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Date: 28 April 2017

Dear Mr Toms,

CUSC Modifications Panel views on Urgency for CMP276 'Socialising TO costs associated with "green policies"'.

On 6 February 2017 Alkane Energy Ltd (the Proposer) raised Connection and Use of System Code (CUSC) Modification Proposal CMP276.¹ CMP276 seeks to reduce the demand residual element of the Transmission Network Use of System ('TNUoS') 'Triad' charge by revising the calculation and allocation of both generation and demand TNUoS charges. The Proposer requested that CMP276 be treated urgently.

Following its meeting on 10 February 2017, the CUSC Modifications Panel (the Panel) wrote to us requesting our decision on whether to grant urgency to CMP276. The Panel's view was that urgency should *not* be granted for CMP276.

Subsequent to CMP276 being directed to the Workgroup by the CUSC Panel, the Code Administrator identified that the proposer, Alkane Energy Ltd., was not a CUSC party and as such, did not have the vires to raise a modification proposal unless designated by the Authority as a "Materially Affected Party" for such purposes. The request for CMP276 to be treated urgently was put on hold until an application for designated status was submitted to us and a decision in respect of that application was made. We designated Alkane Energy Ltd as a Materially Affected Party for the purposes of raising CMP276 on 28 April 2017.²

This letter confirms that we **do not consider that modification proposal CMP276 should be progressed on an urgent basis.**

Background to the proposal

TNUoS charges recover the costs of constructing, operating and maintaining the transmission system. TNUoS charges are split between generation and demand and are levied on a £/kW basis. They comprise a 'locational' element which reflects the long-term impact that network users have on the transmission system, and a 'residual' element, which is the balance of charges and ensures the transmission owners recover their costs in full.

¹ The CMP276 modification proposal form is available on National Grid's website here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP276/>

² Ofgem response to request for designation, April 28 2017

TNUoS Demand Residual ('TDR') charges are currently determined differently for half-hourly and non-half-hourly metered customers. Half-hourly metered customers are charged a locational £/kW tariff, applied based on their average output during 'triads'. Non half-hourly metered customers are charged based on their annual usage between 4pm and 7pm each day, calculated based on their meter reading and profile class, multiplied by a p/kWh tariff.

The proposal

The Proposer considers that the current methodology for calculating the TDR £/kW ('Triad') charge will lead to high demand TNUoS payments at the time of Triads, which are unsustainable. The Proposer also states that while modification proposals CMP264 and CMP265 deal with a subset of the symptoms, they define the defect narrowly by excluding certain meter types and treating some meters differently, prohibiting consideration of the full range of potential solutions. The Proposer states that CMP276 seeks to address the underlying cause of the escalation in demand residual using a non-discriminatory approach.

CMP276 seeks to set the cap on average generation charges at €0/MWh (rather than €2.50/MWh as it is currently), increasing the total TDR cost recovery required (ie change the Generation:Demand split) compared to the current methodology. The modification proposal also seeks to change the amount of revenue recovered through demand locational charges and proposes to recover the TDR from a combination of a flat charge on all meter points and a capacity charge on all consumers.

Panel Discussion

The Panel considered CMP276 and the associated request for urgency at its meeting held on 10 February 2017. The Panel then wrote to us with its recommendation on the urgency request made by the Proposer. The majority view of the Panel was that CMP276 should *not* be treated as urgent. The Panel set out, in an Appendix to its letter, a proposed a standard workgroup timetable for development of CMP276.

Our Views

In reaching our decision, we have considered the Proposer's justification for urgency and the views of the Panel. We have assessed the request against the criteria set out in Ofgem's published guidance,³ in particular whether it is linked to "*an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)*".

It is our view that an urgent timeline may hamper proper investigation and is not necessary to consider the issues raised by this modification. The proposer considers that CMP276 offers an alternative solution to proposals raised in CMP264 and CMP265. On 1 March 2017, we launched a consultation on our CMP264 and CMP265 minded to decision and draft Impact Assessment.⁴ The publication closed in April 2017. Attempting to complete consideration of CMP276 in time for the modification to be determined by the us alongside CMP264 and CMP265 would likely to lead to failure to address all issues in sufficient depth and hamper our ability to make a properly informed decision.

We also note CUSC modification proposals CMP271 and CMP274¹ propose similarly complex changes to the TDR charging regime and consider that CMP276 cannot be considered on an urgent timeline separately from these proposals.

³ The guidance document is available here: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-consultation-cmp264-and-cmp265-minded-decision-and-draft-impact-assessment>

Therefore, we do not consider that we have been provided with any convincing evidence that if this modification is not dealt with urgently it may *cause a significant commercial impact on parties, consumers or other stakeholder(s)*.

For the avoidance of doubt, in not 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 the discretion of the Authority in respect of this proposal.

Yours sincerely,

Andrew Self

Head of Electricity Network Charging, Energy Systems

Signed on behalf of the Authority and authorised for that purpose