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# CUSC Alternative and Workgroup Vote

## CMP453: To Bill BSUoS on a net basis at BSC Trading Units

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

### Stage 1 – Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

### Stage 2 – Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

## Terms used in this document

Term	Meaning
<b>Baseline</b>	The current CUSC (if voting for the Baseline, you believe no modification should be made)
<b>Original</b>	The solution which was firstly proposed by the Proposer of the modification
<b>WACM</b>	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

## For reference the Applicable CUSC (charging) Objectives are:

- d) 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;*

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- e) *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);*
- f) *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\*;*
- g) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- h) *Promoting efficiency in the implementation and administration of the system charging methodology.*

*\* See Electricity System Operator Licence*

*\*\*The Electricity Regulation referred to in objective (G) 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.*

## Workgroup Vote

### Stage 1 – Alternative Vote

No Alternatives were raised for this modification.

### Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

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Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Andrew Dudkowsky – NESO					
Original	<b>N</b>	<b>N</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>N</b>
<b>Voting Statement:</b> <p>d) Not supportive: This modification would, if passed, generate a benefit to the trading unit equal to the value of the BSUoS saving. This would not be dissimilar to the embedded benefit that CMP333 removed. This would create a barrier to competition between the generation and supply of electricity, resulting in less efficient generation remaining on the transmission network for longer than necessary, potentially to the detriment of cheaper no-carbon alternatives.</p> <p>e) Not supportive: BSUoS is not regarded as a “cost-reflective” charge element in its recovery, but as a cost recovery type charge. This was an unambiguous recommendation from the second BSUoS Charging Task Force (reflected in Ofgem’s decision document following its receipt of the advisory report from said Task Force). Those that generate the cost are, as a result, not those that have the cost imposed on them. BSUoS is imposed on final demand as a pass-through cost. Discrimination between final demand and non-final demand on a given site was carefully dealt with in CMP363.</p> <p>This mod seeks to shift the BSUoS cost burden for a subset of final demand stakeholders onto remaining BSUoS final demand stakeholders. This is not fair or equitable. This modification also suggests that balancing costs are equivalent to BSUoS costs. Balancing costs are a portion of BSUoS, but BSUoS also recovers service costs in relation to many other activities that collectively enable all users to enjoy a path to a secure energised transmission network with stable voltage, frequency and phase, which, moreover, can actually be restored in the event of a partial or full system shutdown.</p> <p>f) Neutral: This modification does not impact this outcome.</p> <p>g) Neutral: This modification does not impact this outcome.</p>						

## Public

h) Neutral: This modification does not impact this outcome.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Damian Clough - SSE					
<b>Original</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Y</b>
<p><b>Voting Statement:</b> d) Neutral: Mixed sites connected at Distribution, currently net off Generation and Final Demand Behind the Meter as Metered flows are measured at the Boundary Meter which then feeds into BSUoS billing. This Modification aligns Mixed Sites at Transmission with Distribution Mixed Sites so from a competition point of view facilitates effective competition for Mixed Sites. It also removes likely inefficiency of rewiring. However, it must be noted that the ability to net off Behind the Meter was seen as a defect in the CMP333 workgroup which was not resolved as opposed to an agreed Baseline. The ultimate aim should be, according to the BSUoS Taskforce and CMP333, to aim for BSUoS to be charged on Final Demand wherever possible. For stand alone Generation or Demand this modification could be seen as worsening competition.</p> <p>e) Neutral: The system charging methodology works on the basis that charges should be cost reflective. Dx Mixed sites create the same costs as Tx Sites, so it's not cost reflective that one is charged whilst the other is allowed to net off. However, the BSUoS Taskforce deemed BSUoS as cost recovery so the fact one does not export, does not, and should not arguably prevent BSUoS being levied. The fact one site is not charged BSUoS is down to the lack of available Metering as opposed to a clear Policy decision.</p>						

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Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	George Major – Smart Grid Consultancy (SGC)					
Original	Y	Y	Y	Y	Y	Y

### **Voting Statement:** D. Supportive

This modification would enable transmission connected or Central Volume Allocation (CVA) intensive users to benefit in the same way as Supplier Volume Allocation (SVA) sites, this is not an embedded benefit.

Where PV, wind turbines, CHP etc connected to Demand and supplied via private wire PPA do not incur BSUoS costs they are not benefiting from embedded benefit. Where a direct private wire PPA is being used they are connected Behind the Meter (BtM) this is a different concept compared to Embedded Benefits, which are when a generator using the distribution network and a supplier etc supplying electricity, no private wire arrangement. Historically if they hadn't used the transmission network, they didn't incur costs associated with transmission. BtM is a benefit that all SVA demand users with a private wire generation asset enjoy from residential houses to industrial SVA connected demand customers. Whereas this is currently not the case for CVA final demand users, and the market has been distorted.

With regard to the concern that this is a barrier to competition third part electricity suppliers would not be able to supply, they are precluded from competing because they can't supply high pressure steam and low-grade heat that these sites require and as a result would not be able to supply additional, reasons that are either site specific or confidential. The relationship between the generator and the demand user on these sites is historic and the result of industry decarbonising and governments policy objectives by encouraging colocation generation and intensive heat demand.

The generation assets that are impacted have to provide heat 24/7 for these industrial process as a result the additional redundancy has a significant cost associated with it. The increase in costs that are now applied since the implementation of CMP363 has adversely impacted the industry and has distorted competition because sites that are SVA do not incur these costs, while benefiting from the resilience of being connected to distribution networks thus reducing their capital costs.

With regard to the implementation of this proposal currently SVA metered sites incur distribution and Transmission costs because they use them and incurs costs based on actual demand for BNUoS whereas CVA sites incur Transmission costs they don't use

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distribution so are not charged the difference is the CVA sites incur BSUoS costs based on all their behind the meter generation.

These sites don't have a negative impact on the transmission network, numerous GSP points where they connect are exporting GSP's as a result the demand reduces the impact on the wider network additionally, they have a constant demand and are beneficial the transmission licenses. Additionally, these networks have limited impact on BS/System Restoration, Frequency Response, Reserve Services etc.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Karl Maryon – Drax Energy Solutions					
Original	<b>N</b>	<b>N</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>N</b>
<p><b>Voting Statement:</b> We are not supportive of this modification as it creates a benefit similar in nature to one removed by a previous modification and shifts the burden of BSUoS onto a smaller subset of customers.</p> <p>Approving this modification is also likely to trigger similar modifications which would argue why various sections of the industry should avoid BSUoS.</p> <p>We need to ensure this modification does not impose an increased BSUoS burden on those customers least able to avoid it.</p>						

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Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Lisa Waters – Saltend					
<b>Original</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Neutral</b>	<b>Y</b>	<b>Y</b>
<p><b>Voting Statement:</b> d) positive – The mod would improve the cost reflectivity of BSUoS charging in line with the objectives and therefore improve competition by only charging those creating the costs at a specific point in time. Customers on these sites are not “using” the system when their sites are not importing from the system and that distorts competition.</p> <p>It is not an embedded benefit of the types that Ofgem has sought to remove in relation to say TNUoS, where customers benefit from the option to use the system, as the BSUoS is an energy related charge based on use of the system. We do not charge for energy when customers are not consuming and that includes the energy services covered by BSUoS. Just charging customers on an ad hoc basis reduce competition in their own markets.</p> <p>It would also improve competition between customers in their own markets where the wiring of the sites just happens to be different. And it would also stop industry wasting money on rewiring sites. At time when we want industry to invest in carbon reduction, switching to hydrogen, etc. they will be effectively wasting capital on rewiring sites to ensure that their costs matches those of their competitors.</p> <p>e) positive – It is more cost reflective as the charges are currently being levied on companies are not using the system. We do not charge BSUoS on domestic properties that exporting in a given period because they have solar panels, for example. This is also what happens in the SVA system, so align treatment across the different types of customers, the way and the voltage they are connected at.</p> <p>Further, these are sites often providing services (mandatory or voluntary ancillary services). So the site is exporting, helping with balancing and yet the customers are paying for the services they are demonstrably not using.</p> <p>The mod does not mean these customers would not pay BSUoS when they are using the system, only when they are not. This is the same as other customers.</p>						

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f) positive – If this mod is not approved then the way sites are connected may be unnecessarily altered. This could waste time and effort for the TOs, who will have to approve these changes, at a time when they are already busy with trying to connect new generation, new demand and new service providers. Adding to that workload, for not change in net system flows will be inefficient and potentially costly.

g) neutral

h) neutral

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Matthew Foster – Triton Power					
<b>Original</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Neutral</b>	<b>Y</b>	<b>Y</b>
<p><b>Voting Statement:</b> We understand BSUoS is not a cost reflective charge and we are not seeking to change this. When the demand is using the system, we are proposing that this non-cost reflective charge remains.</p> <p>The demand users are being charged when they are not using the system – on a £/MWh basis, using the MWh values being generated by co-located generators, not those MWh being drawn from the system.</p> <p>Not approving this modification will force more significant costs on to UK industry in order to change the metering arrangements.</p> <p>Upcoming EII changes are also expected to reduce these charges to this category of demand user.</p>						

Of the 6 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
<b>Original</b>	4



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## Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal))

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Andrew Dudkowsky	NESO	System Operator	Baseline	n/a
Damian Clough	SSE	Generator	Original	n/a
George Major	Smart Grid Consultancy (SGC)	Consumer Representative	Original	d),e)f),g),h).
Karl Mayron	Drax Energy Solutions	Supplier	Baseline	n/a
Lisa Waters	Saltend	Consultant	Original	d),e)f),h).
Matthew Foster	Triton Power	Generator	Original	d),e)f),h).