

## STCP Modification Proposal Form

**PM0127:****Improving TNUoS Predictability through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process**

**Overview:** The proposal seeks to make changes to a number of STCPs (System Operator/Transmission Owner Code Procedures) which are required to facilitate CUSC modification CMP286. The aim is to improve TNUoS predictability by increasing the notice of the Target Revenue used in the TNUoS Tariff Setting Process

**Modification process & timetable**

1

**Initial STCP Proposal**

20 September 2022

2

**Approved STCP Proposal**

TBC

3

**Implementation**

TBC

**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: High impact**

ESO, Transmission Owners, Suppliers and Consumers

**Governance route**

The Panel will make the decision on whether the modification should be implemented.

**Who can I talk to about the change?****Proposer:**

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## What is the issue?

Final yearly TNUoS tariffs are published with a notice period of only 2 months. TNUoS tariffs are set by the ESO by populating several inputs into the charging methodology models based on revenue forecasts submitted by TOs. Many of these inputs are difficult to predict and are not finalised until shortly before final tariff publication.

The Proposer of CUSC Modifications CMP286 and CMP287 (E.ON Energy), are of the opinion that significant changes in both revenue and volume inputs to the ESO's forecasts take place over a short period of time. This creates uncertainty around the level of final tariffs, and results in significant changes between TNUoS regions and Half Hourly (HH) and Non Half-Hourly (NHH) Tariffs.

The Proposer of CMP286 and CMP287 is of the view that suppliers are particularly vulnerable to the short notice period when TNUoS tariffs are confirmed and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with fixed price contracts they require. Given that market participants are trying to predict TNUoS costs as accurately as possible, large, and late changes of inputs, which significantly affect the calculation of TNUoS prices, need to be avoided.

CUSC modifications CMP286 and CMP287 aim to address this issue with Target Revenue being fixed at 15 months ahead of the TNUoS tariff going live (CMP286). Certain parameters that feed in to the TNUoS tariff setting process (CMP287) are also to be fixed 15 months ahead of TNUoS tariffs going live. This will require the Target Revenue and parameters to be fixed 12 months further ahead than they are in the current process. CMP286/287 were developed through a CUSC industry workgroup. A Workgroup Consultation was held between the 4<sup>th</sup> April 2019 and 7<sup>th</sup> May 2019, with a further Workgroup Consultation held between the 6<sup>th</sup> April 2022 and 9<sup>th</sup> May 2022. The Final Modification Report was presented to Ofgem on the 7<sup>th</sup> December 2022.

It is necessary to develop associated code modifications in parallel with CMP286 and CMP287 to allow a decision from Ofgem at the same time.

In the case of STCP changes, these can be developed and approved in principle so a complete solution awaits Ofgem's decision and to make implementation as efficient as possible.

As a result of the CUSC modification, it has been identified that changes will be required to the STC Procedures to enable and facilitate the changes within CMP286 and CMP287.

On the 30<sup>th</sup> June 2023, a send back letter was received from Ofgem in respect of the CMP286 and 287 modifications, citing the following reasons for the send back:

- Procedural issues: single set of Panel voting and a single set of proposed legal text.
- Lack of analysis of the impact of CMP287.

Following the send back letter (and discussions with the proposer of the modifications), a decision was made to separate the CUSC modifications CMP286 and CMP287.

A review has taken place in respect of the STCP changes, which has concluded that the changes required to the STC Procedures relate to the CMP286 modification only.

## **Why change?**

As part of the proposed CMP286 modification, it has been identified that changes will be required to STC Procedures 13-1, 14-1, and 24-1 to enable and facilitate the changes within the CUSC modifications. Changes are needed to reflect the fixing of the Target Revenue that feed into the TNUoS tariff setting process 12 months ahead of the current requirements. Also to make any amendments to existing or additional data flows that could be required as a result of the change to the current timelines. The proposal was formally raised and approved at the STC Panel on 28th September 2022, but in light of the send back from Ofgem in respect of the CUSC modification, the STCP changes will be re-presented to the Panel for approval in principle.

## **What is the proposer's solution?**

### **Original Proposal and WACM1**

Changes will be required to STCP 13-1, 14-1 and 24-1 to ensure that the amended process and timeline is reflected in:

- TO General System Charge forecasts requested by the ESO from the TOs reflect the relevant Financial Years
- The deadline for the date that revisions to the TO General System Charges can be made
- The change in the date that onshore TOs will update and provide the final revenue
- Any additional reporting, and frequency of this reporting, required from the ESO to the TOs to enable the TOs to assess any variance to the forecasts once they have been fixed

## **Legal text**

Attached as Annex A

## **What is the impact of this change?**

| <b>Proposer's assessment against STC Objectives</b>   |   |
|---|---|
| <b>Relevant Objective</b>   | <b>Identified impact</b>  |
| (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act       | <b>Positive</b><br>Ensures clarity around each party's obligations with enhanced reporting for visibility of variances against forecasts. |
| (b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission | <b>Neutral</b>  |

|  |   |
|--|---|
| (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity    | <b>Neutral</b>  |
| (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees | <b>Neutral</b>  |
| (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC   | <b>Positive</b><br>Ensures clarity around each party's obligations with enhanced reporting for visibility of variances against forecasts. |
| (f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;          | <b>Neutral</b>  |
| (g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.   | <b>Neutral</b>  |

| Proposer's assessment against the STCP change requirements <sup>1</sup>   | Proposer's assessment |
|---|-----------------------|
| (a) the amendment or addition does not impair, frustrate or invalidate the provisions of the Code   | Requirement met       |
| (b) the amendment or addition does not impose new obligations or liabilities or restrictions of a material nature on Relevant Parties which are not subsidiary to the rights and obligations of the Relevant Parties under the Code | Requirement met       |
| (c) the amendment or addition is not inconsistent or in conflict with the Code, Transmission Licence Conditions or other relevant statutory requirements  | Requirement met       |
| (d) the Relevant Party Representatives deem that the amendment or addition is appropriate to support compliance with the Code   | Requirement met       |

<sup>1</sup> STCP changes may only be made if they meet the requirements in Section B, 7.3.2

## When will this change take place?

### Implementation date

Implementation timelines will be in line with CUSC modification CMP286..

It is requested by the Code Administrator that the STC Panel approves the changes required to STCPs in principle with implementation taking place only if and when Ofgem approves CMP286.

## Interactions

- |  |   |  |                               |
|--|---|--|-------------------------------|
| <input type="checkbox"/> Grid Code                 | <input type="checkbox"/> BSC                    | <input checked="" type="checkbox"/> CUSC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European<br>Network Codes | <input type="checkbox"/> Other<br>modifications | <input type="checkbox"/> Other           |                               |

This modification is required as a follow-on from CUSC modification CMP286.

## Panel Determination

| Party   | Determination                               |
|---|---|
| National Grid (ESO)                             | To be updated following Panel determination |
| National Grid (TO)                              | To be updated following Panel determination |
| Offshore Transmission Owners (OFTOs)            | To be updated following Panel determination |
| Scottish Hydro Electric Transmission plc (SHET) | To be updated following Panel determination |
| SP Transmission Limited (SPT)                   | To be updated following Panel determination |

## Acronyms, key terms and reference material

| Acronym / key term | Meaning                                   |
|--------------------|---|
| BSC                | Balancing and Settlement Code             |
| PM                 | Procedure Modification                    |
| CUSC               | Connection and Use of System Code         |
| STC                | System Operator Transmission Owner Code   |
| SQSS               | Security and Quality of Supply Standards  |
| ESO                | Electricity System Operator               |
| TO                 | Transmission Owner                        |
| NGESO              | National Grid Electricity System Operator |

### Reference material

- [CMP286/287: Improving TNUoS Predictability through Increased Notice of the Target Revenue \(CMP286\) and Inputs \(CMP287\) used in the TNUoS Tariff Setting Process](#)