





<b>CUSC Modification Proposal Form</b>	At what stage is this document in the process?
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<h1 style="margin: 0;">CMP281:</h1> <h2 style="margin: 0;">Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities</h2>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center; width: 30px;">01</td> <td style="border: 1px solid black; border-radius: 5px; background-color: #008000; color: white; padding: 2px;">Proposal Form</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">02</td> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Workgroup Consultation</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">03</td> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Workgroup Report</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">04</td> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Code Administrator Consultation</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">05</td> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Draft CUSC Modification Report</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">06</td> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Final CUSC Modification Report</td> </tr> </table>	01	Proposal Form	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
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**Purpose of Modification:** The Modification aims to remove liability from storage facilities for Balancing Services Use of System (BSUoS) charges on imports

	<p><b>The Proposer recommends that this modification should be:</b></p> <ul style="list-style-type: none"> <li>assessed by a Workgroup</li> </ul> <p>This modification was raised in <b>22 June 2017</b> by <b>Scottish Power</b> and will be presented by the Proposer to the Panel on <b>30 June 2017</b>. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>
	<p><b>High Impact:</b> Insert text here. None.</p>
	<p><b>Medium Impact:</b></p>
	<p><b>Low Impact:</b> National Grid: Changes will be required to the BSUoS billing systems to tag out the appropriate metered import volumes for the purpose of the BSUoS charging base.</p> <p>Suppliers: The reduced recovery of BSUoS charges from storage operators will need to be recovered from the balance of parties liable to BSUoS. We estimate the impact to be small: circa 3.5TWh of pumping = circa 1.5% of supply liable for BSUoS = circa 0.75% of total BSUoS bill.</p>

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Timetable		 email address
<b>The Code Administrator recommends the following draft timetable:</b>		 telephone
Initial consideration by Workgroup	w/c 24 July 2017	Proposer: Rupert Steele
Workgroup Consultation issued to the Industry	9 October 2017	 email address: Rupert.Steele@ScottishPower.com
Modification concluded by Workgroup	4 December 2017	 telephone: 0141 614 2012
Workgroup Report presented to Panel	15 December 2017	National Grid Representative: Insert name
Code Administration Consultation Report issued to the Industry	15 December 2017	 email address.
Draft Final Modification Report presented to Panel	18 January 2018	 telephone
Modification Panel decision	26 January 2018	
Final Modification Report issued the Authority	19 February 2018	
Decision implemented in CUSC	2 April 2018	

**Proposer Details**

<b>Details of Proposer:</b> (Organisation Name)	ScottishPower Energy Management Limited
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Rupert Steele ScottishPower 0141 614 2012 <a href="mailto:rupert.steele@scottishpower.com">rupert.steele@scottishpower.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	James Anderson ScottishPower Energy Management Limited 0141 614 3006 <a href="mailto:james.anderson@scottishpower.com">james.anderson@scottishpower.com</a>
<b>Attachments (Yes/No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	

**Impact on Core Industry Documentation.**  
*Please mark the relevant boxes with an "x" and provide any supporting information*

<b>BSC</b>	<input type="checkbox"/>
<b>Grid Code</b>	<input type="checkbox"/>
<b>STC</b>	<input type="checkbox"/>
<b>Other</b>	<input type="checkbox"/>

(Please specify)

## 1 Summary

### Defect

Under the current Charging Methodology, storage providers pay BSUoS on both their import and export volumes (in addition to the BSUoS costs implicit in their 'fuel cost'). Storage providers are therefore contributing more towards the cost of balancing the system than other users. Storage providers, who compete with generators in the provision of ancillary services, are therefore at a competitive disadvantage, which is likely to distort market outcomes and so disadvantage consumers.

### What

CUSC 14.29.4 states that all Parties with the exception of BMUs and Trading Units associated with Interconnectors are liable for BSUoS charges. This includes energy taken from the grid by storage facilities.

All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with Interconnectors ) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement period

### Why

Asking storage operators to make a greater contribution (at least 2-fold) towards the recovery of BSUoS charges than their competitors is disproportionate - the requirement to pay BSUoS on both of the import and export volumes should be removed from these facilities.

Failure to address this issue will perpetuate a distortion to competition between storage operators and other generators. Moreover, given the nature of storage facilities and the system support role that they play, they are very unlikely to impose such balancing costs on the system when compared to other users.

### How

A solution would be to change the BSUoS Charging Methodology within section 14 of the CUSC to remove the liability of BSUoS on storage facilities import volumes.

This can be achieved through defining an Exemptible Storage BMU and removing the liability to pay BSUoS on their imports from the National Grid system. Once defined, the exemption would mirror that in place for BMUs and Trading Units associated with Interconnectors.

## 2 Governance

### Justification for Normal Procedures

The proposal should follow the normal CUSC governance process and should proceed to assessment by a Working Group. This will allow the development of the solution and appropriate legal text and allow any associated issues to be explored.

### Requested Next Steps

This modification should:

- be assessed by a Workgroup

We believe that this proposal should be assessed by a Working Group in order to fully develop the solution and necessary legal text.

### 3 Why Change?

Storage operators are liable for the BSUoS on both their import and export volumes to and from the transmission network (in addition to the BSUoS costs implicit in their 'fuel cost'). This means that storage operators make a significantly greater contribution towards the recovery of BSUoS charges than their competitors.

Failure to address this issue will perpetuate a distortion to competition between storage operators and other generators, and could hinder the development of new storage that could meet the increasing demand for flexibility. Moreover, given the nature of storage facilities and the system support role that they play, they are very unlikely to impose such balancing costs on the system when compared to other users.

## 4 Code Specific Matters

### Technical Skillsets

The Working Group should consist of members with a well-developed understanding of the BSUoS Charging Methodology in Section 14 of the CUSC and preferably an understanding of the direction of travel of Ofgem's Targeted Charging Review.

### Reference Documents

The CUSC Section 14

Targeted Charging Review: a consultation, Ofgem, 13 March 2017

## 5 Solution

*These are the details of the Code changes that are proposed, setting out specific document changes to the Code.*

*This section is “owned” by the proposer and will not be altered by the workgroup and so should set out the change you, as proposer, wish to see made – which you can amend later to take into account issues raised by a Workgroup.*

A solution is to amend the text in CUSC 14.29.4 along the following lines (subject to legal drafting):

All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with Interconnectors) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement period, **except that energy taken from the system by Exemptible Storage BMUs shall be disregarded.**

For purpose of Section 14(2) of the CUSC – The Statement of the Balancing Services Use of System Charging Methodology –

**An Exemptible Storage BMU is a BMU that consists of:**

- (a) a means of converting electricity imported from the National Grid system into a form of energy which can be stored, and of storing the energy which has been so converted; and**
- (b) a generating unit which is wholly or mainly used to re-convert the stored energy into electrical energy for the purpose of its supply to the National Grid system.**



## 6 Impacts & Other Considerations

### **Details of any potential cross-code, consumer or environmental impacts and attach or reference any other, related work.**

We do not believe that there are any cross-code impacts from this Proposal.

### **Significant Code Review (SCR) or other significant industry change projects**

No. There is currently no Significant Code Review (SCR) underway which impacts BSUoS. In addition, Ofgem has said that it thinks that the relative disadvantage for storage from the current arrangements – whereby storage pays BSUoS as both demand and generation – is sufficiently material that it should be addressed ahead of any potential future change to BSUoS.

### **Consumer Impacts**

Removal of this distortion should result in fairer allocation of the costs of balancing the system and hence in stronger competition, which should in turn allow discovery of new lower cost outcomes and new forms of flexibility.

## 7 Relevant Objectives

### Impact of the modification on the Applicable CUSC Objectives (Charging):

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. Removing a distortion in competition will better facilitate competition.
(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);	Positive/None As BSUoS charges are not intended to be cost reflective, this proposal will have little impact on cost reflectivity other than removing a distortion whereby some users pay a disproportionate amount of the costs.
(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*;	None
(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; and	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	None
*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).	

## 8 Implementation

The Proposal should be implemented to coincide with the start of a Charging Year (i.e. 1 April) and should be implemented in the first practical Charging Year following a decision by the Authority.

## 9 Legal Text

*The Proposer is welcome to put forward suggested legal text. If this is a proposed Fast Track Self-Governance modification then legal text and commentary must be provided. Otherwise the legal text will be provided in conjunction with the Workgroup Report to the CUSC Panel before progressing to the Code Administrator Consultation.*

To be developed by the Working Group.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal governance procedures should apply
- Refer this proposal to a Workgroup for assessment.