

CUSC Panel

Friday 23 February 2024

Online Meeting via Teams



Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held 26 January 2024



Action Log



Chair's Update

Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification **(8.3.3)**

Functions (8.3.3)

The **Panel** shall endeavour at all times to operate:

- in an efficient, economical and expeditious manner, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- with a view to ensuring that the CUSC facilitates achievement of the Applicable CUSC Objectives.

Duties of Panel Members & Alternates (8.3.4)

- 1. Shall act impartially and in accordance with the requirements of the CUSC; and
- 2. Shall not have any conflicts of interest.

 Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom they were appointed as Panel Member and any Related Person from time to time.

Getting Prepared

Event	Date	Description	Panel Requirement
Papers Day	5 clear working days prior to Panel	Panel members sent relevant papers for CUSC Panel meeting	Read papers to enable full participation in meeting - We will set out the key asks in our covering email Complete voting statements if required
CUSC Panel	Last Friday of each month unless agreed otherwise (except December where Panel is held 3 rd Friday of the month)	Meeting to discuss progress of modifications and CUSC issues.	Attend meeting (or send apologies early, so the Alternate Rota can be used) Vote Prepare for meeting

Panel Ways of Working

Objective of Panel: Panels facilitate change to the respective Code by overseeing the modification process ensuring modifications and changes to the Codes are carried out in an efficient, economical and timely manner.

Areas of responsibility

For each modification proposal:

- · Agreeing the route and timetable it should follow
- Assessing if a workgroup is required and setting the terms of reference
- Consideration of the Applicable Code Objectives set out in the Transmission Licence
- Recommendation to Ofgem / Decision where Ofgem decision not required
- Establishing Standing Groups
- Prioritisation (in flight and new modifications)

Success criteria

- Timely progression of all modifications with a strong focus on quality inputs and outputs and all pertinent information set out clearly in Final Modification Reports to allow Ofgem to make informed decisions
- Modifications being challenged by a wide audience with participation across all stakeholder groups and all views being taken into account within recommendations
- Efficient development of changes that demonstrate value for money for consumers

What Panel do?

- Strive to attend all meetings, or send apologies to allow an alternate to attend, having completed any preparation work
- Remain impartial with appropriate challenge
- Actively participate in discussions
- · Have the interests of the industry in mind at all times
- · Fulfil any responsibilities assigned
- · Address any conflicts of interest

Behaviour Charter

- Listen quietly to and respect the views of others
- Value Diversity
- · Make smart use of time
- Contribute to good quality discussions and provide constructive challenge
- Progress Code development with impartiality and for the benefit of the whole of the industry
- Raise significant concerns/AOBs in advance to Chair (cc Code Admin)
- · Sending apologies in advance

Voting

Any matter is decided by a simple majority of the votes cast at the meeting. Panel members have to be present for their vote to count and an abstention shall not be counted as a cast vote.

Process	Voting
Urgency	Vote on whether or not to recommend Urgent treatment – in the event of a tie, the Chair shall have the casting vote (CUSC 8.24)
Fast Track	No specific vote, unanimous agreement required (CUSC 8.29)
Workgroup Report	No specific vote, majority agreement required (CUSC 8.22.2)
Draft Final Modification Report	Vote on whether or not to recommend implementation - in the event of a tie, the Chair shall have the casting vote (CUSC 8.11)
Draft Final Self Governance Modification Report	Vote to decide whether to implement – in the event of a tie, the Chair shall have the casting vote (CUSC 8.25)

Chair's Expectations

Behaviours

- Read and fully digest papers (employer letter gives priority to Panel work)
- Discuss AOB items first with Chair and secretariat
- Act with impartiality and independence, represent your constituency not your company
- Focus on the strategic role of the Panel, the decisions being requested by the Chair and avoid straying into detailed Workgroup conversations
- Where possible, raise contentious issues in advance so there are no surprises or agenda derailments

- Greater focus on end consumer impacts
- Provide timely input of voting statements and prioritisation views
- Respect the process with no "after the event" or post-decision thoughts
- Respect housekeeping protocols
- Culture of respect for all and constructive challenge

Prioritisation

- Take responsibility and be accountable for using your industry expertise to identify where the Panel should focus its priorities
- Focus on issues of strategic importance and not on detailed points of process or operation
- Understand resource constraints

Voting

- Please do not raise new issues during the vote as it hampers independence
- No herd voting or manipulation of voting order

Voting Recording and Validation

- Panel's recommendation will be recorded based on the quantity of votes around the facilitation of the Applicable CUSC Objectives.
- · When there is not unanimous or majority consensus against the solutions, the number of voting members will be recorded.
- When asked to check your vote post Panel, no response will be taken as you having no opposition to the documented vote

Authority Decisions and Update (as at 14 February 2024)



<u>Decisions Received since last Panel meeting</u>

• <u>CMP344</u> 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'

Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
CMP330&CMP374 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10/08/2023	08/05/2024 (previously 08/03/2024)
CMP392 'Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation'	13/10/2023	29/02/2024 (previously 31/01/2024)
CMP396 'Re-introduction Of BSUoS on Interconnector Lead Parties'	05/01/2024	16/02/2024
CMP398 'GC0156 Cost Recovery mechanism for CUSC Parties'	11/07/2023	29/02/2024 (previously 30/01/2024)
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	TBC
CMP411 'Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies'	05/01/2024	29/03/2024
CMP412 'CMP398 Consequential Charging Modification'	11/07/2023	29/02/2024 (previously 30/01/2024)
CMP414 'CMP330/CMP374 Consequential Modification'	10/08/2023	08/05/2024 (previously 08/03/2024)
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	TBC

Received Final Modification Reports since last Panel Meeting

Modification	Final Modification Report Received	Expected Decision Date
CMP315 'TNUoS Review of the expansion constant and the elements of the transmission system charged for and CMP375 'Enduring Expansion Constant & Expansion Factor Review'	07/02/2024	
CMP286 'Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process'	08/02/2024	

The Authority's publication on decisions can be found on their website below:

https://www.ofgem.gov.uk/publications/code-modification-proposals-ofgem-decision-expected-publication-dates-timetable



New modifications submitted

CMP430: Adjustments to TNUoS Charging from 2025 to support the Market Wide Half Hourly Settlement (MHHS) Programme

and

CMP431: Adjustments to TNUoS Charging from 2025 to support the Market Half Hourly Settlement (MHHS) Programme (Non-Charging)

Neil Dewar and Keren Kelly

Critical Friend Feedback – CMP430

Code Administrator comments	Amendments made by the Proposer
Title Change General formatting and naming convention consistency checks	Proposer accepted all amendments made by the Code Administrator
Confirmation on link with BSC modifications	

Critical Friend Feedback – CMP431

Code Administra	ator comments	Amendments made by the Proposer
Title Change General formattin checks	g and naming convention consistency	Proposer accepted all amendments made by the Code Administrator
Confirmation on I	ink with BSC modifications	

Background

TNUoS Charging

- Within the CUSC there are two mechanisms for demand locational Transmission Network Use of System (TNUoS) Charging:
 - Non Half Hourly (NHH) transmission charges are based on the total volume consumed between 4pm and 7pm over the course of the year
 - Half Hourly (HH) transmission charges are based on the consumer's average demand during the three 'Triad' periods between November and February.
- Modification Proposal CMP266 was approved by Ofgem on 20th December 2016 and was extended with the approval of CMP318 and CMP401

 the latter linking to the Market-wide Half Hourly Settlement (MHHS) Programme end of Migration period
 - These Modifications afforded protection from the risk of double charging for sites that were in Measurement Classes F and G.

MHHS Programme Timeline

- In April 2021, Ofgem published their MHHS Decision and Full Business Case with associated transition timetable. This however, was subject to an 18 month delay and a Re-Plan was approved by Ofgem in June 2023. The Programme is due to be completed by December 2026.
- The MHHS Programme is split into different Milestones with the Suppler Migration of Meter Point Administrator Numbers (MPANs) due to take place between April 2025 and October 2026. During this period, Suppliers will move approximately 33m MPANs from legacy systems to a new MHHS Target Operating Model (TOM).

MHHS Design interactions with the CUSC

 The ESO uses demand data from central settlement processes to calculate and charge demand locational TNUoS. Some of the data reported is based on Measurement Class.

Existing CUSC Charging Methodologies

The CUSC sets out different charging methodologies for Demand Locational charges:

- Chargeable Demand Locational Capacity ('Triad'):
 - the average of the Supplier BM Unit's half-hourly metered gross demand during the Triad (£/kW)
- Chargeable Energy Capacity ('4pm-7pm peak'):
 - the Supplier BM Unit's non half-hourly metered energy consumption over the period 16:00 hrs to 19:00 hrs inclusive every day over the Financial Year (p/kWh)
- Chargeable Embedded Export Capacity:
 - the average of the Supplier BM Unit's half-hourly metered embedded export during the Triad

The CUSC does not define segmentation between half-hourly and non half-hourly using Measurement Class. However, Measurement Classes are used to describe data in different fields provided in the TUoS Report, or P0210.

- Measurement Classes are only referred to in CUSC (F and G) to describe special arrangements that are in place up to MHHS Milestone
 15 to reduce the risk of a site being charged under both Triad and 4pm-7pm peak methodologies within the same Charging Year ('double charging').
- Double charging can occur when the settlement characteristics of a site cause it to move between the different demand locational
 methodologies at certain points in the Charging Year. Despite being settled half-hourly, the CUSC states that Measurement Classes F
 and G are treated as non half-hourly.
- Measurement Class as a data item will no longer exist in the new MHHS TOM and the CCC replacement is not identical and therefore
 cannot replicate the information the P0210 (TUoS File HH/NHH Split).

Defect

There are three different elements to the defect. Without any action:

- a) Demand data cannot be segmented in a way that maintains the same application of TNUoS charging for all sites, once they have been migrated to the new MHHS arrangements
- b) The risk of double charging MPANs increases during MHHS Migration (April-25 to October-26) as sites move from legacy arrangements to the new MHHS arrangements
- c) Some definitions or terminology within the CUSC may be inconsistent with any solution introduced under this Modification and MHHS baselined design

Proposed Solution Approach

ESO are proposing to have two Modifications discussed concurrently at Workgroups to optimise efficiency:

- Charging Modification Proposal (CMP430)
- Non- Charging Modification Proposal (CMP431)
- Suggested approach is to have multiple Workgroups across a short period of time in March and April (possibly multiple meetings in same week)
- Objective to send to Ofgem by end of May to allow Ofgem to make a decision by 30 September 2024 to ensure compliance with CMP292 and implementation for 01 April 2025
- ESO are proposing that the solution is not timebound in the CUSC legal text and so would be implemented on an enduring basis.
 - The <u>TNUoS Task Force</u>, under Charging Futures, is considering potential reform of charging of locational TNUoS to demand users and so may make recommendations for CUSC Modifications to be raised to be applicable to Charging years beyond 2025.

Charging Modification (CMP430) Proposed Solution

- ESO propose to amend CUSC to maintain the current charging methodologies and segment customers by the new MHHS data items that make
 up the P0210 report as a result of approval of Change Request (CR) 32 in the MHHS Programme.
- The proposed solution would mean that sites would be segmented between the two methodologies for Charging purposes, using the new MHHS
 Design Data items i.e. Domestic and Connection Type Indicators, once they have been migrated. Connection Type Indicator is defined under
 Industry Standing Data (ISD): MHHS Entities Data Items as ISD Entity ID M2
- The proposal is to align the CUSC to the relevant Balancing and Settlement Code (BSC) Sections and definitions to state that:
 - Pre MHHS migration, a site will be charged under the existing arrangements; and
 - Post MHHS migration, a site will be charged based on logic derived from the Connection Type Indicator and Domestic Premise Indicator
 - This table sets out the detail of the proposed arrangements:

Domestic/Non Dom	Connection Type Indicator	Possible Charging Arrangements (Post Migration outcome)	Current Arrangements (Measurement Class and Charging)
Domestic	All	4pm-7pm	A 4pm-7pm F 4pm-7pm C Triad
Non-Domestic	WC (Whole Current)	4pm-7pm	G 4pm-7pm A 4pm-7pm
	L (LV with Current Transformer)	Triad	C Triad E Triad A 4pm-7pm
	H (HV with Current Transformer)	Triad	C Triad E Triad A 4pm-7pm
	E (EHV with Current Transformer)	Triad	C Triad E Triad A 4pm-7pm
	U (Unmetered)	Triad	D (all UMS will be moved from MC B pre-migration) Triad

Benefits and Risks of Solution

Benefits

- This proposal maintains the current segmentation of MPANs between the different demand locational methodologies as close to existing arrangements as possible, with MHHS data items available
- This solution is preferrable to others considered in relation to central IT impacts and costs required to support this solution. It is anticipated that only Elexon logic to populate the P0210 file would be required.
- This solution poses the least risk of impacting MHHS delivery timescales and has been discussed with Elexon, Helix and MHHS Programme and they are supportive of this solution.

Risks

 Some MPANs would face a change in charging methodology as the Measurement Class mapping cannot replicate the current segmentation exactly.

Non-Charging Modification (CMP431) Proposed Solution

- With the proposed approach to the Charging solution, ESO believes that changes to Section 3 'Use of System' and Section 11 'Interpretations and Definitions' can be minimised.
- ESO anticipate that new clauses and definitions will be required to ensure that the CUSC is fit for purpose for both non-migrated and migrated MPANs.

Benefits and Risks of Solution

Benefits

- The changes proposed under the Non-Charging Modification will ensure that Section 3 and Section 11 are consistent with the Charging Modification and MHHS Programme code drafting.
- Feedback on the approach and subsequent changes will be sought from the Workgroup.
- By raising this Modification proposal at the same time as the Charging Proposal, it increases efficiency and prevents delay of returning to CUSC Panel at a later date and possible delay in completing Modification process to send to The Authority for decision

<u>Risks</u>

 Until CMP430 solution agreed, we are not able to articulate the amount of changes required as a result of the Charging Methodology Modification Proposal, although these are expected to be minimal

Any Questions?



Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that CMP430 should be treated as an Urgent Modification proposal and be assessed by a Workgroup

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	 CMP430 relates to an imminent issue that would begin to impact parties, and therefore potentially consumers, from April 2025 If the defects are not addressed under urgent timescales: Parties will not have adequate notice of charging arrangements and tariff setting for Charging Year 2025 which introduces increased commercial risk There will be a significant increase in the instances of double charging sites under two different methodologies in the same Charging Year, again having a commercial impact on parties and potentially consumers Suppliers are not likely to have sufficient time to adjust their MHHS Migration plans under MHHS governance to mitigate double charging risk CUSC changes would be misaligned with MHHS Programme Milestones which could introduce a lack of clarity to all MHHS Programme Participants within the timebound, major reform of settlement arrangements MHHS is a key enabler for realising demand-shifting benefits for transmission networks. Estimate £1.4bn by 2034. A single year's delay in MHHS would lead to £90m in lost benefits. Both those figures come from DESNZ (BEIS) 2019 smart meter roll out CBA, so if the exercise were repeated today, both figures would likely be higher. There are also unmonetized benefits for the distribution network from demand-shifting that would likely be reduced by any delay.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

Timeline for CMP430 – Proposed Urgent Timeline (Recommended by Code Admin) - Workgroup

Milestone	Date	Milestone	Date
Modification presented to Panel	23 February 2024	Code Administrator Consultation (6 working days)	30 April 2024 to 09 May 2024
Workgroup Nominations (4 Working Days)	23 February 2024 to 29 February 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	25 May 2024
Ofgem grant Urgency	29 February 2024 (5pm)	Panel undertake DFMR recommendation vote	31 May 2024
Workgroup 1 to 6 (assuming Ofgem have granted Urgency)	06 March 2024 11 March 2024 13 March 2024 19 March 2024 28 March 2024 05 April 2024	Final Modification Report issued to Panel to check votes recorded correctly	31 May 2024
Workgroup Consultation (3 working days)	09 April 2024 – 12 April 2024	Final Modification Report issued to Ofgem	31 May 2024
Workgroup 7 to 10 - Assess Workgroup Consultation Responses and Workgroup Vote	15 April 2024 17 April 2024 19 April 2024 22 April 2024	Ofgem decision	ASAP
Workgroup report issued to Panel (2 working days – late paper)	24 April 2024	Implementation Date	01 April 2024
Panel sign off that Workgroup Report has met its Terms of Reference	26 April 2024		

CMP430 – the asks of Panel

- AGREE that this Modification should proceed to Workgroup
- NOTE that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- VOTE whether or not to recommend Urgency
- AGREE timetable for Urgency
- AGREE Workgroup Terms of Reference
- NOTE next steps:
 - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
 - Letter to be sent to Ofgem 26 February 2024
 - Ofgem approval of Urgent treatment sought by 5pm on 29 February 2024
 - 1st Workgroup to be held 06 March 2024

Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that CMP431 should be treated as an Urgent Modification proposal and be assessed by a Workgroup

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	 CMP431 relates to an imminent issue that would begin to impact parties, and therefore potentially consumers, from April 2025 If the defects are not addressed under urgent timescales: Parties will not have adequate notice of charging arrangements and tariff setting for Charging Year 2025 which introduces increased commercial risk There will be a significant increase in the instances of double charging sites under two different methodologies in the same Charging Year, again having a commercial impact on parties and potentially consumers Suppliers are not likely to have sufficient time to adjust their MHHS Migration plans under MHHS governance to mitigate double charging risk CUSC changes would be misaligned with MHHS Programme Milestones which could introduce a lack of clarity to all MHHS Programme Participants within the timebound, major reform of settlement arrangements MHHS is a key enabler for realising demand-shifting benefits for transmission networks. Estimate £1.4bn by 2034. A single year's delay in MHHS would lead to £90m in lost benefits. Both those figures come from DESNZ (BEIS) 2019 smart meter roll out CBA, so if the exercise were repeated today, both figures would likely be higher. There are also unmonetized benefits for the distribution network from demand-shifting that would likely be reduced by any delay.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

CMP431 – the asks of Panel

- AGREE that this Modification should proceed to Workgroup
- NOTE that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- VOTE whether or not to recommend Urgency
- AGREE timetable for Urgency
- AGREE Workgroup Terms of Reference
- NOTE next steps:
 - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
 - Letter to be sent to Ofgem 26 February 2024
 - Ofgem approval of Urgent treatment sought by 5pm on 29 February 2024
 - 1st Workgroup to be held 06 March 2024

Timeline for CMP431 – Proposed Urgent Timeline (Recommended by Code Admin) - Workgroup

Milestone	Date	Milestone	Date
Modification presented to Panel	23 February 2024	Code Administrator Consultation (6 working days)	30 April 2024 to 09 May 2024
Workgroup Nominations (4 Working Days)	23 February 2024 to 29 February 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	25 May 2024
Ofgem grant Urgency	29 February 2024 (5pm)	Panel undertake DFMR recommendation vote	31 May 2024
Workgroup 1 to 6 (assuming Ofgem have granted Urgency)	06 March 2024 11 March 2024 13 March 2024 19 March 2024 28 March 2024 05 April 2024	Final Modification Report issued to Panel to check votes recorded correctly	31 May 2024
Workgroup Consultation (3 working days)	09 April 2024 – 12 April 2024	Final Modification Report issued to Ofgem	31 May 2024
Workgroup 7 to 10 - Assess Workgroup Consultation Responses and Workgroup Vote	15 April 2024 17 April 2024 19 April 2024 22 April 2024	Ofgem decision	ASAP
Workgroup report issued to Panel (2 working days – late paper)	24 April 2024	Implementation Date	01 April 2024
Panel sign off that Workgroup Report has met its Terms of Reference	26 April 2024		

Inflight Modification Updates

Milly Lewis, Code Administrator

CMP288: Explicit charging arrangements for customer delays and backfeeds Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	23 May 2024	18 July 2024	7 August 2024	10 Business Days after Authority decision
New timeline	18 July 2024	19 September 2024	09 October 2024	10 Business Days after Authority decision

Rationale: Further Workgroups required and to allow actions to be completed ahead of publishing the second Workgroup Consultation.

Workgroups Remaining: 4

Ask of Panel: Agree revised timeline

CMP316: TNUoS Arrangements for Co-located Generation Sites Update

	Code Administrator Consultation		FMR issued to Ofgem	Implementation Date
Previous timeline	04 October 2022 – 01 November 2022	17 November 2022	NA	NA
New timeline	25 March 2024 – 24 April 2024	31 May 2024	12 June 2024	01 April 2025

Rationale: Further updates have been made to the legal text and worked examples, therefore a second Code Administration Consultation is necessary.

Ask of Panel: Agree that the second Code Administrator Consultation is required and agree the revised timeline.

CMP344: Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology Authority Send-Back

On 12 February 2024, Ofgem <u>sent back</u> the CMP344 Second Final Modification Report (FMR) for further work and directed Panel to revise and resubmit the FMR and Annexes.

The Send Back letter calls out the following as a way to address the deficiencies:

- Setting out the charging arrangements which are considered to be the onshore equivalent to cost recovery of Income Adjusting Events (IAEs) and the justification for that position.
- Explain and evidence the charging methodology which the ESO currently follows for the cost recovery of IAE
 events and the equivalent onshore comparator. With the ESO providing the Workgroup with an explanation of
 the exact charging methodology which it currently follows in its operational practice in a form that can
 accurately be relied upon as forming the basis of the Proposal and the assessment.
- Explain and evidence the existing inconsistent treatment (such as it exists) and if considered appropriate, an explanation as to which aspects of onshore and offshore charging arrangements the Proposer considers should be aligned and how that will be achieved.
- The Authority encouraged the Workgroup to consider whether the analysis, produced for the second FMR, could be adapted or supplemented to provide a more holistic view of the potential impacts

Background and steps taken since CMP344 Send Back

This is the second time the FMR has been sent back since being raised in May 2020. The first send back, dated 05 May 2021, requested further work addressed the deficiencies around the costs and/or events affected by the Proposal being clearly set out; provide analysis of the impact of the reforms on affected parties and ensuring that the Legal text clearly set out the exact methodology the ESO should follow. The second FMR was then submitted to Ofgem on 08 February 2023.

Steps taken since 12 February 2024

- The Proposer has confirmed that they believe that the modification should be placed high in the prioritisation stack as:
 - Clearly defined and narrow scope for send-back, should be quickly resolved, potentially within 2-3 Workgroup meetings.
 - The modification is already 4 years old and the Authority have flagged how long the process has taken in the send back letter.
 - Every Contracts for Difference round that passes without it being approved is liable to include IAE risk premia, which the modification seeks to address.
 - To be implemented on 01 April 2025 the FMR would need to be submitted in time for an Authority decision by 30 September 2024 decision
- The Proposer has reached out to Cornwall Insights around the additional analysis to understand timescales.
- Potential Terms of Reference to address the Send Back have been drafted below, were Panel to agree the Workgroup should be reconvened:
 - Provide the charging arrangements which are considered to be the onshore equivalent to cost recovery of Income Adjusting Events (IAEs) and the justification for that position.
 - Explain and evidence the charging methodology which the ESO currently follows for the cost recovery of IAE events and the equivalent onshore comparator, setting out perceived inconsistent treatment if/where evident.
 - Consider an explanation as to which aspects of onshore and offshore charging arrangements the Proposer considers should be aligned and how that would be achieved by this modification.
 - Consider whether the analysis, produced for the second FMR, could be adapted or supplemented to provide a more holistic view of the potential impacts
 - Ensure that all deficiencies from send back letters have been considered

CMP344 Authority Send-Back – Governance Rules

- 8.23.12 If the Authority determines that the CUSC Modification Report is such that the Authority cannot properly form an opinion on the CUSC Modification Proposal and any Workgroup Alternative CUSC Modification(s), or where the CUSC Modification Proposal and/or any Workgroup Alternative CUSC Modification(s) constitutes an EBGL Amendment where the Authority requires an amendment to CUSC Modification Proposal and/or any Workgroup Alternative CUSC Modification(s) in order to approve it, it may issue a direction to the CUSC Modifications Panel:
 - (a) specifying the additional steps (including drafting or amending existing drafting associated with the CUSC Modification Proposal and any Workgroup Alternative CUSC Modification(s)), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and
 - (b) requiring the **CUSC Modification Report** to be revised and to be resubmitted.
- 8.23.13 If a CUSC Modification Report is to be revised and re-submitted in accordance with a direction issued pursuant to Paragraph 8.23.12, it shall be re-submitted as soon after the Authority's direction as is appropriate, (and in the case of an EBGL Amendment within 2 months), taking into account the complexity, importance and urgency of the CUSC Modification Proposal and any Workgroup Alternative CUSC Modification(s). The CUSC Modifications Panel shall decide on the level of analysis and consultation required in order to comply with the Authority's direction and shall agree an appropriate timetable for meeting its obligations. Once the CUSC Modification Report is revised, the CUSC Modifications Panel shall carry out its CUSC Modifications Panel Recommendation Vote again in respect of the revised CUSC Modification Report and re-submit it to the Authority in compliance with Paragraphs 8.23.4 to 8.23.6.

Panel to agree next steps following send-back on 12 February 2024:

NOTE that Ofgem are asking the Final Modification Report and Legal Text to be updated

AGREE whether or not this needs to be assessed by a Workgroup

AGREE Workgroup's Terms of Reference (if Panel determine a Workgroup is needed)

AGREE whether or not (following the assessment by the Workgroup) a Code Administrator Consultation is needed to be run before it is re-presented to Panel for Recommendation Vote

CMP393: Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	15 February 2024	18 April 2024	09 May 2024	01 April 2025
New timeline	14 March 2024	23 May 2025	17 June 2024	01 April 2025

Rationale: Further Workgroup required to close out actions required to meet Terms of Reference. Please note that the timeline will be further delayed if the action is not able to be completed prior to the remaining Workgroup.

Workgroups Remaining: 1

Ask of Panel: Agree revised timeline

CMP424: Amendments to Scaling Factors used for Year Round TNUoS Charges

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference

- a) Consider EBR implications
- b) Consider where the minimal level of the variable factor should be set the appropriate scaling factor for each generation type
- c) Consider potential impact on tariffs

CMP424 - the asks of Panel

AGREE the amended and additional point within Terms of Reference

CMP426: TNUoS charges for transmission circuits identified for the HND as onshore transmission

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference

- a) Consider EBR implications
- b) Consider the appropriate users to recover the cost for face charges relating to boundary reinforcement circuits in the Holistic Network Design.
- c) Assess the appropriateness of recovering reflecting boundary reinforcement costs via within the Wider TNUoS tariff.
- d) Consider any subsequent impacts to consumers based on the proposed solution.

CMP426 - the asks of Panel

AGREE the amended points within Terms of Reference

CMP428: User Commitment liabilities for Onshore Transmission circuits in the Holistic Network Design Request for Urgency

- During the January 2024 CUSC Panel, the Proposer recommended CMP428 went straight to Code Administrator Consultation (CAC).
- The Proposer did not request Urgency in January as the recommended approach of proceeding straight to CAC would still enable the implementation date of 14 June 2024 to be achieved.
- As there were further questions on the modification related to subsequent impacts to the Wider Cancellation Charge, the CUSC Panel recommended the modification proceed to Workgroup utilising the Workgroup which had been formed for CMP426.
- The aim and plan was for these questions could be covered off in one or two Workgroup meetings before proceeding to CAC.
- Two Workgroup meetings were held on 5 and 12 February but the Workgroup members still required further information, therefore further Workgroup meetings are required.
- If we continue with the Standard Workgroup governance process the required implementation date will not be met.
- To ensure we can meet the timescales associated with Urgency, we have clarified the scope of the modification. Consideration of Wider Works and application of the wider cancellation charge is out of scope.
- If required, a follow up modification will be raised to consider wider works and the application of the Wider Cancellation Charge in the context of the HND or iterations of the HND.

ESO

Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and be assessed by a Workgroup to ensure the implementation date is achieved.

Ofgem's Urgency Criteria	Proposer's Justification	
a) A significant commercial impact on parties, consumers or other stakeholder(s).	 Implementation is required by this date (14 June 2024) as an offshore project in the Holistic Network Design is progressing and the project will be responsible for £2.6bn in User Commitment liabilities from that date without this modification. This will have a significant commercial impact, affecting investment decisions for the project with the potential for the project no longer progressing. Offshore projects are a key enabler to achieving net zero and the associated benefits this brings. The potential for project/s not progressing could therefore negatively impact the drive to net zero. Furthermore, the implementation date cannot be achieved through the standard code governance process. 	
b) A significant impact on the safety and security of the electricity and/or gas systems.	N/A	
c) A party to be in breach of any relevant legal requirements	N/A	

Timeline for CMP428 – Proposed Urgent Timeline - Workgroup

Milestone	Date	Milestone	Date	
Modification presented to Panel	26 January 2024	Panel sign off that Workgroup Report has met its Terms of Reference	12 April 2024	
Workgroup 1 and 2	05 February 2024 13 February 2024	Code Administrator Consultation (5 working days)	15 April 2024 to 17 April 2024	
Urgency requested at Panel	23 February 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	23 April 2024	
Workgroup Nominations (4 Working Days)	23 February 2024 to 29 February 2024	Panel undertake DFMR recommendation vote	26 April 2024	
Ofgem grant Urgency	29 February 2024 (5pm)	Final Modification Report issued to Panel to check votes recorded correctly	26 April 2024	
Workgroup 3 to 4 (assuming Ofgem have granted Urgency)	07 March 2024 12 March 2024	Final Modification Report issued to Ofgem	26 April 2024	
Workgroup Consultation (5 working days)	14 March to 21 March	Ofgem decision	ASAP	
Workgroup 5 to 7 - Assess Workgroup Consultation Responses and Workgroup Vote	26 March 2024 02 April 2024 04 April 2024	Implementation Date	14 June 2024	
Workgroup report issued to Panel (2 working days)	09 April 2024			

CMP428 – the asks of Panel

- AGREE that this Modification should proceed to Workgroup
- NOTE that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- VOTE whether or not to recommend Urgency
- AGREE timetable for Urgency
- AGREE Workgroup Terms of Reference
- NOTE next steps:
 - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
 - Letter to be sent to Ofgem 26 February 2024
 - Ofgem approval of Urgent treatment sought by 5pm on 29 February 2024
 - Next Workgroup to be held 07 March 2024

Panel Tracker Milly Lewis, Code Administrator

Workgroup Report

CMP413: Rolling 10-year wider TNUoS generation tariffs

Claire Goult (Chair)

Key points to note to the Panel

WACM2 raised by RWE in relation to CMP413 was withdrawn after agreement it had a substantially different
effect to the defect and therefore could proceed as a separate modification. WACM2 has not yet been raised
as a formal modification.

Solutions and Workgroup Vote

Summary of solutions:

- The Original solution is for the ESO to publish a wider generation tariff for each generation zone (currently 27) for a rolling 10-year period. For each subsequent 10-year tariff publication, if tariffs in any generation zone breach a pre-defined range for the years in the initial forecast, charges are capped/floored at this predefined range for that generation zone for each charging year.
- WACM1 is seeking to recover the resulting excess/shortfall of revenue from capped/collared generator tariffs from a non-locational adjustment to generation tariffs as opposed to recovery through demand tariffs as in the Original proposal.

Summary of Workgroup Vote:

- The majority of the Workgroup did not believe the Original solution or WACM1 better facilitated the Applicable Objectives than the Baseline.
- Two of the nine voting Workgroup members believed the Original solution and WACM1 better facilitated the Applicable Objectives than the Baseline.

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	Page 32
b) Consider the length of time the TNUoS Generation tariffs are fixed for	Workgroup considerations and Proposers solution
c) The proposal is for wider generation tariffs to be within the pre-defined cap/collar range for each generation zone and charging year. Consider the requirement for a cap and collar and consider what the pre-defined range should be?	Workgroup considerations and Proposers solution
d) Consider whether criteria need to be set to allow for the cap and collar to be waived in certain circumstances (e.g. for material changes to the TNUoS methodology)	Part of CMP413 Interactions, consultation responses and Proposers recommendation
e) Consider the interaction between the cap/floor as set by 838/2010 ("Limiting Regulation") and the cap/collar as proposed by the modification.	Workgroup considerations, Proposers solution and consultation responses
f) Consider the impact on demand TNUoS tariffs as a result of net the difference in revenue from the adjustment made to TNUoS Generation tariffs (if it beaches the pre-defined cap/collar range).	Workgroup considerations, Proposers solution and consultation responses
g) Consider the impact on the Transmission Demand Residual and consumers.	Workgroup considerations, Proposers solution and consultation responses
h) Consider interactions with wider potential TNUoS developments e.g., TNUoS Taskforce and Review of Electricity Market Arrangements (REMA).	Part of CMP413 Interactions, consultation responses and Proposers recommendation
i) Consider the trade-off between cost-reflectivity and certainty/predictability.	Workgroup considerations

CMP413 – the asks of Panel

- AGREE that the Workgroup have met their Terms of Reference
- AGREE that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **NOTE** the ongoing timeline

CMP413 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	26 February 2024 to 5pm on 15 March 2024
Draft Final Modification Report issued to Panel	18 April 2024
Draft Final Modification Report presented to Panel	26 April 2024
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	30 April 2024 to 07 May 2024
Submission of Final Modification Report to Ofgem	08 May 2024
Ofgem decision date	By 30 September 2024 as this is a Charging Modification
Implementation Date	01 April 2025

Workgroup Report

CMP418: Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer

Claire Goult (Chair)

Solution and Workgroup Vote

Solution summary:

• The recommendation is to move the costs associated with DRCE for OFTO-connected wind farms to the wider tariff, through the proposed change to the charging methodology of the CUSC. This approach would ensure a more appropriate allocation of DRCE costs and recognise the broader benefits that DRCE provide to the grid while encouraging the further development and integration of offshore wind farms into the National Electricity Transmission System (NETS). This would involve allocating the cost of DRCE out of the "Circuit Tariff" into the "Onshore Substation Tariff." This removes the cost from the Generators annual local offshore tariff and includes it in the general TNUoS.

Summary of Workgroup Vote:

 The Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBR implications;	Page 4 and page 18
b) Consider any cross code impacts and interactions, specifically with the STC, Grid Code and CM085;	Workgroup considerations
c) Confirm whether the change is proposed to be retrospective or to apply only to future plant;	Workgroup considerations and Workgroup consultation responses
d) Consider whether changes are required to Section 11 via a separate modification;	Workgroup considerations, legal text page 14
e) Consider the extent to which the revenue recovery requirements need to be codified to provide clarity for parties;	Workgroup considerations
f) If DRCE asset costs are socialised, or alternatively if they are not socialised, consider whether parties who bear the costs of those assets as a consequence should also receive Balancing Services revenue for the associated reactive provision.	Workgroup considerations and Annex 9
g) Consider the impact of the change on the different OFTO set-ups and if this change is likely to impact future design set-ups;	Workgroup considerations
h) Consider aligning the definitions used with the Grid Code;	Workgroup considerations

Amended Legal Text

ESO legal team has recommended the following changes to the CMP418 for clarification purposes:

Before

14.15.80 Offshore expansion factors (£/MWkm) are derived from information provided by Offshore Transmission Owners for each offshore circuit. Offshore expansion factors are Offshore Transmission Owner and circuit specific. Each Offshore Transmission Owner will periodically provide, via the STC, information to derive an annual circuit revenue requirement. The offshore circuit revenue shall include revenues associated with the Offshore Transmission Owner's reactive compensation equipment, harmonic filtering equipment (excluding DRCE), asset spares and HVDC converter stations.

Recommended change

14.15.80 Offshore expansion factors (£/MWkm) are derived from information provided by Offshore Transmission Owners for each offshore circuit. Offshore expansion factors are Offshore Transmission Owner and circuit specific. Each Offshore Transmission Owner will periodically provide, via the STC, information to derive an annual circuit revenue requirement. The offshore circuit revenue shall include revenues associated with the Offshore Transmission Owner's reactive compensation equipment (excluding Dynamic Reactive Compensation Equipment DRCE), harmonic filtering equipment, asset spares and HVDC converter stations. Dynamic Reactive Compensation Equipment is a term defined in the Grid Code Glossary & Definitions.

CMP418 – the asks of Panel

- AGREE that the Workgroup have met their Terms of Reference
- AGREE that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **NOTE** the ongoing timeline

CMP418 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	29 February 2024 to 5pm on 21 March 2024
Draft Final Modification Report issued to Panel	18 April 2024
Draft Final Modification Report presented to Panel	26 April 2024
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	30 April 2024 – 07 May 2024
Submission of Final Modification Report to Ofgem	08 May 2024
Ofgem decision date	By 30 September 2024 as this is a Charging Modification
Implementation Date	01 April 2025

Draft Final Modification Report

CMP427: Update to the Transmission Connection Application Process for Onshore Applicants

Milly Lewis

Solutions

Summary of solutions:

- **Proposer's solution** This modification proposes that Users should submit at least one LoA with any new Onshore Transmission Connection Application, in addition to the existing requirements, for that application to be complete.
- WACM1 This Alternative will expand upon the Original solution by including a third template for exceptional circumstances where it is not practical for the User to obtain either a Template 'A' or Template 'B' LoA. In these circumstances the Alternative suggests a route for a LoA to be obtained from a party designated by the Authority to reflect the principles of CMP427 that formal discussions have been entered into.
- **WACM2** This Alternative seeks to strike a balance between demonstrating real landowner engagement without imposing an unduly high barrier to entry. The key difference from the Original proposal is to apply a 50% multiplier to the minimum acreage that LoAs will be required to cover as part of an application i.e. to partially reduce the threshold acres-per-MW-registered which appear in the Energy Land Density table.
- WACM3 This Alternative includes all solutions outlined in the CMP427 Original, WACM1 and WACM2. This
 is to give the Authority the ability to have a full cover of options put forward by the Workgroup.

Code Administrator Consultation Responses

Summary of Code Administrator Consultation Responses:

- Code Administrator Consultation was run from 12/02/2024 to 16/02/2024 and received 11 non-confidential responses and 1 confidential response. Key points were:
 - From the 11 non-confidential responses, respondents saw all solutions as better facilitating against Objectives A, B and D. Two Respondents felt that only the Original and WACM1 better facilitated Objective C.
 - 10 non-confidential respondents supported the proposed implementation approach.
 - Over half of non-confidential respondents noted the improvements from the solutions would raise entry requirements and reduce speculative applications (with some detailing better competition and meeting Ofgem/DESNZ CAP objectives as resulting benefits).
 - Several Respondents referenced the development of the LoA process from CMP427's 'minimum viable product' via subsequent modification(s) and requested updates/involvement with this as soon as possible.
 - Multiple Respondents mentioned the need for clear guidance to industry for effective implementation.
 - Several Respondents (other than WACM1's Proposer) noted favour for Template C as a sensible/reasonable/necessary option to allow for compulsory land purchase and not limiting such projects coming to market.

Code Administrator Consultation – Legal Text Issues

Legal Text Issues Raised

- One Respondent suggested that legal text should feature additional clarification on the categories of Users (and use
 of 'Users' as a term) requiring an LoA with their application, e.g., excluding DNO/IDNO connection applications.
- Suggested legal text change for all solutions:
 - Original 2.13.1: If a User wishes to connect a New Connection Site it shall complete and submit to The Company a Connection Application and comply with the terms thereof (including in respect of the provision of a valid at least one Letter of Authority in the form of one of the templates provided in Section 2, Schedule 2).
 - Suggested change: "... (including in the case of **Users** applying for a connection in the category of a **Power Station** directly connected to the **GB Transmission System or for a Non-Embedded Customer Site** in respect of the provision ..."
 - Original 2.13.2: The User shall ensure that a valid Letter of Authority (or multiple such letters taken in combination) shall be for sufficient area of
 land pertaining to the Connection Site set out in the Connection Application, by reference the energy density table(s) set out in the guidance
 published by The Company on its website, which will be updated from time to time.
 - At 2.13.2 "The Users applying in categories that require Letters of Authority shall ensure ..."

ESO response to proposed legal text changes

- The Proposer has advised that the modification was designed to raise the barrier to entry for all connectees to the NETS, regardless of their categorisation as a network operator. Page 22 of the DFMR makes it clear that this should apply to all users, including those with a BCA so, as such, DNOs/IDNOs are included.
- Regarding the suggestion of whether the term 'User' is inappropriate in the legal text for the solution, ESO's legal team have confirmed that this is the correct term to use in this context.

Code Administrator Consultation – Legal Text Changes. What do the CUSC Governance Rules say?

- 8.23.4 A draft of the CUSC Modification Report shall be tabled at the Panel Meeting prior to submission of that CUSC Modification Report to the Authority as set in accordance with the timetable established pursuant to Paragraph 8.19.1 at which the Panel may consider any minor changes to the legal drafting, which may include any issues identified through the Code Administrator's consultation and:
 - (i) if the change required is a typographical error the CUSC Modifications Panel may instruct the Code Administrator to make the appropriate change and the Panel Chairman will undertake the CUSC Modifications Panel Recommendation Vote; or
 - (ii) if the change required is not considered to be a typographical error then the CUSC Modifications Panel may direct the Workgroup to review the change. If the Workgroup unanimously agree that the change is minor the CUSC Modifications Panel may instruct the Code Administrator to make the appropriate change and the Panel Chairman will undertake the CUSC Modifications Panel Recommendation Vote otherwise the Code Administrator shall issue the CUSC Modification Proposal for further Code Administrator consultation after which the Panel Chairman will undertake the CUSC Modifications Panel Recommendation Vote.
 - (iii) if a change is not required after consideration, the **Panel Chairman** will undertake the **CUSC Modifications Panel Recommendation Vote.**

Code Admin must present the proposed legal text changes

Panel have 3 choices:

- Agree the changes are typographical and instruct Code Admin to make the change under 8.23.4(i). Then we carry out Recommendation Vote; or
- Agree the changes are not needed under 8.23.4(iii).

 Then we carry out Recommendation Vote; or
- Under 8.23.4(ii) Direct the Workgroup to review the changes or ask for a further Code Administrator Consultation to be issued

CMP427 – the asks of Panel

- AGREE whether or not the proposed changes to the legal text are typographical
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **VOTE** whether or not to recommend implementation
- NOTE next steps

CMP427 Next Steps

Milestone	Date
Draft Final Modification Report presented to Panel	23 February 2024
Final Modification Report issued to Panel to check votes recorded correctly	23 February 2024 (3pm - 4pm)
Submission of Final Modification Report to Ofgem	23 February 2024 by 5pm
Ofgem decision date	01 March 2024
Implementation Date	15 March 2024 (10 WD after Authority Decision)

Standing Groups - *Updates on all standing groups relevant to CUSC panel e.g. potential for future governance changes or modifications*

Governance Standing Group – Garth Graham

TCMF - ESO Panel Member

European Updates - Updates on all European developments relevant to CUSC panel e.g. potential for future governance changes or modifications

European Code Development – Nadir Hafeez

Joint European Stakeholder Group – Garth Graham

Previous meeting – 09 January 2024 <u>Meeting materials and Headline Report</u> Next meeting – 12 March 2024

Updates on other industry codes

Horizon Scan

(February, May, August, November)

Codes Affected	Legistative, Regulatory or Industry Change Overview	Published Content	Key Contact	Last Updated	Proposed Modifications Expected	Within 1 Year	Within 2 Years	Within 5 Years
Grid Code, CUSC, SQSS and STC	The Offshore Coordination Project has been set up by the ESO with support from Ofgem and the Department for Business, Energy & Industrial Strategy. Offshore wind has been identified as a critical technology in achieving net zero greenhouse gas emissions by 2050. In order to help realise this target, a step-change in both the speed and scale of deployment of offshore wind is required.	ESO Offshore Coordination Project Page	box.OffshoreCoor d@nationalgridES O.com	Feb-24	Ongoing			
Grid Code, CUSC, SQSS and STC	The FSO will be established in 2024, with new roles and capability being introduced in a phased approach. Secondary legislation is required; therefore, specific timelines are subject to change.	https://www.nationalgrideso.com/what-we-do/becoming-future-system-operator-fso		Nov-23	Apr-24			
CUSC	Connections Reform This reform project forms part of the ESO's longer-term vision for change to the connections process. There are a number of short-term initiatives to speed up connections to the grid, through the ESO five-point plan. The ESO published their final recommendations on 5 December 2023. The ESO will now start a detailed process design and implementation phase, to conclude in January 2025.	https://www.nationalgrideso.com/industry-information/connections/c		Feb-24	Apr-24			

Discussions on Prioritisation

 AGREE where New Modifications that need Workgroups are placed in the prioritisation stack

Any Other Business

Activities ahead of the next Panel Meeting

Transmission Charging Methodologies Forum	29 February 2024
Modification Proposals to be submitted	07 March 2024
Papers Day	14 March 2024
Panel Meeting	22 March 2024 Teams

Close



Trisha McAuley OBE Independent Chair, CUSC Panel