

Public

CUSC Alternative Form - Charging

CMP4444 Alternative Request 7:

Overview: Proposes an alternative methodology that seeks to better maintain the differential locational signals between zones. Introduces a cap and maximum range between the highest and lowest zone for each tariff component, and is applied as a scaling factor to all tariffs.

Proposer: Niall Coyle, NESO

☒ I/We confirm that this Alternative Request proposes to modify the charging section of the CUSC only

Guidance for Alternative Proposers

Who can raise an Alternative? Any CUSC or BSC Party, or Citizens Advice can raise an Alternative Request in response to the Workgroup Consultation.

How do Alternative Requests become formal Workgroup Alternative Modifications?

The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the

Public

Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the CUSC Modification Proposal, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Alternatives? ESO will develop the Legal text for all Workgroup Alternative Modifications and will liaise with the Alternative Proposer to do so.

Public

What is the proposed alternative solution?

This Alternative solution introduces an alternative methodology for applying the cap and floor to try and better preserve the locational signals in northern GB. The Alternative is looking to set a maximum range between the highest and lowest TNUoS zone and an explicit maximum cap for each of the Peak Security, Year-Round Shared and Year-Round Not Shared tariff components. The maximum range and cap for each component will be the highest of the first four years of the latest NESO 5-year view of TNUoS publication.

These would be applied in two steps: Firstly, if the range of tariffs is greater than the defined maximum when setting tariffs, the tariff in each zone is multiplied by a scaling factor to bring the range back within the maximum. This scales all tariffs by a factor between 0 and 1. Then if the highest zone is still higher than the absolute cap, then a £/kW adjustment would be applied equally to all zones to bring the highest back down to the level of the absolute cap while still maintaining the difference between zones

What is the difference between this and the Original Proposal?

Instead of only tariffs that fall outside of the range of the cap and floor being impacted, this alternative would scale the tariffs in all zones to achieve the same objective. This means that locational signals between zones in northern GB are preserved, rather than tariffs in zone 1-11 being identical as in the original solution and most other alternatives submitted to date.

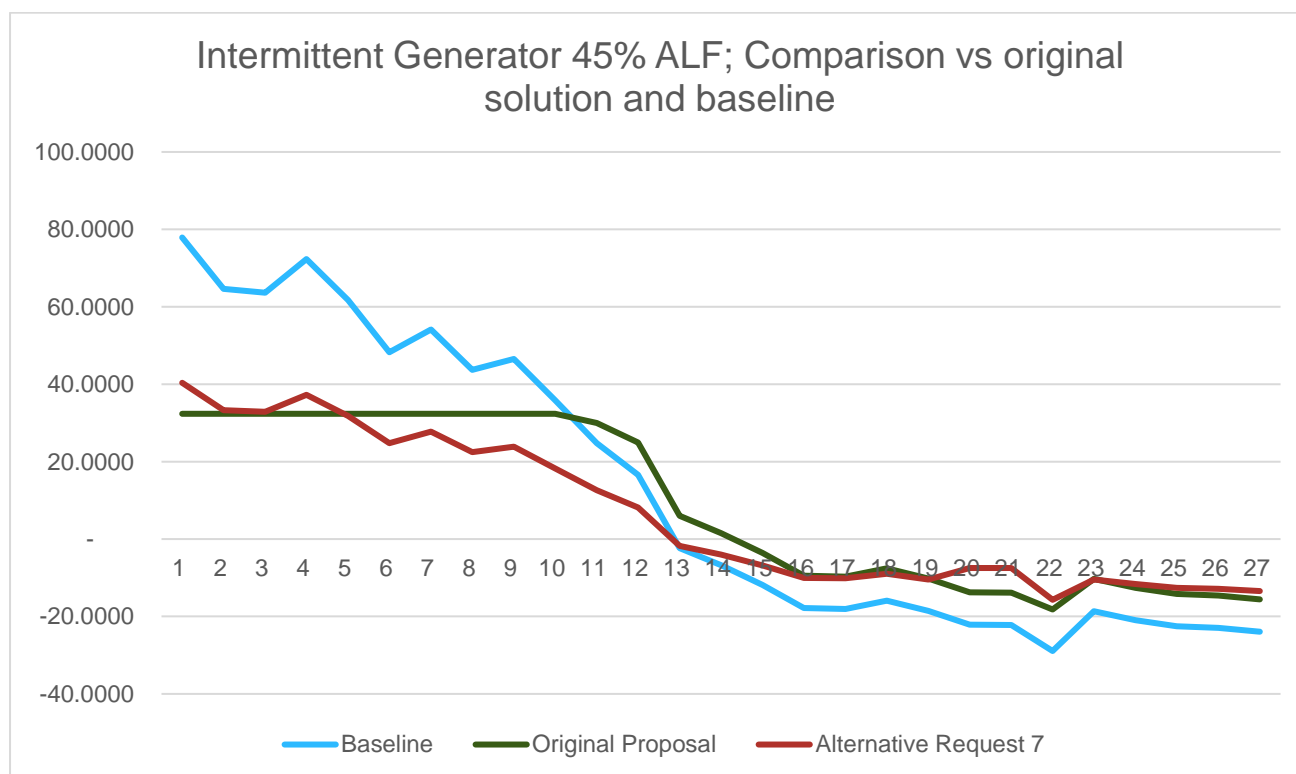


Figure 1 2030/31 Tariff Comparison of Alternative Request 7 vs the baseline and original proposal

Public

What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(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;	Positive: This Alternative would facilitate enhanced competition in generation, by decreasing uncertainty for projects, allowing them to proceed at competitive costs, whether CfD-supported or not
(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 C11 requirements of a connect and manage connection);	None: The Alternative is structured so that cost-reflective locational signals are largely preserved, though slightly compressed should the caps and/or floors be hit
(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 and the ISOP business*;	None: No relevant developments apply
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	None: Compliance with EC 838/2010 is maintained through the generation adjustment tariff. The chosen solution avoids undue discrimination between technology types,

Public

	which EC 2019/943 prohibits.
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	None: Tariff setting process ahead of each charging year is only made a little more complicated than baseline. The extra complexity and work are at this stage believed to be modest.
<p>* See Electricity System Operator Licence</p> <p>**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.</p>	

When will this change take place?

Implementation date:

1 April 2026

Implementation approach:

Same as the original: Will require minor changes to NESO TNUoS tariff setting process to apply the cap/floor to necessary tariff components in the DCLF (Direct Current Load Flow) ICRP (Investment Cost Related Pricing) Transport & Tariff Model.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CfD	Contracts for Difference
CMP	CUSC Modification Proposal

Public

CUSC	Connection and Use of System Code
DCLF	Direct Current Load Flow
EBR	Electricity Balancing Regulation
ICRP	Investment Cost Related Pricing
PS	Peak Security
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
TDR	Transmission Demand Residual
TNUoS	Transmission Network Use of System
T&Cs	Terms and Conditions
YRNS	Year-round not shared
YRS	Year-round shared

Reference material:

1.