



**Transmission Charging
Methodologies Forum and
CUSC Issues Steering
Group**

Meeting 145 - 4 April 2024

Agenda

1	Introduction, meeting objectives and review of previous actions Camille Gilsenan - ESO	10:30 - 10:35
2	TNUoS Task Force update Taskforce Member	10:35 - 10:45
3	ESO Connections update Alex Curtis - ESO	10:45 - 10:55
4	Connections Reform Code Change Strategy Paul Mullen - ESO	10:55 - 11:25
5	Code Administrator update Milly Lewis - Code Administrator ESO	11:25 - 11:30
6	Comfort break	11:30 - 11:35
7	Interest on TDR Element of Initial Demand Reconciliation Nick George / Heather Stratford - ESO	11:35 - 11:55
8	Arbitration Process Modifications Joe Henry / Paul Mott - ESO	11:55 - 12:05
9	BSUoS Guidance Note Alice Taylor - ESO	12:05 - 12:20
10	AOB and Meeting Close Camille Gilsenan - ESO	12:20 - 12:35

TCMF Objective and Expectations

Objective

Develop ideas, understand impacts to industry and modification content discussion, related to the Charging and Connection matters.

Anyone can bring an agenda item (not just the ESO!)

Expectations

Explain acronyms and context of the update or change

Be respectful of each other's opinions and polite when providing feedback and asking questions

Contribute to the discussion

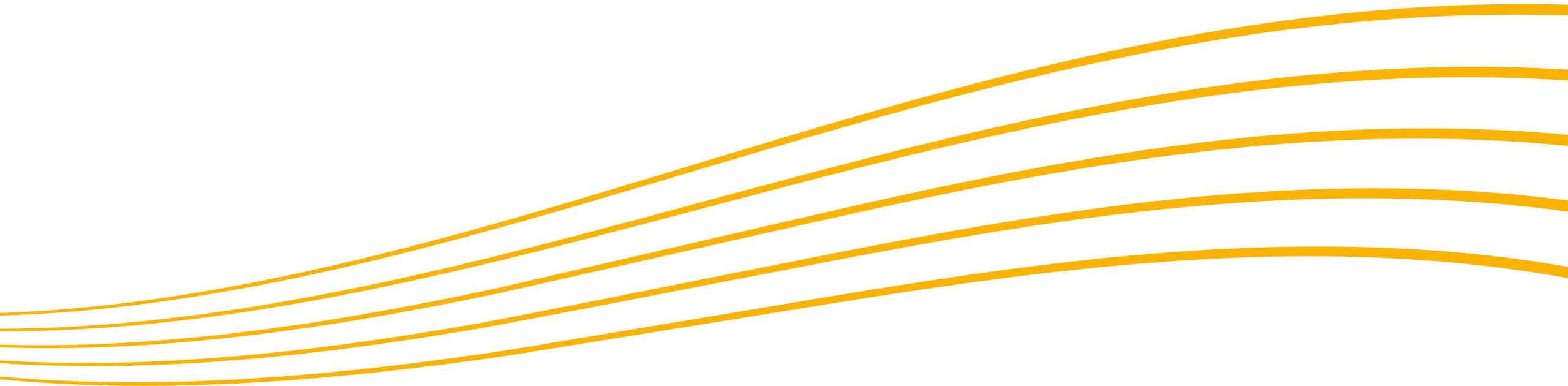
Language and Conduct to be consistent with the values of equality and diversity

Keep to agreed scope

Review of previous actions

ID	Month	Description	Owner	Notes	Target Date	Status
24-2	Feb 1	Is the basis of the Connection Process going to change from first come first served?	AC	Verbal update to be provided by Paul Mullen	April 24	Open
24-4	Feb 29	To check the CPAG Terms of Reference on information sharing and publication of CPAG meeting papers.	AC	Completed - Meeting minutes for both CPAG & CDB are published on ESO and ENA website	April 24	Propose to close
24-5	Feb 29	Update panel dates slide with in person TCMF dates highlighted.	ML	Completed.	April 24	Propose to close
24-5	Feb 29	Update TCMF with progress on potential CUSC defect on double counting of Cancellation Liability and Security presented by Tony Cotton at TCMF 1 February 2024.	CG	Ongoing.	April 24	Open

TNUoS Task Force update



ESO Connections update

Alex Curtis - ESO

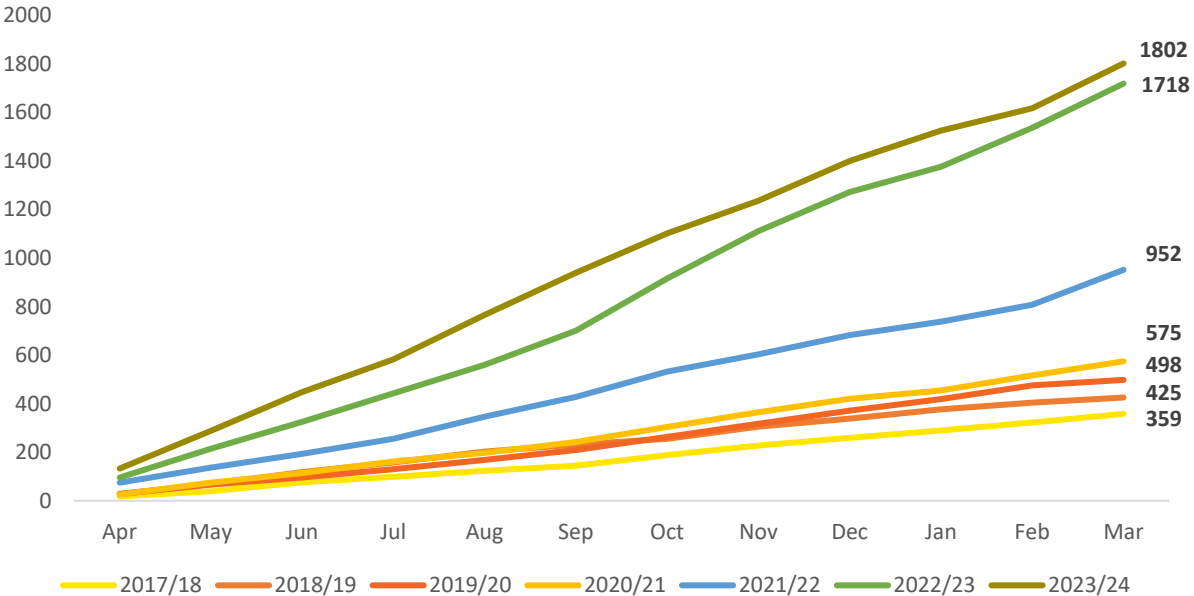


Connection Applications

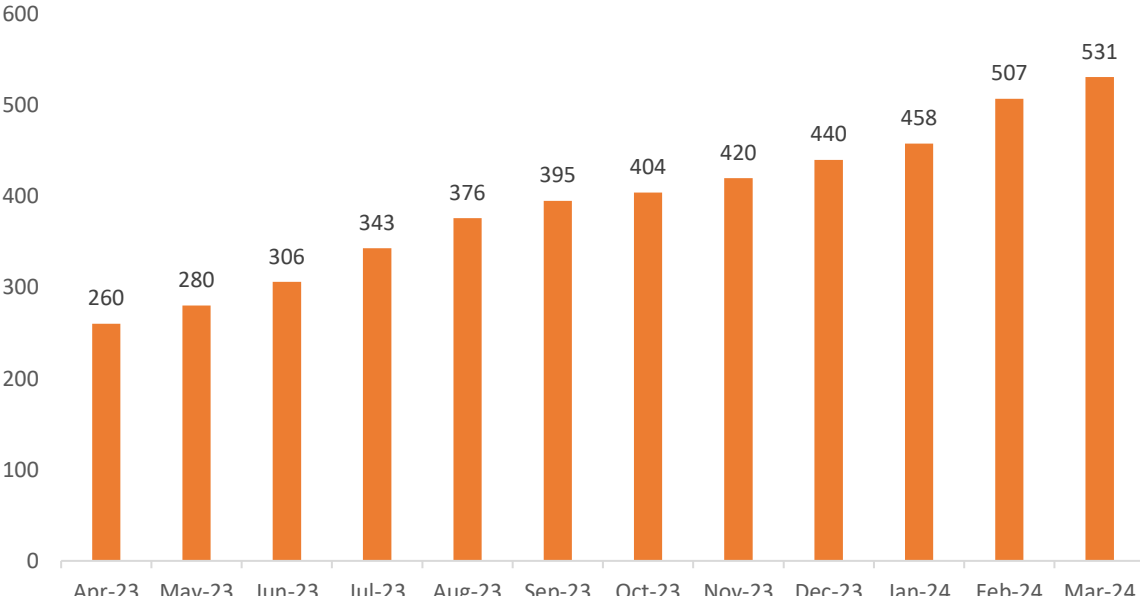
The number of connection applications has increased over the last five years, with a marked increase over the last two years. This increase is driven mainly by new Offshore Wind and Battery Energy Storage applications.

The increase in applications has in turn increased the contracted background and connection queue to **531GW**, which is an increase of **271GW**, over the last 11 months (transmission only).

Licensed Applications Received



Connection Queue (Contracted Background)



Connections Action Plan

Previous TCMF asked to share further information on what is being discussed please find link to meeting for both CPAG & CDB

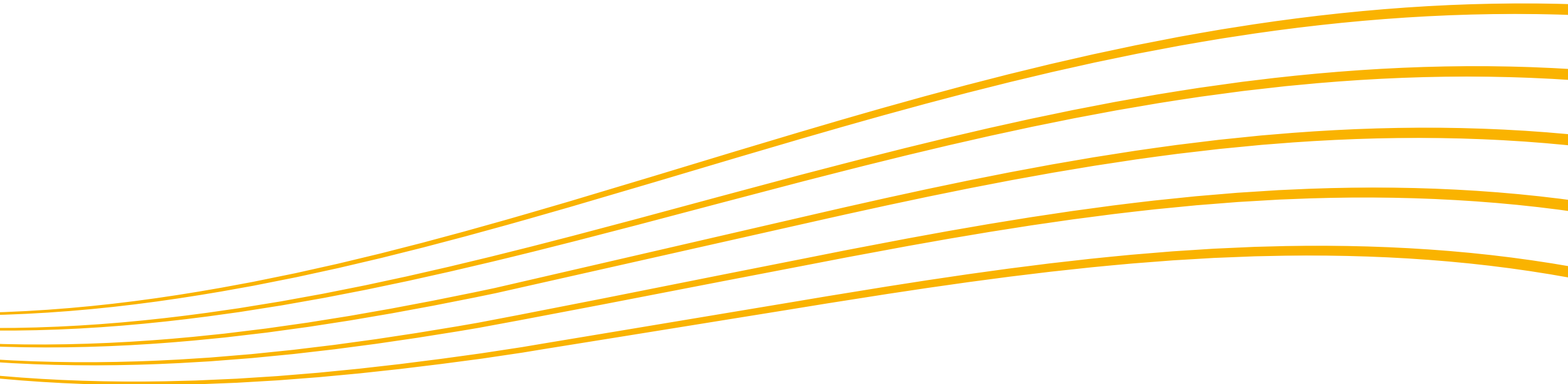
CPAG - <https://www.nationalgrideso.com/industry-information/connections/connections-reform#Key-documents>
(Key documents – Governance Group)

CDB - <https://www.energynetworks.org/industry/connecting-to-the-networks/connections-delivery-board>

If there are any topics that you would like to discuss can look to discuss further in next meeting

Connections Reform Code Change Strategy

Paul Mullen - ESO



Update since TCMF 29 February 2024

At Connections Delivery Board on 21 March 2024, we shared our proposals to apply the Gate 2 project progression milestone to the entire connections queue – see [Ofgem blog](#) for more details.

Considering Scope and Modification Groupings as a result of this + the feedback received from stakeholders and at Panels. More details to follow in mid April 2024.

Dates for your diary:

Publication on or by 15 April on what has changed since our final recommendations and roadmap for implementation

Connections Webinar 16 April - sign up [here](#)

Customer Seminars (Glasgow) 23 April – sign up [here](#)

Planning to raise code changes to STC Panel (24 April) and CUSC Panel (26 April) seeking Urgency

Code Administrator Update

Milly Lewis - Code Administrator ESO



Key Updates since last TCMF

New Modifications / Nominations

- [CMP432](#) 'Improve "Locational Onshore Security Factor" for TNUoS Wider Tariffs' ([Nomination Form](#) will go out on 11 April 2024)

Decisions

- [CMP398](#) 'GC0156 Cost Recovery mechanism for CUSC Parties' **WACM1 approved**
- [CMP412](#) 'CMP398 Consequential Charging Modification' **Original approved**
- [CMP427](#) 'Update to the Transmission Connection Application Process for Onshore Applicants' **Original approved**

Implementations

- [CMP292](#) 'Introducing a Section 8 cut-off date for changes to the Charging Methodologies'
- [CMP337](#) 'Impact of DNO Contributions on Actual Project Costs and Expansion Factors'
- [CMP338](#) 'Impact of DNO Contributions on Actual Project Costs and Expansion Factors – New Definition of "Cost Adjustment"'
- [CMP379](#) 'Determining TNUoS demand zones for transmission - connected demand at sites with multiple Distribution Network Operators (DNOs)'
- [CMP398](#) 'GC0156 Cost Recovery mechanism for CUSC Parties'
- [CMP412](#) 'CMP398 Consequential Charging Modification'
- [CMP427](#) 'Update to the Transmission Connection Application Process for Onshore Applicants'

Authority Expected Decision Date

Modification	Final Modification Report Received	Expected Decision Date
CMP286 'Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process'	08/02/2024	30/04/2024
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	30/09/2024
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
CMP392 'Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation'	13/10/2023	30/04/2024
CMP396 'Re-introduction Of BSUoS on Interconnector Lead Parties'	05/01/2024	31/05/2024
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	28/03/2024
CMP414 'CMP330/CMP374 Consequential Modification'	10/08/2023	08/05/2024
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	TBC

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

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

* Dates moved since last update

Key Updates ahead of the next TCMF

April Consultations

- [CMP316](#) (TNUoS Arrangements for Co-located Generation Sites) Second Code Administrator Consultation scheduled to run from **25 March 2024 until 12pm 24 April 2024**
- [CMP403 and CMP404](#): Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14 and 11) Code Administrator Consultation scheduled to run from **28 March 2024 until 12pm 29 April 2024**
- [CMP420](#) (Treatment of BSUoS Revenue Recovery, and creation of a BSUoS Fund) Workgroup Consultation scheduled to run from **21 March 2024 until 5pm 19 April 2024**
- [CMP393](#): Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage Code Administrator Consultation scheduled to run from **03 April 2024 until 12pm 01 May 2024**
- [CMP428](#) (User Commitment liabilities for Onshore Transmission circuits in the Holistic Network Design) Code Administrator Consultation scheduled to run from **15 April 2024 until 5pm 18 April 2024**
- [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)) Workgroup Consultation scheduled to run from **17 April 2024 until 5pm 24 April 2024**
- [CMP288](#) (Explicit charging arrangements for customer delays and backfeeds) Second Workgroup Consultation scheduled to run from **23 April 2024 until 5pm 14 May 2024**

Useful Links

Updates on all Modifications are available on the Modification Tracker [here](#)

Ofgem's expected decision dates/ date they intend to publish an impact assessment or consultation, for code modifications that are with them for decision are available [here](#)

The latest CUSC Panel Headline Report and prioritisation stack are available [here](#)

If you would like to receive updates from the Code Administrator on CUSC modifications please join the distribution list [here](#)

CUSC 2024 - Panel dates

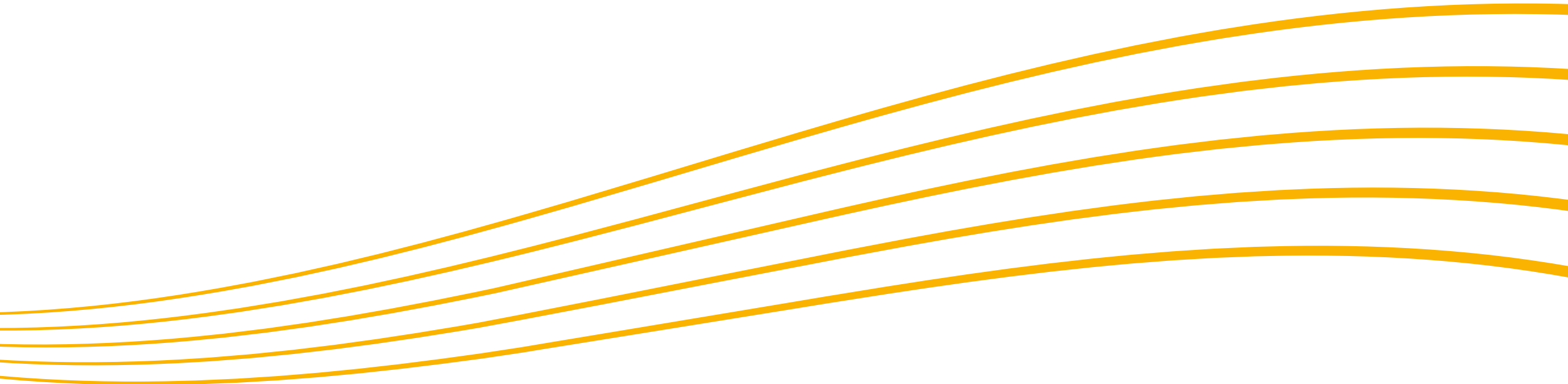
	Panel Dates	Papers Day	Modification Submission Date	(TCMF) CUSC Development Forum
November	24	16	9	2
December	15	7	30 November	23 November
January	26	18	11	4
February	23 (Face to Face Meeting)	15	8	1
March	22	14	7	29 February (Face to Face Meeting)
April	26 (Face to Face Meeting)	18	11	4
May	31	23	16	9
June	28	20	13	6 (Face to Face Meeting)
July	26 (Face to Face Meeting)	18	11	4
August	23	15	8	1
September	27	19	12	5 (Face to Face Meeting)
October	25 (Face to Face Meeting)	17	10	3
November	29	21	14	7 (Face to Face Meeting)
December	13	5	28 November	21 November



Comfort Break

Interest on TDR Element of Initial Demand Reconciliation

Nick George / Heather Stratford, ESO



Background

- TNUoS (both Generation and Demand) are billed monthly during the charging year.
- Each month, each user's full year's liability is recalculated based on latest data (eg TEC for TNUoS Generation and site count + HH/NHH demand forecasts for TNUoS Demand). That month's bill is calculated by deducting the amount invoiced to date, and dividing by the number of months left to bill.
- Following the end of the charging year, reconciliations are performed:
 - Generator Reconciliation – end April FY+1 (i.e. 1 month after end of charging year)
 - Initial Demand Reconciliation - end June FY+1 (i.e. 3 months after end of charging year)
 - Final Demand Reconciliation – usually September FY+2 (i.e. 18 months after end of charging year)
- As per CUSC, the reconciliation includes an interest calculation based on the Bank of England base rate. This applies both ways – it can be a credit or charge.

Defect relating to Interest for Demand Reconciliations

- The demand reconciliations are defined in the following CUSC paragraphs:
 - Paras 3.13.4 - 3.13.8 – an obligation to perform the reconciliations, including timings, and a general requirement to apply interest.
 - Paras 14.17.23 – 14.17.31 – more detail on how the reconciliation is calculated, but no more information on interest calculation.
 - Para 14.25 – an illustrative example of an initial and final demand reconciliation, which includes references to interest.
- In para 14.25 of CUSC, the initial demand reconciliation is broken down into the various elements. In both the sections for HH and NHH reconciliations, it says that interest is calculated on the monthly reconciliation amounts.
- However, in the section for the TDR reconciliation which was added when TDR went live, no mention is made of interest. Indeed, the whole section is poorly drafted, as it only illustrates how the TDR charge is calculated for a month, nothing about comparing this to the original invoiced amount. This therefore leaves it unclear as to whether interest should be applied and, if so, how it should be calculated.
- Later in para 14.25 there is a single section for the final demand reconciliation (not split out by HH/NHH/TDR), which says that interest is applied. Therefore, for the final demand reconciliation, interest would be applied to the TDR element.

Illustration of Issues with CUSC 14.25 Wording

Initial Reconciliation (Part 1a)

The Supplier's outturn HH triad gross demand, based on initial settlement data (and therefore subject to change in subsequent settlement runs), was 9,000kW. The HH triad gross demand reconciliation charge is therefore calculated as follows:

$$\begin{aligned} \text{HHD Reconciliation Charge} &= (\text{HHD}_A - \text{HHD}_F) \times \text{£/kW Tariff} \\ &= (9,000\text{kW} - 7,200\text{kW}) \times \text{£}10.00/\text{kW} \\ &= 1,800\text{kW} \times \text{£}10.00/\text{kW} \\ &= \text{£}18,000 \end{aligned}$$

To calculate monthly interest charges, the outturn HHD charge is split equally over the 12-month period. The monthly reconciliation amount is the monthly outturn HHD charge less the HH gross demand monthly invoiced amount. Interest payments are calculated based on these monthly reconciliation amounts using Barclays Base Rate.

Initial Reconciliation (Part 3)

The Company's FDSC Forecast and Unmetered Supply Volume Forecast for the Supplier (as described in 14.17.20(b)) was as follows;

Charging Band*	Transmission Demand Residual Quantity (A)	Tariff (B)	Days in month (C)	Forecast Charge
FDSC Band 1	25 Sites	£1/Site/Day	30	= A x B x C = 25 x 1 x 30 = £750
FDSC Band 2	15 Sites	£2/Site/Day	30	= A x B x C = 15 x 2 x 30 = £900
UMS	10kWh/day	£2.75/kWh	30	= A x B = 10 x 2.75 x 30 = £825

*Note – only 3 Charging Bands shown in this example for simplicity.

Transmission Demand Residual charges will be the sum of the charges for each Charging Band, therefore;

$$\text{Transmission Demand Residual} = \text{£}750 + \text{£}900 + \text{£}825 = \text{£}2,475$$

What is our plan?

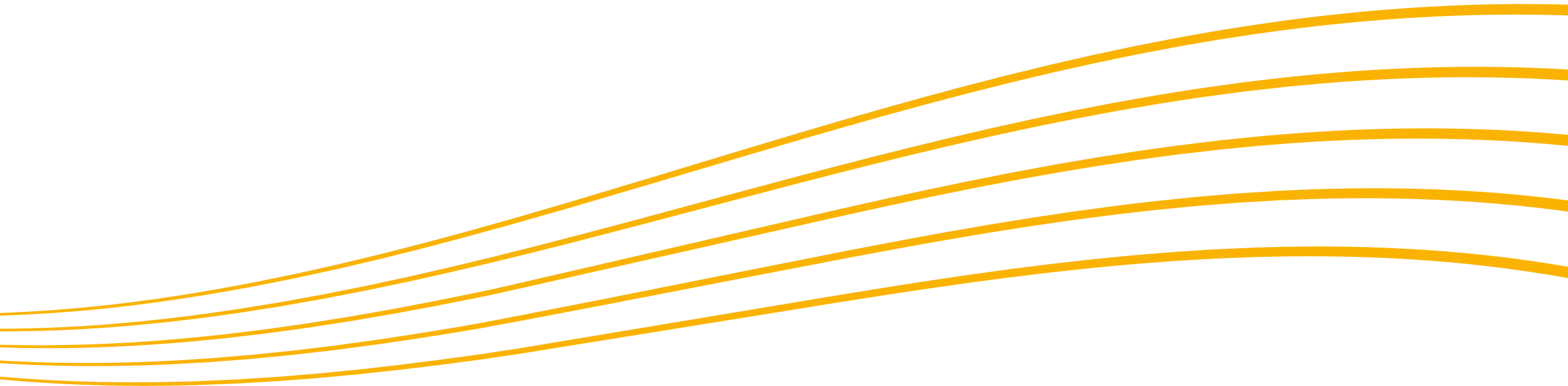
- Raise a CUSC Modification to amend CUSC 14.25, to better illustrate how the reconciliation of TDR charges will be performed and interest applied.
- Although there is some urgency to get the CUSC clarified, with the initial demand reconciliation due by end June 2024, we don't see the matter as having sufficient commercial materiality to request Urgent status for the CUSC modification.
- We will propose it goes through Code Administrator Consultation, but this is not expected to result in a decision by end June 2024.
- Given the overarching obligation in CUSC 3.13.6 to apply interest, and CUSC 14.25 is included for illustrative purposes, we propose to apply interest in the initial demand reconciliation in June 2024, as per the clarification modification we will raise.

Asks of TCMF

- Do you have any feedback on this approach?

Arbitration Process Modifications

Joe Henry / Paul Mott, ESO



Potential Arbitration Mods



The Electricity Arbitration Association (EAA) is now defunct. This modification looks to replace the EAA and replace them with the London Court of International Arbitration from both Charging sections of the codes.



This arrangement will mirror BSC arrangements brought about in P457



We aim to bring this modifications forwards in May 2024



These modifications are proposed to be straight to Code Admin Consultation with Authority Decision

Why Change?

Throughout the CUSC, instances where arbitration or dispute resolution are outlined. Since 1993, the CUSC has used the Electricity Arbitration Association (EAA) as its official arbitration provider for any arbitration/disputes.

In BSC modification P457, it was highlighted that *“the EAA has not been used by a Market Participant since its inception in 1993 and does not provide good value for money for BSC Parties as monthly payments are required, irrespective of whether there are any disputes to consider. Moreover, the EAA is rarely used in commercial agreements, does not maintain its website and requires monthly payment, irrespective of whether their services are used. This therefore does not offer good value for money for BSC Parties”*.

We aim to align the CUSC, Grid Code and STC with BSC arrangements by using the London Court of International Arbitration as our arbitration provider.

The need for arbitration increases under CMP398.

What is our plan?

- Raise 2 modifications to CUSC (charging and non charging), a Grid Code Modification and an STC Modification
- Raise these modifications straight to Code Admin Consultation
- Seek Authority Decision

Asks of TCMF

- Do you have any feedback on this approach?

BSUoS Guidance Note

Alice Taylor, ESO



BSUoS Guidance Note: Background

- This proposed BSUoS guidance note is the result of discussions that took place within [CMP420 \(Treatment of BSUoS Revenue Recovery, and creation of a BSUoS Fund\)](#).
- We are seeking feedback from wider industry and are keen to hear your thoughts on this proposal.
- The guidance note is to aid industry's understanding of the BSUoS tariff reset process and provide increased transparency that the current BSUoS reporting will be maintained.
- The two aspects that the Workgroup agreed could be included within a guidance note rather than codified within CUSC Section 14:
 - 1) The BSUoS Tariff Reset Process**
 - 2) Additional reporting obligations**

BSUoS Guidance Note: Detail

1) The BSUoS Tariff Reset Process

- This is when the ESO determines that a reset is needed of a BSUoS tariff mid fixed period, when the BSUoS Working Capital Facility is being utilised.
- It was agreed that to codify such a process would reduce the flexibility that the ESO has to reduce the likelihood of a tariff reset mid fixed period.

2) Additional reporting obligations

These reports are already being produced by the ESO, but inclusion in the guidance note offers confidence that the current reporting will be maintained. They include:

- Weekly report comparing Fixed Tariff Revenue vs Costs
- After a standard tariff release, the ESO will provide a BSUoS Fixed Tariff webinar providing industry with background information on the tariffs and a chance to ask questions ahead of the tariff being charged.

AOB & Close