

Public

# CUSC Panel

Friday 25 October 2024

Faraday House/Online Meeting via Teams

Public

# WELCOME



## Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification (8.3.3)

The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- With a view to ensuring that the CUSC facilitates **achievement of the Applicable CUSC Objectives**.

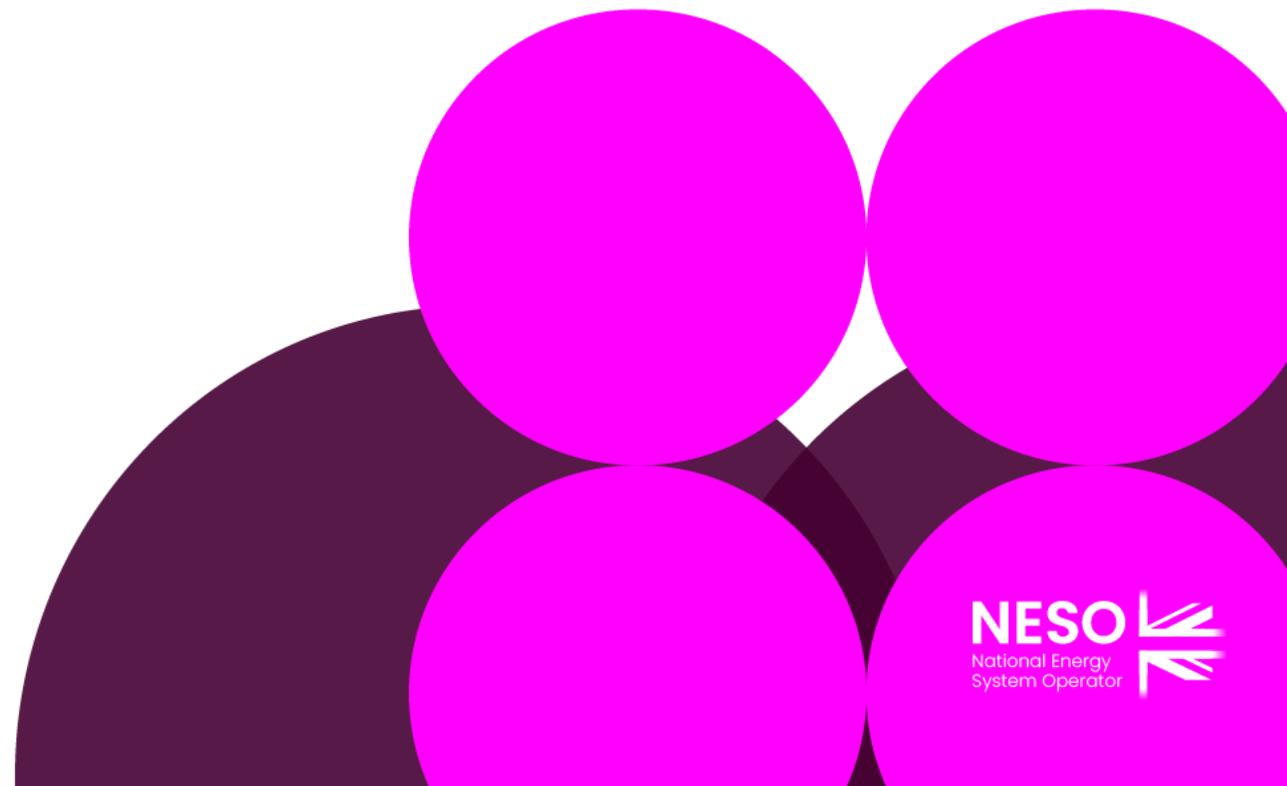
### Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC**; and
2. Shall not have any **conflicts of interest**.

Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom he/she was appointed as Panel Member and any Related Person from time to time.

# Approval of Panel Minutes

Approval of Panel Minutes from the Meeting  
held **27 September 2024**



Public

# Action Log

# Chair's Update

# Authority Decisions and Update (as at 17 October 2024)

## Decisions Received since last Panel Meeting

Modification	Decisions
<a href="#">CMP393</a> : Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage	On 30 September 2024 the Authority rejected the modification.
<a href="#">CMP413</a> : Rolling 10-year wider TNUoS generation tariffs	On 30 September 2024 the Authority rejected the modification.
<a href="#">CMP418</a> : Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer	On 30 September 2024 the Authority sent back the modification.

## Decisions Pending

Modification	FMR submitted	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	05/02/2025 (previously 29/11/2024)
<a href="#">CMP316</a> 'TNUoS Arrangements for Co-located Generation Sites'	12/06/2024	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	TBC Subject to CMP414 send back
<a href="#">CMP397</a> 'Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-Located Generation Sites)'	12/06/2024	31/10/2024 (previously 30/09/2024)
<a href="#">CMP403</a> 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14)'	11/06/2024	31/01/2025 (previously 30/09/2024)
<a href="#">CMP404</a> 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 11)'	11/06/2024	31/01/2025 (previously 30/09/2024)
<a href="#">CMP408</a> 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	30/10/2024 (previously 30/09/2024)
<a href="#">CMP415</a> 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	30/10/2024 (previously 30/09/2024)
<a href="#">CMP436</a> '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
<a href="#">CMP437</a> 'Update CUSC arrangements to replace the Electricity Arbitration Association with the London Court of International Arbitration (LCIA) (Charging)'	07/08/2024	06/12/2024



## New Modification

### **CMP442:** Introducing the option to fix Generator TNUoS

Lauren Jauss, RWE

# Critical Friend Feedback – CMP442

<b>Code Administrator comments</b>	<b>Amendments made by the Proposer</b>
<p>Suggested minor typographical changes.</p> <p>Expanded acronyms within the document.</p> <p>Suggested adding to the proposal how any under/over-recovery in revenue is managed as a result of the difference between the final tariff and the tariff a generator is fixed at.</p> <p>Suggested the proposal also has a high impact on NESO and Suppliers in addition to Generators</p>	<p>Proposer accepted all amendments made by the Code Administrator</p>

# High level summary of TNUoS Fix Proposal

## Executive summary

A

Principle objective: minimise unnecessary TNUoS risk in order to minimise costs to the consumer

B

A generator would have the *option* to fix their TNUoS against a forecast produced by the ESO. TNUoS charges would be on a fixed profile – ie. could go up and down over this period, however these fluctuations would be known in advance

C

Our proposal is currently for a maximum fix length of 15 years, based on what ESO signalled may be possible. This predates the development of ESOs SSEP function however which may extend timescales they are comfortable forecasting. We will seek as long a fixed period as possible

D

Towards the end of a fixed period, a site would have the option of fixing again, or moving onto a variable TNUoS tariff (akin to today's arrangements)

E

It is not possible for a code modification to truly protect a generator from future modifications. It would therefore be possible for a future modification to change the TNUoS charges of a generator with a fix. It is a matter for OFGEM how future modifications are applied, and to manage any impacts on investor confidence

# Our proposal allows generators to tailor a fix to their investment cycles to minimise risk, whilst still preventing gaming

## Which generators can fix?

The option to fix would be open to all generators. New generators could opt to fix at the point of CfD bid or FiD and begin payments at TEC start (as today). Existing generators would begin their fix the next charging year.

## How is the fix determined?

The fix would be against a NESO forecast profile – meaning charges can go up and down, but would be known in advance. Generators can choose to fix a portion of their TEC, or all of it.

## How long is the fixed period?

Fixes could be for any number of whole years, from 1 to the maximum length the ESO is able to forecast (our initial proposal is for 15 years). This is intended to allow generators to fix in line with their own investment cycles. Generators **cannot** opt out of a fix mid-way through.

## How are alterations to a site during a fix addressed?

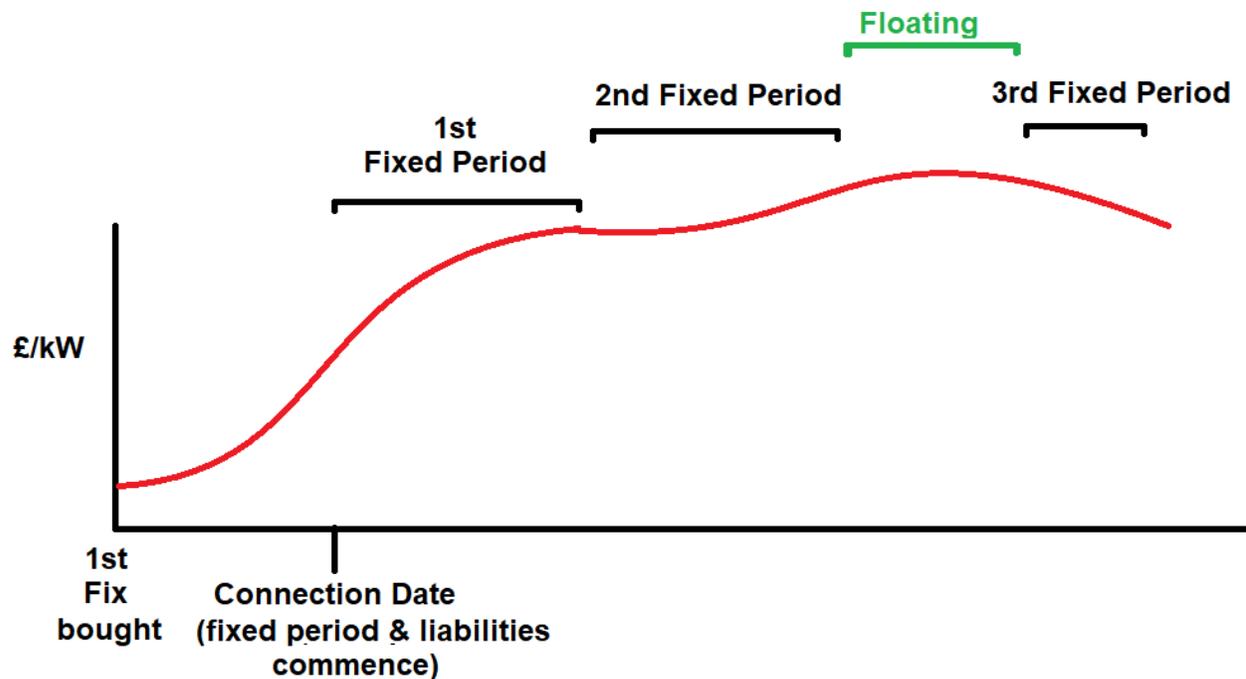
A TNUoS fix shouldn't be the reason to make changes to a site, nor the reason not to make changes a site.

If a site reduces its TEC, its liabilities decrease as per today, if a site increases its TEC, the new TEC is charged at the latest forecast rates (and the generator may choose to fix that part of its TEC).

A “ratchet” would apply whereby previously fixed price TEC that was reinstated during the fixed period would again attract the original charge – this is to avoid generators reducing their TEC then increasing it again to benefit from new/better rates.

# Over the lifetime of a project, multiple fixes can be taken

Sketch-graph demonstrating series of TNUoS fixes

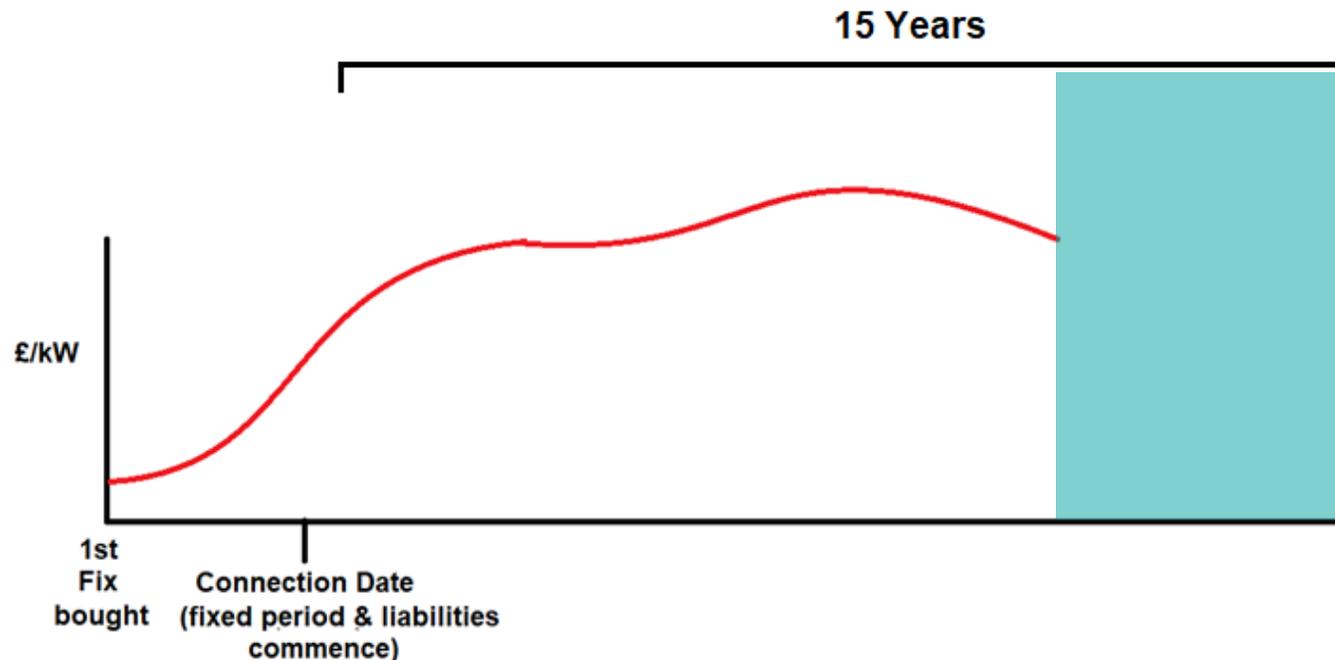


## Explanation

- Fixes run for a predetermined number of years.
- Towards the end of one fixed period, a generator can opt to take another fix or move onto a 'floating' TNUoS tariff – as today.
- Each fix is taken against the latest forecast of the time.
- There is no limit to how many fixes a generator may take over its lifetime.

# Questions remain about the mismatch between the TNUoS fix period and revenue support

Sketch-graph demonstrating mismatch of TNUoS fix and revenue support periods



## Explanation

- If a generator is bidding on a 15- year contract (e.g. CfD, CM) there will likely be a number of years between making that bid (and presumably securing the fix alongside it) and the fixed period beginning.
- If ESO carries out a 15-year forecast, this will leave an unfixed/unforecasted period at the end (shaded area). This leaves an element of TNUoS risk.
- We propose asking NESO to maximise the forecast period to minimise this mismatch. Our ask is for an aim of 15 years. This predates the development of ESOs SSEP function which may extend timescales they are comfortable forecasting.

# The proposal will be developed in recognition of the wider policy context (specifically: cap and floor, REMA, and the CMP413 rejection)

- CMP442 could co-exist with the proposed cap and floor, and/or continue beyond it.
- The Ofgem decision letter on CMP413 contained pertinent information relating to use of a forecast, noted in the proposed ToRs for the workgroup as a requirement to specifically address these concerns.
- If necessary, it would be possible to allow generators to convert fixes under CMP442 into equivalent FTRs if REMA leads to a move to a zonal wholesale market (however this is beyond the scope of the mod).

## Timeline for CMP442 – Proposed Timeline - *Workgroup*

Milestone	Date	Milestone	Date
Modification presented to Panel	25 October 2024	Code Administrator Consultation	06 May 2025 to 28 May 2025
Workgroup Nominations (15 business days)	28 October 2024 to 18 November 2024	Draft Final Modification Report (DFMR) issued to Panel (5 business days)	19 June 2025
Workgroup 1 to 4	09 December 2024 – Initial discussion 14 January 2025 – Consider Legal Text 04 February 2025 – Discuss Workgroup Report 11 February 2025 – Check ToR met	Panel undertake DFMR recommendation vote	27 June 2025
Workgroup Consultation (15 business days)	17 February 2025 to 10 March 2025	Final Modification Report issued to Panel to check votes recorded correctly (5 business days to check)	30 June 2025 to 07 July 2025
Workgroup 4 to 5	24 March 2025 – Review Workgroup Consultation feedback 14 April 2025 – Review final Workgroup Report	Final Modification Report issued to Ofgem This is clear 5 business days after Final Modification Report is issued to Panel to check votes recorded correctly	14 July 2025
Workgroup report issued to Panel (5 business days)	24 April 2025	Ofgem decision needed by	30 September 2025
Panel sign off that Workgroup Report has met its Terms of Reference	02 May 2025	Implementation Date	01 April 2026

# CMP442 – 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 Modification

**CMP443:** Removing references to “Fax” and “Facsimile” within the CUSC

David Halford, NESO

# Critical Friend Feedback – CMP443

<b>Code Administrator comments</b>	<b>Amendments made by the Proposer</b>
<p>Recommended going back to TCMF, further developing proposal and coming back as a straight to CAC Governance Route</p> <p>Suggested an annex outlining what the DES is, and their obligations</p> <p>If going straight to CAC, will need full legal text on baseline CUSC documents</p> <p>Minor typographical and formatting changes</p>	<p>Proposer accepted all amendments made by the Code Administrator</p>

## What is the issue?

- NESO currently use fax machines within the Electricity National Control Centre to send and receive data from Primary and some Secondary Balancing Mechanism Units (BMUs).
- A number of these data submissions from BMUs support critical functions such as System Restoration, by transmitting data such as Unit Availability.
- Fax machines are aged technology which results in replacement parts difficult to resource and makes management of paper output for reporting and audit purposes time consuming.
- Feedback from Industry has suggested that a new method of communication between Users and NESO is required to replace the existing fax machine process.

## Why change?

- The Public Switched Telephone Network (PSTN) that fax machines use, is [due to be switched off by the start of 2027](#) which will result in all non-voice services that use this network ceasing.
- In readiness for the PSTN switch off, an alternative method of communication between relevant Users and NESO will need to be established to ensure current interactions can continue.
- The new solution needs to be:
  - Easily adopted by existing and new market participants.
  - Secure.
  - Meet the needs of the market participants and ESO.
  - Deployed with minimal complexity / risk

## Overview of the proposer's solution

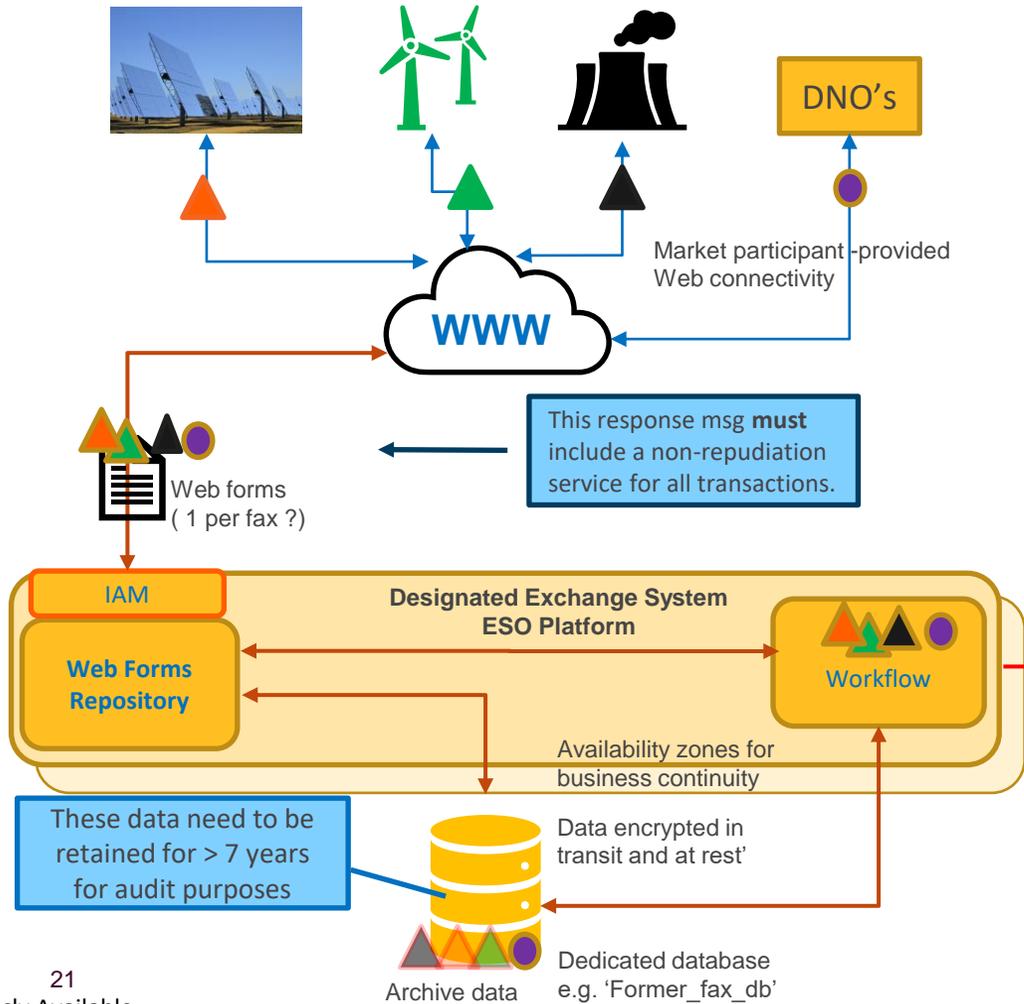
### Principles of new solution

- New definitions of “Designated Information Exchange System” and “Electronic Communication Platform” will be introduced to allow for a phased approach across from the fax machine to the new platform for Users.
- The solution will also utilise the opportunity to replace references to fax within the codes that are not related to Control Room activities and have now been superseded by other forms of communication e.g., email.
- Reduce dependencies on other projects wherever possible.
- Security by design.
- Re-use / leverage existing platforms and technologies where appropriate .
- Adaptable for future developments e.g. the Open Balancing Platform (OBP).
- Provide all parties with the delivery / receipt assurance required.

# Overview (phase 1)

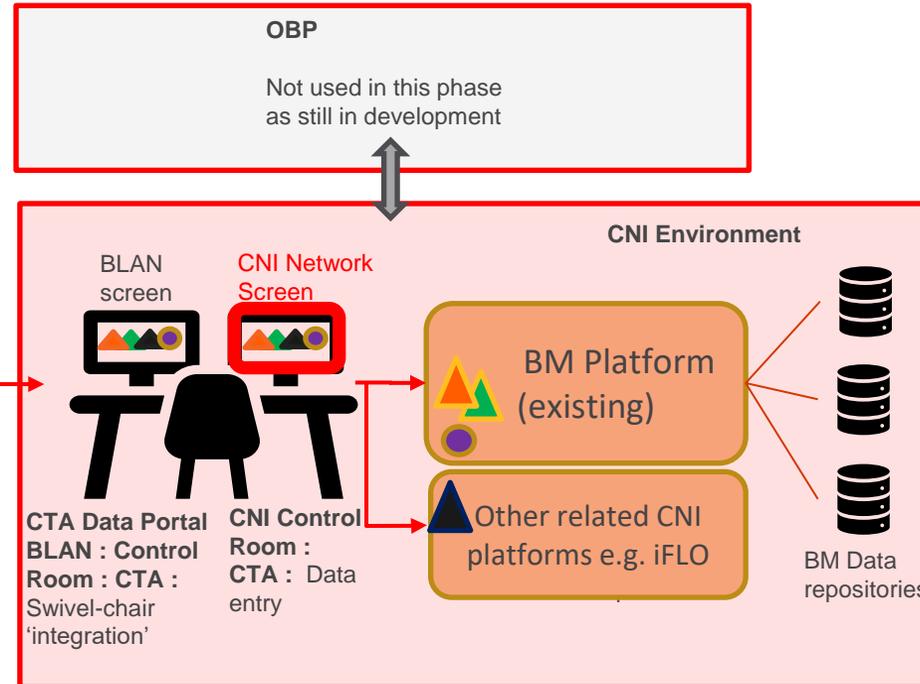
 Shapes denote 'fax data' from market participants

All MPs (BMU / Non-BMU)



## Solution summary : Phase 1

- Faxes are eliminated in a phased manner, and replaced by web forms to gather data
- Data capture for Phase 1 is via a web 'form' which enables *all* participants to use digitised data
- Lowest risk / fewest dependencies on other programmes / platforms



## Access and Use

- Users will register details on first use to create an account.
  - First Name, Last Name, Email ID.
  - Company Trading Name. Company Trading ID.
  - Contact number.
- Subsequent access will require identification and authentication.
- NESO control room users will be able to view and respond to all incoming requests.
- Market Participants will only be able to see their own submissions and responses from NESO control room.
- Users will complete a web form with the same data that is currently faxed.
  - Each paper fax has a corresponding web form.
  - Data are entered using a combination of drop downs, tick boxes and free text.
  - Validation will be performed on several fields to help prevent errors.

# Screenshots (subject to change)

This screenshot shows the NESO Designated Exchange System dashboard. On the left, there is a 'Trading Party Name' sidebar with a search bar and a list of parties including Squeaky Clean Energy Trading, CEZ A.S, MWH Energy B.V., Aarhus Energy A/S, Aberdeen Offshore Wind Farm, Centrica Energy Limited, Adela Energy Ltd, AEC Enterprises Limited, Advanced Electricity Network, Indian Queens Power Ltd, and Afon Wind Farm Limited. The main dashboard area has tabs for Inbound Submissions, Outbound Submissions, Dashboard, System Warnings, Market Notifications, and SIRs. The 'System Warnings' tab is active, showing a dropdown menu with options like 'Bullets', 'Demand Control Imminent', 'High Risk Of Demand Reduction', etc.

This screenshot shows a detailed view of a 'Demand Control Imminent' system warning. The warning title is 'GB Transmission system warning' with a sub-heading 'Risk of System Disturbance'. The text describes a risk of widespread serious disturbance to the GB Transmission System. It includes a form for 'Nature of Disturbance/Area of Risk' and instructions for users to warn operational staff. The warning is signed by the NESO Electricity National Control Center. A 'Send' button is visible at the bottom right.

Name of the submission	Registered Party	Type of Submissions	Submitted by	Received At	Acknowledgement status	Acknowledgement by ESO
NG computer IT system Failure	GB Energy Supply Limited	Data	garyjohn@nationalgrid.com	20 June 2024 - 10:30	Acknowledged	jenny@britishgas.com
NG Computer It system Failure	Squeaky Clean Energy Trading	SIR	julianisa@nationalgrid.com	20 June 2024 - 10:30	Pending	clarie@britishgas.com
Light Load Periods - Tech Restrictions exce...	CEZ A.S	System Warning	kaytaola@nationalgrid.com	20 June 2024 - 10:30	Acknowledged	johnrtr@britishgas.com
Ancillary services Daily Return-OEM Header...	MWH Energy B.V.	Data	zoamaria@nationalgrid.com	20 June 2024 - 10:30	Acknowledged	fitan@britishgas.com
Ancillary services Daily Return-OTM Header	Aarhus Energy A/S	SIR	hariat@nationalgrid.com	20 June 2024 - 10:30	Acknowledged	paulajohn@britishgas.com
Lead Party Manifest Error claim	Aberdeen Offshore Wind Farm	System Warning	garyjohn@nationalgrid.com	20 June 2024 - 10:30	Pending	clarie@britishgas.com

First Name	Last Name	User Email	Contact Details	User Role	Status	Company Name	Company ID	Actions
John	Paula	paulajohn@britishgas.com	07799 321036	External Admin (Read & Write)	Active	British Gas	BGXO492CD	Edit Delete
CTN 2	---	ctn2@nationalgrid.com	07799 321036	External Role (Read Only)	Active	British Gas	BGXO492CD	Edit Delete
Steven	Doherty	steven.doherty@sse.com	07799 321036	External Admin (Read & Write)	Active	British Gas	BGXO492CD	Edit Delete
Malcolm	Barnacle	malcolm.barnacle@sse.com	07799 321036	External Role (Read Only)	Active	British Gas	BGXO492CD	Edit Delete
Bhillman	S	bhillman@spenergy.com	07799 321036	External Admin (Read & Write)	Active	British Gas	BGXO492CD	Edit Delete
Preprodr	Ynd	preprodr_ynd@nationalgridplc.com	07799 321036	External Role (Read Only)	Active	British Gas	BGXO492CD	Edit Delete

This screenshot shows the 'Create User' modal form. It contains the following fields: First Name (John), Last Name (Paula), User Email (paulajohn@britishgas.com), Contact Details (07799 321036), User Role (External Admin (Read & Write)), Status (Active), Company Name (British Gas), and Company ID (BGXO492CD). There are 'Cancel' and 'Submit' buttons at the bottom.

## Security & Availability

- **Encryption**
  - All data will be encrypted in transit and at rest.
- **User Authentication**
  - All users will be required to login to the platform using a named user account .
- **Audit Trail**
  - All actions by DES users will be recorded in the database for audit purposes.
- **System Availability**
  - The platform will be designed to be highly available, running across multiple-regions and availability zones.

## Risk Mitigation

- **Reducing risk by decoupling from other programmes:**
  - This phase builds the DES portal without any integration into other platforms such as OBP.
  - We are not dependent on other programmes delivery timescales.
  - Enables a quicker delivery and fast decommissioning of faxes.
- **Data Validation**
  - The risk of erroneous data is mitigated by the NESO Control room performing a review and approval function prior to the data being submitted into NESOs systems
- **Impact on Market Participants**
  - We will adopt a phased approach, deploying the least critical 'fax' messages first to validate the platform and gather user feedback to deliver iterative enhancements when required.

# Reliability

- **Current Fax Machines use BT PSTN phone network:**
  - Reliant on availability of BT exchange – no power at the exchange, no fax.
  - Localised failures of BT exchanges could impact individual BMUs.
  - Faxes are fallible – they are not 100% available.
- **Solution is based on cloud-computing (Azure):**
  - Aim is to exceed the 99.95% availability figure for BM.
  - Extensive high availability and recovery options are available.
- **Dependency on reliable internet connectivity**
  - Access is through a web page, so a reliable internet connection is essential (to be provided by the market participant) .

## Phased Launch and Proposed Code Change Governance Route

- The proposed Legal Text will ensure that fax machines can continue to be used from implementation of the changes into the code in order for Users to be phased across to the new platform over a period that will be agreed between NESO and the User. **A housekeeping modification will be raised once all Users have been moved across to the new platform to remove and remaining references to “Fax” or “Facsimile”**

### Justification for proposed governance route

- Feedback from Industry has shown that Users are keen to move away from fax machines which is aged technology.
- No new additional obligations are being created, with the proposed changes introducing a different communication method for fulfilling current actions that take place via fax.
- An update was shared at the Transmission Charging Methodologies Forum (TCMF) prior to raising the proposal with feedback incorporated into the proposed solution.
- The phased launch described above will ensure Users only fully move away from faxes once they are comfortable with the proposed new platform.

# Thank You

# CMP443 – the asks of the Panel

- **AGREE** that this Modification has a clearly defined defect, scope and solution
- **AGREE** that this Modification meets the Standard Governance Criteria (Ofgem decision) rather than Self Governance (Panel decision)
- **AGREE** that this Modification should proceed to Code Administrator Consultation
- **NOTE** that there appear to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the proposed timeline

## Timeline for CMP443 – Proposed Timeline – Code Administrator Consultation

Milestone	Date
Modification presented to Panel	25 October 2024
Code Administrator Consultation (1 month)	29 October 2024 to 29 November 2024
Draft Modification Report issued to Panel (5 business days)	05 December 2024
Panel undertake Draft Modification Report recommendation vote	13 December 2024
Final Modification Report issued to Panel to check votes recorded correctly	18 December 2024 – 10 January 2025
Final Modification Report submitted to the Authority	13 January 2025
Decision Date	TBC
Implementation	10 working days after Authority decision

## New Modification

**CMP444:** Introducing a cap and floor to wider generation TNUoS charges

Niall Coyle, NESO

# Critical Friend Feedback – CMP444

<b>Code Administrator comments</b>	<b>Amendments made by the Proposer</b>
<p>Minor formatting changes</p> <p>Proposer to confirm any interactions with ongoing industry work/ modifications</p> <p>Include hyperlinks to reference materials</p>	<p>Proposer accepted all amendments made by the Code Administrator</p>

# Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and be assessed by a Workgroup

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	The request for urgency is because the proposal would address a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder (especially generation and storage developers). The projected escalating TNUoS costs for generation in the north of GB risks driving up consumer costs via increased CfD bids that incorporate a larger risk premium than would otherwise be necessary, or deterring investment in new generation, which could put the achievement of Clean Power 2030 goals at risk.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

# Background

- On 30 September 2024 Ofgem published an open letter outlining their concerns around the uncertainty of long term TNUoS charges
- The 10-year projection of TNUoS published in 2023 signalled significant potential tariff increases, with those in northern GB projected to triple in some zones.
- This impact on generator TNUoS charges may:
  - Deter new investment in generation projects
  - Drive up generator CfD administrative strike prices, as well as wholesale prices and balancing costs
  - Increase costs for consumers
- Unprecedented levels of investment will be required to reach Clean Power by 2030, therefore urgent attention is required to address these investment risks.
- Ofgem consider that a cap and floor on generator TNUoS can address these uncertainties and ultimately reduce overall costs borne by consumers

# Principles

Ofgem has encouraged NESO to develop a proposal that takes account of the below principles:

- Establishes appropriate, individual, upper and lower limits on the £/kW charges paid by generators through the Year-Round and/or Peak Tariffs.
- Retains regional/locational differentials in charges and between technology types through a single GB cap and floor.
- Maintains a procedure for ensuring compliance with the requirements on generator annual average transmission charges as provided for in Regulation 838/2010.
- Is capable of implementation without requiring NESO to change its TNUoS forecasting approach or timetable.
- Is capable of implementation from April 2026.

We intend to limit the scope of the modification to these parameters only and leave other types of cap/floor mechanisms (such as zonal) and broader TNUoS charging reforms (including fixing charges) out of scope.

# Modification Proposal (1)

## Cap

- Apply a single GB cap to each of the year-round shared (YRS), year-round not-shared (YRNS) and Peak Security (PS) £/kW charges
- The £/kW cap value for each element shall be calculated as 2 standard deviations above the 5-year simple (unweighted) average (mean) of the respective tariff element across all generation zones from the latest NESO 5-year view TNUoS tariff publication.

## Floor

- Apply a single GB floor to each of the YRS, YRNS and PS £/kW charges
- The £/kW floor value for each element shall be calculated as 2 standard deviations below the 5-year simple (unweighted) average (mean) of the respective tariff element across all generation zones from the latest NESO 5-year view TNUoS tariff publication.

# Modification Proposal (2)

## **Maintain gencap compliance**

- Any under-collection in revenue because of the cap/floor will be collected via the generation adjustment tariff
- In practice this will offset against the negative generation adjustment tariff

## **Duration of the cap/floor**

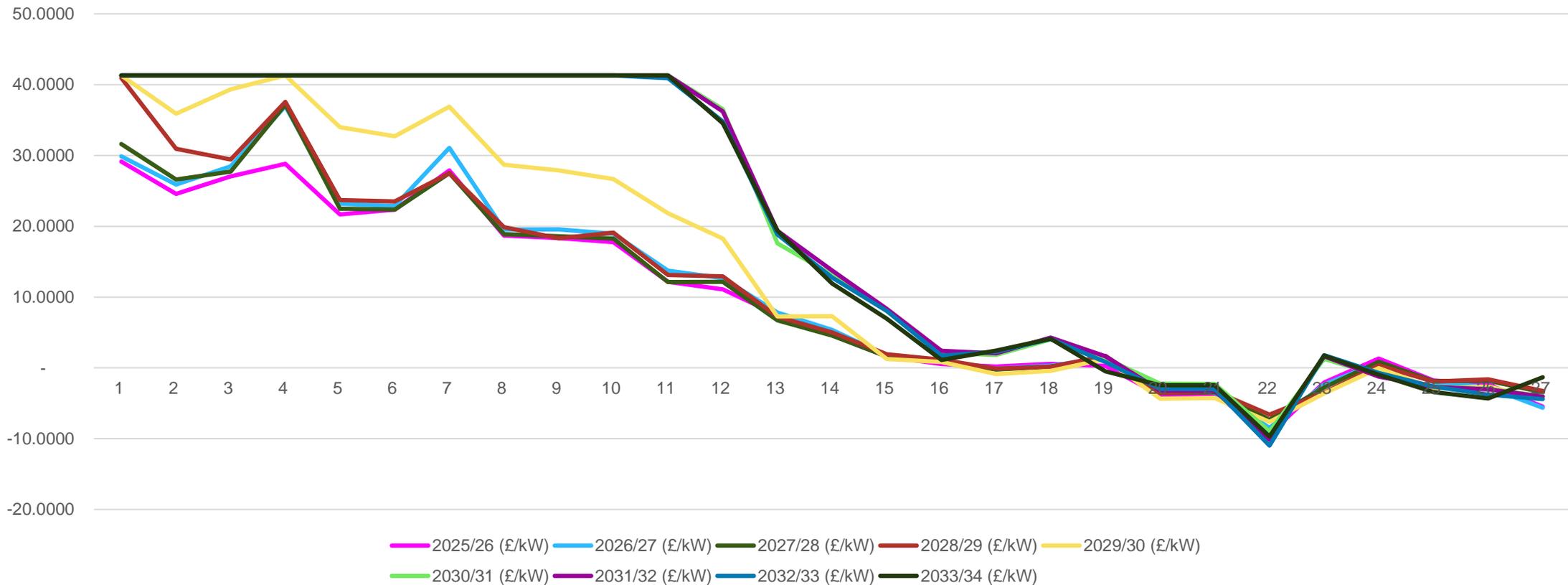
- Propose for the cap/floor to be in place until reforms through the REMA programme are implemented
- A longer cap/floor may dampen the reformed locational signals put in place by REMA
- Further protection for generators making investment decision while the cap is in place/transitional arrangements to REMA may need to be considered

# Analysis

- Using April 2024 ESO 5-year forecast

	PS	YRS	YRNS
Cap	7.72	30.36	27.65
Floor	-3.09	-14.24	-12.99

Wider tariff - Intermittent Generator (45% ALF)



\*Excludes the generator adjustment tariff

# Governance Route

- We request this be processed as an Urgent modification, to proceed under a timetable agreed by the Authority (with an Authority decision), needing a Workgroup to be established.
- The projected escalating TNUoS costs for generation in the north of GB risks driving up consumer costs via increased CfD bids that incorporate a larger risk premium than would otherwise be necessary, or deterring investment in new generation.
- We feel this is an immediate risk that if not approved ahead of the next CfD allocation round bidding window (expected in Summer 2025) could put the achievement of Clean Power 2030 at risk.

# CMP444 – the asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should proceed to Workgroup
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **VOTE** whether or not to recommend Urgency
- **AGREE** timetable for Urgency
- **AGREE** Workgroup Terms of Reference
- **NOTE** next steps:
  - Under CUSC Section 8.24.4 we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
    - Letter to be sent to Ofgem 25 October 2024
    - Ofgem approval of Urgent treatment sought by 5pm on 31 October 2024
    - 1st Workgroup to be held 13 November 2024

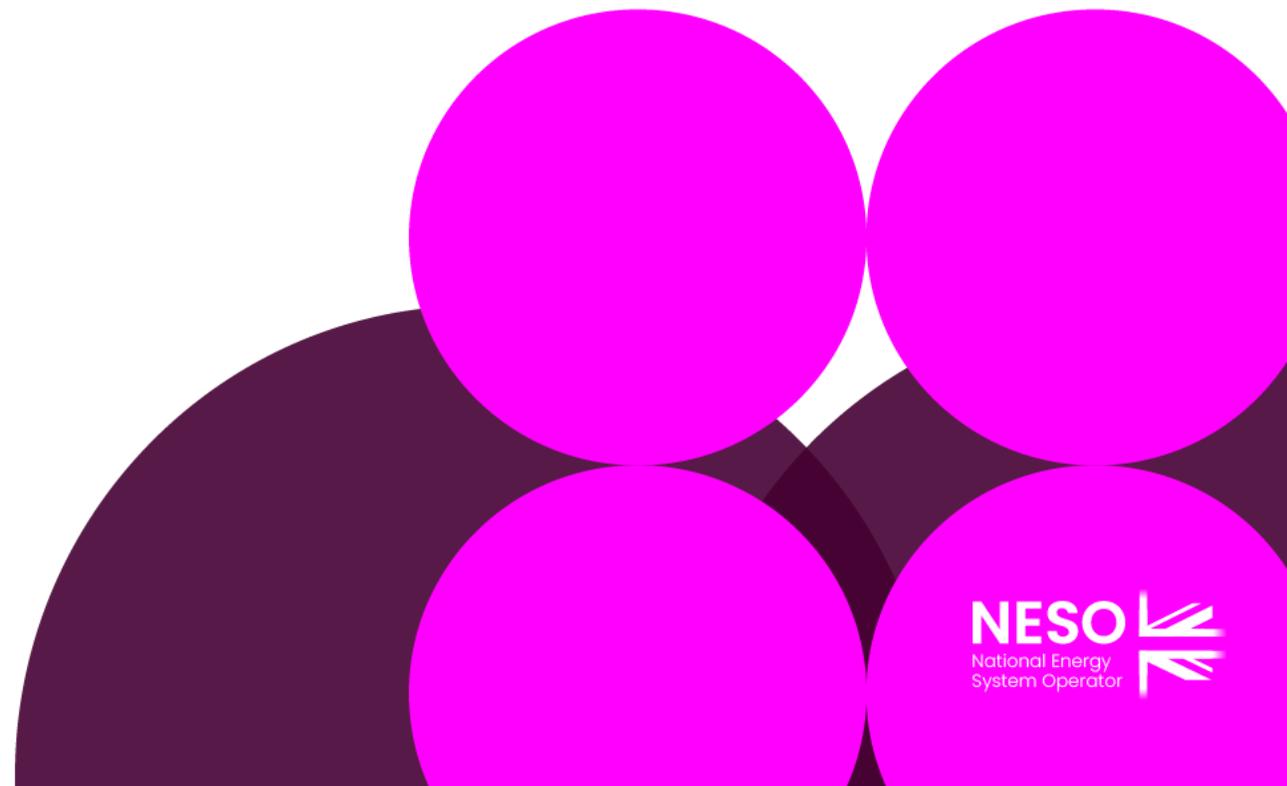
## Timeline for CMP444 – Proposed Urgent Timeline (*Recommended by Code Admin*) - Workgroup

Milestone	Date	Milestone	Date
Modification presented to Panel	25 October 2024	Code Administrator Consultation (4 business days)	10 March 2025 – 14 March 2025
Workgroup Nominations (10 business Days)	25 October 2024 – 06 November 2024	Draft Final Modification Report (DFMR) issued to Panel (3 business days)	24 March 2025
Ofgem grant Urgency Ideally maximum of 3 business days from date presented to Panel	31 October 2024 (5pm)	Panel undertake DFMR recommendation vote	28 March 2025
Workgroup 1 – Workgroup 6 (assuming Ofgem have granted Urgency)	13 November 2024 04 December 2024 11 December 2024 08 January 2025 15 January 2025 21 January 2025	Final Modification Report issued to Panel to check votes recorded correctly	28 March 2025
Workgroup Consultation (4 business days)	23 January 2025 – 29 January 2025	Final Modification Report issued to Ofgem	28 March 2025
Workgroup 7 - Workgroup 12 Assess Workgroup Consultation Responses and Workgroup Vote	04 February 2025 06 February 2025 12 February 2025 17 February 2025 20 February 2025 25 February 2025	Ofgem decision	01 July 2025
Workgroup report issued to Panel (3 business days)	03 March 2025	Implementation Date	01 April 2026
Panel sign off that Workgroup Report has met its Terms of Reference	07 March 2025		

## Inflight Modification Updates

**CMP418** Dynamic Reactive Compensation Equipment (DRCE) costs Authority Send back Next Steps

**CMP441** Reducing the credit risk of supplying non-embedded hydrogen electrolyzers Proposer Update



## CMP418: CMP418 Dynamic Reactive Compensation Equipment (DRCE) costs Authority Send back Next Steps

On 30 September 2024, Ofgem [sent back](#) the CMP418 Final Modification Report for further work and directed Panel to revise and resubmit the CMP418 Final Modification Report.

The Authority stated that there were 4 deficient areas which meant they were unable to form an opinion:

- a) The FMR use of interchangeable terminology and or definitions made it unclear as to what basis the cost allocation comparison was being made
- b) The FMR fails to provide a clear and detailed description of the current arrangements for the recovery of DRCE costs, for either onshore or offshore generators
- c) The FMR is unclear as to what the actual intended tariff for cost allocation would be.
- d) The FMR presents significant ambiguity in its use of terminology and definitions regarding the classification and cost recovery treatment of shunt reactors and DRCE.

### Steps taken since 30 September 2024

The Proposer, NESO, and the Authority met on 14 October 2024 to ensure there was clarity on the requirements ahead of resubmitting the FMR as the Proposer felt that most of the issues highlighted in the Send Back Letter could be resolved with tactical restructuring of the FMR as the Workgroup had already gathered the information required to meet the deficiencies.

Therefore the ask of the Proposer is that they work with the Code Administrator and NESO to ensure that the FMR is rewritten and clarified, followed by the Workgroup verifying that the updates reflect previous discussions before a second Code Administrator Consultation is issued to Industry.

# CMP418 Authority Send-Back – Governance Rules

8.23.12 If the **Authority** determines that the **CUSC Modification Report** is such that the **Authority** cannot properly form an opinion on the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**, or where the **CUSC Modification Proposal** and/or any **Workgroup Alternative CUSC Modification(s)** constitutes an **EBGL Amendment** where the **Authority** requires an amendment to **CUSC Modification Proposal** and/or any **Workgroup Alternative CUSC Modification(s)** in order to approve it, it may issue a direction to the **CUSC Modifications Panel**:

- (a) specifying the additional steps (including drafting or amending existing drafting associated with the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and
- (b) requiring the **CUSC Modification Report** to be revised and to be re-submitted.

8.23.13 If a **CUSC Modification Report** is to be revised and re-submitted in accordance with a direction issued pursuant to Paragraph 8.23.12, it shall be re-submitted as soon after the **Authority's** direction as is appropriate, (and in the case of an **EBGL Amendment** within 2 months), taking into account the complexity, importance and urgency of the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**. The **CUSC Modifications Panel** shall decide on the level of analysis and consultation required in order to comply with the **Authority's** direction and shall agree an appropriate timetable for meeting its obligations. Once the **CUSC Modification Report** is revised, the **CUSC Modifications Panel** shall carry out its **CUSC Modifications Panel Recommendation Vote** again in respect of the revised **CUSC Modification Report** and re-submit it to the **Authority** in compliance with Paragraphs 8.23.4 to 8.23.6.

Panel to agree next steps following send-back on 30 September 2024:

**NOTE** that Ofgem are asking the Final Modification Report and Legal Text to be updated

**AGREE** whether or not this needs to be assessed by a Workgroup

**AGREE** Workgroup's Terms of Reference (if Panel determine a Workgroup is needed)

**AGREE** whether or not (following the assessment by the Workgroup) a Code Administrator Consultation is needed to be run before it is re-presented to Panel for Recommendation Vote



# **CMP441:**

## **Reducing the credit risk of supplying non-embedded hydrogen electrolysers**

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DAN BRIMELOW  
15 OCTOBER 24

# 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

- Following feedback from the September's CUSC Panel Meeting the solution has been amended to apply to all supply customers.
- The solution now applies to all supply customers and disapplies the requirement to consult with non-contractual parties (thereby mirroring the DCUSA) for sites connected from [1<sup>st</sup> January 2025].



**Statkraft**

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Thank you

# CMP441 – the asks of Panel

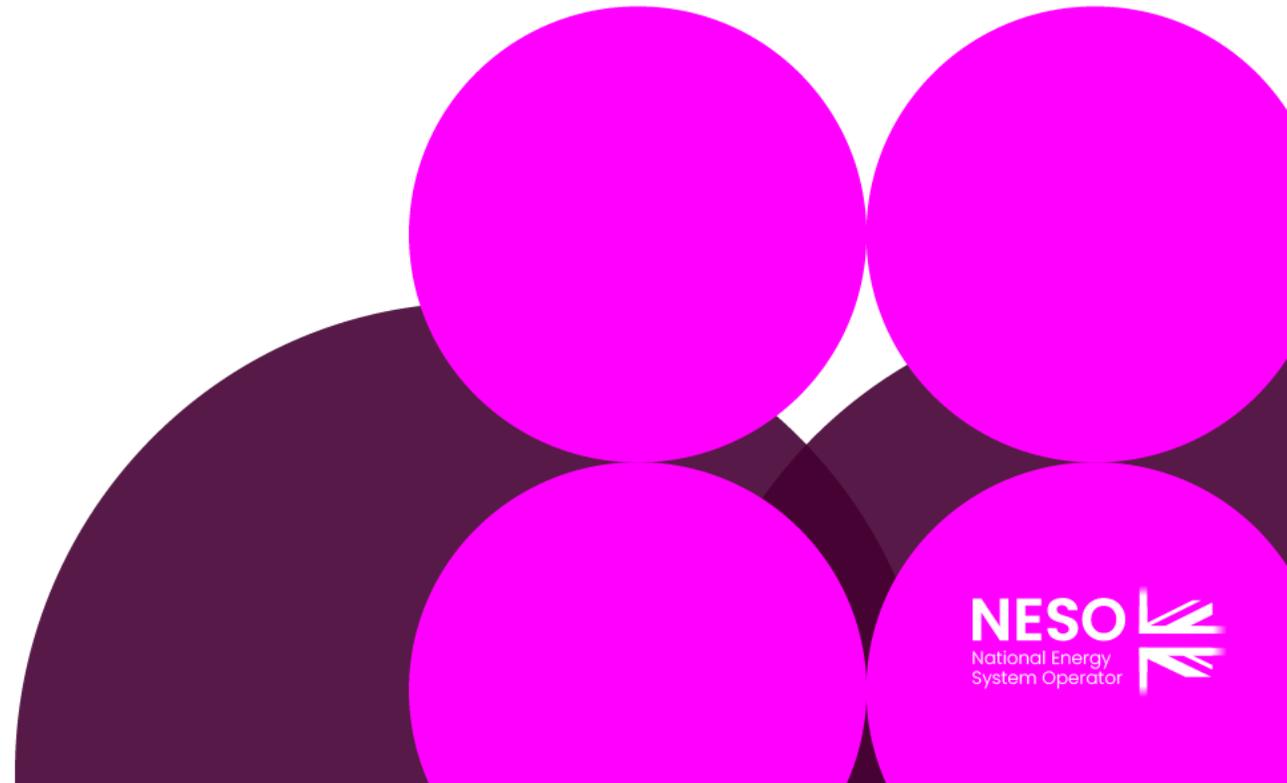
- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)
- **AGREE** that this Modification should proceed to Code Administrator Consultation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

# Timeline for CMP441 – Proposed Timeline – Code Administrator Consultation

Milestone	Date
Modification presented to Panel	25 October 2024
Code Administrator Consultation (15 business days)	31 October 2024 – 21 November 2024
Draft Final Modification Report (DFMR) issued to Panel (5 business days)	05 December 2024
Panel undertake DFMR recommendation vote	13 December 2024
Final Modification Report issued to Ofgem	23 December 2024
Ofgem decision	TBC
Implementation date	10 business days after Ofgem decision

# Panel Tracker

Milly Lewis, Code Administrator



## Discussions on Prioritisation

- **AGREE** where New Modifications that need Workgroups are placed in the prioritisation stack
- **CARRY OUT** deep-dive assessment of all Modifications that sit within the 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

Previous meetings:

- 03 October 2024 [Meeting materials and Headline Report](#)
- 11 October 2024 [Meeting materials and Headline Report](#)

Next meeting: 07 November 2024

## 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 – 08 October 2024 [Meeting materials and Headline Report](#)

Next meeting – 12 November 2024

## Updates on other industry codes

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

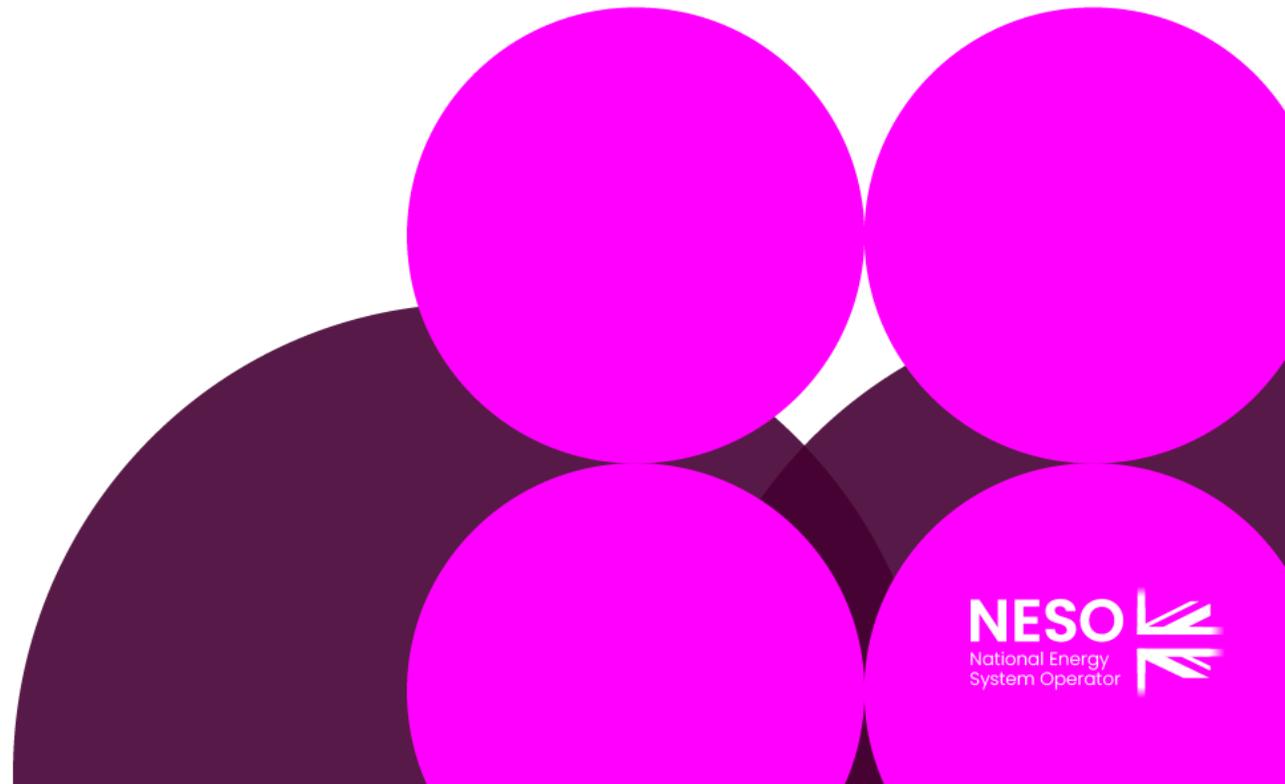
25 September 2024 STC Panel [Panel Papers and Headline Report](#)

26 September 2024 Grid Code Review Panel [Panel Papers and Headline Report](#)

## Relevant Interruptions Claim Report

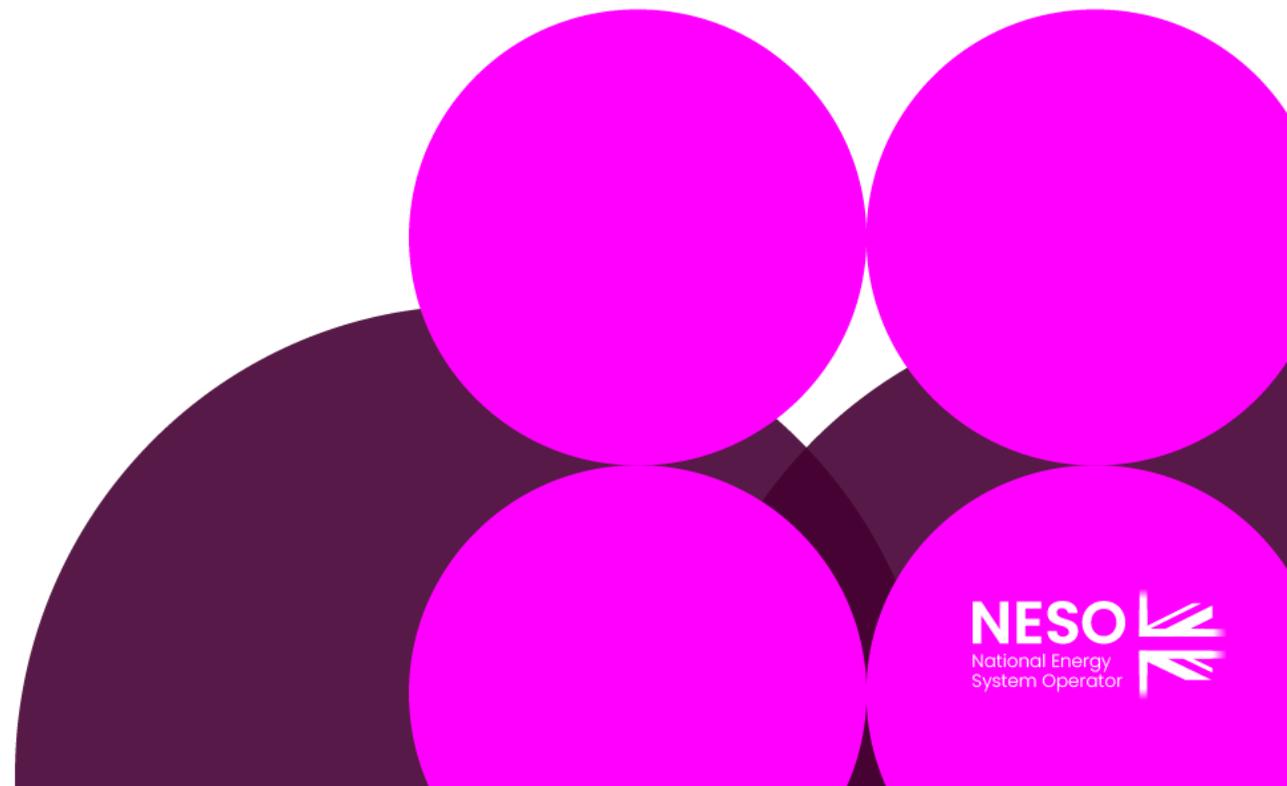
(January, April, July, October)

[NESO>Industry Information>Connections>Reports and Registers>Relevant Interruptions Claim Reports](#)

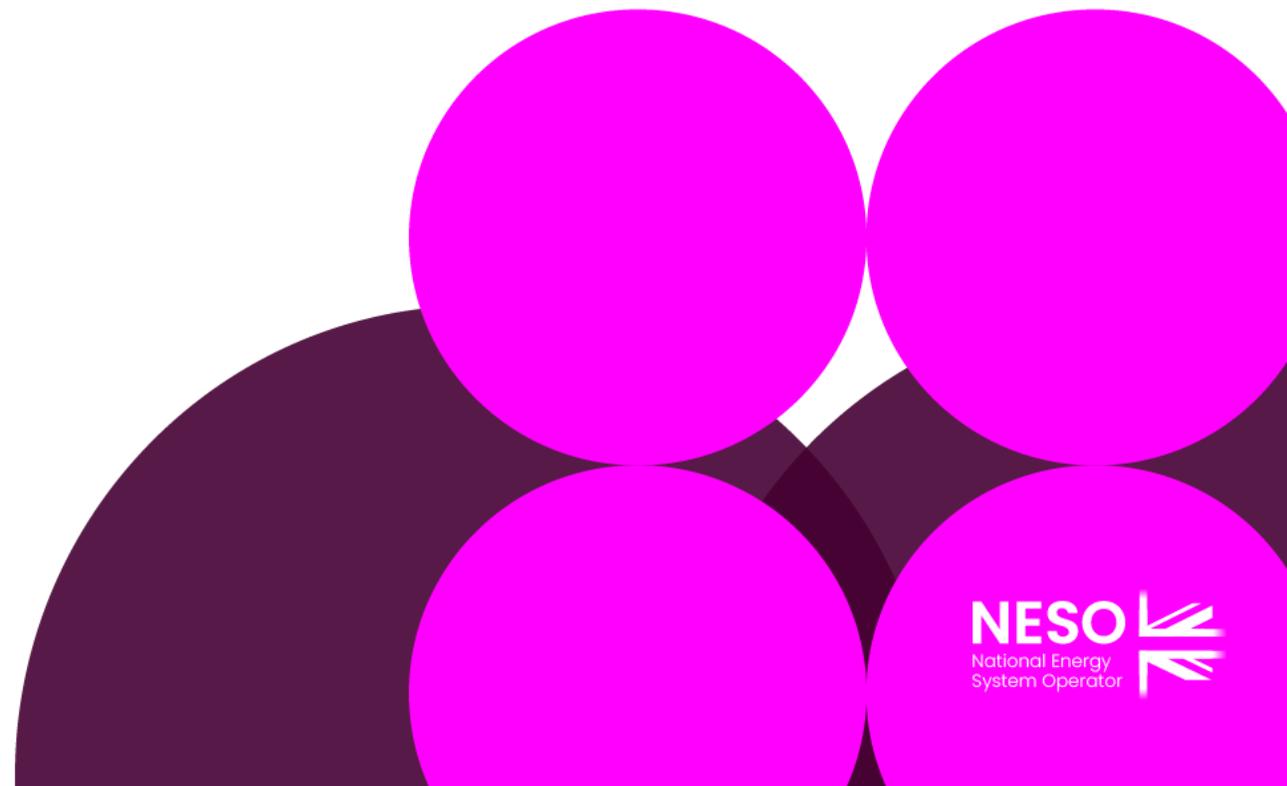


## Code Administrator Update

- Update on Campaign Monitor



## Any Other Business



## Activities ahead of the next Panel Meeting

Special Panel Papers – CMP434 (Implementing Connections Reform) and CMP435 (Application of Gate 2 Criteria to existing contracted background) Workgroup Reports	05 November 2024
Transmission Charging Methodologies Forum	07 November 2024
Special Panel – CMP434 (Implementing Connections Reform) and CMP435 (Application of Gate 2 Criteria to existing contracted background) Workgroup Reports	08 November 2024
Modification Proposal Deadline for November Panel	14 November 2024
Papers Day	21 November 2024
Panel Meeting	29 November 2024 Teams meeting

# Close

## Trisha McAuley, OBE

Independent Chair, CUSC Panel