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Dear Mr Toms,

**CUSC Modifications Panel views on Urgency for CMP282 'The effect negative demand has on zonal locational demand tariffs'**

On 22 June 2017, National Grid (the Proposer) raised CMP282, with a request that it should be treated as an urgent CUSC Modification Proposal. CMP282 aims to amend how the 'DC Load Flow' (DCLF) model calculates Zonal Locational Demand tariffs so that the final locational zonal demand tariffs more accurately reflect the underlying locational signals.

On 3 July, the CUSC Modification Panel (the Panel) wrote to us requesting our decision on whether to grant urgency to CMP282. The Panel's view was that urgency should be granted for CMP282, this decision was supported by the majority of the Panel.

**This letter confirms that we consider that modification proposal CMP282 should not be progressed on an urgent basis but on an accelerated timetable.**

**Background to the proposal**

In February 2017, National Grid published forecast Transmission Network Use of System tariffs for charging years 2018/19 to 2021/22.<sup>1</sup> The document includes forecasts of half-hourly and non-half hourly demand tariffs for each transmission system demand zone. Beginning in charging year 2018/19, forecasts showed a significant increase in forecast tariffs in the North Scotland zone. Upon further investigation, the Proposer considers this increase was attributable to an unintended consequence of the model used to calculate demand locational tariffs rather than reflective of actual costs on the system.

**The proposal**

The Proposer considers that the current model for calculating the Zonal Locational Demand tariffs contains a defect. The Proposer considers that a defect with the model arises where demand at specific locations ('nodes') within a zone becomes negative. In these cases, the proposal states that negative demand has the effect of increasing the locational demand tariff when the underlying locational signals show that it should decrease it.

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<sup>1</sup> <http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Approval-conditions/Condition-5/>

CMP282 aims to amend this defect so that the final zonal demand tariffs more accurately reflect the underlying locational signals. The Proposer does not consider the issue relates to the underlying locational signals themselves.

The Proposer notes that beginning in charging year 2018/19, the number of demand nodes forecast to export at Peak (ie have negative demand) is expected to increase to such an extent that they forecast the defect will have a material impact on demand tariffs. They consider that if the defect is not resolved, future demand tariffs will not accurately reflect the costs imposed on the system.

The Proposer considers that the identified defect could be addressed under a standard timetable, but has requested urgency to meet the Draft publication of TNUoS tariffs, expected in December 2017. Final tariffs are due to be published at the end of January 2018.

## **Panel Discussion**

The Panel considered CMP282 and the associated request for urgency at its meeting held on 30 June 2017. The Panel wrote to us on 3 July with its recommendation on the urgency request made by the Proposer.

The majority view of the Panel was that CMP282 should be treated as urgent. However, the Panel expressed the view that there is likely to be more than one solution to the identified defect. The Panel set out, in an Appendix to its letter, both a proposed urgent and standard workgroup timetable for development of CMP282.

## **Our Views**

In reaching our decision, we have considered the details contained within the proposal, 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,<sup>2</sup> 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 both the urgent and standard timetables provided to the Authority would enable the modification to be implemented, if approved, ahead of final tariff setting in January 2018. As such, we do not consider a case has been made that the modification needs to be treated urgently to address the identified defect (if appropriate), or that it will therefore have a significant commercial impact on parties, consumers or other stakeholders.

For the avoidance of doubt, in not granting this request for urgency, we have made no assessment on 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**

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<sup>2</sup> The guidance document is available here: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>