

Modification proposal:	Connection and Use of System Code (CUSC) CMP379: Determining TNUoS demand zones for transmission connected demand at sites with multiple Distribution Network Operators (DNOs)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	27 October 2023	Implementation date:	1 April 2024

Background

Transmission connected demand users are grouped in *demand zones* according to the location of their local Grid Supply Points (GSPs). These GSPs are grouped together to create 'GSP Groups' which match the boundaries of the Distribution Network Operator (DNO) regions. Demand Transmission Network Use of System (TNUoS) charges are levied based on the GSP Group, or 'zone' in which sites are located. There are numerous transmission connected demand users who connect at the boundaries of multiple DNO areas and this modification proposal aims to clarify how Transmission Network Use of System (TNUoS) demand zones and therefore TNUoS demand tariffs should be determined by updating relevant CUSC sections.

The modification proposal

Connection and Use of System Code (CUSC) CMP379: Determining TNUoS demand zones for transmission connected demand at sites with multiple Distribution Network Operators (DNOs) was raised by National Grid ESO at the Modifications Panel meeting on 24 September 2021³. A second Final Modification Report (FMR)⁴ was submitted to the authority on 7 September 2023. The latest Transmission Entry Capacity (TEC) register⁵ shows that during the 2022/23 charging year several transmission-connected users (primarily energy storage systems) are expected to connect to the National Electricity Transmission System (NETS) located at a boundary point between multiple DNO areas. At present the CUSC charging methodologies do not clearly set out how the TNUoS demand zone and therefore the TNUoS demand tariffs should be determined for such a connection.

The proposers suggest that this modification will provide clarity on how TNUoS tariffs for such users are calculated and will ensure consistent understanding of the charging methodology for all parties involved and bring a positive impact from updating Section 14 of the CUSC to clarify how TNUoS demand zones (and therefore TNUoS demand tariffs)

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

²This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ [CMP379 Proposal Form I National Grid ESO.](#)

⁴ [CMP379 2nd Final Modification Report and Annexes - Submitted 7 September 2023.](#)

⁵ [Transmission Entry Capacity \(TEC\) Register.](#)

should be determined for those transmission connected demand users who connect at the boundaries of multiple DNO areas.

The modification proposes that where a transmission site has a local GSP which connects to and feeds multiple DNO networks, Demand Tariffs will be derived from the average zonal tariffs from the relevant DNO zones. This applies to both Peak Security and Year Round tariffs. TNUoS demand tariffs are calculated by means of a weighted average of all demand sites nodal costs within the same demand zone, using the 'week 24' nodal demand MW values to determine the weighting. This modification proposes that, once these zonal tariffs are known, the tariff for a demand user at a boundary point can be calculated by taking the average of the zonal prices for each DNO which the local GSP connects to and feeds.

The Applicable CUSC charging objectives (ACOs) are:

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

b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);

c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;

*d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*

e) To promote efficiency in the implementation and administration of the system charging methodology

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

The proposer suggests that the modification CMP379 has a positive impact on ACO e) whilst has neutral impact on ACOs a), b), c), and d). For the ACO e), the proposer believes that the modification will better facilitate it as "it will update Section 14 of the CUSC by clarifying how TNUoS demand zones and therefore TNUoS demand tariffs should be determined for those transmission-connected demand users who connect at the boundaries of multiple DNO areas. This will provide clarity on how TNUoS tariffs for such users are calculated and will ensure consistent understanding of the charging

methodology for all parties involved.”

According to the second FMR, the CMP379 Workgroup unanimously concluded that the Original did better facilitate the Applicable CUSC Charging Objectives than the Baseline.

CUSC Panel⁶ recommendation

At the second CUSC Panel meeting on 26 July 2023, unanimously the CUSC Panel considered that CMP379 would better facilitate the CUSC charging objective e) and the Panel therefore recommended its approval. In the panel voting nine of the nine members voted that the modification will better facilitate ACO e). Moreover, two panel members also suggested that the modification will facilitate ACO b) whilst other seven members evaluated the objective as neutral.

The first and second Code Administrator Consultations did not receive any responses, with the Workgroup Consultation receiving one response supporting the proposal, and one stating it would not better facilitate any of the ACOs.

Our decision

We have considered the issues raised by the modification proposal and the second final Modification Report (FMR) dated 7 September 2023. We have considered and taken into account the responses to the Code Administrator consultation(s) on the modification proposal which are attached to the FMR⁷. We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant charging objectives of the CUSC;⁸ and
2. directing that the modification be made is consistent with our principal objective and statutory duties.⁹

Reasons for our decision

In the baseline CUSC, the treatment of demand users connecting at a boundary point between GSP Groups is not specified, and as such we believe some clarity on how TNUoS tariffs for such users are calculated is necessary. Implementation of this proposal means that a transmission site connecting at a GSP that feeds more than one GSP Group, demand tariffs will be derived from the average zonal tariffs from the relevant zones which we consider to be a pragmatic solution which will better facilitate ACOs b) and e) and has a neutral impact on the other applicable objectives.

⁶ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with the section 8 of the CUSC.

⁷ CUSC modification proposals, modification reports and representations can be viewed on NGESO’s website at <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc>

⁸ As set out in Standard Condition C5(5) of the Electricity Transmission Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

⁹ The Authority’s statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

(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);

As the modification will rely on a weighted average of the tariffs from relevant demand zones, the TNUoS charges for sites connected at GSPs covering multiple DNO areas will likely represent an improvement to cost-reflectivity, especially as the baseline contains no provisions in respect of the treatment of charges for these sites. We consider that a weighted average is likely more cost-reflective than a baseline scenario where NGENSO might have to effectively 'choose' a GSP Group for charging purposes as such a charge will more accurately reflect the nodal costs driven by demand as modelled in the DCLF model.

(e) promoting efficiency in the implementation and administration of the system charging methodology.

This modification proposal brings a clarity on the treatment of the transmission connected demand users who connect at the boundaries of multiple DNO areas and thus promotes efficiency in the implementation and administration of the system charging methodology as all parties, including NGENSO will better understand the manner in which charges to be set and calculated.

Decision notice

In accordance with Standard Condition C10 of the Transmission Licence, the Authority, hereby directs that modification proposal CMP 379: Determining TNUoS demand zones for transmission connected demand at sites with multiple Distribution Network Operators (DNOs) be made.

Harriet Harmon

Head of Electricity Network Charging

Signed on behalf of the Authority and authorised for that purpose