



CUSC Panel

Friday 27 September 2024

Online Meeting via Teams

WELCOME



Approval of Panel Minutes

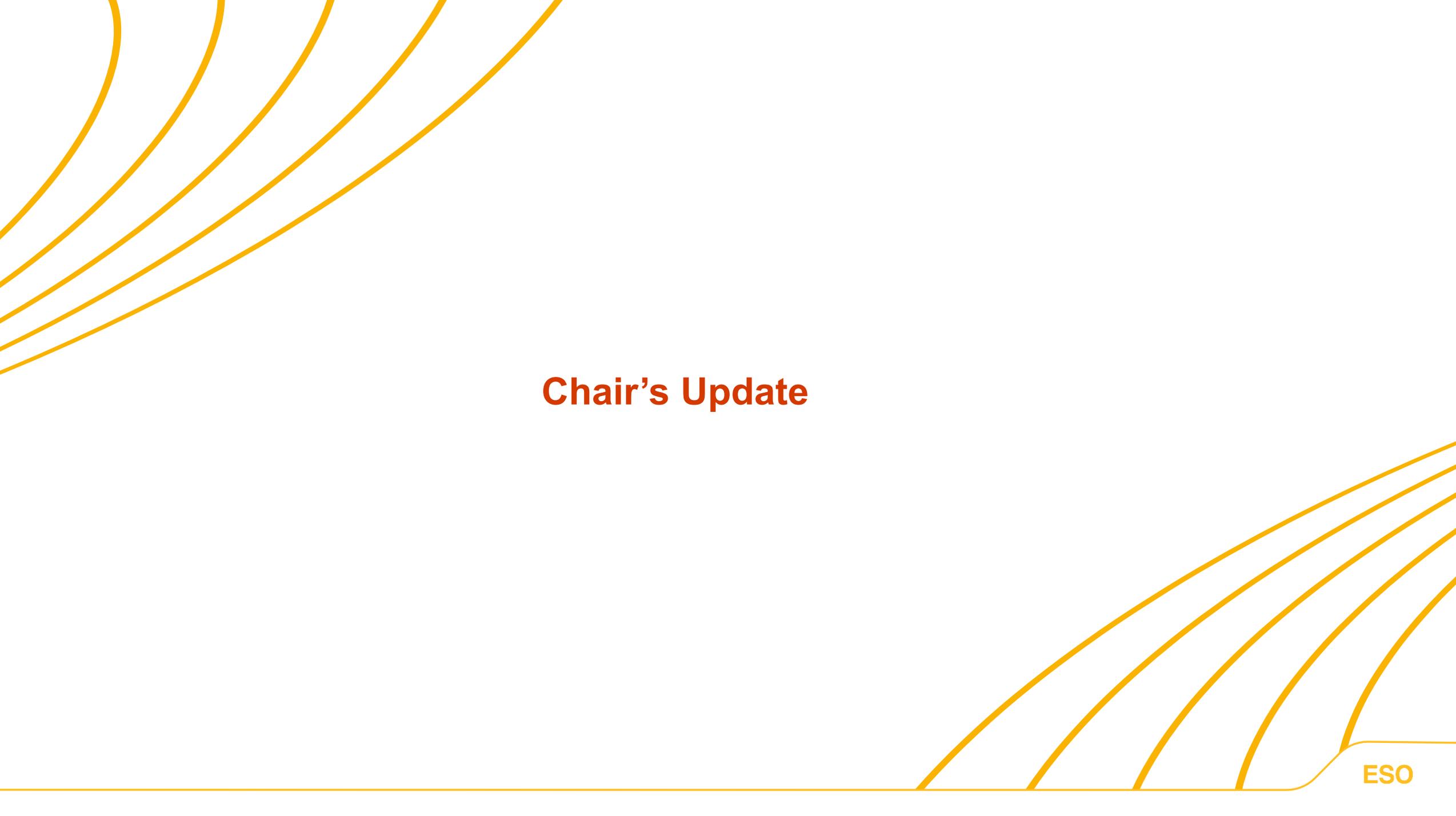
Approval of Panel Minutes from the Meetings held

12 July 2024, 24 July 2024, 23 August 2024, 09 September 2024



Action Log





Chair's Update

Authority Decisions and Update (as of 18 September 2024)



Decisions Received since last Panel meeting

Modification	Decision	Implementation Date
CMP424 'Amendments to Scaling Factors used for Year Round TNUoS Charges'	On 06 September 2024 the Authority approved the Original solution	01 April 2025

Decisions Pending

Modification	FMR submitted	Expected Decision Date
CMP315 'TNUoS Review of the expansion constant and the elements of the transmission system charged for' and CMP375 'Enduring Expansion Constant & Expansion Factor Review'	07/02/2024	29/11/2024
CMP316 'TNUoS Arrangements for Co-located Generation Sites'	12/06/2024	30/09/2024
CMP330&CMP374 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10/08/2023	TBC Subject to CMP414 send back
CMP393 'Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage'	17/06/2024	30/09/2024
CMP397 'Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-Located Generation Sites)'	12/06/2024	30/09/2024
CMP403 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14)'	11/06/2024	30/09/2024
CMP404 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 11)'	11/06/2024	30/09/2024
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	30/09/2024
CMP413 'Rolling 10-year wider TNUoS generation tariffs'	08/05/2024	30/09/2024
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	30/09/2024
CMP418 'Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer'	08/05/2024	30/09/2024
CMP436 'Update CUSC arrangements to replace the Electricity Arbitration Association with the London Court of International Arbitration (LCIA) (Non Charging)'	07/08/2024	06/12/2024
CMP437 'Update CUSC arrangements to replace the Electricity Arbitration Association with the London Court of International Arbitration (LCIA) (Charging)'	07/08/2024	06/12/2024

Received Final Modification Reports since last Panel Meeting

Modification	Final Modification Report Received	Expected Decision Date
CMP430 'Adjustments to TNUoS Charging from 2025 to support the Market Wide Half Hourly Settlement (MHHS) Programme'	23/08/2024	30/09/2024

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

CMP440: Re-Introduction of Demand TNUoS Locational Signals by removal of the zero-price floor

Proposer: Lauren Jauss - RWE



Critical Friend Feedback – CMP440

Code Administrator comments	Amendments made by the Proposer
<p>Suggested minor typographical and formatting changes.</p> <p>Expanded acronyms within the document.</p> <p>Reference material added.</p> <p>Paragraph wording updated as per comments.</p>	<p>Proposer accepted all amendments made by the Code Administrator</p>

Summary

- This CUSC modification Proposal would remove the current zero price floor from the Transmission Network Use of System(TNUoS) locational demand tariff for Final Demand, thereby re-introducing a locational demand investment price signal across all of GB
- The potential for negative prices in a specific period of delivery, hence the perverse incentive for users to consume, is removed by widening the period over which consumption is measured for charging against negative tariffs

What is the issue?

The TNUoS Taskforce agreed that:

- Ideally, generation and demand locational signals would be approximately equal and opposite
- There was high priority case for change to remove the demand locational tariff floor, noting the importance of investment signals for demand cited in DESNZ's Second REMA consultation, and in ESO's Beyond 2030 report
- Demand and generation negative locational charges are appropriate, but there should not be a negative total cost of final demand to a consumer to incentivise them to waste energy in a specific time period, and that this could be achieved in negative charging zones by widening the period over which a customer's demand is measured

What is the Proposed Solution?

- The zero price floor be removed for **Final Demand for negative Peak Tariffs** and those negative charges levied on HH and NHH metered energy consumption over the period **16:00 hrs to 19:00 hrs inclusive every day** over the Financial Year i.e. in the same way as NHH consumption is currently charged.
- The zero price floor be removed for **Final Demand for negative Year Round Tariffs** and those negative charges levied on HH and NHH **total annual metered energy consumption**.
- The corresponding negative tariffs in p/kWh are arrived at by scaling the corresponding £/kW Demand Locational Tariff by the ratio of forecast metered consumption over the relevant period **assuming a baseload consumption profile**, so that the negative charge will always be based on an underestimate of ACS Peak consumption (it would not appear to be correct for a user's annual £ charge divided by their typical kW maximum demand, to exceed the £/kW Tariff).

Current

	Positive Charges		Negative Charges	
	HH	NHH	HH	NHH
Peak	Triad	4-7pm all year	Zero	Zero
Year Round	Triad	4-7pm all year	Zero	Zero

Proposed

	Positive Charges		Negative Charges	
	HH	NHH	HH	NHH
Peak	Triad	4-7pm all year	4-7pm all year	4-7pm all year
Year Round	Triad	4-7pm all year	All year	All year

For Consideration by Workgroup / Terms of Reference

1. Should the peak charge apply to winter or all year?
2. Should the Year-Round charge apply all day or just 4-7pm?
3. Should positive and negative demand charges be charged differently i.e. keep the existing methodology for positive demand charges?
4. What should the methodology be for conversion from £/kW to p/kWh? (Noting that it may have a practical impact on the above design choices)

Rationale for Proposed Design

- The current principle of TNUoS is to charge customers based on their ACS Peak consumption i.e. maximum required capacity
- The current approach for NHH customers is to consider, by GSP Group, the forecast income from those customers if the £/kW tariffs were levied at triad i.e. there is a common conversion factor between measured consumption vs demand at peak with the inherent assumption that everyone has the same profile.
- This is not currently a significant issue for NHH customers because they are already deemed to consume in a standard profiles
- If a standard rate is used to convert the kwh consumption of an HH customer over a wider chargeable period to a deemed peak consumption level, this will be much less accurate than the current peak consumption measure at triad
- Hence the scope of the proposal is negative charging zones only

Timeline for CMP440 – Proposed Timeline - *Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	27 September 2024	Code Administrator Consultation (15 business days)	01 July 2025 to 22 July 2025
Workgroup Nominations (20 business Days)	28 October 2024 to 07 November 2024	Draft Final Modification Report (DFMR) issued to Panel (5 business days)	14 August 2025
Workgroup 1 - Discuss proposal and solution(s), review and agree on ToR and Timeline Workgroup 2, 3 and 4 - Refine solution(s), draft legal text, consider potential Workgroup Consultation questions and finalise Workgroup Consultation	14 January 2025 11 February 2025 11 March 2025 31 March 2025	Panel undertake DFMR recommendation vote	22 August 2025
Workgroup Consultation (15 business days)	07 April 2025 to 30 April 2025	Final Modification Report issued to Panel to check votes recorded correctly	26 August 2025 to 02 September 2025
Workgroup 5 and Workgroup 6 – Review Workgroup Consultation responses, consider new points raised, refine solution, review legal text and discuss any potential alternatives Workgroup 7 and Workgroup 8 – Finalise solutions (including legal text) and alternatives and hold alternative vote. Finalise Workgroup Report and hold Workgroup Vote	21 May 2025 22 May 2025 09 June 2025 10 June 2025	Final Modification Report issued to Ofgem	03 September 2025
Workgroup report issued to Panel (5 business days)	19 June 2025	Ofgem decision <i>Requested as Charging Modification</i>	30 September 2025
Panel sign off that Workgroup Report has met its Terms of Reference	27 June 2025	Implementation Date	01 April 2026

CMP440 – the asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)
- **AGREE** that this Modification should proceed to Workgroup
- **AGREE** Workgroup Terms of Reference
- **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

New modifications submitted

CMP441: Reducing the credit risk of supplying non-embedded hydrogen electrolyzers

Proposer: Dan Brimlow



Critical Friend Feedback – CMP441

Code Administrator comments	Amendments made by the Proposer
<p>Suggested minor typographical and formatting changes.</p> <p>Expanded acronyms within the document.</p> <p>Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories updated.</p> <p>Added draft Legal text.</p>	<p>Proposer accepted all amendments made by the Code Administrator</p>

Background

- To achieve clean power by 2030, Government has pledged to double the target on green hydrogen, with 10GW of production.
- Agreements for the first Hydrogen Allocation Round are due to be issued imminently by DESNZ with at least 2.5GW due to be awarded via this mechanism within the next three years.
- Supply to a hydrogen electrolyser (where an energy commodity is converted to another energy commodity) is a very different use case to traditional supply to an I&C customer since almost 100% of the variable input cost is electricity.
- Industry codes, designed around traditional supply use cases, need changing to accommodate this new evolution to the energy system.

What is the issue?

- There is a discrepancy between the DCUSA and CUSC as to the time it takes to deenergise hydrogen electrolyzers.
- In the case of non-payment, to the Supplier, disconnection of the primary site could take at least an additional seven days compared to the DCUSA.
- Since hydrogen electrolyser projects present a significantly higher credit risk to suppliers than a traditional very large I&C supply customer this additional time acts as a barrier and stunts deployment of non-embedded hydrogen electrolyzers.

The solution

- Recognise that energy commodity conversion is a very different use case to traditional I&C supply and requires a different deenergisation approach within the CUSC.
- Mirror the DCUSA, for hydrogen electrolysers, and disapply the requirement to consult non contractual parties where the Supplier is contracting with a hydrogen electrolyser.



Statkraft

Thank you

Timeline for CMP441 – Proposed Timeline – Code Administrator Consultation

Milestone	Date
Modification presented to Panel	27 September 2024
Code Administrator Consultation (15 business days)	03 October 2024 to 24 October 2024
Draft Final Modification Report (DFMR) issued to Panel (5 business days)	21 November 2024
Panel undertake DFMR recommendation vote	29 November 2024
Final Modification Report issued to Panel to check votes recorded correctly	04 December 2024 to 11 December 2024
Final Modification Report issued to Ofgem	12 December 2024
Ofgem decision	TBC
Implementation Date	10 Business Days after Authority decision

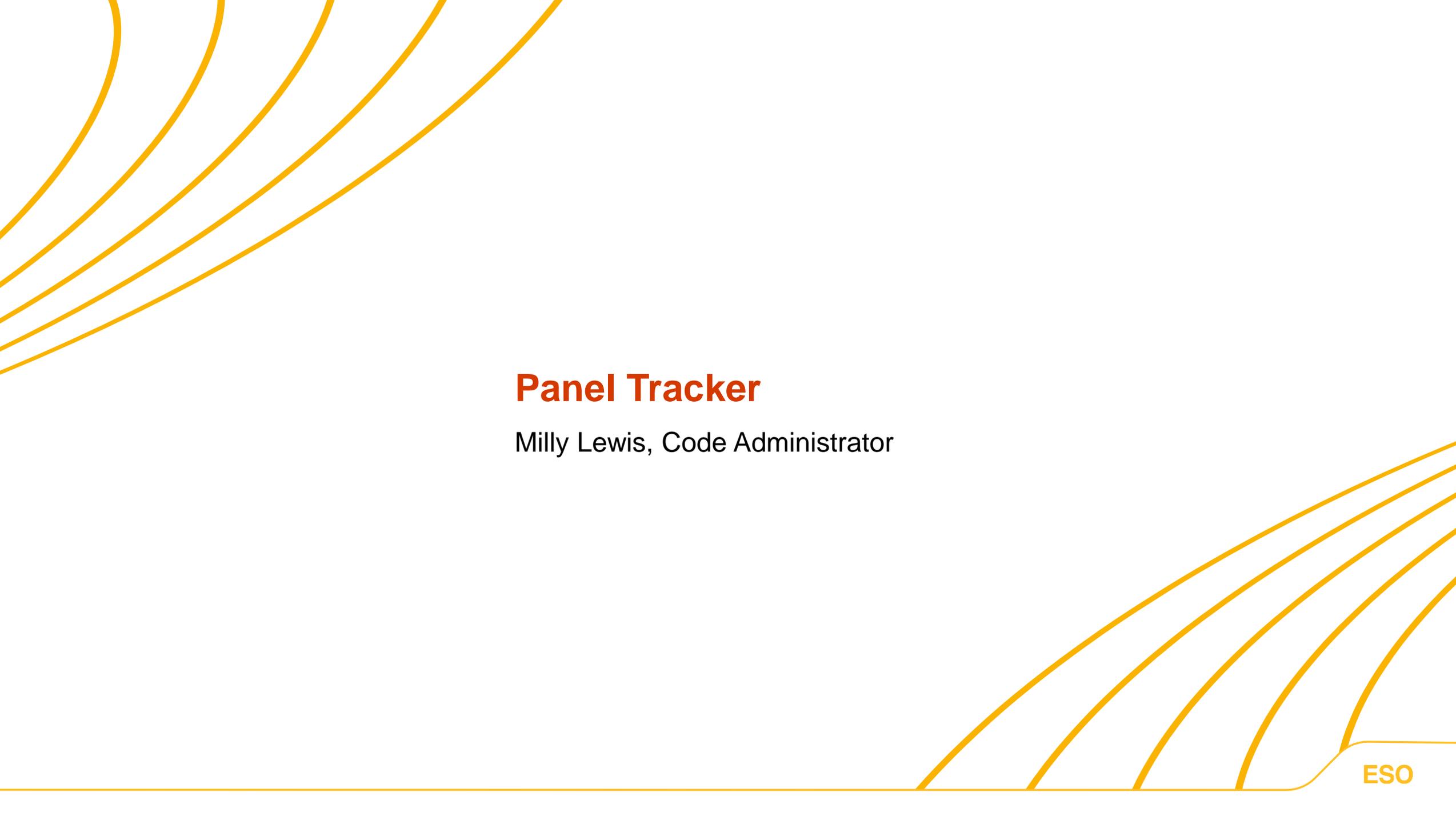
CMP441 – the asks of Panel

- **AGREE** that this Modification has a clearly defined defect, scope and solution
- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel 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 Code
- **NOTE** the proposed timeline



Inflight Modification Updates

Milly Lewis, Code Administrator



Panel Tracker

Milly Lewis, Code Administrator

Discussions on Prioritisation

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



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

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

Next meeting – 08 October 2024 (September Meeting Cancelled)

Updates on other industry codes

22 August 2024 Grid Code Review [Panel Papers and Headline Report](#)

31 July 2024 STC [Panel Papers and Headline Report](#)

11 September 2024 SQSS [Panel Papers and Headline Report](#)

Any Other Business

Activities ahead of the next Panel Meeting

Transmission Charging Methodologies Forum	03 October 2024
Modification Proposal Deadline for October Panel	10 October 2024
Papers Day	17 October 2024
Panel Meeting	25 October 2024 Teams/ Faraday House

Close



Trisha McAuley

Independent Chair, CUSC Panel