



Meeting 125

7 July 2022

**Transmission Charging
Methodologies Forum and
CUSC Issues Steering Group**

nationalgridESO

Agenda

- | | | |
|---|---|---------------|
| 1 | Introduction, meeting objectives and review of previous actions Claire Huxley - NGESO | 10:30 - 10:35 |
| 2 | Code Administrator update Paul Mullen - Code Administrator NGESO | 10:35 - 10:45 |
| 3 | CMP330/374 Neil Dewar - NGESO | 10:45 - 10:50 |
| 4 | CMP390 Naomi De Silva - NGESO | 10:50 - 10:55 |
| 5 | BSUoS Indexation modification in CUSC Harvey Takhar - NGESO | 10:55 - 11:05 |
| 6 | Demand Credits – Storage Damian Clough - SSE | 11:05 - 11:35 |
| 7 | Offshore Transmission Network Review (OTNR): Offshore Co-ordination Update Nitin Prajapati - NGESO | 11:35 - 11:55 |
| 8 | Enabling Early Competition Commercial Code Modification Plan Gareth Stanley - NGESO | 11:55 - 12:10 |
| 9 | AOB and Meeting Close Claire Huxley- NGESO | 12:10 - 12:25 |

Review of previous actions

| ID | Month | Agenda Item | Description | Owner | Notes | Target Date | Status |
|------|---------|--|--|-----------------|---|-------------|--------|
| 22-3 | May 22 | AOB | Advise on the training sessions for 'TNUoS Transport & Tariff Model' | Matthew Wootton | In the process of pre-recording training material to publish on the website Smaller drop-in sessions will be offered soon. | June | Open |
| 22-4 | May 22 | BSUoS and TNUoS Declaration update | Feedback on declarations | Grahame Neale | | July | Open |
| 22-5 | June 22 | BP2 Submission and Consultation update | Confirm impact on costs of reworking costs by expanding 'Role in Europe' as a new activity | Amy Brooks | This has been fed-back to the business through the BP2 consultation process and is currently being reviewed – a response will be included within the stakeholder annex when the final BP2 is submitted to Ofgem at the end of August. | July | Open |

Review of previous actions

| ID | Month | Agenda Item | Description | Owner | Notes | Target Date | Status |
|------|---------|--|---|------------|---|-------------|--------|
| 22-6 | June 22 | BP2 Submission and Consultation update | Confirm which markets are being monitored within 'Market Monitoring' new activity and availability of regular reports | Amy Brooks | <p>1.The markets being monitored by the new team are Balancing Services markets (please see pages 51 and 52 of draft BP2 for further information)</p> <p>2.The availability of regular reports has been fed-back to the business through the BP2 consultation process and is currently being reviewed – a response will be detailed within the stakeholder annex when the final BP2 is submitted to Ofgem at the end of August.</p> | July | Open |
| 22-7 | June 22 | BP2 Submission and Consultation update | Confirm page numbers on the BP2 documentation for new activity and clarify what additional work for 'system restoration' and 'market wide half hourly settlement' is covered within the new deliverable | Amy Brooks | Pages 72 and 73 of the draft BP2 gives further details with regards to the new deliverables: D6.1.3 Enable zero carbon operation - System Restoration and D6.1.6 Support Market Wide Half Hourly Settlement | July | Open |
| 22-8 | June 22 | BP2 Submission and Consultation update | Confirm whether BP2 consultation responses will be shared with Ofgem in full. | Amy Brooks | We plan to share the BP2 consultation responses with Ofgem. We will be writing to stakeholders who responded to confirm they are comfortable with the publication of their responses. | July | Open |

Code Administrator update

Paul Mullen - Code Administrator



Authority Decisions Summary (as at 4 July 2022)

Authority decisions since last TCMF

| Modification | What this seeks to achieve | Decision |
|---------------|---|---|
| CMP300 | Cost reflective Response Energy Payment for Generators with low or negative marginal costs as a consequence of having a Contract for Difference (“CfD”) | Decision received 24 June 2022 approving CMP300 WACM1, which allows fuelled CfD Balancing Mechanism Units a one-off choice to either set the Response Energy Payment (REP) they face at zero or, alternatively, set the REP at the prevailing Market Index Price. To be implemented on 8 July 2022. |
| CMP371 | Allow Proposers to raise one CUSC Modification Proposal to seek changes to both charging and non-charging provisions within CUSC | Rejected 10 June 2022 as Ofgem decided that CUSC would less closely align with the ESO’s obligations under their Electricity Transmission Licence if CMP371 is implemented. |
| CMP391 | Definition of “Charges for Physical Assets Required for Connection” which reflects the Limiting Regulation | Decision received 31 May 2022 approving CMP391 Original. Implemented 1 June 2022. |
| CMP392 | Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation | Ofgem (on 7 June 2022) decided that CMP392 should not be progressed on an urgent basis |

Authority Decisions Summary (as at 4 July 2022)

On 4 May 2021 (last updated 22 June 2022), Ofgem published a table that provides the expected decision date, or date they intend to publish an impact assessment or consultation, for code modifications/proposals that are with them for decision [here](#)

| Modification | What this seeks to achieve | Decision |
|---------------|--|--|
| CMP292 | Introduces a cut-off date for changes to the Charging Methodologies | TBC in 2022 - Ofgem still consider this to be low priority. |
| CMP298 | Process for aggregated assessment of Distributed Generators that impact (or may impact) on the National Electricity Transmission System. | 30 November 2022 |
| CMP328 | Establish the process when any connection triggers a Distribution impact assessment. | 30 November 2022 - The Final Modification Report for the associated STC change (CM078) was issued to Ofgem on 7 June 2022. |
| CMP361/CMP362 | Introduce an ex-ante fixed volumetric BSUoS tariff set over a total fix and notice period of 14 months (CMP361) and introduce and update required definitions into CUSC section 11 from CMP308 and CMP361 (CMP362) | 26 August 2022 (minded to decision consultation to be raised ahead of this) |

In Flight Modification Updates



Other key Modification Updates as of 4 July 2022

| Modification | What this does? | Latest |
|-------------------|--|---|
| CMP286/287 | Seeks increased notice of the Target Revenue (CMP286) and inputs (CMP287) used in the TNUoS Tariff Setting Process | Workgroup Report planned to be presented to July 2022 Panel but currently at risk |
| CMP288/289 | Explicit charging arrangements for customer delays and backfeeds iro transmission connections | <p>CMP288 Code Administrator Consultation opened 27 June 2022 and closes 5pm on 18 July 2022</p> <p>CMP289 withdrawn as no solution needed for CMP289 following the deliberations on CMP288</p> |
| CMP304 | Enable reforms to commercial Reactive Power services | Workgroup to be held 14 July 2022 at which it will be confirmed if Workgroup Report can be presented to Panel in July 2022 or a delay will be sought to August 2022. |
| CMP315/375 | Reviewing the calculation of the Expansion Constant & Expansion Factors. | Workgroup Report will be presented to September 2022 rather than July 2022 Panel – approved at June 2022 Panel. |
| CMP330/374 | Allowing new Transmission Connected parties to build Connection Assets | Workgroup Meeting held 27 June 2022 at which a revised timeline was agreed to allow sufficient time to finalise the legal text, original solution and any alternatives. Workgroup Report will be presented to October 2022 Panel - timeline to be presented to July 2022 Panel. |

Other key Modification Updates as of 4 July 2022

| Modification | What this does? | Latest |
|-------------------|---|--|
| CMP363/364 | TNUoS Demand Residual charges for transmission connected sites with a mix of Final and non-Final Demand (CMP363) and definition changes (CMP364) | CUSC Panel on 27 May 2022 agreed that a further scenario needs to be explored before the Workgroup Report can be signed off. This is specifically the metering solution for a site with generation and / or substantial on-site consumption or storage to demonstrate that it is technically feasible to apply CMP363 at such generation and storage sites. Still under consideration. |
| CMP379 | Determining TNUoS demand zones for transmission-connected demand at sites with multiple Distribution Network Operators | Workgroups to start on 22 July 2022. |
| CMP385 | Review of CUSC Section 15 (User Commitment) | Proposer to further develop CMP385 before presenting this and/or additional Modifications to a subsequent meeting of the CUSC Panel. |
| CMP388 | Transmission Demand Residual (TDR) minor clarifications | Final Modification Report to be sent to Ofgem 6 July 2022 |
| CMP389 | Changes related to Transmission Demand Residual (TDR) band boundaries | Final Modification Report to be sent to Ofgem 6 July 2022 |
| CMP390 | Updating Connection application forms to enable disclosure of information to government for purposes of the National Security and Investment (NSI) Act 2021 | Final Modification Report to be sent to Ofgem 6 July 2022 |

Other key Modification Updates as of 4 July 2022

| Modification | What this does? | Latest |
|---------------|---|--|
| CMP392 | TNUoS Methodology in accordance with the Limiting Regulation | Placed as “Medium” in prioritisation stack. Workgroups to commence from 9 August 2022 |
| CMP393 | Alter the definition of Annual Load Factor with respect to electricity storage, taking into account imports as well as exports. | Placed as “Medium” in prioritisation stack. Workgroups to commence from 2 September 2022 – same day as CMP394. |
| CMP394 | Exempt electricity storage assets in positive Transmission Network Use of System zones from payment of generation charges. | Placed as “Medium” in prioritisation stack. Workgroups to commence from 2 September 2022 – same day as CMP393. |

For updates on all “live” Modifications please visit our “Modification Tracker” [here](#)

2022 Dates

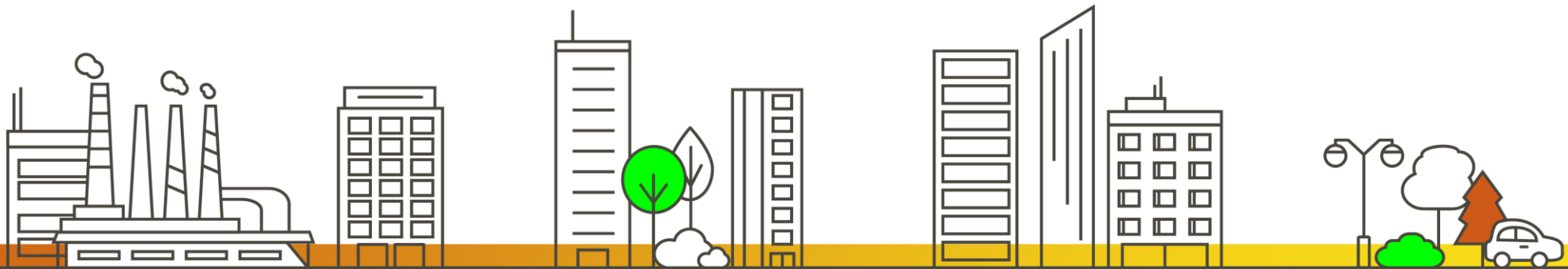


CUSC 2022 - Panel dates

| CUSC | (TCMF) CUSC Development Forum | Modification Submission Date | Papers Day | Panel Dates |
|-----------|-------------------------------|--|------------|---------------------------|
| January | 6 | 11 | 18 | 26 |
| February | 3 | 10 | 17 | 25 |
| March | 3 | 10 | 17 | 25 |
| April | 7 | 12 (Taking Bank holidays into account) | 21 | 29 (Face to Face Meeting) |
| May | 5 | 12 | 19 | 27 |
| June | 31/05 (2nd is bank holiday) | 9 | 16 | 24 |
| July | 7 | 14 | 21 | 29 (Face to Face Meeting) |
| August | 4 | 11 | 18 | 26 |
| September | 8 | 15 | 22 | 30 |
| October | 6 | 13 | 20 | 28 (Face to Face Meeting) |
| November | 3 | 10 | 17 | 25 |
| December | 24/11 | 1 | 8 | 16 |

CMP330/374 verbal update

Neil Dewar - NGESO



CMP390

Naomi De Silva - NGENSO



CMP390

Updating application forms to enable disclosure of information to government for purposes of the National Security and Investment (NSI) Act 2021

Purpose of the mod

- The [National Security and Investment \(NSI\) Act 2021](#) enables Government to scrutinise the acquisition of rights in entities and assets and intervene where there is a risk to national security.
- This modification seeks to amend the CUSC application forms to recognise and provide consent to ESO sharing information about the applicant with Government. Currently, the ESO is bound by confidentiality agreements in the CUSC.
- This enables BEIS to carry out any initial national security checks in line with the NSI Act and identify any issues at an early opportunity.
- Not all applications will need to be shared as it is expected thresholds will be agreed with BEIS
- It will only impact new applications after the implementation date and will not impact users who are currently connected or have a current connection agreement

Modification Update

- Modification has now gone to OFGEM for a decision.

CMP390

Proposed Solution - Legal Text Changes

The following CUSC application forms will require legal text changes to recognise and provide consent to ESO sharing information about the applicant with the Government.

- CUSC Exhibit B – Connection Application
- CUSC Exhibit D – BEGA Application
- CUSC Exhibit I – Modification Application

Legal text changes are set out in further detail in the Appendix

Process Impact

No changes to the information or content on the application forms for parties. The updates enable sharing info with govt so that govt has early sight and can address any concerns with the applicant

BEIS have published guidance for parties regarding the obligation and circumstances for mandatory notification for certain transactions and are due to publish further guidance on the voluntary process soon. Note that connection applications fall within the category of voluntary notifications. There is ability for BEIS to call in if there are concerns. The modification is intended to help this process establish if there are concerns early in the connection offer process.

[Link to information on mandatory process.](#)

Appendix – Legal Text Detail

CMP390

Legal Text Changes: CUSC – Exhibit B

Notes: 8. is now 8(a) and 8(b) has been added as follows:

8. In the course of processing the application it may be necessary:

- (a) for The Company to consult the appropriate Public Distribution System Operator(s) on matters of technical compatibility of the National Electricity Transmission System with their Distribution System(s) or to consult the Relevant Transmission Licensees to establish the works required on the National Electricity Transmission System or to release information to The Authority in accordance with the Transmission Licence. On grounds of commercial confidentiality The Company shall need authorisation for the release to the Public Distribution System Operator(s) or Relevant Transmission Licensees or The Authority of certain information contained in the application. Any costs incurred by The Company in consulting the Public Distribution System Operator(s) or Relevant Transmission Licensees would be included in The Company Charges for the application. If it is found by the Public Distribution System Operator(s) that any work is required on their Distribution System(s) (except in the case of an Application for a New Connection Site located in Offshore Waters), then it will be for the Public Distribution System Operator(s) and the Applicant to reach agreement in accordance with Paragraph 6.10.3 of the CUSC; or
- (b) for The Company to share with the relevant Competent Authority information from the application relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

CMP390

Legal Text Changes: CUSC – Exhibit B

Connection Application: 4. now states:

4. We authorise the release of certain information, on the grounds of commercial confidentiality, (a) to the appropriate Public Distribution System Operator(s) or to the Relevant Transmission Licensee, or to the Authority in order to comply with The Company's obligations with respect to the Offshore Tender Process, should it be considered necessary and (b) to the relevant Competent Authority relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

CMP390

Legal Text Changes: CUSC – Exhibit D

Notes: 8. is now 8(a) and 8(b) has been added as follows:

8. In the course of processing your application, it may be necessary:

- (a) for The Company to consult the appropriate Public Distribution System Operator(s) on matters of technical compatibility of the National Electricity Transmission System with their Distribution System(s) or to consult the Relevant Transmission Licensees to establish the works required on the National Electricity Transmission System. On grounds of commercial confidentiality The Company shall need your authorisation to the release to the Public Distribution System Operator(s) or the Relevant Transmission Licensees of certain information contained in your application. Any costs incurred by The Company in consulting the Public Distribution System Operator(s) or Relevant Transmission Licensees would be included in The Company Charges for the application. If it is found by the Public Distribution System Operator(s) that any work is required on their Distribution System(s), then it will be for the Public Distribution System Operator(s) and the Applicant to reach agreement in accordance with Paragraph 6.10.3 of the CUSC; **or**
- (b) for The Company to share with the relevant Competent Authority information from the application relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

CMP390

Legal Text Changes: CUSC – Exhibit D

Use of System Application. 4. now states:

4. We authorise the release of certain information, on the grounds of commercial confidentiality, (a) to the appropriate Public Distribution System Operator(s) or Relevant Transmission Licensees should it be considered necessary and (b) to the relevant Competent Authority relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

CMP390

Legal Text Changes: CUSC – Exhibit I

Notes: 8. is now 8(a) and 8(b) has been added as follows:

8. In the course of processing the application, it may be necessary:

- (a) for The Company to consult the appropriate Public Distribution System Operator(s) on matters of technical compatibility of the National Electricity Transmission System with their Distribution System(s) or to consult the Relevant Transmission Licensees to establish the works required on the National Electricity Transmission System. On grounds of commercial confidentiality, The Company shall need authorisation for the release to the Public Distribution System Operator(s) or Relevant Transmission Licensees of certain information contained in your application. Any costs incurred by The Company in consulting the Public Distribution System Operator(s) or Relevant Transmission Licensees would be included in The Company charges for the application. If it is found by the Public Distribution System Operator(s) that any work is required on their Distribution System(s), then it will be for the Public Distribution System Operator(s) and the Applicant to reach agreement in accordance with Paragraph 6.10.3 of the CUSC; **or**
- (b) for The Company to share with the relevant Competent Authority information from the application relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

CMP390

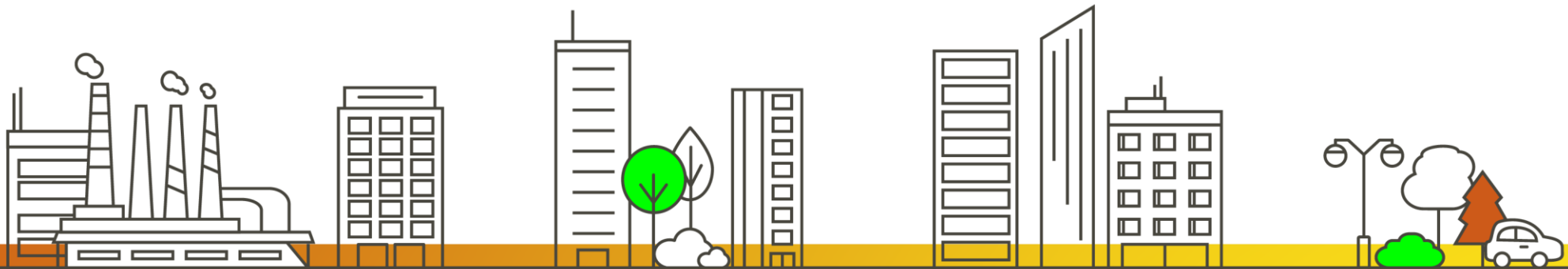
Legal Text Changes: CUSC – Exhibit I

Modification Application. 4. now states:

4. We authorise the release of certain information, on the grounds of commercial confidentiality, (a) to the appropriate Public Distribution System Operator(s) or Relevant Transmission Licensees should it be considered necessary and (b) to the relevant Competent Authority relevant in the consideration of control of qualifying assets under (and as defined in) the National Security and Investment Act 2021.

BSUoS Indexation modification in CUSC

Harvey Takhar - NGENSO



Background - BSUoS Indexation modification in CUSC

Currently in section 4 of the CUSC - 'Balancing Services' refers to the Retail Price Index (RPI) for various rates and/or when prices are to be indexed when calculating payments to Users.

We are seeking to remove of all references to 'RPI' and replace them with the new more appropriate measure of inflation "CPIH" (as part of RIIO2).

Reason for this Change

- The Office for National Statistics (ONS) has now adopted Consumer Prices Index (CPIH) as the lead measure of inflation for household costs with this measure also replacing RPI as the indexation method as listed in the Electricity System Operator (ESO) licence for the new RIIO-2 Price Control.
- Currently, section 4.5.2.6 of the CUSC states;

“In the event that RPI ceases to be published or is not published in respect of any relevant month or it is not practicable to use RPI because of a change in the method of compilation or some other reason, indexation for the purposes of this Paragraph 4.5 shall be calculated by The Company using an index agreed between The Company and the relevant User with a view to determining the relevant price after indexation that would be closest to the relevant price after indexation if RPI had continued to be available”

Findings from Review of CUSC

| Indexation Reference | Legal Text |
|----------------------|---|
| 4.5.2.1 | The rates and/or prices to be indexed shall be specified in the Balancing Services Agreement or (in the case of System to Generator Operational Intertripping) in Schedule 4 to this Section 4 as applicable for a 12 month period commencing 1st April (“the base year”), and these rates and/or prices will be adjusted annually to take account of general price inflation. The index used will be the Retail Prices Index (RPI) with 1987 = 100 base. |
| 4.5.2.2 | The source of the RPI index is to be the monthly Office for National Statistics “Business Monitor MM23.” |
| 4.5.2.3 | The rates and/or prices to be indexed shall be increased (or reduced as appropriate) for the subsequent 12 month period commencing 1st April by the following factor:- $\frac{RPI2}{RPI1}$ Where RPI2 is the RPI for March immediately prior to commencement of that 12 month period CUSC v1. 24 v1.24 – 25 June 2020 RPI1 is the RPI for March immediately prior to commencement of the base year. |
| 4.5.2.4 | The rates and/or prices to be indexed shall be increased (or reduced as appropriate) for the subsequent 12 month period commencing 1st April by the following factor:- $\frac{RPI3}{RPI1}$ Where RPI3 is the RPI for March immediately prior to commencement of that 12 month period RPI1 is the RPI for March immediately prior to commencement of the base year. |
| 4.5.2.5 | In subsequent years indexation will continue in accordance with the above, with always the numerator of the factor representing the RPI of the 12 month period in question and the denominator of the factor being the RPI for March immediately prior to the base year. |
| 4.5.2.6 | In the event that RPI ceases to be published or is not published in respect of any relevant month or it is not practicable to use RPI because of a change in the method of compilation or some other reason, indexation for the purposes of this Paragraph 4.5 shall be calculated by The Company using an index agreed between The Company and the relevant User with a view to determining the relevant price after indexation that would be closest to the relevant price after indexation if RPI had continued to be available. If The Company and a relevant User are unable to agree a suitable index, either of them may initiate the Dispute Resolution Procedure for resolution of the issue as an Other Dispute in accordance with Paragraph 7.4. |
| 4.5.2.7 | For the avoidance of doubt, the provisions of Paragraph 11.3 with regard to determination of an alternative index should the Retail Prices Index not be published or there is a material change to the basis of such index shall not apply with respect to the rates and/or prices the subject of this Paragraph 4.5. |
| 14.31.8 | Balancing Services Use of System Acronym Definitions - Legacy adjustment with respect to actual and assumed RPI values |

Impact Assessment to end users

- We are currently working with our finance colleagues to carry out a comprehensive impact assessment for end users, which will then be used to take this modification forward.

The ask and guidance on the Governance Route

- We are seeking stakeholder views on whether or not a modification should be raised to align the indexation method used in Section 4 of the CUSC with that used in the new RIIO-2 licence conditions as RPI indices are still available but are no longer an ONS lead measure of inflation nor are they used within the new licence.
- Guidance sought from TCMF members on the most suitable governance route. We propose that this modification should proceed straight to Code Administrator Consultation as the solution is fully developed and therefore does not need to be considered by a Workgroup as we do not foresee any alternatives being raised.

Discussion



POTENTIAL CUSC MOD

DEMAND CREDITS

SSE



For a better
world of energy

RECENT HISTORY

- The application of a de-minimis level demand charge of £0/kW for Half Hourly and £0/kWh for Non Half Hourly metered demand was part of the methodology introduced in 2004. Due to the ever increasing demand residual (cancelled out negative locational signals) did not need to be applied.
- Due to the removal of the demand residual from the final tariff charged based on Triad demand this exposed negative locational signals
- Ofgem recently approved CMP343 WACM2 for April 2023. This floored the forward-looking demand charges at 0.
 - Paying users to increase demand over the Triad periods was a perverse incentive

DEFECT

- The dampening of the locational signals, plus how they are charged currently means there are weak incentives for demand to locate and connect to parts of the Transmission System where by importing at times of peak Generation output or low demand they provide significant benefits to the System and reduce Transmission investment.
- Demand has traditionally being treated only as a cost and not a benefit hence why the incentive has always being to reduce demand over the Peak periods.
- These defects have being highlighted consistently within the Market Design work

BUILD UP OF DEMAND TARIFFS 22/23

| Zone | Peak (£/kW) | Year Round (£/kW) | Residual £/kW | 2022/23 Final (£/kW) |
|------|-------------|-------------------|---------------|----------------------|
| 1 | - 2.178226 | - 27.236880 | 56.861767 | 27.446662 |
| 2 | - 2.588187 | - 18.807862 | 56.861767 | 35.465718 |
| 3 | - 4.334540 | - 7.845295 | 56.861767 | 44.681931 |
| 4 | - 1.522583 | - 3.931676 | 56.861767 | 51.407508 |
| 5 | - 3.111358 | - 1.910980 | 56.861767 | 51.839430 |
| 6 | - 1.977716 | - 1.477330 | 56.861767 | 53.406721 |
| 7 | - 2.753986 | 1.420681 | 56.861767 | 55.528462 |
| 8 | - 1.348947 | 1.681051 | 56.861767 | 57.193871 |
| 9 | 0.445125 | 0.646597 | 56.861767 | 57.953489 |
| 10 | - 3.519338 | 5.119538 | 56.861767 | 58.461967 |
| 11 | 3.640164 | - 0.302852 | 56.861767 | 60.199079 |
| 12 | 4.486793 | 2.339230 | 56.861767 | 63.687789 |
| 13 | 2.537729 | 2.864165 | 56.861767 | 62.263662 |
| 14 | 1.880963 | 5.004935 | 56.861767 | 63.747665 |

DEMAND LOCATIONAL SIGNALS

- The DCLF Model calculates both a Peak and Year Round Locational signal based on incremental flows under the Peak Security and Year Round Backgrounds
- For Generation Tariffs, different types of Generators pay the Peak tariff, whereas the Year Round locational signal is further split to recognise areas of high concentrations of low carbon technology, which creates a Year Round Shared tariff which is multiplied by TEC x Annual Load Factor, and a Year Round Not Shared Tariff which is multiplied by either TEC or TEC x ALF dependent on Generation type.
- However for Demand the Peak and Year Round locational signals are added together and charged based on Triad Demand for HH
- What does the Year Round locational signal show for demand
 - Increasing demand when there is maximum generation, or low demand in the Year Round scenario reduces Transmission Investment

POSSIBLE SOLUTIONS

- We propose splitting the Peak and Year Round Demand tariffs and charging them differently
- Peak to still be charged based on Triad demand and floored at 0 to remove perverse incentive
- Number of potential solutions for how to charge Year Round
 - MIL/TEC x tariff
 - MIL/TEC x ALF (levels of imports) x tariff
 - MIL/TEC x De-rated value x tariff
 - The De-rated value will reflect the ability of the technology to manage the length of the constraint or period of low demand
 - Charge Year Round Not Shared, different to Year Round Shared
 - Split Demand Zones to mirror Generation Zones (where Negative)

WHY NOW?

- CMP393 and CMP394 are looking at changing TNUoS Generation tariffs for Storage
 - In terms of timing this modification would look at similar rationale to alter TNUoS charging, i.e. Impact on Transmission Investment so would be complimentary and potentially amalgamated.
- ESO have called for improved locational signals for Demand. The DCLF provides long term signals to connect demand where the System will benefit
- Calls for increased numbers of Electrolysers to be installed.
 - Currently Transmission Charging Methodology encourages these to be situated behind the meter often in remote locations
 - From a whole system perspective they would be better placed nearer the NTS, Population centres, Industry, reducing Transportation costs

Offshore Transmission Network Review (OTNR): Offshore Co-ordination Update

Nitin Prajapati - NGENSO



Pathway to 2030 Recommendation Report

- On 7th July 2022, the ESO published the Industry Code, Standard and Licence Recommendation Report, alongside the Holistic Network Design (HND) and Stakeholder Engagement Report.
- The Recommendation Report seeks to identify changes required to industry codes, standards and licences in respect of the HND and Ofgem's minded to decision on an offshore delivery model by:
 - Examining the current regulatory framework and Ofgem OTNR consultations
 - Providing an overview of the challenges to the current methodology to facilitate the designs in the HND
 - Considering options for code modifications to overcome methodology challenges
- The high-level areas the report considers include:
 - The preferred offshore delivery model impacts
 - SQSS, Grid Code and STC Section K impacts
 - Network charging and associated CUSC Section 14 impacts and recommendations
 - Access rights and user commitment impacts
 - Queue management principles and interactions
 - A connection contract update programme
- There is an opportunity to provide feedback on content with the questions outlined in the recommendation report.
- Finally, a webinar is planned for **Tuesday 19th July at 3pm** to provide a summary of the Recommendation Report and take any initial industry questions.

May Industry Engagement

In May 2022, the ESO held a network charging workshop to share and discuss options for code modifications related to CUSC Section 14 as below:

1. The allocation of charges between two or more users when sharing the same offshore local circuits and substation.
2. Clarity of which wider tariff is applied, when an offshore user is connecting to two Main Interconnected Transmission System (MITS) nodes that are in different zones.
3. Any changes required to accommodate the connection of multiple users who are connected at a different times, under a generator build option.
4. The creation of a new offshore MITS Node definition or the extension of the current MITS Node definition to offshore.

The feedback we received has helped gain industry views on the various options for code modifications, interactions with other live modifications along with other workstreams such as the TNUoS Task Force.

July Charging Workshop

In May's Charging workshop, we also briefly outlined further possible CUSC Section 14 challenges in relation to the working version of the HND.

Now that the recommended designs in the HND are available, we can start to explore the following charging methodology challenges in further detail and outline options for associated code modifications:

1. Confirming which offshore assets an offshore generator should pay towards under the TNUoS charging methodology.
2. Consideration of the charges paid by offshore generators connected directly to an offshore MITS Node e.g. should they pay local charges.
3. There is the potential for onshore generators to use the offshore circuit to transport energy over large distances to different points on the onshore network. Therefore, should onshore generators charges reflect their use of the offshore network?
4. Whether the payment arrangements between the initial and subsequent generator during the 18-month period in which the initial generator owns and operates the asset as per the generator commissioning clause under the generator build delivery model should be incorporated into CUSC or in the Bilateral Connection Agreements, or via alternative arrangements?
5. Review of the wider tariff and associated Transport and Tariff model as there are elements that only reflect the onshore network, like the connectivity element between generation zones. This connectivity element comes into question if generators are moving energy via the offshore circuit rather than through the generation zones.

We would like to invite you to a workshop on **Tuesday 26th July 10am – 12:30pm** to discuss these code/charging methodology challenges, the options for each challenge and to outline next steps.

August Commercial and Technical Workshops

User Commitment

Following the publication of Ofgem's consultations on Anticipatory Investment and Pathway to 2030 in April and May 2022, we would like to share our views on what this may mean for changes to User Commitment under the CUSC. We would also like to explore which areas need further consideration and obtain industry views on this prior to raising any necessary code modifications following the final decisions related to Ofgem's consultations.

The industry workshop is planned to be held in August 2022 with more details to follow.

Queue Management and Access Rights

We would like to engage with industry on queue management to gauge views on which additional requirements would need to be added to the planned queue management code modification (CMP376) as a result of the HND recommendations and Ofgem's preferred offshore delivery model. We would also like to engage on whether changes to policy and industry codes are needed in relation to access rights on the offshore transmission system for non-radial HND projects.

The industry workshop is planned to be held in August 2022 with more details to follow.

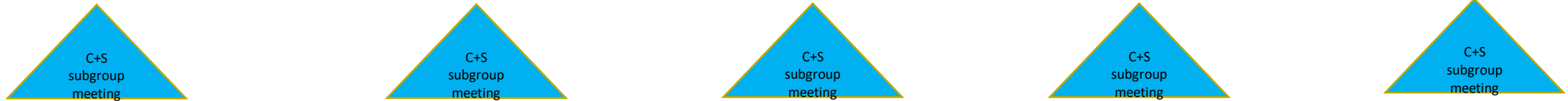
Technical workshop

A technical workshop is also planned to be scheduled in August 2022, with more details to follow.

Codes and Standards

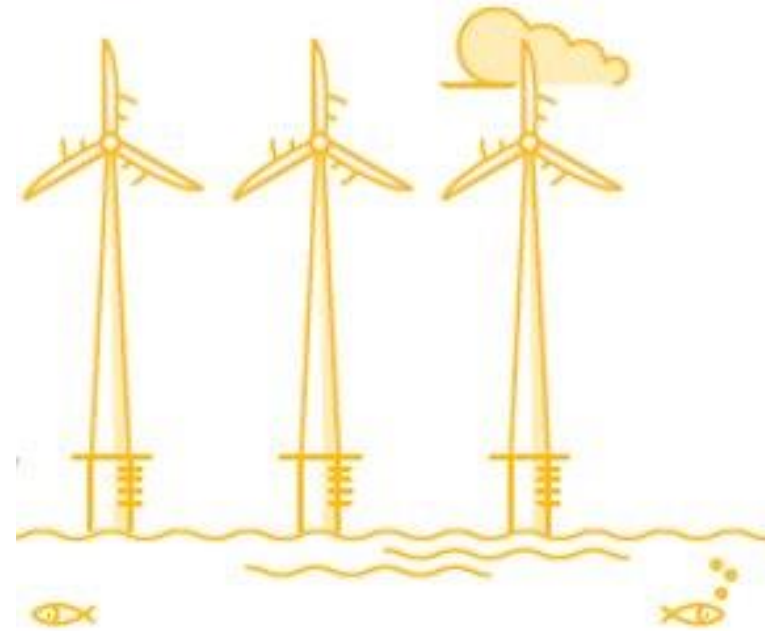


| | |
|-------------------------------|-------------------------|
| Key: | |
| Yellow = ESO activities | △ = Workshop / Meetings |
| Blue = Stakeholder Engagement | ◇ = Product |
| Green = Ofgem activities | ⇨ = Activities |



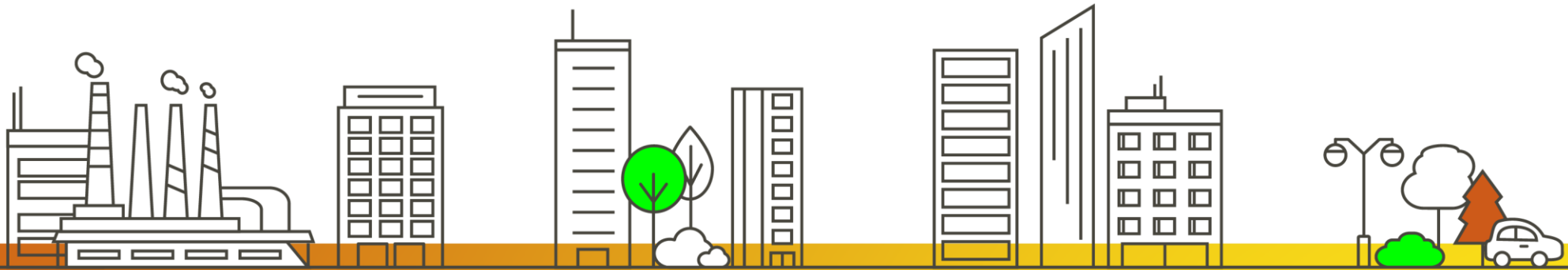
Thank you!

- Please register your interest to the workshops by completing the Microsoft form. The link will be shared via Teams and email.
- If you have any questions, please email box.OffshoreCoord@nationalgridESO.com



Enabling Early Competition Commercial Code Modification Plan

Gareth Stanley - NGENSO



Agenda

Early Competition Overview

Commercial Code Change Timeline

Code Modification Plan

Next Steps

Early Competition - Overview



What is Early Competition?

- Competition for design, build & ownership of selected onshore electricity transmission assets
- Prior to the detailed design, surveying and consenting phases of solution development
- Potentially wider range of solutions to meet system needs
 - net benefits for consumers
- Prioritising a safe, secure network.

ESO ambition to “introduce competition everywhere”

- Competition can minimise costs to consumers by considering innovative ways to deliver network investment
- Competition as one of the enablers of net zero

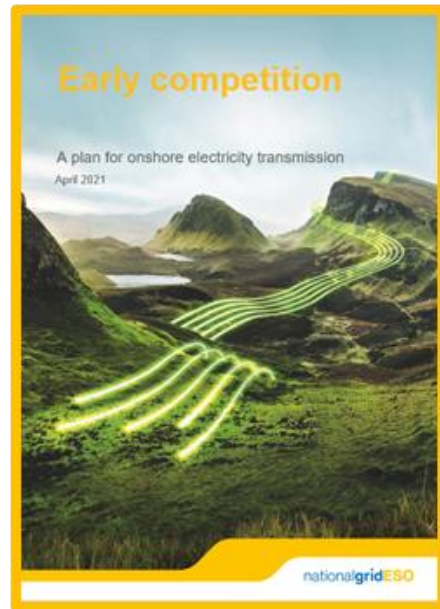
Early Competition – Key updates

- Ofgem published their decision to proceed with the implementation of the Early Competition model on the 28th March 2022
- National Grid ESO Early Competition Plan approved
- Primary legislation to enable Early Competition expected Summer/Autumn 2022
- Now in the phase of engaging with industry stakeholders and inviting feedback

Early Competition - low regret activities

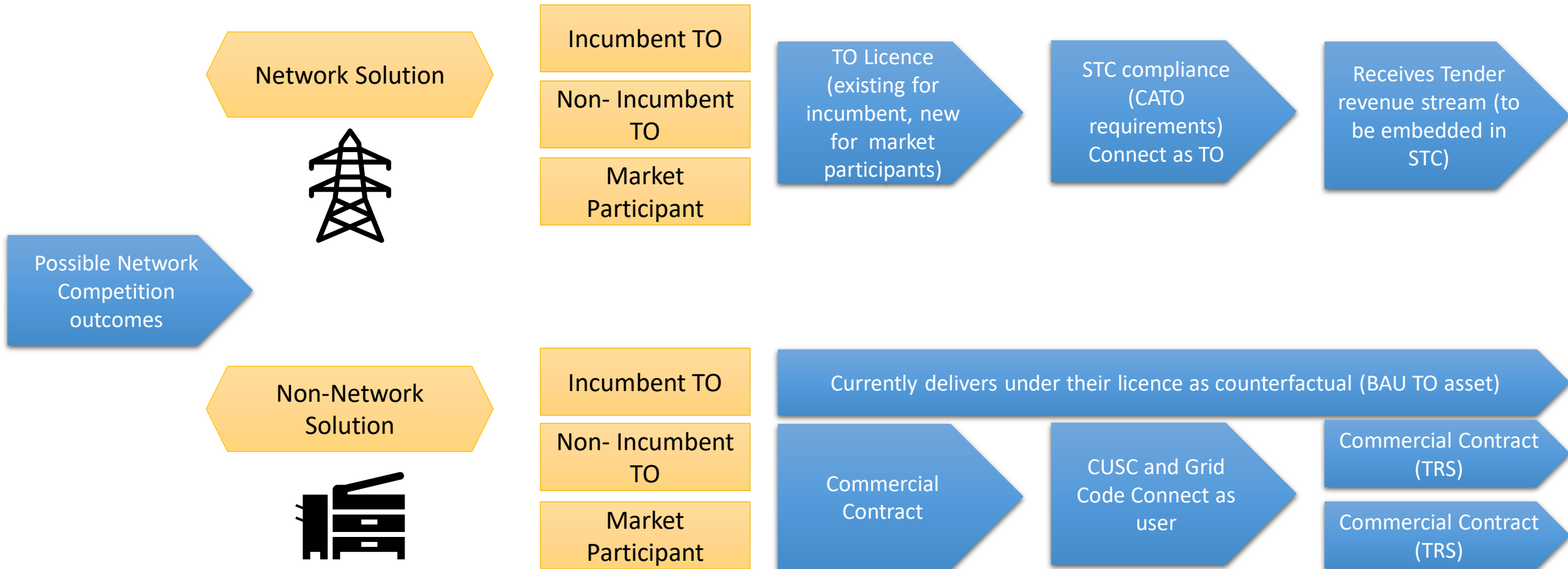
- We have been progressing low regret activities since May 2021
- Now (post April 2022) in Early Competition programme development phase

Our final Early Competition Plan was submitted to Ofgem in April 2021



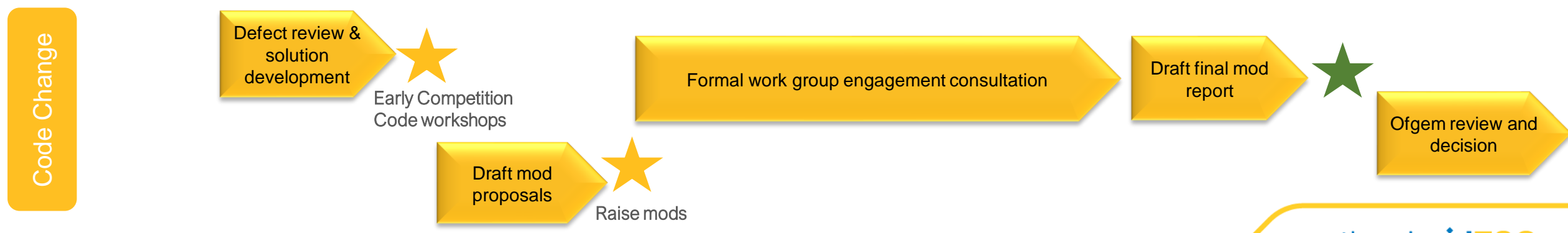
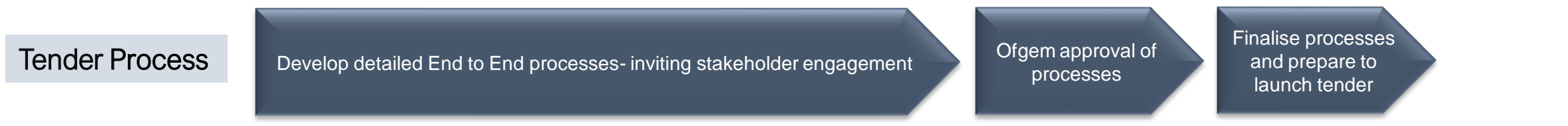
Early Competition- Assumptions

A network solution is a solution that performs the activity of transmission (under Electricity Act 89)



Code change timeline

Spring 2022 Summer 22 Autumn 2022 Winter 22/23 Spring 23 Summer 23 Sept 23 Winter 23



Early Competition – Code Modification Plan



CUSC- Potential Modifications

| Section | Topic | Dependency |
|----------------------------------|--|--|
| 11- General Definitions | <p>Definitions and interpretations require updating to introduce CATOs, and update the context for both network and non-network solutions</p> <ul style="list-style-type: none"> • Onshore Transmission Licensee (insert CATO) • Transmission Licence(s) (insert CATO) • Transmission Interface Point (insert CATO) | Detail of potential non-network solutions |
| 1- Applicability | <p>Categories table- Does current user categories table capture all potential non-network solutions. Do new user categories need creating?</p> | <p>Need to understand what types of asset could win and will they fit into the categories.</p> <p>OFGEM-Review of the arrangements for electricity ancillary Services (December 2022...)</p> |
| 2-Connections 3-Use of System | <p>Distinct connection/use of system requirements of Non-network solutions (if any)</p> | <p>Define non-network solutions</p> <p>OFGEM-Review of the arrangements for electricity ancillary Services (December 2022...)</p> |
| 14- Charging | <p>In theory relatively straightforward. Rests upon the umbrella definition of NNS appointed under Early Competition.</p> <p>The TRS model will inform the changes that are required</p> <p>TNUoS, used to recover network costs- BSUoS, used to recover NNS costs</p> | <p>Development of Tender Revenue model</p> |

BSC- Potential Modifications

- Currently consulting with Elexon on potential changes that would be required to BSC to enable Early Competition
- Change requirements may only appear during implementation phase depending on the outcomes/ solutions chosen
 - Impact on system balancing?
 - Metering/data?
 - potential impact if a new user category is introduced?

Meet the Team/ Next Steps



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Questions



AOB & Close

