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Open letter on progress on electricity storage network charging arrangements and determination of CMP280

In our 2017 Smart Systems and Flexibility Plan, alongside government, we confirmed a set of actions in relation to electricity storage.¹ In that plan, we noted that the existing charging regime could put storage sites at a disadvantage to other types of generators and flexibility providers. We also noted that, in the regulatory framework, we consider storage a form of electricity generation for licensing purposes. With this in mind, our view is that charging arrangements should not discriminate between these types of storage and generation.

Today, we have published our decision to modify the electricity generation licence in order to clarify the regulatory framework of electricity storage.² We have introduced the definitions of 'electricity storage' and 'electricity storage facility' in the generation licence, as well as a new condition for licensees to provide information regarding their electricity storage facility/facilities to their relevant supplier.

In the past year, we have reviewed and approved a number of code modification proposals designed to ensure that storage does not pay a disproportionate amount of network charges. These proposals relate to Balancing Services Use of System (BSUoS) and Distribution Use of System (DUoS) charges. We have so far approved five proposals to ensure that, from 2021, electricity storage providers will no longer be charged residual DUoS charges or BSUoS charges on their imports:

¹ The first publication on the SSFP is available here: <https://www.ofgem.gov.uk/publications-and-updates/upgrading-our-energy-system-smart-systems-and-flexibility-plan>

The update on the SSFP is available here: <https://www.ofgem.gov.uk/publications-and-updates/upgrading-our-energy-system-smart-systems-and-flexibility-plan-progress-update>

² <https://www.ofgem.gov.uk/publications-and-updates/decision-clarifying-regulatory-framework-electricity-storage-changes-electricity-generation-licence>

- Distribution Connection and Use of System Agreement (DCUSA) change proposals DCP341 and DCP342– *Removal of residual charging for storage facilities in the CDCM/EDCM*,³
- Balancing and Settlement Code (BSC) modification P383 - *Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281*;⁴
- Connection Use of System Charge (CUSC) modification proposal CMP281 - *Removal of BSUoS charges from energy taken from the national grid system by storage facilities*;⁵ and
- CUSC modification proposal CMP319 - *Consequential changes to Section 11 of the CUSC as a result of CMP280 and/or CMP281*.⁶

The proposed CUSC modification relating to Transmission Network Use of System (TNUoS), CMP280- *Creation of a new generator TNUoS demand tariff which removes liability for TNUoS demand residual charges from generation and storage users*, is currently with us for decision.⁷ We would like to update you on the progress of our determination of this proposed modification.

Background to CMP280

CMP280 was raised to remove Transmission Demand Residual (TDR) charges from generation and electricity storage, though its scope was subsequently narrowed to focus only on electricity storage. It was originally intended to provide an interim solution ahead of wider TDR reforms through the Targeted Charging Review (TCR) Significant Code Review (SCR). In our final TCR decision, we decided that residual charges should be levied on final demand consumers only.⁸ We defined final demand as electricity which is consumed other than for the purposes of generation or export onto the electricity network. Our expectation is that generation only – including storage only – sites will therefore be exempt from residual charges.

CMP280 was raised in 2017, but the development of the proposal was an extended process with the Final Modification Report reaching us in 2019, with a proposed implementation date of 1 April 2021. When we issued our TCR Direction, in November 2019, we expected

³ <https://www.ofgem.gov.uk/publications-and-updates/distribution-code-and-use-system-agreement-dcusa-dcp-341-and-dcp-342-removal-residual-charging-storage-facilities-cdcm-and-edcm>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/p383-enhanced-reporting-demand-data-netso-facilitate-cusc-modifications-cmp280-and-cmp281>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/cmp281-removal-bsuos-charges-energy-taken-national-grid-system-storage-facilities>

⁶ <https://www.ofgem.gov.uk/publications-and-updates/cmp319-consequential-changes-section-11-cusc-result-cmp280-and-or-281>

⁷ <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/creation-new-generator-truos-demand-tariff>

⁸ <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

industry to progress TDR reforms so they would be in place from 2021, effectively making the implementation of a solution proposed by CMP280 redundant.

During the first quarter of 2020, we gave consent to the NGESO to withdraw the TCR modification that was related to the TDR (CMP332) to allow the these reforms to be implemented in April 2022.⁹ This was based on information we received since the TCR decision regarding the uncertainty around TDR network charges and implementation risks, and the impact on suppliers and non-domestic consumers. An approval of CMP280 now would mean that exemption from the TDR for standalone storage would be in place for one year (2021/22) before the planned TDR reforms for all standalone generation that are due to be implemented for 2022/23.

Our current position on CMP280

In light of the above we have considered the implementation challenges and associated costs. NGESO has confirmed that the solution proposed in CMP280 would not be part of an enduring solution related to the TCR, which would introduce a different process for exempting standalone generation from TDR charges. The ESO has estimated implementation would take 12 months and cost around £1m.

While we could direct the ESO to prioritise implementation of CMP280, we currently consider this would be disproportionate given the materiality and competing priorities related to TCR implementation.

We expect to see timely progress of the TDR modifications as the means to provide an enduring exemption to TDR charges covering all standalone generation, including electricity storage.

We will be reviewing this modification to make a final determination on CMP280 in light of the progress of the relevant TCR modifications.

Andrew Self

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https://www.ofgem.gov.uk/system/files/docs/2020/03/letter_to_ngeso_re_cmp332_consent_to_withdrawal_and_new_direction_0.pdf