

CUSC Modification Proposal Form (for Charging Methodology Proposals) CMP241

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal
<i>TNUoS Demand Charges during the Implementation of P272</i>
Submission Date
<i>23rd February 2015</i>
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address
<p>Following Ofgem's approval of BSC Modification P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8', it will be mandatory for Import Meters with an Advanced Meter on Profile Classes (PCs) 5-8 to become Half Hourly (HH) settled by April 1st 2016. These will be registered to either Measurement Class (MC) E (if current transformer metered) or MC G (if whole current metered).</p> <p>Annual TNUoS demand liabilities are calculated based on the actual metered demand multiplied by the tariff for the zone the demand is located, the tariff being specific to Non Half Hourly (NHH) or HH settled meters.</p> <p>NHH demand is calculated as the total of daily demand between 4pm and 7pm throughout the year. HH demand is calculated as the average demand taken over the three peak half hour settlement periods (Triads) between the start of November and the end of February.</p> <p>To implement P272, the industry has decided that customers will be moved across gradually throughout the charging year, rather than in one block at the end. When customers move within year, under the current TNUoS charging methodology a Supplier will be liable for the NHH demand on a metering system from when it was NHH settled and the HH demand on a metering system from when they were transitioned across. For example, if the metering system was moved across in October they will be liable for six months of all NHH charges and liable for all of the HH charges as they will be HH settled for the whole Triad season.</p> <p>This will mean that the liability for that Supplier (and consumer if these costs are passed on) will be considerably higher than what they would have been if they had either been solely NHH settled or HH settled for the full year. As well as changing liabilities for Suppliers if liabilities are higher than what was assumed when finalising TNUoS tariffs for 2015/16 this will lead to over recovery of TNUoS revenue. This over recovery will also feed through to tariffs for 2017/18 leading to increased tariff volatility.</p> <p>We estimate that if all metering systems affected by P272 moved across at the end of October 2015, TNUoS demand liabilities for 2015/16 will increase by around £67m without this</p>

modification. This is based on historical average demand per month and NHH, HH demand being as per forecasted when finalising TNUoS Demand tariffs for 2015/16.

This is a current issue, but due to the very small numbers of Metering Systems that are migrated from NHH to HH, this is usually manageable by the Supplier to avoid the additional TNUoS charge.

Description of the CUSC Modification Proposal

It is proposed that for 2015/16, Profile Classes 5-8 (around 190k Metering Systems) which move to being HH settled after the 1st April 2015 will be treated as NHH for the 2015/16 charging year for the purposes of TNUoS charging. The annual TNUoS liability for these classes will be based on daily demand taken between the hours of 4-7pm for the whole year.

For those Metering Systems that are currently on MC E which are elective HH settled before the 1st April 2015 (around 3k Metering Systems), we will treat these as HH settled for the purposes of calculating the actual annual liability for 2015/16 only if Suppliers provide verified metered demand data between for the hours 4-7pm for those consumers. By providing this data it enables the backing out the NHH demand for that Supplier and calculates HH demand as Triads occur between 4.30pm and 6pm. If Suppliers do not provide the data the charges will be calculated as NHH. The Supplier will have until end of September 2015 to decide if they wish to opt for this including relevant customers/meters, and then the end of April 16 to notify the volumes. This is necessary to avoid the situation where a Supplier can make a commercial decision post event based on the more favourable liability.

As of 2016/17 all consumers who are Half Hourly settled will be treated as such for the purposes of TNUoS charging.

It is suggested that the legal drafting be developed so that it is robust to any change in the April 2016 implementation date.

Impact on the CUSC

Section 14 Charging Methodology.

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No.

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other

(please specify)

No changes to the BSC or its configurable items have been identified and it is unlikely that any will be required. However the modification will remove a concern of Suppliers regarding the implementation of P272. Furthermore data will be required from Elexon to allow National Grid to reconcile the forecast and metered positions of the affected metering systems.

Urgency Recommended:

Yes

Justification for Urgency Recommendation

An Urgent Modification Proposal should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) *A significant commercial impact on parties, consumers or other stakeholder(s); or*
- b) *A significant impact on the safety and security of the electricity and/or has systems;*
or
- c) *A party to be in breach of any relevant legal requirements.*

You can find the full urgency criteria on the Ofgem's website:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=213&refer=Licensing/IndCodes/Governance>

Suppliers build into the tariffs an estimate of TNUoS liabilities. The transition of consumers from being NHH to HH settled can happen at any time throughout the year. Any uncertainty over the TNUoS liabilities will create a risk to Suppliers. This risk may be passed on to the end consumer through the tariffs the Supplier levy. Therefore knowing what liabilities will apply before fixing tariffs will be beneficial to both the Supplier and subsequently the end consumer.

Suppliers are required to provide changing volume forecasts to National Grid on which their TNUoS charges are invoiced throughout the year. The difference between actual and forecast demand is subject to interest and also affects the amount of credit that a Supplier needs to put in place for the following charging year.

Therefore Suppliers need to know how different classes of customers will be treated from a charging perspective to provide accurate forecasts to NGET and reflect these charges in their commercial positions accurately. Inaccurate forecasts will impact on Supplies charges, cash flows and future liabilities and securities.

Implementation before the start of the 2015/16 charging year reduces the transitional impact of P272 from a TNUoS charging perspective close to 0. Implementation within the 2015/16 charging year will impact on the Industry with this impact being potentially greater as the year progresses.

There is merit in discussing the modification with the industry as part of the modification process to ensure this modification does not cause an unforeseen impact on Suppliers.

We believe that the above meets the Urgency criteria in principle. Treating this proposal as non-urgent is likely to introduce a six month delay to implementation. We believe that this Proposal should be implemented as soon as possible in the 15/16 charging year to ensure forecasts are accurate.

Self-Governance Recommended:

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

We do not believe this impact on any ongoing SCR.

Impact on Computer Systems and Processes used by CUSC Parties:

N/A

Details of any Related Modification to Other Industry Codes

NGET is in discussion with Elexon and there may be a related BSC proposal that facilitates data exchange, although this is not expected to be urgent if required, as Suppliers are initially invoiced based on their own forecasts.

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives for Charging:

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- x (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;
- x (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);
- x (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 (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Predictable charges contribute to effective competition and reducing uncertainty reduces end user premiums therefore better facilitating (a).

Avoiding changing part year for NHH and then also for HH is more cost reflective, this better facilitates (b).

The proposal facilitates the smooth introduction of a BSC proposal by minimising the transition impact on Suppliers from a TNUoS charging perspective better facilitating both objectives (a) and (c).

The proposal seeks to avoid over recovery by NGET and so therefore facilitates meeting NGET licence objectives which better facilitates objective (c).

Connection Charging Methodology

- (a) that compliance with the connection charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

- (b) that compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.
- (e) 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 (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Additional details

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission Plc
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Damian Clough NGET 01926656416 Damian.Clough@nationalgrid.com

Details of Representative's Alternate:	
Name:	Alex Haffner
Organisation:	NGET
Telephone Number:	01926655838
Email Address:	Alex.Haffner@nationalgrid.com
Attachments (Yes/No):	
If Yes, Title and No. of pages of each Attachment:	

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 653606

For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at

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

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to jade.clarke@nationalgrid.com and copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.