

Stage 06 Final Modification Report	At what stage is this document in the process?												
<p><b>CMP296: Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.</b></p>	<table border="1"> <tr> <td>01</td> <td>Initial Written Assessment</td> </tr> <tr> <td>02</td> <td>Workgroup Consultation</td> </tr> <tr> <td>03</td> <td>Workgroup Report</td> </tr> <tr> <td>04</td> <td>Code Administrator Consultation</td> </tr> <tr> <td>05</td> <td>Draft CUSC Modification</td> </tr> <tr> <td>06</td> <td>Final CUSC Modification Report</td> </tr> </table>	01	Initial Written Assessment	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification	06	Final CUSC Modification Report
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<p><b>Purpose of Modification:</b> P344 introduces a new class of BMU, and a new class of BMU registrant to the BSC (“Virtual Lead Parties”); it is necessary to amend the CUSC to expand the BSUoS exemption to these Virtual Lead Parties</p>													
	<p>This Final Modification Report has been prepared in accordance with the terms of the CUSC. An electronic version of this document and all other CMP296 related documentation can be found on the National Grid website via the following link:</p> <p><a href="https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code/modifications/aligning-cusc-bsc-post-p344">https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code/modifications/aligning-cusc-bsc-post-p344</a></p> <p>At the CUSC Panel meeting on 29 June 2018, the Panel members recommended that CMP296 should be implemented.</p> <p>The purpose of this document is to assist the Authority in making its determination on whether to implement CMP296.</p>												
	<p><b>Low Impact</b> BSUoS Chargeable Parties</p>												

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 Any questions?

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## Timetable

The Code Administrator recommends the following timetable:

Code Administration Consultation Report issued to the Industry	22 May 2018
Draft Final Modification Report presented to Panel	29 June 2018
Modification Panel Recommendation Vote	29 June 2018
Final Modification Report issued to Authority (25 WD)	12 July 2018
Indicative Decision Date	16 August 2018
Decision implemented in CUSC	1 April 2019

## 1. About this document

This document is the Final CUSC Modification Report document. CMP296 was proposed by National Grid and was submitted to the CUSC Modifications Panel for its consideration on 27 April 2018. The Panel decided to send the Proposal to a Code Administrator Consultation.

CMP296 aims to support P344, which introduces a new class of BMU, and a new class of BMU registrant to the BSC (“Virtual Lead Parties”); it is necessary to amend the CUSC to expand the BSUoS exemption to these Virtual Lead Parties..

### **Code Administrator Consultation Responses**

1 response was received to the Code Administrator Consultation. A summary of the response can be found in Section 6 of this document. The respondent agreed that the proposal better facilitates the applicable CUSC objectives.

### **CUSC Panel View**

At the CUSC Panel meeting on 29 June 2018, the Panel voted on CMP296 against the Applicable CUSC Objectives.

The Panel members voted unanimously that CMP296 should be implemented.

This Final Modification Report has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid Website, <https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code>, along with the CUSC Modification Proposal Form.

## 2. Original Proposal

### Defect

BSC modification P344 creates the concept of Virtual Lead Parties which will have “Secondary BMUs” registered to them. Any sites where metered volume is settled through the Supplier Volume Allocation method, and which participate in delivering reserve services through TERRE will also have their volume registered against these Virtual Lead Parties and Secondary BMUs (in addition to the extant SVA registration to the relevant Supplier). The purpose of this is to allow the System Operator to track that services have been delivered. However, without appropriate changes to the CUSC these BMUs may also incur BSUoS charges.

Therefore we propose to remove Secondary BM Units/Virtual Lead Parties from BSUoS liabilities. A separate modification will be raised to incorporate these terms into Section 11.

### What

The existing BSUoS liability exemption in 14.30.4, which applies to Interconnectors, should be expanded to cover all BMUs associated to a Virtual Lead Party.

### Why

The metered volumes attributed to the Secondary BMUs are already chargeable under the Supplier’s Base BMU and therefore without exempting Virtual Lead Parties and Secondary BMUs from BSUoS, the same metered volumes would be chargeable twice.

### How

Introduce the concept of ‘Virtual Lead Parties’ into the CUSC Section 14, and with a separate CMP into Section 11, and then expand the exemption noted – inter alia – in 14.30.4 such that it covers the Secondary BMUs of Virtual Lead Parties.

## 3. Proposer’s solution

Legal text attached

### **Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

It is influenced by, but does not influence BSC P344.

### **Consumer Impacts**

Leads to more cost-reflective and appropriate charging. Without this modification, the VLP would be liable for BSUoS charges against SVA volumes which are already considered in the charging arrangements for the Supplier – this would not be cost-

reflective as it would effectively increase the number of chargeable parties without a corresponding increase in volumes.

#### 4. CMP296: Relevant Objectives

Impact of the modification on the Applicable CUSC Objectives (Charging):

Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	Positive – charging VLPs would, in essence increase their costs such that they were at a competitive disadvantage vs. other reserve providers
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	Positive – costs of balancing actions relating to VLP capacities will be recovered through demand/generation – charging VLPs too wouldn't be cost-reflective
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	None
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1*; and	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive – charging VLPs would be inefficient and uneconomic. The CUSC and other core codes should align wherever appropriate/practicable.

\*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

## 5. Implementation

### Proposer's initial view:

Implementation should align with that for BSC P344 which, at the time of writing is 1 April 2019. If P344 is delayed for any reason, this Proposal should be implemented at the start of the Charging Year immediately preceding the relevant P344 BSC Release implementation.

## 6. Code Administrator Consultation Responses

The Code Administrator Consultation was issued on 23 May 2018 for 15 Working Days, with a close date of 14 June 2018.

1 response were received to the Code Administrator Consultation and is detailed in the table below

Respondent	Do you believe that CMP296 better facilitates the Applicable CUSC objectives?	Do you support the proposed implementation approach?	Do you have any other comments?
<b>Joshua Logan, Drax</b>	BSUoS recovers the cost of balancing the electricity system and includes the BM costs incurred by NG. This would also include the costs associated with procuring reserves through TERRE. BSUoS is recovered from generators and suppliers based on their metered volumes. As such, the cost of balancing actions are socialised appropriately. This modification will not change those arrangements. It is envisaged that the VLP will only be a provider of balancing services, and will neither own energy or purchase energy on behalf of customers through the wholesale market. Consequently, it will be	The implementation approach seems reasonable and should align with P344 and GC0097.	Yes, we agree it would not be appropriate to charge BSUoS on the same metered volumes twice and it therefore seems sensible to exempt VLPs. Although, we believe it is critical that industry have visibility of what the impact could be on BSUoS charges in the future and would welcome further analysis as participation evolves.

	<p>neither a generator or a supplier and will not be liable for BSUoS cost recovery. However, we do have a number of concerns which we express with reference to the applicable objectives.</p> <p>We note that where a VLP does not deliver TERRE or BM acceptances it will be exposed to non-delivery charges, we support this and believe it will incentivise the VLP to accurately deliver accepted volumes.</p> <p>Applicable Objective (a) – Positive We agree with the defect and do not believe that it is appropriate to charge BSUoS on the same metered volume twice through the supplier and the VLP. Doing so could have a harmful impact on competition. We will remain mindful that there could be a detrimental impact on competition due to the cross-subsidisation recovered through BSUoS. Suppliers and generators will be paying through BSUoS for the services VLPs deliver to the SO.</p> <p>We would welcome analysis of its materiality/ Impact on BSUoS paying parties.</p> <p>Applicable Objective (b) – Positive We do not believe it is cost reflective to charge BSUoS on the same metered volume twice, once for suppliers and once for VLPs. In this sense, excluding VLPs from BSUoS would better result in charges that reflect costs. However, we question if the cross-subsidisation that will occur is cost reflective, BSUoS paying parties will be paying for the services VLPs deliver to the SO.</p>		
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## 7. CUSC Panel Views

At the CUSC Panel meeting on 29 June 2018 the Panel voted on CMP296 against the Applicable CUSC Charging Objectives/ Objectives.

The Panel members unanimously agreed that CMP296 should be implemented.

For reference the Applicable CUSC Charging Objectives are;

(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard license condition C26 requirements of a connect and manage connection);

(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc. License under Standard Condition C10, paragraph 1; and

(e) Promoting efficiency in the implementation and administration of the system charging methodology.

### Vote 1: Does the original facilitate the objectives better than the Baseline?

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Kate Dooley						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b> This modification proposal aligns with the principle that a party should not be double charged for using the network. This modification is a consequential modification after the extensive work done on P344 under the BSC. Support industry view that there should be visibility of impacts of this mod on BSUoS.</p>						

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Andy Pace						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b></p> <p>This change modification better meets charging CUSC objective (a), (b) and (c) by exempting Virtual Lead Parties from BSUoS and thereby preventing double charging for this element. This facilitates effective competition in the generation and supply of electricity, results in more cost reflective charges and reflects developments in the transmission licensees' transmission businesses with regard to Project TERRE.</p> <p>This change modification better meets standard CUSC objective (d) by enabling Project TERRE to be implemented appropriately as required under European legislation.</p>						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Laurence Barrett						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b></p> <p>This modification is required to facilitate the implementation of Project TERRE which creates virtual lead parties and secondary BMUs. Without this change to exempt secondary BMUs associated with VLPs, BSUoS would get recovered twice from the same BMU, which is not cost reflective and would inhibit competition. This mod is therefore better than the baseline against the CUSC objectives.</p>						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Garth Graham						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b> This proposal better facilitates Applicable Objectives (a) and (b) as its introduction of the Project TERRE changes into the CUSC will be beneficial in terms of effective competition as well as in terms of ensuring cost reflective prices.</p>						

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Jon Wisdom						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b></p> <p>The CUSC only exempts Interconnector BMUs and TUs from BSUoS liabilities; Virtual Lead Parties who participate in the BM may be involved directly in balancing actions taken by the ESO. The volumes associated to those VLPs are already accounted for in the relevant Supplier's SVAA volumes, and are already chargeable for BSUoS under the Supplier's liability. To then charge the VLP for the same volumes would not reflect the ESO's costs in taking the relevant balancing actions, and for that reason this proposal does better facilitate ACO b). I believe that this proposal is also marginally better than baseline in facilitation of ACO a) in that market participants should only face the costs which are relevant to them and their effect on the system, and currently, the volumes associated to the VLP are accounted for elsewhere and therefore the effect on the system of those volumes is also accounted for elsewhere (with the Supplier who has ultimate responsibility for MWh against which they are the Registrant, per the BSC). As the market develops it may be necessary to review this arrangement but I believe that this proposal is better than baseline in facilitating this emerging market.</p>						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Michael Jenner						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<p><b>Voting Statement:</b> CMP 296 is necessary to update the CUSC, supporting BSC P344, to introduce VLPs as a new class of BMU</p>						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Simon Lord						
Original	Neutral	Yes	Yes	Neutral	Neutral	Yes
<p><b>Voting Statement:</b></p>						

P344 introduces a new class of BMU, and a new class of BMU registrant to the BSC (“Virtual Lead Parties”) and exempt the VLP from BSuOS. This modification achieves this

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Robert Longden

Original	Yes	Neutral	Yes	Neutral	Neutral	Yes
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**Voting Statement:**  
 The proposal aims to align the CUSC and BSC to ensure consistency and correct treatment of VLPs. It is consistent with the CUSC objectives.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Paul Mott

Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
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**Voting Statement:**  
 It is not appropriate to charge BSUOS on the same metered volume twice, once through the VLP and once through the supplier. Doing so would be detrimental to competition, so the mod better facilitates a. Doing so would be detrimental to cost-reflectivity too, in that you are reflecting the same cost twice over, so the mod better facilitates b.

Vote 2 – Which option is the best?

Panel Member	BEST Option?
Kate Dooley	Original
Andy Pace	Original
Laurence Barrett	Original
Garth Graham	Original
Jon Wisdom	Original

Michael Jenner	Original
Simon Lord	Original
Robert Longden	Original
Paul Mott	Original

**Breakdown of voting:**

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	9 Yes

The CUSC Panel therefore recommended unanimously that CMP296 could be implemented.

## 8. Legal Text

Attached in Annex 2.

### Text Commentary

The existing BSUoS exemption for Interconnectors is extended to all Secondary BMUs and Virtual Lead Parties.

## 9. Impacts

### Costs

Code administration costs	
Resource costs	£0
Total Code Administrator costs	<b>£0</b>

Industry costs (Standard CMP)	
Resource costs	<b>£908.00</b> – 1 Consultation <ul style="list-style-type: none"><li>• 0 Workgroup meetings</li><li>• 0 Workgroup members</li><li>• 1.5 man days effort per meeting</li><li>• 1.5 man days effort per consultation response</li><li>• 1 consultation respondent</li></ul>
Total Code Administrator costs	<b>£908.00</b>
Total Industry Costs	<b>£908.00</b>



14.29.4 All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with either Interconnectors or Virtual Lead Parties) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement Period.

14.30.4 BM Unit and Trading Units associated with Interconnectors, including those associated with the Interconnector Error Administrator, are not liable for BSUoS charges. BM Units, including Secondary BM Units, which are associated with Virtual Lead Parties are not liable for BSUoS charges.

Secondary BM Unit as defined in the Balancing and Settlement Code

Virtual Lead Party as defined in the Balancing and Settlement Code

## Annex 2 – Code Administrator Consultation Responses

**CMP296 – Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **14 June 2018** to [cusc.team@nationalgrid.com](mailto:cusc.team@nationalgrid.com). Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

<p><b>Respondent:</b></p>	<p><i>Joshua Logan</i> <a href="mailto:Joshua.logan@drax.com">Joshua.logan@drax.com</a> 01757 612736</p>
<p><b>Company Name:</b></p>	<p><i>Drax Power Ltd</i></p>
<p><b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b></p>	<p>For reference, the Applicable CUSC objectives are:</p> <p style="text-align: center;">Non-Standard (Charging) Objectives</p> <ul style="list-style-type: none"> <li>(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;</li> <li>(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);</li> <li>(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;</li> </ul>

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 \*; and

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

**Response**

BSUoS recovers the cost of balancing the electricity system and includes the BM costs incurred by NG. This would also include the costs associated with procuring reserves through TERRE. BSUoS is recovered from generators and suppliers based on their metered volumes. As such, the cost of balancing actions are socialised appropriately. This modification will not change those arrangements. It is envisaged that the VLP will only be a provider of balancing services, and will neither own energy or purchase energy on behalf of customers through the wholesale market. Consequently, it will be neither a generator or a supplier and will not be liable for BSUoS cost recovery. However, we do have a number of concerns which we express with reference to the applicable objectives.

We note that where a VLP does not deliver TERRE or BM acceptances it will be exposed to non-delivery charges, we support this and believe it will incentivise the VLP to accurately deliver accepted volumes.

**Applicable Objective (a) – Positive**

We agree with the defect and do not believe that it is appropriate to charge BSUoS on the same metered volume twice through the supplier and the VLP. Doing so could have a harmful impact on competition. We will remain mindful that there could be a detrimental impact on competition due to the cross-subsidisation recovered through BSUoS. Suppliers and generators will be paying through BSUoS for the services VLPs deliver to the SO. We would welcome analysis of its materiality/ Impact on BSUoS paying parties.

**Applicable Objective (b) – Positive**

We do not believe it is cost reflective to charge BSUoS on the same metered volume twice, once for suppliers and once for VLPs. In this sense, excluding VLPs from BSUoS would better result in charges that reflect costs. However, we question if the cross-subsidisation that will occur is cost reflective, BSUoS paying parties will be paying for the services VLPs deliver to the

	SO.
<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	The implementation approach seems reasonable and should align with P344 and GC0097.
<b>Do you have any other comments?</b>	Yes, we agree it would not be appropriate to charge BSUoS on the same metered volumes twice and it therefore seems sensible to exempt VLPs. Although, we believe it is critical that industry have visibility of what the impact could be on BSUoS charges in the future and would welcome further analysis as participation evolves.