

# Special CUSC Panel Minutes: 14 September 2021

## CUSC Panel Minutes: Meeting Number 284

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| <b>Date:</b> 14/09/2021 | <b>Location:</b> Microsoft Teams Meeting |
| <b>Start:</b> 3:00pm    | <b>End:</b> 4:00pm                       |

## Participants

| Attendee       | Initials | Company  |
|----------------|----------|--|
| David Wildash  | DW       | Code Administrator Independent Panel Chair (Alternative)   |
| Paul Mullen    | PM       | Code Administrator, National Grid Electricity System Operator                                    |
| Rachel Beaufoy | RB       | Technical Secretary, Code Administrator, National Grid Electricity System Operator (Alternative) |
| Jon Wisdom     | JW       | National Grid Electricity System Operator  |
| Grace March    | GM       | Users' Panel Member  |
| Joseph Dunn    | JD       | Users' Panel Member  |
| Paul Jones     | PJ       | Users' Panel Member  |
| Mark Duffield  | MD       | Users' Panel Member  |
| Hilary Algert  | HA       | Authority Representative   |
| Andy Pace      | AP       | Users' Panel Member  |
| Paul Mott      | PMO      | Users' Panel Member  |

|                  |                 |   |
|------------------|-----------------|---|
| Garth Graham     | GG              | Users' Panel Member   |
| Cem Suleyman     | CS              | Users' Panel Member   |
| Nick Rubin       | NR              | ELEXON – Observer (Alternate)   |
| <b>Apologies</b> | <b>Initials</b> | <b>Company</b>  |
| Trisha McAuley   | TA              | Independent Panel Chair   |
| Ren Walker       | RW              | Technical Secretary, Code Administrator,<br>National Grid Electricity System Operator |
| Jeremy Caplin    | JC              | ELEXON – Observer   |
| Andrew Enzor     | AE              | Users' Panel Member (Alternate)   |
| Nadir Hafeez     | NH              | Authority Representative  |

### 1. Introductions and Apologies for Absence

11042. Apologies were received from Trisha McAuley and Ren Walker.

### 2. Approval of Minutes

11043. The Panel approved the minutes from the CUSC Panel on 30 July 2021 and the Special CUSC Panel on 6 August 2021.

### 3. Draft Final Modification Reports

#### **CMP308 'Removal of BSUoS charges from Generation'**

11044. PM delivered a presentation on CMP308. PM explained that CMP308 seeks to modify the CUSC to better align GB market arrangements with those prevalent within other EU member states. This will deliver more effective competition and trade across the EU and so deliver benefits to all end consumers. It is proposed that liability to pay Balancing Services Use of System (BSUoS) charges, which are currently charged to all liable CUSC parties on a non-locational MWh basis, is removed from GB Generators. The Second Balancing Services Charges Task Force has now recommended that BSUoS should be paid by Final Demand which would be achieved by this proposal with an implementation date of 1 April 2023.

11045. PM stated that the Workgroup held their first Workgroup Consultation between 5 April 2019 and 8 May 2019 and received 20 responses. PM explained that a second Workgroup Consultation was required as a result of developments since the first Workgroup Consultation and changes to the Terms of Reference.

11046. The second consultation was held between 1 and 26 April 2021 and received 11 responses. The Workgroup held their vote on 15 July 2021 and concluded by majority (10 out of 11 votes) that the Original better facilitated the Applicable Objectives than the Baseline (the current CUSC). The CUSC Panel unanimously agreed that the CMP308 had met its Terms of Reference and could proceed to Code Administrator Consultation.

11047. The Code Administrator Consultation was issued on 2 August 2021 and closed at 5pm on 31 August 2021. 14 non-confidential responses and 1 confidential response received. The key themes were:

- The majority of respondents (11 out of 14) were supportive of the change primarily as this will provide a more level playing field for GB generators when compared with their EU counterparts and removing the distortion in the wholesale market would ensure more effective competition which is in consumers' interests;
- The majority of respondents (10 out of 14) supported implementation of 1 April 2023 as provides sufficient notice for impacted parties and industry expectation is that this will be implemented on 1 April 2023. Majority of respondents (10 out of 14) noted the interactions that CMP308 has with the proposed change to move to a fixed ex-ante charge (CMP361) and Ofgem's price cap methodology. Some of these respondents argued that CMP361 and updating the Ofgem's price cap methodology should be implemented at the same time as CMP308 to realise the full benefits of CMP308 and reduce risk for suppliers in particular with one respondent raising the concern that CMP308 could create windfall gains for GB Generators if implemented too quickly. However, some respondents were keen that CMP308 is implemented on 1 April 2023 regardless;
- One respondent identified a potential future change to extend the CMP308 solution to include behind the meter generation by removing the final BSUoS Embedded Benefit and aligning final demand with final consumption; and
- No changes to the legal text were proposed.

11048. The CUSC Panel recommended unanimously that the Original better facilitated the CUSC Objectives than current CUSC. (***Post Meeting Note: Final Modification Report was issued to Ofgem on 23 September 2021.***)

**CMP368 & CMP369 'Updating Charges for the Physical Assets Required for Connection, Generation Output and Generator charges for the purpose of maintaining compliance with the Limiting Regulation & 'Consequential changes to Section 14 of the CUSC'**

11049. PM delivered a presentation on CMP368 & CMP369. PM explained that CMP368 has been raised to give effect to the Authority determination within the CMP317/327 decision published on the 17 December 2020 to amend the definition of Assets Required for Connection, create new definitions of 'GB Generation Output' and define Generator charges for use in the Limiting Regulation range calculation. CMP369 proposes to update the legal text relating to 'Generation Output' detailed in the tariff setting methodology within Section 14.14.5 and the Ex-Post Reconciliation within Section 14.17.37 of the CUSC to align with the updated definitions introduced by CMP368. It also proposes to update the GCharge element within the legal text to align with the definitions introduced via CMP368 to facilitate the removal of 'Large Distributed Generators' charges from the compliance calculation as directed by the Authority.

11050. PM stated that the Workgroup Consultation was held between 11 June 2021 and 2 July 2021, with ten non-confidential responses received. PM advised that 19 Workgroup Alternative CUSC Modifications were brought forward by the Workgroup for CMP368 and no WACMs were brought forward for CMP369. All of the WACMs refer to Distributed

Generators / Embedded Generators rather than Large Distributed Generators as per Ofgem's Direction. This is because the Access and Forward-Looking Charges (AFLC) Significant Code Review (SCR) proposed that Distributed Generation, more than or equal to 1 MW should be captured as being liable for TNUOS after its implementation date. Therefore, Workgroup members felt it was not necessary to make a distinction.

11051. PM explained that the WACMs are combinations of the following elements:

- Whether to **include the volumes and charges, exclude the volumes and charges** or **exclude the volumes only** associated Distributed Generators in/from the compliance calculation.
- Whether to **include** or **exclude** demand transmission charges paid by generators (previously referred to as Station Demand in the Workgroup Consultation) in/from the compliance calculation.
- What the **appropriate timestamp** should be for determining Pre-Existing Assets.
- What constitutes as a **sufficient level of 'interconnectedness'** for charges associated with assets to not fall within the Connection Exclusion.

11052. The Workgroup Vote took place on 28 July 2021. PM advised that for CMP368, the Workgroup by majority concluded that the Original, WACM7, WACM17, WACM18 and WACM19 better facilitated the applicable objectives than the current CUSC. For CMP369 the Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

11053. The Panel unanimously approved that the Terms of Reference have been met and agreed for CMP368/369 to proceed to Code Administrator Consultation.

11054. PM advised the Panel that the Code Administrator Consultation was issued on 10 August 2021 and closed at 5pm on 1 September 2021. 7 responses were received with all of these being non-confidential. The key themes were:

- Respondents largely echoed comments raised in the Workgroup meetings and Workgroup consultation.
- Views were mixed on which of the proposed solutions better facilitate the applicable objectives. There was support shown for the Original and WACMs 6, 17, 18 and 19. One respondent highlighted that there is insufficient data and analysis to assess the impact of each WACM.
- One respondent voiced their concerns about the level of transparency and subjectivity in the Connection Exclusion calculation in the Original Proposal in particular.
- One respondent suggested that the Authority should consider extending the period of implementation and provide sufficient time for the Non Pre-Existing Assets / Pre-Existing Assets local asset definitions process to be applied and reviewed to ensure consistency and accuracy.
- The Proposer in their response noted that leave has been granted for a judicial review of the CMA decision on the Ofgem December 2020 CMP317/327 decision, and the proceedings may potentially impact the CMP368 decision date. If a delay to the decision as a result of the JR were to materialise, NGENSO would endeavour to ensure implementation could still occur by April 2022; and

- The Proposer highlighted in their response that at CUSC Panel it was asked what potential impacts CMP368 might have on consumers. Initial analysis by NGENSO suggests that the combined impact of the proposed changes to include in the assessment of compliance pre-existing assets and to remove Large Embedded Generation from the calculation, would have a net effect in the region of -£8m to +£12m in relation to an overall compliance value of circa £350m for the 2022/23 charging year.

11055. The CUSC Panel recommended by majority that the CMP368 Original, WACM4, WACM7, WACM8, WACM11, WACM14 and WACM17 better facilitated the CUSC Objectives than the current CUSC and CMP369 recommended unanimously that the Original better facilitated the CUSC Objectives than the current CUSC. ***(Post Meeting Note: Final Modification Report was issued to Ofgem on 23 September 2021).***

#### 4. AOB

11056. A Panel member asked when the CUSC Elections Results will be published. PM stated that they would be published to Panel on 15 September 2021 (am) and to industry (including the CUSC Elections Report) on 15 September 2021 (pm).

**The next CUSC Panel meeting will be held on Friday 24 September 2021.**