

Modification proposal:	<b>Connection and Use of System Code (CUSC) Modification Proposal (CMP) 388: Transmission Demand Residual (TDR) minor clarifications</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Owner (NGESO), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	15 December 2022	Implementation date:	01 April 2023

## Background

In November 2019, we published our Decision (and associated Direction) on the Targeted Charging Review (TCR) Significant Code Review<sup>3</sup>. Once the Decision is implemented, the costs of operating, maintaining and upgrading the electricity grid will be spread more fairly and, through reducing harmful distortions, will save consumers approximately £300m per year, with anticipated £4bn-5bn consumer savings in total over the period to 2040.

The TCR included a review of how residual network charges are set and recovered. The aim of the TCR is to ensure that these charges are recovered from network users in a way that meets the TCR Principles:

- reducing harmful distortions;
- fairness; and
- proportionality and practical considerations.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_updated.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf)

We decided that residual charges should apply to Final Demand<sup>4</sup> consumers and that residual charges will be fixed charges. For domestic consumers, we decided that there will be a single transmission residual charge, and a single distribution residual charge within each of the 14 distribution licensed areas. For distribution and transmission connected non-domestic consumers, we decided that a structure of banded fixed charges should be used for residual charges. The changes were implemented in April 2022 for distribution residual charges and will be implemented for transmission residual charges in April 2023<sup>5</sup>.

Alongside our TCR Decision, we issued a Direction<sup>6</sup> to National Grid Electricity System Operator (NGESO) (the 'TCR Direction'), to bring forward proposals to modify the Connection and Use of System Code (CUSC) in relation to residual charges, to give effect to the terms of the TCR Decision.

On 10 March 2022, we approved CUSC modifications (CMP335, CMP336, CMP340 and CMP343<sup>7</sup>) which implement the TNUoS Demand Residual (TDR) changes. These changes created a methodology by which the residual element of demand Transmission Network Use of System (TNUoS) tariffs can be apportioned to Half Hourly (HH) and Non Half-Hourly (NHH) demand, and a separate methodology to determine the 'Bands' against which the residual element of demand TNUoS is levied. This in effect introduced a process for allocating transmission-connected sites into four Charging Bands with boundaries set at the 40th, 70th and 85th percentiles based on the site consumption data.

### **The modification proposal**

NGESO ('The Proposer') raised modification CMP388 ('the Proposal') on 12 April 2022. CMP388 seeks to provide additional clarity and certainty to industry of exactly what data will be used in the processes to determine tariffs.

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<sup>4</sup> Final Demand is defined as "electricity which is consumed other than for the purposes of generation or export onto the electricity network". The CUSC modification CMP334 defined this term and other relevant terms. We approved CMP334 on 30 November 2020, though it will not have any effect until CMP343 is implemented.

<sup>5</sup> CUSC modification proposals, modification reports and representations can be viewed on NGESO's website at: <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc/modifications>

<sup>6</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2019/11/cusc\\_direction\\_1.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2019/11/cusc_direction_1.pdf)

<sup>7</sup> [Decision on CMP343 | Ofgem](#)

By amending the legal text within the CUSC Section 14, CMP388 intends to clarify to industry the data used to determine tariffs (under the approved methodology developed by CMP343). The legal text will clarify:

- How consumption data will be used and how long it will be valid for in paragraphs 14.14.137 to 14.15.139
- 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
- That a mean average of the consumption data will be used for 14.15.143 2(ii)

It will also correct a reference in 14.15.150.

### **CUSC Panel<sup>8</sup> recommendation**

At the CUSC Panel meeting on 24 June 2022, the CUSC Panel unanimously considered that CMP388 would better facilitate the Applicable CUSC Objectives (ACOs)<sup>9</sup> than the Baseline (i.e. the existing provisions of the CUSC). The Panel therefore recommended the approval of CMP388.

### **Our decision**

We have considered the issues raised by the Final Modification Report (FMR) dated 6 July 2022. We have considered the responses to the industry consultation(s) on the modification proposal which are attached to the FMR. We have concluded that:

- implementation of the Proposal will better facilitate the achievement of the ACOs; and
- directing that the modification be made is consistent with our principal objective and statutory duties<sup>10</sup>.

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<sup>8</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

<sup>9</sup> As set out in Standard Condition C5(5) of NGENSO's Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

<sup>10</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

## **Reasons for our decision**

We consider that the Proposal would better facilitate ACOs (e) and have a neutral impact on the other ACOs.

***(e) promoting efficiency in the implementation and administration of the connection charging methodology.***

The CUSC Panel unanimously considered that CMP388 better facilitated ACO (e). Panel members agreed that this Proposal introduces additional clarity to the CUSC, and therefore provides greater certainty to CUSC parties/stakeholders.

### *Our position*

We agree with the CUSC Panel that CMP388 better facilitates this objective as the clarifications and corrections made to Section 14 provide greater clarity on how certain parts of the methodology used for calculating TDR charges will be applied. Therefore, the Proposal promotes efficiency in the administration of the charging methodology and is positive against ACO (e).

## **Decision notice**

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal CMP388: Transmission Demand Residual (TDR) minor clarifications be made.

**Tom Kenyon-Brown**

**Head of Electricity Network Charging**

Signed on behalf of the Authority and authorised for that purpose