

Code Administrator Consultation

CMP354:**Capacity Allocation and Congestion Management Regulation (CACM) cost sharing consequential changes**

Overview: This Modification seeks to allow the ESO to ensure that any Capacity Allocation and Congestion Management Regulation (CACM) related payments (determined by the Authority) are paid to relevant interconnector licensees in 2021 and to facilitate the interconnector adjustment payment process for future Authority cost recovery decisions.

Modification process & timetable

1	<ul style="list-style-type: none"> • Proposal form • 12 November 2020
2	<ul style="list-style-type: none"> • Workgroup Consultation • n/a
3	<ul style="list-style-type: none"> • Workgroup Report • n/a
4	<ul style="list-style-type: none"> • Code Administrator Consultation • 2 December 2020 to 23 December 2020
5	<ul style="list-style-type: none"> • Draft Self-Governance Modification Report • 21 January 2021
6	<ul style="list-style-type: none"> • Final Self-Governance Modification Report • 9 February 2021
7	<ul style="list-style-type: none"> • Implementation • 1 April 2021

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Code Administrator Consultation

Have 30 minutes? Read the full Code Administrator Consultation and annexes

Status summary: Code Administrator Consultation. We are now consulting on this proposed change.

This modification is expected to have a: **Medium impact** on interconnectors and National Grid ESO

Governance Route	The CUSC Panel by unanimously agreed that this modification should follow the self-governance route and proceed to Code Administrator Consultation.	
Who can I talk to about the change?	Proposer: Katharina Birkner, National Grid ESO katharina.birkner@nationalgrid.com Phone: 07773647025	Code Administrator Contact: Paul Mullen Paul.j.mullenl@nationalgrideso.com Phone: 07794537028
How do I respond?	Send your response proforma to cusc.team@nationalgrideso.com by 5pm on 23 December 2020 .	

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What is the issue?

Ofgem held a consultation in July 2020 on proposed changes to the electricity interconnector licence and the electricity transmission licence held by National Grid ESO. This sought to:

- align the standard conditions of the electricity interconnector licence with elements of the Clean Energy Package; and
- implement the Ofgem decision on the approach to cost sharing and cost recovery under Regulation (EU) 2015/12224 establishing a guideline on Capacity Allocation and Congestion Management Regulation (the CACM Regulation).

Ofgem published their decision on the 15 October 2020. The licence changes are expected to take effect from the 11 December 2020.

This decision includes the approval for interconnectors to recover one off cost relating to CACM implementation (costs for market coupling during the pilot phase). As these costs will be included in the MAR collected from all TNUoS payers the ESO requires a mechanism to ensure they are correctly paid to interconnector parties.

Why change?

The CUSC changes will allow interconnectors to recover these one-off costs through TNUoS using the existing cost sharing process detailed in CUSC Section 9 (Interconnectors) utilised currently for cap and floor scheme adjustments. Ofgem, in their [decision letter](#), have encouraged the ESO to bring forward, at the earliest opportunity, the necessary CUSC modifications to enable the ESO to proceed with the payment to interconnectors of the one-off CACM costs included in the TNUoS MAR for 2021/22.

Changes to CUSC section 9 (Interconnectors) and section 11 (Definitions) are required to allow the CUSC to align with electricity interconnector and electricity transmission licence changes and enable payments to interconnectors.

What is the Proposer's solution?

The solution will align the CUSC with the electricity transmission licence to allow interconnectors to recover costs approved by Ofgem (positive and negative) through the existing interconnector adjustment payments process.

This alignment and simplification through the legal text allows a level of future proofing for future cost recovery (positive or negative) of interconnector costs through the CUSC should this be required by the electricity and interconnector licences.

Legal text

Highlighted below are the proposed CUSC legal text changes. Any changes and deletions are shown in red:

Section 11 – Definitions

“Interconnector Adjustment Payments” the payments (whether positive or negative) as notified by the **Interconnectors to The Company** pursuant to the conditions in their respective licences for the purposes of **Transmission Licence Special Licence Condition 3B. Calculation of allowed pass - through items**

~~“Interconnector Cap and Floor Revenue Adjustment” has the meaning given to that term in Standard Licence Condition 26 of a licence granted for a specific Interconnector under Section 6(1)(e) of the Act (and in the case that the standard conditions in Section G of that licence are in effect);~~

~~“Interconnector Payments” has the meaning given to that term in Special Licence Condition 2 of the licence granted under Section 6(1)(e) of the Act for the Interconnexion France-Angleterre (IFA) Interconnector;~~

Section 9 – Interconnectors

9.22 INTRODUCTION This Part III deals with **Interconnector Adjustment Payments and the Interconnector Cap and Floor Revenue Adjustment**. The User for the purposes of this Part III will therefore be the Interconnector Owner.

9.23.1 This section sets out when a **User** shall provide its best estimates of ~~(a) in the case of the Interconnexion France-Angleterre (IFA) Interconnector, the Interconnector Payments and (b) other Interconnectors, the Interconnector Cap and Floor Revenue Adjustment~~ the **Interconnector Adjustment Payments to The Company** which is required so that **The Company** can **calculate Transmission Network Use of System Charges** and the date by which the **User** shall provide a statement to the **Authority** of the estimates sent to **The Company**.

What is the impact of this change?

Proposer's Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive, this change is required to align with the Ofgem licence decision on the 15 October 2020
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	None
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive, the current interconnector adjustment payments process is simplified and future proofed.
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

Impact of the modification on the stakeholder / consumer benefit categories	
Proposer's assessment:	
Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	None
Lower bills than would otherwise be the case	None
Benefits for society as a whole	Positive: allows expected costs to be recovered by interconnectors
Reduced environmental damage	None
Improved quality of service	Positive: as this involves simplification of CUSC processes

When will this change take place?

Implementation date:

Ofgem have requested that this change is to be implemented as soon as reasonably practical to allow the interconnector CACM payments to take place in 2021. The CUSC needs to be amended before April 2021 at the latest to allow this.

Date decision required by:

A CUSC Panel decision is desired at the January CUSC panel to avoid implementation challenges.

Implementation approach:

Implementation is driven by the licence change and straightforward. The CUSC changes are required to allow the cost recovery through TNUoS.

Interactions

This CUSC Modification is consequential to the Ofgem decision on the 15 October 2020 and the resulting electricity interconnector licence changes and electricity transmission licence changes.

How to respond

Code Administrator Consultation questions

- Do you believe that the CMP354 Original proposal better facilitates the Applicable Objectives?
- Do you support the implementation approach?
- Do you have any further comments?

Views are invited on the proposals outlined in this consultation, which should be received by **5pm on 23 December 2020**. Please send your response to cusc.team@nationalgrideso.com using the response pro-forma which can be found on the modification page.

If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid ESO's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response marked "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response. Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential".

Acronyms, key terms and reference material

Acronym / key term	Meaning
CACM	Capacity Allocation and Congestion Management Regulation
MAR	Maximum Allowed Revenue
TNUoS	Transmission Network Use of System

Reference material:

1. [Ofgem decision on proposed modifications to the standard conditions of the electricity interconnector licence, the special conditions of the electricity interconnector licence held by NGIL and the electricity transmission licence held by NGEN](#)

Annexes

Annex	Information
Annex 1	CMP354 Proposal Form
Annex 2	CMP354 Self-Governance Statement