



## CUSC Panel

Friday 28 June 2024

Online Meeting via Teams

# WELCOME



# Approval of Panel Minutes

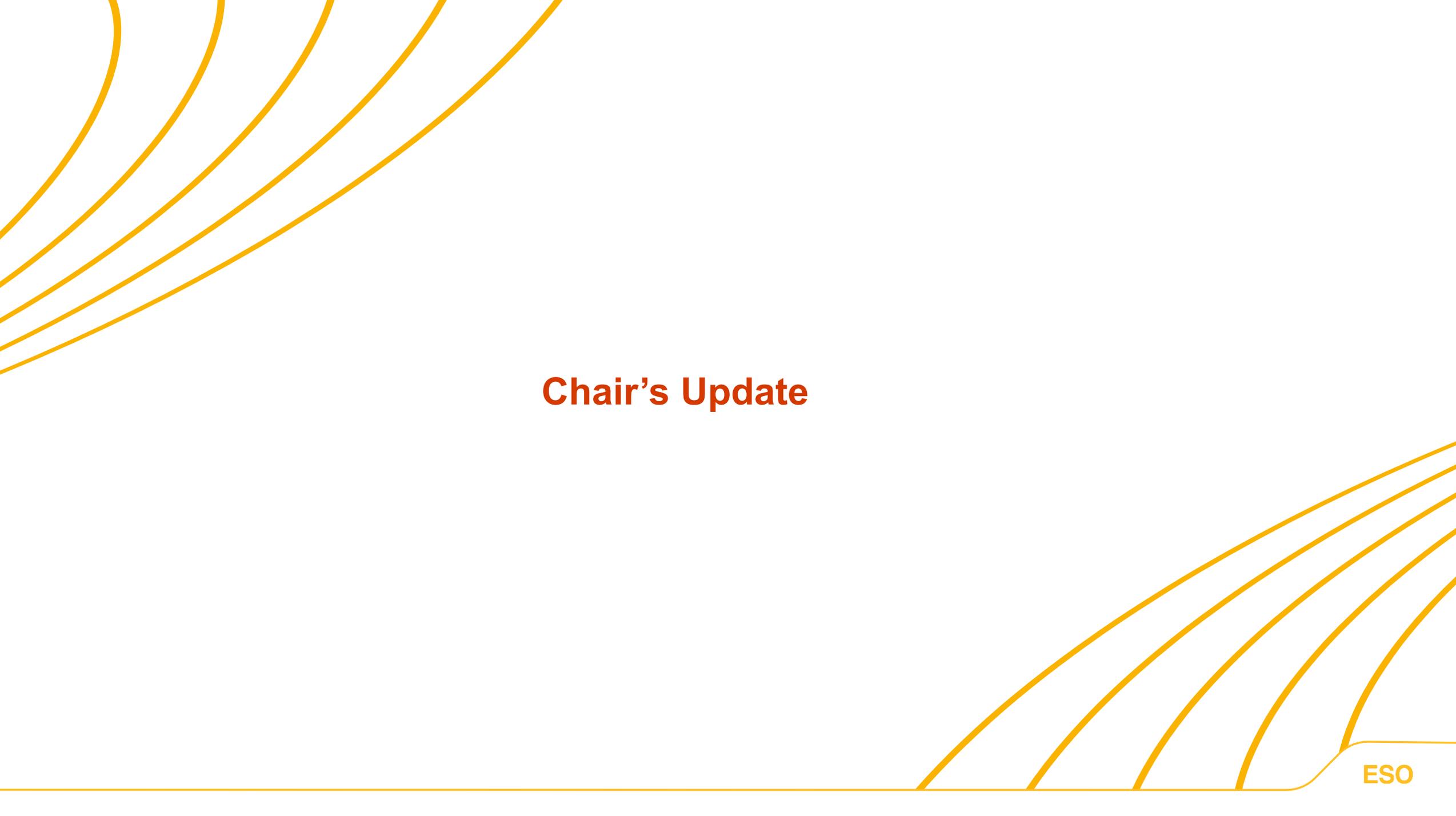
Approval of Panel Minutes from the Meeting held

31 May 2024



# Action Log





## Chair's Update

## Authority Decisions and Update

(Expected decision date register will not be updated until after the General Election on 4 July 2024)



### Decisions Received since last Panel meeting

Modification	Decision
<a href="#">CMP428</a> User Commitment liabilities for Onshore Transmission (reinforcement) in the Holistic Network Design	CMP428 was approved by the Authority on 11 June 2024 and implemented on 14 June 2024.

### Decisions Pending

Modification	FMR Received	Expected Decision Date
<a href="#">CMP315</a> 'TNUoS Review of the expansion constant and the elements of the transmission system charged for' and <a href="#">CMP375</a> 'Enduring Expansion Constant & Expansion Factor Review'	07/02/2024	30/09/2024
<a href="#">CMP330&amp;CMP374</a> 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10/08/2023	08/07/2024 (Previously 08/05/2024)
<a href="#">CMP396</a> 'Re-introduction Of BSUoS on Interconnector Lead Parties'	05/01/2024	31/05/2024
<a href="#">CMP408</a> 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	09/09/2024 (Previously TBC)
<a href="#">CMP414</a> 'CMP330/CMP374 Consequential Modification'	10/08/2023	31/07/2024 (Previously 08/05/2024)
<a href="#">CMP415</a> 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	09/09/2024 (Previously TBC)

### Received Final Modification Reports since last Panel Meeting

Modification	FMR received	Expected Decision Date
<a href="#">CMP403</a> Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14)	11/06/2024	TBC
<a href="#">CMP404</a> Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 11)	11/06/2024	TBC
<a href="#">CMP316</a> TNUoS Arrangements for Co-located Generation Sites	12/06/2024	TBC
<a href="#">CMP397</a> Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-Located Generation Sites)	12/06/2024	TBC
<a href="#">CMP393</a> Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage	17/06/2024	TBC

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

# New modifications submitted

**Self-Governance**



# Critical Friend Feedback – CMP438

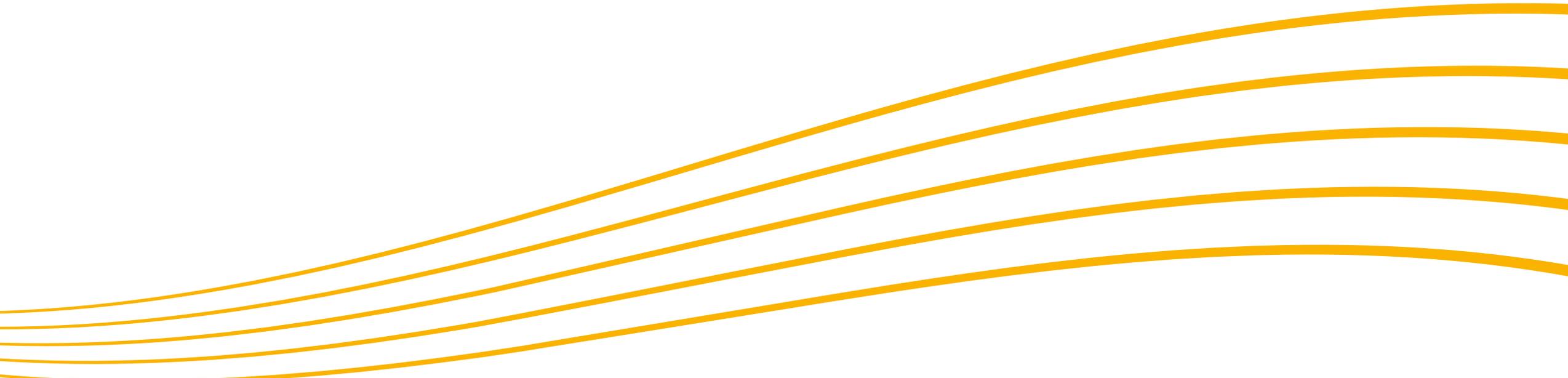
Code Administrator comments	Amendments made by the Proposer
Suggested typographical and formatting changes.	Mostly accepted.
Asked for further clarity on the defect in the 'what is the issue' and 'why change' sections.	Updated wording of "what is the issued". Not clear what the issue is with "why change".
More detail on minor errors in the values to clarify the impact.	This is more about a typo (eg why the total in a table column isn't the sum of the values in rows). Wording updated.
Added acronyms to the table and introduced terms within the document.	Accepted.
Moved wording from implementation to decision date section. Implementation as TBC.	Agreed.
Requested confirmation on interactions.	No interactions. No boxes were ticked, but have now added statement that there are none.

# Timeline for CMP438 – Proposed Timeline – Code Administrator Consultation

Milestone	Date
Modification presented to Panel	28 June 2024
Code Administrator Consultation (15 business days)	09 July 2024 to 30 July 2024
Draft Self Governance Modification Report issued to Panel (5 business days)	15 August 2024
Panel undertake Draft Self Governance Modification Report determination vote	23 August 2024
Final Self Governance Modification Report issued to Panel to check votes recorded correctly	27 August 2024 to 03 September 2024
Appeals Window (15 business days)	04 September 2024 to 25 September 2024
Implementation Date	03 October 2024

# CMP438: Clarification of Illustrative Example of a TNUoS Demand Reconciliation

Nick George ESO



## Background

- TNUoS (both Generation and Demand) are billed monthly during the charging year.
- Each month, each user's full year's liability is recalculated based on latest data (eg TEC for TNUoS Generation and site count + HH/NHH demand forecasts for TNUoS Demand). That month's bill is calculated by deducting the amount invoiced to date, and dividing by the number of months left to bill.
- Following the end of the charging year, reconciliations are performed:
  - Generator Reconciliation – end April FY+1 (i.e. 1 month after end of charging year)
  - Initial Demand Reconciliation - end June FY+1 (i.e. 3 months after end of charging year)
  - Final Demand Reconciliation – usually September FY+2 (i.e. 18 months after end of charging year)
- As per CUSC, the reconciliation includes an interest calculation based on the Bank of England base rate. This applies both ways – it can be a credit or charge.

## Defect relating to Interest for Demand Reconciliations

- The demand reconciliations are defined in the following CUSC Sections:
  - CUSC Section 3.13.4 - 3.13.8 – an obligation to perform the reconciliations, including timings, and a general requirement to apply interest.
  - CUSC Section 14.17.23 – 14.17.31 – more detail on how the reconciliation is calculated, but no more information on interest calculation.
  - CUSC Section 14.25 – an illustrative example of an initial and final demand reconciliation, which includes references to interest.
- In CUSC Section 14.25, the initial demand reconciliation is broken down into the various elements. In both the sections for HH and NHH reconciliations, it says that interest is calculated on the monthly reconciliation amounts.
- However, in the Section for the TDR reconciliation which was added when TDR went live, no mention is made of interest. Indeed, the whole section is poorly drafted, as it only illustrates how the TDR charge is calculated for a month, nothing about comparing this to the original invoiced amount. This therefore leaves it unclear as to whether interest should be applied and, if so, how it should be calculated.
- Later in CUSC Section 14.25 there is a single section for the final demand reconciliation (not split out by HH/NHH/TDR), which says that interest is applied. Therefore, for the final demand reconciliation, interest would be applied to the TDR element.

# Illustration of Issues with CUSC 14.25 Wording

## Initial Reconciliation (Part 1a)

The Supplier's outturn HH triad gross demand, based on initial settlement data (and therefore subject to change in subsequent settlement runs), was 9,000kW. The HH triad gross demand reconciliation charge is therefore calculated as follows:

$$\begin{aligned} \text{HHD Reconciliation Charge} &= (\text{HHD}_A - \text{HHD}_F) \times \text{£/kW Tariff} \\ &= (9,000\text{kW} - 7,200\text{kW}) \times \text{£}10.00/\text{kW} \\ &= 1,800\text{kW} \times \text{£}10.00/\text{kW} \\ &= \text{£}18,000 \end{aligned}$$

To calculate monthly interest charges, the outturn HHD charge is split equally over the 12-month period. The monthly reconciliation amount is the monthly outturn HHD charge less the HH gross demand monthly invoiced amount. Interest payments are calculated based on these monthly reconciliation amounts using Barclays Base Rate.

## Initial Reconciliation (Part 3)

The Company's FDSC Forecast and Unmetered Supply Volume Forecast for the Supplier (as described in 14.17.20(b)) was as follows;

Charging Band*	Transmission Demand Residual Quantity (A)	Tariff (B)	Days in month (C)	Forecast Charge
FDSC Band 1	25 Sites	£1/Site/Day	30	= A x B x C = 25 x 1 x 30 = £750
FDSC Band 2	15 Sites	£2/Site/Day	30	= A x B x C = 15 x 2 x 30 = £900
UMS	10kWh/day	£2.75/kWh	30	= A x B = 10 x 2.75 x 30 = £825

\*Note – only 3 Charging Bands shown in this example for simplicity.

Transmission Demand Residual charges will be the sum of the charges for each Charging Band, therefore;

$$\text{Transmission Demand Residual} = \text{£}750 + \text{£}900 + \text{£}825 = \text{£}2,475$$

## What is our plan?

- CUSC Section 14.25 is intended to help users understand how the TNUoS demand reconciliation process is performed. It is currently not as clear as it could be in supporting parties to understand how the process is applied.
- This modification does not change the charging methodology, it just provides a clarification of the illustrative example of the billing process, avoiding potential questions and disputes.
- We propose it proceeds straight to Code Administrator Consultation.
- This will not result in a decision by end June 2024. But given the overarching obligation in CUSC Section 3.13.6 to apply interest, and CUSC Section 14.25 is included for illustrative purposes, we will be applying interest in the initial demand reconciliation in June 2024, as per the proposal.

# CMP438 – the asks of Panel

- **AGREE** that this Modification has a clearly defined defect, scope and solution
- **AGREE** that this Modification meets the Self-Governance Criteria (Panel decision) rather than Standard Governance (Ofgem decision)
- **AGREE** that this Modification should proceed to Code Administrator Consultation
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the proposed timeline

# CUSC Self-Governance Criteria

## “Self-Governance Criteria”

a **CUSC Modification Proposal** that, if implemented,

(a) is unlikely to have a material effect on:

(i) existing or future electricity consumers; and

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity; and

(iii) the operation of the **National Electricity Transmission System**; and

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the **CUSC**'s governance procedures or the **CUSC**'s modification procedures, and

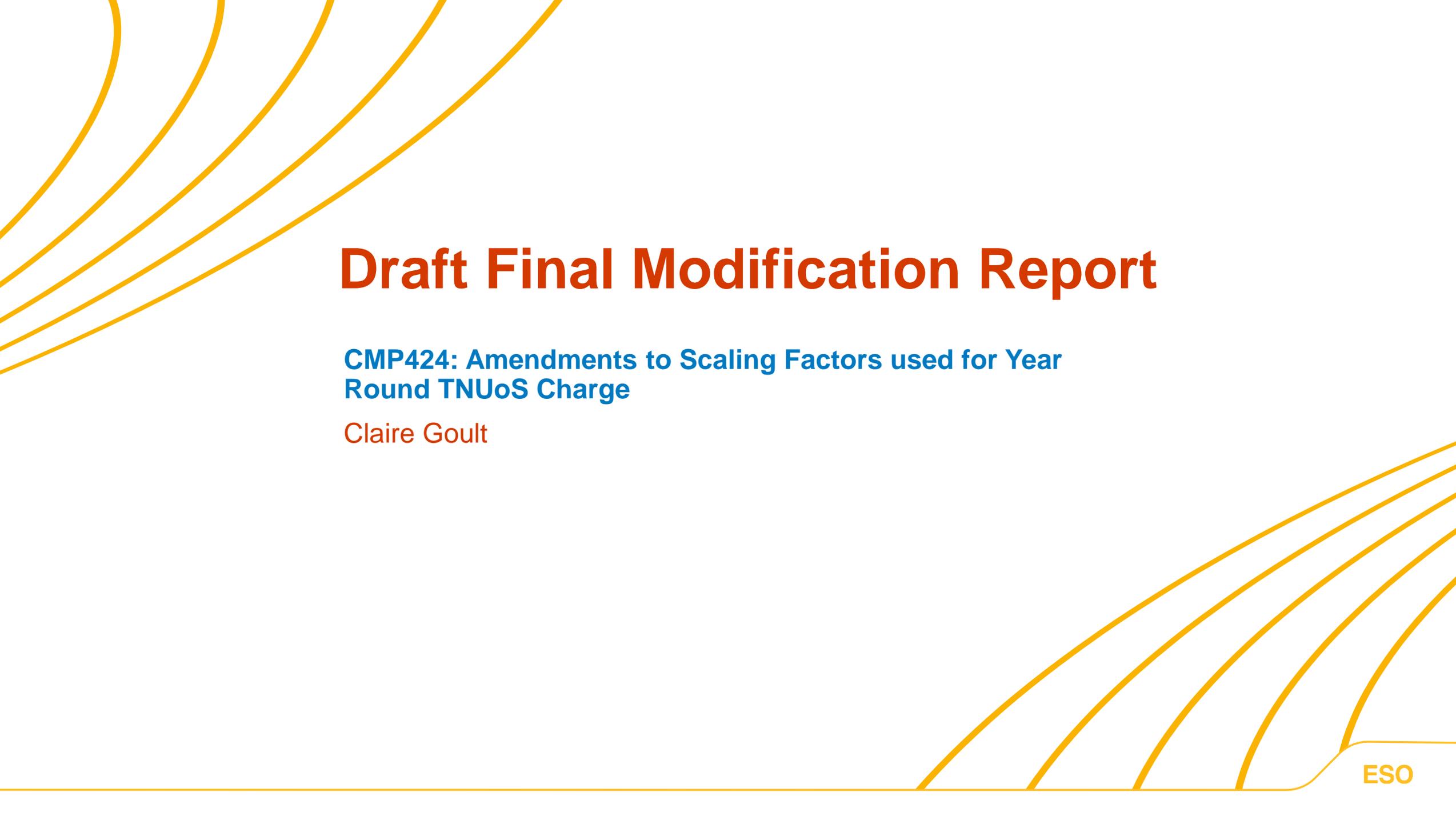
(b) is unlikely to discriminate between different classes of **CUSC Parties**;

c) other than where the modification meets the **Fast Track Criteria** will not constitute an **EBGL Amendment**.



# Inflight Modification Updates

Claire Goult, Code Administrator



# Draft Final Modification Report

**CMP424: Amendments to Scaling Factors used for Year  
Round TNUoS Charge**

Claire Goult

# Solution

The Proposer's solution involves the following CUSC changes:

- Introduce a 10% minimum value for variable scaled factors in the Year Round Background
- 'Fixed' scaling factors can be adjusted for Year Round Background calculations if required to ensure variable factor remains above 10%
- When the variable scaling factor is increased to meet the 10% floor, all 'fixed' scaling factors are adjusted by a uniform amount so that the total of all scaled generation capacity is equal to ACS Peak Demand
- No changes to be made for Peak Security

# Code Administrator Consultation Responses

## Summary of Code Administrator Consultation Responses :

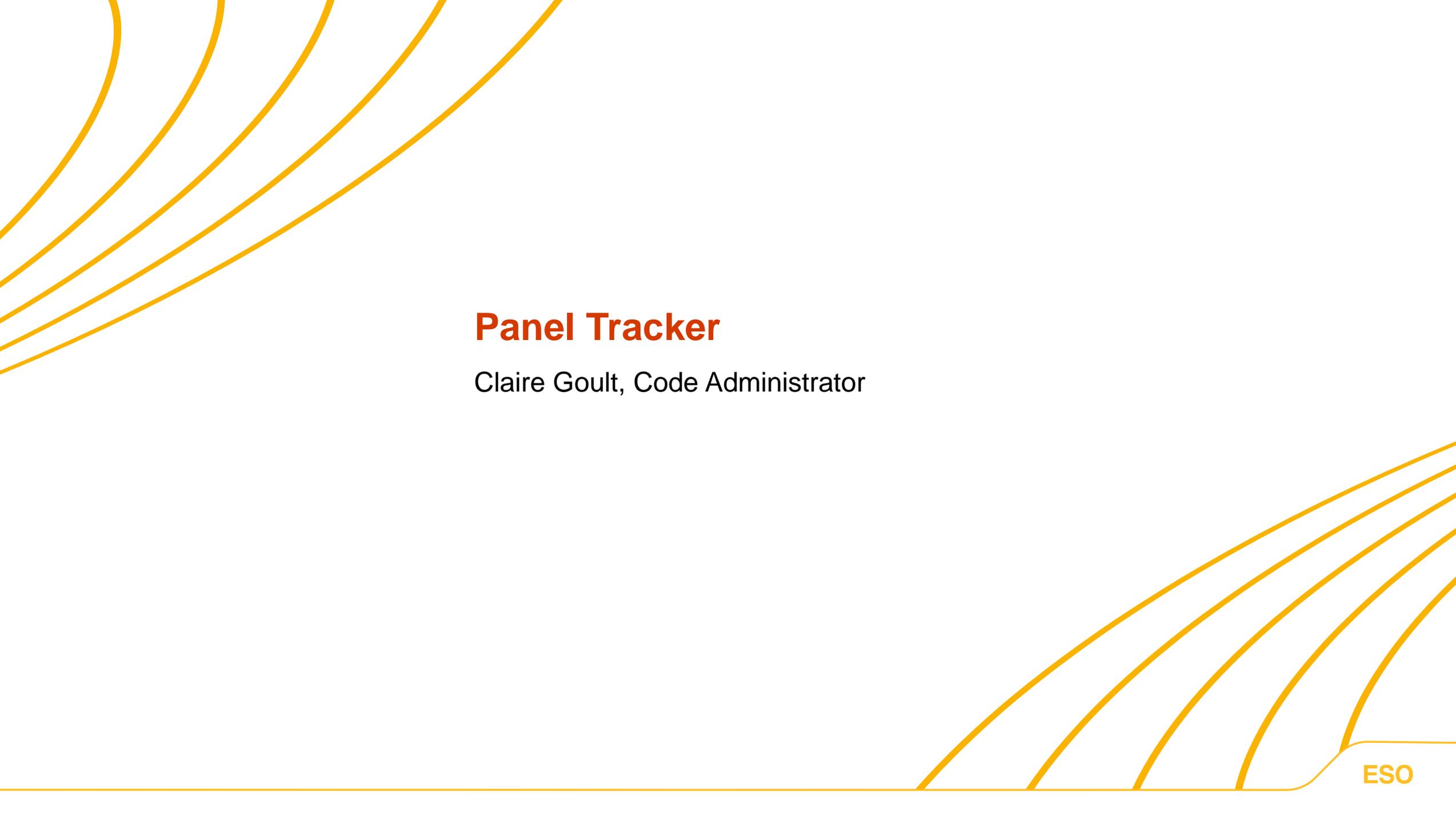
- Code Administrator Consultation was run from 30/04/2024 to 22/05/2024 and received 2 non-confidential responses [and 0 confidential responses]. Key points were:
  - Both respondents stated that the Original better facilitates the CUSC objectives than the Baseline.
  - Both respondents stated that they support the proposed implementation approach.
  - Respondents noted that the Original Proposal has a minimal impact on tariffs, mitigates short term risk of negative scaling factors, ensures a more cost reflective charging approach, and ensures that the existing tariff model will be able to accommodate the projected growth in flexible generation.

# CMP424 – the asks of Panel

- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **VOTE** whether or not to recommend implementation
- **NOTE** next steps

# CMP424 Next Steps

Milestone	Date
Draft Final Modification Report presented to Panel	28 June 2024
Final Modification Report issued to Panel to check votes recorded correctly (5 business days)	01 July 2024 to 08 July 2024
Submission of Final Modification Report to Ofgem	09 July 2024
Ofgem decision date	Required by 30 September 2024
Implementation Date	01 April 2025

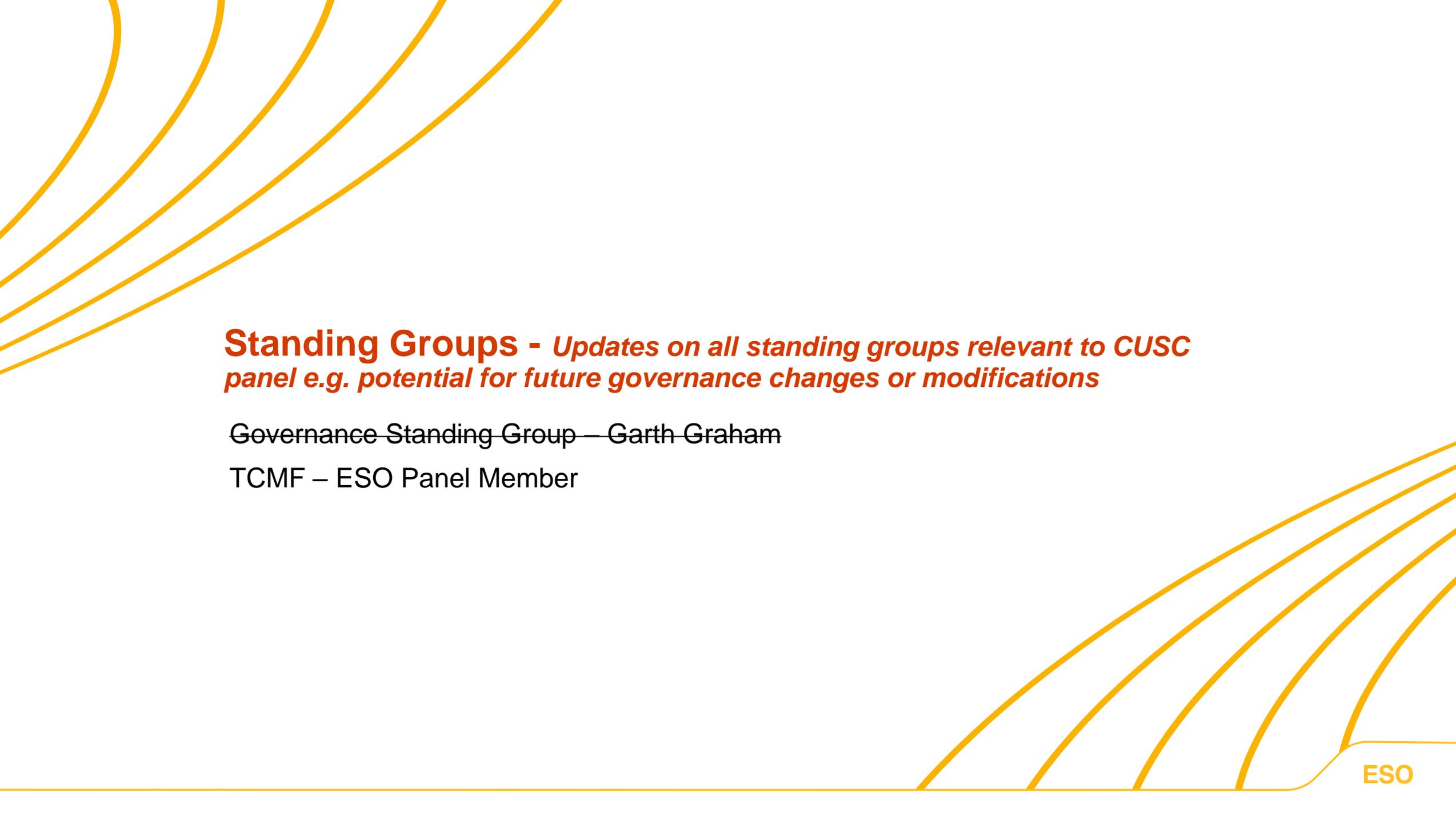


# Panel Tracker

Claire Goult, Code Administrator

## **Discussions on Prioritisation**

- **AGREE where New Modifications that need Workgroups are placed in the prioritisation stack**



**Standing Groups - *Updates on all standing groups relevant to CUSC panel e.g. potential for future governance changes or modifications***

~~Governance Standing Group – Garth Graham~~

TCMF – ESO Panel Member

**European Updates** - *Updates on all European developments relevant to CUSC panel e.g. potential for future governance changes or modifications*

European Code Development – Nadir Hafeez

Joint European Stakeholder Group – Garth Graham

Previous meeting – 11 June 2024 (cancelled)

Next meeting – 09 July 2024

## Updates on other industry codes

29 May 2024 STC [Panel Papers and Headline Report](#)

30 May 2024 Grid Code [Panel Papers and Headline Report](#)

03 June 2024 SQSS [Panel Papers and Headline Report](#)



# Governance Update



# EBR Article 18 Overview

# Objectives

- What is EBR?
- What is Article 18 T&Cs?
- Why does Article 18 matter?
- Interaction with code modification process?
- How to identify interactions?
- Examples

# What is EBR?

## Electricity Balancing Regulation (EBR)

The Electricity Balancing Guideline (EBGL) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

This regulation aims to standardise electricity balancing procurement and settlement across EU member states

The Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) is the regulation which has been **retained and amended in GB law** following GB exit from Europe, as Statutory Instrument (SI) 2020 No. 1006

# What is Article 18?

Article 18....

- Sets out the rules for creating markets and how balancing products should be set up across the GB market.
- States that Transmission System Operators (TSOs) (ESO) should have terms and conditions developed for balancing services, which are submitted to and approved by Ofgem.
- States that the terms and conditions related to balancing should be developed by the ESO
- ESO is responsible for managing change and maintaining the T&Cs relating to balancing for balancing service providers (BSPs) and balance responsible parties (BRPs)

# Why does Article 18 matter?

## Ensuring compliance with retained EU law

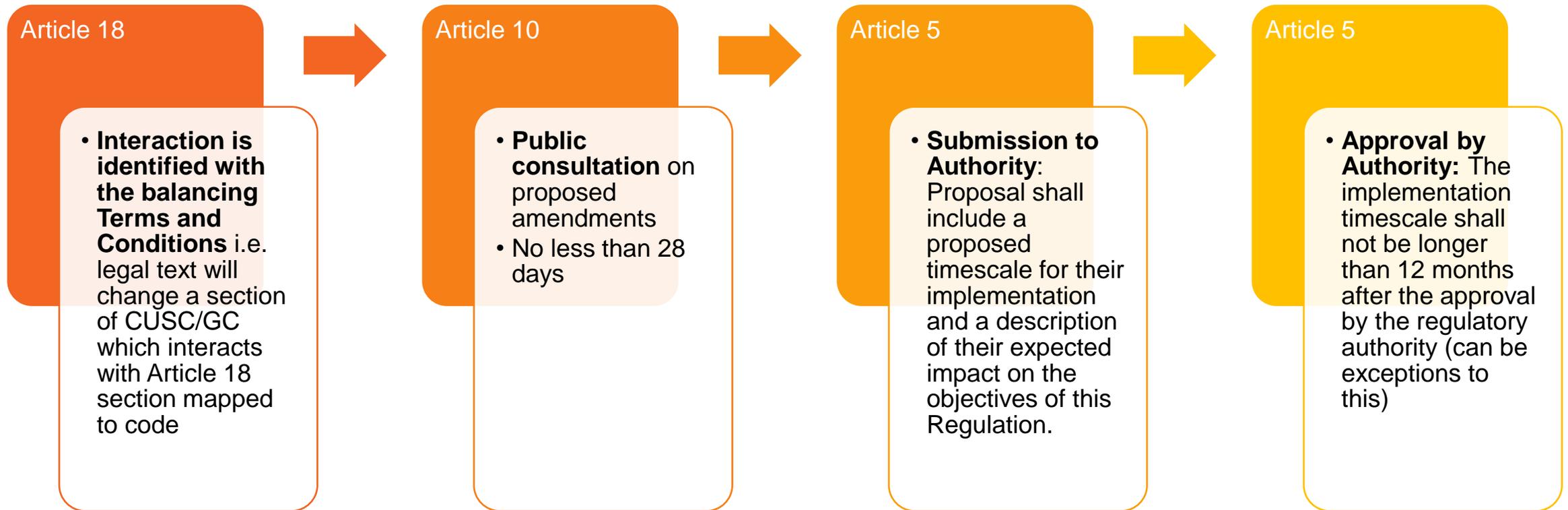
**Amendments to T&Cs for  
new/existing balancing  
services**

• ESO is responsible for proposing amendments to its terms and conditions relating to balancing specifically to update the terms and conditions for any new or existing balancing services.

**Amendments to T&Cs resulting  
from Code Modifications**

- The various mods for Article 18 were designed to ensure that the GB mod processes in those codes also included steps to make it legally compliant with the EBR change processes
- ESO is responsible to manage change to balancing T&Cs within the CUSC / Grid Code

# What is the EBR Article 18 change process?



# Identifying Article 18 interactions within the Code Change process

EBR Article 18 Ts&Cs

Sections of the ESO administrated codes which map to the terms of conditions

Annex GR.B of the Governance Rules

Exhibit Y – CUSC

European Regulation (EU) 2017/2195 Reference	Description	Grid Code	CUSC
18.2	The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196.	OC9.4	Section 4.1.3
18.4.a	define reasonable and justified requirements for the provisions of balancing services;	BC1, BC2, BC3 & BC4	
18.4.b	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	DRSC 4.2, BC1.4	
18.5.a	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	BC5, BC4.4.2	Section 4.1
18.5.c	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	BC1.4 and BC1.A.10	
18.5.d	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	DRC, BC5 BC1.4	Section 4.1.3.14 and 4.1.3.19
18.5.f	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;	BC1.4, BC1.A.10,	Section 4.1.3.19
18.5.i	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;		Section 4.1.3.9 and 4.1.3.9A
18.5.j	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;		Section 4.3.2.6
18.5.k	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.		Sections 4.1.3.9, 4.1.3.9A and 4.1.3.14
18.5.g	the definition of a location for each standard product and each specific product taking into account paragraph 5 (c);	BC1.4	
18.6.d	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,	
18.6.e	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraphs 3 and 4 of Article 17;	BC1.4.3,4,	

# Identifying Article 18 interactions within the Code Change process

EBR Article 18 Ts&Cs



Does the code mod introduce changes to any of these sections?

Yes

No

Interacts with EBR

Does not interact with EBR

Has to consult for 28 days at Code Administrator Consultation phase

Follows usual CaC timescales

Report to Authority must, in addition to usual requirement, outline how proposal impacts the Article 3 objectives  
+ implementation timeline

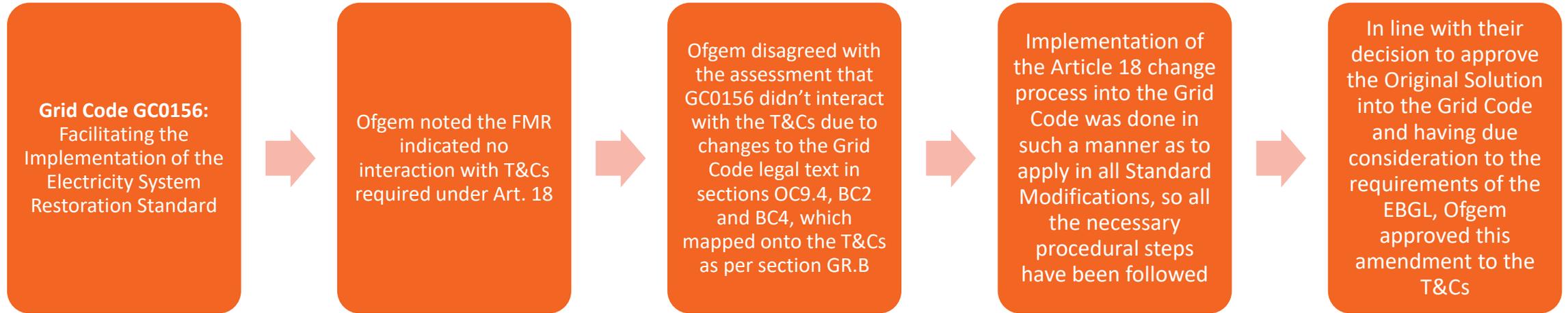
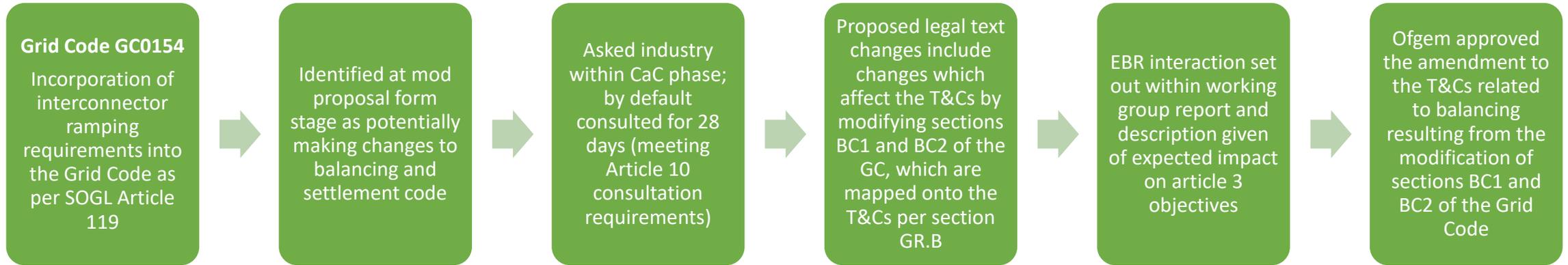
Sections of the ESO administrated codes which map to the terms of conditions

Annex GR.B of the Governance Rules

Exhibit Y – CUSC

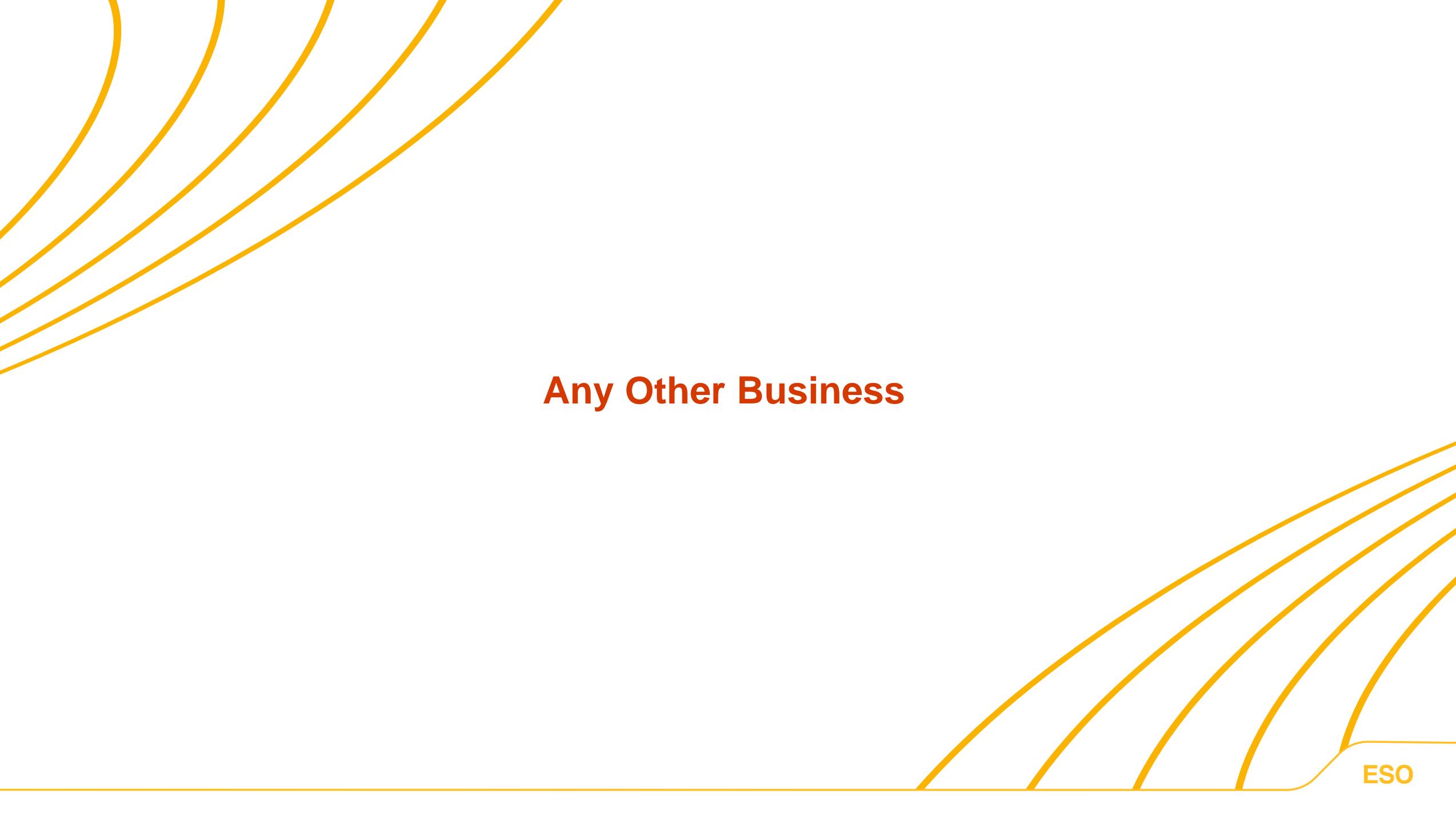
Grid Code	CUSC
OC9.4	Section 4.1.3
BC1, BC2, BC3 & BC4	
DRSC 4.2, BC1.4	
BC5, BC4.4.2	Section 4.1
BC1.4 and BC1.A.10	
DRC, BC5 BC1.4	Section 4.1.3.14 and 4.1.3.19
BC1.4, BC1.A.10,	Section 4.1.3.19
	Section 4.1.3.9 and 4.1.3.9A
	Section 4.3.2.6
	Sections 4.1.3.9, 4.1.3.9A and 4.1.3.14
BC1.4	
BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,	
BC1.4.3,4,	

# Examples



EBR Article	Comment	Article Requirement / Content
<b>Article 3:</b> Objectives of EBR	Outlines the objectives and regulatory aspects of EBGL Regulation	<p>1. This Regulation aims at:</p> <ul style="list-style-type: none"> <li>a) Fostering effective competition, non-discrimination and transparency in balancing markets;</li> <li>b) enhancing efficiency of balancing as well as efficiency of national balancing markets;</li> <li>c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;</li> <li>d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;</li> <li>e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;</li> <li>f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;</li> <li>g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.</li> </ul>
<b>Article 4:</b> Terms and conditions or methodologies of TSOs	Terms and conditions related to balancing should be developed by TSOs and submitted for approval by Ofgem	<p>1. TSOs shall <b>develop</b> the terms and conditions or methodologies required by this Regulation and <b>submit them for approval</b> to the regulatory authority within the <b>respective deadlines</b> set out in this Regulation.</p> <p>2. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, shall regularly inform the regulatory authority about the progress of developing these terms and conditions or methodologies.</p>
<b>Article 18:</b> Terms and conditions related to balancing	Article 18 sets out the rules for creating markets and how products should be set up across GB market, the terms and conditions for balancing services and the requirements that the Ts & Cs must meet. The Terms and conditions related to balancing should be developed by the ESO. There is a change process outlined in other EBGL Articles 4, 5, 6 & 10 on how a proposal should be submitted, approved by Ofgem, how it should be amended, and that there should be a one month public consultation.	<p>1. No later than six months after entry into force of this Regulation and for all scheduling areas of a Member State, the TSOs of this Member State shall develop a proposal regarding:</p> <ul style="list-style-type: none"> <li>(a) the terms and conditions for balancing service providers;</li> <li>(b) the terms and conditions for balance responsible parties.</li> </ul>

EBR Article	Comment	Article Requirement / Content
<p><b>Article 6:</b> Amendments to terms and conditions or methodologies of TSOs</p>	<p>Article 6 outlines how EBGL amendments should take place</p>	<p>1. Where the regulatory authority requires an amendment in order to approve the terms and conditions or methodologies submitted in accordance with 4 of Article 5, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authority. The relevant regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission.</p> <p>3. TSOs responsible for developing a proposal for terms and conditions or methodologies may request amendments of those terms and conditions or methodologies. The proposals for amendments to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 10 and approved in accordance with the procedure set out in Article 4 and Article 5.</p>
<p><b>Article 10: Public Consultation</b></p>	<p>Article 10 lays out how a public consultation should take place. This will be covered in the process by holding a 1 month consultation at the CAC stage, and ensuring the final mod report includes sound justification for including (or not) consultation views.</p>	<p>1. TSOs responsible for submitting proposals for terms and conditions or methodologies or their amendments in accordance with this Regulation shall consult stakeholders, including the regulatory authority , on the draft proposals for terms and conditions or methodologies and other implementing measures <b>for a period of not less than one month.</b></p> <p>5. At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), and (i), (j) and (k) of Article 5(4) shall be subject to public consultation – <i>(N.B. Article 5(4).c refers to Article 18 balancing Ts and Cs)</i></p> <p>6. TSOs responsible for the proposal for terms and conditions or methodologies shall duly consider the views of stakeholders resulting from the consultations undertaken in accordance with paragraph 5, prior to its submission for regulatory approval. In all cases, a sound justification for including or not including the views resulting from the consultation shall be provided together with the submission and published in a timely manner before or simultaneously with the publication of the proposal for terms and conditions or methodologies.</p>
<p><b>Article 5:</b> Approval of terms and conditions or methodologies of TSOs</p>	<p>Article 5.5 notes that the amendment proposal (mod report) should outline the expected impact on the EBGL objectives (Outlined in Article 3).</p>	<p>1. The regulatory authority shall approve the terms and conditions or methodologies developed by TSOs under paragraphs 4.</p> <p>4. The proposals for the following terms and conditions or methodologies shall be subject to approval by a case-by-case basis; <b>c) the terms and conditions related to balancing pursuant to Article 18;</b></p> <p>5. The proposal for terms and conditions or methodologies shall include a <b>proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation.</b> The implementation timescale shall <b>not be longer than 12 months after the approval</b> by the regulatory authority, except where all relevant regulatory authorities agree to extend the implementation timescale or where different timescales are stipulated in this Regulation.</p>



**Any Other Business**

# Activities ahead of the next Panel Meeting

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<b>Transmission Charging Methodologies Forum</b>	<b>09 July 2024</b>
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<b>Modification Proposal Deadline for July Panel</b>	<b>11 July 2024</b>
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<b>Papers Day</b>	<b>18 July 2024</b>
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<b>Panel Meeting</b>	<b>26 July 2024</b> <b>Faraday House</b>
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**Close**



**Trisha McAuley OBE**

**Independent Chair, CUSC Panel**