

Final Modification Report

CMP383: Updating recovery of CMP381 deferred costs from 1 April 2022

Overview: To enable the ESO to recover the costs deferred under CMP381, a licence change is required. This will not be in place for 1st April 2022. Therefore this modification seeks to change the recovery of CMP381 costs, to when the new licence comes into effect until 31st March 2023.

Modification process & timetable

1	Proposal Form 07 February 2022
2	Workgroup Consultation n/a
3	Workgroup Report n/a
4	Code Administrator Consultation 14 February 2022 - 28 February 2022
5	Draft Final Modification Report 02 March 2022
6	Final Modification Report 14 March 2022
7	Implementation The working day following the ESO licence change coming into effect, allowing recovery of CMP381

Have 5 minutes? Read our [Executive summary](#)

Have 20 minutes? Read the full [Final Modification Report](#)

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

Status summary: This report has been submitted to the Authority for them to decide whether this change should happen.

Panel Recommendation: The Panel unanimously recommended that the CMP383 Original Solution should be implemented.

This modification is expected to have a: **High impact**

Suppliers, Generators, ESO

Governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)
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Who can I talk to about the change?	Proposer: Jenny Doherty Jennifer.Doherty@nationalgrideso.com 07771938569	Code Administrator Contact: Paul Mullen Paul.j.mullen@nationalgrideso.com 07794537028
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What is the issue?

Balancing Use of System (BSUoS) charges are used by National Grid Electricity System Operator (ESO) to recover the costs of balancing the system. These are recovered from demand and generation users in £/MWh per half hourly period based on MWh of energy imported or exported onto the transmission system.

Ofgem has directed the ESO to implement WACM4 of CMP381, which applies a cap on the BSUoS price at £20/MWh to all settlement periods from 17th January 2022 to 31st March 2022. Any costs deferred under this cap, under CMP381, would then be recovered between 1st April 2022 and 31st March 2023 equally each settlement day, volume weighted throughout the day.

A licence change is required, to allow the ESO to recover these costs. Ofgem are currently consulting on this licence change¹ which is due to close on 25th February 2022. Should Ofgem approve this licence change, it will only come into effect 56 days following any decision. There is insufficient time for the licence change to be effective before costs are due to be recovered on 1st April 2022. Therefore, it is not possible to start recovery as per the current CUSC wording. This does not have any impact on the end date (31st March 2023) for recovering CMP381 costs.

Why change?

The ESO is unable to recover these costs, until a licence change is made.

This modification is required to give industry visibility of the dates over which the CMP381 costs will be recovered.

What is the proposer's solution?

To begin recovery of the costs deferred under CMP381 from the working day after the licence change comes into effect.

The date of this is not currently know, however the Proposer is seeking a decision before this modification concludes and therefore can provide clarity in the CUSC on the exact start date for recovery (as the licence will be in effect 56 days after Ofgem's decision). The end date for recovery will remain unchanged on 31 March 2023.

Legal text

The Legal text can be found below with changes shown in **red text**:

- 14.30.24 During the **Financial Year** 2022/23, **beginning the Business Day following the necessary licence changes coming into effect to implement recovery of CMP381 deferred costs and 31st March 2023 inclusive**, the formula in 14.30.10 shall be updated so that Exceptional Costs (BSUoSEXC_d) in **Settlement Day** d are added as follows;

¹ <https://www.ofgem.gov.uk/publications/statutory-consultation-proposal-modify-licence-held-electricity-system-operator>

$$\begin{aligned}
 BSUoSEXT_{jd} = & CSOBM_{jd} + BSCCV_{jd} \\
 & + [(BSCCA_d + TotAdj_d - OM_d + BSC_d + SOTOC_d + LOCTRU_d \\
 & + BSUoSEXC_d) * (TQM_{ijd} + SGQM_{ijd}) / \sum_{j \in d} (TQM_{ij} + SGQM_{ij})]
 \end{aligned}$$

Where

$BSUoSEXC_d$, is the cumulative total deferred value of the Exceptional Costs Support Scheme, including any administrative or financing cost borne by **The Company**, as agreed by the **Authority**.

What is the impact of this change?

Proposer's assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
(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;	Neutral
(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);	Neutral
(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;	Positive Ensures that the ESO can recover the deferred costs under CMP381, as per the licence change currently being consulted on
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Neutral

*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).

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	Neutral
Lower bills than would otherwise be the case	Neutral
Benefits for society as a whole	Neutral
Reduced environmental damage	Neutral
Improved quality of service	Neutral

Code Administrator Consultation summary

The Code Administrator Consultation was issued on the 14 February 2022 and closed on 28 February 2022 and received 3 non-confidential responses. All the respondents were supportive of the change and implementation approach and no changes were proposed to the legal text. The full responses can be found in Annex 3.

Panel Recommendation vote

The Panel will meet on 10 March 2022 to carry out their recommendation vote.

They will assess whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the Applicable Objectives.

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

Panel Member: **Andrew Enzor**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Neutral	Yes
Voting Statement						
Better facilitates ACO (c) by ensuring the ESO is able to recover deferred costs under CMP381 in a manner which is consistent with its licence.						

Panel Member: **Binoy Dharsi**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Neutral	Yes
Voting Statement						
An enabler modification to facilitate CUSC modification 381. Agree that a licence change is required to better meet CUSC objective (c)						

Panel Member: **Garth Graham**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Neutral	Yes
Voting Statement						
For the reasons set out in the Proposal, this change will better facilitate Applicable Objective (c) whilst being neutral in respect of (a), (b), (d) and (e) as it ensures that the ESO can recover the deferred costs under CMP381, as per the licence change.						

Panel Member: **Grace March**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Yes	Yes
Voting Statement						
<p>This Modification prevents a conflict between the ESO's obligations placed on them by their licence vs the CUSC and so is positive against ACO(c).</p> <p>It also clarifies the recovery through charging for industry within the CUSC and so is positive against ACO(e).</p>						

Panel Member: **Jenny Doherty**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Neutral	Yes
Voting Statement						
<p>This modification is required to ensure that the deferred costs incurred through CMP381 can be recovered through BSUoS. It is therefore positive against ACO C as this aligns the CUSC with a change made to the ESO's licence allowing these deferred costs to be included in BSUoS charges during FY22/23. Ofgem's decision to approve this licence change was published on 4th March 2022 with the changes coming into effect on 30th April 2022. Therefore, should this modification be approved, the ESO will recover the deferred costs from CMP381 from 3rd May 2022 to 31st March 2023.</p>						

Panel Member: **Mark Duffield (Alternate for Cem Suleyman)**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Yes	Neutral	Yes	Yes
Voting Statement						
<p>By aligning the CUSC with any prospective licence change, and noting that NG ESO may not legally implement the changes introduced to the CUSC pursuant to CMP381 prior to any relevant licence modification has come into effect, the changes proposed by CMP381 better facilitate the applicable CUSC objectives compared with the current CUSC baseline by removing potentially contradictory legal obligations under the CUSC and the (unamended) transmission licence held by NG ESO.</p>						

Vote 2 – Which option is the best?

Panel Member	BEST Option?	Which objectives does this option better facilitate? (If baseline not applicable).
Andrew Enzor	Original	(c)
Binoy Dharsi	Original	(c)
Garth Graham	Original	(c)
Grace March	Original	(c), (e)
Jenny Doherty	Original	(c)
Mark Duffield (Alternate for Cem Suleyman)	Original	(c), (e)

Panel conclusion

The Panel unanimously recommended that the CMP383 Original Solution should be implemented.

When will this change take place?**Implementation date**

Implementation date will be from the working day following the ESO licence change comes into effect, allowing recovery of CMP381.

At CUSC Panel on 10 March 2022, a Panel Member confirmed that Ofgem had made a [decision](#) on the ESO licence change details can be found. This licence change will take effect from the 30 April 2022. If CMP383 is approved, recovery will commence 3 May 2022².

Date decision required by

31 March 2022 – ahead of when costs are due to be recovered on 1 April 2022

Implementation approach

The ESO will continue to implement recovery of the deferred costs as per the approach set out in CMP381 (i.e. equally each settlement day, volume weighted throughout the day). The only change is the dates over which recovery will take place.

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"/> EBR Article 18 T&Cs ³ | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

² 2 May 2022 is a Bank Holiday

³ 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 Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the

No interactions identified

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
EBR	Electricity Balancing Regulation
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

Reference material

- None

Annexes

Annex	Information
Annex 1	Proposal Form
Annex 2	Urgency letters
Annex 3	CMP383 Code Administrator Consultation Responses

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.