

Modification proposal:	<b>Connection and Use of System Code (CUSC) Modification Proposal (CMP) 401: Maintaining Non Half Hourly (NHH) charging arrangements for Measurement Classes F and G</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:	27 January 2023	Implementation date:	01 April 2023

## Background

In 2016 we approved CUSC Modification Proposal (“CMP”)<sup>266</sup><sup>3</sup>, changing the methodology by which Suppliers’ Transmission Network Use of System (“TNUoS”) Charges for their half-hourly settled (HHS) customers in Measurement Classes F and G were calculated. This allowed customers to maintain non-half hourly (NHH) charging arrangements, rather than moving these sites, once they had switched from NHH to HHS, to the half-hourly (HH) charging methodology. This was to ensure that Suppliers were not double-charged for customers who elect to (or who the Supplier elects to) migrate to HHS within a Financial Year.

CMP318<sup>4</sup> extended these arrangements until 31 March 2023. This end date originally aligned with the planned implementation date for any changes to the TNUoS Charging Methodologies as a result of our Access and Forward Looking Charges Significant Code Review (Access SCR)<sup>5</sup>, which would have resolved the need for a separate solution in the CUSC.

<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> [CMP266: Removal of Demand TNUoS charging as a barrier to future elective Half Hourly settlement](#)

<sup>4</sup> [CMP318: Maintaining Non Half-Hourly \(NHH\) charging arrangements for Measurement Classes F and G](#)

<sup>5</sup> [Access and Forward-Looking Charges Significant Code Review: Decision and Direction](#)

TNUoS reforms initially planned through our Access SCR now fall under the remit of the TNUoS Task Force which we launched in May 2022<sup>6</sup>. Absent any other changes to TNUoS arrangements, the provisions of CMP318 will lapse at 31 March 2023, from which point any site migrating from NHH to HH settlement would attract both NHH and HH TNUoS charges, creating a double-charge for certain premises.

On 21 April 2021, we set out decision on Market Wide Half-Hourly Settlement (MHHS)<sup>7</sup>. MHHS will utilise the ability of smart meters to record a customer's usage during half hour periods, and subsequently move Measurement Class F and G customers to HH settlement. This change will create a long-term solution to the potential for double-charging. This implementation period<sup>8</sup> and is expected to be completed in October 2025.

### **The modification proposal**

National Grid Energy System Operator (the "Proposer") raised CMP401 on 20 October 2022, as a proposal to maintain the change implemented previously under CMP318 until the introduction of M15 of the MHHS programme, which will remove the requirements for this proposed modification. The Proposer considered that CMP401 would better facilitate Applicable Charging Objective (ACO) (a) and (e), with a neutral impact on the remaining objectives.

Under CMP401, Suppliers' TNUoS Charges for their HHS customers in Measurement Classes F and G would continue to be calculated in accordance with the NHH methodology, rather than the HH methodology, until the implementation date of M15 of the MHHS programme, to ensure that they are not double-charged in respect of sites migrating to HHS mid-year.

The Code Administrator Consultation for the initial proposal ran from 14 November 2022 to 5 December 2022. There was one response. The respondent noted that clause 14.17.29.8 referred to Measurement Classes E, F and G. The subsequent clause 14.17.29.9 referred only to Measurement Class F and G. On 16 December 2022, the Panel agreed that the omission of "*Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (hh)*"<sup>9</sup> was inadvertent and typographical in nature, and should have been retained. The Panel agreed that retaining the above wording does not

<sup>6</sup> [Transmission Network Use of System Charges – a Task Force Update](#)

<sup>7</sup> [Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case](#)

<sup>8</sup> As set out in Appendix 1, p107 of Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case

<sup>9</sup> Measurement class E applies to HH non-domestic consumers with current transformer meters.

change the meaning of CMP401, which only relates to the arrangements for Measurement Classes F and G.

### **CUSC Panel<sup>10</sup> recommendation**

At the CUSC Panel meeting on 16 December 2022, the CUSC Panel (the "Panel") unanimously considered that CMP401 would better facilitate the ACOs and the Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 6 January 2023. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR<sup>11</sup>. We have concluded that:

1. Implementation of the modification proposal will better facilitate the achievement of the ACOs of the CUSC;<sup>12</sup> and
2. directing that the modification be made is consistent with our principal objective and statutory duties.<sup>13</sup>

### **Reasons for our decision**

We consider that this modification proposal will better facilitate ACOs (a) and (e), and has a neutral impact on the other relevant objectives.

***(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;***

The Proposer considers the modification proposal better facilitates objective (a) by preventing a distortion which otherwise would have arisen between Suppliers who actively promote HH settlement and those who do not. The Panel unanimously agreed that CMP401

<sup>10</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

<sup>11</sup> CUSC modification proposals, modification reports and representations can be viewed on NGENSO's website at: <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc/modifications>

<sup>12</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>13</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.

better supports CUSC objective (a) than the current provisions of the CUSC (“the baseline”).

### ***Our view***

We accept that unless a change is made to extend the timeframe during which Suppliers are charged on a NHH basis for HH premises in Measurement Classes F and G, Suppliers would be double-charged for sites migrating from NHH to HH mid-year. We believe that in practice, the higher the number of premises a Supplier has that have moved to elective HHS, the greater the amount that Supplier could be double-charged. This could create a distortion in the competition in the supply of electricity and disincentive for Suppliers to actively encourage their customers to elect to migrate to HHS as consumers would be liable for both NHH and HH charges.

We agree that CMP401 better facilitates ACO (a), because it will prevent a distortion faced by Suppliers who have Measurement Class F and G customers that elect to migrate to HHS. As set out in our decision on CMP318, removing the double-charging distortion may facilitate competition by allowing Suppliers to develop new products, which require a customer to be electively HH settled.

### ***(e) promoting efficiency in the implementation and administration of the use of system charging methodology.***

The Proposer considers the modification proposal better facilitates objective (e), by preserving the status quo until MHHS is introduced, which the Proposer considers will prevent layering change upon change to charging arrangements.

The Panel members unanimously agreed that CMP401 better facilitates ACO (e), because it reduces the number of potential changes to the charging methodologies by extending the end date for the current arrangements until the MHHS programme M15 Milestone has been implemented. The Proposer expects that the outcomes of the MHHS will address the distortion on a permanent basis.

### ***Our view***

We agree with the Proposer that extending the CMP318 arrangements to align with the introduction of M15 would better promote efficiency in the implementation and administration of the Use of System methodology, by ensuring continuity for end users until the new market wide settlement arrangement has been implemented. We are satisfied our previously published decision on Market-wide Half-hourly Settlement will address

distortions in charging methodology on a permanent basis as all consumers will move to HHS, though the timetable implementation may be subject to change. Therefore, we agree with the Proposer that CMP401 better facilitates CUSC objective (e) as compared to the baseline.

### **Additional Point**

We have observed that the layout of the clause numbering in the Legal Text provided by the Code Administrator is incorrect. We expect this to be corrected in a future housekeeping modification.

### **Decision notice**

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal CMP401: *Maintaining Non Half Hourly (NHH) charging arrangements for Measurement Classes F and G (CMP401)* be made.

**Tom Kenyon-Brown**

**Head of Electricity Network Charging**

Signed on behalf of the Authority and authorised for that purpose