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CUSC Alternative Form - Charging

CMP444 Alternative Request 6:

Dataset to 2028/29.

Overview:

The calculation of the cap/floors per the Original Solution uses data representing financial years up to and including 2028/29. The difference from this Alternative to the Original Solution is that forecast data for 2029/30 is not used.

Proposer: Graham Pannell, BayWa r.e.

☒ I/We confirm that this Alternative Request proposes to modify the charging section of the CUSC only

Guidance for Alternative Proposers

Who can raise an Alternative? Any CUSC or BSC Party, or Citizens Advice can raise an Alternative Request in response to the Workgroup Consultation.

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How do Alternative Requests become formal Workgroup Alternative Modifications?

The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the CUSC Modification Proposal, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Alternatives? ESO will develop the Legal text for all Workgroup Alternative Modifications and will liaise with the Alternative Proposer to do so.

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What is the proposed alternative solution?

This Alternative solution is identical to the Original, except for one feature:

The input data for the calculation of any cap/floor ends with the financial year 2028/29.

Rationale

On 30 September 2024 Ofgem published an open letter¹ outlining their concerns around the uncertainty of long term TNUoS (Transmission Network Use of System) charges, and the risks posed by TNUoS volatility to HM Government's ambition of achieving a clean power system by 2030.

NESO has developed an Original Proposal under CMP444 which aims to meet the principles set out in the Ofgem letter.

The Ofgem letter includes (key points shown in italics):

"...uncertainty around long-term Transmission Network Use of System ("TNUoS") charges, particularly concerns driven by last year's 10-year projections",

"...industry overwhelmingly agreed with the need to improve the predictability of TNUoS charges and ensure that the locational signals conveyed by these charges are consistent with other market rules and signals, including those related to strategic network planning",

"...These increases are primarily driven by the large-scale infrastructure investments that are required to decarbonise the electricity system. Examples of these developments include the 26 critical energy projects worth an estimated £20 billion under the Accelerated Strategic Transmission Investment ("ASTI"⁸) framework, and the Holistic Network Design ("HND"⁹)".

The 10-year projection gave a view on TNUoS charges for the period 2029-2034. Further, a number of the most material ASTI and HND investments are to be delivered (such as to influence the TNUoS tariff calculation) cumulatively from the financial year 2029/30. On balance, taking the full context of the Ofgem letter and the challenges identified in the CMP444 proposal, we submit that the cap/floor calculation would better meet the relevant objectives by omitting forecast data for the financial year 2029/2030. This better avoids the concerns around large increases seen in the 10-year projection (which begins in 2029/30), and the increases seen in response to future strategic network planning, i.e. in response to large critical energy network projects delivered under the ASTI and HND frameworks (which materially begin accumulating from 2029/30).

What is the difference between this and the Original Proposal?

Forecast data for financial year 2029/30 is omitted from the calculation of any cap/floor. Percentiles or any other derivations are applied as per the Original Solution on the residual dataset.

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What is the impact of this change?

Proposer's Assessment against CUSC Charging 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>As per Original Solution, facilitating enhanced competition by decreasing uncertainty and allowing them to proceed at competitive costs.</p> <p><i>Additionally</i>, when compared with the Original Solution , removes the uncertainty and large increases seen with both the 10-year projection and the referenced strategic future network delivery.</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 C11 requirements of a connect and manage connection);	<p>Neutral:</p> <p>As per Original Solution, the change is structured so that cost-reflective locational signals are largely preserved, though slightly blunted should the caps and/or floors be hit.</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 and the ISOP business*;	<p>Neutral:</p> <p>As per Original Solution, no relevant developments apply.</p>
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	<p>Neutral:</p> <p>As per Original Solution, compliance with EC 838/2010 is maintained through the generation adjustment tariff. The chosen solution avoids undue discrimination between technology types, which EC 2019/943 prohibits.</p>

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(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<p>Neutral:</p> <p>As per Original Solution , tariff setting process ahead of each charging year is only made a little more complicated than baseline. The extra complexity and work are at this stage believed to be modest.</p>
<p>* See Electricity System Operator Licence</p> <p>**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.</p>	

When will this change take place?

Implementation date:

As per Original Solution.

Implementation approach:

As per Original Solution.

Acronyms, key terms and reference material

Acronym / key term	Meaning
ASTI	Accelerated Strategic Transmission Investment
BSC	Balancing and Settlement Code
CUSC	Connection and Use of System Code
DESNZ	Department for Energy Security and Net Zero
HND	Holistic Network Design
NESO	National Energy System Operator
TNUOs	Transmission Network Use of System

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Reference material:

1. Open Letter: Seeking industry action to develop a temporary intervention to protect the interests of consumers by reducing the uncertainty associated with projected future TNUoS charges