

Public

Special CUSC Panel

Friday 10 January 2025

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)

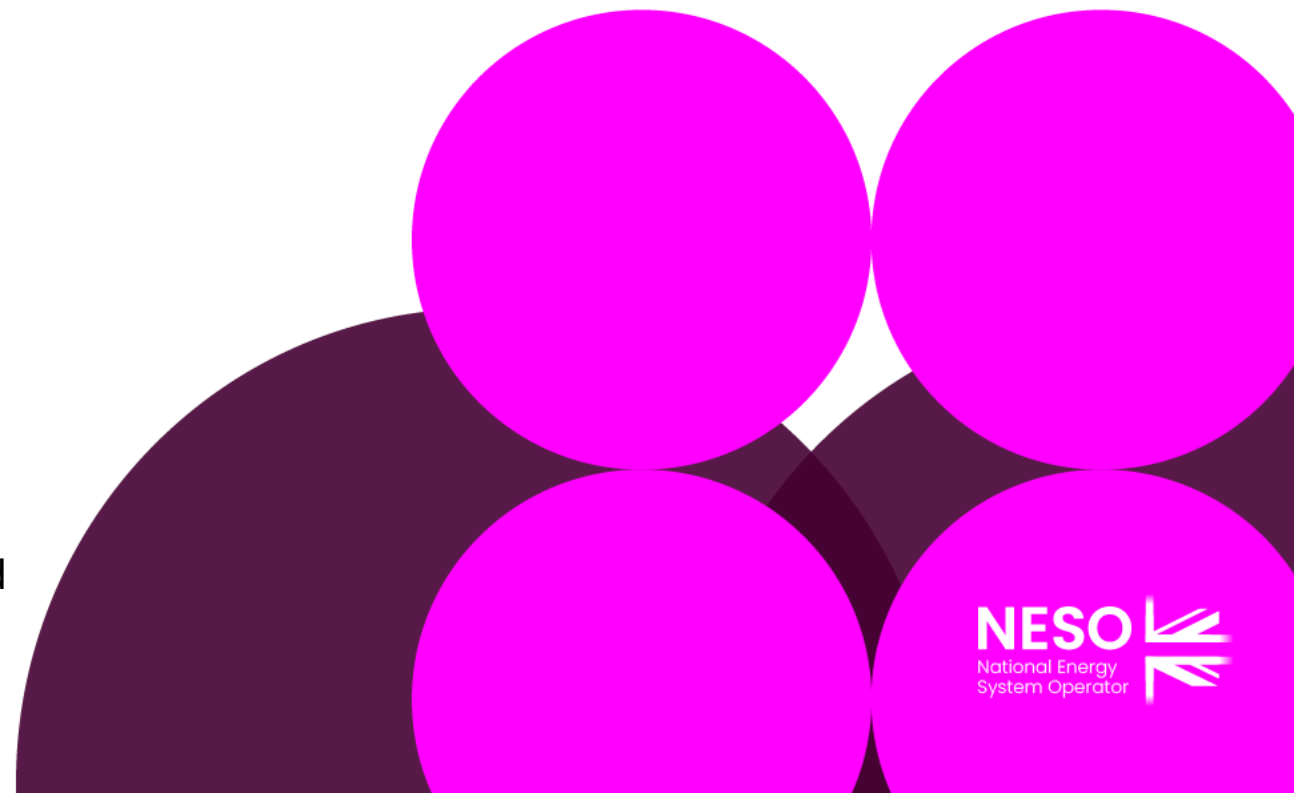
The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of and 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.

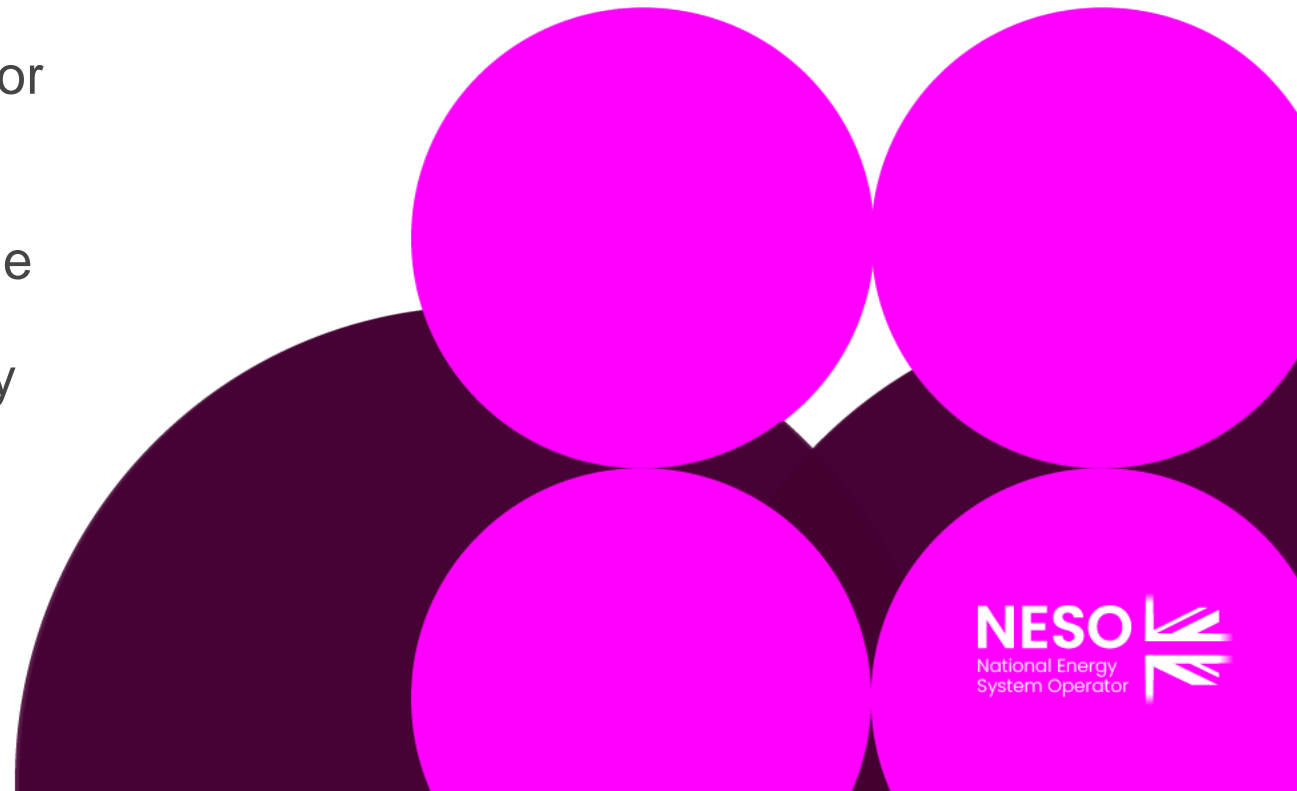


Change of Governance Routes – Request for Urgency

CMP405 TNUoS Locational Demand Signals for Storage

CMP423 Generation Weighted Reference Node

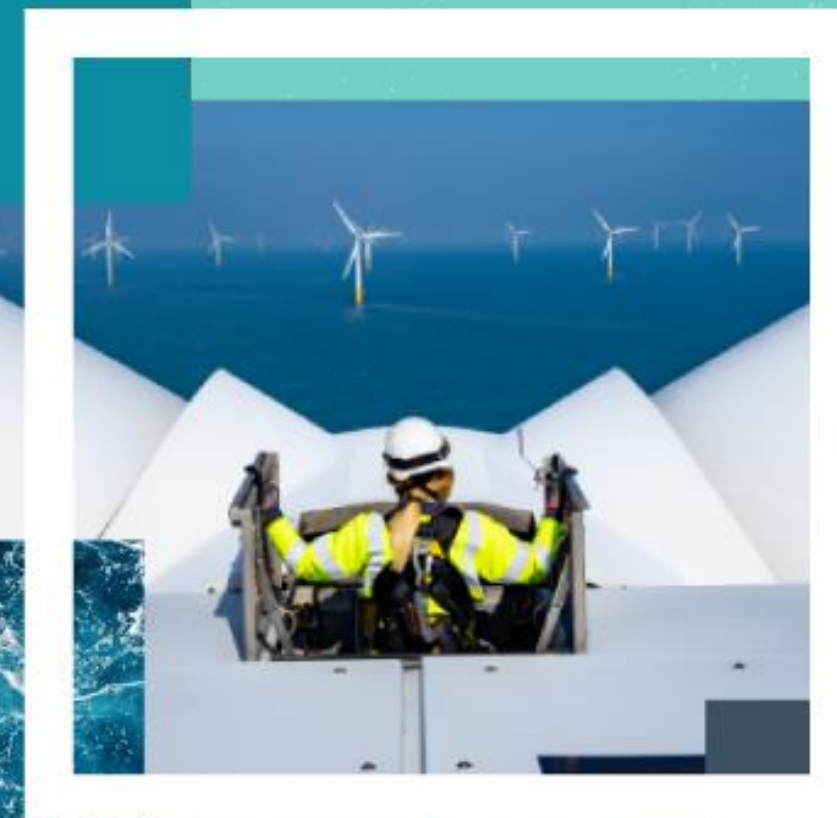
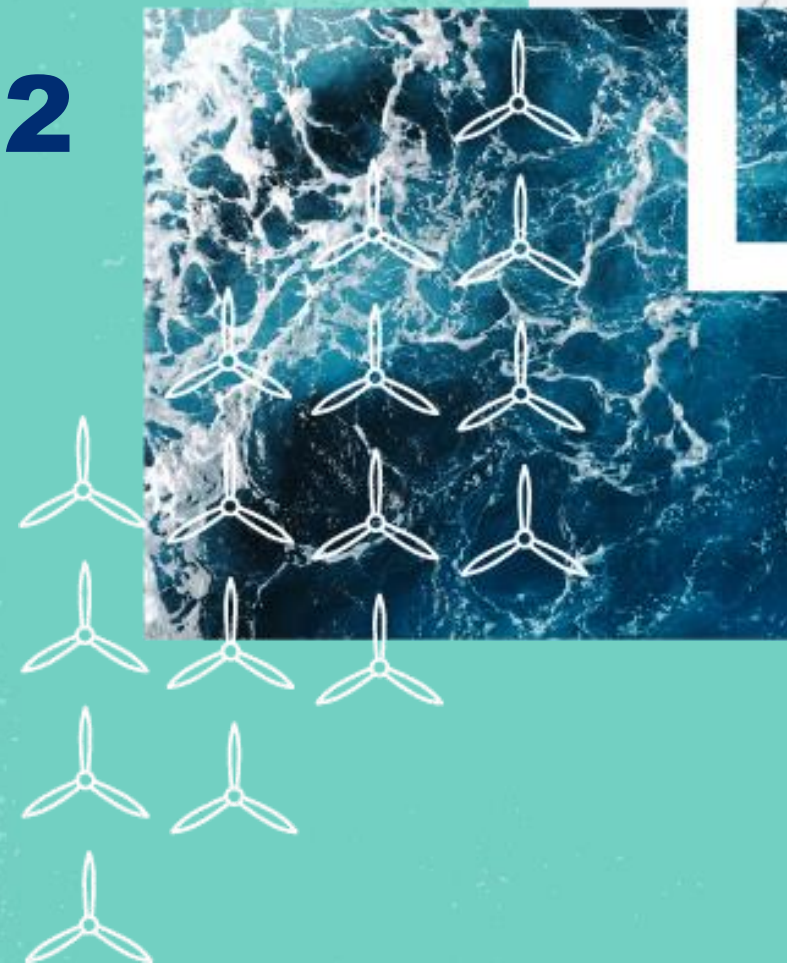
CMP432 Improve ‘Locational Onshore Security Factor’ for TNUoS Wider Tariffs



Urgency Requests: CMP405, CMP423, CMP432

Damian Clough & John Tindal SSE Generation

Date: 10th January 2025



Brief description of Mods

❑ CMP405 - Storage Demand Credits

- This modification seeks to reinstate the negative locational signal for connecting Demand (Storage) close to Generation by removing the link to Peak and Triads. The mod was kept tight and focused on Storage for simplicity to progress faster, but has since, ironically, been leapfrogged in timeline by CMP440 raised later for all Demand excluding storage.

❑ CMP423 - Generation Weighted Reference Node

- Currently the MW/km for a node is calculated based on its relativity to the centre of Demand. This modification aims to change this so that the MW/km is calculated based on its relativity to the centre of Generation.

❑ CMP432 - Security Factor

- The DCLF model calculates flows on the System so that all Demand is met by Scaled Generation. A Security Factor number is calculated by a black box model called SECULF, which then is applied to scale up all tariffs with the intent to make tariffs more cost reflective. This modification aims to test the arbitrary nature of the current Security Factor number and apply a more cost reflective value based on how the Network is actually planned and built.

What is our ask

CMP405 – Storage demand credits

- **Status**
 - **“Urgent” status**, or
 - **“High” status**: to run in parallel with, or ahead of CMP440 (Remove demand floor at £zero) with combined workgroups on consecutive days
- **Decision date**: In time for CfD AR7 2025, same as CMP444, or no later than CMP440
- **Implementation date**: 1st April 2026 (Delayed from original implementation date 1st April 2024 considering modification was raised 10th Nov 2022)

CMP423 – Reference Node

- **“Urgent” status**: Enable Ofgem consideration at same time as CMP432 (Security Factor) and CMP444 (Cap and Floor), and before CMP440 (Fixed Price TNUoS)
- **Decision date**: In time for CfD AR7 2025, same as CMP444
- **Implementation date**: 1st April 2026 (same as originally proposed)

CMP432 – Security Factor

- **“Urgent” status**: Enable Ofgem consideration at same time as CMP423 (Reference Node) and CMP444 (Cap and Floor), and before CMP440 (Fixed Price TNUoS)
- **Additional requests**
 - Request data and models (SECULF) from NESO
 - Request industry access to VBA code within the Transport and Tariff model
 - Request better transparency and support to Workgroup from NESO and TOs regarding how incremental network is planned and built to take account of incremental security. This is because NESO and TO network planning documents do not currently provide:
 - Transparent breakdown between firstly how much incremental network transfer capacity is required and secondly how much incremental redundant network capacity is required for security, then how these inform the incremental cost and capacity of total network that is planned and built to deliver both incremental transfer capacity and incremental security.
 - Support from NESO and TOs to the workgroup will enable the workgroup to better understand the cost of network incurred for incremental security, which TNUoS charges are supposed to reflect
- **Decision date**: In time for CfD AR7 2025, same as CMP444
- **Implementation date**: 1st April 2026 (same as originally proposed)

List of Urgency Criteria

Relevant urgency criteria is the same for all modifications included in this request: CMP405, CMP423, CMP432:

- ☒ a. A significant commercial impact on parties, consumers or other stakeholder(s) or
- ☐ b. A significant impact on the safety and security of the electricity and/or gas systems or
- ☐ c. A party to be in breach of any relevant legal requirements`

Why “urgency” is needed now part 1

At the time this modification was raised, a normal timescale was sufficient, however, new imminent issues have emerged

1. Prospect of timely progress within normal industry process has substantially worsened

- **Connection reform and charging modification hiatus delayed progress** – When proposed, normal industry process would have enabled decision in time for AR7, but now it would not due to reduced time remaining
- **These modifications have not been given “High” priority, so the prospect of progress in normal industry process is low** - CMP405 “Low”, CMP423 “Medium”, CMP432 “Medium” – Growing backlog of other modifications have been given higher priority which pushed these modifications down priority stack further delaying progress

2. Recent developments increased the importance of reaching an early decision - CMP405, CMP423 and CMP432 materially impact investments including both renewables and storage needed to deliver society objectives

- **AR7 auction:** Expanded auction, CfD bid prices will be impacted directly by CMP423 and CMP432, and indirectly by CMP405 based on impact of storage on wind location decisions
- **Clean Power 2030 Action Plan including expansion of CfD AR7:** in 2025 announced 13th December 2024
- **SSEP, CSNP and tCSNP2:** - details published 9th December 2024
- **REMA:** government announcing 13th December 2024 that policy development will be concluded around mid-2025 – Impact Reformed National Market alternative to Zonal and inform potential grandfathering

Why “urgency” is needed now part 2

At the time this modification was raised, a normal timescale was sufficient, however, new imminent issues have emerged:

3. Essential interactions – need to align with other modifications that have faster timelines

CMP405 Interacts with

- CMP440 (Remove demand TNUoS floor at £zero) - ” High priority”

CMP405 needs developed and considered by Ofgem before, or same time as CMP440

CMP423 and CMP432 interact with

- CMP444 (TNUoS cap and floor) – “Urgent” decision for AR7
- CMP442 (Fixed generator charges) – “High priority”
- Each other – both currently “Medium priority”

CMP423&CMP432 need considered by Ofgem at same time as CMP444 Cap and Floor

CMP423&CMP432 need to be considered by Ofgem before CMP442

CMP423&CMP432 need to be considered by Ofgem at same time as each other

CMP405 Urgency Criteria Rationale

“a. A significant commercial impact on parties, consumers or other stakeholder(s)”

Significant impact on consumers

- Storage, and in particular long duration storage, is a critical element in delivering a net zero carbon energy system for customers, and CMP405 is an essential element in enabling the storage business model.
- Specifically, long duration storage is particularly beneficial for enabling faster connection of wind generation that NESO and the TOs are currently struggling to achieve to enable net zero for customers.

Significant commercial impact on parties

- **The modification will materially impact the business case:** for investments in new electricity storage including pumped hydro and BESS
- **Better cost reflectivity:** TNUoS charging currently does not accurately reflect the total costs and benefits to the system and the end consumer of imports due to the reasons given in the Original Proposal and proposer’s presentations, including:
 - Storage imports reduce cost of required network investment by reducing cost of constraints by absorbing surplus renewable generation at times of congestion
- **Effective competition:** The lack of long-term certainty impacts projected revenues, (future Balancing Mechanism revenues are highly uncertain), and tends to either increase the financing costs of these projects or put them in jeopardy
- **Better commercial impact on parties is better for customers:** It is in customers’ best interest that modification decision is made in time for key FID points to reduce uncertainty for storage investors to reduce cost of capital, reduce risk margins and reduce support payments (e.g. direct cost of storage cap and floor, indirect cost of CfD AR7), or other market prices relevant for investors
- **This is a matter which needs to be resolved asap by Industry:** Urgency is one of the only tools available to highlight this need and realign our Modifications with the Clean Energy Plan

Alternate ask if “urgency” is not granted

- If Urgency is not granted will the Panel consider imposing “High Priority” and parallel workgroups with CMP440?
- There is no apparent reason why CMP405 is currently classed as Low Priority, while CMP440 is classed as High Priority when they deal with the same overall defect.

CMP423 & CMP432 Urgency Criteria Rationale

“a. A significant commercial impact on parties, consumers or other stakeholder(s)”

Significant impact on consumers

- Substantially change the value of wider locational tariffs and relative locational signals for both generation and demand. This will be more cost reflective for the reasons given in the original proposal forms and proposer’s presentation.
- **Directly important for demand consumers:** Materially impact locational signals for new demand investments which are part of government’s targets to decarbonise the energy system inc. electrification of heat, transport, and other forms of commercial and industrial demand.
- **Indirectly important for consumers due to impact on generation:** Customers benefit from the resulting reduction in cost and risk to generators – Due to reducing Wider locational tariffs and flattening the tariff gradient respectively. Cheaper locational tariffs are less volatile due to being less sensitive to variations in other TNUoS input assumptions. Ofgem’s open letter correctly recognised that customers benefit from reducing uncertainty for generation investors:

“Seeking industry action to develop a temporary intervention to protect the interests of consumers by reducing the uncertainty associated with projected future [generator] TNUoS charges” (Emphasis added)

Significant commercial impact on parties

- Impact is large as it would substantially change the value of wider locational tariffs and relative locational signals for both generation and demand. This will be more cost reflective for the reasons given in the original proposal forms and proposer’s presentation, including:
 - CMP423: Generation weighted reference node better reflects that variations in both generation and demand tend to result in a response from generation, not demand.
 - CMP432: Lower Security Factor better reflects that incremental network build does not require as much incremental additional spare network cost for security
- Large material impact on investment decisions including the large capacity of renewable generation projects expected to bid into CfD allocation rounds from 2025 onwards.
- More appropriately and sustainably addresses the long-underlying cause of investor uncertainty, which complements the short-term nature of CMP444 “Cap and Floor” modification. By reducing those large values of northern TNUoS charges, will naturally reduce the defect and variability thus reduce the need for the cap and floor mechanism. The importance of addressing the issue of uncertainty is described by Ofgem in their open letter as:

“This open letter is our response to the developing uncertainty around long-term Transmission Network Use of System (“TNUoS”) charges, particularly concerns driven by last year’s 10-year projections of significant charge increases for generators in the North of Great Britain (“GB”).”

Practical to complete in urgent timescale

CMP405 – Storage demand credits

- **Low complexity for timing:** Already part way through the workgroup stage, so should be considered a quick-win for improving cost reflectivity and effective competition.
- **Low complexity for evidence:** Developed proposed solution, is now far simpler and can therefore be progressed faster with less resource than previously planned. The new solution will require far less workgroup time and resource to analyse and justify compared with previous.
- **Low complexity for implementation:** Does not require any changes to: processes, data streams, other codes, does not change the structure of tariff. Only change the value of existing tariff elements.

CMP423 – Reference Node

- **Low complexity for timing:** Already part way through the workgroup stage, so should be considered a quick-win for improving cost reflectivity and effective competition.
- **Low complexity for evidence:** Based primarily on economic principles rather than empirical economic behaviour, so does not require detailed wholesale market modelling
- **Low complexity for implementation:** It does not require any changes to: processes, data streams, other codes, does not change the structure of tariff. The modification would only require changes to the ICRP VBA code, which NESO has already been completed as part of the impact assessment.
- **Not contingent on any other modification**

CMP432 – Security Factor

- **Low complexity for implementation:** Does not require any changes to: processes, data streams, other codes, does not change the structure of tariff. Only change the value of existing tariff elements.
- **Not contingent on any other modification**

Reminder of our asks

CMP405 – Storage demand credits

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CMP432 – Security Factor

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 - Support from NESO and TOs to the workgroup will enable the workgroup to better understand the cost of network incurred for incremental security, which TNUoS charges are supposed to reflect
- **Decision date**: In time for CfD AR7 2025, same as CMP444
- **Implementation date**: 1st April 2026 (same as originally proposed)

CMP405 – the asks of Panel

- **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 10 January 2025
 - Ofgem approval of Urgent treatment sought by 5pm on 16 January 2025
 - Next Workgroup meeting to be held 27 January 2025

Timeline for CMP405 request for Urgency

Pre-Workgroup	
CMP405 Proposal presented at Panel	10/11/2022
CMP405 Proposal presented at Panel	25/11/2022
CMP405 Workgroup Nominations	28/11/2022 – 19/12/2022
Workgroups	
CMP405 Workgroup 1	13/01/2023
CMP405 Workgroup 2	16/02/2023
CMP405 Workgroup 3	10/08/2023
CMP405 Workgroup 4	09/11/2023
CMP405 Workgroup 5	11/12/2023
CMP405 Workgroup 6	07/02/2024
Urgency Requested by Proposer	17/12/2024
Urgency Recommendation Vote	10/01/2025
Urgency Decision	16/01/2025
CMP405 Workgroup 7	27/01/2025
CMP405 Workgroup 8	05/02/2025
CMP405 Workgroup 9	13/02/2025
CMP405 Workgroup Consultation	19/02/2025- 26/02/2025
CMP405 Workgroup 10	03/03/2025
CMP405 Workgroup 11	10/03/2025
CMP405 Workgroup 12	14/03/2025
CMP405 Workgroup Report to Panel	20/03/2025
CMP405 Panel for ToR sign off	28/03/2025
Post Workgroups	
CMP405 Code Administrator Consultation	31/03/2025 – 08/04/2025
CMP405 Draft Final Modification Report to Panel	14/04/2025
CMP405 Panel Recommendation Vote	17/04/2025
CMP405 Final Modification Report to Panel to check Votes	17/04/2025
CMP405 Final Modification to Ofgem	17/04/2025
CMP405 Decision Date	September 2025
CMP405 Implementation Date	01/04/2026

CMP423 – the asks of Panel

- **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 10 January 2025
 - Ofgem approval of Urgent treatment sought by 5pm on 16 January 2025
 - Next Workgroup meeting to be held 28 January 2025

Timeline for CMP423 request for Urgency

Pre-Workgroup	
CMP423 Modification Submitted	12/11/2023
CMP423 Proposal presented at Panel	27/10/2023
CMP423 Workgroup Nominations	31/10/2023 - 21/11/2023
Workgroups	
CMP423 Workgroup 1	22/01/2024
CMP423 Workgroup 2	17/04/2024
Urgency Requested by Proposer	17/12/2024
Urgency Recommendation Vote	10/01/2025
Urgency Decision	16/01/2025
CMP423 Workgroup 3	28/01/2025
CMP423 Workgroup 4	07/02/2025
CMP423 Workgroup 5	18/02/2025
CMP423 Workgroup 6	27/02/2025
CMP423 Workgroup Consultation	05/03/2025 – 12/03/2025
CMP423 Workgroup 7	18/03/2025
CMP423 Workgroup 8	26/03/2025
CMP423 Workgroup 9	02/04/2025
CMP423 Workgroup 10	09/04/2025
CMP423 Workgroup Report to Panel	14/04/2025
CMP423 Panel for ToR sign off	17/04/2025
Post Workgroups	
CMP423 Code Administrator Consultation	22/04/2025 – 02/05/2025
CMP423 Draft Final Modification Report to Panel	09/05/2025
CMP423 Panel Recommendation Vote	15/05/2025
CMP423 Final Modification Report to Panel to check Votes	15/05/2025
CMP423 Final Modification to Ofgem	15/05/2025
CMP423 Decision Date	Summer 2025, to allow developers to factor in the impact of the change ahead of the likely CfD AR7 bid submission window.
CMP423 Implementation Date	01/04/2026

CMP432 – the asks of Panel

- **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 10 January 2025
 - Ofgem approval of Urgent treatment sought by 5pm on 16 January 2025
 - Next Workgroup meeting to be held 22 January 2025

Timeline for CMP432 request for Urgency

Pre-Workgroup	
CMP432 Modification Submitted	07/03/2024
CMP432 Proposal presented at Panel	22/03/2024
CMP432 Workgroup Nominations	09/04/2024 – 02/05/2024
Workgroups	
Urgency Requested by Proposer	17/12/2024
Urgency Recommendation Vote	10/01/2025
Urgency Decision	16/01/2025
CMP432 Workgroup 1	22/01/2025
CMP432 Workgroup 2	29/01/2025
CMP432 Workgroup 3	14/02/2025
CMP432 Workgroup 4	21/02/2025
CMP432 Workgroup Consultation	26/02/2025 – 06/03/2025
CMP432 Workgroup 5	13/03/2025
CMP432 Workgroup 6	20/03/2025
CMP432 Workgroup 7	26/03/2025
CMP432 Workgroup 8	03/04/2025
CMP432 Workgroup Report to Panel	14/04/2025
CMP432 Panel for ToR sign off	17/04/2025
Post Workgroups	
CMP432 Code Administrator Consultation	22/04/2025 – 02/05/2025
CMP432 Draft Final Modification Report to Panel	09/05/2025
CMP432 Panel Recommendation Vote	15/05/2025
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CMP432 Implementation Date	01/04/2026

Activities ahead of the next Panel Meeting

Modification Proposal Deadline for January Panel	16 January 2025
Papers Day	23 January 2025
Panel Meeting	31 January 2025 Faraday House

Close

Trisha McAuley, OBE

Independent Chair, CUSC Panel