

## Final Self – Governance Modification Report

### 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 & timetable



Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Final Self- Governance Modification Report

Have 30 minutes? Read the full Final Self- Governance Modification Report and annexes

**Status summary:** The Panel has made their determination vote and an appeals window has opened.

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

**Panel recommendation:** The CUSC Panel have unanimously determined that this should be implemented.

<b>Governance Route</b>	The CUSC Panel unanimously agreed that this modification should follow the self-governance route and proceed to Code Administrator Consultation.
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<b>Who can I talk to about the change?</b>	<p><b>Proposer:</b> Katharina Birkner, National Grid ESO</p> <p><a href="mailto:katharina.birkner@nationalgrid.com">katharina.birkner@nationalgrid.com</a></p> <p>Phone: 07773647025</p>	<p><b>Code Administrator Contact:</b> Paul Mullen</p> <p><a href="mailto:Paul.j.mullen@nationalgrideso.com">Paul.j.mullen@nationalgrideso.com</a></p> <p>Phone: 07794537028</p>
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<b>Appeals window</b>	If you want to appeal this decision, please send your <a href="#">appeals form</a> and relevant documentary evidence to <a href="mailto:industrycodes@ofgem.gov.uk">industrycodes@ofgem.gov.uk</a> by 5pm on 2 March 2021 and ensure you copy in <a href="mailto:cusc.team@nationalgrideso.com">cusc.team@nationalgrideso.com</a> . If no appeals are received by this date, CMP354 will be implemented on 1 April 2021.
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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 licence 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

**“Interconnector Adjustment Payments”** the payments (whether positive or negative) as notified by the **Interconnectors to The Company** pursuant to the conditions in their respective licences for the purposes of **Transmission Licence Special Licence Condition 3B. Calculation of allowed pass - through items**

~~“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);~~

~~“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;~~

### Section 9 – Interconnectors

9.22 INTRODUCTION This Part III deals with **Interconnector Adjustment Payments and the Interconnector Cap and Floor Revenue Adjustment**. The User for the purposes of this Part III will therefore be the Interconnector Owner.

9.23.1 This section sets out when a **User** shall provide its best estimates of ~~(a) in the case of the Interconnexion France-Angleterre (IFA) Interconnector, the Interconnector Payments and (b) other Interconnectors, the Interconnector Cap and Floor Revenue Adjustment~~ the **Interconnector Adjustment Payments to The Company** which is required so that **The Company** can **calculate Transmission Network Use of System Charges** and the date by which the **User** shall provide a statement to the **Authority** of the estimates sent to **The Company**.

## 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;	<b>Positive:</b> this change is required to align with the Ofgem licence decision on the 15 October 2020
(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:</b> the current interconnector adjustment payments process is simplified and future proofed.
*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).	

Impact of the modification on the stakeholder / consumer benefit categories	
Proposer's assessment:	
Stakeholder / consumer benefit categories	Identified impact
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

## Code Administrator Consultation Summary

The Code Administrator Consultation was issued on 2 December 2020 and closed 5pm on 23 December 2020 with 2 responses received. The full responses can be found in Annex 3.

Both were supportive of the change and the implementation date with 1 of the respondents noting that “the principle of allowing the efficient historic costs of CACM implementation has already been approved by Ofgem. No legal text changes were raised in the consultation.

## Panel Recommendation Vote

The Panel met on the 29 January 2021 to carry out their determination vote.

They assessed whether a change should be made to the CUSC by assessing the proposed change against the Applicable Objectives.

**Vote 1:** Does the Original facilitate the objectives better than the Baseline?

Panel Member: Andy Pace

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
This modification implements a mechanism to pay CACM related payments to interconnector parties as directed by Ofgem, better meeting applicable objectives (a) and (d).					

Panel Member: Cem Suleyman

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
I believe that CMP354 better facilitates the Applicable CUSC Objectives for the same reasons as provided by the Proposer.					

Panel Member: Garth Graham

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Yes	Yes	Yes
Voting Statement					
I concur with the proposer as to the benefits that this proposal will have in terms of the Applicable CUSC Objectives.					

Panel Member: Grace March

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
This change aligns with CUSC with the licence conditions and futureproofs this cost recovery for Interconnectors.					

Panel Member: Joe Dunn

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
Positive to (a) and (d) as the original allows appropriate recovery of passthrough costs as per the ESO new licence requirements and to allow correct implementation of the CUSC arrangements (respectively)					

Panel Member: Jon Wisdom

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
<p>The original solution for CMP354 aligns the CUSC with the Electricity Transmission Licence following the outcomes of the Ofgem decision on one off CACM cost sharing. The solution allows interconnectors to recover costs approved by Ofgem (positive and negative) through the existing interconnector adjustment payments process. This is therefore positive against objective (a).</p> <p>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 this is positive against objective (d).</p>					

Panel Member: Mark Duffield

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
<p>By allowing information to be submitted to NG ESO in support of the process to recover CACM costs as approved by the Authority this amendment better facilitates applicable objective (a). Also, as that process is set out in the NG ESO licence, so the amendment also better facilitates applicable objective (d).</p>					

Panel Member: Paul Jones

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
Agree with the Proposer's rationale.					

Panel Member: Paul Mott

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall AO (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes
<b>Voting Statement</b>					
<p>This change is required to align with the Ofgem licence decision on the 15 October 2020 where Ofgem encouraged the ESO to bring forward 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. So it better meets CAO (non-charging) (a), "The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence".</p>					

**Vote 2 – Which option is the best?**

Panel Member	BEST Option?
Andy Pace	Original
Cem Suleyman	Original
Garth Graham	Original
Grace March	Original
Joseph Dunn	Original
Jon Wisdom	Original
Mark Duffield	Original
Paul Jones	Original
Paul Mott	Original

### Panel conclusion

The CUSC Panel have unanimously determined that this should be implemented.

## 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 by 1 April 2021 at the latest to allow this.

### Date decision required by:

A CUSC Panel decision was needed at the January 2021 CUSC panel to avoid implementation challenges.

### Implementation approach:

Implementation is driven by the licence change and is 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 NGESO](#)

## Annexes

Annex	Information
Annex 1	CMP354 Proposal Form
Annex 2	CMP354 Self-Governance Statement
Annex 3	Code Administrator Consultation Responses