

Public

CUSC Panel

Friday 29 November 2024

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 Meetings held

**25 October 2024 and 08 November 2024 - Defer until
Panel on 13 December 2024**

Public

Action Log

Chair's Update

Decisions Received since last Panel Meeting

Modification	Decisions

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	07/02/2025 (previously 29/11/2024)
CMP316 'TNUoS Arrangements for Co-located Generation Sites'	12/06/2024	29/11/2024 (Previously 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
CMP397 'Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-Located Generation Sites)'	12/06/2024	29/11/2024 (previously 31/10/2024)
CMP403 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14)'	11/06/2024	31/01/2025 (previously 30/09/2024)
CMP404 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 11)'	11/06/2024	31/01/2025 (previously 30/09/2024)
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	30/10/2024 (previously 30/09/2024)
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	30/10/2024 (previously 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

New Modifications

CMP445 Pro-rating first year TNUoS for Generators

Angus Armstrong – Ocean Winds

Critical Friend Feedback – CMP445

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none">• Minor typographical amendments• Confirmation of implementation date• Clarification on governance route• Timelines updated	<ul style="list-style-type: none">• Proposer accepted all amendments made by the Code Administrator

CMP 445

Pro-rating first year TNUoS for Generators



Key Issue

- The Connection and Use of System Code is not clear on the payment of TNUoS during the Generator's first year of connection (i.e. the charging year in which the Charging Date occurs under the Bilateral Connection Agreement).
- Working industry assumption is that TNUoS is paid for the whole year, irrespective of when in the year the Charging Date occurs i.e. a generator will pay the same TNUoS irrespective of whether it connected in e.g. April 24 vs. March 25.
- This should not be the case, both because the CUSC is not clear and because it is not fair or logical.
- This is brought into sharper focus in scenarios where a Generator's assumed Charging Date is delayed for factors outside of its control i.e. a TO delay.
- The commercial impact of this can be very severe, particularly on larger generators and those in areas of high TNUoS tariffs.
- By contrast, this provides an uplift to those Generators in negative TNUoS zones, who will receive a benefit during periods prior to their Connection Date.
- The CUSC must be amended to make the treatment of TNUoS charges in the first year of connection explicit.

Proposal (1)

- The CUSC must be amended to reflect the fact that TNUoS should only be paid in respect of the part of the year that the Generator enjoys use of the system i.e. the annual value should be pro-rated from the Charging Date to the end of the relevant Charging Year.
- Clause 5 of the standard BCA states that Use of System Charges shall be payable by the User from the Charging Date.
- As a fundamental principle, TNUoS should only be payable from the Charging Date, not for the full Charging Year during which a Generator's Charging Date occurs.
- This is logical and fair and consistent with the BCA terms.
- Generators should not pay TNUoS charges for periods prior to their Charging Date.
- Generators subject to negative TNUoS charges should not receive an additional benefit for periods prior to their Charging Date.
- NESO charging team are supportive of this.

Proposal (2)

Drafting proposal to be inserted at Section 14.18.19 of the CUSC can utilise equivalent drafting for Connection Charges already in the CUSC (see Section 14.5.10 for analogous provision):

“The Transmission Network Use of System Generation Charges in the Financial Year in which the Charging Date occurs shall be apportioned as follows:- For each complete calendar month from the Charging Date to the end of the Financial Year in which the Charging Date occurs the User shall be liable to pay one twelfth of the annual Transmission Network Use of System Generation Charges and for each part of a calendar month the User shall be liable to pay to The Company one twelfth of the Transmission Network Use of System Generation Charges, prorated by a factor determined by the number of days for which the User is liable divided by the total number of days in such calendar month.”

Assessment against Applicable CUSC 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;	<p>Positive</p> <p>Ensures that:</p> <ul style="list-style-type: none"> (i) generator bids in competitive CfD auctions are not distorted by (a) those in positive TNUoS zones including unnecessary provision for extra periods of TNUoS that cannot be recovered through generation and/or (b) those in negative TNUoS zones receiving an unjustified benefit during such periods, which in turn should drive down competitive pricing; and (ii) generators competing for grid connections request the most appropriate dates of connection, not dates driven by the TNUoS charging year (which distorts the market). <p>Competition is better facilitated in the generation, supply, sale, distribution and purchase of electricity because generators will have more realistic TNUoS profiles which are based on actual connection dates, removing the potential distortion to competition outlined above.</p>
(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);	<p>Positive</p> <p>Ensures that transmission licensees only receive use of system charges once the generator receives use of system, thereby not unnecessarily increasing the value recovered from TNUoS in the first year of connection.</p>

(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;

Positive

Accurate forecasting of connection dates by NESO will ensure that TOs recover all necessary charges. Generators will (if this change is implemented) seek, and NESO/TOs will offer, connection dates more appropriately aligned with Generators' programmes and the optimum timing for the system.

This will mean that NESO and the TOs will be better resourced and prepared for delivering connections, as they will not all be condensed into April (which inevitably leads to issues with deliverability and resource).

This is particularly important given the number of very large developers seeking connections in Northern Scotland following the ScotWind process where we understand the most optimum connection timing for the TO's is following the summer outage programme – not April.

It is recognised that TOs will be submitting RIIO-3 Business Plans imminently and so it is important that a decision is reached on this proposal as soon as possible.

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *

Neutral

(e) Promoting efficiency in the implementation and administration of the system charging methodology.

Positive

Encourages the most efficient connection dates for generation, ensuring that:

- (i) generation licensees are able to deliver power for the most efficient price (without the need for consideration of additional charges for periods where they are unable to generate and recover those costs); and
- (ii) provides transmission licensees with a more realistic (less condensed) connection profile across each charging year, whilst also encouraging transmission licensees to deliver on time in order to recover TNUoS in line with forecast.

Provides much needed clarity in the administration of the CUSC. Ambiguity is damaging to investor certainty.

Certainty on this point, and a change to ensure that generators do not pay more TNUoS than is necessary or fair will lead to greater efficiency. With less room for disagreement and dispute, the implementation and administration of CUSC arrangements will be more efficient.

Certainty on this topic will, in turn, serve to increase investor certainty in the area of TNUoS charging.

Assessment of the impact on stakeholder/consumer benefits

Relevant Objective	Identified impact
Improved safety and reliability of the system	<p>Positive</p> <p>This proposal would likely result in connections becoming more reliable and deliverable.</p> <p>Significant distortion caused to the connections market by generators seeking connections in line with the most optimum point of the charging year (April), rather than realistic connection date. This creates significant pressures for the TOs to deliver. This is not necessarily the most safe and reliable time of the year to deliver connections as many of the outages required to deliver such connections must be taken over the winter months where reliability is paramount.</p> <p>If generators were to seek connections at the time best suited to them, or NESO were to offer connections at the time best suited to safety and reliability of the overall system – this would significantly smooth the demand on NESO and the TOs and also ensure that projects were connected at the most optimum time for safety and reliability and at optimum cost for the consumers. This proposal will facilitate that objective.</p>
Lower bills than would otherwise be the case	<p>Positive</p> <p>Without this change, generators will pay more TNUoS in the year in which their Charging Date occurs (in some cases, far more). This will be the case for the vast majority of Generators and will only not be the case if connection occurs on 1 April.</p> <p>Where delay to connection is due to the TO, this risk sits entirely with the generator and TO delays are becoming commonplace. If this is not corrected, Generators will price this significant risk into their business cases. In turn, this will result in higher CfD clearing prices and higher bills for the consumer. This proposal will most likely result in lower bills for the consumer.</p> <p>Furthermore, those generators based in negative TNUoS zones will receive an additional benefit. They will be paid for periods where they are adding no benefit to the generation mix in GB. Without this proposal, this will continue to have an adverse effect on consumer bills.</p>

Relevant Objective	Identified impact
Benefits for society as a whole	<p>Positive</p> <p>Increased investor certainty and decreased additional risk premium in forthcoming CfD bids will result in higher volumes of lower cost green electricity.</p> <p>A “smoother” connection profile will result in connections that are more optimally timed and therefore are better for system security, and therefore society as a whole.</p>
Reduced environmental damage	<p>Positive</p> <p>With the potential for reduced CfD pricing, increased investor certainty and enhancement of the connection process, this will better facilitate offshore wind targets and net zero goals – in turn producing a positive environmental effect.</p>
Improved quality of service	<p>Positive</p> <p>For Generators this is likely to result in an improved quality of service. For the reasons stated above, it is most likely to result in requested/offered connection dates which are more in line with generator requirements, TO resourcing plans, and system security. For that reason, it will make connection dates more deliverable as resourcing will be less focussed on April connections. Furthermore, it will provide the TOs and NESO with incentivisation to deliver on time to ensure that TNUoS is recovered in line with forecast during any given charging year.</p>

Implementation

- Desired implementation date is within the 24/25 TNUoS charging year.
- Decision therefore required as soon as possible.

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).	<p>If the proposal does not proceed urgently, it will have a significant commercial impact on Generators connecting in charging year 2024/2025. It has a significant determinantal commercial impact on Moray West, a large offshore wind farm based in a high TNUoS zone 1, which has had a significant TO related delay to its connection. An implementation date during the 2024/2025 charging year is imperative to ensure that this determinantal impact is mitigated. Whilst we do not have full visibility, we assume that other generators will be similarly impacted in this charging year.</p> <p>RIIO-T3 Business Plans are due imminently and will cover the period from 2026 – 2031. There should be no delay in implementing this change, to ensure that it is captured as part of the RIIO-T3 process.</p> <p>The proposal has very clear benefits to Generators, TOs, the consumer and investors. It is easy to implement, is well developed and requires very limited steps to implement it. As a result, there can be no reason to let the status quo continue for a further TNUoS charging year.</p> <p>A huge number of large, GW scale offshore wind projects, are due to connect toward the end of this decade and the start of next in areas of high TNUoS charges following Crown Estate Scotland's Scotwind process. Connection dates have been, and are, in the process of being offered. There should be no delay in sending signals to those projects, that incentivise the most efficient grid connection dates and encourage the most optimum CfD bid strategy to ensure the lowest cost projects are developed and delivered for GB. We understand that NESO's view is that the most efficient, safe and reliable timing for many of those project connections is in Q3 of the relevant charging year (to allow for summer outages) – not April. Any delay in implementing this proposal will lead to investor uncertainty which could potentially result in projects being delivered for a higher cost for the reasons explained above.</p>
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

CMP445 – 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 29 November 2024
 - Ofgem approval of Urgent treatment sought by 5pm on 04 December 2024
 - 1st Workgroup to be held 09 December 2024

Timeline for CMP445 – Proposed Urgent Timeline (*Recommended by Code Admin*) - Workgroup

Milestone	Date	Milestone	Date
Modification presented to Panel	29 November 2024	Code Administrator Consultation (4 business days)	19 February 2025 – 25 February 2025
Workgroup Nominations (5 business Days)	29 November 2024 – 05 December 2024	Draft Final Modification Report (DFMR) issued to Panel (2 business days)	28 February 2025
Ofgem grant Urgency Ideally maximum of 3 business days from date presented to Panel	04 December 2024 (5pm)	Panel undertake DFMR recommendation vote	05 March 2025
Workgroup 1 – Workgroup 4 (assuming Ofgem have granted Urgency)	09 December 2024 12 December 2024 18 December 2024 10 January 2025	Final Modification Report issued to Panel to check votes recorded correctly	05 March 2025
Workgroup Consultation (4 business days)	14 January 2025 – 17 January 2025	Final Modification Report issued to Ofgem	06 March 2025
Workgroup 5 - Workgroup 8 Assess Workgroup Consultation Responses and Workgroup Vote	22 January 2025 27 January 2025 30 January 2025 06 February 2025	Ofgem decision	20 March 2025
Workgroup report issued to Panel (3 business days)	11 February 2025	Implementation Date	28 March 2025
Panel sign off that Workgroup Report has met its Terms of Reference	17 February 2025		

Terms of Reference

CMP445 Pro-rating first year TNUoS for Generators

Workgroup Terms of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
1. Consider EBR implications	
2. Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.	
[ToR determined by Panel]	
[ToR determined by Panel]	
[ToR determined by Panel]	

Inflight Modification Updates

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

CMP442: Introducing the option to fix Generator TNUoS charges

CMP439:Removal of BEGA obligation for a sub 100 MW Generator

High Priority Modification Timelines

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

Request to change Terms of Reference

The Workgroup would like reflect the following within their Terms of Reference:

Workgroup Term of Reference
a) Consider EBR implications
b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency letter.
c) Consider the appropriate levels of the cap and floor for each element of wider generation TNUoS
d) Consider appropriate indexation for the cap and floor levels
e) Consider interaction with EC 838/2010 and ongoing compliance with the "limiting regulation"
f) Consider the duration of the cap and floor
g) Consider what TNUoS data set should be used for CMP444 what TNUoS data set should be used for CMP444
h) Consider the Open Letter on Seeking industry action to mitigate the investment impacts of very high projected TNUoS charges
<u>i) Consider any additional protection required for Generators who make an investment decision while the Cap and Floor are in place.</u>

CMP444: the asks of Panel

- **To AGREE** with the amended and additional points within Terms of Reference

CMP442: Introducing the option to fix Generator TNUoS charges

Request to approve Terms of Reference

Workgroup Term of Reference

- a) Consider EBR implications
- b) Consider the [Open Letter on Seeking industry action](#) to mitigate the investment impacts of very high projected TNUoS charges
- c) Consider interactions or possible overlap with the TNUoS Cap and Floor CMP444.
- d) Consider when fix window is post forecast publication
- e) Consider the transitional arrangements associated with data availability
- f) Consider interaction with securities and liabilities for both pre- and post-connection
- g) Consider the accuracy of forecast required to provide a fixed tariff of up to 15 years' duration.
- h) Consider the impact on generators who do not fix their TNUoS across a range of scenarios and any distributional impact on consumers.
- i) Would there be an eligibility window for fixing?
- j) How can the arrangements be designed to prevent users from “gaming” the system? Given the significant current shortage of grid capacity and the steps being taken in connection reform, should this be a genuine concern?
- k) Consider the impact on the Adjustment and whether it should also be fixed, at least in the short term or until a limit of users or capacity fixed is reached?
- l) Consider whether local circuit charges could also be fixed
- m) Is it appropriate to be able to lock in negative charges?
- n) What happens to the fix if an additional technology is co-located at a site?

CMP442: the asks of Panel

- **To AGREE** the Terms of Reference

CMP419 Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	05 December 2024	20 February 2025	11 March 2025	01 April 2026
New timeline	18 September 2025	20 November 2025	10 December 2025	01 April 2027

Rationale: Timeline updated following the agreement of the hiatus being lifted due to the scheduled end of the existing Urgent CUSC Modifications.

Workgroups Remaining: 7

Ask of Panel: Agree revised timeline

CMP426 Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	20 June 2024	15 August 2024	05 September 2024	01 April 2025
New timeline	18 September 2025	20 November 2025	10 December 2025	01 April 2027

Rationale: Timeline updated following the agreement of the hiatus being lifted due to the scheduled end of the existing Urgent CUSC Modifications.

Workgroups Remaining: 6

Ask of Panel: Agree revised timeline

Timeline for CMP440

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline				
New timeline	19 June 2025	14 August 2025	03 September 2025	01 April 2026

Rationale: Timeline updated following the agreement of the hiatus being lifted due to the scheduled end of the existing Urgent CUSC Modifications.

- **Workgroups Remaining: 11**
- **Ask of Panel:** Agree revised timeline

Timeline for CMP442

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	24 April 2025	19 June 2025	14 July 2025	01 April 2026
New timeline	24 April 2025	19 June 2025	14 July 2025	01 April 2026

Rationale: Timeline updated following the agreement of the hiatus being lifted due to the scheduled end of the existing Urgent CUSC Modifications.

- **Workgroups Remaining: 8**
- **Ask of Panel:** Agree timeline

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

TCMF – NESO Panel Member

Previous meetings:

- 07 November 2024 [Meeting materials and Headline Report](#)

Last meeting for 2024: 21 November 2024 **(Meeting cancelled)**

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 –12 November 2024 **(Meeting cancelled)**

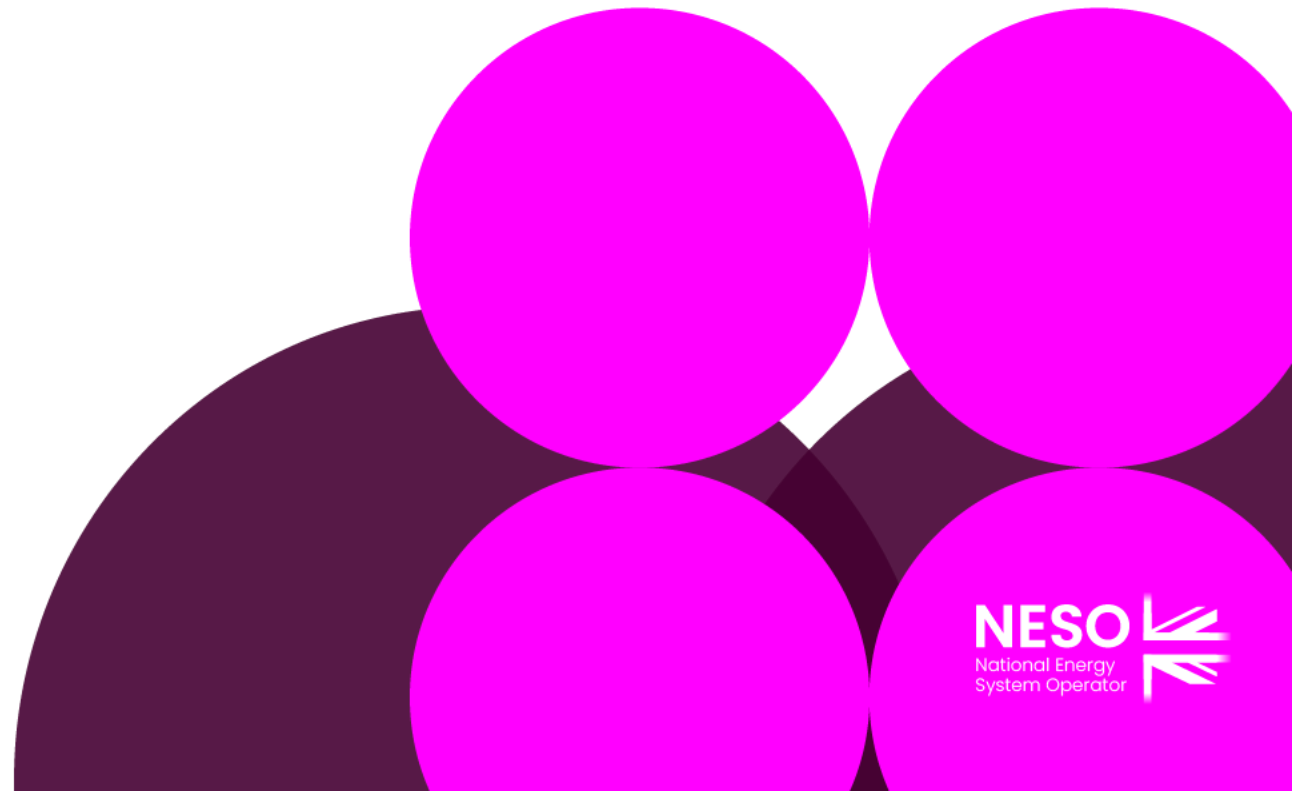
Next meeting –10 December 2024

Updates on other industry codes

- 24 October 2024 Grid Code Review Panel: [Panel Papers and Headline Report](#)
- 30 October 2024 STC Panel: **Meeting cancelled**
- 13 November 2024 SQSS Panel: [Panel Papers and Headline Report](#)

Governance Update

EBR update

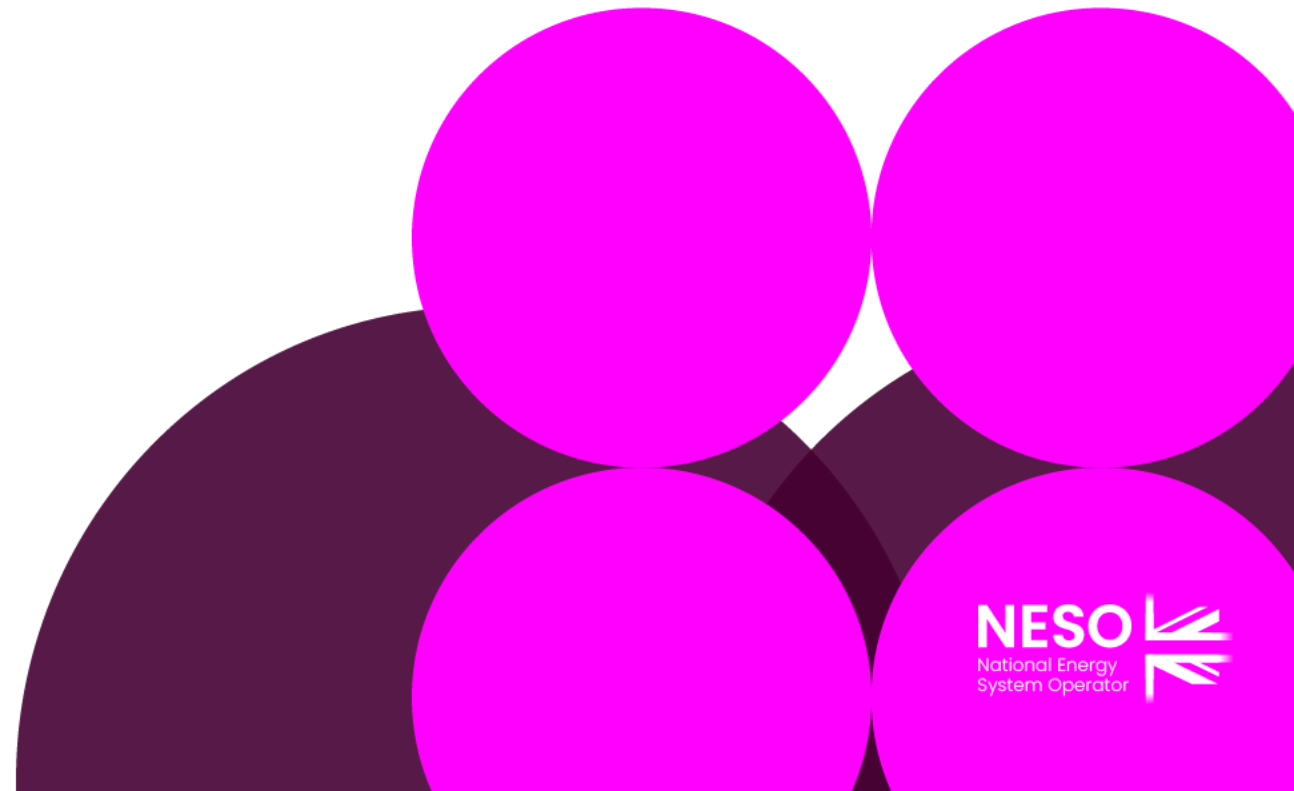


Horizon Scan

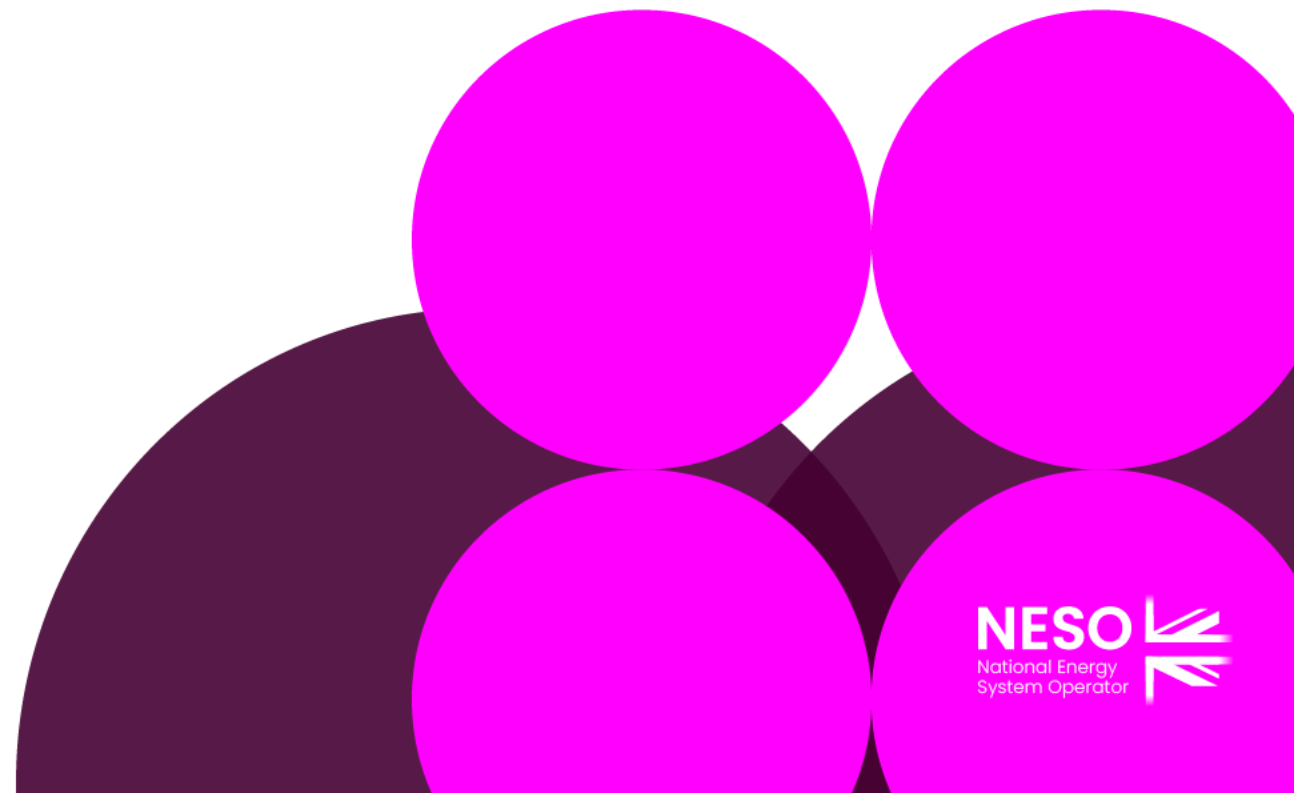
(February, May, August, November)

Codes Affected	Legislative, Regulatory or Industry Change Overview	Published Content	Key Contact	Last Updated	Proposed Modifications Expected	Within 1 Year	Within 2 Years	Within 5 Years
Grid Code, CUSC, SQSS and STC	<p>The Offshore Coordination Project has been set up by the ESO with support from Ofgem and the Department for Business, Energy & Industrial Strategy.</p> <p>Offshore wind has been identified as a critical technology in achieving net zero greenhouse gas emissions by 2050. In order to help realise this target, a step-change in both the speed and scale of deployment of offshore wind is required.</p> <p>Aug-24; One SQSS raised, expect late Q3 2024 we will know relevant GC mods that will be required. Last meeting with Ofgem/DESNZ took place in 1st July to discuss MPIs where Option A/B were the preferred options. Offshore Co-ordination Mod summary uploaded onto CC sharepoint - for review currently from CC managers</p>	ESO Offshore Coordination Project Page	box.OffshoreCoord@nationalgridESO.com	Aug-24	Mar-24			
Grid Code, CUSC and STC	<p>Replacement of Fax Machines in the ESO Control Room Due to the phasing out of the copper wire technology which fax machines utilise, the ESO Control Room will be replacing the fax machines that are used between the ESO and Users for some interactions.</p> <p>The STC changes will be proposed May 24 (no Control Room interactions in the STC), with Grid Code, CUSC, and STCPs to follow CUSC Mod to follow at some point - likely earliest Q3. Harvey leading on from CC Update 5th August - STC modification was approved at August STC Panel as Fast-Track Self Governance. Grid Code/CUSC/STCP proposals need to be raised in September in order to get Workgroups underway (although the request will be for a joint Grid Code/CUSC WG with Self-Governance route). Engagement with TOs will be required prior to presenting to Panel due to approval process. Aug-24; CM099 Replacement of Fax Machines mod implemented 30/08/24.</p>			Nov-24	Apr-24			

Code Administrator Update



Any Other Business



Activities ahead of
the next Panel
Meeting

Transmission Charging Methodologies Forum	Meeting on 21 November 2024 cancelled
Modification Proposal Deadline for December Panel	28 November 2024
Papers Day	05 December 2024
Panel Meeting	13 December 2024 Online via Microsoft Teams

Close

Trisha McAuley, OBE

Independent Chair, CUSC Panel