2nd Workgroup Consultation

CMP286 and CMP287: 'Improving TNUoS Predictability through Increased Notice of the Target Revenue & Inputs used in the TNUoS Tariff Setting Process for CMP287'

Overview:
CMP286/CMP287 seeks to improve TNUoS predictability through increased notice of the Target Revenue (CMP286) and inputs (CMP287) used in the TNUoS Tariff Setting Process

Modification process & timetable

1. **Proposal Form**
   10 October 2017
2. **Workgroup Consultation (2)**
   06 April 2022 – 09 May 2022
3. **Workgroup Report**
   16 June 2022
4. **Code Administrator Consultation**
   27 June 2022 – 18 July 2022
5. **Draft Modification Report**
   21 July 2022
6. **Final Modification Report**
   10 August 2022
7. **Implementation**
   01 April 2024

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Workgroup Consultation

Have 30 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.

This modification is expected to have a: High impact on Suppliers, the ESO, Transmission Owners and Consumers

Governance route	This modification is being 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:** Niall Coyle niall.coyle@eonenergy.com 07971 247658	**Code Administrator Chair**: Paul Mullen paul.j.mullen@nationalgrideso.com 07794 537028
How do I respond?	Send your response proforma to cusc.team@nationalgrideso.com **by 5pm on 9 May 2022**	

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Executive summary

This modification seeks to improve TNUoS predictability through increased notice of the Target Revenue (CMP286) and demand inputs (CMP287) used in the TNUoS Tariff Setting Process, therefore providing certainty to inputs into the TNUoS charging methodology that market participants cannot forecast, thereby making the costs that customers pay more reflective of the final charge. Consequently, the Proposer argues that this will reduce the risk premia charged by Suppliers to consumers.

What is the issue?

Final TNUoS tariffs are published with a notice period of only 2 months. TNUoS tariffs are set by the ESO by populating several inputs into the charging methodology models. Many of these inputs are difficult to predict and are not finalised until shortly before final tariff publication.

The Proposer argues that, in previous years, they have observed significant changes in both revenue and volume inputs between the ESO's forecasts over a short period of time. This creates uncertainty around the level of final tariffs, and results in significant changes between regions and Half Hourly (HH) /Non Half-Hourly (NHH) Tariffs.

In the view of the Proposer, Suppliers are particularly vulnerable to the short notice period and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with the fixed price contracts they require. Given that market participants are trying to predict TNUoS costs as accurately as possible, large and late changes of inputs, which significantly affect the calculation of TNUoS prices, need to be avoided.

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

Proposers' Solution

- Target Revenue to be fixed 15 months ahead of TNUoS tariffs going live (CMP286)
- Certain parameters that feed into the TNUoS tariff setting process (including the TNUoS fixed charges brought in under CMP343) to be fixed 15 months ahead of tariffs going live (CMP287)
- No changes to existing tariff setting processes (CMP286 and CMP287)

Implementation date: 1 April 2024 (need Ofgem decision by 31 October 2022)

Summary of potential alternative solution(s) and implementation date(s):

- For CMP286 only – As per CMP286 Original but not lockdown the "ESO pass through" costs (£50m) 15 months ahead of tariffs going live. Implementation Date would still be 1 April 2024.

What is the impact if this change is made?

In the view of the Proposer, making this change will allow Suppliers to reduce the risk premia they factor into the costs they charge customers since there will be more certainty around TNUoS forecasts.

However, this moves the forecast risk to the Transmission Owners, who will need to fix the inputs they provide to the ESO (for TNUoS tariff setting) further ahead of time leading to increased risk of inaccuracy.

Interactions

STC/STCP Interactions

There will be STC / STCP Interactions as the Transmission Owners will need to provide data earlier to the ESO than they do now. The ESO and the Transmission Owners have commenced discussions and noted that changes are likely to be needed to the following STCPs:

- STCP13-1 Invoicing & Payment
- STCP14-1 Data Exchange for Charge Setting
- STCP24-1 Revenue Forecast Information Provision

It is not yet confirmed if STC changes will be needed as well.

Interaction between CMP343 and CMP287

The Workgroup also briefly discussed whether or not there was interaction between CMP287 and CMP343 which introduces 4 Transmission Bands to charge the Transmission Demand Residual to transmission connected sites from 1 April 2023. The Proposer noted that CMP287 seeks to fix the charging base inputs for TNUoS 15-months ahead of time, including the Total Gross triad Demand, Chargeable HH demand, and chargeable NHH demand. CMP343 introduces a series of TNUoS fixed charges, which adds additional TNUoS charging bases. This includes the consumption for each fixed charging, and the number of sites in each fixed charge band. The CMP287 solution captures these additional charging base elements.

There is no expected impact on the EBR Article 18 T&Cs.

What is the issue?

What is the issue?

Final TNUoS tariffs are published with a notice period of only 2 months. TNUoS tariffs are set by the ESO by populating several inputs into the charging methodology models. Many of these inputs are difficult to predict and are not finalised until shortly before final tariff publication.

Why change?

The Proposer argues that, in previous years, they have observed significant changes in both revenue and volume inputs between the ESO's forecasts over a short period of time. This creates uncertainty around the level of final tariffs, and results in significant changes between regions and Half Hourly (HH) /Non Half-Hourly (NHH) Tariffs.

In the view of the Proposer, Suppliers are particularly vulnerable to the short notice period and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with the fixed price contracts they require. Given that market participants are trying to predict TNUoS costs as accurately as possible, large and late changes of inputs, which significantly affect the calculation of TNUoS prices, need to be avoided.

The Proposer noted that Distribution Use of System (DUoS) charges are set with 15 months' notice and therefore argued that changing the notice period for TNUoS charges would align the CUSC with the distribution charging regime and would reduce complexity. The Workgroup also noted that on 5 May 2021, the DNOs (via the Energy Networks Association) had formally sent a letter to Ofgem requesting that the 15 months' notice period required for DUoS need not apply for prices commencing 1 April 2023 and 1 April 2024 as the current 15-month notice period requires them to set prices before final determinations on allowed revenues were known. Ofgem rejected this request on 20 May 2021 and concluded that, on balance, issues associated with shortening the notice periods outweigh the benefits at this time.

What is the solution?

Proposer's solution

- Target Revenue to be fixed 15 months ahead of TNUoS tariffs going live (CMP286)
- Certain parameters that feed into the TNUoS tariff setting process (including the TNUoS fixed charges brought in under CMP343) to be fixed 15 months ahead of tariffs going live (CMP287)
- No changes to existing tariff setting processes (CMP286 and CMP287)

Workgroup Considerations

The Workgroup convened ten[1] 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 CUSC Objectives.

Consideration of the Proposer's solution

Interaction with CMP244

CMP244 sought to increase the length of the notice period for TNUoS tariffs from the current two months to a suggested period of 200 calendar days. The Proposer considered that **CMP244** would enable suppliers to reduce the risk premiums they add to their electricity prices, resulting in lower prices to some of their non-domestic customers. The proposer also considered that **CMP244** would improve competition amongst Suppliers. However, on 15 July 2016, Ofgem rejected CMP244 as the Final Modification Report hadn't presented conclusive evidence to support these arguments.

Therefore, the key question for the CMP286 and CMP287 changes are to understand how moving the cost recovery / inaccuracy risk from Suppliers to Transmission Owners will ultimately provide a benefit to consumers. The Workgroup agreed the importance of further analysis to show the benefits to consumers (via lower risk premia) of extending the notice period of TNUoS tariffs (3 to 15 months) and the need for the Proposer to address the reasons why **CMP244** was rejected.

Target Revenue and certain Inputs to be fixed 15 months ahead of TNUoS tariffs going live

How TNUoS setting process works today

Under current arrangements, each Transmission Owner (Onshore or Offshore) provides the ESO its revenue which should be collected in a charging year. This information is fixed on 25 January and used by the ESO as an input into TNUoS tariff calculations, which are set and published on 31 January each year and take effect from the following 1 April.

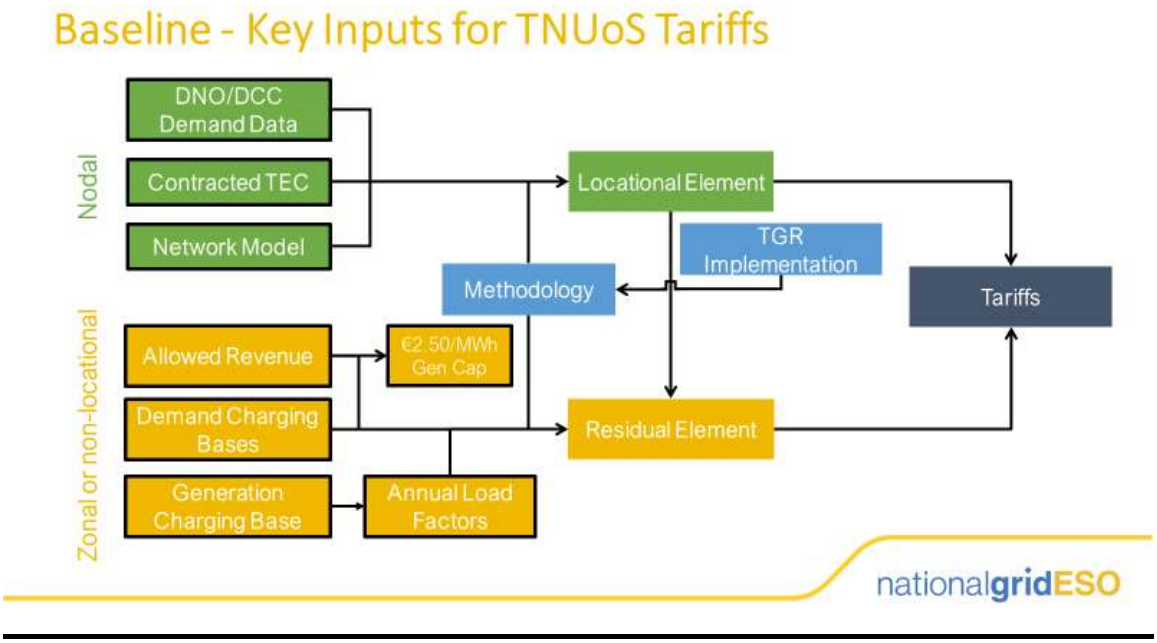
Separately, throughout each charging year, ESO forecast the expected chargeable demand in MWh (the volume to be used in the next charging year). The forecasts alter as the year progresses owing to new information becoming available and can change up until final tariffs are set in January. The forecast is also an input into the demand TNUoS tariff calculation (specifically into the derivation of the 'residual' element of TNUoS).

[1] Six times prior to the Modification being paused and four thereafter.

Which inputs are changing?

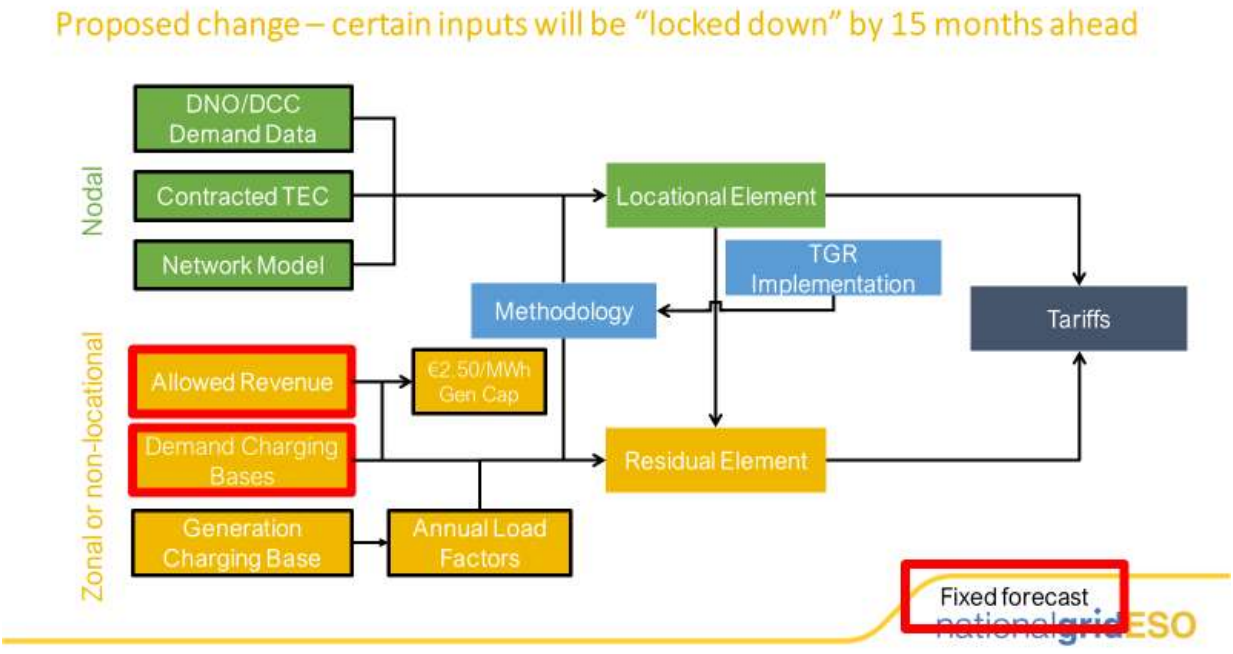
The ESO Workgroup Member shared the current key inputs that ESO factor in when calculating TNUoS tariffs. This is represented below.

Diagram 1



The ESO Workgroup Member then shared, what will be locked down (shown with a red box around them in Diagram 2) if the CMP286 and CMP287 Original proposals are approved.

Diagram 2



The ESO Workgroup Member shared what this would mean in practice for the 2024/2025 TNUoS tariffs (i.e. apply from 1 April 2022). This is represented by Diagram 3 below.

Diagram 3

Baseline: Key Inputs for 2024/25 TNUoS Tariffs – refined quarterly

		March 2023	August 2023	Draft Tariffs November 2023	Final Tariffs January 2024
	Methodology	Open to industry governance			
Nodal	DNO/DCC nodal Demand Data	Initial update using previous year's data source		Week 24 updated	
	Contracted TEC	Latest TEC Register	Latest TEC Register	TEC Register Frozen at 31 October	
	Network Model	Initial update using previous year's data source (except local circuit changes which are updated quarterly)		Latest version based on ETYS	
	Inflation	Forecast	Forecast	Forecast	Actual
Zonal or non-locational	New OFTO Revenue (part of allowed revenue), other ESO pass-through	Forecast	Forecast	Forecast	NGESO best view
	Allowed Revenue (existing TOs)	Initial update using previous year's data source	Update financial parameters	Latest TO forecasts	From TOs
	Demand Charging Bases by zones	Initial update using previous year's data source	Revised forecast	Revised forecast	Revised by exception
	Generation Charging Base	NGESO best view	NGESO best view	NGESO best view	NGESO final best view
	Generation ALFs	Previous year's data source		Draft ALFs published	Final ALFs published
	Generation Revenue (G/D split)	Forecast	Forecast	Forecast	Generation revenue £m fixed

- Green highlighting indicates that these parameters are fixed from that forecast onwards.

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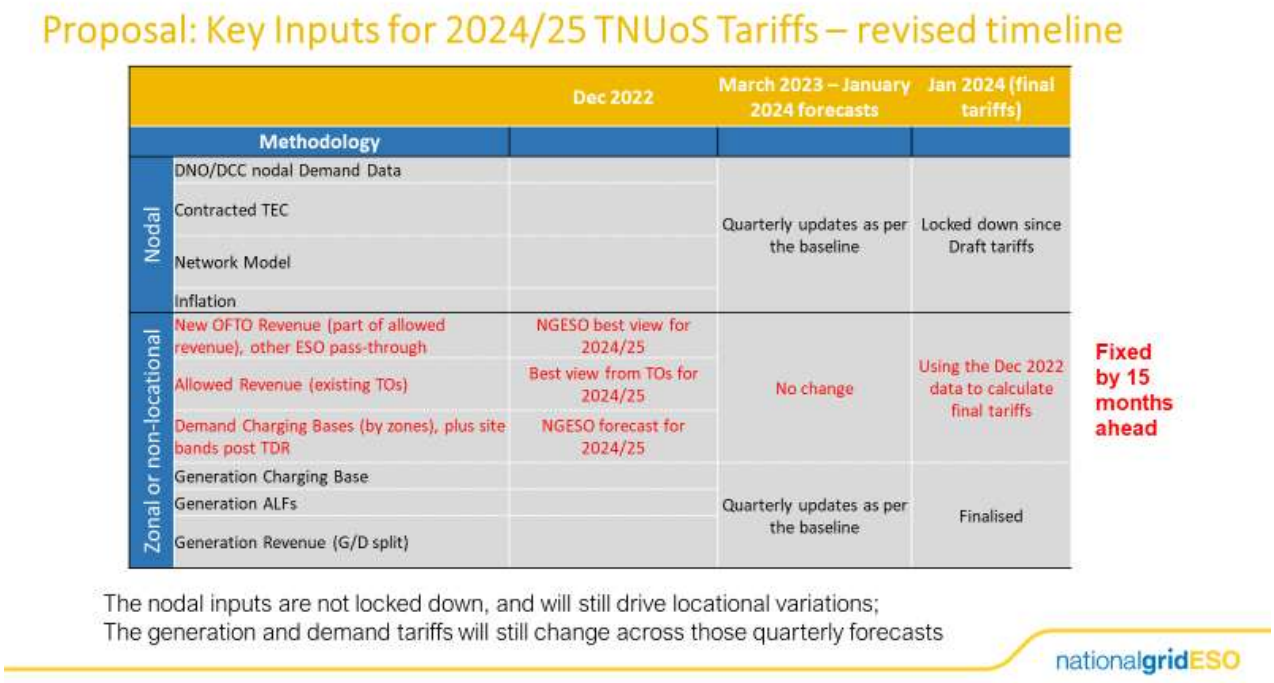
The ESO Workgroup Member then advised that, if the CMP286 and CMP287 Original are approved, the December 2022 data will be used to calculate the TNUoS tariffs that would apply from 1 April 2024. The Proposer confirmed that in their Original proposal, the expectation is that the November annual iteration process will look at Year + 2 rather than, as now, Year + 1.

However, there will still be locational variations as the Nodal inputs are not locked down.

Diagram 4



The ESO Workgroup Member advised that they may propose an alternative to the CMP287 Original, where the "ESO pass through" costs (£50m) are not locked down 15 months ahead of tariffs. The ESO Workgroup Member argued that they are an asset light business and do not wish to take on this additional cash flow risk.

Proposer analysis to demonstrate TNUoS volatility

The Proposer shared their analysis (to include non-Covid years) to support their view that there have been significant changes in both revenue and volume inputs between the ESO's forecasts over a short period of time

The following tables show the forecast of Target Revenue (Total to Collect from TNUoS) from the ESO's quarterly updates of the 2021/2022 Tariff forecast and the variance between forecasts.

	2021/22 TNUoS Revenue				
£m Nominal	Aug-19	Apr-20	Aug-20	Nov-20	Jan-21
TO Income from TNUoS					
National Grid Electricity Transmission	1,791.3	1,754.9	1,723.9	1,919.9	1,755.3
Scottish Power Transmission	384.2	376.7	371.5	390.6	375.8
SHE Transmission	372.0	374.0	380.0	539.7	582.6
Total TO Income from TNUoS	2,547.5	2,505.7	2,475.3	2,850.2	2,713.7
Other Income from TNUoS					
Other Pass-through from TNUoS	41.4	17.4	17.5	14.4	49.6
Offshore (plus interconnector contribution / allowance)	494.3	529.9	555.8	545.6	555.2
Total Other Income from TNUoS	535.7	547.4	573.3	560.0	604.8
Total to Collect from TNUoS	3,083.2	3,053.1	3,048.6	3,410.2	3,318.5

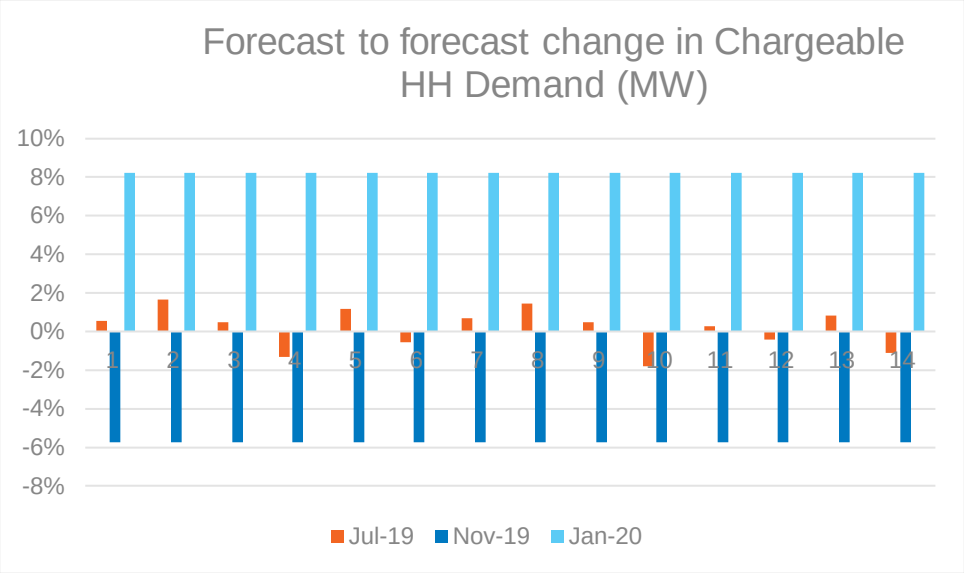
	Movement between forecasts			
£m Nominal	Apr-20	Aug-20	Nov-20	Jan-21
TO Income from TNUoS				
National Grid Electricity Transmission	(36.4)	(31.0)	196.0	(164.6)
Scottish Power Transmission	(7.4)	(5.3)	19.1	(14.8)
SHE Transmission	2.1	5.9	159.8	42.9
Total TO Income from TNUoS	(41.8)	(30.4)	374.9	(136.5)
Other Income from TNUoS				
Other Pass-through from TNUoS	(24.0)	0.0	(3.0)	35.2
Offshore (plus interconnector contribution / allowance)	35.6	25.9	(10.2)	9.6
Total Other Income from TNUoS	11.6	25.9	(13.3)	44.8
Total to Collect from TNUoS	(30.1)	(4.5)	361.7	(91.8)

This demonstrates significant variation in the target revenue, at both indicative and final tariff setting, leading to increased volatility and unpredictability in the ESO forecasts.

The Proposer cited Half Hourly (HH) Tariff setting for 2020/2021 to illustrate the issue of demand volatility. 2020/21 was chosen as this the latest year prior to Covid-19 impacting

demand forecasting. Graph 1 shows significant variation in the HH demand charging base at both indicative and final tariff setting for 2020/2021 that market participants were not able to effectively forecast. The Proposer believes that the volatility demonstrated leads to additional uncertainty in the ESO's forecasts, which as a result could drive Suppliers to include larger risk premiums in fixed price contracts.

Graph 1



This makes predicting TNUoS tariffs to include in customer pricing extremely challenging resulting in the need for suppliers to include risk premia. The Proposer and some Workgroup Members argued that locking down the Target Revenue input into the TNUoS pricing process much earlier in the process removes this element of uncertainty and will allow Suppliers to reflect the final TNUoS tariffs more accurately in customers' bills and also reduce the risk premia.

Reduced Risk Premia?

The Proposer noted that a typical domestic or business customer, whose meter is settled on a NHH basis and agrees a two-year fixed price contract with their Supplier will have the TNUoS cost reflected within their contract rates. This will comprise of a best view forecast plus risk premia based on volatility and unpredictability of this charge for the period where final tariffs have not yet been published.

For a NHH two-year contract starting in October, TNUoS tariffs are only known for a quarter of the contracted period and the remaining three-quarters being reliant on a forecast. Therefore, to mitigate the risk of a significant variance between outturn and forecast TNUoS, Suppliers may add into their p/kWh consumer price (pence per unit) a risk premium. This premium is designed to offset the cost to the Supplier in the event that they have under-recovered TNUoS from electricity consumers against actual TNUoS costs. The Proposer of CMP286/287 believes that fixing elements of the calculations 15 months in advance of the charging year in which they would apply will reduce the volatility in TNUoS tariffs. Supplier representatives have argued that a reduction in volatility will lead to a reduction in the value of the risk premia Suppliers may apply, which could therefore reduce costs to electricity consumers.

The Workgroup, noted that the key is to understand the potential consumer benefit derived from a reduction in risk premia which may stem from implementation of either or both of these modifications. However an individual Suppliers risk premia is commercially confidential and therefore on 31 May 2018, the ESO issued an open letter seeking information on the risk premia Suppliers may use to mitigate TNUoS volatility. The ESO agreed to collate, anonymised and analyse the findings and this is set out in Annex 5.

In summary, the data provided confirms that additional premiums are added by Suppliers to transmission charge tariffs to reflect the uncertainty that demand forecasts have on fixed term contracts. In addition, the analysis shows:

- Average risk premia on certain contracts would decrease based on the data provided by Suppliers, but on other contracts it would increase were either CMP286, CMP287 or both to be implemented; and
- There is a peak in average risk premia on 24 month NHH contracts which disappears if CMP286 and CMP287 were to be implemented.

The Workgroup concluded that a further request for information on risk premia is unnecessary given the last one was only in 2018.

Workgroup consultation question: The Workgroup have concluded that if the CMP286 and CMP287 Original are approved, the risk premia that Suppliers price into contracts will be reduced. Do you agree with this conclusion?. Please provide rationale for your response**.**

The Transmission Owner representatives challenged whether or not extending the notice period was the only option and asked if there was anything more Suppliers could have looked at outside changing CUSC or Licences. The Proposer argued that Suppliers are fundamentally impacted by the base Data but the Workgroup agreed to ask a question on this as part of the Workgroup Consultation.

Workgroup consultation question: Are there other options which could enable Suppliers to mitigate the issues the proposer is seeking to address via this modification, which could avoid the need for code/licence changes (as applicable)? Please provide rationale for your response.

Workgroup consultation question: Do you have any additional analysis that supports or counters the benefits of CMP286 and CMP287? Are you content to share this directly with Ofgem?

No changes to existing tariff setting processes

The ESO Workgroup Member confirmed that the CMP286 and CMP287 Original solution do not change the ESO tariff setting process (assuming they would receive the same level of inputs and granularity as they do now and any necessary changes are made to the STC and/or Transmission Licence) as the solution fixes inputs rather than tariffs and the inputs are not materially changing - they will be simply set earlier. The ESO Workgroup Member noted that the post tariff setting process (to calculate the Adjustment and K Factors to feed into the following year's TNUoS tariff setting process) will potentially be more complex although the process itself will remain unchanged.

Tariffs will continue to be provided at the same time; however the ESO Workgroup Member and Transmission Owner representatives noted that:

- The accuracy of some inputs will be reduced; and
- The solution moves some of the forecasting risk from suppliers to TOs

1st Workgroup Consultation for CMP287

The first workgroup consultation for CMP287 was issued on 4 April 2019, and there were 4 non-confidential responses from industry. This Workgroup Consultation is included as Annex 3 and the 4 non-confidential responses are included as Annex 4.

In summary:

- 3 respondents supported the change and implementation approach. 1 respondent did not provide comment; and
  1 respondent proposed an alternative option to provide 6-8 months' notice rather than 15 months' notice. However, the respondent who proposed this is not looking to take this forward at this current time.

Draft Legal Text

Legal Text will be developed post the Workgroup Consultation. However, this will be based on the following principles:

- TNUoS tariffs remain published at the end of January for the next Financial Year;
- The Principle of Maximum Allowed Revenue is captured in CUSC Section 14.14; however a new concept of Forecast MAR is to be introduced (and how this feeds into the adjustment and/or K Factor);
- Forecast inputs will be required to be provided 15 months ahead rather than with actuals 2 months ahead;
- To monitor and calculate necessary forecasting correction and how this will be recovered using existing mechanisms (or a new mechanism);
- Recognition that the process is different for new Offshore Transmission Owners yet to be appointed within the Charging Year (vs Onshore Transmission Owners) as it is the ESO who would forecast their Maximum Allowed Revenue and this is dependent on their Asset Transfer Date;
- Fixing the revenue forecast earlier will require ESO to predict interconnectors cap/floor revenue and CUSC Section 9 may require changes to reflect; and
- The solution requires fixing of charging base inputs e.g. Transmission Demand Residual site counts.

What is the impact of this change?

Proposer's assessment against Code Objectives

CMP286 and CMP287[2]

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;	**Positive** Final TNUoS tariffs are published with a notice period of only 2 months. Suppliers are particularly vulnerable to the short notice period and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with the fixed price contracts they require. This modification will give more certainty to inputs into the TNUoS Charging Methodology that market participants cannot forecast, thereby making the costs that customers pay more reflective of the final charge and consequently reduce the risk premia charged by suppliers. This will reduce the price distortions in the competitive market thereby facilitating effective competition in retail energy supply.
(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	**Neutral**

[2] Proposer's assessment was the same for both CMP286 and CMP287

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;	**Neutral**
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and	**Neutral**
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Neutral**
*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).	

Standard Workgroup consultation question: Do you believe that CMP286 & CMP287 Original proposal better facilitates the Applicable Objectives?

Impacts on Suppliers

If the CMP286 and CMP287 Original change is approved, Supplier representatives have argued that the reduction in volatility will lead to a reduction in the value of the risk premia Suppliers may apply, which could therefore reduce costs to electricity consumers.

There is not expected to be any impact for Generators as, although the revenue and impacts would be fixed under the CMP286 and CMP287 Original Solution, the Generation and Demand split doesn't charge

Impacts on Transmission Owners

Under the CMP286 and CMP287 Original Solution, the cashflow risk will switch from Suppliers to Transmission Owners.

Transmission Owners have already engaged further with Ofgem to understand whether Ofgem can bring forward their timetable for producing the Price Control Financial Model (PCFM)[3] (which drives their actual data submission to ESO) and lock down the data a year earlier than now. This would help reduce uncertainty for Transmission Owners. Alternatively, the Transmission Owners will need to provide estimates, which will be less accurate given the increased notice period, and seek to recover in the following year.

[3] Annually updated by Ofgem and includes all the data, the Transmission Owners need to understand their price control costs and revenues. Transmission Owners receive a draft in August and then a final version in November

For Ofgem to change their process, then the benefit of doing this needs to be understood at least from a qualitative perspective. The Proposer and some Workgroup Members are ambivalent as to which process is followed.

There is also expected to be Licence Implications for Transmission Owners but what these are depends on the STC/STCP changes needed.

Impacts on ESO

ESO confirmed that the CMP286 and CMP287 Original solution do not change the ESO tariff setting process (assuming they would receive the same level of inputs and granularity as they do now and necessary associated changes to STC and licences are also implemented). The ESO Workgroup Member noted that the post tariff setting process (to calculate the Adjustment and K Factors to feed into the following year's TNUoS tariff setting process) will potentially be more complex although the process itself will remain unchanged.

ESO have though advised that they may propose an alternative to the CMP286 Original, where the "ESO pass through" costs (£50m) are not locked down 15 months ahead of tariffs. The ESO Workgroup Member argued that they are an asset light business and do not wish to take on this additional cash flow risk.

In addition, ESO Chapter 3 of the ESO's licence (Transmission Revenue Restriction) contains an "adjustment term" ADJt (Special condition 3.6) which requires changing. The ESO's adjustment calculation was designed to adjust for forecasting corrections on ESO's allowance, and not forecasting corrections relating to Transmission Owners' allowance.

A new process will be required to be developed to feed into the adjustment and/or K Factor (within the Transmission Owner licence). The process will monitor and calculate necessary forecasting correction and how this will be recovered using existing mechanisms (or a new mechanism).

At the moment, there is an existing issue, as the adjustment term is exposed to TNUoS forecasting error (rather than only Transmission Owner revenue forecasting errors, e.g. innovation funding). This issue is not caused by CMP286 and CMP287.However, ESO argue that this issue will be exacerbated under CMP286 and CMP287 and therefore they believe that their licence has to be amended.

Impacts on Consumers

A typical domestic or business customer, whose meter is settled on non-half hourly data (NHH), and agrees a two-year fixed price contract with their Supplier will have TNUoS costs reflected within their contract rates. This will comprise a best view forecast plus an element of risk based on volatility and unpredictability of this charge for the period where final tariffs have not yet been published. Based on a NHH two-year contract starting in October, TNUoS tariffs are only known for a quarter of the contracted period, the remaining three-quarters being reliant on a forecast so Supplier representatives have argued that a reduction in volatility will lead to a reduction in the value of the risk premia Suppliers may apply (for the remaining three-quarters that is reliant on a forecast), which could therefore reduce costs to electricity consumers.

When will this change take place?

Implementation date
01 April 2024

Date decision required by
31 October 2022 (for CMP286/CMP287).

Note that a decision on the associated STC Modification would be required ahead of this date to allow sufficient time for Transmission Owners to provide inputs necessary to enable CUSC implementation of 1 April 2024.

Implementation approach
No ESO process changes expected but the STC Modification and any licence changes will need to be progressed and completed ahead of 1 April 2024.

Standard Workgroup consultation question: Do you support the implementation approach?

Interactions

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

[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 Electricity Balancing Regulation (EBR – 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.

How to respond

Standard Workgroup consultation questions

1. Do you believe that CMP286 and CMP287 Original proposal better facilitates the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific Workgroup consultation questions

5. The Workgroup have concluded that if the CMP286 and CMP287 Original are approved, the risk premia that Suppliers price into contracts will be reduced. Do you agree with this conclusion?. Please provide rationale for your response.
6. Does the CMP286 and CMP287 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how? - *Confidential Information can be shared with Ofgem directly*
7. Are there other options which could enable Suppliers to mitigate the issues the proposer is seeking to address via this modification, which could avoid the need for code/licence changes (as applicable)? Please provide rationale for your response.
8. Do you have any additional analysis that supports or counters the benefits of CMP286 and CMP287? Are you content to share this directly with Ofgem?

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@nationalgrideso.com using the response pro-forma which can be found on the CMP286/CMP287 modification page.

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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
DUoS	Distribution Use Of System
EBR	Electricity Balancing Guideline
ESO	Electricity System Operator
HH	Half Hourly
NHH	Non - Half Hourly
STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System

Reference material

None

Annexes

Annex	Information
Annex 1	CMP286 and CMP287 Proposal form
Annex 2	Terms of Reference
Annex 3	CMP287 1st Workgroup Consultation
Annex 4	CMP287 1st Workgroup Consultation Responses
Annex 5	Request for Information 31 May 2018 – results of analysis
Annex 6	Proposer's Analysis to demonstrate TNUoS volatility