

CUSC Modification Proposal Form (for Charging Methodology proposals)	CMP207
Title of the CUSC Modification Proposal: <i>(mandatory by proposer)</i> Limit increases to TNUoS tariffs to 20% in any one year	
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 limit changes to Transmission Network Use of System (TNUoS) charges so that no element of the charges will increase by more than 20% in any one year. The proposal seeks to reallocate the recovery of allowed revenue within year where tariffs would otherwise rise by more than 20%. The tariff increase would be limited to 20% in any one year, and any changes required more than that amount would be thereby phased in. For the avoidance of doubt the proposal does not seek to create an under-recovery of allowed revenue which would be carried forward to the following year. Charges would be rebalanced to ensure NGET is able to recover the foregone revenue from other grid users. Two comments on the 20% figure: <ul style="list-style-type: none"> • this is not intended to preclude consideration by the working group of a lower figure; and • the figure is a cap on increases, and it is not intended to limit pass through of any reductions in excess of the threshold. 	
Description of Issue or Defect that the CUSC Modification Proposal seeks to Address: <i>(mandatory by proposer)</i> The current TNUoS charging methodology is generating charges that are volatile year on year and make it very difficult for users to plan and to manage their risk in respect of these charges. Changes notified by NGET for both generation and demand tariffs for 2012-13 have been very substantial. For example, the non locational residual generation tariff will rise by over 17%, with zonal tariff changes of between -53% and +248%. The half hourly demand tariff is similarly set to rise by between 6% and 64% and non half hourly charges by between 9% and 67% dependent on zone. There is currently no mechanism in place that will enable increases in tariffs to be phased in, and thus mitigate the detrimental impacts to competition of sharp price changes, which include the costs of managing the risks of major changes and raising barriers to entry. The proposer is concerned about the position with regard to supplier charges, but has drafted the change on the basis it would apply to all network users.	
Impact on the CUSC: <i>(this should be given where possible)</i> This proposal if implemented will amend the TNUoS charging methodology to revise the calculation of tariffs for generation and demand such that no tariff can increase in any one year by more than 20%. The allowed revenue represented by the tariff cap will be reapportioned over other generation/demand tariffs in order to maintain the overall 27:73 generation: demand split.	

<p>Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No (mandatory by Proposer. Assessed in accordance with Authority Guidance – see guidance notes for website link)</p> <p>No</p>
<p>Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information: (this should be given where possible)</p> <p>BSC <input type="checkbox"/></p> <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, though this issue might need to be considered further as there is a potential interaction with the Project Transmit SCR, which is currently underway.</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>A similar DCUSA change proposal has been raised by the proposer, which seeks to limit increases in DUoS charges to no more than 20% in one year.</p>

Justification for CUSC Modification Proposal with reference to Applicable CUSC**Objectives:** *(mandatory by proposer)***Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.****Use of System Charging Methodology**

- (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 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) in that it would reduce the volatility of charges and increase their predictability, which should lead suppliers to formulate more informed business plans and pricing strategies. Users would also face less uncertainty with respect to future changes in their transmission use of system charges and so be exposed to reduced unhedgable risk. In turn this should facilitate competition in the supply market.

The proposal would better facilitate applicable objective (c) as it would enable more orderly phasing of significant changes to NGET's charging. Capping changes in this way may also enable NGET to better meet the "reasonably practical" test in this objective.

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:

N/A

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 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:	

