Transmission Charging Methodologies Forum and CUSC Issues Steering Group

Meeting 113

8 April 2021

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Agenda

1	Introduction, meeting objectives **Jamie Webb - NGESO**	10:30 - 10:35
2	Code administrator update **Paul Mullen - Code Administrator NGESO**	10:35 - 10:45
3	CMA outcome and TGR follow on modifications update **Jenny Doherty - NGESO**	10:45 - 11:05
4	Update on CMP343 **Grahame Neale - NGESO**	11:05 - 11:15
5	5 year forecast update **Alice McCormick - NGESO**	11:15 - 11:25
6	Update on Brexit mods **Katharina Birkner - NGESO**	11:25 - 11:35
7	TNUoS tariff for directly-connected demand users at site with multiple DNOs **Jo Zhou - NGESO**	11:35 - 11:45
8	AOB and Meeting Close **Jamie Webb - NGESO**	11:45 - 12:00

Code Administrator Update

Paul Mullen, Code Administrator NGESO

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Authority Decisions Summary (as at 7 April 2021)

Authority decisions since last TCMF	
Modification	**Decision Date**
CMP360	Decision was made on 25 March 2021 – the Original Proposal was implemented on 1 April 2021.
CMP367	Decision was made on 30 March 2021 – the Original Proposal was implemented on 1 April 2021.

Authority Decisions Summary (as at 7 April 2021)

Awaiting Authority Decisions

Modification	Decision Date / Anticipated Decision Date
CMP335/336 and CMP343/340	On 1 April 2021, Ofgem published an open letter noting that with the upcoming elections, they will not publish their minded-to to decision and impact assessment on CMP343 until after 6 May 2021. Decisions on CMP340, CMP335 and CMP336 would follow this. In their 1 April 2021 open letter they also noted that the implementation date for Transmission Demand Residual reforms would be 1 April 2023 rather than 1 April 2022.
CMP344	Ofgem confirmed receipt of CMP344 on 12 January 2021 and noted the Proposer's request for a decision date by 25 January 2021 to allow an implementation of 1 April 2021. However, at March Panel, Ofgem advised that a decision was due w/c 29 March 2021 but not yet received.
CMP300	Ofgem at January 2021 Panel indicated that a decision would be made ~ mid February 2021 but at March 2021 Panel advised that a decision would now not be until April 2021 due to high workload on Capacity Market issues..
CMP280	As part of Ofgem's open letter on CMP343 on 1 April 2021, they advised that a de
CMP292	CMP292 decision was expected 20 September 2019; however, this remains de-prioritised due to Ofgem's focus on the TCR modifications.

Implementations Summary (as at 7 April 2021)

Implementations

- 17 Modifications implemented on 1 April 2021 – **CMP281, CMP306, CMP317/327, CMP319, CMP320, CMP324/325, CMP333, CMP339, CMP346, CMP347, CMP349, CMP353, CMP354, CMP355/356, CMP357, CMP360** and **CMP367**

Withdrawals

- None since last TCMF

Panels since last TCMF

22 March 2021

- 1 New Modification:
  - **CMP367 -** Urgent housekeeping Modification to amend Section 14 of the CUSC due to the overlap of the implementation of CMP333 and CMP360. It also aligns numbering within Section 14.30. Panel unanimously recommended Urgency; Ofgem granted Urgency 23 March 2021.

26 March 2021

- 2 New Modifications:.
  - **CMP365** is based upon the principles of Grid Code GC0131 'Quick Wins' and aims to incorporate a smoother and more efficient process for code modifications that will allow for the best use of industry time. Code Administrator Consultation to be issued 12 April 2021.
  - **CMP366** is a housekeeping Modification as a result of CMP346 and CMP324/CMP325 1 April 2021 implementation. Will be implemented 30 April 2021 if no appeals raised in the window that expires 5pm on 23 April 2021.
- **CMP326** Workgroup Report **-** Panel agreed that terms of reference had been met and Code Administrator Consultation will run from 6 April 2021 to 6 May 2021.
- **CMP367** Draft Final Modification Report - Panel unanimously recommended that CMP367 should be implemented.
- Clarity provided on Panel's role in the process where a change has an impact on the Electricity Balancing Guideline Article 18 terms and conditions
- Presented forward look out on Modifications to the end 2021 – really helps see where the gaps and constraints are and enables the right conversations about prioritisation

Next Panel

30 April 2021

- Expected New Modifications:
  - Modification to negate the need for Proposers to raise separate Section 14 and non-Section 14 Modifications
  - Clarity around acceptance period for interactive connection offers
  - Brexit “No Deal” Modifications
- Forward look out on Modifications for next 12 months
- Quarterly deep-dive of prioritisation

In Flight Modification Updates

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In flight Modifications (as at 7 April 2021)

1 open Workgroup Consultation

- **CMP308 –** closes 26 April 2021

1 open Code Administrator Consultation

- **CMP326 –** closes 6 May 2021

5 CUSC Workgroups held in March 2021

- 7 held across CUSC, Grid Code, STC and SQSS
- 10 to be held across CUSC (8 CUSC), Grid Code, SQSS and STC in April 2021

For updates on all “live” Modifications please visit “Modification Tracker” at:
https://www.nationalgrideso.com/industry-information/codes

2021 Dates

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CUSC 2021 - Panel dates

CUSC	(TCMF) CUSC Development Forum	Modification Submission Date	Papers Day	Panel Dates
January	7	14	21	29
February	4	11	18	26
March	4	11	18	26
April	8	15	22	30
May	6	13	20	28
June	3	10	17	25
July	8	15	22	30
August	5	12	19	27
September	2	9	16	24
October	7	14	21	29
November	4	11	18	26
December	25/11	2	9	17

CMP317 / 327 Follow On Modifications Update

Jenny Doherty NGESO

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Background

- In **January** SSE Generation appealed Ofgem's approval of the Original **CMP317/327** Proposal to the Competition and Markets Authority (CMA). This appeal was dismissed on the **30th March** meaning Ofgem's decision stands and we will now progress with the further work directed by Ofgem as part of the CMP317/327 decision.

- At the March TCMF we provided detail of our initial thinking regarding the 'Connection Exclusion' and the rules/processes of how 'pre-existing assets' could be assigned from **April 2022** when assessing compliance with Regulation 838/2010 - so average annual TNUoS charges for Generators in GB are within a range of €0-2.50/MWh (the Limiting Regulation) and to exclude the charges and volumes associated with large distributed generation from the compliance assessment.

- Since the last TCMF, we have been further developing modification proposal forms to bring forward the required changes (to be effective from **April 2022**) to facilitate the direction given by Ofgem following their approval of **CMP317/327** in **December 2020**.

- This update is to provide further detail of the proposed changes to the CUSC and the next steps in terms of raising and progression of the modifications.

Proposed Changes to the CUSC

- To facilitate Ofgem's **CMP317/327** decision we propose changes to both Section 11 and Section 14 of the CUSC to be effective from **April 2022**.

Section 11 - Definitional Changes:

- Amend the definition of "Charges for Physical Assets Required for Connection" (which determines the scope of the "Connection Exclusion") to exclude pre-existing local charges
- Define the 'Generation Output' element used within the Limiting Regulation charging methodology to exclude the volumes associated with Large Distributed Generators
- Define the 'Transmission Generator Charges' element used within the Limiting Regulation charging methodology to exclude the charges/revenues associated with Large Distributed Generators

Section 14 - Charging Methodology Changes:

- Changes to update the legal text within Section **14.14.5** and **14.17.37** to align the forecast and actual output (GO & GO_A) elements used for tariff and ex-post reconciliation calculations to the new definitions
- Changes to update the legal text within Section **14.14.5** and **14.17.37** to align the forecast and actual charges (GCharge) elements used for tariff and ex-post reconciliation calculations to the new definitions

Ex-Post Reconciliation for 2020/21

- Following the approval of **CMP317/327**, NGESO were asked by Ofgem to examine whether there has been historic non-compliance with the Limiting Regulation when applying the **CMP317/327** interpretation/decision

- At January's TCMF, we provided **indicative** values using data available at that time, which suggested it was likely charges have fallen outside of the range for the **2020/21** charging year

- It was recommended that a modification proposal be raised to clarify that the Ex-Post Reconciliation introduced by CMP317/327 (effective April 2021) could be applied for the **2020/21** charging year to ensure compliance

- As part of year end reporting, NGESO have now re-run the compliance analysis for **2020/21** using updated data sets. This indicates that eligible TNUoS generation revenue is greater than zero and therefore compliant within the Limiting Regulation - ***this movement has been primarily driven by changes in the generation reconciliation values i.e. additional revenue to be invoiced to generators where stations have been in receipt of negative tariffs.***

- At this time we believe the modification to clarify the use of the Ex-Post Reconciliation for the 2020/21 charge year is no longer required.

Next Steps

- We propose to raise the definition and charging methodology modification proposals (detailed earlier in this presentation) imminently

- Modifications to be raised as urgent and be progressed alongside each other due to their interactions and to enable alignment in terms of the definitions used within the calculations

Update on CMP343

Grahame Neale NGESO

- https://www.ofgem.gov.uk/system/files/docs/2021/04/ofgem_open_letter_on_cmp343.pdf

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2022 – 2027 TNUoS Five Year View

Alice McCormick NGESO

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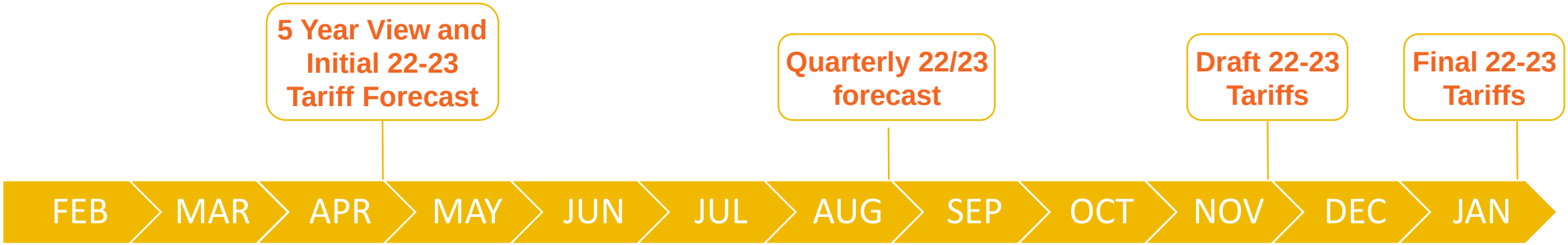
TNUoS Forecast

Context

- NGESO has a licence and CUSC obligation to publish quarterly TNUoS forecast and a 5 year review annually, to enable market participants to make efficient operational and investment decisions.
- Taking into account of the CMA appeal process, we have updated our forecast timetable.

Timescale



Scenarios

We are proposing to use the following scenarios in the setting of the 5 year view tariffs. We will provide more detailed analysis under the base case, with the sensitivities providing an overview of tariff changes. The sensitivities are based on industry feedback so far.

Base Case

- Implement Ofgem's decision on CMP317/327
- Implement TDR banding from April 2023

Sensitivities

- Impact of adding additional interconnectors in different zones
- TDR related sensitivities
  - T-connected bandings
  - Locational Demand tariffs floor

Exclude

- At this moment, we are not going to incorporate Access SRC in this 5 yr view as we are awaiting for the minded to decision.

Brexit Code Change Considerations

Katharina Birkner NGESO

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Brexit situation and outcomes

- On the 31st December 2020 at 23:00 the UK left the European Union
- The withdrawal agreement states that all EU network codes in place or approved by ACER ahead of exit day will be copied into GB law except for elements that aren't operable.
- The TCA outlines the post Brexit relationship and cooperation between the EU and GB

Deal

The no deal Brexit mods have been withdrawn as the defect has changed

Interpretation of the TCA (Trade and Cooperation Agreement) does not change the requirement for legal text changes to ensure the CUSC, GridCode and STC are accurately reflecting our post Brexit relationship with the EU.

For this reason, we will raise new modifications to ensure the codes are accurate post Brexit

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CUSC Mod to be raised

- 1 new CUSC modification to be raised

- equivalent of CMP309 (CUSC Changes in the event the UK leaves the EU without an agreement)

- legal text changes are expected to be the same as proposed under CMP309

- this ensures that retained law continues to work effectively in the context of the CUSC

- recommendation to raise as self-governance mod

For Information: Grid Code mod

- Grid Code Modification GC0121 (Grid Code Changes in Case the UK leaves the EU without an agreement) has been raised previously and withdrawn.

- New Grid Code mod to be raised in April to ensure that retained law continues to work effectively in the context of the Grid Code

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TNUoS tariff for directly-connected demand users at site with multiple DNOs

Jo Zhou NGESO

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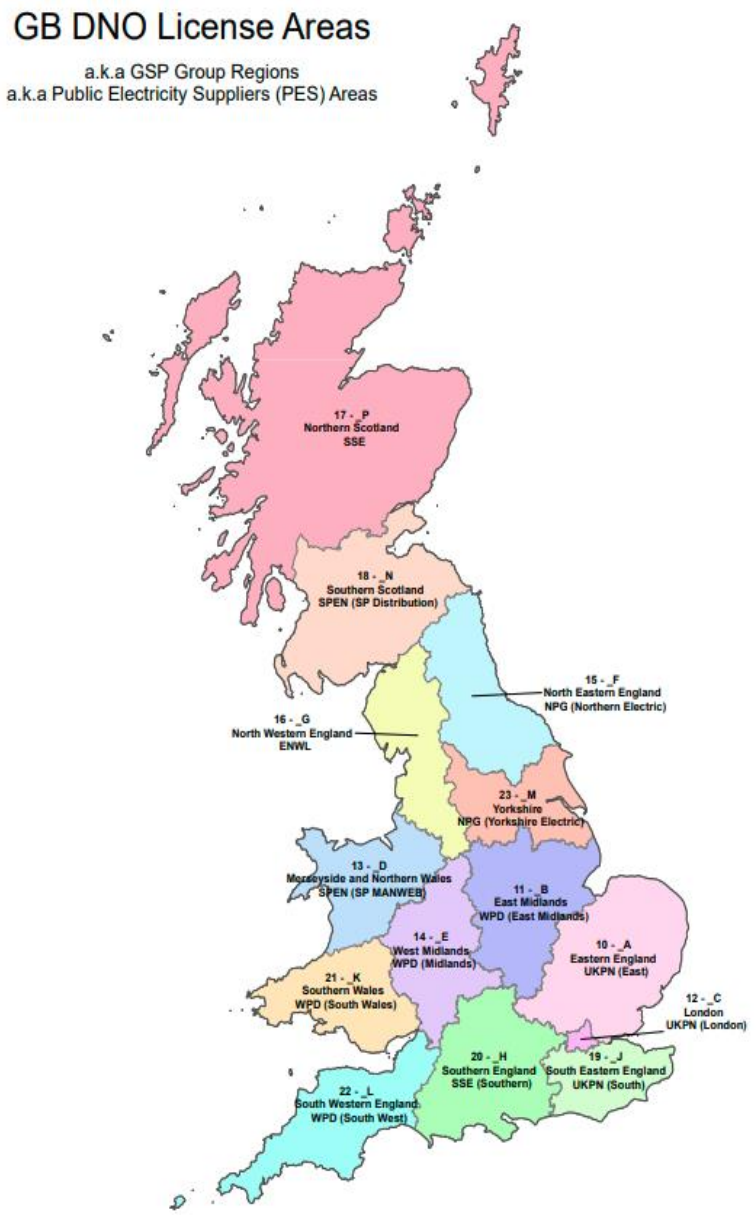
TNUoS demand zones

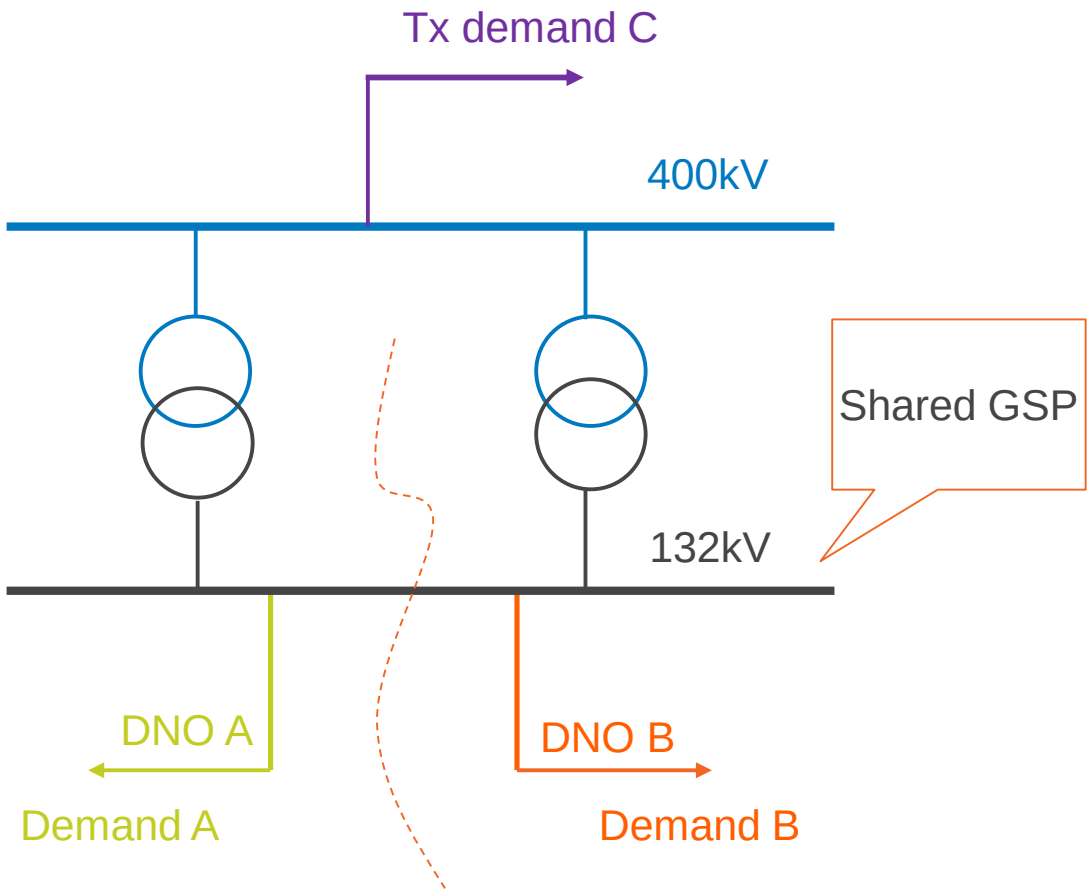
- There are 14 TNUoS demand zones, aligned with the 14 DNO zones (GSP groups)
- Demand users pay zonal tariffs, depending on the zones they are in
  - For a distribution-connected demand user, its demand zone is the relevant DNO zone
  - For a directly-connected demand user, its demand zone is the geographic DNO zone
- The geographic boundaries are downloadable from ESO's data portal https://data.nationalgrideso.com/system/gis-boundaries-for-gb-dno-license-areas



Sites with multiple DNOs

- Demand tariffs are calculated by using “weighted average” of relevant nodal prices
- Some of TOs’ substations may feed multiple DNOs, and these DNOs share the same GSP
- When calculating demand tariffs, demand A is included in zone A tariff calculation (if demand A >0), and demand B is included in zone B tariff calculation (if demand B >0)
- **The issue**

  Demand C is directly connected, and does not have a “DNO zone” associated with it



Proposed approach and next steps

Proposed approach

- Option 1: put demand C to the DNO zone with the largest local DNO demand.
  - To reflect the “predominant” DNO
  - If demand A > demand B (according to week 24 data), demand C is part of zone A

- Option 2: split demand C evenly into two parts
  - To treat both DNOs equally
  - 50% of demand goes to zone A, and 50% goes to zone B

- **Option 1** is the preferred option

Next steps

- We will publish a guidance note to clarify the proposed approach (https://www.nationalgrideso.com/industry-information/charging/charging-guidance)

- Do you think the CUSC needs to be updated?

AOB & Close