4.5. MP Form

Modification Proposal – BSCP40/03	**MP No: 348** *(mandatory by BSCCo)*

Title of Modification Proposal *(mandatory by originator)***:**

Provision of gross BM Unit data for TNUoS charging

Submission Date *(mandatory by originator)***:**

01 July 2016

Description of Proposed Modification *(mandatory by originator)*

This Modification Proposal seeks to enable the Supplier Volume Allocation Agent (SVAA) to provide gross export and gross import data to the Transmission Company to support proposed revisions to the Transmission Network Use of System (TNUoS) Charging methods under CUSC Modification Proposal (CMP) 265 'Gross charging of TNUoS for HH demand where embedded generation is in Capacity Market'.

CMP265 looks to specifically amend the residual element of the TNUoS demand tariff to mitigate arbitrary and discriminatory "embedded benefits" currently available to exemptible generation connected within distribution systems where those embedded generators operate in the Capacity Market.

National Grid currently receives the Transmission Use of System (TUoS) Report (**P0210** – Half Hourly (HH) / Non Half Hourly (NHH) split) from the SVAA. National Grid uses the data in this report to calculate indicative and actual TNUoS charges.

Currently, the TUoS report provides the "Period HH Allocated Volume" data in the "HHA Record Types" (**for Supplier Balancing Mechanism Units (BMUs)) on the basis of demand net** generation within Grid Supply Point (GSP) Groups.

To facilitate CMP265 **we propose that the SVAA could report details of gross import and export volumes by inserting two new columns: "Period BMU HH Allocated Gross Import Volume" and "Period BMU HH Allocated Gross Export Volume" into the TUoS report.**

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by originator)*

Under the current BSC and CUSC rules, generation that is licence exemptible and connected to a distribution system reduces the aggregate net import demand or creates an export for the generator or supplier who registers the boundary flow. This reduction either:

- reduces the liability of the registering supplier to TNUoS charges, a benefit which can be shared with the generator; or
- if registered to a generator in its own right, can deliver a TNUoS charge credit benefit directly to the generator.

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Exemptable embedded generation can receive embedded generation benefits by being able to net their generation from the local demand. Furthermore, embedded generation is exempt from TNUoS and can net their production off Suppliers' volumes.

In order for National Grid to calculate the TNUoS charges according to prospective requirements of the CUSC a change is required to the BSC to enable sufficient data to be provided by ELEXON to National Grid.

Therefore, if the Authority approves CMP265, a BSC Modification is required to enable the delivery of the CMP265 solution.

Impact on Code *(optional by originator)*

BSC Section S 'Supplier Volume Allocation'.

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(optional by originator)*

To be confirmed as part of the Assessment Phase of this Modification.

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties (*optional by originator)*

To be confirmed as part of the Assessment Phase of this Modification.

Impact on other Configurable Items (*optional by originator)*

To be confirmed as part of the Assessment Phase of this Modification.

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator)*

Embedded Benefits derived from transmission charging arrangements (and elsewhere) are uneconomic: they largely do not reflect the benefits (avoided costs) that these generators provide to the system. The Capacity Market (CM) has exposed these flaws in transmission charging arrangements.

As more parties install embedded generation, the chargeable demand volume reduces and the charges increase to recover the same revenue. This creates ever-stronger financial incentives to install embedded generation in a way to avoided cost. The lack of cost reflectivity will impact transmission investment leading to higher costs and distort the market.

Applicable BSC Objective (a)

The Proposed Modification would better facilitate Objective (a) by allowing the Transmission Company to efficiently discharge its obligations enabling it to better develop a cost reflective charging methodology. In addition, the proposed modification allows the Transmission Company to discharge obligations enshrined in the Electricity Transmission System Standard Licence (SLC)

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C13 by forming part of an enduring solution to the issue of a disparity in charging arrangements for different types of generation.

Applicable BSC Objective (c)
The Proposed Modification would also promote effective competition in the generation and supply of electricity under Objective (c) as it would address a growing disparity in charging arrangements for different types of generation.

Applicable BSC Objective (f)
There are wider Capacity Market implications that this modification proposal would address including promoting investment in capacity to ensure security of electricity supply as well as facilitating the efficient operation and administration of the Capacity Market.

Is there a likely material environmental impact? *(optional by originator)*

No

Urgency Recommended:

Yes

Justification for Urgency Recommendation

This Modification Proposal is linked to an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s).

The Modification needs to be approved by the end of the year, as the next capacity market auction (for winter 2020) takes place in December 2016; the present arrangements give an artificial advantage to embedded generators, distorting the capacity market. Therefore it is vital that a decision on this Modification is made by Ofgem ahead of December 2016 to provide a clear signal to embedded generators of changes to TNUoS charges that may affect their participation in forthcoming Capacity Market auctions.

In order to facilitate this, this Modification needs to be progressed in line with the related CUSC Modification CMP265 as much as possible so that Ofgem will receive this Modification at the same time in October 2016 so it is able to consider these Modifications in parallel.

We believe that progressing this as an Urgent Modification Proposal is the most appropriate and robust way to enable the workgroup and Elexon to ensure that its implications and merits are properly assessed under an accelerated timetable.

Self-Governance Recommended:

No

Justification for Self-Governance Recommendation *(mandatory by originator if recommending progression as Self-Governance Modification Proposal)*
N/A

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Fast Track Self-Governance Recommended: No	
Justification for Fast Track Self-Governance Recommendation N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? *(optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)* There is no anticipated impact to any Significant Code Review.	

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Attachments: No *(delete as appropriate) (mandatory by originator)*