time to finalise tariffs ahead of 31 January 2021. April 2022 was highlighted as an alternative date. EDF noted that if April 2021 could not be achieved, it should be implemented later, but did not specify a date.
3	Do you have any other comments?	EDF provided commentary on the incentive to ensure good manufacture and installation of offshore cable remains regardless of whether this modification is implemented or otherwise. (Please see paragraph on "Post Workgroup Considerations, p9).
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No alternatives were raised.

What is the impact of this change?

Draft Legal text

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

What is the impact of this change?

This modification is designed to clarify the arrangements that enable Transmission Owners both onshore and offshore to recover the costs allowed under the price control and the costs that occur as a result of unforeseen and unforeseeable events. It will impact:

i) **Onshore TOs**: It will make it clear that onshore TOs are allowed to recover the costs that are set at each price control review and allow the recovery of costs related to unforeseen and unforeseeable events through adjustments to the demand residual. This will improve certainty over cost recovery for onshore TOs;

ii) **OFTOs**: It will make it clear that OFTOs can recover the costs defined at the time of the asset transfer to the OFTO and allow the recovery of costs related to unforeseen and unforeseeable events through adjustments to the demand residual. This will improve certainty over cost recovery for OFTOs;

iii) **Onshore network users:** It will ensure that onshore network users are not exposed to costs associated with the recovery of unforeseen or unforeseeable events as a result of changes to locational transmission charges. This will ensure certainty over transmission costs for onshore network users;

iv) **Offshore Network Users**: It will make it clear that OFTOs can only recover the costs of the network through local charges from the date of the asset transfer and for the life of the OFTO “price control, period”. It will also ensure that offshore network users are not exposed to costs associated with the recovery of unforeseen or unforeseeable events as a result of changes to locational transmission charges. This will ensure certainty over transmission costs for offshore network users; and

v) **Demand Users**: It will impact on demand users as adjustments associated with unforeseen and unforeseeable events will no longer be recovered via the User of the assets but through adjustments to the demand residual and end consumers tariffs , in the same way that other costs on the GB transmission system are allocated to demand users.

Overall the proposal will:

- Ensure that customers and suppliers understand the costs recovery process for within price control period adjustments to allowed revenue associated with actual costs incurred and costs saved for transmission Licensees;
- Reduce the risk for Transmission Licensees and Users, with an overall benefit of reduced cost of capital by ensuing that network companies are able to recover all of the allowed costs of network provision, particularly in relation to income adjusting events for OFTOs through adjustments to the demand residual;

- Facilitate deployment of low carbon generation projects and help to ensure that the Government's commitment of net zero by 2050 is met by ensuring that users of offshore network have greater certainty over the costs of using the system; and
- This change will address ambiguity in relation to treatment of MAR under price control and OFTO arrangements and enable the efficient recovery of revenue adjustments arising from unforeseen and unforeseeable costs, ensuring effective competition in generation and supply of electricity.

Workgroup Vote

The Workgroup met on 24 November 2020 to carry out their Workgroup Vote, which can be found in Annex 6 of this report. The table below provides a summary of the Workgroup members view on the best option to implement this change.
The Applicable CUSC (charging) Objectives are:

CUSC charging objectives

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;
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);
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;
d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
e) To promote efficiency in the implementation and administration of the use of system charging methodology

*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 Workgroup concluded by majority that the Original better facilitated the Applicable Objectives than the Baseline.

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Bill Reed	RWE	Original	A,B,E
James Stone	ESO	Baseline	N/A
Garth Graham	SSE	Original	A.B,E
Julian Werrett	Vattenfall	Original	A,E
Ricardo Da Silva	Scottish Power	Original	A,B,E
Andrew Ho	Orsted	Original	A,B,E

Code Administrator Consultation summary

The Code Administrator Consultation was run from 1 December 2020 to 5pm on 22 December 2020 and we received 4 responses. A summary of the responses can be found in the table below, and the full responses can be found in Annex 7.

<table>
<tr><th colspan="2">Code Administrator Consultation summary</th></tr>
<tr><td colspan="2">Question</td></tr>
<tr><td>Do you believe that the CMP344 Original facilitates the Grid Code/ Applicable CUSC Objectives?</td><td>Of the 4 responses, 2 responses stated support for CMP344 Original Solution (SSE, Vattenfall).

National Grid ESO stated that they did not believe the solution better facilitates the applicable CUSC objectives as they believe the solution does not “consider the principle that different assets being treated in a different way is not necessarily unfair nor discriminatory but rather focuses solely on the alignment and identical treatment of generator costs i.e. how costs associated with Income Adjusting Events (IAEs) should be targeted for recovery”.

One response provided no comment (NGET).</td></tr>
<tr><td>Do you support the proposed implementation approach?</td><td>SSE and Vattenfall supported the implementation approach, whilst the ESO stated that April 2021 is feasible if a decision is received by the Authority on time. However, if the decision was too late to allow for tariff forecasting, the implementation date should be pushed out to April 2022.

NGET provided a potential addition to the legal text.</td></tr>
<tr><td>Do you have any other comments?</td><td>NGET raised two issues with legal text</td></tr>
<tr><td colspan="2">Legal text issues raised in the consultation (Direct quote from NGET)</td></tr>
<tr><td colspan="2">The proposed legal text implies that allowed revenues for Onshore TO cannot change once set, other than for under- or over-recoveries.

This is clearly not the intent of the amendment and does not reflect the nature of the Onshore TO price controls.

We propose some further additions to the proposed legal text for clause 14.14.2, as follows, to avoid this misinterpretation.

“14.14.2
A baseline revenue defined for these activities and those associated with pre-vesting connections is set by the Authority for the Onshore Transmission Owners revenue at the time of the Onshore Transmission Owners’ price control review for the succeeding price</td></tr>
</table>

control period.

The base revenue for an Offshore Transmission Owner is set at the point of the asset transfer of its Offshore Transmission System. Transmission Network Use of System Charges are set to recover the Maximum Allowed Revenue (MAR) as set and revised by the Price Control for Onshore Transmission Owners and the point of asset transfer for Offshore Transmission Owners (where necessary, allowing for any Kt adjustment for under or over recovery in a previous year net of the income recovered through pre-vesting connection charges)."

We note that the critical term "Price Control" also needs to be defined. To avoid doubt we propose that the definition should make clear that for Onshore TOs this includes amendments to maximum allowed revenues made during the price control period pursuant to the Authority's Annual Iteration Process as defined in the Onshore TO's licences.

CUSC Panel on 8 January 2021 will be asked to consider these changes and agree next steps. Options for CUSC Panel are to:

- Agree that these changes are typographical and ask that legal text be amended prior to sending the Final Modification Report to Ofgem; or
- Agree that some or all of these changes are not needed; or
- Direct the CMP344 Workgroup to review these changes.

Panel recommendation vote

To be added after Special Panel meeting on 8 January 2021

When will this change take place?

Implementation date:

This modification proposal should be implemented for the RIIO-2 price control period from April 2021.
The Proposer has also stated his opinion that there should a retrospective application of this modification to 1 April 2021 decision if an Ofgem decision is delayed beyond 31 January 2021 (which would miss implementation for 1 April 2021). This is due to the interactions with the price control.

Date decision required by:

A decision is required **no later than 25 January 2021** to ensure implementation ahead of April 2021. This will allow the ESO to finalise tariffs ahead on 31 January 2021 tariff publications.

Implementation approach:

If approved by the Authority, this modification will amend CUSC Section 14 'Charging Methodologies'.

Interactions

☐Grid Code ☐BSC ☐STC ☐SQSS
☐European Network Codes ☐ EBGL Article 18 T&Cs[4] ☐Other modifications ☐Other

Acronyms, key terms and reference material

Acronym / key term	Meaning
Baseline	The code/standard as it is currently
CfD	Contracts for Difference
CUSC	Connection and Use of System Code
IAE	Income Adjusting Events
OFTO	Offshore Transmission Owner
MAR	Maximum Allowed Revenue
TDR	Transmission Demand Residual
TO	Transmission Owner

Reference material:

1. Offshore Transmission: Generic OFTO Licence and Guidance for TR6, Publication date 30th November 2018 at https://www.ofgem.gov.uk/publications-and-updates/offshore-transmission-generic-ofto-licence-and-guidance-tr6
2. Generic Offshore Transmission Owner (OFTO) Licence at https://www.ofgem.gov.uk/system/files/docs/2019/07/generic_ofto_licence_tr6_v1_change_marked_for_publication.pdf
3. National Grid Letter 27 July 2017, “Reflecting variations in Offshore Transmission Owner (OFTO) revenue in Offshore Local TNUoS Tariffs” at https://www.nationalgrideso.com/document/94076/download
4. TCMF Slides May 2016, at https://www.nationalgrideso.com/document/48481/download
5. SLOY Determination https://www.ofgem.gov.uk/ofgem-publications/52604/tirg-sloy-determination-pdf

[4] If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the European Electricity Balancing Guideline (EBGL – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

Annexes

Annex	Information
Annex 1	CMP344 Proposal Form
Annex 2	Terms of Reference
Annex 3	Legal Text
Annex 4	Workgroup Consultation Responses
Annex 5	ESO Tariff Analysis
Annex 6	Workgroup Vote
Annex 7	Code Administrator Consultation Responses