

Stage 03: Workgroup Report

Connection and Use of System Code (CUSC)

CMP260

‘TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247’

CMP260 seeks to give the option for metering systems that are registered on Measurement Class E-G on or before 01/04/2016 to be treated as HH for the purposes of calculating the actual annual liability up until the full charging year after the implementation date of P272.

This document contains the discussion and conclusions of the Workgroup which formed in 17 February 2016 to develop and assess the proposal.

Published on: 21 April 2016



The Workgroup concludes that they have met their terms of reference. Overall, one Workgroup member voted baseline as better facilitating the applicable CUSC objectives, two Workgroup members each voted the Original better facilitated the applicable CUSC objectives and 2 Workgroup members each voted that the WACM better facilitated the applicable CUSC objectives.



Medium Impact:
Suppliers and National Grid

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

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Any Questions?

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About this document

This is the final Workgroup Report, which includes the deliberations of the Workgroup, responses from the Workgroup Consultation and the final conclusions of the Workgroup. An electronic version of this document and all other CMP260 related documentation can be found on the National Grid website via the following link:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP260/>

Document Control

Version	Date	Author	Change Reference
0.6	08/03/2016	Code Administrator	Workgroup Consultation
V1	21/04/2016	Code Administrator	Workgroup Report

1 Summary

- 1.1 This document describes the Original CMP260 CUSC Modification Proposal (the Proposal), summarises the deliberations of the Workgroup and sets out any potential Workgroup Alternative CUSC Modifications (WACMs).
- 1.2 CMP260 was proposed by RWE npower and was submitted to the CUSC Modifications Panel for their consideration on 29 January 2016. A copy of this Proposal is provided within Annex 1. The Panel disagreed with the Proposer's request that the Proposal be developed and assessed against the CUSC Applicable Objectives in accordance with an urgent timetable. They did however recommend that the Workgroup follow an accelerated timetable and to send the Proposal to a Workgroup to be developed and assessed against the CUSC Applicable Objectives. Ofgem reviewed the Proposal request to treat the Proposal as urgent and agreed with the view of the CUSC Panel and recommended that the Workgroup follow an accelerated timetable. The Workgroup have consulted and gained views with the wider industry on the Proposal and considered these responses. They have also agreed a WACM and voted on the best solution to the defect to report back to the Panel at the April 2016 CUSC Panel meeting.
- 1.3 CMP260 aims to give the option for metering systems that are registered on Measurement Class E-G on or before 01/04/2016 to be treated as Half-Hourly (HH) for the purposes of calculating the actual annual liability up until the full charging year after the implementation date of P272. This Workgroup Consultation has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid Website, <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP260/> .
- 1.4 Five responses were received to the Workgroup Consultation
- 1.5 The Workgroup met on 4 April 2016 to review the Workgroup Consultation responses and voted on the Original Proposal and the Workgroup Alternative CUSC Modifications raised by EDF Energy. Overall, one Workgroup member voted baseline as better facilitating the applicable CUSC objectives, two Workgroup members each voted the Original better facilitated the applicable CUSC objectives and 2 Workgroup members each voted that the WACM better facilitated the applicable CUSC objectives.

2 Background

- 2.1 CMP260 proposes that for meters registered as HH during 2015/16 Charging Year, Suppliers should have the option for those metering systems registered in Measurement Class E-G on or before 1/4/2016 to be treated as HH for Transmission Use of System (TNUoS) charging purposes.
- 2.2 The proposer believes that the implementation of CMP260 will enable more HH settled consumers to be charged under the HH methodology for TNUoS charging purposes i.e. they can actively Triad avoid during winter 2016/17 and receive a reduced TNUoS if they do manage to avoid the Triad half hours. The biggest benefit of P272 identified by Ofgem is the incentive it provides to load shift away from peak periods through DSR activity. Denying customers the opportunity to be charged under the HH methodology could exclude them from achieving these benefits.
- 2.3 In order for this to be possible Suppliers will need to provide a list of Meter Point Administration Number (MPAN) they wish to be treated as HH for TNUoS charging before the start of the Triad¹ season. Suppliers will also need to provide verified 2016/17 metered demand data captured between the hours 4:00pm-7:00pm for those consumers because Triads traditionally occur between 4:30pm and 6:00pm.
- 2.4 This data will allow National Grid to amend the Non-Half Hourly (NHH) demand for those MPAN's a Supplier designates. As a result of amending the NHH demand for that Supplier, National Grid then calculates HH demand on an MPAN by MPAN basis based on metered HH demand. Suppliers failing to provide the correct information National Grid requires to calculate TNUoS charges under the HH methodology will be calculated as if they remained NHH.
- 2.5 CMP241 was raised and implemented in April 2015 to prevent a single meter installation being liable for both NHH charges and HH TNUoS charges within the same charging year, due to the implementation of Balancing and Settlement Code (BSC) Modification P272.
- 2.6 The default option under CMP241 is that all meters registered within Measurement Classes E-G will be treated as NHH for TNUoS charging purposes. Suppliers are given the option prior to the start of the 2015/16 charging year for those meters within Measurement Classes E-G, to continue to be treated as HH if the Supplier notifies National Grid of their intention before the start of the Triad season. This is in conjunction with also providing verified metering data for those meters in time for the end of year reconciliation in June of the Charging Year Y+1.
- 2.7 The optionality to submit further metering systems that migrated throughout the 2015/16 Charging Year (predominantly taking advantage of P300 on 5th November 2015) as HH for the 2016/17 Charging Year as HH was removed as part of CMP247.
- 2.8 Following the approval of CMP247, consumers being settled as HH before 1st April 2015 (and who would originally have been classed as Profile Class 5-8) can be treated as HH for TNUoS charging purposes. This is subject to Suppliers providing information before the reconciliation date and notifying National Grid of its intentions before the start of the Triad season.
- 2.9 At the time that CMP247 was approved it was thought the number of sites that would migrate prior to April 2016 would be too large to manage through a manual process. It has now

¹ Triad demand is the average demand on the system over three half hours between November and February. These three half hours comprise the half hour of system demand peak and the two other half hours of highest system demand which are separated from system demand peak and each other by at least ten days. These 3 half hours of peak demand are referred to as Triads

become apparent that the number of sites migrated by April 2016 will be significantly lower than had previously expected. As a result, continuing to charge the NHH methodology for HH sites could significantly reduce the incentive to manage demand around the system peaks, potentially leading to inefficient use of the system.

- 2.10 The CUSC as it currently stands prevents customers migrating as part of P272 from being charged both the NHH and HH TNUoS tariff within the same year. This modification will not mean that customers will now be double charged

3 Benefits and considerations of the Modification

- 3.1 These are the original benefits outlined as identified by the Proposer. These have been discussed in further detail within the Workgroup Discussions section and may not reflect the views of all Workgroup members.
- 3.2 CMP260 supports load management activity and provides potential for customers who are able to manage demands away from TNUoS charging the ability to save on TNUoS costs. This can be achieved with a limited degree of administrative burden in the opinion of some Workgroup members.
- 3.3 CMP260 allows customers on measurement classes E-G the option to benefit from using HH TNUoS methodology to determine their 2016/17 TNUoS charges. If customers choose not to take up this option then their TNUoS charges will continue to be calculated according to NHH TNUoS methodology (both calculations will be performed on their HH settlement data).
- 3.4 The option to face HH TNUoS methodology is particularly beneficial to customers who have the capabilities to reduce their Triad² demand during November to February. The costs of the business' transmission costs are determined by their consumption during those 3 half-hours during the winter. Customers can choose to put plans in place to turn down equipment to reduce their usage and save money. Other HH metered users of the system are charged according to their usage during Triad demand periods and this response has the impact of flattening peak demand on the system.
- 3.5 The benefit of responding to current TNUoS pricing signals, once moved to HH metering, was removed for new customers following the approval of the CMP241 and CMP247 which delayed the complete intentions of P272. Some customers feel disadvantaged by this delay and have requested an option, prior to winter 2016/17, to allow an exception to be made and preserve the original intentions of P272 and their mandatory move to HH metering.
- 3.6 It should be noted that some sites which moved to measurement classes E-G prior to 1st April 2015, have been allowed this option under CMP241 & CMP247. A process is already in place to administer this exception between certain Suppliers and National Grid and the proposal is to use the existing capability to administer to more customers who are able to engage in Triad management.
- 3.7 Opening up the current process to more customers is not expected to place an additional administrative burden on Suppliers or National Grid. Acceptance of this change offers the potential of cost savings to some customers who are ready to make appropriate changes in behaviour. Reducing peaks on the transmission and distribution networks by providing appropriate price signals to more customers can reduce reinforcement costs for the Transmission and Distribution Network Operators which benefits all customers. In addition, flattening the system peaks reduces the need for operating very inefficient plant and reduces CO2 emissions. The potential announcement of Power Station closures for winter 2016/17 can be to a degree mitigated by customer's ability to reduce load and thus take additional strain off the system.
- 3.8 In summary the modification promotes:
 - (i) Customer engagement with HH Settlement;
 - (ii) Ensures that customers are not disadvantaged through regulatory change;

² Triad demand is the average demand on the system over three half hours between November and February. These three half hours comprise the half hour of system demand peak and the two other half hours of highest system demand which are separated from system demand peak and each other by at least ten days. These 3 half hours of peak demand are referred to as Triads

- (iii) Allows appropriate price signals for customers to demand manage and
- (iv) Prevents over-charging of customers within a specific year.

4 Workgroup Discussions

- 4.1 The Workgroup discussed a number of points and the impact of recent changes that have been summarised in this section of the document..

The Process for TNUoS charging and what changed following the implementation of CMP241.

- 4.2 National Grid receive a file from Elexon (commonly known as P210 or TUoS file) which splits up the total demand for a Supplier's 'Supplier Volume Allocation' (SVA) 'Balancing Mechanism Unit' (BMU) into NHH and HH demand. This demand data is aggregated at a GSP level with the Load Loss Correction Factors applied to it.
- 4.3 The aggregation of demand data is carried out by Data Aggregators which National Grid receive via the P210 file mentioned in paragraph 4.2. This data is sent to National Grid on a daily basis and automatically uploads into the National Grid billing system, which National Grid uses to forecast demand bases necessary for charge setting.
- 4.4 When National Grid commences its billing processes, actual demand data within this file is used to determine the Initial Demand Reconciliation. This is carried out in June after the Charging Year. The Initial Demand Reconciliation compares what Suppliers have been invoiced throughout the year (based on Suppliers own forecasts) compared to what they would have been invoiced if actual demand data had been used.
- 4.5 A Workgroup member questioned if a customer had been charged assuming they were NHH settled and this changed to a HH methodology would the Supplier be able to recover this revenue. The National Grid representative and the Proposer noted that charges throughout the year are based on Suppliers own forecasts so if they envisage that a customer will be charged under the HH methodology then their own forecasts and subsequent invoices can take this into account.
- 4.6 The Initial Demand Reconciliation ensures that Suppliers are charged based on actual demand data so under the HH methodology Suppliers are effectively in control of their own liabilities.
- 4.7 As meters migrate as part of P272, the demand for that meter installation moves from NHH to HH. To avoid being double charged, National Grid moves the HH energy relating to these meters out of the HH 'pot' back into the 'NHH' pot. This would result in that customer having zero HH demand over a Triad period and would therefore be only charged based on their 'NHH' demand.
- 4.8 CMP241 allows those meters which were already charged under the HH methodology prior to 1 April 2015 to continue to be charged under this methodology. National Grid receives aggregated data and does not have sight of individual MPAN demand, therefore to enable those customers to continue to be charged under the HH methodology we require individual metering data to enable the demand data to be moved back into the HH pot.
- 4.9 Without the above option those customers who had actively chosen to be charged under the HH methodology would have the NHH charging methodology imposed on them.
- 4.10 To allow 4.8 to happen National Grid created a manual process to effectively reverse the process described in 4.7. It was decided to do this manually to allow the maximum number of meters and Suppliers with the opportunity to take advantage of this option, This enabled the adjustment of data flows, the extra checks necessary and the provision of extra

supplementary data (i.e. backing sheets) to be carried out in the timescales as prescribed in 3.13.4 of CUSC and further detailed in 4.11.

Charging Timelines.

- 4.11 The following timeline displays the charging calendar following the implementation of CMP241, and the timescales involved in carrying out TNUoS charging activities.

31 January 2016: Tariffs finalised for charging year 2016/17.

April 2016: First TNUoS invoice sent out to Suppliers which is based on Suppliers own forecasts.

September 2016: Deadline for Suppliers to inform National Grid of the MPANs of the meters which they would like to be charged under the HH methodology for 2016/17.

1 June 2017: Suppliers provide actual metering data for those meters they have opted to be charged under the HH methodology.

31 June 2017: Deadline for the Initial Demand Reconciliation to be completed.

Summary of CMP247, CMP241 and the IT solution.³

- 4.12 The original implementation date for P272 was set to April 2016. Due to implementation issues which would impact the end consumer in a negative way, the implementation date for P272 was amended to April 2017.
- 4.13 The legal text for CMP241 allowed those meters which were settled as HH before the start of a Charging Year to continue to be HH settled if Suppliers provide the metering data for the MPAN. This was designed to allow those customers who had actively chosen to be charged under the HH methodology to continue to be charged as HH. However due to the movement of the implementation date this now opened up the option to be settled under the HH methodology to all meters which migrated before 1 April 2016.
- 4.14 CMP247 was raised as the manual process which had been set up to allow those meters which had been charged under the HH methodology prior to 1 April 2015, could now be utilised by an estimated approximate 90,000 meters. At the time CMP247 was raised, Suppliers had not yet issued their migration plans to Elexon. The number of meters affected by P272 was estimated at 180,000. By the end of April 2016 it was therefore estimated that being half way through the process, half of the meters will have migrated i.e. 90,000. Most recent plans indicate that a maximum of 36,000 meters will have migrated by April 2016, although this could lag further.
- 4.15 National Grid determined that a manual process would now not be appropriate and a robust IT solution would need to be implemented to handle the volume of data, and perform the

³ Details on CMP247 including Suppliers concerns over the modification and Ofgem's rationale for implementing the modification can be found on the National Grid website: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP247/>

calculations in the time period between receiving the actual demand data from Suppliers, (start of June) and then amend existing aggregated data, to allow Suppliers to be invoiced as part of the Initial Demand Reconciliation at the end of June.

- 4.16 A recent IT project to amend the current SAP billing system to support the implementation of Project TransmiT at the time of CMP247 had an estimated cost of £2m with projected timescales considered prohibitive to put in place the solution in time to allow the Initial Demand Reconciliation to be carried out using the IT solution.
- 4.17 A number of Workgroup members questioned the IT cost and noted that similar IT projects which they had recently installed were significantly cheaper and that the prohibitive IT cost was the main driver for MP247 being implemented. The National Grid representative acknowledged their concerns and noted that the cost differential could be due to the fact that National Grid's billing system was designed, scoped and set up to invoice Suppliers based on their BMU's aggregated demand data received from Elexon.
- 4.18 It was also acknowledged that the actual IT cost for this solution may be less than estimated at the time of raising CMP247 but to get a more detailed IT cost estimate would in itself cost money and would require clarification of exact requirements.
- 4.19 It was acknowledged that the Workgroup do not need to confirm the definite final number of meters until September 2016. This may cause problems in sizing any IT solution as the timescales to design, procure, implement and test the billing system would still be prohibitive to have the solution in place for the Initial Demand Reconciliation. Some Workgroup members commented that they could provide this information sooner if needed, but acknowledged other Suppliers may have different processes and adequate personnel which could prevent them doing this. However it must be noted that any Ofgem decision regarding this modification will not be known until June at the earliest so some Suppliers may not undertake this work until there is more certainty.
- 4.20 It has also been noted by the Workgroup that the IT solution was not the sole reason that CMP247 was implemented as briefly discussed in 4.17.
- 4.21 The uncertainty over which meters would opt to be charged under the HH methodology for 2016/17 would have posed problems in estimating demand levels necessary to set cost reflective charges. National Grid believe the analysis undertaken as part of this Workgroup and the discussions between Workgroup members over what demand levels to use in this analysis highlights the problems which would have been faced setting cost tariffs for the 2016/17 Charging Year.

Effect of the proposed Modification on 2016/17 Revenues.

- 4.22 The National Grid Representative explained to the workgroup the likely effect on TNUoS revenues and future tariffs, if the proposed modification was implemented.
- 4.23 National Grid has already fixed tariffs for the charging year 2016/17. As part of the tariff setting process we forecast the HH and NHH demand bases.
- 4.24 If actual demand volumes deviate from these forecasts, this then result in an over or under recovery of revenue, which would result in subsequent adjustment made to future revenues and tariffs (any under/over recovery will affect 2018/19 tariffs). However deviations in the various demand bases can sometimes cancel out each other. In previous analysis National Grid estimated that the effect of customers moving from NHH to HH would be fairly cost neutral. The reduction in NHH demand and revenue collected from this demand base would be offset by the increase in HH demand at Peak. This analysis utilised NHH Profiles for Classes 5-8 which are calculated as an aggregated average. Therefore within these classes

there will be customers who would benefit from moving to HH and some who would not benefit (if their current demand profiles stayed the same) hence resulting in a neutral effect.

- 4.25 CMP260 proposes that Suppliers will be able to select which customers will be charged under the HH methodology for 2016/17 (if they migrated before 1 April 2016). The Workgroup agreed that those customers, who would be selected, will be those who will benefit financially from being charged under the HH methodology as opposed to the NHH methodology. Following this statement if all things stayed equal in terms of weather and expected demand use, this modification could impose an under recovery on National Grid. Workgroup members noted that the amount in question would be minimal when compared to historical variances seen due to weather etc. The National Grid representative agreed that this was true; however those variances are outside of the control of National Grid and the Industry and are known and accepted risks. With reference to the analysis in Annex 6 under the worst case scenario where ring-fenced customers pay no TNUoS through totally avoiding any consumption during the triad periods (although this was acknowledged as been unlikely) this would lead to an under recovery of nearly £30m. When compared to recent variances, this is confirmed as being less in comparison but cannot be considered as a small amount and is something which can be managed and avoided.
- 4.26 The Workgroup noted that this would not be a loss to National Grid as the revenue would be recovered through K in later years and was a more of a cash flow issue.
- 4.27 A Workgroup member pointed out that although the under recovery would be minimal if the amount when coupled with other variances pushed National Grid outside of the bandwidths for under recovery, then this would result in penal interest rates which would be detrimental to National Grid.
- 4.28 If the proposed modification was implemented before tariffs were set then National Grid could have reduced the System Peak thus slightly increasing the HH tariffs to ensure NHH tariffs were left neutral. This course of action cannot now be undertaken unless National Grid carry out a mid-year tariff change which is not something they would be likely to undertake, and secondly the industry appreciates carrying out..

CMP260 Effects on Future Tariffs and Cost Reflectivity.

- 4.29 The total revenue to be recovered through TNUoS charges is determined each year which is detailed in the Transmission Licensees' Price Control formulas. Therefore National Grid wanted to flag that if there is a reduction in revenue recovered from one party, this results in an increase in revenue required to be recovered from other parties. As a result where a subset of customers financially benefit from this modification, it will then result in other parties who cannot reduce demand during the peak periods, (4:00pm-7:00pm) or are charged under the NHH methodology paying for this benefit in future years through increased tariffs. As a result, this modification would benefit a subset of customers to the detriment of others.
- 4.30 It was agreed that the cost when spread across all users would be minimal, and would therefore have a minimal effect on tariffs, so the impact would be more on a principal basis. However any imposed changes to the demand bases would effectively reduce the cost reflectivity of the tariffs which have already been finalised for the 2016/17 Charging Year, which is one of the principals of charge setting.
- 4.31 A Workgroup member questioned what would be the effect on revenues and tariffs if this modification was implemented. National Grid explained the methodology behind how this analysis could be carried out, i.e. National Grid has current NHH profiles for Classes 5-8. By calculating average demand between 4:00pm-7:00pm and then looking at the Peak demand for the hour 5:00pm-5.30pm which on average is the most prevalent time for a Triad, we can calculate what demand moves from NHH to HH. In this scenario no demand will move to

HH, because the assumption is made that users will avoid the Triad. The proportion moved from each zone will be done based on current ratios of NHH between zones.

- 4.32 Another Workgroup member agreed that this approach seemed sensible as the customers in question were geographically spread. A maximum of approximately 36,000 meters will migrate before April 2016 but not all of these will be selected to be charged under the HH methodology. Therefore the analysis would have to look at varying proportions of the approximate 36,000 meters (Annex 6).

Effects on Demand

- 4.33 Annex 6 indicates that up to 0.45TWh would move from NHH chargeable demand i.e. 4-7pm. This would not be an actual reduction in demand seen on the system. The reduction would be in the amount of demand which would be charged under the NHH methodology. If those customers who were previously incentivised to reduce demand between the hours of 4-7pm were now only incentivised to reduce demand over the Triad periods this may cause an increase in demand outside of the obvious Triad half hours the movement of these meters from a NHH Methodology to a HH Methodology could introduce around 500MW of extra Triad avoidance that would otherwise have occurred under CMP247. However the Workgroup noted that the concept of the HH Methodology would be new to these customers so their ability to avoid taking all demand at Triad may not be achievable. There is therefore a great degree of uncertainty of the effect of this modification on demand over Triad.
- 4.34 The National Grid representative noted that historically the ability to avoid taking demand over the Triad half hours was far simpler as Triad half hours were easier to predict. Recent winters have shown that the increasing amount of Triad avoidance has resulted in the flattening of Peaks. The System Peak for a very cold day is therefore not too dissimilar to a day which is milder and therefore no Triad warnings were issued. Coupled with this, the demand levels between the hours of 5 to 5.30pm and 5.30 to 6pm are now more closely matched. It is therefore not a certainty that a customer charged under the HH methodology will actually receive a reduced TNUoS liability unless its demand reduces for the majority of the winter. Thus the differential between the TNUoS liabilities under the NHH methodology and HH methodology is potentially less than historic values, or could even be the more if they inadvertently take demand over a Triad.
- 4.35 Following on from 4.34, increased Triad avoidance through this modification will increase the uncertainty and risk for current HH customers in relation to 4.34 as increased Triad avoidance is likely to further close the gap in demand between the 'usual' Triad HHs and what would ordinarily be classed as 'safe' from a customer's perspective, resulting in greater uncertainty over when the Triad HHs will occur and risk of hitting a Triad thus increasing their TNUoS liability. A significant driver of CMP260 is to allow customers to reduce their TNUoS liability through Peak demand management for 2016/17. The above indicates that this is not a certainty. One Workgroup member stated that he has customers whose demand profiles indicate that they would receive a reduced TNUoS liability as they naturally take less demand over the settlement periods in which Triads occur. The National Grid noted that these customers would therefore receive a reduced TNUoS liability but the benefits they would provide to reducing System Peak would not exist as they would still take the same demand. Therefore this modification would only provide a benefit to them in terms of reduced liability and no benefit to the System. The same and other Workgroup members offered examples of other customers who would consciously change their consumption patterns and load manage across winter peaks.

Other Impacts of CMP260.

- 4.36 The Workgroup discussed the potential benefits CMP260 would provide to customers and the Transmission System.
- 4.37 All workgroup members agreed that implementing P272 increased fixed annual costs to a consumer as the costs were now greater now they were being HH settled. By allowing customers to offset these increased costs by being able to be charged under the HH methodology it potentially mitigates these costs and improves the relationship with customers.
- 4.38 The National Grid representative stated that the above comments could not be disputed as that is what the current methodology states. However where Workgroup members stated that CMP260 would only result in a minimal under recovery due to the numbers of meters and customers involved, the National Grid representative noted this statement must then also apply to the potential benefits to the system which must also therefore be minimal.
- 4.39 In terms of reductions in System reinforcements; investment decisions are based on continuous trends. It is unlikely that the ability to demand manage for a year earlier than what would naturally happen under the existing timescales (all meters will be charged under the HH methodology following implementation) would drastically alter investment decisions. System Peaks have been significantly lower over the last three years, including this winter (it must be noted that the warmer than average temperatures has been a significant driver on reduced System Peaks) so again it is arguable what reinforcement would actually be avoided. This view is not shared by all Workgroup members, who felt that the modification gives a consistent message to encourage new HH customers to become more engaged with HH settlement from the start of their supply period, rather than, removing the link between entry into a HH market and ability to manage load over winter peaks to control costs. National Grid provided a counter argument that being charged under both the HH and NHH methodologies will encourage engagement with HH settlement, as the consumer will be charged based on actual metering data under either methodology. The concept of Winter Peaks applies to the HH methodology and not HH settlement. It is true that the incentive to load manage over Winter Peaks is greater under the HH methodology than under the NHH methodology due to the potential ability to avoid all TNUoS liability under the HH methodology and this may encourage greater engagement, however as mentioned in this document there is no certainty that their liability will decrease. As consumers are charged based on their usage between the hours of 4-7pm each day throughout the year they would actually be encouraged to load manage and would be engaged with sooner under the current methodology than that proposed by CMP260. The argument for consumers being engaged with HH settlement from the start of their supply period would be stronger if this modification applied to all meters migrating before the 1st April 2016 and not just those customers who could benefit financially.
- 4.40 The workgroup acknowledged that there may be other impacts on the ability to load manage on BSUoS. The workgroup has not investigated this any further.
- 4.41 The ability to reduce demand was an overriding principle of P272 and incentivising users to reduce demand at Peak reinforces a major principle of the HH methodology.
- 4.42 Although the meters and customers in question will not currently be charged under the HH methodology due to CMP247, this does not prevent these customers from undertaking demand management and subsequently receiving a benefit in terms of a reduction in their TNUoS liability.
- 4.43 When previously a customer's demand between the hours of 4-7pm was based on NHH profiles, any reduction in demand between these hours would not result in a reduction in

TNUoS for that customer. Due to P272 these customers are now settled as HH and National Grid now receive actual HH demand data for these customers. Therefore if the customer reduces demand between the hours of 4-7pm they will see a reduction in their TNUoS costs.

- 4.44 However the signal is not as strong to demand reduce as the potential cost reduction under the HH methodology which could result in a £0 TNUoS liability, whereas to achieve this cost reduction under the NHH methodology would require the customer to not take any demand between the hours of 4-7pm for the whole year. It is naturally understandable from a customer's perspective why not being charged under the HH methodology is frustrating.

Customers Changing Suppliers.

- 4.45 One Workgroup member queried the process that would be followed should a customer change supplier during the year.
- 4.46 Under existing approved modifications CMP241 & CMP247, to allow National Grid to administer the change to TNUoS charges from NHH methodology to HH methodology then the Supplier must complete 2 actions: (i) the Supplier must notify National Grid with details of all impacted MPANs prior to the start of the Triad period (by the end of September); (ii) the Supplier must provide the metered data for all MPANs to National Grid once the Triad period is complete (during April).
- 4.47 If the customer changes Supplier then the customer must remain ring-fenced as HH TNUoS Methodology as the preference expressed at the start of the winter. If the customer inadvertently faces a mixture of NHH and HH charges through a settlement year then there is potential for overcharging. CMP260 proposes changes to the code to ensure that National Grid bills the Supplier(s) according to the ring-fencing specified at the start of the Triad season. Suppliers have an obligation to provide the HH data to National Grid and need to be aware of this industry change to understand their responsibilities.
- 4.48 The customer has an incentive to secure similar terms and conditions to preserve their ability to realise financial benefits from load management response. The new Supplier would then provide the metered data to National Grid to allow TNUoS charges to be made according to HH methodology as also reflected in the terms and conditions of the new contract. If the customer fails to secure similar terms and conditions then the TNUoS methodology could revert to NHH methodology.
- 4.49 Please note that this is not an additional complication posed by the introduction of CMP260 but an existing risk with CMP241 & CMP247 that could be addressed under changes to the code under CMP260.
- 4.50 In practical terms, Suppliers plans for migrating sites from NHH meters to HH coincide with their renewal dates and agreement of a forward contract to cover, generally, a period of at least 12-months. The background of the migration activity makes it highly likely that the customer will remain with their current supplier until at least the end of the 2016/17 Triad period. A movement from their current Supplier under these conditions would not be in keeping with their contractual obligations for the agreed contract period.
- 4.51 For that exceptional instance, where the period of the contract allows the customer to contract with two Suppliers covering one Triad period: the Suppliers aggregated data, provided to National Grid at the end of the Triad period, must reflect all MPANs as notified before the start of the Triad period (even if some of them are only on supply for some of the Triad months). The second supplier must continue to ring fenced the customer for HH methodology; they must then inform National Grid that their dataset will be supplemented by this new MPAN previously ring-fenced by their previous supplier. There is an expectation that the customer should remain ring-fenced to HH TNUoS methodology as their original

intentions prior to the start of the Triad season. This decision should not be reversed retrospectively or once Triad period has commenced as by allowing this would effectively allow the consumer to select the methodology with the least liability after the event.

Possible Alternatives/Options.

- 4.52 The National Grid representative questioned if this proposal actually required a CUSC modification. National Grid charges Suppliers based on aggregated demand which is ultimately based on the end consumer demand use. It is up to Suppliers how they then pass these TNUoS costs on to the consumer. If customers have requested to be charged under the HH methodology and the initial driver and cause for them not already being charged under the HH methodology was the extension of the implementation date from April 2016 to April 2017, could or should the difference in liability be then funded/subsidised within the Supplier's own customer bases?
- 4.53 One Workgroup member asked if there was anything which Suppliers could do to aid the process which collates and amends demand data required to allow these customers to be charged under the HH methodology for 2016/17, thus reducing the administrative burden and cost of National Grid in adopting this methodology. The National Grid representative stated that the main administrative burden and IT costs lay in verifying demand data and meters, adjusting demand within the P210 file, being able to adequately check these adjustments and then provide supporting information to Suppliers to allow them to understand what has been altered and amended.
- 4.54 Definite savings in terms of time and cost could be made if the amendment of data was carried out by other parties and National Grid was the end recipient of the adjusted demand.
- 4.55 However this approach would mean that Suppliers would have to accept the amounts in the final invoices. Whereas some Suppliers have processes in place to validate the amounts in question this may not be the same for all Suppliers. When explaining the TNUoS bill to consumers this information may be important.

5 Original Proposal and Workgroup Alternatives

- 5.1 The Original proposal aims to give the option for metering systems that are registered on Measurement Class E-G on or before 01/04/2016 to be treated as HH for the purposes of calculating the actual annual liability up until the full charging year after the implementation date of P272.
- 5.2 EDF Energy raised a WACM that was reviewed and unanimously approved by the Workgroup. The main focus of this WACM is to increase the window for Suppliers to take advantage of this option from April 16 to September 16, all other elements of the proposal remain the same.
- 5.3 For both proposals, the Original and the WACM, it is still not known how many MPAN's would take up this opportunity should the modification be approved by the Authority for either proposal.

Impact on the CUSC

6.1 Changes to Section 14

Impact on Greenhouse Gas Emissions

6.2 None identified.

Impact on Core Industry Documents

6.3 None identified.

Impact on other Industry Documents

6.4 None identified.

7 Proposed Implementation and Transition

- 7.1 If this modification was implemented there are a number of Implementation issues and potential costs to consider.
- 7.2 The costs and work below are not mitigated by the fact that it will be an enduring solution. Any work undertaken is limited to the lifetime of P272. Please note, if implemented, Suppliers can choose whether to face an impact from this proposal. If a supplier chooses to do nothing different then their MPANs will continue to face NHH TNUoS methodology.

National Grid continue with solution already in place to facilitate CMP241

- 7.3 The CMP241 Workgroup agreed a manual solution to ring fence MPANs to face HH TNUoS methodology as long as they were registered as HH prior to 1st April 2015. This methodology is being applied to a maximum of 3,000 MPANs. Here the Suppliers submit an aggregate file to National Grid so that the volume treated as HH/NHH can be adjusted (i.e. more volume can choose to be treated as HH rather than NHH) CMP260 proposes that this option is opened up to more sites as long as they are registered as HH prior to 1 April 2016. Some suppliers on the Workgroup proposed that the same manual solution (as now operating under CMP241) is extended to a larger number of MPANs (maximum 36,000 MPANs as indicated by Supplier migration plans collated by Elexon). Some suppliers on the Workgroup feel that the number of sites COMC to HH by 1 April 2016 will be lower than the 36,000 scheduled COMCs. In addition, not all Suppliers will take up the opportunity to have qualifying MPANs to be treated as HH, so the current manual solution would still be workable. National Grid feel that any additional MPANs to the current process would require additional validation steps (amended solution described below).

National Grid continue with a Manual Process

- 7.4 If National Grid continued to use a manual process to process the data sent in from Suppliers there would be the need to employ a number of contractors to undertake the tasks in the limited time between receipt of the data and sending out invoices as part of the Initial Reconciliation.
- 7.5 From an audit perspective it is not acceptable practice to manually adjust data flows so extra checks will need to be made to avoid mistakes or potential fraudulent activities. Demand data is normally uploaded automatically into our billing system from a file sent from Elexon so this was not previously an issue.
- 7.6 Due to the timescales involved there is a limit on the Supplementary information which could be provided with the invoice. Suppliers will be sent a backing sheet showing the demand per BMU and final liability. The processes taken to adjust the data flows will be undertaken but to provide this data showing each step for each MPAN will be time consuming. For large Suppliers this may not be an issue as they may well have processes in place or third parties who can verify invoices.
- 7.7 Suppliers will need to adjust the data to what is seen at the GSP i.e. Line Loss Factors will need to be applied.
- 7.8 The demand data needs to be independently verified as well as a data check on when the meter migrated.
- 7.9 Suppliers need to accept that there will be an increased risk of billing errors albeit all effort will be taken to avoid these.

Suppliers work with Elexon to amend P210 / TUoS file

- 7.10 If Suppliers, Data Aggregators and Data Collectors amended the demand data so that the data National Grid currently receives from Elexon stays in the same format, or if amended is contained in aggregated columns, this will vastly cut down the workload from a National Grid perspective.
- 7.11 It is not clear who would organise and fund this collaborative work. BSC changes would also have to be made and funded.
- 7.12 Supplementary data will still be an issue.

National Grid Implement an IT system to automate all the required processes

- 7.13 National Grid does not deem this option to be achievable in the timescales allowed.

8 Workgroup Consultation Responses

8.1 Five responses were received to the Workgroup Consultation. These responses are contained within Annex 4 of this report.

8.2 The following table provides an overview of the Standard Workgroup question responses received.

	1 Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?	2 Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?	3 Do you have any other comments?	4 Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?
EDF Energy	Yes - Not offering customers this choice is unfair to those customers who are already paying or will be paying the associated metering costs for the new Half Hourly meters and wish either to use the 2016/17 Charging Year as an opportunity to learn how to optimise their load management experience ahead of mandatory introduction or to adopt their load management plans a year earlier.	Yes - but we do not see any reason why customers who migrate between 1st April 2016 and a time closer to the beginning of the HH Triad charging period cannot also opt in.	No	Yes. We propose allowing customers who migrate up to 30 th September 2016 to be allowed to choose to be billed under the HH TNUoS methodology.
Npower	Yes - This will contribute to effective competition by increasing the options for these customers, improve cost reflectivity and by allowing more customers to be settled under the HH methodology for TNUoS will allow those customers to fully realise the benefit of load management activity at peak.	Yes	Do not believe that CMP247 should have been fast tracked but instead industry should have had an opportunity to be consulted before tariffs were set on this basis	No
Scottish Power	Yes - Enabling Customers to benefit from the opportunity of being charged HH Triad instead of NHH will enable them to consider the introduction of load management to mitigate or reduce Triad charges. This will help them offset some of the other new charges that they will incur by being a HH Customer.	Yes	No	No
SSE	Yes, for the reasons given in the consultation	Yes	No	No
Smartest Energy	No	No	No	No

8.3 The following table provides an overview of the CMP260 Specific Workgroup question responses received;

	5 As a Supplier what supplementary information would you require alongside your invoice?	6 Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?
EDF Energy	Further comments on this will be provided at a later date.	Customers who are able to load manage would aspire to save TNUoS costs. Despite this, the difficulty in predicting Triads means not everyone who tries will succeed in reducing their TNUoS costs. We think that it will however provide a good learning opportunity to those customers new to this type of TNUoS charging.
Npower	None. We are happy with the operational solution which has been implemented for CMP241 and would equally be happy for this same process to be extended for further HH MPANs during Charging year 2016/17 under CMP260	We believe that the impact of this modification would increase load management for some customers and therefore reduce their costs during 2016/17. Under CMP260, we would not anticipate all customers to load manage and, where customers can load management, we would expect their percentage reduction in load to be smaller than established HH customers.
Scottish Power	None	Not all the Customers who have migrated to HH up to 31/03/16 can actually carry out load management, but those that can will do so to benefit themselves financially. Having the facility to gain from being HH now and reducing Triad charges will naturally result in increased load management in the winter of 2016/17.
SSE	The information normally provided with an HH Triad bill.	The modification may increase load management but it will not make a significant change to the overall totals. The cost to the end consumer may increase if the clerical & IT administration costs are high.
Smartest Energy	N/A	Possibly but we think that there is still a danger of double charging which could end up with the supplier losing out.

8.4 In addition the above supplementary questions, Suppliers were also asked ‘As a Supplier, if you are supportive of this change, how many MPAN’s are you likely to want to be ring-fenced as HH under this proposal?’ National Grid agreed that these numbers will be treated as confidential for any publication of Consultation responses.

Workgroup View

9.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP260 has been fully considered.

9.2 For reference the Use of System Charging Methodology 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 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.

(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.

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).

National Grid Initial View

- 9.3 National Grid considered that the baseline would better facilitate Applicable CUSC Objectives as this clearly benefits certain Suppliers who are able to absorb the one off costs of implementing this modification at the expense of others. This in the long term is not beneficial to competition or end consumers. Reduced TNUoS liability from these HH customers will be picked up disproportionately by those Suppliers in future TNUoS charges whose customer base is heavily dominated by Profile Classes 1-4 (Non Half Hourly). This modification therefore benefits certain Customers/Suppliers at the expense of others which cannot be conducive to effective future competition.
- National Grid is obligated to set charges which recover allowed revenues. By implementing a modification which alters demand bases after charges have been fixed purposely negates National Grid's ability to recover allowed revenues.
- 9.4 National Grid is required within the methodology to set cost reflective charges. By altering the methodology after charges have been set for the charging year reduces the cost reflectivity of charges for 2016/17. This modification will likely result in an under recovery of revenue which means future charges in 2018/19 will also be affected with NHH customers/suppliers disproportionately affected. All this mod is transfer money from one set of customers to another

Workgroup Vote

- 9.5 The Workgroup met on 4 April 2016 and voted on the Original Proposal and the Workgroup Alternative CUSC Modifications raised by EDF Energy. Overall, one Workgroup member voted baseline as better facilitating the applicable CUSC objectives, two Workgroup members each voted the Original better facilitated the applicable CUSC objectives and 2 Workgroup members each voted that the WACM better facilitated the applicable CUSC objectives. The votes received are as follows;

Vote 1: Whether each proposal better facilitates the Applicable Objectives against the CUSC baseline

Original					
Workgroup member	Applicable CUSC Objective				Overall
	(a)	(b)	(c)	(d)	
Nicky White	Yes, helps competition and provide customers with more options	Yes, more costs reflective to price HH	Yes, consistent with other objectives within the transmission business allowing customer to load manage	Neutral	Yes
Binoy Dharsi	Yes, provide customers the choice to opt for HH charging should they have HH metering in place	Yes, think given HH metering available more aligned with caveat that NG have already set charges for 2016/17 but on balance do not think this will impact allowed revenue position	Neutral	Neutral	Yes
Bernard	Yes, allow customers to take better advantage of HH meters	Yes, for the same reason as Objective (a)	Neutral	Neutral	Yes

Kellas					
Andy Kellsall	Yes, for the same reason as Bernard Kellas for Objective (a) and Objective (b) for Binoy Dharsi	Yes, for the same reason as Objective (a)	Neutral	Neutral	Yes
Damian Clough	No, this clearly benefits certain Suppliers who are able to absorb the one off costs of implementing this modification at the expense of others. This in the long term is not beneficial to competition or end consumers. Reduced TNUoS liability from these HH customers will be picked up disproportionately by those Suppliers in future TNUoS charges whose customer base is heavily dominated by Profile Classes 1-4 (Non Half Hourly). This modification therefore benefits certain Customers/Suppliers at the expense of others which cannot be conducive to effective future competition.	No, National Grid are obligated to set charges which recover allowed revenues. By implementing a modification which alters demand bases after charges have been fixed purposely negates National Grid's ability to recover allowed revenues. National Grid are required within the methodology to set cost reflective charges. By altering the methodology after charges have been set for the charging year reduces the cost reflectivity of charges for 2016/17. This modification will likely result in an under recovery of revenue which means future charges in 2018/19 will also be affected with NHH customers/suppliers disproportionately affected. All this mod is transfer money from one set of customers to another	Neutral. Time of Use. We use actual metering data but charge NHH tariffs. Current methodology doesn't therefore preclude demand load management. Distribution charges are based on (4-7pm) consistency.	Neutral	No

WACM 1					
Workgroup member	Applicable CUSC Objective				Overall
	(a)	(b)	(c)	(d)	
Nicky White	Yes, for the same reasons as the Original vote, plus it provides more choice to more customers	Yes, for the same reasons as the Original vote	Yes, for the same reasons as the Original vote.	Neutral	Supportive although concerned if this give additional administrative issues to National Grid
Binoy Dharsi	Yes, for the same reason as Nicky White for WACM1.	Yes, for the same reasons as the Original vote.	Neutral	Neutral	Yes
Bernard Kellas	Yes, for the same reasons as the Original vote.	Yes	Neutral	Neutral	Yes
Andy	Yes, for the same reasons as the Original vote, i.e. Competition	Yes	Neutral	Neutral	Yes

Kelsall					
Damian Clough	No, for the same reason as the 'Original vote plus by allowing more customers by increasing date multiplies the issue.	No, for the same reason as the Original vote	Neutral, for the same reason as the Original vote.	Neutral	No

Vote 2: Whether each proposal better facilitates the Applicable Objectives against the Original Proposal

WACM 1					
Workgroup member	Applicable CUSC Objective				Overall
	(a)	(b)	(c)	(d)	
Nicky White	Yes, opens options for more customers.	No, administrative risk.	Yes, more load management	Neutral	No, administrative burden concerns
Binoy Dharsi	Yes, for the same reason as WACM1.	Yes	Neutral	Neutral	Yes
Bernard Kellas	Yes, for the same reasons as WACM1.	Yes	Neutral	Neutral	Yes
Andy Kelsall	Yes, for the same reasons as Nicky White.	No	Yes	Neutral	No
Damian Clough	No, for the same reasons as Vote 1	No. for the same reasons as Vote 1	Neutral, for the same reason as Vote 1.	Neutral	No

Vote 3: Which option BEST facilitates achievement of the ACOs? (Including CUSC baseline)

Workgroup member	Best Option	Reason (please provide justification)
Nicky White	Original	
Binoy Dharsi	WACM1 -	Yes – based on numbers they have and do not believe this to cause an administrative burden to NG
Bernard Kellas	WACM1	
Andy Kelsall	Original	

Damian Clough	Baseline	
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1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP260 'TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247' tabled by RWE Npower at the CUSC Modifications Panel meeting on 29 January 2016.
2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

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.
- (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.

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).

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

Scope of Work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:
 - a) *Implementation*
 - b) *Review draft legal text*
 - c) *Is the modification advantageous to certain customers?*

6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of 3 weeks as determined by the Modifications Panel.
11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on 21 April 2016 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 29 April 2016.

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
<i>Chairman</i>	Ryan Place	Code Administrator
<i>National Grid Representative*</i>	Damian Clough	National Grid
<i>Industry Representatives*</i>	Daniel Hickman	RWE Npower
	Binoy Dharsi	EDF Energy
	Bernard Kellas	SSE
	Andy Kelsall	Scottish Power
Workgroup Alternative	Nicky White	RWE Npower
<i>Authority Representatives</i>	Donald Smith	Ofgem
<i>Technical secretary</i>	Heena Chauhan	Code Administrator

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The Chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP260 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:
- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
 - Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
 - Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

Annex 3 – Workgroup attendance register

A – Attended

X – Absent

O – Alternate

D – Dial-in

Name	Organisation	Role	17/02/2016	23/02/2016	04/03/2016	04/04/2016
Ryan Place	Code Administrator	Chair/Technical Secretary	A	A	A	A
Heena Chauhan	Code Administrator	Technical Secretary	A	X	X	A
Daniel Hickman (Alternative is Nicky White)	RWE npower	Workgroup member(proposer)	A O	O	O D	O
Damien Clough	National Grid	Workgroup member	A	A	A	A
Bernard Kellas	SSE	Workgroup member	A	X	D	D
Andy Kelsall	Scottish Power	Workgroup member	D	D	D	D
Binoy Dharsi	EDF	Workgroup member	A	D	D	A
Donald Smith (alternative is Keith Burwell)	Ofgem	Authority Representative	X O D	D	D	A

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CUSC Workgroup Consultation Response Proforma

CMP260 – TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247

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 **31st March 2016** to 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 Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Binoy Dharsi (binoy.dharsi@edfenergy.com)</i>
Company Name:	<i>EDF Energy</i>
<p>Please express your views regarding the Workgroup Consultation, including rationale.</p> <p>(Please include any issues, suggestions or queries)</p>	<p>For reference, the Applicable CUSC objectives are:</p> <p>Use of System Charging Methodology</p> <p>(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;</p> <p>(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);</p> <p>(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</p>

	<p>the developments in transmission licensees' transmission businesses.</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>
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Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>Yes. It better facilitates CUSC objective (a). Customers who have a meter that is being settled Half Hourly should not be precluded from being able to choose to be billed Half Hourly TNUoS during the 2016/17 Charging Year, prior to mandatory introduction in the 2017/18 Charging Year. Not offering customers this choice is unfair to those customers who are already paying or will be paying the associated metering costs for the new Half Hourly meters and wish either to use the 2016/17 Charging Year as an opportunity to learn how to optimise their load management experience ahead of mandatory introduction or to adopt their load management plans a year earlier.</p> <p>We believe those customers who migrate after the current proposed cut-off date, 1 April 2016, should also be eligible to choose to have the option to opt for HH TNUoS charging. This will allow a greater number of customers being able to take advantage of load management. We propose setting the migration date, with input from National Grid, as close as operationally possible to the start of the HH charging period in November 2016.</p>
2	Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?	<p>We support the implementation approach, but we do not see any reason why customers who migrate between 1st April 2016 and a time closer to the beginning of the HH Triad charging period cannot also opt in.</p>
3	Do you have any other comments?	
4	Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	<p>Yes. We propose allowing customers who migrate up to 30th September 2016 to be allowed to choose to be billed under the HH TNUoS methodology.</p> <p>CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM attached to response.</p>

Specific questions for CMP260

Q	Question	Response
6	As a Supplier what supplementary information would you require alongside your invoice?	Further comments on this will be provided at a later date.
6	Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?	Customers who are able to load manage would aspire to save TNUoS costs. Despite this, the difficulty in predicting Triads means not everyone who tries will succeed in reducing their TNUoS costs. We think that it will however provide a good learning opportunity to those customers new to this type of TNUoS charging.
7	As a Supplier, if you are supportive of this change, how many MPAN's are you likely to want to be ring-fenced as HH under this proposal? Please note that these numbers will be treated as confidential for any publication of Consultation responses.	

CUSC Workgroup Consultation Response Proforma

CMP260 – TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247

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Please send your responses by **31st March 2016** to 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 Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Nicky White</i> <i>nicky.white@npower.com</i>
Company Name:	<i>RWE npower</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC objectives are:</p> <p>Use of System Charging Methodology</p> <p>(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;</p> <p>(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);</p> <p>(c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far</p>

	<p>as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>
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Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?	<p>Yes</p> <p>We believe that in respect of relevant objective (a) competition will be improved. Approval of CMP260 will allow Suppliers the option to have meter points with HH metering treated as HH for 2016/17 TNUoS charging. This will contribute to effective competition by increasing the options for these customers</p> <p>In respect of relevant objective (b) cost reflectivity will be improved. To treat some HH customers as NHH, as approved modification CMP247 particularly those customers with the capability and desire to load manage through the Triad season, is a movement away from cost reflectivity</p> <p>For relevant objective (c) demand side management to increase system margin and defer network reinforcement is an increasing feature of network operators businesses. Allowing more customers to be settled under the HH methodology for TNUoS will allow those customers to fully realise the benefit of load management activity at peak. It is also consistent with the original intentions and benefits of P272</p> <p>For objective (d) we believe are neutral in respect of this modification.</p>
2	Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?	<p>Yes</p>

Q	Question	Response
3	Do you have any other comments?	We do not believe that CMP247 should have been fast tracked but instead industry should have had an opportunity to be consulted before tariffs were set on this basis
4	Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	<i>No</i>

Specific questions for CMP260

Q	Question	Response
5	As a Supplier what supplementary information would you require alongside your invoice?	None. We are happy with the operational solution which has been implemented for CMP241 and would equally be happy for this same process to be extended for further HH MPANs during Charging year 2016/17 under CMP260

Q	Question	Response
6	Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?	<p>We believe that the impact of this modification would increase load management for some customers and therefore reduce their costs during 2016/17.</p> <p>Since National Grid have already published tariffs for 2016/17, National Grid have concerns that load management would reduce their revenue collected for 2016/17 and they would under-recover. This potential under recovery would then impact other customers to be recovered during a future year. Customers incentivised to load manage will reduce collected revenue from sites and could impact k factor for year+2. National Grid would take into account load management activity in their models but can't perfectly anticipate new/changes in load management initiatives by customers. Under CMP260, we would not anticipate all customers to load manage and, where customers can load management, we would expect their percentage reduction in load to be smaller than established HH customers. With reference to Annex 5, we believe that these customers would load management (reduce some demand during Triads) rather than Triad avoid (remove all demand during all Triads). Therefore the impact on revenue closer to -£5m (-£28m+£23m in the example detailed in annex 5) seems more realistic rather than -£28m for the 36,000 customer example. Furthermore, we believe that only a proportion of these customers would actually be ring-fenced. We consider that the additional load management driven by this modification will be within the normal National Grid forecast error for the Charging year 2016/17 due to issues like weather, other unanticipated changes in customer behaviour, changes to demand due to embedded generation, etc</p>

1 Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?

(A) Yes it does. Enabling Customers to benefit from the opportunity of being charged HH Triad instead of NHH will enable them to consider the introduction of load management to mitigate or reduce Triad charges. This will help them offset some of the other new charges that they will incur by being a HH Customer. Not allowing Customer's to have this option effectively penalizes them from going from NHH to HH early. Especially when you consider that there will be a mechanism in place for existing Measurement Class E Customers registered prior to 01/04/15 to be treated as HH Triad instead of NHH (if Suppliers chose to do this) for the 2016/17 charging year.

2 Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?

Yes

3 Do you have any other comments?

No

4 Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?

No

5 As a Supplier what supplementary information would you require alongside your invoice?

None

6 Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?

Not all the Customers who have migrated to HH up to 31/03/16 can actually carry out load management, but those that can will do so to benefit themselves financially. Having the facility to gain from being HH now and reducing Triad charges will naturally result in increased load management in the winter of 2016/17.

As National Grid has already published tariffs for 2016/17 there will be an impact on the revenues collected, but not to the extent that we would anticipate this falling outside of the normal National Grid forecast error.

CUSC Workgroup Consultation Response Proforma

CMP260 – TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247

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 **31st March 2016** to 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 Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Colin Prestwich</i>
Company Name:	<i>SmartestEnergy</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>The document states that the previous CMPs came about because of the danger of double charging. We are not convinced that this issue has been addressed in this modification.</p> <p>It seems to us that this proposal is only going to give the opportunity to game the lower TNUoS charging regime to the disbenefit of other consumers and suppliers and it seems unlikely that customers as a whole would see any direct benefit as a result of this change.</p>

Standard Workgroup consultation questions

Q	Question	Response
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Q	Question	Response
1	<p>Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?</p>	<p>No</p> <p>For reference, the Applicable CUSC objectives are:</p> <p>Use of System Charging Methodology</p> <p>(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;</p> <p>(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);</p> <p>(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.</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>
2	<p>Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?</p>	<p>No</p>
3	<p>Do you have any other comments?</p>	<p>No</p>

Q	Question	Response
4	Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No

Specific questions for CMP260

Q	Question	Response
6	As a Supplier what supplementary information would you require alongside your invoice?	N/A
6	Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?	Possibly but we think that there is still a danger of double charging which could end up with the supplier losing out.
7	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

CUSC Workgroup Consultation Response Proforma

CMP260 – TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247

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 **31st March 2016** to 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 Workgroup.

Any queries on the content of the consultation should be addressed to Heena Chauhan at heena.chauhan@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Bernard Kellas</i>
Company Name:	<i>SSE Energy Supply</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC objectives are:</p> <p style="text-align: center;">Use of System Charging Methodology</p> <p>(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;</p> <p>(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);</p> <p>(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</p>

	<p>the developments in transmission licensees' transmission businesses.</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p>
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Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that the CMP260 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes – for the reasons given in the consultation.
2	Do you support the proposed implementation approach? Or are there any further implementation implications that need to be considered?	Yes
3	Do you have any other comments?	No
4	Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No

Specific questions for CMP260

Q	Question	Response
6	As a Supplier what supplementary information would you require alongside your invoice?	The information normally provided with an HH Triad bill.
6	Do you think this modification will increase load management in the winter of 2016/17 and in doing so likely to decrease or increase costs to the end consumer?	<p>The modification may increase load management but it will not make a significant change to the overall totals.</p> <p>The cost to the end consumer may increase if the clerical & IT administration costs are high.</p>

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CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ##### by #####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Binoy Dharsi (binoy.dharsi@edfenergy.com)
CMP260	TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC Party
Description of the Proposal for the Workgroup to consider <i>(mandatory by proposer):</i> We propose an alternative in which the cut-off date, for meters which have migrated to HH settlement, to choose HH TNUoS charging rather than NHH TNUoS charging for the 2016-17 charging year is 30 September 2016	
Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) <i>(mandatory by proposer):</i> The Original proposal requires meters that already have migrated to a HH measurement class by 1 st April 2016 to be eligible to choose HH TNUoS charging. We propose this date is extended to 30 th September 2016.	
Justification for the proposal <u><i>(including why the Original proposal / Workgroup Alternative(s) does not address the defect)</i></u> <i>(mandatory by proposer):</i> This will increase the opportunity for customers wishing to use focussed demand management, and reduce the administrative costs for suppliers employing workarounds to manage HH meters as if they were NHH meters for some purposes.	

Impact on the CUSC <i>(this should be given where possible):</i>	
Impact on Core Industry Documentation <i>(this should be given where possible):</i>	
Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i>	
Justification for the proposal with Reference to Applicable CUSC Objectives* <i>(mandatory by proposer):</i>	
<p>We believe this alternative modification meets the following CUSC objective:</p> <p>(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;</p>	
Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:	

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

P272 ‘Balancing and Settlement Code (BSC) P272: Mandatory Half-Hourly Settlement for Profile Classes 5-8’

- 9.6 The BSC did not obligate the use of Half Hourly Settlement for Meters in Non Half Hourly Profile Classes 5-8. However, some Metering Equipment in Profile Classes 5-8 was already capable of capturing Half Hourly data. By 2014 the vast majority of such Meters were capable of capturing Half Hourly data due to the roll out of ‘advanced’ Meters. P272 proposed to make Half Hourly Settlement mandatory for Profile Classes 5-8 from 1 April 2014, as the Proposer believed that the use of Non-Half Hourly data was not as accurate and masked individual customer behaviour.
- 9.7 The BSC Panel rejected both the Proposed Modification and the Alternative Modification. Ofgem however approved the Alternative with a recommended implementation date of 1st April 2016 which has subsequently amended to 1st April 2017.

CMP241 ‘TNUoS Demand Charges during the Implementation of P272’

- 9.8 Following the implementation of P272 National raised CMP241 which proposed to treat Profile Classes 5-8 which move to being Half-Hourly settled after 1st April 2015 as being Non Half-Hourly settled for all of the 2015/16 Charging Year. This avoided TNUoS Demand liabilities payable by Suppliers being higher than originally forecasted when TNUoS tariffs for 2015/16 were finalised on 31st January 2015.
- 9.9 This proposal was approved by Ofgem in March 2015 for implementation from 1st April 2015.

P322 ‘Revised Implementation Arrangements for Mandatory Half Hourly Settlement for Profile Classes 5-8’

- 9.10 P322 proposed new arrangements to migrate sites, classed as Profile Class (PC) 5-8 with Advanced Meters installed, to Half Hourly (HH) Settlement under the P272 obligations. P322 had the following features:
- Required start and end dates to facilitate a phased approach to implementation
 - Performance Monitoring, most likely through the existing Performance Assurance Framework (PAF)
 - An implementation approach, which considers approved Modification P272 and possible amendment to the P272 Implementation Date by the Authority
- 9.11 Ofgem approved this proposal in June 2015.

CMP247 ‘TNUoS Demand Charges during the implementation of BSC Modification P272 following the approval of BSC Alternative Modification P322’

- 9.12 The implementation of CMP241 allowed all meters which migrated into Measurement Classes E-G to be treated as Half Hourly (HH) if they migrated before the start of each charging year up until the full charging year after the Implementation date of P272. Following P322 and the extension of the implementation date, this option was opened up to all meters which migrated before 1st April 2016. The Proposal aimed to change the CUSC so that only meters which migrated into Measurement Classes E-G before 1st April 2015 would have the option to be treated as HH up until implementation of P272.
- 9.13 This proposal was approved by Ofgem in November 2015.

Annex 7 – Potential Effects on Revenues and Tariffs

9.14 This analysis illustrates the potential effects on revenues and tariffs of CMP260. All underlying demand assumptions start from NHH profiles for Profiles 5-8. When looking at the analysis please bear in mind a lot of estimations and assumptions have to be made, as to be truly accurate you would need to know the exact profile for the meters in question, and their likely behaviour over the Triad periods.

Calculating the effect on NHH Demand tariffs and revenue							
	TwH						
Total NHH demand 1617	26.15						
Profile Classes make up 9.3% of Total NHH annual demand							
Profile Classes 5-8	2.43						
The above analysis was based on a forecast of 180,000 meters.							
Maximum amount of meters which can take up the option		36000					
Meters already charged under this option		3000					
Total Number of Meters affected by CMP260		33000					
Affected Meters/Total Meter Pop		18.33%					
NHH demand affected		0.45	TwH				
New NHH demand base		25.70					
NHH Zonal Revenue	NHH Zonal 1600-1900	NHH Zonal 1600-1900	NHH Zonal	Adjusted NHH Total	Adjusted NHH Tariff	Adjusted Zonal	
Recovery (£m)	Demand (TWh)	Demand Share (%)	Tariff (p/kWh)	(TWh)	(p/kWh)	Recovery (£m)	
41.82	0.734600	3%	5.69	0.72	5.79	0.10	£41.11
107.73	1.756696	7%	6.13	1.73	6.24	0.11	£105.89
88.17	1.317666	5%	6.69	1.30	6.81	0.12	£86.66
117.28	2.089255	8%	5.61	2.05	5.71	0.10	£115.28
122.75	1.897612	7%	6.47	1.87	6.58	0.11	£120.65
83.91	1.310040	5%	6.40	1.29	6.52	0.11	£82.47
144.08	2.286714	9%	6.30	2.25	6.41	0.11	£141.62
135.57	2.158752	8%	6.28	2.12	6.39	0.11	£133.25
211.22	3.364333	13%	6.28	3.31	6.39	0.11	£207.61
55.42	0.875636	3%	6.33	0.86	6.44	0.11	£54.47
136.91	2.081317	8%	6.58	2.05	6.69	0.11	£134.57
137.22	2.132929	8%	6.43	2.10	6.55	0.11	£134.88
179.26	2.796197	11%	6.41	2.75	6.52	0.11	£176.20
91.51	1.345078	5%	6.80	1.32	6.92	0.12	£89.95
1,652.86	26.15			25.7		£1,624.62	-£28.25
Assumptions/Comments							
This is a worse case scenario assuming all meters migrating before 1st April 2016 take up the option of CMP260							
If you halve the number of meters you simply halve the effect on tariffs and revenues							

Derivation of Capped Zonal Demand NHH Tariffs								
Zone	Zone Name	Total Demand Charge Base: Triad Demand (MW)	Chargeable HH Zonal Triad Demand (MW)		Final Zonal Tariff (£/kW)	HH Zonal Triad Demand Revenue Recovery (£m)	Adjusted Triad (MW)	Adjusted Rev
1	Northern Scotland	573.60	- 460.72	-4%	40.44	-18.63	-478.29	-19.34
2	Southern Scotland	3,186.76	474.12	4%	39.71	18.83	492.20	19.55
3	Northern	2,216.17	136.54	1%	42.40	5.79	141.75	6.01
4	North West	3,682.02	909.24	7%	42.30	38.46	943.91	39.92
5	Yorkshire	3,897.34	972.18	7%	41.96	40.80	1,009.25	42.35
6	N Wales & Mersey	2,980.87	990.10	8%	42.15	41.73	1,027.85	43.32
7	East Midlands	4,796.99	1,536.77	12%	44.19	67.92	1,595.36	70.51
8	Midlands	4,224.54	1,225.84	9%	45.21	55.42	1,272.58	57.53
9	Eastern	6,045.69	1,455.14	11%	46.01	66.95	1,510.62	69.51
10	South Wales	2,251.76	925.28	7%	41.78	38.65	960.56	40.13
11	South East	3,631.50	818.62	6%	48.67	39.85	849.83	41.36
12	London	4,435.54	1,762.69	13%	51.34	90.50	1,829.90	93.95
13	Southern	5,594.96	1,976.94	15%	49.55	97.95	2,052.32	101.69
14	South Western	2,282.26	377.76	3%	48.05	18.15	392.16	18.84
		49,800.00	13,100.50			602.36	13,600.00	625.33
£22.97								

We estimate around 500MW's of extra HH Chargeable revenue if these customers do not Triad avoid
This equates to an extra £23m of revenue
If they do not triad avoid the extra revenue offsets the need to raise NHH tariffs or any underrecovery
However CMP260 assumes that these customers will Triad avoid

This equates to an extra £23m of revenue

If they do not triad avoid the extra revenue offsets the need to raise NHH tariffs or any underrecovery

However CMP260 assumes that these customers will Triad avoid

Original Proposal

Implementation of P272

- 14.17.29.1 BSC modification P272 requires Suppliers to move Profile Classes 5-8 to Measurement Class E - G (i.e. moving from NHH to HH settlement) by April 2017. The majority of these meters are expected to transfer during the preceding Charging Years up until the implementation date of P272 and some meters will have been transferred before the start of 1ST April 2015. A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation in the transition to P272 implementation for the purposes of TNUoS charging; and the forecasts that Suppliers should provide to the Company.
- 14.17.29.2 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2015 and prior to implementation of BSC Modification P272, all demand associated with meters that are in NHH Profile Classes 5 to 8 at the start of that charging year as well as all meters in Measurement Classes E G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year unless 14.17.29.3 applies.
- 14.17.29.3 Where a Profile Class meter has transferred to Measurement Class settlement (HH) on or before the 1st April 2016 the associated Supplier may opt to treat the demand volume as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging up until implementation of P272, subject to meeting conditions in 14.17.29.6. If the associated Supplier does not opt to treat the demand volume as Demand Capacity (HH) it will be treated by default as Chargeable Energy Capacity (NHH) for each full Charging Year up until implementation of P272.
- 14.17.29.4 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information if they accept this default position.
- 14.17.29.5 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect this position i.e. volumes associated those Metering Systems that have transferred from a Profile Class to a Measurement Class in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity, unless 14.17.29.3 applies.
- 14.17.29.6 Where a Supplier wishes for Metering Systems that have transferred from Profile Class to Measurement Class in the BSC (NHH to HH settlement),

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on or before the 1st April 2016, to be treated as Chargeable Demand Capacity (HH/ Measurement Class settled) it must inform the Company prior to October 2016. The Company will treat these as Chargeable Demand Capacity (HH / Measurement Class settled) for the purposes of calculating the actual annual liability for the Charging Years up until implementation of P272. For these cases only, the Supplier should notify the Company of the Meter Point Administration Number(s) (MPAN). For these notified meters the Supplier shall provide the Company with verified metered demand data for the hours between 4pm and 7pm of each day of each Charging Year up to implementation of P272 and for each Triad half hour as notified by the Company prior to May of the following Charging Year up until two years after the implementation of P272 to allow reconciliation (e.g. May 2018 and May 2019 for the Charging Year 2017/18). Where the Supplier fails to provide the data or the data is incomplete for a Charging Year TNUoS charges for that MPAN will be reconciled as part of the Supplier's NHH BMU (Chargeable Energy Capacity). Where a Supplier opts, if eligible, for TNUoS liability to be calculated on Chargeable Demand Capacity it shall submit the forecasts referred to in 14.17.29.5 taking account of this.

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- 14.17.29.7 The Company will maintain a list of all MPANs that Suppliers have elected to be treated as HH. This list will be updated monthly and will be provided to registered Suppliers upon request.

WACM 1

Implementation of P272

- 14.17.29.1 BSC modification P272 requires Suppliers to move Profile Classes 5-8 to Measurement Class E - G (i.e. moving from NHH to HH settlement) by April 2017. The majority of these meters are expected to transfer during the preceding Charging Years up until the implementation date of P272 and some meters will have been transferred before the start of 1st April 2015. A change from NHH to HH within a Charging Year would normally result in Suppliers being liable for TNUoS for part of the year as NHH and also being subject to HH charging. This section describes how the Company will treat this situation in the transition to P272 implementation for the purposes of TNUoS charging; and the forecasts that Suppliers should provide to the Company.

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- 14.17.29.2 Notwithstanding 14.17.9, for each Charging Year which begins after 31 March 2015 and prior to implementation of BSC Modification P272, all demand associated with meters that are in NHH Profile Classes 5 to 8 at the start of that charging year as well as all meters in Measurement Classes E G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full Charging Year unless 14.17.29.3 applies.

- 14.17.29.3 Where a Profile Class meter has already transferred to Measurement Class settlement (HH) on or before the 1st September 2016 the associated Supplier may opt to treat the demand volume as Chargeable Demand Capacity (HH) for the purposes of TNUoS charging up until implementation of P272, subject to meeting conditions in 14.17.29.6. If the associated Supplier does not opt to treat the demand volume as Demand Capacity (HH) it will be treated by default as Chargeable Energy Capacity (NHH) for each full Charging Year up until implementation of P272.

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- 14.17.29.4 The Company will calculate the Chargeable Energy Capacity associated with meters that have transferred to HH settlement but are still treated as NHH for the purposes of TNUoS charging from Settlement data provided directly from Elexon i.e. Suppliers need not Supply any additional information if they accept this default position.
- 14.17.29.5 The forecasts that Suppliers submit to the Company under CUSC 3.10, 3.11 and 3.12 for the purpose of TNUoS monthly billing referred to in 14.17.16 and 14.17.17 for both Chargeable Demand Capacity and Chargeable Energy Capacity should reflect this position i.e. volumes associated those Metering Systems that have transferred from a Profile Class to a Measurement Class in the BSC (NHH to HH settlement) but are to be treated as NHH for the purposes of TNUoS charging should be included in the forecast of Chargeable Energy Capacity and not Chargeable Demand Capacity, unless 14.17.29.3 applies.
- 14.17.29.6 Where a Supplier wishes for Metering Systems that have transferred from Profile Class to Measurement Class in the BSC (NHH to HH settlement) on or before the 1st September 2016, to be treated as Chargeable Demand Capacity (HH/ Measurement Class settled) it must inform the Company prior to October 2016. The Company will treat these as Chargeable Demand Capacity (HH / Measurement Class settled) for the purposes of calculating the actual annual liability for the Charging Years up until implementation of P272. For these cases only, the Supplier should notify the Company of the Meter Point Administration Number(s) (MPAN). For these notified meters the Supplier shall provide the Company with verified metered demand data for the hours between 4pm and 7pm of each day of each Charging Year up to implementation of P272 and for each Triad half hour as notified by the Company prior to May of the following Charging Year up until two years after the implementation of P272 to allow reconciliation (e.g. May 2018 and May 2019 for the Charging Year 2017/18). Where the Supplier fails to provide the data or the data is incomplete for a Charging Year TNUoS charges for that MPAN will be reconciled as part of the Supplier's NHH BMU (Chargeable Energy Capacity). Where a Supplier opts, if eligible, for TNUoS liability to be calculated on Chargeable Demand Capacity it shall submit the forecasts referred to in 14.17.29.5 taking account of this.
- 14.17.29.7 The Company will maintain a list of all MPANs that Suppliers have elected to be treated as HH. This list will be updated monthly and will be provided to registered Suppliers upon request.

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