

CUSC Modification Proposal Form

CMP359: Definition changes for CMP358

Overview: CMP358 proposes to incorporate the Small Generators Discount (SGD) into the CUSC, to be indexed by the indexation contained in the RII02 Final Decision. This requires the indexation to be defined, as well as defining the SGD. These are changes to Section 11 of the CUSC necessary to support CMP358.

Modification process & timetable



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**

This modification would impact the charges of 132kV connected generators in Scotland. NGESO would need to recalculate the transmission tariffs so would be affected. The SGD is currently funded by demand tariffs so suppliers would also be affected.

Proposer's recommendation of governance route

This modification should be treated as Urgent and proceed straight to Code Administrator Consultation under a timetable agreed by the Authority (with an Authority decision). The Proposer considers that this is an imminent issue, with a significant commercial impact, that if not addressed will cause a material impact on renewable generation, thereby undermining the Government's ambitions for a significant growth in renewable generation. This therefore meets Ofgem's Urgency Criteria (a). Timing is driven by the need to have a decision to allow NGESO to set TNUoS tariffs from the end of January 2021 to be implemented on 1 April 2021.

Who can I talk to about the change?

Proposer:

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What is the issue?

The CUSC does not contain a definition of the Small Generators Discount (SGD). To support CMP358, which seeks to introduce the SGD into the CUSC, a definition of the SGD needs to be added to Section 11. CMP358 proposes that the SGD is indexed annually by the index used in the Final RII02 settlement (CPI or CPIH). The definition of indexation therefore needs to be introduced into Section 11.

Why change?

CMP358 explains the rationale for the introduction of the SGD into the CUSC. In summary, the SGD is contained in the NGENO licence and comes to an end on 31 March 2021. The Proposer believes that given the wide range of uncertainty that is faced by renewable generators in Scotland, and the distortion to competition that will result from the removal of the SGD, it is necessary to retain the SGD. It is proposed therefore that the SGD be introduced into the CUSC, from 1 April 2021. It is proposed that the SGD be set at the 2020/21 level (£11.55/kW) and indexed by the indexation used in the NGET transmission licence.

Introduction of the SGD into the CUSC will require 2 definitions to be introduced in Section 11 "Interpretation and Definitions" of the CUSC.

- A definition of SGD is not currently included in Section 11. It is proposed that a definition be introduced.
- While the Retail Price Index is defined in Section 11, CPI and CPIH are not defined. Given that economic utility regulators are increasingly moving away from RPI as an appropriate indexation methodology, it is proposed that an indexation methodology is introduced that replicates the indexation contained in the Transmission Licence. We note that this would be the same definition that is contained in CMP356.

What is the Proposer's solution?

- To introduce a definition of SGD into Section 11 of the CUSC.
- To introduce a definition of CPI/CPIH into Section 11. We have not at this stage deleted the RPI definition, as we expect that has wider repercussions for various defined terms in the CUSC.

Draft legal text

Red text shows the changes for CMP359

New definition to be added in Section 11:

Transmission Owner Price Index(TOPI) – The price index adjustment method as described in Part F of Special Condition 2.1of the Relevant Transmission Licensee's Transmission Licence

New definition to be added in Section 11:

Small Generators Discount – A reduction in TNUoS charges paid by eligible small generators by a designated sum. Eligible plant are plant connected at 132kV in Scotland, with an export capacity less than 100MW.

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive Allows the introduction of CMP358, which is considered positive. Use of CPI rather than RPI will also result in more efficient discharge of the licensee's obligations, by bringing indexation into line with RII02.
(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;	Positive By enabling the introduction of the SGD into the CUSC, competition between generators will be enhanced, to the benefit of customers, and to the environmental aspirations of the Scottish and UK Governments.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral [Please provide your rationale]
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive Brings the CUSC up to date with respect to indexation. It is clearly more efficient to have a common indexation methodology across licensees.
*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).	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	<p>Neutral</p> <p>[Please provide your rationale.]</p> <p>Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?</p> <p>This area would relate to changes which balance the system safely, securely and at optimum cost, particularly for consumers in vulnerable situations. It would also consider changes which introduce flexibility across the market to flow energy at the most efficient profile, lower operational costs and make sure GB consumers can access the cheapest sources of energy.</p> <p>Examples of changes include:</p> <ul style="list-style-type: none"> • security of supply • changes to the balancing regimes e.g. charging changes
Lower bills than would otherwise be the case	<p>Positive</p> <p>RPI is normally higher than CPI. By changing the indexation methodology, this should allow lower bills for consumers.</p>
Benefits for society as a whole	<p>[Select impact]</p> <p>[Please provide your rationale.]</p> <p>This area would focus on demonstrating why and how the change can improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.]</p>
Reduced environmental damage	<p>Positive</p> <p>[The UK Government has set out ambitious targets for the generation sector in terms of the deployment of renewable generation. These are contained in the Energy White Paper¹ "Powering our net zero future", the Prime Minister's Ten Point Plan² "The ten point plan for a green industrial revolution". The Scottish Government also has significant aspirations³ for the development of onshore and offshore wind.</p>

¹ <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future/energy-white-paper-powering-our-net-zero-future-accessible-html-version>

² <https://www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs>

³ <https://www.gov.scot/policies/renewable-and-low-carbon-energy/>

	By enabling CMP358, this modification will reduce environmental damage that would otherwise occur due to the increase in transmission charges.
Improved quality of service	<p>Neutral</p> <p>[Please provide your rationale.</p> <p>This area would relate to any other identified changes to society, such as jobs or the economy.</p> <p>For example, by 2050, energy system decarbonisation efforts could add 19 million jobs and £52tn of gross domestic product (GDP) to the global economy, increasing the GDP of Northern and Western Europe by 1.25% and 2.5% respectively. It could also generate a 15% increase in global welfare and reduce negative health effects caused by local air pollution by 60%.]</p>

When will this change take place?

Implementation date

1 April 2021

Date decision required by

25 January 2021

Implementation approach

We are not aware of any changes that would be required to implement.

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

In order to support CMP358, for which urgency has been requested, this would also need to an urgent modification as is explained above.

Interactions

- | | | | |
|---|--|--|---|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBGL Article 18 T&Cs ⁴ | <input type="checkbox"/> Other modifications | <input checked="" type="checkbox"/> Other |

As per CMP358, we note that the condition in the CUSC arises as a result of SLC C13 of the transmission licence. This condition specifies 1 April 2021 as the end date for the SGD. It is possible that there could be an impact on the Access and Forward Looking Charges review. For example, any decision to charge distributed generators transmission charges, might impact the level of charges for transmission connected generators

⁴ If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification 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.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBGL	Electricity Balancing Guideline
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

Reference material

- None