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| CUSC Modification Proposal Form | | | |
| CMP363:  **TNUoS Demand Residual charges for transmission connected complicated sites.**  **Overview:** This proposal seeks to clarify the TNUoS Demand Residual charging arrangements for transmission connected complicated sites. | | **Modification process & timetable**    **Proposal Form**  17 February 2021  **Workgroup Consultation**  26 April 2021 - 05 May 2021  **Workgroup Report**  17 June 2021  **Code Administrator Consultation**  28 June 2021 - 19 June 2021  **Draft Final Modification Report**  30 July 2021  **Final Modification Report**  10 August 2021  **Implementation**  01 April 2022  **1**  **2**  **3**  **4**  **5**  **6**  **7** | |
| **Status summary:** The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken. | | | |
| **This modification is expected to have a:** Medium impact  Transmission connected sites with a mixture of Final and non-Final Demand | | | |
| **Proposer’s recommendation of governance route** | Standard Governance modification with assessment by a Workgroup | | |
| **Who can I talk to about the change?** | **Proposer:**  Grahame Neale  [Grahame.Neale@nationalgrideso.com](mailto:Grahame.Neale@nationalgrideso.com)  07787 261242 | | **Code Administrator Contact:**  Paul Mullen  [Paul.j.mullen@nationalgrideso.com](mailto:Paul.j.mullen@nationalgrideso.com)  07794537028 |

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What is the issue?

As part of Ofgem’s TCR decision[[1]](#footnote-2), they directed that network demand residual charges should be charged to ‘Final Demand Sites’ and so CMP334[[2]](#footnote-3) was raised to define what a ‘Final Demand Site’ should be.

This definition would then be applied to the TNUoS methodology that was created under CMP340 and CMP343[[3]](#footnote-4). As of writing this proposal, CMP340/343 is still awaiting an Ofgem decision. However, Ofgem have made a decision on CMP334 and as part of that decision Ofgem stated the following;

*“****Obligation to address private wire and complex sites***

*As noted in our assessment on [Applicable CUSC Objective] ACO (a) we believe that the obligation of the TCR Direction to address private wire and complex sites has not been discharged.*

*We expect the new modification to be developed in a way that allows implementation by April 2022. This will provide the Workgroup the opportunity to establish a comprehensive approach to treating private wires and complex sites, as it will allow for different potential scenarios and potential consequences to be explored in detail. We note that there may be a need for further changes to other industry codes as a result of this modification. For clarity, we expect that any proposal brought forward will ensure that:*

* *sites that would not be subject to the TDR under CMP334 WACM1 would be not be subject to the TDR if they exist in a private wire/complex site; and*
* *any site in a private wire/complex site that has associated final demand would be liable for the TDR in a proportionate way.”*

‘Complex Sites’ and ‘Private Wires’ are colloquial terms used in the industry and so have no formally recognised meaning – and neither are recognised by CUSC. As such, this proposal seeks to clarify the arrangements for TNUoS Demand Residual charges for the following scenarios should they be Transmission connected;

1. A Single Site (defined in CMP334) which has a combination of Final and non-Final Demand.
2. A Single Site with multiple connection points.
3. Two (or more) Single Sites interconnected independently of a licensed network
4. If unlicensed networks should have any special/different treatment from current arrangements (licensed network connections or direct connections).
5. Any other Single Site configurations identified by the workgroup.

This proposal does not look to review what a ‘site’ or ‘final demand’ is or how the TNUoS Demand Residual charge is calculated, but how they’re applied in the above scenarios. This proposal also only seeks to apply to Transmission connected sites as it is expected that DCUSA modifications (such as DCP328) will create similar arrangements for Distribution connected ‘Complex Sites’ and ‘Private Wires’.

Additionally, the declaration process created to facilitate CMP319 and CMP343 should be reviewed to ensure it is able to accommodate the options developed under this proposal.

## Why change?

This proposal will both ensure calculation of TNUoS Demand Residual charges are transparent for sites which are ‘complex’ and ensure that NGESO is fully compliant with Ofgem’s direction.

What is the proposer’s solution?

The proposal is to update CUSC Section 14 along with supporting modification CMP364 which updates CUSC Section 11 so that the following points are clear;

1. The Charging methodology explicitly states that if there is ‘mixed demand’ (combination of Final and non-Final Demand), it will be treated as Final Demand.
2. A Single Site with mixed demand will have the TNUoS Demand Residual methodology applied based only the sum of its Final and mixed demand. i.e. Non-Final Demand will not be included if it is separately identifiable via a meter or BMU.
3. The charge is applied on a Single Site basis irrespective of the number of connection points that site may have to the transmission network or other networks. Applicability of the methodology will be based on the sum of all connection points to the transmission network.
4. Transmission connected unlicensed networks will have no special treatment in the TNUoS methodology and so will be treated as transmission connected. To be classed as ‘embedded’, a Site would need to be connected to the Transmission System via a licensed distribution network.

## Draft legal text

To be developed as part of workgroup discussions.

What is the impact of this change?

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| 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  Provides clarity in the treatment of TNUoS charges in respect of more complicated sites to ensure a level playing field across these types of site. |
| (b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection); | Neutral  No impact expected |
| (c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees’ transmission businesses; | Positive  NGESO has been directed to raise this modification and implement its effects by the Authority. |
| (d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and | Neutral  No impact expected |
| (e) Promoting efficiency in the implementation and administration of the system charging methodology. | Positive  Provides clarity in the treatment of TNUoS charges in respect of more complicated sites to ensure a level playing field across these types of site. |
| \*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER). | |

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| 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  No impact expected. |
| Lower bills than would otherwise be the case | Positive  Clarity in the charging arrangements for these sites will reduce perceived risk and any risk premia associated with these sites |
| Benefits for society as a whole | Neutral  No impact expected |
| Reduced environmental damage | Neutral  No impact expected |
| Improved quality of service | **Negative**  No impact expected |

When will this change take place?

### Implementation date

Section 14 changes to be implemented for April 2022 and used in charge setting in January 22

### Date decision required by

01 October 2021 to allow sufficient time for NGESO processes to be adapted to reflect this decision, especially in respect of the declaration process.

### Implementation approach

The declaration process introduced by CMP319 (and used by CMP334) will need to be enhanced to account for the more complex requirements this proposal will introduce.

### Proposer’s justification for governance route

Governance route: Self-Governance modification with assessment by a Workgroup

This proposal should be progressed by a workgroup the standard governance route. Due to the commercial and regulatory challenges posed by this proposal, it is expected to be prioritised highly in order to progress and be implemented by April 2022. Should timelines under standard governance not be sufficient for this implementation date, urgency may be requested at a later date.

Interactions

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| Grid Code | BSC | STC | SQSS |
| European Network Codes | EBGL Article 18 T&Cs[[4]](#footnote-5) | Other modifications | Other |

There is potential for this modification to impact on metering and/or BMU registrations to ensure any Final Demand and non-Final Demand within a site are separately metered; therefore these interactions should be reviewed by the workgroup.

Acronyms, key terms and reference material

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| **Acronym / key term** | **Meaning** |
| BSC | Balancing and Settlement Code |
| CMP | CUSC Modification Proposal |
| CUSC | Connection and Use of System Code |
| EBGL | Electricity Balancing Guideline |
| NGESO | National Grid Electricity System Operator |
| STC | System Operator Transmission Owner Code |
| SQSS | Security and Quality of Supply Standards |
| TNUoS | Transmission Network Use of System charges |
| T&Cs | Terms and Conditions |
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### Reference material

* Add links to reference material

1. <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment> [↑](#footnote-ref-2)
2. <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp334> [↑](#footnote-ref-3)
3. <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp343-and-cmp340> [↑](#footnote-ref-4)
4. 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 European Electricity Balancing Guideline (EBGL – 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. [↑](#footnote-ref-5)