

CUSC Alternative Form

CMP430 Alternative Request 1:

Overview: Temporarily simplify the current structure of TNUoS tariff charging to reflect the loss of Measurement Class

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What is the proposed alternative solution?

The proposed solution is to recover any revenue from the demand locational tariffs (4-7pm charge or Triad charge) via the Transmission Demand Residual instead. Currently (2024/25) relatively low sums are collected from the demand locational tariffs, c. £0.1bn out of c. £3.1bn total revenue recovered from Demand customers via TNUoS. Collecting all revenue instead via the Transmission Demand Residual would not materially alter customer bills while avoiding the need for industry parties to undertake IT system development at short notice.

This proposal is intended to be on a temporary basis until reformed locational charging is introduced following either the conclusion of the TNUoS taskforce, REMA or any other relevant stream of work.

The proposed solution is not expected to have any impacts on Transmission-connected generators or Embedded Generators. ESO would continue to run the T&T Model, calculating the relevant locational tariffs. The relevant locational tariffs for demand users only would then be set to zero post model run.

What is the difference between this and the Original Proposal?

The Original Proposal seeks to maintain, in so far as possible, the status quo TNUoS tariff charging. This will require industry parties to undertake IT system development at short notice from suppliers, assuming an end of September 2024 decision from Ofgem for a change effective from April 2025. The IT system changes would need to replace Measurement Class as the determining factor for application of TNUoS tariffs with a lookup based on a Connection Type and Domestic Premises Indicator.

Additionally, the IT system development may be short lived if future TNUoS charging reforms diverge from the status quo. This is considered likely based on the early conclusions of the TNUoS taskforce and Ofgem signalling at the Charging Futures Forum that network charges should not send operational signals.

What is the impact of this change?

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: Under this proposal suppliers will face a more certain set of TNUoS tariffs, the lack of ambiguity over which tariff regime a customer may face should result in lower risk premia and greater competition to supply all customer types.

(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);	Negative: Arguably this change is negative against cost reflectivity in that it temporarily removes the locational signal from demand charges. However these form a very small minority of current demand TNUoS charges and the current arrangements are not necessarily suitable.
(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;	None:
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None:
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive: This change will require minimal or no IT systems development.
*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

When will this change take place?

Implementation date:

1st April 2025

Implementation approach:

ESO will not publish demand locational tariffs (set as 0p/kWh or £0/kW respectively) and adjust the Demand Residual Revenue accordingly.

Acronyms, key terms and reference material

Acronym / key term	Meaning
REMA	Review of Electricity Market Arrangements
T&T Model	Transport & Tariff Model, ESOs model to calculate TNUoS tariffs

Reference material:

- 1. <https://www.nationalgrideso.com/document/301731/download>
- 2. https://www.ofgem.gov.uk/sites/default/files/2024-03/Annex_3_-_Network_cost_allowance_methodology_elec_v1.17.xlsx