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Dear Mr Toms,

CMP268 'Recognition of sharing by Conventional Carbon plant of Not-Shared Year-Round circuits' – decision on urgency

On 26 July 2016, SSE (the 'Proposer') raised Connection and Use of System Code (CUSC) modification proposal CMP268. This proposal seeks to change the Transmission Network Use of System (TNUoS) Charging methodology set out in the CUSC which, in the Proposer's view, fails to reflect the fact that different types of conventional generation cause different transmission network investment costs. The Proposer requested that CMP268 be treated as an Urgent CUSC Modification Proposal.

The CUSC Modifications Panel (the 'Panel') considered the Proposer's urgency request at its meeting on 29 July 2016. On 2 August 2016, the Panel wrote to inform us of its majority view that CMP268 should not be treated as urgent because the proposal did not relate to an imminent issue, would require careful consideration and was potentially more complex than envisaged by the Proposer.

In addition to the Panel's letter, we received information from the Proposer which is commercially sensitive and confidential, and was therefore not submitted to the Panel.

We considered both the Panel's and the Proposer's arguments. On balance, we have decided that CMP268 **should be progressed on an urgent basis**. We have set out our reasoning below.

The proposal

The Proposer considers that the current charging methodology fails to reflect the fact that different types of conventional generation, eg CCGTs¹ compared to nuclear, cause different transmission network investment costs to be incurred due to their different network sharing characteristics. In particular, it considers that the sharing factor in the Year Round tariff does not adequately reflect how conventional carbon generators drive costs in zones where low carbon generation penetration is greater than 50%.

¹ Combined Cycle Gas Turbine power stations

The Proposer therefore thinks that the current charging methodology is not cost-reflective for those plants. CMP268 would change the application of the sharing factor for conventional carbon generators to deal with this perceived defect.

The Proposer also claims that CMP268 should be treated as an urgent modification because the defect materially inhibits certain generators' ability to participate in the bids to the Capacity Market (CM) auction for 2017/18, which will take place in December this year, and for the 2020/21 CM auction. It argues that, as a result, if the defect is not urgently addressed, certain generators would be significantly commercially affected.²

Panel discussion

The Panel considered the request for urgency by reference to Ofgem's Guidance on Code Modification Urgency Criteria. The Panel's majority view is that CMP268 did not meet these criteria and should not be treated as an Urgent CUSC Modification Proposal.

The Panel concluded that the proposal did not relate to an imminent issue. While it sought to address an existing issue in the CUSC resulting from the implementation of CMP213³, CMP268 requires careful consideration and is potentially more complex than envisaged by the Proposer. Full assessment of the proposal is therefore not achievable within urgent timescales.

Panel members had concerns about granting urgency. These were about refreshing any re-use of analysis presented within the CMP213 Final Modification Report, the inherent risk of unintended consequences with an urgent process, and concern that any workgroup assessing CMP268 would need to consider complex issues identified by the Panel.

Our views

We have considered the proposal, the Panel's views and the Proposer's arguments for urgency, and additional, commercially sensitive, information sent to us on a confidential basis.

We have assessed the request against the urgency criteria set out in our published guidance⁴, in particular, whether the proposal is linked to an imminent issue or a current issue that, if not urgently addressed, may cause:

- 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 system.

We accept the Proposer's case and have decided that CMP268 should be granted urgent status because of the potential significant commercial impact on some power plants linked to the timing of the next two CM auctions in December 2016 and January 2017.

The Proposer argues that the current arrangements also result in a significant impact on safety and security. We do not accept this argument. We consider that the CM is designed to procure the amount of capacity needed to meet the reliability standard.

² The Proposer's reasoning is set out in the CMP268 Proposal form at

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP268/>.

³ Our decision on CMP213 is available here: <https://www.ofgem.gov.uk/publications-and-updates/project-transmit-decision-proposals-change-electricity-transmission-charging-methodology> . CMP213 was implemented on 1 April 2016.

⁴ https://www.ofgem.gov.uk/system/files/docs/2016/02/urgency_criteria.pdf

We note the Panel's concerns on the complexity of the proposal and the careful consideration needed, but we do not consider that these in themselves are reasons for rejecting urgency. We would however emphasise that, as for all proposals, we expect a sufficient level of analysis and stakeholder engagement to be undertaken in order to demonstrate whether or not CMP268 facilitates the Relevant Objectives better and is consistent with our principal objective and statutory duties.

For the avoidance of doubt, in granting this request for urgency, we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters our discretion in respect of this proposal.

Next steps

The Panel's letter contained only a non-urgent indicative timetable for progressing CMP268. The Panel should now present a new urgent timetable for our approval which takes account of the Proposer's need for a timely decision but also allows for sufficient industry consultation and analysis, and for us to have sufficient time to reach a reasoned decision. This new timetable should be submitted to us no later than 26 August 2016.

CMP268 could have been raised sooner, given that, on 1 March 2016, the Government announced its proposal to bring forward the start of the CM delivery period by a year to 2017/18. We expect proposers who are seeking urgent status for CUSC Modification Proposals to raise their modifications more promptly and will take any delay into account when considering, under our Urgency Criteria, whether the matter is truly urgent.

Yours sincerely,

Andrew Burgess
Associate Partner, Energy Systems
Duly authorised on behalf of the Authority