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Open letter on potential delay to implementation of Connection and Use of System Code (CUSC) Modification Proposal CMP343 'Transmission Demand Residual bandings and allocation (TCR)'

We received the Final Modification report for CMP343 on 6 October 2020.[1] We are announcing today that our minded-to position will be to delay the implementation date for that modification by a year, to April 2023. We will issue a minded-to consultation and impact assessment on the proposal following the upcoming elections.

Background: the modification proposal implementation timeline

With respect to transmission demand residual ('TDR') charging, our TCR Decision[2] confirmed that residual charges should be levied on a fixed basis for final demand consumers only. We decided that the allocation of charges between segments of consumers should be based on the proportion of net consumption they account for, with a single, fixed charge for all users in that segment.

National Grid Electricity System Operator raised five CUSC modification proposals to implement TDR reforms in line with the TCR Decision, including CMP343 which proposes the methodology for TDR charges to be applied only to 'Final Demand' on a 'Site' basis, as well as how to treat negative locational charges and the application of any charging bands.

Timing of our minded-to decision

[1] https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp343-and-cmp340
[2] https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment

We are considering our approach in response to CMP343 and plan to consult on a minded-to decision and impact assessment ahead of our final decision.

On 6 May this year, elections will take place for Scottish Parliament, Welsh Parliament, London Assembly, Local and Combined Authorities, and there will be local election across England. As a government body we must follow pre-election guidelines set out by the Cabinet Office which restrict publishing and launching consultations during this period. As a result, it is not appropriate for us to publish our minded-to decision and consultation until after the elections have concluded.

We recognise that our stakeholders need to plan for the year ahead. With this in mind, we want to set out today that when we do consult on CMP343, our minded-to position will include delaying implementation by a year, so that reforms to the TDR would come into effect from April 2023 rather than April 2022.

We have reached this minded-to position recognising that some of the options presented would result in significantly different charges to those on which we consulted. We have received evidence that some users will need more time to adjust physical arrangements to adapt to the new charges, including to take advantage of other energy revenue streams (such as the Capacity Market), as we modelled as part of the TCR. We are minded-to consider that a delay to implementation would give those affected more time to adapt and adjust to any changes once they have been decided on.

We plan to publish our minded-to decision and open the consultation shortly after the pre-election period ends on 6 May, when we will welcome further views.

Interactions with related modification

In light of this potential delay, we will soon be issuing a decision on CMP280, which seeks to remove the TDR charge from imports for electricity storage facilities.[3]

Yours sincerely,

Harriet Harmon
Head of Electricity Network Charging, Energy Systems Management & Security

[3] https://www.ofgem.gov.uk/system/files/docs/2020/10/open_letter-cmp280_final.pdf