CUSC Panel

Friday 16 December 2022

Online Meeting via Teams


WELCOME

Approval of Panel Minutes

Approval of Panel Minutes from the Meetings held
23 and 25 November 2022



Review of Actions within Action Log



Chair’s Update

Authority Decisions and Update (as at 8 December 2022)

Decisions Received since last Panel meeting

- **None**

Decisions Pending

- **CMP288** (Expected decision date of 14 December 2022)
- **CMP292** (Expected decision date of 31 October 2023)
- **CMP298** (Expected decision date of 31 January 2023 - The Final Modification Report for the associated STC change (CM080) was issued to Ofgem on 11 October 2022)
- **CMP328** (Expected decision date of 31 January 2023 - The Final Modification Report for the associated STC change (CM078) was issued to Ofgem on 7 June 2022)
- **CMP361/362** (Expected decision date of 12 January 2023 in accordance with Ofgem's latest published expected decision dates table (as of 24 November 2022) but this is being re-assessed given CMP406/CMP407 being rejected by Panel on 23 November 2022)
- **CMP363/364** (Expected decision date of 12 December 2022)
- **CMP384** (Expected decision date of 31 January 2023)
- **CMP388** (Expected decision date of 12 January 2023)
- **CMP389** (Expected decision date of 12 January 2023)
- **CMP390** (Expected decision date of 3 February 2023)

Received Final Modification Reports since last Panel Meeting

- **CMP286/CMP287** (Final Modification Report received 7 December 2022 - Expected decision date TBC)

New Modifications Submitted

None

Inflight Modification Updates

Review of all CUSC Modifications with current status, next steps and any Panel recommendations

CMP344 – What Panel agreed at May 2021 Panel

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 re-submitted.

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 agreed next steps following send-back on 5 May 2021:

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

AGREED that this needs to be assessed by a Workgroup

AGREED Workgroup's Terms of Reference

AGREED (following assessment by the Workgroup) that a Code Administrator Consultation is needed to be run before it is re-presented to Panel for Recommendation Vote

CMP344 – Terms of Reference

- Consider whether or not the Offshore Transmission Network Review might provide a better forum to propose any changes to the charging arrangements for participants in the OFTO regime
- Clarify in the Final Modification Report which OFTO costs that CMP344 applies to;
- In the Legal Text a) clarify which OFTO costs that CMP344 applies to and b) clearly sets out the exact methodology the ESO should follow;
- Ensure consistency between the Final Modification Report and Legal Text; and
- Provide quantitative analysis as to how CMP344 impacts each set of network users

CMP344 – What have Workgroup done?

- Workgroup concluded that:
  - Prudent for CMP344 to be progressed and considered separately and ahead of the wider OTNR;
  - Scope of CMP344 will be limited to Income Adjustment Events (IAEs); and
  - Implementation on or after 1 April 2023 (to time with the implementation of “Transmission Demand Residual” definition)

- The Proposer commissioned Cornwall Insight to carry out analysis to establish the impact of the treatment of TNUoS charges and potential IAEs by offshore wind generators and the implications these have for consumers. Cornwall Insight considered the implications that this would have for TNUoS charges and the effects on CfD strike prices.

CMP344 – What have Workgroup done – Impacts?

CMP344 Impact Summary

If an IAE were to occur under CMP344, consumers would pay more in the short term. But the counterfactual without CMP344 would see generator risk premia increase as generators would perceive an increased IAE risk. So, in the long-run consumers would still be detrimentally impacted.

	No IAE	An IAE occurs
CMP344 adopted	Ideal outcome– no consumer cost in TNUoS or CfDs • No recovery required • Future CfD risk premia related to IAEs removed • Consumers benefit overall	Good outcome –consumers face upfront cost of IAE but no reactive increase in future CfD costs • Permitted costs recovered from all demand users via TNUoS, consumers pay more short term… • …but CfD IAE related risk premia remain zero • Consumers benefit overall
CMP344 rejected	Poor outcome –consumers fund risk premia in bids despite no cost ever being incurred • No recovery required • Consumers continue to fund CfD risk premia • Consumer detriment overall	Poor outcome– customers still exposed to upfront costs (albeit paid back in RIIO-3) as well as to reactive increase in CfD risk premia • Permitted costs recovered from Generator • Consumers save in short term… • …but CfD risk premia increase based on higher perceived IAE risk Consumer detriment overall

Source: Various, compiled by Cornwall Insight

CMP344 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	16 December 2022 to 17 January 2023 (5pm)
Draft Final Modification Report issued to Panel	19 January 2023
Draft Final Modification Report presented to Panel	27 January 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	31 January 2023
Submission of Final Modification Report to Ofgem	8 February 2023
Ofgem decision date	TBC
Implementation Date	On or after 1 April 2023

CMP344 – the asks of Panel

- **NOTE** the findings/conclusions of the Workgroup and **FLAG** if any concerns

- **NOTE** the proposed timeline - *Code Administrator Consultation will be run before the Draft Final Modification Report is presented to Panel unless Panel disagree.*

Discussions on Prioritisation

- **AGREE where New Modifications that need Workgroups are placed in the prioritisation stack**
- **AGREE any movements in the current prioritisation stack**

Prioritisation Principles

Section 8: 8.19.1(e) makes the following provision for the Panel and states "Having regard to the complexity, importance and urgency of particular CUSC Modification Proposals, the CUSC Modifications Panel may determine the priority of CUSC Modification Proposals and may (subject to any objection from the Authority taking into account all those issues) adjust the priority of the relevant CUSC Modification Proposal accordingly"

Complexity	The modification is viewed as being resource intensive and will most likely require a higher than average number of workgroups to conclude the process. Additionally the modification defect is viewed to have implications for many different areas of the energy market which need to be taken into consideration throughout the process.
Importance	The perceived value & risk associated with the proposed modification. The value / risk could be considered from a number of different perspectives i.e. financial / regulatory / licence obligations both directly for customer and end consumers more generally.
Urgency	A modification which requires speedy consideration within the code governance process, both complexity and importance should be factors considered in evaluating urgency as well as the timescales for implementation within the respective code.

Workgroup Report

CMP379: Determining TNUoS demand zones for transmission connected demand at sites with multiple Distribution Network Operators (DNOs)

Paul Mullen (on behalf of Catia Gomes)

Key points to note to the Panel

- The Workgroup asked the Proposer to consider amending the solution, from a predominant DNO methodology (which uses the DNO with the highest local net demand Mega Watts value at that site), to an average methodology approach (where the average of the zonal prices are used for each DNO zone). The Proposer agreed to amend the Original solution and adopt the average methodology approach.

- The average methodology solution, however, relies on the ESO's new billing system going live. Therefore, the proposed implementation date has been moved to 1 April 2024, to allow for changes being implemented into the new billing system.

Solution(s) and Workgroup Vote

Solution/summary of solutions:

- CMP379 Original seeks to update Section 14 of the CUSC to clarify how TNUoS demand zones and therefore TNUoS demand tariffs and charges should be determined for transmission-connected demand users who connect at the boundaries of multiple DNO areas. Following Workgroup discussions, the Proposer decided to amend their original solution and use the average methodology approach (average of the zonal prices be used for each DNO zone).
- No WACMs.

Summary of Workgroup Vote:

- The Workgroup unanimously voted that the Original solution better facilitated the applicable objectives than the baseline.

Terms of Reference

- The Workgroup concluded 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 3**
b) Consider the indicative aggregated demand charge variation analysis for the 2022/23 charging year and any further forward looking analysis and assess TNUoS impacts on demand users, suppliers and generators	**Page 11**
c) Consider the potential volatility in Demand Zone tariffs in future years and the potential to fix Demand Zone allocation	**Page 7 and Annex 3**
d) Consider whether the demand load of individual customers should be taken into account	**Page 7 ("How the methodology would work with different Charging sites")**
e) Consider impacts on consumers	**Page 3**
f) Consider the relevance of the ESO's proposed 2022/23 Guidance Note for this change	**Page 6**
g) Consider the legal implications of non-geographic charging e.g. applying the charges relating to 1 DNO to another DNO (Consider the appropriate criteria for identifying the relevant DNO)	**Page 7**
h) Consider what DNOs do currently	**Page 6**

CMP379 Next Steps

Milestone	Date
Code Administrator Consultation (20 working days)	4 January 2023 to 5pm on 1 February 2023
Draft Final Modification Report issued to Panel	16 February 2023
Draft Final Modification Report presented to Panel	24 February 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	28 February 2023
Submission of Final Modification Report to Ofgem	8 March 2023
Ofgem decision date	Required by 30 September 2023
Implementation Date	1 April 2024

CMP379 - 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

BREAK



Draft Final Modification Reports

CMP399: CUSC Section 14 – Minor changes update

Paul Mullen

Solution

Solution:

- Seeks to make minor amendments to CUSC Section 14

Summary of Code Administrator Consultation Responses :

Code Administrator Consultation was run from 3 November 2022 to 24 November 2022 – no responses received

CMP399 Next Steps

Milestone	Date
Draft Self Governance Modification Report presented to Panel	16 December 2022
Final Self Governance Modification Report issued to Panel to check votes recorded correctly (5 working days)	16 December 2022
Appeals Window (15 working days)	6 January 2023 to 5pm on 27 January 2023
Implementation Date (5 working days after closure of Appeals Window)	1 April 2023

Draft Final Modification Reports

CMP400: CUSC Non -Section 14 – Minor changes update

Paul Mullen

Solution

Solution:

- Seeks to make minor amendments to CUSC which sit outside of Section 14

Summary of Code Administrator Consultation Responses :

Code Administrator Consultation was run from 3 November 2022 to 24 November 2022 – no responses received

CMP400 Next Steps

Milestone	Date
Draft Self Governance Modification Report presented to Panel	16 December 2022
Final Self Governance Modification Report issued to Panel to check votes recorded correctly (5 working days)	16 December 2022
Appeals Window (15 working days)	6 January 2023 to 5pm on 27 January 2023
Implementation Date (5 working days after closure of Appeals Window)	3 February 2023

Draft Final Modification Reports

CMP401: CUSC Non -Section 14 – Minor changes update

Paul Mullen

Solution(s)

Solution/summary of solutions:

- As a result of CMP318, the period by which Meter Point Administration Numbers (MPANs) in Measurement Classes F and G are treated as Non Half-Hourly for TNUoS was extended to 31 March 2023. CMP401 seeks to amend this date to align with the introduction of the Market Wide Half Hourly Settlement (MWHHS) Programme and relevant subsequent charging year.

Code Administrator Consultation Responses

Summary of Code Administrator Consultation Responses :

- Code Administrator Consultation was run from 14 November 2022 to 5 December 2022 and received 1 non-confidential response. Key points were:
  - The respondent was not supportive of the change. The respondent noted that the proposed solution may be required to mitigate the Non Half-Hourly and Half-Hourly different charging methods through 2023/2024 financial year as it is not possible to develop and agree a new charging framework in the next few months. However, they argued that the ESO need to develop and implement a new charging regime (by 1 April 2024) to eliminate the different TNUoS charging for Non Half-Hourly & Half-Hourly Supplier Volume Allocation (SVA) customers and ensure the objectives of Market Wide Half Hourly Settlement Reform are met as Market Wide Half Hourly Settlement migration is scheduled to commence from 1 April 2024.
  - The respondent also flagged 2 issues with the proposed legal text (see next slide)

Code Administrator Consultation Responses – Legal Text

Legal Text issues:

Legal Text Issues	Proposed Way Forward
"The text prior to clause 14.17.29.8 refers to MC= E, F & G. Yet clause 14.17.29.9 only refers to MC= F&G. This leaves it ambiguous about the treatment of MC=E."	After discussions with the Proposer, it appears a line was deleted inadvertently and the words "Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (HH)" should have been retained at the end of 14.17.29.9.
"Clause 14.17.29.8 does not seem to be relevant any more as the financial year it refers to ended on 31st March 2018. It should therefore be removed."	After discussions with the Proposer, Clause 14.17.29.8 needs to be retained within CUSC (as interlinked with 14.17.29.9) to prevent double charging of Meter Point Administration Numbers on an Non Half-Hourly Basis (NHH) and Half-Hourly (HH) basis if there was a change in the Charging year from NHH to HH.

Code Administrator Consultation Responses – Legal Text

Legal Text issues:

Legal Text Issued as part of Code Administrator Consultation	Proposed Revised Legal Text (changes in red text)
14.17.29.8 – "A change from NHH to HH within a **Financial 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 for Non-Half Hourly (NHH) meters migrating to Measurement Classes E, F & G for the **Financial Year** which begins after 31 March 2017."	No change to legal text issued as part of Code Administrator Consultation
14.17.29.9 - Notwithstanding 14.17.9, for each **Financial Year** which begins after 31 March 2017 demand associated with Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full **Financial Year**. This will be up until the end of the **Financial Year** (31st March) following delivery of M15 of the Transition Timeline as outlined in the **Authority's** decision dated 20th April 2021 on the introduction of half-hourly settlement on a market-wide basis (MHHS).	14.17.29.9 - Notwithstanding 14.17.9, for each **Financial Year** which begins after 31 March 2017 demand associated with Measurement Classes F and G will be treated as Chargeable Energy Capacity (NHH) for the purposes of TNUoS charging for the full **Financial Year**. This will be up until the end of the **Financial Year** (31st March) following delivery of M15 of the Transition Timeline as outlined in the **Authority's** decision dated 20th April 2021 on the introduction of half-hourly settlement on a market-wide basis (MHHS). Demand associated with Measurement Class E will continue to be treated as Chargeable Demand Capacity (HH).

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

(iv) In the case of a modification that had been directed pursuant to CUSC 8.19.2(e) to proceed directly to wider consultation without the formation of a **Workgroup**, and if the change required is not considered to be a typographical error, then the **CUSC Modifications Panel** may direct the **Code Administrator** in conjunction with the **Proposer** to review the change. If the **CUSC Modifications Panel,** the **Code Administrator** and the **Proposer** 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 for changes that are not considered to be minor 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**. In the case of a change that is not considered to be minor, the **CUSC Modifications Panel** may also consider whether to establish a **Workgroup** of the **CUSC Modifications Panel**, to further consider the **CUSC Modification Proposal**, in which case the procedures set out within CUSC 8.20 will be followed as required.

(v) if a change is not required after consideration by the **CUSC Modifications Panel**, 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 change is typographical and instruct Code Admin to make the change under 8.23.4(i). Then we carry out Recommendation Vote; or**
- **Agree the change is not needed under 8.23.4(v). Then we carry out Recommendation Vote; or**
- **Under 8.23.4(iv), Direct Code Admin and Proposer to review the change or Agree to run a 2nd Code Administrator Consultation (and agree how long this is to be run for) or Ask for a Workgroup to be formed. Then re—issue the Draft Final Modification Report to Panel for Recommendation Vote.**

CMP401 - the asks of Panel

- **AGREE** whether or not the proposed changes to the legal text are typographical and if not **AGREE** next steps

- **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
  - *Does the CMP401 Original proposal better facilitate the objectives than the current CUSC arrangements?*

- **NOTE** next steps

CMP401 – Next Steps *(if Legal Text changes typographical or not required)*

Milestone	Date
Draft Final Modification Report presented to Panel	16 December 2022
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	16 December 2022
Submission of Final Modification Report to Ofgem	6 January 2023
Ofgem decision date	Needed by 31 January 2023
Implementation Date	1 April 2023

CMP401 – Next Steps *(if 2nd Code Administrator Consultation required on proposed legal text changes)*

Milestone	Date
Draft Final Modification Report presented to Panel	16 December 2022
2nd Code Administrator Consultation (5 working days)	9 January 2023 to 16 January 2023 (5pm)
2nd Draft Final Modification Report issued to Panel	19 January 2023
2nd Draft Final Modification Report presented to Panel	27 January 2023
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	31 January 2023
Submission of Final Modification Report to Ofgem	8 February 2023
Ofgem decision date	TBC
Implementation Date	1 April 2023

EBR Article 3 Objectives

For reference, the Electricity Balancing Regulation (EBR) Article 3 (Objectives and regulatory aspects) are:

1. This Regulation aims at:

(a) Fostering effective competition, non-discrimination and transparency in balancing markets;

(b) enhancing efficiency of balancing as well as efficiency of national balancing markets;

(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.

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 – Karen Thompson-Lilley

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

Updates on Other Industry Codes

Grid Code

STC

SQSS

DCUSA

BSC

Relevant Interruptions Claim Report

(January, April, July, October)

Governance

None

Horizon Scan

(February, May, August, November)

Code Administrator Update

None

Any Other Business

None

Next Panel Meeting

10am on 27 January 2023 (Faraday House)

Papers Day – 19 January 2023

Modification Proposals to be submitted by – 12 January 2023

TCMF – 5 January 2023

Close



Trisha McAuley

Independent Chair, CUSC Panel