CUSC Modification Proposal Form

CMP439: Removal of Bilateral Embedded Generator Agreement (BEGA) obligation for a sub 100MW Generator

Overview: This modification proposal would remove the requirement for ≤100 MW licenced embedded generators to have a Bilateral Embedded Generator Agreement (BEGA) before participating in the Balancing Mechanism.

Modification process & timetable

1. **Proposal Form**
   18 July 2024
2. **Code Administrator Consultation**
   28 August 2024 - 25 September 2024
3. **Draft Final Modification Report**
   17 October 2024
4. **Final Modification Report**
   07 November 2024
5. **Implementation**
   10 Business days after the Authority Decision

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: Low impact

Embedded Generators

Proposer's recommendation of governance route	Standard Governance modification to proceed to Code Administrator Consultation	
Who can I talk to about the change?	**Proposer:** Nicholas Sillito nsillito@peakgen.com +44 7491 434 518	**Code Administrator Contact:** Claire Goult Claire.goult@nationalgrideso.com +44 7902 312 226

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What is the issue?

An Embedded Power Station has two potential routes to enter the market:

i. It can elect to have its boundary meters registered by a licenced Supplier (who is a Connection and Use of System Code (CUSC) party and a Balancing and Settlement Code (BSC) signatory), normally in the Supplier Volume Allocation (SVA) system;
ii. It can register the meters via a BSC party that is not a licenced Supplier in the Central Volume Allocation (CVA meter system (the BSC party and the Generator are often one in the same or a sister company)

The Power Station can choose to participate in the Balancing Mechanism via these two routes:

i. Supplier registered parties can participate in the Balancing Mechanism as either a Supplier Secondary BM Unit or a Virtual Lead Party; or
ii. The “traditional route” where the CVA metering system is registered with the ESO

(see “Registration Guide Balancing Mechanism Units in Reference material).

The CUSC currently treats the two processes to participate in the Balancing Mechanism inconsistently. CUSC 1.6.1 states that three classes of user do not require an additional Bilateral Agreement to accede to the CUSC and use the Transmission System: a Supplier, an Interconnector User, and an Interconnector Error Administrator. By implication, a Non-Supplier registered Power Station must enter into a BEGA with the ESO before it can participate in the Balancing Mechanism.

BEGAs were developed for Embedded Power Stations with a capacity of over 100 MW who require Transmission Entry Capacity (TEC) with the BEGA forming the contractual relationship for the TEC. For sub 100 MW Generators, BEGAs are not required (as illustrated by the Supplier registration in the Balancing Mechanism). Requiring a sub 100 MW CVA registered Power Station to hold a BEGA before it can participate in the Balancing Mechanism, is both an inconsistency and a barrier to entry. BEGA applications cost between £26,800 and £15,050 (see page 27 of the Statement of Use of System Charges in Reference material)

This proposal removes the inconsistency between participation for Power Stations who access the Balancing Mechanism via a Supplier and those who directly register in the CVA system by introducing Embedded Power Stations as the fourth category of CUSC parties who do not require a Bilateral Agreement (as defined by the CUSC).

Embedded Power Stations not requiring a Bilateral Agreement are limited to:

i. Sub 100 MW Generators (because generators of 100 MW or more require TEC, and this is provided by the Bilateral Agreement); and
ii. Licenced Generators (as these Generators already have the obligation to comply with the Grid Code).

Note that before a Supplier registered BM Unit can participate in the Balancing Mechanism, it is required to enter *a Supplier additional BMU agreement*. This is not specified in the CUSC. A similar requirement could be placed on CVA registered Generators, but like Supplier registered Generators, this would not need to be specified in the CUSC.

Why change?

Requiring a sub 100MW licenced Embedded Generator to hold a BEGA before it can participate in the Balancing Mechanism is a barrier to entry and reduces competition. The BEGA is not relevant to this class of generation.

Removal of this obligation will increase competition and simplify the administrative process.

What is the proposer's solution?

The CUSC needs to be modified as follows:

Draft legal text

CUSC Section 1 - Applicability of Sections and Related Agreements Structure

1.6 CATEGORIES OF USE WITHOUT BILATERAL AGREEMENTS

1.6.1 ~~Three~~ Four categories of use of the **GB Transmission System** do not require a **Bilateral Agreement** to be entered into as all the relevant provisions are included in the **CUSC** itself. These relate to **Embedded Power Stations with a Generation Capacity of less than 100 MW holding a Licence**, **Suppliers, Interconnector Users** and **Interconnector Error Administrators** who in those categories of connection and/or use have no physical presence on the system. Further provisions on this are contained in Section 3 and Section 9 Part II.

CUSC - EXHIBIT F

SUPPLIER
INTERCONNECTOR USER
INTERCONNECTOR ERROR ADMINISTRATOR
VIRTUAL LEAD PARTY
EMBEDDED POWER STATION

4. We confirm that we are applying in the category of:

Supplier	[ ]
Interconnector User	[ ]
Interconnector Error Administrator	[ ]
Virtual Lead Party	[ ]
Embedded Power Station	[ ]

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	**Identified impact**
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	**Positive** This change reduces barriers to entry to the Balancing Mechanism,

	therefore directly facilitates competition in the generation of electricity. This modification proposal facilitates equal treatment of different classes of user entering into a use of system agreement to participate in the Balancing Mechanism. This helps the Licensee meet its obligation under Licence condition C7 (1) which requires "In the provision of use of system or in the carrying out of works for the purpose of connection to the national electricity transmission system, the licensee shall not discriminate as between any persons or class or classes of persons.
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	**Positive** Reducing barriers to entry will lead to more Balancing Mechanism participants, therefore increasing competition in the Balancing Mechanism – a process for the sale and purchase of electricity.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral** No impact.
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** Removes the need to administer BEGAs for sub 100 MW Embedded Generators.
*The Electricity Regulation referred to in objective (c) 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.	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	**Positive** More Balancing Mechanism participants will give the ESO more options to secure the system. This will increase reliability of the system.
Lower bills than would otherwise be the case	**Positive** Increased competition in the Balancing Mechanism will lead to lower prices, which will reduce BSUoS charges. BSUoS is charged to final demand customers. A reduced cost will lead to lower bills
Benefits for society as a whole	**Positive** Better participation in the Balancing Mechanism will allow more real time despatch of generation which ultimately leads to better resource deployment. Efficient use of resource is a benefit to society
Reduced environmental damage	**Positive** This change will increase competition in the Balancing Mechanism giving the ESO more opportunity to manage network congestion efficiently allowing more efficient deployment of renewable resources
Improved quality of service	**Neutral**

When will this change take place?

Implementation date
Proposer has requested the 01 December 2024

Date decision required by
Proposer has requested the 01 November 2024

Implementation approach
No system changes required

Proposer's justification for governance route
Governance route: Standard Governance modification to proceed to Code Administrator Consultation

The proposal has full legal text and has no impact on industry participant's systems.

Removing the need for a licenced sub 100MW Embedded Generator to hold a BEGA before participating in the Balancing Mechanism, does not impact the Generator's obligations.

Interactions

☒Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☒Other modifications	☐Other

Note Grid Code modification proposal GC0117, currently under consideration by the Authority, which seeks to vary grid code definitions of small, medium and large power stations and could vary the obligations on certain power stations. Potentially requiring smaller power stations to participate in the Balancing Mechanism.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BEGA	Bilateral Embedded Generator Agreement
BMU	Balancing Mechanism Unit
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
CVA	Central Volume Allocation
EBR	Electricity Balancing Regulation
MW	Mega Watts
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
SVA	Supplier Volume Allocation
T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity

Reference material

- Registration guide Balancing Mechanism Units (BMUs) (January 2024) (National Grid ESO)
- Statement of Use of System Charges (April 2024)

[1] If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.