

CUSC Modification Proposal Form (for Charging Methodology proposals)	CMP208
Title of the CUSC Modification Proposal: <i>(mandatory by proposer)</i> Requirement for National Grid Electricity Transmission to provide and update forecasts of BSUoS charges each month	
Submission Date <i>(mandatory by Proposer)</i> 20 March 2012	
Description of the CUSC Modification Proposal: <i>(mandatory by proposer)</i> This proposal would require National Grid Electricity Transmission (NGET) to publish a current year forecast and a year-ahead forecast of Balancing Services Use of System (BSUoS) charges. It would also require that the forecasts be updated on a monthly basis during the year and that they should be in a prescribed format with commentary posted on the National Grid website.	
Description of Issue or Defect that the CUSC Modification Proposal seeks to Address: <i>(mandatory by proposer)</i> Balancing Services Use of System (BSUoS) charges represent a significant and uncontrollable charge to generators and suppliers. They are also not predictable by market participants as they are an output of the interaction of a complex set of costs with the SO incentive arrangements. This position is partly by design: under the current incentive arrangement specific model parameters, and the actual data used is not made public because of the potential for interested parties to determine the SO's incentivised cost targets and potentially influence its performance. Currently National Grid now provides updates on BSUoS forecasts for current year charges—and now with the introduction of the two year SO incentive scheme—for the following year at periodic Balancing Services Operational Forum meetings. However there are no provisions in the CUSC which require NGET to provide forecasts of BSUoS charges and to do so accurately and regularly. The current arrangement falls short of a requirement, and the frequency of forecast information is insufficient to enable users to gain an adequate and up to date view of the charges they will face and the potential changes to these charges. Further, if CMP201 <i>Removal of BSUoS Charges from Generators</i> is approved, the level of charges faced by suppliers will effectively double, placing more importance on accurately forecasting this charge so suppliers can assess their liabilities and manage their own charges to customers. National Grid should therefore be obligated to publish accurate forecasts of BSUoS charges for the current and next financial year, with a relevant level of explanatory commentary in a format approved by grid users, which should be updated on a monthly basis.	
Impact on the CUSC: <i>(this should be given where possible)</i> The proposal would introduce an additional requirement in the CUSC for NGET to produce accurate monthly updated forecasts of BSUoS charges for the current and following financial years.	
Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No <i>(mandatory by Proposer. Assessed in accordance with Authority Guidance – see guidance notes for website link)</i> No	
Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information: <i>(this should be given where possible)</i> BSC <input type="checkbox"/>	

<p>Grid Code <input type="checkbox"/></p> <p>STC <input type="checkbox"/></p> <p>Other <input type="checkbox"/> (please specify)</p>
<p>Urgency Recommended: Yes / No (optional by Proposer)</p> <p>No</p>
<p>Justification for Urgency Recommendation (mandatory by Proposer if recommending progression as an Urgent Modification Proposal)</p> <p>N/A</p>
<p>Self-Governance Recommended: Yes / No (mandatory by Proposer)</p> <p>No</p>
<p>Justification for Self-Governance Recommendation (mandatory by Proposer if recommending progression as Self-governance Modification Proposal)</p> <p>N/A</p>
<p>Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews? (mandatory by Proposer in order to assist the Panel in deciding whether a Modification Proposal should undergo a SCR Suitability Assessment)</p> <p>Yes</p>
<p>Impact on Computer Systems and Processes used by CUSC Parties:(this should be given where possible)</p>
<p>Details of any Related Modifications to Other Industry Codes (including related CUSC Modification Proposals):(where known)</p> <p>The proposer has raised a similar CUSC proposal which would require National Grid to provide regularly updated TNUoS forecasts for the next financial year.</p> <p>It has also raised a similar DCUSA proposal to require Distribution Network Operators to provide tariff forecasts one year ahead of the charging year which are regularly updated up to the year start.</p>
<p>Justification for CUSC Modification Proposal with reference to Applicable CUSC Objectives:(mandatory by proposer)</p> <p>Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.</p> <p>Use of System Charging Methodology</p> <p><input checked="" type="checkbox"/> (a) that compliance with the use of system charging methodology facilitates effective</p>

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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard 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.

Full justification:

The proposal would better facilitate applicable objective (a) because it would enable grid users to improve the accuracy of their own forecasts and assessments, which should lead to more informed business plans and pricing strategies. Users would also face less uncertainty with respect to future changes in BSUoS charges and so be exposed to less risk. The forecasts would also enable all companies to be on an equal footing with respect to the information on future charges.

The proposal would better facilitate applicable objective (c) as it would take account of and help to mitigate the uncertainties arising from the two year incentive scheme introduced in April 2011 and any incentive scheme that may follow from April 2013.

Ofgem is currently consulting on the [principles and policy](#) that should apply to the regulation of the system operator from April 2013. This indicates there may be further significant changes to the existing scheme including a “four year plus four year” duration, increased sharing factors and greater account of SO/TO interactions. Introducing forecasting of BSUoS costs is one element of taking account of these developments. This CMP change proposal, if accepted, therefore may need to be revisited in the future if the SO incentive scheme duration is extended beyond two years.

Connection Charging Methodology

- (a) that compliance with the connection 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 connection 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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.

Full justification:

Details of Proposer:
(Organisation's Name)

Haven Power Limited

Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party, "National Consumer Council" or Materially Affected Party)	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Antony Badger Head of Supplier Management Haven Power 01473 707182 antony.badger@havenpower.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Nigel Cornwall Cornwall Energy 01692 407865 nigel@cornwallenergy.com
Attachments (Yes/No): No	
If Yes, Title and No. of pages of each Attachment:	

