Modification proposal:	**Connection and Use of System Code (CUSC) CMP292: Introducing a Section 8 cut-off date for changes to the Charging Methodologies (CMP292)**		
Decision:	The Authority[1] directs that this modification be made[2]		
Target audience:	National Grid Electricity System Owner (NGESO), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	25/08/2023	Implementation date:	01 April 2024

Background

Transmission Network Use of System (TNUoS) charges are charges paid by users of the electricity transmission system. They are calculated annually (in January) and levied by National Grid Electricity System Operator (NGESO) (from 1 April) according to the Charging Methodologies contained in section 14 of the Connection and Use of System Code (CUSC)[3].

A CUSC Modification Proposal (CMP) is a proposed change to the CUSC, including the Charging Methodologies, and can be raised by any User or Materially Affected Party[4]. Section 8 of the CUSC defines processes for the development of CMPs. In most cases, CMPs will come to Ofgem for decision. Ofgem can decide to reject or approve a proposal. If rejected, the CUSC is not altered. If approved, the legal text of the CUSC is changed to reflect the proposed modification.

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.
[3] The CUSC is the contractual framework for connecting to and using the National Electricity Transmission System (NETS) . See https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc
[4] As defined in section 11 of the CUSC https://www.nationalgrideso.com/document/91396/download.

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Under the current framework, there are no restrictions on when the Authority can make a decision on a proposal to amend the Charging Methodologies. This means that Ofgem can approve changes to the methodology close to the January tariff-setting or, in theory, any time up to 1 April for implementation from that date. When setting tariffs in January of each year, NGESO will base its charges on the current Charging Methodology set out in the CUSC and any modifications which have been approved by the Authority with an implementation date in the following charging year. Where the Authority approves a modification in the latter half of the charging year (ie from September onwards), it provides NGESO a short time to take account of this prior to tariff setting. In some cases, system and process changes may also need to be implemented. This can create both uncertainty of charges for Users and significant costs in modification implementation for NGESO, both potentially resulting in increased costs for consumers.

The Proposal

NGESO (the 'Proposer') raised modification CMP292 (the 'Proposal') in February 2019. CMP292 will introduce into Section 8[5] of the CUSC a deadline of 30 September (year t) for the approval of any CUSC charging modification with an implementation date of the following charging year (t+1). Instead, where decisions are made after 30 September of a given year (t), the implementation date will be for the charging year t+2.

The Proposal has been raised with the TNUoS Charging Methodologies and process in mind. However, the Proposal will also impact Balancing Services Use of System ('BSUoS') code modifications given that BSUoS methodologies are also contained with Section 14 of the CUSC.

The Proposal provides exceptions to the deadline for urgent modifications, modifications raised by or at the direction of the Authority, and where the Authority has directed otherwise.[6]

[5] Sets out the process by which the CUSC is amended. See https://www.nationalgrideso.com/document/91381/download

[6] Given that the Proposal has been designed by reference to the TNUoS tariff forecasting and setting process, one scenario where the Authority may seek to utilise this exceptions process is in the case of BSUoS code modifications. Any such decision would be taken on the merits of individual proposals at the time.

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The Proposer considered that the Proposal would be positive in terms of Applicable CUSC Objectives (ACOs) (a)[7], (b)[8] and (d)[9], while neutral against Objective (c)[10]. In their view, the Proposal would provide certainty for all CUSC parties and NGESO on charging methodologies used for forecasting. The Proposer also believes the Proposal will reduce costs for NGESO, while providing flexibility for the Authority where required. The Proposer also considers the Proposal to be positive for consumers as there will be greater certainty in charges and therefore a potential for suppliers to reduce the risk premia they apply to fixed-term contracts.

The Workgroup Consultation was issued on 20 December 2018 and closed on 21 January 2019. Three responses were received and no alternatives were raised. All three respondents were in support of the Proposal. The representations made by consultation respondents suggested positive outcomes for ACO (b), as greater certainty in TNUoS charges was perceived as benefiting competition. The consultation respondents also suggested a positive impact on ACO (d) through the avoidance of last-minute changes resulting from modifications approved close to the tariff setting date. Respondents stated that the Proposal was neutral on the other ACOs.

The Code Administrator Consultation was issued on 10 June 2019 and closed on 1 July 2019. Three responses were received, all supportive of the Proposal. The comments stated that the Proposal was positive for ACOs (a), (b) and (d).

CUSC Panel[11] recommendation

At the CUSC Panel meeting on 26 July 2019, the Panel by majority agreed that the Proposal would better facilitate the Applicable CUSC Objectives than the baseline and therefore recommended its approval. All but one of the Panel members considered the Proposal to better meet ACOs (a), (b) and (d) while being neutral on (c). One Panel member believed that the Proposal was negative on (b), positive on (d) and neutral on (a) and (c). However, this Panel member referred to "cost-reflectivity" as a justification

[7] ACO (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence.
[8] ACO (b) (b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
[9] ACO (d) Promoting efficiency in the implementation and administration of the CUSC arrangements.
[10] ACO (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
[11] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

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for the negative impact on ACO (b), which is not the focus of ACO (b), which instead refers to competition in generation and supply of electricity[12].

Our decision

We have considered the issues raised by the Proposal and the Final Modification Report (FMR) dated 16 August 2019. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR[13]. We have concluded that:

- implementation of the Proposal will better facilitate the achievement of the applicable objectives of the CUSC;[14] and
- directing that the modification be made is consistent with our principal objective and statutory duties.[15]

Reasons for our decision

We consider this Proposal would better facilitate ACOs (a), (b) and (d) and have a neutral impact on the other applicable objectives.

(a) The efficient discharge by the Licensee of the obligations imposed upon it by the Act and the Transmission Licence

The majority of the CUSC Panel and all of the Workgroup members voted in favour of ACO (a) being better facilitated by the Proposal. Supporting statements on ACO (a) by the Workgroup and Panel refer to increased efficiency in raising and implementing TNUoS charging modifications.

[12] ACO (b) (b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
[13] CUSC modification proposals, modification reports and representations can be viewed on NGESO's website at: https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc/modifications
[14] As set out in Standard Condition C5(5) of NGESO's Transmission Licence, see: https://epr.ofgem.gov.uk//Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf
[15] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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Our position

We agree with the comments of the Workgroup and Panel that the Proposal will aid the Licensee in meeting its obligations to administer the code modification process. The Proposal will reduce the occurrence of late changes to the Charging Methodologies, and therefore reduce duplication of efforts resulting from late implementation of changes to the Charging Methodologies for NGESO. As such, we consider the Proposal to have a positive impact on ACO (a).

(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;

The majority of the CUSC Panel and all of the Workgroup members voted in favour of ACO (b) being better facilitated by the Proposal. It was stated that the Proposal would lead to increased certainty in the charging methodology for the following charging year, allowing for better predictions of charges making it easier for smaller Users to compete effectively.

Our position

We agree with the comments of the Workgroup, Panel and consultation respondents that the Proposal will increase certainty in TNUoS charges in the short term and thus enhance competition by increasing forecasting certainty for suppliers. By increasing forecasting certainty, this modification facilitates the entry into and effective participation of smaller generators and suppliers in the market, creating a more level playing field for them to compete. This would constitute a positive improvement on ACO (b).

(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

The majority of the CUSC Panel and all of the Workgroup members voted in favour of ACO (d) being better facilitated by the Proposal. Comments on ACO (d) by the Workgroup, consultation respondents and Panel refer to increased efficiency in implementing charging modifications by reducing last-minute changes.

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Our position

We agree with the comments of the Workgroup, Panel and consultation respondents that the Proposal constitutes an improvement in efficiency of implementing changes to the Charging Methodologies. As outlined earlier in this decision letter, short notice changes to the charging methodology can be associated with significant costs in implementation, with the magnitude of those costs increasing the shorter the notice period. By creating a cut-off point beyond which the Authority cannot approve changes to the methodology except in limited circumstances, the likelihood of increased implementation costs for NGESO is minimised.

Decision notice

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal *CMP 292: Introducing a Section 8 cut-off date for changes to the Charging Methodologies* be made. We expect that the first cut-off date will be 30 September 2024.

Lynda Carroll
Head of Strategic Transmission Charging Reform
Signed on behalf of the Authority and authorised for that purpose

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