Draft Final Modification Report

CMP388: Transmission Demand Residual (TDR) minor clarifications

Overview: Ofgem's recent decisions on CUSC modifications CMP335/336 and CMP340/343 contained several small changes/clarifications that would be beneficial in addition to some identified by the ESO. This proposal seeks implement these clarifications.

Modification process & timetable

1. **Proposal Form** — 12 April 2022
2. **Workgroup Consultation** — n/a
3. **Workgroup Report** — n/a
4. **Code Administrator Consultation** — 06 May 2022 – 27 May 2022
5. **Draft Final Modification Report** — 16 June 2022
6. **Final Modification Report** — 06 July 2022
7. **Implementation** — 01 April 2023

Have 5 minutes? Read our Executive summary
Have 20 minutes? Read the full Draft Final Modification Report
Have 30 minutes? Read the full Draft 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 will meet on 24 June 2022 to carry out their recommendation vote.

This modification is expected to have a: Low Impact on ESO, Suppliers, Transmission Connect Demand Sites

Governance route	Standard Governance modification to proceed to Code Administrator Consultation	
Who can I talk to about the change?	**Proposer:** Grahame Neale Grahame.Neale@nationalgrideso.com 07787 261242	**Code Administrator Contact:** Paul Mullen Paul.j.mullen@nationalgrideso.com 07794 537028

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What is the issue?

On 10 March 2022, Ofgem published their decisions on the CUSC modifications (CMP335/6 and CMP340/3[1]) which implement the TNUoS Demand Residual (TDR) changes as a result of the Targeted Charging Review (TCR). As part of their decisions, Ofgem highlighted a number of small changes/clarifications that would be beneficial; this modification is part of a suite of CUSC modifications to implement these improvements.

This modification looks to specifically clarify.

1. How consumption data will be used and how long it will be valid for in paragraphs 14.15.137 to 14.15.139.
2. That paragraphs 14.15.143 2(i) and 14.15.143 2(ii) both relate to consumption data and what is meant by 'latest' data.
3. A mean average will be used for 14.15.143 2(ii)
4. Correct a reference in 14.15.150

In addition, Ofgem's CMP336 decision stated.

"In order to fully discharge the terms of the TCR Direction, we expect NGESO to raise a new modification proposal to address our concerns regarding the data used to allocate sites with less than 12 months of consumption data to a charging band, and think such a proposal should be raised in a timely fashion to allow for implementation from April 2023. The proposal should "make use of such information as is available to best estimate the expected usage of the consumer" as specified in the TCR Direction, to help ensure the consistent treatment of new transmission-connected sites with those connected at distribution voltages."

This proposal also seeks to add this clarity in to paragraph 14.15.132 2(iii)

Finally, at November 2021's Transmission Charging Methodologies Forum (TCMF), ESO suggested several minor changes[2] to the CUSC to further clarify some of the same legal text.

Why change?

The rationale for the Decision(s) made by the Authority in respect of the Targeted Charging Review (TCR) and the related CUSC modifications can be found in the Ofgem/GEMA (Gas and Electricity Markets Authority) publications relating to the TCR and the CUSC modifications.

This modification looks to provide additional clarity and certainty to industry of exactly what data will be used in the processes to determine tariffs (under the approved methodology developed by CMP343)

[1] https://www.ofgem.gov.uk/cy/publications/decision-cmp343
[2] https://www.nationalgrideso.com/document/222816/download - slide 26 to 35

What is the Proposer's solution?

It is proposed that the CUSC is updated with the changes shown below in red text.

For completeness, the baseline text below is what was approved by Ofgem under CMP343 or CMP336 but this text is yet to be implemented in to the CUSC.

Legal text

14.15.137

To produce the **Transmission Demand Residual Tariffs** a set of **Charging Bands** are to be created for each of the **Residual Charging Groups** using the following methodology.

(a) For domestic **Final Demand Sites** whether connected to the **Distribution** system or **Transmission** system there will be one **Charging Band** and;

(b) For non-domestic **Final Demand Sites** connected to the **Distribution** system there will be four **Charging Bands** for each of the **Residual Charging Groups** according to the methodology introduced to Schedule 32 of the **DCUSA** via DCUSA modification DCP358 and entitled 'RESIDUAL CHARGING BANDS' with boundaries set at the 40th, 70th and 85th percentiles and;

(c) For **Final Demand Sites** directly connected to the **Transmission** system there will be four **Charging Bands** using the latest 24 months of gross **Consumption** data (from the **Final Reconciliation Settlement Run** or **Reconciliation Settlement Run**) with boundaries set at the 40th, 70th and 85th percentiles and;

(d) For **Unmetered Supplies** there will be one **Charging Band.**

14.15.138 These **Charging Bands** will be reviewed by **The Company** in the same timeframes as the 'Banding Agent' described in Section 3 of Schedule 32 of the **DCUSA** and be implemented effective from the beginning of each **Onshore Transmission Owner** price control period.

Domestic **Final Demand Sites**	
LV No Mic	Band 1 (≤40th percentile)
	Band 2 (>40th percentile – 70th percentile)
	Band 3 (>70th percentile – 85th percentile)
	Band 4 (>85th percentile)
LV MIC	Band 1 (≤40th percentile)
	Band 2 (>40th percentile – 70th percentile)
	Band 3 (>70th percentile – 85th percentile)
	Band 4 (>85th percentile)
HV	Band 1 (≤40th percentile)
	Band 2 (>40th percentile – 70th percentile)
	Band 3 (>70th percentile – 85th percentile)
	Band 4 (>85th percentile)
EHV	Band 1 (≤40th percentile)
	Band 2 (>40th percentile – 70th percentile)
	Band 3 (>70th percentile – 85th percentile)
	Band 4 (>85th percentile)
	Band 1 (≤40th percentile)

Directly Connected Users Final Demand Sites	Band 2 (>40th percentile – 70th percentile)
	Band 3 (>70th percentile – 85th percentile)
	Band 4 (>85th percentile)
Unmetered Supplies	

Transmission Demand Residual Tariff Setting

14.15.139 The **Transmission Demand Residual Tariffs** are derived from the **Transmission Demand Residual** value calculated in 14.15.136 and the total aggregate annual consumption of all **Final Demand Sites** and **Unmetered Supplies**.

14.15.143 ~~In~~ **Charging Bands** that are determined in accordance with 14.15.137, **Final Demand Sites** and **Unmetered Supplies** will be allocated to **Charging Bands** as follows;

1. For **Embedded Final Demand Sites** and **Unmetered Supplies**, **Users** who own or operate a **Distribution System** shall allocate **Embedded Final Demand Sites** and **Unmetered Supplies** to **Charging Bands** for their respective network as per the methodology described in 14.15.147
2. For **Final Demand Sites** connected to the **NETS**, the following hierarchy will apply, starting at (i) and progressing to (iv) to determine the correct **Charging Band** as created in 14.15.137;

i. Where available, the mean average of the latest 24 months **Consumption** data for the specific **Final Demand Site** shall be used.

Where this is not available, in terms of (ii), (iii) and (~~ii~~iv);

ii. The mean average of as much **Consumption** data as is available for the specific **Final Demand Site**, or;

~~ii.~~iii. **The Company** making use of any valid information as is available or made available to best estimate the expected **Consumption** of the **Final Demand Site**, or;

~~iii.~~iv. Should no data or information be available for the specific **Final Demand Site**, a 12 month mean average of all **Consumption** from all **NETS** connected **Final Demand Sites** shall be used.

14.15.150 Any changes to **Transmission Network Use of System Demand Charges** as a result of an intervention (as described in 14.15.~~153~~147) shall be collected or refunded (as appropriate) to the affected party through the reconciliation process described in 14.25.

14.17.29 Throughout the year, **Users**' monthly demand charges will be based on;

a. ~~-~~For **HH Charges** ~~T~~the **User's Demand Forecast** half-hourly metered embedded export to be supplied during the Triad for each BM Unit, multiplied by the relevant zonal £/kW tariff; and where this results in a positive value the **User's Demand Forecast** half hourly metered embedded export to be supplied during the Triad for each **BM Unit**, multiplied by the relevant zonal £/kW tariff.

b. For **NHH Charges** the **User's Demand Forecast** non-half hourly metered energy to be supplied over the period 16:00 hrs to 19:00 hrs inclusive every day over the **Financial Year** for each **BM Unit**, multiplied by the relevant zonal p/kWh tariff.

~~a. which will consist of:~~

- ~~half-hourly metered embedded export to be supplied during the Triad for each BM Unit, multiplied by the relevant zonal £/kW tariff; and~~
- ~~non-half hourly metered energy to be supplied over the period 16:00 hrs to 19:00 hrs inclusive every day over the Financial Year for each BM Unit, multiplied by the relevant zonal p/kWh tariff~~

~~b.~~c. The **Final Demand Site Count Forecast** for the latest day (that **The Company** has data available for) multiplied by the relevant £/Site/Day **Transmission Demand Residual Tariff** for the relevant **Charging Band**.

~~c.~~d. the **Unmetered Supply Volume Forecast** for the latest day (that **The Company** has data available for) multiplied by the UMS Tariff.

Users' annual TNUoS demand charges are based on these forecasts with the **Demand Forecast** split evenly over the 12 months of the year. Users have the opportunity to vary their **Demand Forecasts** on a quarterly basis over the course of the year, with the **Demand Forecast** requested in February relating to the next Financial Year. **Users** will be notified of the timescales and process for each of the quarterly updates. **The Company** will revise the monthly **Transmission Network Use of System Demand Charges** by calculating the annual charge based on the above forecasts, subtracting the amount paid to date, and splitting the remainder evenly over the remaining months. For the avoidance of doubt, only positive **Demand Forecasts** (i.e. representing a net import from the system), positive **FDSC Forecast** and positive **Unmetered Supply Volume Forecast** will be used in the calculation of charges.

Demand Forecasts for a **User** will be considered positive where:

- The sum of the gross demand forecast and embedded export forecast is positive; and
- The non-half hourly metered energy forecast is positive.

Initial Reconciliation of demand charges

14.17.25 The initial reconciliation process compares Users' demand forecasts, **The Company's FDSC Forecast** and **Unmetered Supply Volume Forecast** ~~to the~~and corresponding monthly charges paid over the year against actual outturn data (using latest Settlement data available at the time) and corresponding charges. Initial reconciliation is carried out in three parts; Initial Reconciliation Part 1 deals with the reconciliation of half-hourly metered demand charges, Initial Reconciliation Part 2 deals with the reconciliation of non-half-hourly metered demand charges and Initial Reconciliation Part 3 deals with the reconciliation of **Transmission Demand Residual** charges.

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	**Neutral**

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);	
(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 *; and	**Neutral**
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Positive** These clarifications will provide greater certainty and transparency regarding the methodology.
*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

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	**Positive**

	Clarity will provide better visibility to Suppliers of how Final Demand Sites will be charged and so enable Suppliers to provide better service to their customers.

Code Administrator Consultation summary

The Code Administrator Consultation was issued on the 6 May 2022 and closed on 27 May 2022 and received 2 non-confidential responses. The full responses can be found in Annex 2. In summary, both respondents were supportive of the change and implementation date. One of these respondents asked that any decision on CMP388 is made at the same time as CMP389.

Panel Recommendation Vote

The Panel will meet on 24 June 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						
Voting Statement						

Panel Member: **Andy Pace**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original						
Voting Statement						

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						
Voting Statement						

Panel Member: **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						
Voting Statement						

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						
Voting Statement						

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						
Voting Statement						

Panel Member: **Joe Dunn**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original						
Voting Statement						

Panel Member: **Karen Thompson – Lilley**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original						
Voting Statement						

Panel Member: **Paul Jones**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original						
Voting Statement						

Vote 2 – Which option is the best?

Panel Member	BEST Option?	Which objectives does this option better facilitate? (If baseline not applicable).
Andrew Enzor		
Andy Pace		
Binoy Dharsi		
Cem Suleyman		
Garth Graham		
Grace March		
Joe Dunn		
Karen Thompson – Lilley		
Paul Jones		

Panel conclusion
To be updated following the recommendation vote on 24 June 2022.

When will this change take place?

Implementation date
1 April 2023

Date decision required by
31 December 2022 for use in publishing final tariffs for April 2023; however, a decision by 1 October 2022 is preferred so it can be considered in draft tariffs for April 2023.

Implementation approach
To align with implementation of CMP336 and CMP343

Interactions

☐Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[3]	☐Other modifications	☐Other

No impact on other industry codes is expected

[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 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.

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
GEMA	Gas and Electricity Markets Authority
TCR	Targeted Charging Review
TDR	Transmission Demand Residual

Reference material

- CMP335/336 - https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp335cmp336
- CMP340/343 - https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp343-and-cmp340

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Code Administrator Consultation Responses