

# Stage 06: Final CUSC Modification Report

## Connection and Use of System Code (CUSC)

# CMP203 TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

This proposal seeks to modify the CUSC such that any User who pays a One-Off Charge will not end up being charged a second time for the value of the related One-Off Works through Transmission Network Use of System (TNUoS) charges.

Published on: 13<sup>th</sup> August 2012



***The Panel recommends:***

that the CMP203 Original and WACM 1 better meet the Applicable CUSC Objectives and so should be implemented, with a preference for WACM 1.



***High Impact:***

None



***Medium Impact:***

Some Generators who pay for One-Off Works (See Section 3).



***Low Impact:***

National Grid Electricity Transmission plc, all Generators who pay TNUoS charges (impact: increase of £0.015/kW on generation residual TNUoS charge paid).

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### Any Questions?

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## About this document

This is the Final CUSC Modification Report which contains details of the CUSC Modifications Panel Recommendation Vote and has been prepared and issued by National Grid under the rules and procedures specified in the CUSC. The purpose of this document is to assist the Authority in their decision whether to implement CMP203.

## Document Control

Version	Date	Author	Change Reference
0.1	9 <sup>th</sup> July 2012	Code Administrator	Version to the Industry
0.2	19 <sup>th</sup> July 2012	Code Administrator	Version for Panel Vote
0.3	31 <sup>st</sup> July 2012	Code Administrator	Version for Panel Vote
1.0	13 <sup>th</sup> August 2012	Code Administrator	Final Version for submission to Authority

# 1 Summary

- 1.1 CMP203 seeks to modify the CUSC to adjust the Transport Model used in the calculation of Transmission Network Use of System (TNUoS) Charges to eliminate the risk of Users being exposed to TNUoS Charges that reflect the cost of transmission infrastructure works that have already been funded through a One-Off Charge. Full details of the proposal are contained in sections 2 and 3 of this document and a copy of the proposal can be found in Annex 3.
- 1.2 CMP203 was proposed by National Grid Electricity Transmission plc and submitted to the CUSC Modifications Panel for their consideration on 16 December 2011. The Panel determined that the proposal should be considered by a Workgroup and that they should report back to the CUSC Modifications Panel following a Workgroup Consultation.
- 1.3 The Workgroup held two meetings in January and February and a teleconference in March 2012. The Workgroup's discussions are summarised in section 4 of this document. The Workgroup Consultation closed on the 23 March 2012 and 3 responses were received. These responses can be found in Annex 7. A Workgroup teleconference was held in May 2012 to consider issues raised by respondents to the Workgroup Consultation.
- 1.4 The Workgroup developed a range of Workgroup alternatives of which three were taken forward and are summarised below, full details of the WACMs and Workgroup views are contained in section 4 of this report.

	No refunds		Retrospectivity (refunds)	
	CMP203 original	WACM1	WACM3	WACM7
Applies to existing and new parties	✓	✓	✓	✓
Claims deadline of 2 charging years	✓	✓	✓	✓
Claims process	✓	✓	✓	✓
Wider works included	✗	✓	✓	✗
Interest paid/due	✗	✗	✗	✗
Targeted recovery of TNUoS refunds	✗	✗	✗	✗
Refund applies from	N/A	N/A	Date of one-off works	Impl'n of Local Charging
<b>Workgroup View</b>	<b>N/A</b>	<b>Unanimous support</b>	<b>Chairman</b>	<b>Majority support</b>

- 1.5 The Code Administrator Consultation closed on the 28 June 2012 and four responses were received. Copies of the representations are included in Annex 10. In summary, there was mixed support from the Code Administrator Consultation with two respondents supporting WACM1, one supporting WACM3 and one supporting WACM7
- 1.6 This CUSC Modifications Report has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid

website at [www.nationalgrid.com/uk/Electricity/Codes](http://www.nationalgrid.com/uk/Electricity/Codes), along with the CUSC Modification Proposal form.

## Workgroup Conclusion

- 1.7 The Workgroup vote on whether or not the Original and each WACM better facilitates the Applicable CUSC Objectives than the baseline resulted in the original and WACM1 receiving unanimous support and WACM3 and WACM7 receiving majority support against at least one of the Applicable CUSC Objectives. Only WACM1 and WACM7 received majority support as better facilitating the Applicable CUSC Objectives than CMP203 original, more Workgroup members expressed a preference for WACM7. The voting is summarised below:

<b>View against Applicable CUSC Objectives</b>	<b>Better than CUSC baseline</b>	<b>Better than CMP203 original</b>	<b>Best</b>
Original	5	N/A	1
WACM1	5	3	1
WACM3	3	1	1
WACM7	4	3	2

## National Grid's Opinion

- 1.7 National Grid supports the implementation of CMP203 WACM 7 as it better facilitates the Applicable CUSC Objectives, as set out in section 7 of this report.

## CUSC Modifications Panel Recommendation

- 1.8 The CUSC Modifications Panel voted unanimously that the CMP203 Original and WACM 1 better meet the Applicable CUSC Objectives and so should be implemented. A majority of the Panel expressed a preference for WACM 1. Full details of the vote can be found in Section 7 of this report.

## 2 Why Change?

- 2.1 The three licensed GB (Onshore) Transmission Owners are required by their licence to make economic and efficient investments in the National Electricity Transmission System (NETS). Ofgem decides whether the investments made are efficient and, if it thinks they are not, will prevent the licensee(s) from recovering the investment costs through their Price Control. One-off Charges are a way for the System Operator (SO) to recover, on behalf of the Transmission Owner (TO), the costs of works on the NETS that are not understood by the TO to be the most economic and efficient option, but have been requested by a customer (known as a User).
- 2.2 A customer may decide to request (of the TO) certain works related to the NETS in order to help with planning restrictions associated with Enabling Works required to facilitate the customer's connection. For example, in order to avoid planning delays, a customer that is developing a new generator may request that a planned circuit that will enable their connection, which would usually be an overhead line (OHL), is undergrounded using a cable. As cable solutions are more expensive than their OHL equivalents, the customer would pay (to the TO, via the NETSO) the difference in cost between the OHL and cable solutions as a One-Off Charge. The TO would exclude this additional value from their Regulatory Asset Base.
- 2.3 The (Transmission) Connection Charging Methodology<sup>1</sup> describes One-Off Works as those works that are required on the Transmission System to facilitate or modify a User's connection, that although are directly attributable to the connection do not give rise to additional connection assets. A One-Off Charge in respect of such works will be calculated with reference to:
- costs that cannot be capitalised into a connection or infrastructure asset (e.g. additional demobilisation and remobilisation costs required as a result of the User delays);
  - non-standard incremental costs incurred as a result of a customer's request (e.g. those resulting from User requests to underground or reroute circuits to avoid planning delays); or
  - Termination Charges associated with connection asset write-offs (e.g. when a transformer is replaced prior to the end of its expected life).

One-Off Charges can result from One-Off Works carried out on both Connection Assets and Infrastructure Assets<sup>2</sup>. The Proposer believes that under the Connect and Manage transmission access arrangements that are currently in place, One-Off Works would be restricted to Enabling Works associated with a User's connection (see Section 13 of the CUSC).

- 2.4 Currently, the payment of a One-Off Charge for this type of infrastructure works is not reflected in the Transport Model that is used to calculate TNUoS charges. This means that any User who pays a One-Off Charge could end



### What is the Transport Model?

TNUoS charges are calculated by National Grid using two models – the Transport Model and the Tariff Model. These models are available free of charge to the industry, upon signature of a licence agreement. If you would like a copy, please contact [charging.enquiries@uk.ngrid.com](mailto:charging.enquiries@uk.ngrid.com)

<sup>1</sup> CUSC Section 14 paragraph 14.4.2

(<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/contracts/>)

<sup>2</sup> CUSC Section 3 paragraph 3.9.5

(<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/contracts/>)

up being charged a second time for the works through their TNUoS charge(s). In the above example of an underground cable, when a cable is installed, it is included in the Transport Model and the appropriate cable cost is allocated to it (via the use of an expansion factor<sup>3</sup>). This cost is then used in the calculation of TNUoS charges. However, the User has already paid a One-Off Charge for the difference between the cost of the OHL and the cable. When they pay their TNUoS charge, they would pay the premium associated with the cable in the Transport Model. In this way, they would be charged a second time for the additional cost of the cable (potentially double).

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<sup>3</sup> CUSC Section 3 paragraph 14.15.10

(<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/contracts/>)

### 3 Solution

- 3.1 The Proposer's solution is to remove the second charge for the One-Off Works by adjusting the treatment of the assets subject to these works in the TNUoS tariff calculation to reflect the (annuitised) unpaid value of the assets. Under this solution, those circuit parameters that determine the marginal (£/MWkm) cost of a circuit within the TNUoS Transport Model (circuit length, construction type, voltage, and rating), would be altered to reflect the original design of any Transmission assets to which the issue described in section 2 relates.
- 3.2 In the undergrounding example mentioned in paragraph 2.2, this would mean treating the cable as an overhead line in the Transport Model, which would reduce the associated costs in the model through the application of an OHL expansion factor instead of the large cable expansion factor.
- 3.3 Another example of One-Off Works relevant to CMP203 is the diverting of an existing or planned circuit (depending on circumstances). Where such a diversion has occurred, the originally planned circuit length would be used in the model. For instance, if a User has requested One-Off Works comprising a 5km diversion of a 10km OHL route planned to run through an area of natural beauty, then the original 10km OHL circuit length would be assumed in the TNUoS tariff calculation, as the cost of the additional 5km of OHL would be funded by the related One-Off Charge. Further details of how the solution proposed under CMP203 would apply to other applicable scenarios are listed in Table 1 in section 4 of this report.
- 3.4 Based upon the applicable cases identified by National Grid, the knock-on effect of the proposed solution would be a small increase in the generation residual element of the TNUoS tariff. The generation residual element is a non-locational amount which is recovered equally across all Generators via their TNUoS charge(s), once the locational element has been calculated. The residual element makes up the shortfall between the locational tariff and the amount that the System Operator (SO) is allowed to recover, on behalf of all the TOs. As the incremental cost of any One-Off Works is funded by the relating One-Off Charge, and is separate from the amount TO revenues recovered via TNUoS charges, the removal of the TNUoS over charge made to a generator under CMP203 will not affect the total level of revenue that is recovered through TNUoS. As a result, the level of revenue recovered through the non-locational element of generation charges is currently smaller than it should be, and is increased under CMP203 to reflect the decrease in the amount recovered through the locational elements.
- 3.5 For the avoidance of doubt, the proposed solution for CMP203 should only apply where locational TNUoS charges would be greater if the assets installed as a result of the One-Off Works are used in the Transport Model. So for example, an underground cable installed as One-Off Works would be more expensive than overhead line in the model. CMP203 should not apply where the inclusion of assets installed as a result of User requested works within the Transport Model do not result in an increase in the locational TNUoS charge. This is a scenario that should not result in a one-off charge, as a lower locational TNUoS charge should only occur as a result of a decrease in the cost of the planned network investment to facilitate a User's connection.



### **CMP203 Presentation**

The presentation slides used at the first Workgroup meeting are available on National Grid's website at the link below:

<http://www.nationalgrid.com/NR/rdonlyres/FC0FFE29-25EE-4102-B3D1-77F6B3B6AD5D/51272/CMP203WG1presentation.pdf>

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### **Presentation of Proposal**

4.1 The National Grid representative, as Proposer, gave a presentation on CMP203 and the defect that exists within Section 14 of the CUSC. The presentation included an explanation of what One-Off Charges are, how they might be levied for transmission infrastructure works, the interaction between One-Off Charges and Transmission Network Use of System (TNUoS) charges and examples of cash flows under the existing and proposed methodologies. The presentation also included a number of areas that the Proposer thought the Workgroup should consider when developing the proposed solution and forecast impacts on TNUoS charges. The slides are available on National Grid's website; please see the information box for the link.

### **Workgroup Discussions**

4.2 The Workgroup discussed the areas suggested by the Proposer and the CUSC Panel (in the Terms of Reference) and additional questions raised by a Workgroup Member. These areas are listed below:

- Scope of One-Off Works to which CMP203 applies
- Cost Reflectivity of TNUoS Charges
- Transparency of Charge Calculation and Confidentiality
- Impact on Users
- Demand Users
- Consistency with CMP192
- Interaction with Transmission Charging Significant Code Review (Project TransmiT)
- Retrospectivity
- Eligibility
- Any circumstances for One-Off Charges other than those derived from User choice

### **Scope of One-Off Works to which CMP203 would apply**

4.3 The Workgroup discussed two elements under the Scope of One-Off Works. The first was a discussion of examples of infrastructure works on the NETS undertaken by the TO on behalf of the User that would or would not cause the additional One-Off Works charge which CMP203 seeks to address. The Workgroup's list of examples (which is not exhaustive) is provided below. The Proposer confirmed, for the avoidance of doubt, that CMP203 applies only to infrastructure One-Off Works and not to connection asset One-Off Works.



**Table 1: Examples of one-off infrastructure works on the NETS undertaken by the Transmission Owner on behalf of the User**

<b>Ref</b>	<b>General category</b>	<b>Specific works</b>	<b>CMP203 Defect applies?</b>
1	Undergrounding	A User chooses to underground an overhead line at a greater cost to avoid planning delays for their project.	Yes. As the cable cost will be more expensive than the OHL equivalent, the circuit will be modelled as an OHL.
2	Undergrounding	A User chooses to have a cable installed via a tunnel rather than buried.	No. Under the current arrangements, the relevant cable expansion factors are applied in the Transport Model regardless of whether a cable is tunnelled and buried, so there is no increased TNUoS cost.
3	Diversion	A User asks to move the existing or a planned substation location to a place that means that the works cannot be justified as economic by the TO.	Yes. As the revised substation location may result in circuits being extended, a greater TNUoS tariff may result under the current arrangements. If this is the case, the originally designed circuit lengths (as per the original substation location) would be modelled in accordance with the proposed CMP203 approach.
4	Diversion	A User asks to move an existing or a planned circuit route in a way in which the works cannot be justified as economic by the TO.	Yes. As any circuit route changes that extend circuits are likely to result in a greater TNUoS tariff, the originally designed circuit lengths would be modelled in accordance with the proposed CMP203 approach.

<b>Ref</b>	<b>General category</b>	<b>Specific works</b>	<b>CMP203 Defect applies?</b>
5	Additional circuit route works	A User asks for screening to be provided around a new or existing circuit route.	No. The relevant expansion factors are applied in the Transport Model irrespective of these works, so there is no increased TNUoS cost.
6	Additional circuit route works	A User requests that a planned overhead line route is built using alternative transmission tower designs.	No. Under the current arrangements, the relevant expansion factors are applied in the Transport Model irrespective of these works, so there is no increased TNUoS cost.
7	Additional substation works	A User asks for screening to be provided around a new or existing substation.	No. The resulting works will not affect the User's TNUoS Charge.
8	Additional substation works	Changes to connection assets (e.g. HV-LV transformers and associated switchgear), metering, additional LV supplies, additional protection equipment, additional building works, etc.	No. The resulting works will not affect the User's TNUoS Charge.
9	Diversion	A User asks to temporarily move an existing or a planned circuit route in a way in which the works cannot be justified as economic by the TO.	No. The data concerned will not form part of the Transport Model.

<b>Ref</b>	<b>General category</b>	<b>Specific works</b>	<b>CMP203 Defect applies?</b>
10	Connection Entry Capacity (CEC) before Transmission Entry Capacity (TEC)	A User asks for a connection in a year prior to the relating TEC; i.e. physical connection without capacity.	No. No additional works are being undertaken, works are just being completed well in advance of the generator commissioning. The One-Off Charge reflects the depreciated value of the assets prior to commissioning.
11	Early asset replacement	An asset is replaced prior to the end of its expected life.	No. This tends to affect connection assets, and as the asset is replaced, no data in the Transport Model would change.
12	Additional Engineering/Mobilisation costs	A User requests changes to the planned works, that results in additional operational costs.	No. The data in the Transport Model is unaffected.
13	Offshore <sup>4</sup> (Generator Build)	Any of the above.	No. The value of the works will not form part of the asset transfer value therefore will not be used as part of the offshore tariff calculation.
14	Offshore <sup>4</sup> (Offshore Transmission Owner (OFTO) Build)	Any of the above.	No. As part of determining the TNUoS revenue associated with each asset, the value of the One-Off Works would be excluded when prorating the OFTOs allowed revenue against assets by asset value.

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<sup>4</sup> By Offshore, we mean assets that form part of an offshore network, owned by an OFTO, whether the assets are under the sea or on land.

Ref	General category	Specific works	CMP203 Defect applies?
15	Building circuits at lower voltages	A User requests lower tower height and therefore a different voltage.	Yes. An equivalent lower voltage solution would be more costly, which is reflected in the Transport Model under the current arrangements by a higher expansion factor. Under CMP203, the circuits would be modelled at the higher voltage.

4.4 One Workgroup member asked whether these examples of One-Off Works above would apply in the same way to Offshore works. The Workgroup thought that any User choice elements for Offshore works would be likely to be included within the Generator Build Transfer Valuation process, led by Ofgem. As part of this, any works considered as inefficient (those that would form the basis of One-Off Works onshore) would be excluded from the asset transfer value (as opposed to being included and then charged back to the generator via a One-Off Charge). As it is the asset transfer value that feeds into the OFTO's Revenue and, in turn, the generator's local charge, the additional charge that CMP203 looks to remove would not occur. The Proposer was also of the opinion that for the OFTO Build scenario, the manner in which the OFTO's allowed revenue is allocated to specific assets will exclude the value of any One-Off Works and would also avoid the over charging issue. The Workgroup agreed to seek further examples of these types of One-Off Works from the industry regarding, in particular, Offshore works.

#### **Any circumstances for One-Off charges other than those derived from User choice**

4.5 The Workgroup discussed whether there were any other circumstances to which the issue CMP203 seeks to resolve applies, and noted that similar costs may be incurred by a User as a result of Third Party Works, and in circumstances when a User has been requested to carry out some work at a request of the TO; e.g. earthing mats, access tracks to substations etc. The National Grid representative noted that these examples would not alter a User's TNUoS charges, as the relating costs do not affect the circuit parameters that are used in the Transport Model and because the circuit costs applied are generic for each circuit construction type applied via the relating expansion factors.

4.6 A Workgroup Member asked about the difference between the Operation & Maintenance (O&M) costs for cables and OHL and how it is dealt with in the Transport Model. This was to understand whether any correction to O&M costs ought to be made in the Transport Model if a cable is changed to an

OHL within the model. The National Grid representative explained that in the cases affected, no enduring O&M costs are included as part of the One-Off Charge, and instead are recovered through TNUoS through inclusion in the expansion constant alongside other transmission overheads, and are therefore pro-rated against assets based upon their value. This means that the level of transmission overheads applied to the assets covered by CMP203 will be less than if the same asset had been installed as part of non-one-off works.



### **Connect and Manage Guidance**

A guide to the Connect and Manage regime is available on National Grid's website at the link below:

<http://www.nationalgrid.com/NR/rdonlyres/01463C70-F178-4930-9A00-780FE5330F2D/47332/CMversion50.pdf>

- 4.7 It was also pointed out that the manner in which the transmission overheads factor is applied under the TNUoS charging methodology is a generic one, which means that whilst on average it reflects the overheads incurred per unit of asset value, the actual overheads in relation to some assets will be a different amount. It was noted by the Workgroup that the value of the additional charge being removed by CMP203 would far outweigh the difference in overheads allocation that would be introduced.
- 4.8 At the second Workgroup meeting the application of the O&M costs was debated further, exploring whether large offshore cables or other One-Off Works could lead to significant increases in O&M costs, which due to the generic approach would not be reflected against the actual asset within the Transport Model. The Workgroup concluded that the generic approach for O&M costs is out of scope for CMP203; i.e. it does not form part of the defect that CMP203 seeks to address; and that any party that believes there is merit in exploring this issue further should either raise the issue for discussion within the Transmission Charging Methodologies Forum (TCMF) or as a separate CUSC Modification Proposal.
- 4.9 The second element discussed under Scope of One-Off Works to which CMP203 should apply was to consider whether both local charges and wider charges should be taken into account when making adjustments to the Transport Model. This would be relevant in an example of moving a substation, where the length of circuit required on both the local and the wider side of the substation could change. In this example, the Proposer asked the Workgroup whether it would be appropriate to adjust asset parameters (length, construction type, etc.) for all assets that have been subject to One-Off Works within the Transport Model or just in relation to those which are considered local to a generator under the charging methodology. The Proposer suggested that changes to wider assets in the Transport Model may introduce added complexity with much less of an impact on individual users' TNUoS charge(s).
- 4.10 At the Workgroup's request, National Grid presented examples where works classified as wider under the TNUoS charging methodology could be subject to User choice and a One-Off Charge. National Grid believed that only works classified as Enabling Works under the Connect and Manage regime would be of direct concern to a User, as all other wider works on the NETS would not impact directly on a User's connection. In the theoretical cases analysed, National Grid confirmed that there could be a noticeable impact on wider TNUoS tariffs within the affected charging zone but only a minimal

impact on all other charging zones (Although such instances are feasible, none could be identified within the current Transport Model that fall within this category. The likelihood of such instances would depend on a generator(s)' willingness to pay a One-Off Charge in relation to a planned shared asset). In respect of materiality, it was noted that the impact would be of greatest significance at the peripheries of the NETS, with little material impact seen for Users connecting to the central parts of the system. National Grid noted that there could be a change of between +/- £1/kW, although this ultimately could be resolved through rezoning of the charging zones (which occurs once per Transmission Price Control). A Workgroup member noted that Users in a zone should be neutral in respect of the impact when a decision is made which is to the benefit of a specific User.

4.11 National Grid noted that One-Off Charges for wider works could also be triggered by third parties whereby a third party can request a modification to the transmission system, paying for the associated works. These are typically small diversions of existing circuits around new business or housing developments, but in the majority of cases these would have a minimal impact on tariffs due to the level of associated works (typically the diversion would be limited to less than a few km of OHL). Whilst larger diversions are possible, these are rare events (e.g. those relating to construction of an airport runway). National Grid noted that when a third party diversion has occurred, the original circuit route is no longer an option for future investment. As a result, the revised route would become the economic and efficient solution for any future works on the diverted circuit. As TNUoS is a forward looking charge reflective of future network investment costs, National Grid believes that in such cases the signal provided to Users via TNUoS charges in these cases under the current methodology is appropriate, as it reflects the incremental cost of reinforcing the relevant circuits. This differs for the case in which a User pays a One-Off Charge to avoid planning delays in facilitating their connection, as the originally designed solution could still be the economic and efficient solution when the assets subject to the One-Off Charge are replaced. For example, where a circuit has been undergrounded as the result of One-Off Works, the economic and efficient solution to replace it could still be to build a new OHL circuit.

4.12 Following the Workgroup consultation the Workgroup considered that the responses received indicated that wider charges should be considered although they are likely to be a rare occurrence. The National Grid representative considered that only works classified as Enabling Works under the Connect and Manage regime would be of any concern to a User and paying for wider works under Connect and Manage would be very unlikely. As CMP203 considers local charges only the Workgroup saw merit in raising a potential alternative in this area.

### **Cost Reflectivity of TNUoS Charges**

4.13 The Workgroup discussed two areas relating to Cost Reflectivity of TNUoS Charges. The first was a brief discussion which confirmed that all members agreed that the defect considered by CMP203 meant that affected Users'

charges were not as cost reflective as those levied to other Users and that there was a need for the issue to be resolved.

4.14 The second area around cost reflectivity discussed by the Workgroup related to shared use of assets. The Workgroup discussed instances where a User pays a One-Off Charge and then, at a later date, a second (or multiple) User appears and uses the assets for which the first User has paid the One-Off Charge. An example would be where User 1 pays a one-off charge to underground a circuit. User 2 subsequently connects to the NETS and uses the undergrounded circuit, but under the current TNUoS charging methodology would not pay any contribution to the first User for the one-off costs they had paid. The Workgroup discussed whether it would be appropriate for User 2 (or any subsequent Users) to pay a contribution to User 1. National Grid suggested that there were two views that could be taken. The first is that User 1 has paid the one-off charge because the value they place on avoiding consenting delays is greater than the value of the one-off cost, and User 2 may have been happy to wait for the planning process to complete prior to connecting, so should not be hindered by the cost. The alternative view is that there is a possibility that User 2 may have benefitted from an advanced connection as a result of the one-off works funded by User 1. A Workgroup Member suggested that there may be a comparison with the Distribution Network Operator charging methodologies, whereby if a second (or multiple) User who appears within 5 years of the first User paying a One-Off Charge, then the costs are borne by both parties.

4.15 The Workgroup chair, having listened to the Workgroup discussions, gave the view that the issue of shared use was not within the scope of CMP203. The CMP203 defect is specifically about over-charging for One-Off Works and does not address the existing issue of shared use of One-Off Works and potential shared payments. The Workgroup chair suggested that the issue and the Workgroup discussion should be recorded in the Workgroup report and discussed at a future meeting of the Transmission Charging Methodologies Forum (TCMF). The Workgroup members agreed with this view.

4.16 The Workgroup members concluded the discussion on shared use by agreeing that under the CMP203 proposed solution, using the example above of an undergrounded circuit, User 1 would pay a One-Off Charge for the undergrounding and then both User 1 and User 2 would pay TNUoS charges based on the circuit being treated as an overhead line within the Transport Model. Neither User 2 nor any subsequent Users sharing the circuit would pay any contribution towards the One-Off Charge paid by User 1.

### **Transparency of Charge Calculation and Confidentiality**

4.17 The Workgroup discussed the transparency of revised charge calculations under CMP203 and noted the issues of confidentiality that may arise. National Grid makes available, on request, the model it uses to calculate TNUoS charges. One of the inputs to the model is data published in the

Seven Year Statement<sup>5</sup>, which is publicly available. However, under CMP203, adjustments would need to be made to the data in the Transport Model to reflect the payment of One-Off Charges. In certain circumstances, it would be possible for users of the Transport Model to identify which assets had been changed and, therefore, who had paid a One-Off Charge. For example, where a length of circuit has been undergrounded and that circuit connects only one generator, it would be possible for users of the model to identify the affected User.

4.18 The Workgroup noted that although it would be possible to identify individual Users, the One-Off costs paid by those Users would not ordinarily become publicly available. The Workgroup considered whether there is any potential for anonymity within the Transport Model, but the National Grid representative explained that this would not be possible given the way the model works and the characteristics of certain parts of the NETS. The Workgroup members considered that affected Users should accept that in order to receive the benefit of a more cost reflective charge under CMP203, it would result in certain data being made publicly available. The Workgroup members unanimously agreed that publishing such data would have a wider benefit of market transparency. It was also noted that although the data in the Transport Model is updated, it is “published” in the same manner as all other data items and a user would therefore have to review the information very thoroughly in order to identify which assets had been changed.

4.19 One Workgroup member identified that Section 105(2) of the Utilities Act 2000 covers confidentiality and suggested that a legal view should be sought to check that the CMP203 solution would be in line with the Act. Following the second Workgroup meeting National Grid sought a legal view. It is National Grid’s legal view that Section 105 (2) of the Utilities Act allows for information disclosure via consent. Hence, if the requirement to disclose information is described in the CUSC, a signatory to the CUSC would have effectively given consent to disclosure of that information for the stated purpose.

## **Impact on Users**

4.20 The Proposer explained three areas for consideration under Impact on Users. The first relates to the direct effect of CMP203 on some Generators, in that it would reduce their TNUoS charges. The second consequential, wider effect is that the generation residual element of the TNUoS charge (paid by all Generators) would increase by a small amount. National Grid calculated two indicative examples of the actual impact of these two elements. These are set out below:

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<sup>5</sup> The publication of the Seven Year Statement is currently under review. CMP203 and its alternatives have been drafted assuming that the Seven Year Statement is published under the existing arrangements. This means that the data published for TNUoS charge setting (including that covered by CMP203 or its alternatives) may ultimately move to a new document, which may require a future change to Section 14 of the CUSC to modify any references to this data.



### **Example 1: A hypothetical example of charge reduction resulting from CMP203**

In 2011-12 prices, based on a circuit rating  $\geq 200\text{MVA}$ , a User would see a reduction in their local charge of £2.57/kW per 10km of single circuit 132kV OHL that is undergrounded at the request of the User. For a 400MW generator, this equates to a £1m per annum decrease in the local element of its TNUoS charges. This hypothetical example would result in an increase of £0.012/kW on the generation residual TNUoS charge for all Generators (£12k per annum for a 1GW generator).

### **Example 2: Actual increase in generation residual tariff**

National Grid noted that they have identified a number of Users who have paid for One-Off Works who might benefit if CMP203 were implemented. Based on actual 2011/12 charges, implementing CMP203 for these Users would result in an increase in the generation residual TNUoS charge paid by all Generators of £0.015/kW (0.4%).

A Workgroup member noted that although the £0.012/kW may look minor this could equate to a material sum when applied to a generator's portfolio of stations across GB.

- 4.21 The third element impacting Users is the effect on Interruption Payments introduced under CAP048 which are made to Users in certain circumstances in which generation is disconnected from the NETS. This is due to the calculation of such payments, being based in part on a rebate of the affected User's TNUoS charge. The National Grid representative noted that if CMP203 reduces a User's TNUoS charges, then in the unlikely event that they were to suffer an interruption and are eligible for interruption payments, such as those from CAP048, the payment would also be reduced. The Workgroup agreed that this was not an area of concern as Users would continue to be "kept whole" as they would receive a payment based on the reduced amount of TNUoS they had paid.

### **Demand Users**

- 4.22 One Workgroup member asked whether the issues identified in CMP203 only apply to Generators or whether demand Users could also be affected. The National Grid representative confirmed that although One-Off Works can be made in relation to demand customers' connections, the impact on their TNUoS charges would not be as material as those for Generators. This is because demand Users do not pay local asset based charges. This therefore forms part of the discussion surrounding whether or not CMP203 should be implemented for wider charges.

### **Consistency with CMP192**

- 4.23 One Workgroup member asked whether the proposed solution for CMP203 is consistent with the principles of CMP192: Enduring User Commitment. The Workgroup member suggested that under CMP192 Users are not

required to secure user choice works. The National Grid representative believed that the CMP203 proposed solution was consistent with the principles of CMP192. It was also the Workgroup's opinion that if CMP203 was extended to wider charges that there would be no impact on CMP192.

### **Interaction with Transmission Charging Significant Code Review (Project TransmiT)**

4.24 A Workgroup member asked whether CMP203 was impacted by the ongoing Significant Code Review on Transmission Charging. Another Workgroup member explained that when the CUSC Modifications Panel first considered CMP203, it agreed that CMP203 has no impact on the underlying TNUoS methodology and therefore there is no interaction with the SCR. This view was shared by Ofgem, based on the evidence provided. The Workgroup agreed that it should keep progress on the SCR under review. A Workgroup member asked whether CMP203 would still apply under the Improved Investment Cost Related Pricing (ICRP) scenario proposed under the Project TransmiT SCR, or if the impact of the defect would change. The National Grid representative responded that it would be as local charges would still be charged (under Improved ICRP), and that it expected the impact to be the same as it expects these to remain based upon Transmission Entry Capacity (due to the level of investment in local assets being based upon generator capacity rather than output profile).

### **Retrospectivity**

4.25 One Workgroup member asked whether CMP203 should be implemented retrospectively, such that impacted Users would receive a refund of the additional TNUoS charges they had already made for the One-Off Works they had paid for. The National Grid representative noted that this was not originally envisaged within CMP203, and although National Grid was sympathetic to those Users who had paid one-off costs in the scenarios covered by CMP203, he was cautious about setting a precedent for retrospective implementation, as this could lead to tariff instability and scenarios whereby additional charges are levied on Users retrospectively.

4.26 The Workgroup discussed whether there were any precedents set within the industry for retrospective application, with one Workgroup member stating that both CUSC and TNUoS charging methodology changes are not usually implemented retrospectively. Workgroup members noted that retrospective implementation can lead to regulatory uncertainty, which the industry generally seeks to avoid unless exceptional circumstances apply, as described in Ofgem's Guidance on Code Modification Urgency Criteria<sup>6</sup>. The Workgroup noted that there had been an element of reconciliation when the "Plugs" shallow connection charging methodology was introduced, but this

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<sup>6</sup> Ofgem Guidance on Code Modification Urgency Criteria  
(<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=213&refer=Licensing/IndCodes/Governance>)

had been limited to refunding capital contributions against the remaining value of the assets as at implementation (so although it was in respect of past charges, the element of the charge being refunded was that which did not apply retrospectively). In addition to the Workgroup discussions, one Workgroup member forwarded what they considered to be examples of industry retrospection; this is attached in Annex 6 along with the National Grid representative's views.

4.27 One area of discussion for retrospective implementation was around how far back any retrospective application would go, for example, would the refund stretch back as far as the point of the one-off payment having been made or would it be limited to a certain time period. It was noted that a time limit was in place for the arrangements relating to manifest data errors. National Grid confirmed in the second Workgroup meeting that retrospective application of manifest data errors only applies within the charging year that the error is raised. This applies where there has been an issue in the implementation of the charging methodology within the tariff calculation, (e.g. due to a data error). In the cases to which CMP203 would apply, the TNUoS charges levied to date have been implemented in line with the charging methodology, so the situation differs from that in which a manifest error has occurred. The Workgroup acknowledged the differing views following the Workgroup consultation on whether the refund should be applied prior to the BETTA arrangements. These views were reflected in the alternative CUSC Modifications put forward. The National Grid representative confirmed that if retrospectivity only applied to local works then the refund would apply from the date of implementation of local charging, which was April 2009<sup>7</sup>.

4.28 The Workgroup had different view as to whether CMP203 should not be implemented retrospectively although (that is a User would not receive a refund of the additional TNUoS charges they had already made, prior to CMP203 being implemented, for the One-Off Works they had paid for) and that it should only apply from the date of implementation of CMP203 onwards. A minority of the Workgroup considered that as CMP203 seeks to correct a known error, a TNUoS refund should be made.

4.29 The Workgroup consultation confirmed the different views on retrospectivity. In considering the consultation responses, the Workgroup discussed whether a party receiving the benefit of retrospectivity would pass this on to end consumers. Following this debate, the Workgroup discussed various options on how retrospectivity could be applied, in terms of refunds made.

4.30 The Workgroup considered three options for refunding generation TNUoS charges:

- Option one: a “Big Bang” approach which would mean a one off payment at the beginning of the charging year;

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<sup>7</sup> Local charging was implemented by 'GB-ECM-11 Charging Arrangements for Generator Local Assets'. A copy of the conclusions report to Ofgem and Ofgem's decision letter can be found on National Grid's website at:

<http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

- Option two: the refund would be made over multiple charging years. Workgroup members considered this option to be an administrative burden; or
- Option three: a refund could be made as a discount against TNUoS charges in a single charging year after CMP203 implementation.

Similar options were discussed for how the cost of the refund would be recovered and from whom. The options for when the cost of the refund would be recovered mirrored the three options above. Of the three options the Workgroup members favoured the third option for both paying the refund and recovering the costs of the refund as this meant that both refunds occurred in the same timescales as recovery of these Amounts from other Users.

- 4.31 Workgroup members also discussed different options for who should pay the cost of the refund. The Workgroup concluded that costs should be recovered from all parties who pay generation TNUoS charges, via an uplift in the generation residual in the first charging year after CMP203 implementation. However, one Workgroup member proposed that the recovery of TNUoS refunds could be targeted and that the cost of the refund to be recovered should be from all parties who paid generation TNUoS charges at the time the one-off works were completed. If some of these parties no longer exist, the remaining costs should be recovered from the surviving parties who paid generation TNUoS charges at the time the one-off works were completed. This option led to a potential Workgroup Alternative CUSC Modification being proposed (see section below).
- 4.32 The Workgroup also discussed whether interest should be paid to parties who receive a refund of TNUoS charges and interest should be levied on generation TNUoS charges which recover the refund. The National Grid representative considered that if a retrospective alternative to CMP203 is implemented, then an amount equivalent to interest should be included on the retrospective payments, so that these reflect the present day value. This would be consistent with the principles undertaken in the TNUoS end of year Reconciliations, where interest is applied back to the date of the original monthly within year payments.
- 4.33 The Workgroup discussed whether the timing of the One-Off Works affecting TNUoS charges should determine whether a User is eligible to benefit from CMP203. A majority of the Workgroup agreed that if CMP203 were implemented, say, on 1<sup>st</sup> April 2013, that any User who had already paid for One-Off Works prior to that date would be able to benefit from the revised TNUoS tariff calculation to properly reflect the value of infrastructure assets they have not paid for as part of a One-Off Charge from 1<sup>st</sup> April 2013 onwards (with no refund of the TNUoS paid prior to April 1<sup>st</sup> 2013). The Workgroup also agreed that, from implementation, any new Users who pay One-Off Charges from the date of implementation would also benefit from the revised CMP203 TNUoS tariff calculation.

4.34 A Workgroup member commented that there was a separate question as to the level of eligibility to be considered regarding the applicability of a User to a change in its TNUoS charge. For example, in the future, should Users who have paid a one-off charge pre-BETTA implementation qualify for the revised charges from the date of implementation of CMP203? Or, would Users who had paid one-off charges prior to BETTA arrangements not qualify, as the one-off charge would not have been paid to NGET as GBSO, but would have been paid to the relevant SO at the time? The Workgroup agreed that CMP203 'original' would apply in respect of One-Off Works undertaken both before and after implementation, and that any User who believes that they should qualify for a reduction in their TNUoS charge in relation to a site connected prior to implementation of CMP203 would need to be able to provide documented evidence of the original One-Off Charge paid, with a requirement on the NETSO to assist in obtaining such documentation on a reasonable endeavours basis. Whilst this places the burden of proof on the User, the view of the group was that the benefit to the User far outweighed the work involved in providing the required evidence, especially considering that the alternative would be for the TO to provide the necessary documentation, which due to the timescales involved, may not have been retained by the TO. The National Grid representative noted that as a cost may be incurred in assisting the User to obtain the required documentation (e.g. the TO might levy a charge for work in retrieving information), that any such costs should be covered by the User, as this cost would be far outweighed by the benefit of receiving the associated refund. The Workgroup agreed that requests for any adjustments to existing Transport Model data as a result of CMP203 should be received within a set time period to maintain the stability of TNUoS charges going forward. The Workgroup was of the view that the User should be able to provide their request and any supporting information up to such time that enables National Grid to set charges for the second full charging year following implementation. Upon the receipt of a bon fide request National Grid would incorporate the changes in the calculation of the TNUoS charges (and make any retrospective adjustments) for the next charging year providing the information is received by such a time that enables National Grid to do this.

4.35 As the main circumstances to which the issue CMP203 looks to resolve is where One-Off Works have been undertaken to avoid planning delays, the Workgroup discussed the considerations of planning consents a TO makes when developing the NETS in addition to that made by the User to determine the most economic and efficient proposal in line with the National Electricity Transmission System Security & Quality of Supply Standards (NETS SQSS). Following the meeting National Grid confirmed a TO would always build what is considered economic and efficient, unless a User is willing to pay for the additional cost of doing otherwise (i.e. through One-Off Works funded by a One-Off Charge). However, the TO's view of what is considered economic and efficient may change as planning investigations are undertaken, at which point, the design of the works will be modified to one that minimises the overall cost (e.g. considering the anticipated cost of any planning delay, the cost of the overall design etc.). For instance, a TO may incur a higher level of

spend on a project than other options available if more significant savings to other parties (e.g. Generators, DNOs, other TOs, etc.) is anticipated.

### **Workgroup Alternative CUSC Modifications**

- 4.36 The Workgroup considered the various aspects of CMP203; these were then combined into 10 potential Workgroup Alternative CUSC Modifications (WACMs). The different aspects are described in more detail below and a summary matrix shows which WACM contains which aspects.
- 4.37 The Workgroup considered each of the 10 potential WACMs and gave a view as to which should proceed. Of the 10 potential WACMs, only one, WACM1 which includes wider charging but no retrospective application, received unanimous support. WACM7, which reflects CMP203 original but includes retrospectivity (refunds) received majority Workgroup support. The remainder of the WACMs received no or minority support. However, as permitted under CUSC governance, the Workgroup Chair (National Grid, acting as Code Administrator) allowed WACM3 to progress as an option as she felt that it better facilitates the Applicable CUSC Objectives than the CUSC baseline, primarily on the grounds of facilitating competition. The Workgroup chair chose WACM3 over the other WACMs which received minority support, as it mirrors WACM1 which had received unanimous support, but included retrospectivity, which was a major issue discussed by the Workgroup. The Workgroup chair felt that this would allow the industry and the Panel to give views against the full range of options debated by the Workgroup.

### CMP203 Potential Workgroup Alternative CUSC Modifications (WACMs)

	No refunds		Retrospectivity (refunds)									
	CMP203 original	WACM1	WACM2	WACM3	WACM4	WACM5	WACM6	WACM7	WACM8	WACM9	WACM10	
Applies to existing and new parties	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Claims deadline of 2 charging years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Claims process	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wider works included	✗	✓	✓	✓	✗	✗	✗	✗	✓	✗	✓	
Interest paid/due	✗	✗	✓	✗	✓	✗	✓	✗	✓	✓	✗	
Targeted recovery of TNUoS refunds	✗	✗	✗	✗	✓	✓	✗	✗	✓	✗	✗	
Refund applies from	N/A	N/A	Date of one-off works	Date of one-off works	Impl'n of Local Charging	Impl'n of Local Charging	Impl'n of Local Charging	Impl'n of Local Charging	Date of one-off works	2011/12	2005/06	
<b>Workgroup View</b>	N/A	Unanimous support	Minority support	Chairman	No support	No support	Minority support	Majority support	Minority support	Minority support	Minority support	

#### CMP203 Original

- Applies to local works only
- Applies to existing (pre-CMP203 Implementation) and new parties
- No refund of TNUoS charges
- Deadline for claims under CMP203 to be submitted (2 charging years)
- Claims process

#### Alternative elements

#### Wider works

- Wider works should be taken into consideration when making adjustments to the Transport Model

### **Retrospectivity**

- For WACMs 2, 3 and 8, refunds to be applied from date that one-off works were completed, whether this is pre- or post-BETTA
- For WACMs, 4, 5, 6 and 7, refunds to be applied from the date that Local Charging was implemented. Local Charging was implemented on the 1<sup>st</sup> April 2009.
- For WACM 9, refunds to be applied from 2011/12 charging year only
- For WACM 10, refunds to be applied from date of BETTA implementation, 2005/06 only
- Refund to be made as a discount against TNUoS charges in the first charging year after CMP203 Implementation
- Cost of refund to be recovered from all parties who pay generation TNUoS charges, via an uplift in the generation residual in the first charging year after CMP203 Implementation

### **Interest**

- Interest should be paid to parties who receive a refund of TNUoS charges
- Interest should be levied on generation TNUoS charges which recover the refund
- Interest is calculated up to the 31<sup>st</sup> March prior from the original payment date
- Interest will be payable on each monthly repayment with additional interest calculated from 31<sup>st</sup> March to each monthly payment date
- Interest will be calculated using Barclays Bank base rate, as already used as standard in the CUSC

### **Targeted recovery of TNUoS refunds**

- Cost of refund to be recovered from all parties who paid generation TNUoS charges at the time the one-off works were completed
- If some of these parties no longer exist, the remaining costs should be recovered from the surviving parties who paid generation TNUoS charges at the time the one-off works were completed



## 5 Impacts



### NETS SYS

The National Electricity Transmission System Seven Year Statement is available on National Grid's website at the link below:

<http://www.nationalgrid.com/uk/Electricity/Transmission/SevenYearStatement>

### Impact on the CUSC

- 5.1 CMP203 requires amendments to Section 14 of the CUSC, specifically The Statement of the Use of System Charging Methodology.
- 5.2 The text required to give effect to the original Proposal and the WACMs is contained in a separate document entitled "Proposed Legal Text Annex 1", and is published on National Grid's website alongside this report at the link below:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

### Impact on Greenhouse Gas Emissions

- 5.3 Neither the Proposer nor the Workgroup identified any material impact on Greenhouse Gas emissions.

### Impact on Core Industry Documents

- 5.4 Neither the Proposer nor the Workgroup identified any impacts on Core Industry Documents.

### Impact on other Industry Documents

- 5.5 A change would be required to the National Electricity Transmission System Seven Year Statement, to include the data changes applied under CMP203.

## 6 Proposed Implementation

- 6.1 The Workgroup proposes that CMP203 should be implemented on 1<sup>st</sup> April 2013, which is in accordance with the principles in CUSC that charging methodology changes should be implemented on the 1<sup>st</sup> April. Please refer to sections on retrospectivity (para 4.25-4.32) and eligibility (para 4.33-4.34) for full details of implementation options.
- 6.2 Three of the four respondents to the Code Administrator Consultation supported this approach, with a further respondent supporting the proposed implementation in relation to the original and WACM1 only.

### Workgroup Conclusion

- 7.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP203 has been fully considered. The tables below summarise the voting submitted by each of the Workgroup members (by email) for each of the three votes set out in the Workgroup terms of reference (copies of the voting matrices can be found in Annex 9).
- 7.2 During the voting, one of the Workgroup members raised concerns over the WACM selection process, specifically that the process for selecting WACMs needed to be made clearer to Workgroup members and questioning whether CMP203 Workgroup members had shown impartiality when selecting the WACMs to be progressed. The concerns are set out in an email in Annex 8 of this report. The Code Administrator notes that the CUSC does not explicitly require Workgroup members to act impartially.
- 7.3 For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology 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 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);
  - (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.

**Vote 1:**

**7.4 Does CMP203 Original better facilitate the Applicable CUSC Objectives than the CUSC Baseline?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	Yes	Yes	Yes
Wayne Mullins	Yes	Yes	Yes
Frank Prashad	Yes	Yes	Yes
Allan Kelly	Yes	Yes	Yes
Garth Graham	Yes	Neutral	Neutral

**7.5 Does CMP203 WACM1 better facilitate the Applicable CUSC Objectives than the CUSC Baseline?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	Yes	Yes	Yes
Wayne Mullins	Yes	Yes	Yes
Frank Prashad	Yes	Yes	Yes
Allan Kelly	Yes	Yes	Yes
Garth Graham	Yes	Neutral	Neutral

**7.6 Does CMP203 WACM3 better facilitate the Applicable CUSC Objectives than the CUSC Baseline?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	Yes	Yes	Yes
Wayne Mullins	No	No	Yes
Frank Prashad	No	No	No
Allan Kelly	Yes	Yes	Yes
Garth Graham	Yes	Neutral	Neutral

**7.7 Does CMP203 WACM7 better facilitate the Applicable CUSC Objectives than the CUSC Baseline?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	Yes	Yes	Yes
Wayne Mullins	Yes	Yes	Yes
Frank Prashad	No	No	No
Allan Kelly	Yes	Yes	Yes
Garth Graham	Yes	Neutral	Neutral

**Vote 2:**

**7.8 Does WACM1 better facilitate the Applicable CUSC Objectives than the Original Proposal?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	Yes	Yes	Yes
Wayne Mullins	No	No	Neutral
Frank Prashad	Yes	Yes	Yes

Allan Kelly	Yes	Yes	Yes
Garth Graham	No	Neutral	Neutral

**7.9 Does WACM3 better facilitate the Applicable CUSC Objectives than the Original Proposal?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	No	No	No
Wayne Mullins	No	No	Neutral
Frank Prashad	No	No	No
Allan Kelly	Yes	Yes	Yes
Garth Graham	No	Neutral	Neutral

**7.10 Does WACM7 better facilitate the Applicable CUSC Objectives than the Original Proposal?**

<b>Objective</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Guy Phillips	No	No	No
Wayne Mullins	Yes	Yes	Neutral
Frank Prashad	No	No	No
Allan Kelly	Yes	Yes	Yes
Garth Graham	Yes	Neutral	Neutral

**Vote 3:**

**7.11 Which option BEST facilitates the Applicable CUSC Objectives?**

<b>Member</b>	<b>Best Option</b>	<b>Reason</b>
Guy Phillips	WACM 1	Rectifies the defect but also ensure that potential affect to both local & wider tariff addressed, applied prospectively.
Wayne Mullins	WACM7	Removes the additional charge levied on users that have paid a one-off charge in relation to infrastructure assets, without disrupting the forward looking signal.
Frank Prashad	Original	Fixes the defect identified in that it removes the possibility of double charging.
Allan Kelly	WACM3	Inclusion of wider works is also more cost reflective that the original proposal. By applying it retrospectively to the date the one-off works were undertaken it also corrects the historic impact on affected users.
Garth Graham	WACM7	Alternative is best than the original or baseline in that it refunds the overpayment that affected CUSC Party(s) have paid.

7.12 In summary, the Workgroup voted as follows (out of a maximum 5 votes):

<b>View against Applicable CUSC Objectives</b>	<b>Better than CUSC baseline</b>	<b>Better than CMP203 original</b>	<b>Best</b>
Original	5	N/A	1
WACM1	5	3	1
WACM3	3	1	1
WACM7	4	3	2

7.13 The Workgroup vote on whether or not the Original and each WACM proposal better facilitated the Applicable CUSC Objectives better than the baseline resulted in the original and WACM1 receiving unanimous support and WACM3 and WACM7 receiving majority support for better facilitating at least one of the Applicable CUSC Objectives.

7.14 Of the four, only WACM1 and WACM7 received majority support as better facilitating the Applicable CUSC Objectives than CMP203 original proposal, with WACM7 receiving the most support overall.

### **National Grid Opinion**

7.15 National Grid supports the implementation of CMP203 WACM 7 as it better facilitates the Applicable CUSC Objectives by:

- i) ensuring that Users who have already paid for One-off Works see a corresponding reduction in their local TNUoS charges, thus increasing cost-reflectivity of their charges and removing a barrier to their competitiveness within the market (better facilitating objectives (a) and (b));
- ii) providing a one-off reduction in affected Users' TNUoS tariffs to offset against additional local TNUoS charges paid due to the historic treatment of assets subject to one-off works in the transport model, thereby increasing cost-reflectivity of their charges over the life of these assets (better facilitating objective b); and
- iii) ensuring that all users in a particular generation or demand zone, have received the same locational signals through wider TNUoS tariffs, reflecting the incremental cost of capacity (better facilitating objective a).

Whilst National Grid sees some merit in the implementation of the original CMP203 modification and WACM 1, we believe that WACM 7 offers the best solution as neither WACM 1 or the original modification take account of additional charges already paid by affected users; and the inclusion of wider charges in the scope of WACM 1 may result in wider tariffs that are slightly less reflective of the incremental cost of transmission capacity than the current methodology.

National Grid does not support the implementation of WACM 3, because this could result in users with sites located in the same zone receiving differing charges for their use of the wider transmission system in respect of previous years, when the incremental cost of wider transmission capacity at their point of connection is the same.

## CUSC Modifications Panel Recommendation

7.16 At the meeting of the CUSC Modifications Panel on 27 July 2012, the Panel voted unanimously that the CMP203 Original and WACM 1 better meet the Applicable CUSC Objectives and so should be implemented. A majority of the Panel expressed a preference for WACM 1.

7.17 The tables below shows a breakdown of Panel members voting on whether each proposal better facilitates the Applicable CUSC Objectives and the rationale for such votes.

### Original

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Jones	Yes, it is more cost reflective and therefore improves competition.	Yes, as it is more cost-reflective.	Neutral.	Y
Paul Jones for Simon Lord	Yes, as above.	Yes, as above.	Neutral.	Y
Garth Graham	Yes, double-charging is wrong and distorts competition.	Yes, it is more cost-reflective.	Neutral.	Y
Patrick Hynes	Yes, largely for the reasons already provided and to correct the error in the methodology.	Yes, it is more cost-reflective.	Neutral.	Y
Duncan Carter	Yes, retrospective application undermines competition.	Yes, this is a more cost-reflective way of charging so is more equitable for CUSC parties.	Neutral.	Y
Bob Brown	Yes, same reasons as Paul Jones.	Yes, same reasons as Paul Jones.	Neutral.	Y
Paul Mott	Yes, same reasons as Duncan Carter.	Yes, same reasons as Duncan Carter.	Neutral.	Y

**WACM 1**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Jones	Same reasons as Original but improved due to the wider works being taken into account.	Same reasons as for Original.	Neutral.	Y
Paul Jones for Simon Lord	As above.	As above.	Neutral.	Y
Garth Graham	Same reasons as for Original.	Same reasons as for Original.	Neutral.	Y
Patrick Hynes	Yes, it is more cost-reflective and therefore improves competition.	Yes, same reasons as Original.	Neutral.	Y
Duncan Carter	Yes, same reasons as for Original.	Yes, same reasons as for Original, but more cost reflective by virtue of inclusion of wider works.	Neutral.	Y
Bob Brown	Yes, same reasons as Paul Jones.	Yes, same reasons as Paul Jones.	Neutral.	Y
Paul Mott	Yes, same reasons as for Original.	Yes, same reasons as for Original.	Neutral.	Y

**WACM 3**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Jones	No, effect on competition is detrimental due to retrospective application.	No, due to retrospective application element.	Neutral.	N
Paul Jones for Simon Lord	Same as above.	Same as above.	Neutral.	N
Garth Graham	Yes, it improves competition due to correcting an error in the methodology.	Yes.	Neutral.	Y
Patrick Hynes	No, due to concerns regarding wider works.	No, it is not more cost-reflective than the current	Neutral.	N



		methodology.		
Duncan Carter	No, retrospective application undermines competition.	No, due to retrospective application element.	Neutral.	N
Bob Brown	No, same reasons as Paul Jones.	No, same reasons as Paul Jones.	Neutral.	N
Paul Mott	No, same reasons as Paul Jones and Duncan Carter.	No, same reasons as Paul Jones and Duncan Carter.	Neutral.	N

### **WACM 7**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Paul Jones	No, same reasons as for WACM 3.	No, same reasons as for WACM 3.	Neutral.	N
Paul Jones for Simon Lord	As above.	As above.	Neutral.	N
Garth Graham	Yes, same reasons as for WACM 3.	Yes, same reasons as for WACM 3.	Neutral.	Y
Patrick Hynes	Yes, same reasons as for Original.	Yes, same reasons as for Original.	Neutral.	Y
Duncan Carter	No, same reasons as for WACM 3.	No, same reasons as for WACM 3.	Neutral.	N
Bob Brown	No, same reasons as Paul Jones.	No, same reasons as Paul Jones.	Neutral.	N
Paul Mott	No, same reasons as Paul Jones and Duncan Carter.	No, same reasons as Paul Jones and Duncan Carter.	Neutral.	N

### **BEST**

Paul Jones	WACM 1
Paul Jones for Simon Lord	WACM 1
Garth Graham	WACM 7
Patrick Hynes	WACM 7
Duncan Carter	WACM 1
Bob Brown	WACM 1
Paul Mott	WACM 1

## 8 Workgroup Consultation Responses

8.1 Three responses were received to the Workgroup Consultation. These responses along with 10 specific questions for CMP203 are contained in Annex 7 of this report. The following table provides an overview of the representations received.

Company	Initial Views	Views against ACOs	Implementation	Other Comments
EON	Supportive. Both the original and a Working Group Alternative considering the Wider charges would better facilitate the Applicable CUSC Objectives.	Please refer to the detailed responses	Supportive of approach.	None
ScottishPower Renewables	Supportive of remedying defect. Whilst this issue may currently impact on a limited selection of Users the number of affected Users is likely to increase in the future.	Proposed original modification better facilitates the Applicable CUSC objectives.	Supportive of approach but with qualifications (please refer to the detailed response)	Accepts the need for Regulatory stability however where there is a defect in the methodology believes retrospective application is justified.
SSE	Supportive of CMP203. There is a clear defect in the CUSC whereby a User is subject to 'double charging'.	Yes CMP203 on (a), (b) and (c)	Supportive of approach.	None

## 9 Code Administrator Consultation Responses

9.1 Four responses were received to the Code Administrator Consultation which closed on the 28<sup>th</sup> June 2012. The full responses can be found in Annex 10.

No:	Respondent	Support CMP203 Original or WACMs?	Further Comments
1.	SSE	Supports WACM7 overall, by addressing the issue of previous overpayments, satisfies the lack of cost reflectivity that currently exists.	Supportive of the proposed implementation approach.
2.	ScottishPower Renewables	Supports WACM3 overall, corrects the defect in the current charging methodology.	<p>The proposed correction should be applied from the date of implementation and retrospectively to all Users who can reasonably demonstrate that they have paid capital contributions in respect of User choice works.</p> <p>Issue may currently impact a limited number of Users the number of affected Users is likely to increase in the future.</p> <p>Believe that retrospective application is justified in order to correct the defect.</p>
3.	E.ON UK	Supports WACM1 overall, as it addresses the defect, and ensures that wider charges are calculated appropriately.	<p>Supportive of the proposed implementation approach for the original and WACM1 only.</p> <p>Do not believe that in the case of WACM3 and 7 that retrospective application is appropriate.</p>
4.	EDF Energy	Supports WACM1 overall, addresses the defect and includes wider works.	<p>Supportive of the proposed implementation approach</p> <p>Is not supportive of retrospective application.</p>

## Annex 1 – Proposed Legal Text

CMP203 requires amendments to Section 14 of the CUSC, specifically The Statement of the Use of System Charging Methodology.

The text required to give effect to the original Proposal and the WACMs is contained in a separate document entitled: CMP203 TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off charges: Proposed Legal Text Annex 1.

### Workgroup Terms of Reference and Membership TERMS OF REFERENCE FOR CMP203 WORKGROUP

#### Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP203 'TNUoS Charging Arrangements for Infrastructure Assets subject to one-off charges' tabled by National Grid Electricity Transmission plc at the CUSC Modifications Panel meeting on 16 December 2011.
2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

#### Use of System Charging Methodology

- (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 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);
  - (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.
3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

#### Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:

- a) Review the illustrative legal text
  - b) Consider whether any similar circumstances could arise from one-off charges other than those derived from user choice
6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
  7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
  8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
  9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
  10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of three weeks as determined by the Modifications Panel.
  11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.
  12. As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.
  13. The Workgroup is to submit its final report to the Modifications Panel Secretary on 18 April 2012 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 27 April 2012.

## Membership

14. The Workgroup has the following members:

Role	Name	Representing
Chairman	Alex Thomason	Code Administrator
National Grid Representative*	Wayne Mullins	National Grid
Industry Representatives*	Allan Kelly	Scottish Power
	Garth Graham	SSE
	Guy Phillips	EON
	Frank Prashad	RWE
Authority Representatives	Scott Hamilton	Ofgem
	Abid Sheikh	Ofgem
Technical secretary	Louise McGoldrick	Code Administrator
Observers		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

15. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP203 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
16. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:
- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
  - Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
  - Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

17. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.

18. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.
19. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
20. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.



## Appendix: Indicative Workgroup Timetable

The following timetable is indicative for the CMP203 Workgroup.

16 December 2011	Panel to agree progress
20 January 2012	First Workgroup meeting
31 January or 1 Feb 2012	Second Workgroup meeting (adjacent to TCMF) if required
w/c 6 February 2012	Third Workgroup meeting (if required)
13 February 2012	Issue draft Workgroup Consultation for Workgroup comment (5 working days)
20 February 2012	Deadline for comments on draft Workgroup Consultation
22 February 2012	Publish Workgroup consultation (for 3 weeks)
14 March 2012	Deadline for responses to Workgroup consultation
20 March 2012	Post-consultation Workgroup meeting
3 April 2012	Circulate draft Workgroup Report (2 week comment due to Easter period)
17 April 2012	Deadline for comment on Workgroup report
18 April 2012	Submit final Workgroup report to Panel Secretary
27 April 2012	Present Workgroup report to CUSC Modifications Panel

<b>CUSC Modification Proposal Form (for Charging Methodology proposals)</b>	<b>CMP203</b>
<b>Title of the CUSC Modification Proposal:</b> <i>(mandatory by proposer)</i>	
TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges	
<b>Submission Date</b> <i>(mandatory by Proposer)</i>	
08/12/2011	
<b>Description of the CUSC Modification Proposal:</b> <i>(mandatory by proposer)</i>	
It is proposed that the Transmission Network Use of System Charging Methodology within the CUSC is modified to reflect User funding of one-off works in relation to infrastructure assets. It is proposed that this is achieved through the alteration of the characteristics of relevant assets in the tariff calculation so that they reflect their original design prior to the one-off works being undertaken.	
<b>Description of Issue or Defect that the CUSC Modification Proposal seeks to Address:</b> <i>(mandatory by proposer)</i>	
<p>In order to gain an earlier connection to the transmission network, a number of generators choose to pay a one-off payment to cover the cost of additional works to avoid planning delays (e.g. the undergrounding of circuits).</p> <p>Such one-off payments are not currently considered as part of the TNUoS charging arrangements. Therefore customers that pay a one-off charge do not see a corresponding adjustment to their TNUoS charges. This is because TNUoS charges reflect actual assets installed, and take no account of any upfront payments. This effectively means that the charges made to some Users are not cost reflective, as they can pay twice the cost of the one-off works over the life of the assets.</p>	
<b>Impact on the CUSC:</b> <i>(this should be given where possible)</i>	
Modification of Section 14: Charging Methodologies.	
<b>Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions?</b> <b>No</b> <i>(mandatory by Proposer. Assessed in accordance with Authority Guidance – see guidance notes for website link)</i>	
<b>Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information:</b> <i>(this should be given where possible)</i>	
BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
STC	<input type="checkbox"/>
Other	<input type="checkbox"/>
<i>(please specify)</i>	

<b>Urgency Recommended: No</b> <i>(optional by Proposer)</i>
<b>Justification for Urgency Recommendation</b> <i>(mandatory by Proposer if recommending progression as an Urgent Modification Proposal)</i>
<b>Self-Governance Recommended: No</b> <i>(mandatory by Proposer)</i>
<b>Justification for Self-Governance Recommendation</b> <i>(mandatory by Proposer if recommending progression as Self-governance Modification Proposal)</i>
<p><b>Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews? Yes</b> <i>(mandatory by Proposer in order to assist the Panel in deciding whether a Modification Proposal should undergo a SCR Suitability Assessment)</i></p> <p>It is possible that some parties may take the view that the electricity transmission charging SCR launched by Ofgem as part of Project TransmiT could have the potential to interact with this proposal. However, as a small number of Users are materially affected by this issue currently, the proposer believes that there is merit in the progression of this proposal in parallel.</p>
<p><b>Impact on Computer Systems and Processes used by CUSC Parties:</b> <i>(this should be given where possible)</i></p> <p>None</p>
<p><b>Details of any Related Modifications to Other Industry Codes (including related CUSC Modification Proposals):</b> <i>(where known)</i></p> <p>None</p>
<p><b>Justification for CUSC Modification Proposal with reference to Applicable CUSC Objectives:</b> <i>(mandatory by proposer)</i></p> <p><b>Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.</b></p> <p><b>Use of System Charging Methodology</b></p> <p><input checked="" type="checkbox"/> (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;</p> <p><input checked="" type="checkbox"/> (b) that compliance with the use of system charging methodology results in charges which</p>

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);

- (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.

**Full justification:**

This modification ensures that Users who have already paid for One-off Works see a corresponding reduction in their TNUoS charges, thus increasing cost-reflectivity of their charges and removing a barrier to their competitiveness within the market.

The readjustment of charges to account for assets subject to One-Off Works will help improve the transparency of charging arrangements and act as an enabler for Customer Choice connections thereby better facilitating developments in the transmission licensees' transmission businesses.

<b>Details of Proposer:</b> (Organisation's Name)	National Grid Electricity Transmission plc
<b>Capacity in which the CUSC Modification Proposal is being proposed:</b> (i.e. CUSC Party, BSC Party, "National Consumer Council" or Materially Affected Party)	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Wayne Mullins National Grid Electricity Transmission plc 01926 653999 <a href="mailto:wayne.mullins@uk.ngrid.com">wayne.mullins@uk.ngrid.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Andrew Wainwright National Grid Electricity Transmission plc 01926 655944 <a href="mailto:andy.wainwright@uk.ngrid.com">andy.wainwright@uk.ngrid.com</a>
<b>Attachments (Yes/No): No</b>	
<b>If Yes, Title and No. of pages of each Attachment:</b>	

## Annex 4 – Workgroup Attendance Register

Name	Organisation	Role	WG Meeting 1 (20 Jan 2012)	WG Meeting 2 (1 Feb 2012)	WG Meeting (2 May 2012) by teleconference
Alex Thomason	Code Administrator	Chairman	Yes	Yes	Yes
Louise McGoldrick	Code Administrator	Technical Secretary	No	Yes	Yes
Wayne Mullins	National Grid	National Grid representative	Yes	No	Yes
Andy Wainwright	National Grid	National Grid alternative	No	Yes	Yes
Garth Graham	SSE	Workgroup Member	Yes	Yes (by teleconference)	Yes
Guy Phillips	E.ON UK	Workgroup Member	Yes	Yes	Yes
Allan Kelly	ScottishPower Renewables	Workgroup Member	Yes (by teleconference)	Yes (by teleconference)	Yes
Frank Prashad	RWE	Workgroup Member	No	Yes	Yes
Scott Hamilton	Ofgem	Authority Representative	Yes (by teleconference)	Yes (by teleconference)	Yes
Abid Sheikh	Ofgem	Observer	Yes (by teleconference)	No	Yes

## Annex 5 – Glossary of Terms

BETTA	British Electricity Trading and Transmission Arrangements
CEC	Connection Entry Capacity
ICRP	Investment Cost Related Pricing
NETS	National Electricity Transmission System
NETSO	National Electricity Transmission System Operator
OFTO	Offshore Transmission Owner
OHL	Overhead Line
O&M	Operation and Maintenance costs
SCR	Significant Code Review
SO	System Operator
SQSS	(NETS) Security and Quality of Supply Standards
SYS	Seven Year Statement
TEC	Transmission Entry Capacity
TNUoS	Transmission Network Use of System
TO	Transmission Owner

## Annex 6 – Examples of Industry Retrospection (Workgroup E-mails)

**From:** Kelly, Allan (Strat Trans) [mailto:Allan.Kelly@ScottishPower.com]

**Sent:** Thursday, April 19, 2012 4:10 PM

**To:** Thomason, Alex; McGoldrick, Louise; Mullins, Wayne; garth.graham@sse.com; guy.phillips@eon-uk.com; frank.prashad@rwenpower.com; Abid.sheikh@ofgem.gov.uk; scott.hamilton@ofgem.gov.uk

**Subject:** CMP 203 WG - PRECEDENT

At today's meeting I agreed to circulate some notes I have on examples of precedent in the energy industry for retrospective adjustment of charges and correction of errors.

We briefly discussed the BSC 'manifest error' procedure which allows for retrospective correction of manifest errors. For the avoidance of doubt I don't think I'm alone in not viewing the CMP203 related defect as being a manifest error but nevertheless the manifest error procedure does give some indication that the general principle of retrospective adjustments and/or corrections is in place.

At the introduction of BETTA and the move to a "shallow" connection charging model the TOs were required to identify and refund all pre BETTA customer contributions. This meant making significant refunds (> £50m in aggregate?) for connections which in some cases dated back to the 1960s and 1970s. This was not correcting a defect or error but instead retrospective adjustment of charges as a result of new policy.

Whilst not directly comparable (in that it doesn't relate to an issue of double charging under a defined charging model) there have been issues of mis-aligned charging in the case of large off take gas meter errors, where the meter has been incorrectly over or under-recovering and the wrong suppliers have been charged for gas. Where these charges have been rectified, they are applied retrospectively, back to the point at which the error occurred, or the gas settlement window (currently around 4-5 years) whichever is the lesser. I gather this is covered by the Uniform Network Code which allows for invoice adjustments where an error in allocation occurs with the error rectification period going as far back as the "code cut off date" which is currently up to a maximum of 4 years 364 days. I'm not sure how the sums are thereafter recovered in the case of an overpayment but it may be that it is clearly a reallocation between specific parties.

I hope this is clear and of help to advance the discussion on the principle of 'retrospectivity'.

Regards,

Allan Kelly

Regulatory Policy Manager  
ScottishPower Renewables

**From:** Mullins, Wayne  
**Sent:** Friday, May 04, 2012 4:44 PM  
**To:** McGoldrick, Louise  
**Cc:** Thomason, Alex  
**Subject:** CMP203

Louise,

As discussed, the following are my comments in relation to the precedent examples provided by Allan:

*From looking at the document I previously circulated to the group (<http://www.ofgem.gov.uk/Networks/Trans/Archive/ElecTrans/BETTA/Publications/Documents1/9128-28304.pdf>), National Grid believes that the principle behind the repayments of capital contributions made to Scottish users at BETTA was to refund the remaining (depreciated) value of the assets. This effectively means that the repayment was net of any value depreciated between commissioning and BETTA. In other words if an asset with a 40-year life was installed 5 years prior to BETTA, then simplistically 5 years of depreciation (and running costs) would have been funded by the pre-BETTA capital contribution, and the remaining 35 is funded through TNUoS under BETTA. Although this is a refund of a charge made in the past, only the forward looking element of the payment is refunded, as this is picked up under the new regime.*

*In relation to the meter error issue, to me this feels more like a manifest data error, and would therefore be treated as such. Ultimately, how far back each error of this type should be reconciled, will depend upon the precise detail of the situation, such as the overall materiality, the effect on ongoing charges, the ease of correcting the error, etc. When comparing decisions made between the gas and electricity industries and this one translates to the other one would have to consider the differences between the gas and electricity industries, including in terms of accuracy of metering, frequency of settlement runs, etc. (e.g. even under the TNUoS charging methodology alone, differing reconciliation timings apply to demand and generation, as a result of generation (CVA metered) having more accurate and timely reported metering than SVA metered demand). In relation to manifest data errors in TNUoS, their treatment was discussed under GB-ECM-5, in which certain criteria was put in place to determine whether an event was material enough to apply, and also a time limit was put in place to limit these to apply only from the year in which they are highlighted to limit the amount of instability in tariffs going forwards.*

*Ultimately, the implementation of retrospective charging arrangements should be assessed on a case by case basis. In this particular case, National Grid does believe that on balance there is some merit in a limited level of retrospection, but only if the proposed solution provides an adequate level of competition, without providing a competitive advantage, which may be observed if wider charges are refunded to only one user in a particular zone.*

In addition, I promised to provide something to the group along the lines of the following:

**Pre-BETTA charging methodologies.** Whilst I haven't been able to locate a copy of the Scottish TO's pre-BETTA charging statements, I have found some evidence of the methodology within some of the responses to the numerous GB Charging Methodology Consultations that indicate that non-locational transmission charges applied in Scotland pre-BETTA. (See a report prepared by NERA for ScottishPower UK (see section 2.2 SPT and SHETL Transmission Charges – starting on pg 15)



<http://www.nationalgrid.com/NR/rdonlyres/5C8547E6-7106-4FF5-8055-9F8C4ADF96C1/2639/040726AprilTCMNERreport.pdf>, and mentioned by SSE in one of their responses (see page 5 of [http://www.nationalgrid.com/NR/rdonlyres/AA9B8931-0D87-46E4-843E-6B078413076F/1686/SSE\\_GB\\_Initial\\_Thoughts.pdf](http://www.nationalgrid.com/NR/rdonlyres/AA9B8931-0D87-46E4-843E-6B078413076F/1686/SSE_GB_Initial_Thoughts.pdf)). This means that the issue that CMP203 is looking to resolve could only have applied pre-BETTA in England and Wales.

Best regards,  
Wayne

**Wayne Mullins**  
**Senior Commercial Analyst**  
**Electricity Charging and Access Development**  
**Transmission Commercial**  
**National Grid**

## Annex 7 – Workgroup Consultation Responses

### CUSC Workgroup Consultation Response Proforma

#### CMP203 - TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **23 March 2012** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Louise McGoldrick at [Louise.McGoldrick@uk.ngrid.com](mailto:Louise.McGoldrick@uk.ngrid.com).

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	<i>Guy Phillips, <a href="mailto:guy.phillips@eon-uk.com">guy.phillips@eon-uk.com</a></i>
<b>Company Name:</b>	<i>E.ON UK</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)</b>	Our views are reflected more particularly in response to the questions below.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<i>For reference, the Applicable CUSC Objectives are: (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</i>  Please see response to question 10 below.
<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b>	Please see response to question 9 below.
<b>Do you have any other comments?</b>	<i>No.</i>

Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No.
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Specific questions for CMP203

Q	Question	Response
1	Do you consider the Workgroup's list sufficiently captures all the relevant examples of One-Off Works for both onshore and offshore generation? Please provide details of any additional examples you believe the Workgroup may have missed, and your opinion on whether CMP203 should apply.	Yes.
2	Do you consider that there is an impact on local and wider charges resulting from One-Off Works, and if so, do you think that both local and wider charges should be adjusted to take account of charges made in respect of One-Off Works?	<p>As has been identified by the Working Group, there is an impact on wider charges therefore the impact and change to wider charges should be considered and reflected in the revised tariff. Whilst this may add complexity we note that it is expected to be a rare occurrence.</p> <p>Where User one-off works, design variation, are triggered it is important that the principle in paragraph 2.16.2 of the NETS SQSS is maintained, specifically it must not "result in additional investment or operational costs to any particular customer or overall..."</p> <p>In the examples considered by the Working Group where a User requests One-Off works in respect of enabling works charged as wider transmission assets, then this would result in a change to the wider tariff for all users in that zone. It cannot be right that all users in the zone are subject to a higher tariff because of one User's choice.</p>
3	Do you think that the solution being proposed by CMP203 should be extended to consider wider works including third party works?	No, we agree with the Proposer that as the third party works are paid for by that party, the revised network becomes the new economic and efficient baseline. The facts of this type of third party triggered works are different to one-off works triggered by a User.

Q	Question	Response
4	Do you agree with the Workgroup that the defect considered by CMP203 means that affected Users' charges are not as cost reflective as those levied to other Users and that there is a need for the issue to be resolved?	Yes.
5	Do you agree that in order to receive the benefit of a more cost reflective charge affected Users should agree to certain data being published that reflects the data changes applied in the Transport Model?	Yes.
6	Do you consider that CMP 203 should be implemented and applied retrospectively, this means refunding an element of TNUoS charges prior to CMP203 implementation date, and if so, do you have any previous examples of industry retrospection?	No, we do not believe the affects of CMP203 should be treated retrospectively at all. The charging methodology applied at the time the charges pre-CMP203 implementation were levied was the approved baseline for those charges. Retrospective application undermines long term regulatory and investment certainty. Retrospective implementation, if also applied to wider charges, would be a costly, complex and potentially impossible process to re-allocate all charges paid by the contracted background within a charging year.
7	If you consider that CMP203 should be applied retrospectively for existing Generators, how far back should CMP203 apply; e.g. to the time of the One-Off Works even if this is pre-BETTA or some other date?	See answer to question 6.
8	Do you think any one or combination of the potential Workgroup Alternative CUSC Modifications should be pursued?	Yes, we think the Workgroup alternative outlined in paragraph 4.31i) of the Working Group consultation, in relation to Wider charges should be considered further. We do not think the other two identified alternatives should be considered further.
9	Views are invited on the proposed implementation date (of 1st April 2013).	We support the proposed implementation date.

<b>Q</b>	<b>Question</b>	<b>Response</b>
10	<b>Please give your views on whether CMP203 would better facilitate the Applicable CUSC Objectives.</b>	At this stage, we believe that both the original and a Working Group Alternative considering the Wider charges would better facilitate the Applicable CUSC Objectives for the reasons stated in the Working Group consultation.

**CMP203 - TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **23 March 2012** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Louise McGoldrick at [Louise.McGoldrick@uk.ngrid.com](mailto:Louise.McGoldrick@uk.ngrid.com).

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	<i>Allan Kelly</i> <i>T: 0141 568 4748 / 07734 396802</i> <i>allan.kelly@scottishpower.com</i>
<b>Company Name:</b>	<i>ScottishPower Renewables</i>
<b>Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)</b>	<p>The approach to the Workgroup consultation appears to be correct, appropriate and timely in seeking remedy a defect in the charging methodology and Transport model used to calculate charges for use of the electricity transmission system. In doing so this should better facilitate the applicable objectives of the CUSC and remove risk that some Users of the system could be exposed to charges that are in excess of the correct level.</p> <p>Whilst this issue may currently impact on a limited selection of Users the number of affected Users is likely to increase in the future. The current challenges faced by system owners in securing consents for new and upgraded infrastructure will undoubtedly increase with the planned growth in infrastructure investment. This is likely to lead Users increasingly opting for User choice works to mitigate consent challenges and so it is appropriate that this defect in the model is corrected quickly.</p> <p>Therefore, the Workgroup consultation is welcomed and should be allowed to continue and conclude with an implementable solution as quickly as possible.</p>
<b>Do you believe that the proposed original or any of the alternatives better</b>	<p>We believe that the proposed original modification better facilitates the Applicable CUSC objectives.</p> <p>By making charges more cost reflective and removing the risk</p>

<p>facilitate the Applicable CUSC Objectives? Please include your reasoning.</p>	<p>that Users may be charged twice for the same assets, this will ensure that all Users will face charges that are calculated fairly, consistently and transparently and so should facilitate more effective competition in generation and supply of electricity.</p> <p>By eliminating double charging for the same assets, the original proposal will also ensure that charges faced by Users are more cost reflective that they would be otherwise.</p>
<p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p>	<p>Broadly, we support the proposed approach to implementation with the following qualifications:</p> <ul style="list-style-type: none"> <li>i. We believe that the correction to the methodology and transport model should be implemented urgently and as quickly as possible and we suggest that this can be done with effect from October 2012 rather than April 2013;</li> <li>ii. The proposed correction should be applied from the date of implementation and retrospectively to all Users who can reasonably demonstrate that they have paid capital contributions in respect of User choice works and paid incorrect TNUOS charges based on the 'as-built' asset arrangements;</li> <li>iii. National Grid and the other GB onshore TOs should be encouraged to support Users' requests for information that would help them demonstrate eligibility for the proposed correction to the methodology.</li> </ul>
<p>Do you have any other comments?</p>	<p>We understand and accept the need for Regulatory stability and that this therefore often means that changes in Regulatory or commercial policies and methodologies should not be implemented or applied retrospectively. However, where changes in Regulatory or commercial policies and methodologies are required in order to correct defects in the policy or methodology we believe that retrospective application is justified.</p> <p>We believe that by comparison, in the event of consumers having been double charged due to a defect in a charging methodology high priority would be given to correcting the defect and to ensuring historic impacts were corrected. If this is correct, we believe there should be consistency with the approach taken to correcting this defect in the charging methodology.</p>
<p>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</p>	<p>The WG consultation should pursue the alternative that would facilitate full retrospective application of the proposed correction of the defect in the model to eligible Users.</p> <p>In addition, to aid retrospective application, the WG should consider an alternative whereby affected 'retrospective' Users would receive a credit or discount equivalent to the overpayment against their future TNUoS charges, rather than a refund of charges that have been overpaid. This alternative may reduce</p>

	<p>the administration and accounting impact of a retrospective application.</p> <p>If WG Consultation Alternative Requests are required we would be happy to prepare and submit them.</p>
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**Specific questions for CMP203**

<b>Q</b>	<b>Question</b>	<b>Response</b>
1	<p>Do you consider the Workgroup's list sufficiently captures all the relevant examples of One-Off Works for both onshore and offshore generation? Please provide details of any additional examples you believe the Workgroup may have missed, and your opinion on whether CMP203 should apply.</p>	<p>Yes.</p> <p>We have no additional examples to include.</p>
2	<p>Do you consider that there is an impact on local and wider charges resulting from One-Off Works, and if so, do you think that both local and wider charges should be adjusted to take account of charges made in respect of One-Off Works?</p>	<p>In certain circumstances, there may be an impact on local and wider charges but generally this is unlikely to be material. However, in certain circumstances the impact could be material and so, where appropriate, the impact on local and wider charges should be considered but this must be balanced against the additional administration burden imposed by the increased complexity of this approach.</p>
3	<p>Do you think that the solution being proposed by CMP203 should be extended to consider wider works including third party works?</p>	<p>If the materiality warrants it, the correction being proposed should be extended to consider wider works.</p> <p>However, third party works are not funded by the User and as they are requested, and paid for fully, by a third party the 'as-built' asset configuration is effectively the most efficient option for the TO to build. Users charges should be cost reflective and so Users should not be charged for assets that have already been funded by the third party.</p>



Q	Question	Response
4	Do you agree with the Workgroup that the defect considered by CMP203 means that affected Users' charges are not as cost reflective as those levied to other Users and that there is a need for the issue to be resolved?	Yes – please refer to our initial comments.
5	Do you agree that in order to receive the benefit of a more cost reflective charge affected Users should agree to certain data being published that reflects the data changes applied in the Transport Model?	In principle we agree with this but further consideration and discussion should be given to the sort of information that might be published and to how it will be presented and used.

Q	Question	Response
6	<p><b>Do you consider that CMP 203 should be implemented and applied retrospectively, this means refunding an element of TNUoS charges prior to CMP203 implementation date, and if so, do you have any previous examples of industry retrospction?</b></p>	<p>Yes, we consider that the proposed CMP 203 solution should be implemented and applied retrospectively, with affected eligible Users receiving a refund of additional charges that have been levied on them.</p> <p>We have explained our views on this earlier in our response but in summary:</p> <ul style="list-style-type: none"> <li>i. The proposed correction should be applied retrospectively to all Users who can reasonably demonstrate that they have paid capital contributions in respect of User choice works and paid incorrect TNUoS charges based on the 'as-built' asset arrangements;</li> <li>ii. Where changes in Regulatory or commercial policies and methodologies are required in order to correct defects in the policy or methodology we believe that retrospective application is justified;</li> <li>iii. To ensure consistency in approaches, we believe that consideration should be made of parallels in the approach that would be expected in the event of consumers having been double charged due to a defect in a charging methodology;</li> <li>iv. A CUSC/BSC process exists, and has been enacted, in the event of 'manifest error' and while this is not the case in the situations being considered under CMP203, the principle of retrospective correction of defects exists, and</li> <li>v. An alternative approach could be considered whereby affected 'retrospective' Users would receive a credit or discount equivalent to the overpayment against their future TNUoS charges, rather than a refund of charges that have been overpaid.</li> </ul>
7	<p><b>If you consider that CMP203 should be applied retrospectively for existing Generators, how far back should CMP203 apply; e.g. to the time of the One-Off Works even if this is pre-BETTA or some other date?</b></p>	<p>The solution proposed under CMP203 should be applied retrospectively to existing generators to the time when the User choice works were carried out and the capital contribution made by the User, even if this predates BETTA.</p> <p>Given the time elapsed it is possible that it will be difficult for Users to prove their eligibility for retrospective application of the solution. In this respect we believe the TSO and TOs should support Users in this by providing the required information wherever reasonably possible.</p>

Q	Question	Response
8	Do you think any one or combination of the potential Workgroup Alternative CUSC Modifications should be pursued?	We believe that of the alternatives described in section 4.31 of the Workgroup consultation, alternatives (i) ("Wider charges in addition to local charges should be taken into account when making adjustments to the Transport Model") and (ii) ("Retrospective application: impacted Users to receive a refund against the additional TNUoS previously paid (that reflects the additional asset value resulting from the One-Off Works) prior to implementation of CMP203") should be pursued.
9	Views are invited on the proposed implementation date (of 1st April 2013).	We believe that the correction to the methodology and transport model should be implemented urgently and as quickly as possible. Given the relatively simple nature of the proposed correction and the limited number of materially affected parties we suggest that this could be implemented with effect from October 2012 rather than April 2013.
10	Please give your views on whether CMP203 would better facilitate the Applicable CUSC Objectives.	<p>We believe that the proposed original modification better facilitates the Applicable CUSC objectives.</p> <p>By making charges more cost reflective and removing the risk that Users may be charged twice for the same assets, this will ensure that all Users will face charges that are calculated fairly, consistently and transparently and so should facilitate more effective competition in generation and supply of electricity.</p> <p>By eliminating double charging for the same assets, the original proposal will also ensure that charges faced by Users are more cost reflective than they would be otherwise.</p>

**CMP203 - TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **23 March 2012** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Louise McGoldrick at [Louise.McGoldrick@uk.ngrid.com](mailto:Louise.McGoldrick@uk.ngrid.com).

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	Garth Graham ( <a href="mailto:garth.graham@SSE.com">garth.graham@SSE.com</a> 01738 456000)
<b>Company Name:</b>	SSE
<b>Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)</b>	We support CMP203. In our view there is a clear defect in the CUSC whereby a User is subject to 'double charging' – paying the One-Off Works costs (which seems the appropriate way such works should be charged) and then paying separately again for those works via a TNUoS charging element (which seems wholly inappropriate, as the User has already paid for those works, via the one off charge). We provide further views in response to the ten specific consultation questions below.
<b>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</b>	<i>For reference, the Applicable CUSC Objectives are:</i>  <i>(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and</i>  <i>(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.</i>  We believe that CMP203 (as its currently outlined in the consultation document) does better facilitate the three Applicable Use of System Charging Methodology Objectives (a), (b) and (c) for the reasons set out in the proposal
<b>Do you support the proposed implementation approach? If not, please state why and provide an alternative</b>	Yes. We support the proposed implementation approach set out in section 6 of the consultation document.

suggestion where possible.	
Do you have any other comments?	None at this time.
Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No.

#### Specific questions for CMP203

Q	Question	Response
1	<b>Do you consider the Workgroup's list sufficiently captures all the relevant examples of One-Off Works for both onshore and offshore generation? Please provide details of any additional examples you believe the Workgroup may have missed, and your opinion on whether CMP203 should apply.</b>	Yes. We note the examples of relevant One-Off Works listed in Table 1 of the consultation document. We agree that the Workgroup's list sufficiently captures all the relevant examples.
2	<b>Do you consider that there is an impact on local and wider charges resulting from One-Off Works, and if so, do you think that both local and wider charges should be adjusted to take account of charges made in respect of One-Off Works?</b>	We note the discussion in the consultation document on this matter and agree that there could be an impact on local and wider charges resulting from On-Off Works and there may be merit in consider if the charges should be adjusted accordingly.
3	<b>Do you think that the solution being proposed by CMP203 should be extended to consider wider works including third party works?</b>	Mindful of the deliberations in the consultation document; namely that such events are generally small in nature or, if big, very rare; it maybe appropriate to consider extending to include wider third party works.

Q	Question	Response
4	<p><b>Do you agree with the Workgroup that the defect considered by CMP203 means that affected Users' charges are not as cost reflective as those levied to other Users and that there is a need for the issue to be resolved?</b></p>	<p>Yes. We agree with the Workgroup that the defect considered by CMP203 means that affected Users' charges are not as cost reflective as those levied on other Users and that there is a need for this issue to be resolved.</p>
5	<p><b>Do you agree that in order to receive the benefit of a more cost reflective charge affected Users should agree to certain data being published that reflects the data changes applied in the Transport Model?</b></p>	<p>Yes. It is appropriate, in the circumstances, that in order to receive the benefit of a more cost reflective charge that affected Users should agree to certain data being published, such as that in the Transport Model.</p>

Q	Question	Response
6	<p><b>Do you consider that CMP 203 should be implemented and applied retrospectively, this means refunding an element of TNUoS charges prior to CMP203 implementation date, and if so, do you have any previous examples of industry retrospection?</b></p>	<p>Yes – although we are not certain, on reflection, that this would be ‘retrospective’.</p> <p>We note that the description of the proposal indicates that:-</p> <p><i>“It is proposed that this is achieved through the alteration of the characteristics of relevant assets in the tariff calculation so that they reflect their original design prior to the one-off works being undertaken. ”</i></p> <p>We further note that the description indicates that:-</p> <p><i>“This effectively means that the charges made to some Users are not cost reflective, as they can pay twice the cost of the one-off works over the life of the assets.”</i></p> <p>Finally we note the justification of the proposal indicates that:-</p> <p><i>“This modification ensures that Users who have already paid for One-off Works see a corresponding reduction in their TNUoS charges, thus increasing cost-reflectivity of their charges and removing a barrier to their competitiveness within the market.”</i></p> <p>Given this there is a case to be made that where a User has paid a (cost reflective) One-Off Works charge upfront that they should not then have paid any further charge (for those One-Off Works) via TNUoS as this was not cost reflective. That being the case then it would seem fair and appropriate that the User is returned to the position they would have been in had this defect not existed.</p> <p>Whilst this would impact on other Users we note (a) the impact, when spread across all Users, will be small and (b) those same Users have benefitted from a correspondingly lower TNUoS charge (due to the ‘overpayment’ by those Users who have paid One-Off Works and TNUoS charges) for sometime prior to the return of the TNUoS ‘overpayment’.</p>

Q	Question	Response
7	<p><b>If you consider that CMP203 should be applied retrospectively for existing Generators, how far back should CMP203 apply; e.g. to the time of the One-Off Works even if this is pre-BETTA or some other date?</b></p>	<p>Yes. Notwithstanding our answer to Question 6, we agree with the majority of the Workgroup that if CMP203 were implemented on, say, 1st April 2013, that any User who had already paid for One-Off Works prior to that date would be able to benefit from the revised TNUoS tariff calculation from 1st April 2013 onwards.</p> <p>In our view the application should apply as far back as the One-Off Works that the User is paying for. In other words if a User paid for a One-Off Works in 2000 and they are also now paying a charge (for these One-Off Works) via TNUoS then they should be able to have that TNUoS charge element (for the One-Off Works) removed from 1<sup>st</sup> April 2013 (if that is the date of implementation). Thus, for the avoidance of doubt, this would include pre-BETTA One-Off Works.</p>
8	<p><b>Do you think any one or combination of the potential Workgroup Alternative CUSC Modifications should be pursued?</b></p>	<p>In terms of items (i) and (ii) see our answers above. In respect of (iii) we believe it would be discriminatory to limit eligibility to One-Off Works undertaken after implementation of CMP203. A defect has been identified (in CMP203) and should be rectified for all Users ('old' and 'new').</p>
9	<p><b>Views are invited on the proposed implementation date (of 1st April 2013).</b></p>	<p>We support the proposed implementation date of 1<sup>st</sup> April 2013 as this is in accordance with the principles in the CUSC that charging methodology changes should be implemented from the 1<sup>st</sup> April.</p>
10	<p><b>Please give your views on whether CMP203 would better facilitate the Applicable CUSC Objectives.</b></p>	<p>In our view CMP203 does better facilitate the three Applicable Use of System Charging Methodology Objectives (a), (b) and (c) for the reasons set out in the proposal.</p>



## Annex 8 – Email relating to voting process

**From:** Kelly, Allan (Strat Trans) [mailto:Allan.Kelly@ScottishPower.com]

**Sent:** Tuesday, May 08, 2012 3:25 PM

**To:** McGoldrick, Louise

**Subject:** RE: CMP203 Voting Matrix

Dear Louise,

I had a very useful discussion with Alex earlier about the CUSC and WG process and she said I should include any comments that I feel are relevant. The key points I would raise are:

1. The selection of alternatives to be considered for a vote by the WG members could be more objective, with specific criteria broken out from the high level applicable CUSC objectives;
2. The voting process used to select the alternatives to be considered for a vote by the WG members showed, in my opinion, WG members acting partially by exercising business specific interest votes rather than based on impartial industry interests. Clarity should be given to industry members and in particular to WG members on their role in a WG and the need for impartiality with changes to the CUSC being made as required to facilitate this.

Please let me know if you need me to clarify or expand on anything.

Thanks.

Regards,

Allan Kelly

Allan Kelly

**Regulatory Policy Manager**

**ScottishPower Renewables**

Spean Street, Cathcart, Glasgow G44 4BE

## Annex 9 – Voting Matrices

### Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives than the CUSC Baseline

Name of Workgroup Member	Name of CUSC Party Represented
Guy Phillips	E.ON UK

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	It prospectively rectifies the defect of double charging for user assets that have been subject to a one off charge.
WACM1	Yes	As per the original but also corrects for any prospective change to the wider tariff as well, albeit the frequency and likelihood of affects to the wider tariff are anticipated to be low.
WACM3	Yes	As per the original, although with reservations regarding the retrospective element of the alternative as the defect was not considered as such as it formed part of the approved baseline.
WACM7	Yes	As per the original, although with reservations regarding the retrospective element of the alternative as the defect was not considered as such as it formed part of the approved baseline.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	As per Objective (a)
WACM1	Yes	As per Objective (a)
WACM3	Yes	As per Objective (a)
WACM7	Yes	As per Objective (a)

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	As per Objective (a)
WACM1	Yes	As per Objective (a)
WACM3	Yes	As per Objective (a)
WACM7	Yes	As per Objective (a)

### Vote 2: Whether each proposal better facilitates the Applicable CUSC Objectives than the Original Proposal

Name of Workgroup Member	Name of CUSC Party Represented
Guy Phillips	E.ON UK

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original	Yes	
WACM1	Yes	The inclusion of wider charges ensures that should there be an affect on wider tariff's in future this situation will be catered for.
WACM3	No	The retrospective element of the proposal is contrary to the principle that the defect did not form part of the approved baseline at the time the one off charge was levied.
WACM7	No	The retrospective element of the proposal is contrary to the principle that the defect did not form part of the approved baseline at the time the one off charge was levied.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original	Yes	
WACM1	Yes	As per Objective (a)
WACM3	No	As per Objective (a)
WACM7	No	As per Objective (a)

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original	Yes	
WACM1	Yes	As per Objective (a)
WACM3	No	As per Objective (a)
WACM7	No	As per Objective (a)

**Vote 3: Which option BEST facilitates achievement of the Applicable CUSC Objectives (incl. CUSC baseline)**

Name of Workgroup Member	Name of CUSC Party Represented
Guy Phillips	E.ON UK

  

Which option BEST facilitates achievement of the Applicable CUSC Objectives?	What is the main reason for your view?
1	WACM 1 rectifies the defect but also ensures that potential affects to both the local and wider tariff are addressed as a result of a one off charge being levied and applies prospectively, there is no retrospective element, which is consistent with established regulatory practice, except in limited significantly material circumstances.

**Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives than the CUSC Baseline**

Name of Workgroup Member	Name of CUSC Party Represented
Wayne Mullins	National Grid

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	This modification ensures that Users who have already paid for One-off Works see a corresponding reduction in their local TNUoS charges, ensuring that the overall charge relating to their local assets are equivalent to that paid by other users.
WACM1	Yes	As original.
WACM3	No	We believe that to facilitate competition between users in any given year, all generation users in a particular generation zone and all demand users in a particular demand zone should be provided with the same zonal charge, as the cost of facilitating each of these on the wider network is similar. If a user has historically paid a one-off charge and the asset has been modelled within the wider charge, all generators in the zone would have paid a charge that partly reflects the cost of the asset concerned. As a result, providing a refund to a single user that paid a one-off charge affectively provides them with an undue competitive advantage over other users within that zone whose charges will still reflect the additional value of the circuit that has been subject to the one off charge. In the event that flows on this circuit affect the marginal cost of flows within multiple zones, this advantage would cover multiple zones.
WACM7	Yes	As original.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	This modification ensures that Users who have already paid for One-off Works see a corresponding reduction in their local TNUoS charges, making the overall charge reflective of the cost of the asset concerned.
WACM1	Yes	As original.
WACM3	No	By allowing for the potential reconciliation of charges back to pre-BETTA, we believe that WACM 3 hinders competition in comparison to the baseline and is inconsistent with the level of cost-reflectivity of Pre-BETTA transmission charges, as envisaged under the corresponding licence conditions of the Pre-BETTA transmission licences. Prior to BETTA Go-Live, the charging methodology in place in Scotland differed to that in England and Wales. Locational charges applied in England and Wales, whereas non-locational charges applied in Scotland. This effectively means that the pre-BETTA existence of the issue to which CMP203 seeks to address would be limited to England and Wales users. National Grid believes that to maintain any cost reflective signals prescribed in the Pre-BETTA transmission licenses, there should be no cross subsidies between the users of the three GB transmission networks introduced under any retrospective mechanism that is implemented. WACM 3 makes it possible for such a cross subsidy, with the potential for Scottish users to be partially funding pre-BETTA related refunds through the increase in the generation residual.
WACM7	Yes	As original.

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	As time progresses, National Grid is seeing a noticeable increase in the number of user choice connections. The arrangements proposed ensure that charges for these are cost reflective.
WACM1	Yes	As original.
WACM3	Yes	As original.
WACM7	Yes	As original.

**Vote 2: Whether each proposal better facilitates the Applicable CUSC Objectives than the Original Proposal**

Name of Workgroup Member	Name of CUSC Party Represented
Wayne Mullins	National Grid

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		
WACM1	No	This modification ensures that Users who have already paid for One-off Works see a corresponding reduction in their local TNUoS charges, ensuring that the overall charge relating to their local assets are equivalent to that paid by other users.
WACM3	No	We believe that to facilitate competition between generators and provide cost reflective charges in any given year, all generation users in a particular generation zone and all demand users in a particular demand zone should be provided with the same zonal charge. If a user has historically paid a one-off charge and the asset has been modelled within the wider charge, all generators in the zone would have paid a charge that partly reflects the cost of the asset concerned. As a result, providing a refund to a single user that paid a one-off charge affectively provides them with an undue competitive advantage over other users within that zone whose charges will still reflect the additional value of the circuit that has been subject to the one off charge. In the event that flows on this circuit affect the marginal cost of flows within multiple zones, this advantage would cover multiple zones.
WACM7	Yes	Whilst National Grid is cautious about the impact of retrospective implementation of modifications to the charging methodology, we believe that each case should be assessed on its own merits. In this particular case, we feel that the additional charge placed on an individual or a small collection of generators through local circuit charges for assets subject to one-off charges under the current arrangements has not been cost reflective and has hindered competition. Whilst the downside of making retrospective adjustments is to add an additional (unforeseen) amount onto all generators charges in a future year, this additional amount is expected to be small. On balance, National Grid therefore believes that a limited amount of retrospective adjustments proposed by WACM 7 is justified in this case.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		
WACM1	No	As per response in relation to WACM 1 & applicable objective (a), National Grid believes that WACM 1 deviates away from providing charges reflective of the incremental cost of capacity on the wider transmission network. National Grid does not think that the solution offered by WACM 1 provides an adequate balance between providing this forward looking cost signal and targetting an appropriate level of the network costs incurred at individual users, due to the shareable nature of wider transmission assets.
WACM3	No	By allowing for the potential reconciliation of charges back to pre-BETTA, we believe that WACM 3 hinders competition in comparison to the baseline and is inconsistent with the level of cost-reflectivity of Pre-BETTA transmission charges, as envisaged under the corresponding licence conditions of the Pre-BETTA transmission licences. Prior to BETTA Go-Live, the charging methodology in place in Scotland differed to that in England and Wales. Locational charges applied in England and Wales, whereas non-locational charges applied in Scotland. This effectively means that the pre-BETTA existence of the issue to which CMP203 seeks to address would be limited to England and Wales users. National Grid believes that to maintain any cost reflective signals prescribed in the Pre-BETTA transmission licenses, there should be no cross subsidies between the users of the three GB transmission networks introduced under any retrospective mechanism that is implemented. WACM 3 makes it possible for such a cross subsidy, with the potential for Scottish users to be partially funding pre-BETTA related refunds through the increase in the generation residual.
WACM7	Yes	In introducing an appropriate level of retrospective adjustments in relation to those users that were previously hindered by the issue that CMP203 looks to address, the historical level of local TNUoS charged will become more cost reflective.

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		
WACM1		Neutral - has an equivalent effect to the original.
WACM3		Neutral - has an equivalent effect to the original.
WACM7		Neutral - has an equivalent effect to the original.

**Vote 3: Which option BEST facilitates achievement of the Applicable CUSC Objectives (incl. CUSC baseline)**

Name of Workgroup Member	Name of CUSC Party Represented
Wayne Mullins	National Grid
Which option BEST facilitates achievement of the Applicable CUSC Objectives?	What is the main reason for your view?
7	National Grid believes that out of the options taken forward by the workgroup WACM 7 BEST facilitates the Applicable CUSC Objectives. National Grid feels that this option adequately removes the additional charge levied on users that have paid a one-off charge in relation to infrastructure assets, without disrupting the forward looking signal that reflects the cost of the incremental cost of capacity on the wider transmission network. This solution builds upon the original by offering an appropriate level of retrospectivity back to the date at which users commenced paying local charges. This will target the cost of individual assets directly to users, resulting in an overall charge being made the user that reflects the full cost of the assets, removing the additional amount that was paid under the existing arrangements.

**Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives than the CUSC Baseline**

Name of Workgroup Member	Name of CUSC Party Represented
Frank Prashad	RWEnpower

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	It fixes the defect where a user may pay a one off charge and also pay a local charge on the assets.
WACM1	Yes	this variant may fix the associated problem in the ICRP model where Wider charges are affected.
WACM3	No	Retrospective refunds should not be done, as it would mean that all parties that benefited would have to be reconciled. I believe that this step would not facilitate competition.
WACM7	No	"

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	Its more cost reflective.
WACM1	Yes	This would also lead to more cost reflective wider charges.
WACM3	No	Retrospective refunds as current set up in the WACMs would not be cost reflective, it would put costs on Users in the future for some charges levied in the past.
WACM7	No	"

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>CUSC Baseline</u> *?	What is the main reason for your view?
Original	Yes	It takes some account of the costs of connection to the system in that Cables and OH lines have different costs.
WACM1	Yes	Costs are taken inot account more accurately.
WACM3	No	Refunds are not consistent with a methodology on Transmission charges.
WACM7	No	"

**Vote 2: Whether each proposal better facilitates the Applicable CUSC Objectives than the Original Proposal**

Name of Workgroup Member		Name of CUSC Party Represented
FP		RWEn

  

Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original	Yes	The original proposal Fixes the Defect in the CUSC charging for Local assets for parties who pay a One-off charge for assets
WACM1	Yes	There is some merits to this WACM1 as it extends that principle to wider
WACM3	No	Retrospective Refunds are not consistent with the CUSC objectives. The original does not envisage refunds.
WACM7	No	"

Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original	Yes	Original proposal improves cost reflectivity
WACM1	Yes	May have some merits in improving cost reflectivity for wider.
WACM3	No	does nothing for improving on the original in terms of cost reflectivity.
WACM7	No	"

Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original	Yes	Aligns relative costs of OH and cables, etc.
WACM1	Yes	"
WACM3	No	Refunds do not improve on the original and does not affect developments.
WACM7	No	"

**Vote 3: Which option BEST facilitates achievement of the Applicable CUSC Objectives (incl. CUSC baseline)**

Name of Workgroup Member		Name of CUSC Party Represented
Frank Prashad		RWEnpower

  

Which option BEST facilitates achievement of the Applicable CUSC Objectives?	What is the main reason for your view?
Original	The Original proposal fixes the defect identified in that it removes the possibility of double charging. Retrospective refunds are not applicable in these cases as the problem was not a large and manifest error and was not systematic and designed to overcharge. It is not even clear cut that this charging of local assets is incorrect, as when a user Specifically specifies a MORE expensive method of connecting itself to the wider network and that asset is transferred to the TO to manage, maintain and in the long run replace, other Users are exposed to a higher charge and liability.

**Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives than the CUSC Baseline**

Name of Workgroup Member	Name of CUSC Party Represented
Allan Kelly	ScottishPower

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original	Yes	Original and alternatives more correctly charge for one-off works than currently under CUSC and so more effectively facilitate effective competition in electricity generation.
WACM1	Yes	Original and alternatives more correctly charge for one-off works than currently under CUSC and so more effectively facilitate effective competition in electricity generation.
WACM3	Yes	Original and alternatives more correctly charge for one-off works than currently under CUSC and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Original and alternatives more correctly charge for one-off works than currently under CUSC and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original	Yes	Original and alternatives reduce/eliminate overcharging for one-off works and so charges will be more cost reflective than currently under CUSC.
WACM1	Yes	Original and alternatives reduce/eliminate overcharging for one-off works and so charges will be more cost reflective than currently under CUSC.
WACM3	Yes	Original and alternatives reduce/eliminate overcharging for one-off works and so charges will be more cost reflective than currently under CUSC. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Original and alternatives reduce/eliminate overcharging for one-off works and so charges will be more cost reflective than currently under CUSC. Retrospective application corrects historic impact of defect identified.

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original	Yes	Original and alternatives more correctly reflect needs of generators faced increasingly with having to opt for one-off/user choice works for planning and consent reasons.
WACM1	Yes	Original and alternatives more correctly reflect needs of generators faced increasingly with having to opt for one-off/user choice works for planning and consent reasons.
WACM3	Yes	Original and alternatives more correctly reflect needs of generators faced increasingly with having to opt for one-off/user choice works for planning and consent reasons. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Original and alternatives more correctly reflect needs of generators faced increasingly with having to opt for one-off/user choice works for planning and consent reasons. Retrospective application corrects historic impact of defect identified.

**Vote 2: Whether each proposal better facilitates the Applicable CUSC Objectives than the Original Proposal**

Name of Workgroup Member		Name of CUSC Party Represented
Allan Kelly		ScottishPower
Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original		N/a
WACM1	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation.
WACM3	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.

Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original		N/a
WACM1	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation.
WACM3	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.

Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>Original Proposal</u> ?		What is the main reason for your view?
Original		N/a
WACM1	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation.
WACM3	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.
WACM7	Yes	Alternatives will more correctly charge for one-off works than under original proposal and so more effectively facilitate effective competition in electricity generation. Retrospective application corrects historic impact of defect identified.

**Vote 3: Which option BEST facilitates achievement of the Applicable CUSC Objectives (incl. CUSC baseline)**

Name of Workgroup Member		Name of CUSC Party Represented
Allan Kelly		ScottishPower
Which option BEST facilitates achievement of the Applicable CUSC Objectives?		What is the main reason for your view?
3		WACM 3 is more cost reflective than currently under CUSC and by the inclusion of wider works is also more cost reflective than the original proposal. By applying it retrospectively to the date the one-off works were undertaken it also corrects the historic impact on affected users.



**Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives than the CUSC Baseline**

Name of Workgroup Member	Name of CUSC Party Represented
Garth Graham	SSE

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original	Yes	This change removes a defect in the baseline CUSC of double charging for one off works which is better for competition in generation and supply.
WACM1	Yes	As above
WACM3	Yes	As above
WACM7	Yes	As above

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original		Neutral
WACM1		Neutral
WACM3		Neutral
WACM7		Neutral

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>CUSC Baseline</u> ?	What is the main reason for your view?
Original		Neutral
WACM1		Neutral
WACM3		Neutral
WACM7		Neutral

**Vote 2: Whether each proposal better facilitates the Applicable CUSC Objectives than the Original Proposal**

Name of Workgroup Member	Name of CUSC Party Represented
Garth Graham	SSE

	Does the proposal better facilitate Applicable CUSC Objective (a) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		*
WACM1	No	Because it extends to wider works this alternative is not better than the Original
WACM3	No	As above
WACM7	Yes	This Alternative is better than the Original in that it refunds the overpayment that affected CUSC Party(s) have paid. This is better for competition in generation and supply.

	Does the proposal better facilitate Applicable CUSC Objective (b) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		*
WACM1		Neutral
WACM3		Neutral
WACM7		Neutral

	Does the proposal better facilitate Applicable CUSC Objective (c) compared to the <u>Original Proposal</u> ?	What is the main reason for your view?
Original		*
WACM1		Neutral
WACM3		Neutral
WACM7		Neutral

**Vote 3: Which option BEST facilitates achievement of the Applicable CUSC Objectives (incl. CUSC baseline)**

Name of Workgroup Member	Name of CUSC Party Represented
Garth Graham	SSE

Which option BEST facilitates achievement of the Applicable CUSC Objectives?	What is the main reason for your view?
7	This Alternative is best than the Original or baseline in that it refunds the overpayment that affected CUSC Party(s) have paid. This is better for competition in generation and supply.

**CMP203 – TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **CMP203** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its recommendation to the Authority.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	Garth Graham ( <a href="mailto:garth.graham@SSE.com">garth.graham@SSE.com</a> 01738 456000)
<b>Company Name:</b>	SSE
<b>1. Do you believe that the CMP203 Original Proposal better facilitates the Applicable CUSC Objectives and why?</b>	<p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p><i>(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;</i></p> <p><i>(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);</i></p> <p><i>(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.</i></p> <p>We believe that CMP203 does better facilitate two of the three Applicable Use of System Charging Methodology Objectives - (a) and (b) - for the reasons set out in the proposal.</p> <p>In particular it is demonstrably more cost reflective (as the parties in question are not subject to a double charge) and is also better for competition as, by removing the double charge, it ensure that generators are able to compete in a fairer way than the baseline as (i) all parties pay a 'single' (not a double) charge and (ii) no parties receive a subsidy (from those paying the</p>

	<p>double charge).</p> <p>In respect of (c) we are neutral.</p>
<p><b>2. Do you believe that any of the CMP203 Workgroup Alternative CUSC Modification Proposals better facilitates the Applicable CUSC Objectives and why?</b></p>	<p>We believe that the three Workgroup Alternatives (that is WACMs 1, 3 and 7) all better facilitate two of the three Applicable Use of System Charging Methodology Objectives ((a) and (b)) as all three alternatives (like the original) are demonstrably more cost reflective (as the parties in question are not subject to a double charge) and is also better for competition as, by removing the double charge, it ensure that generators are able to compete in a fairer way than the baseline as (i) all parties pay a 'single' (not a double) charge and (ii) no parties receive a subsidy (from those paying the double charge).</p> <p>In respect of (c) we are neutral.</p>
<p><b>3. Which, if any, proposal do you consider <u>best</u> facilitates the Applicable CUSC objectives, and why?</b></p>	<p>WACM 7, by addressing the issue of previous overpayments (i.e. the double charging) is the 'best' as it best satisfies the lack of cost reflectivity that existing in the (baseline) code currently and restores effective competition in the generation and supply of electricity as it ensures (i) all parties pay a 'single' (not a double) charge and (ii) no parties receive a subsidy (from those paying the double charge).</p>
<p><b>4. Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b></p>	<p>We support the proposed implementation approach, as set out in Section 6 of the consultation document.</p>
<p><b>5. Do you have any other comments?</b></p>	<p>We have not additional comments at this time on the consultation document.</p>

## CMP203 – TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **CMP203** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its recommendation to the Authority.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	<i>Allan Kelly</i> <i>T: 0141 568 4748 / 07734 396802</i> <i>allan.kelly@scottishpower.com</i>
<b>Company Name:</b>	<i>ScottishPower Renewables</i>
<b>1. Do you believe that the CMP203 Original Proposal better facilitates the Applicable CUSC Objectives and why?</b>	<p>We believe that the original proposed modification better facilitates the Applicable CUSC objectives.</p> <p>The original modification proposal corrects a defect in the current charging methodology which will allow the charging methodology to be applied (more) correctly thus facilitating the CUSC objectives more effectively. By making charges more cost reflective and removing the risk that Users may be charged twice for the same assets, this will ensure that all Users will face charges that are calculated fairly, consistently and transparently and so should facilitate more effective competition in generation and supply of electricity.</p> <p>By eliminating the potential for charges being applied twice for the same assets, the original proposal will also ensure that charges faced by Users are more cost reflective that they would be otherwise.</p>
<b>2. Do you believe that any of the CMP203 Workgroup Alternative CUSC Modification Proposals better facilitates the Applicable CUSC Objectives and why?</b>	<p>Yes. For the same reasons as given in our response above, we believe that all of the CMP203 Workgroup Alternative CUSC Modification Proposals better facilitate the CUSC Objectives and also do so better than the Original Proposal.</p> <p>In particular, we believe that the alternatives that allow for retrospective correction and application of the modification proposal to users who have incurred user choice costs prior to implementation of the modification proposal better meet the applicable CUSC objectives than the original and other</p>

	<p>alternative proposals. In particular, we believe that WACM 3 best facilitates the applicable CUSC objectives.</p>
<p><b>3. Which, if any, proposal do you consider <u>best</u> facilitates the Applicable CUSC objectives, and why?</b></p>	<p>As stated above, we believe that WACM 3 best facilitates the applicable CUSC objectives.</p> <p>WACM 3 proposes correcting the defect in the current charging methodology such that users who have opted, and paid, for user choice works, or do so in the future, will have their TNUoS charges set correctly. Without correcting this defect other users have benefitted, or will benefit, at the expense of these users and so this alternative proposal will result in more cost reflective TNUoS charges for those disadvantaged users. Greater cost reflectivity should reduce barriers to competition.</p>
<p><b>4. Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b></p>	<p>To allow appropriate retrospective application of this correction, implementation from 01 April 2013, to all users who have incurred, or will incur, user choice works charges, seems appropriate and reasonable.</p> <p>The proposed correction should be applied from the date of implementation and retrospectively to all Users who can reasonably demonstrate that they have paid capital contributions in respect of User choice works and paid incorrect TNUoS charges based on the 'as-built' asset arrangements.</p> <p>National Grid and the other GB onshore TOs should be encouraged to support Users' requests for information that would help them demonstrate eligibility for the proposed correction to the methodology.</p>
<p><b>5. Do you have any other comments?</b></p>	<p>Whilst this issue may currently impact only a limited number of Users the number of affected Users is likely to increase in the future. The current challenges faced by system owners in securing consents for new and upgraded infrastructure will undoubtedly increase with the planned growth in infrastructure investment. This is likely to lead to Users increasingly opting for User choice works to mitigate consent challenges and so it is appropriate that this defect in the model is corrected quickly.</p> <p>We understand and accept the need for Regulatory stability and that this therefore often means that changes in Regulatory or commercial policies and methodologies may not be implemented or applied retrospectively. However, where changes in Regulatory or commercial policies and methodologies are <u>required in order to correct defects</u> in the policy or methodology in order to facilitate applicable CUSC objectives more effectively, we believe that retrospective application is justified.</p>

We believe that, by comparison, in the event of consumers having been double charged due to a defect in a charging methodology high priority would be given to correcting the defect and to ensuring historic impacts were corrected. We believe there should be consistency with the approach taken to correcting this defect in the charging methodology such that generators are afforded the same level of protection as we believe demand customers would be.

A CUSC/BSC process exists, and has been enacted, in the event of 'manifest error' and while this is clearly not the case in the situations being considered under CMP203, the principle of retrospective correction of defects exists and is applied. Similarly, we have previously cited (see annex 6 of the consultation document) other examples in industry codes and practices where retrospective correction of errors has been applied. Therefore, we believe that such an approach can be fully justified in the case of CMP 203 in order to correct a defect in the current charging methodology such that the charging methodology can be more correctly applied thus improving facilitation of applicable CUSC objectives.

## CMP203 – TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **CMP203** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its recommendation to the Authority.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	Paul Mott <a href="mailto:Paul.mott@edfenergy.com">Paul.mott@edfenergy.com</a>
<b>Company Name:</b>	EDF Energy
<b>1. Do you believe that the CMP203 Original Proposal better facilitates the Applicable CUSC Objectives and why?</b>	<p>EDF Energy believes that CMP203 original does better facilitate CUSC (charging) applicable objective (b). This is because under the current arrangements, those requesting novel connection arrangements that cost more, for example, voluntary undergrounding, will, over time, be charged the surplus cost twice, rather than once. Insofar as this entails a very marginal disincentive to make requests for such connections, which could help facilitate the development (e.g. easier planning consent), CMP203 original could be said to very marginally better facilitate (a) as well. It appears to be neutral on (c).</p> <p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p><i>(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;</i></p> <p><i>(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);</i></p> <p><i>(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.</i></p>



<p><b>2. Do you believe that any of the CMP203 Workgroup Alternative CUSC Modification Proposals better facilitates the Applicable CUSC Objectives and why?</b></p>	<p>All of the alternatives better facilitate objectives a and b for the same reasons as are cited in relation to the original, above. All appear to be neutral against c.</p> <p>We note that although rare, there are instances identified by National Grid (NG) to the workgroup showing that works classified as wider under the TNUoS charging methodology could be (rarely) subject to User choice and a One-Off Charge. Therefore we do believe that the modification alternatives (WACMs) that include these wider works, where relevant, are better in this respect than those that exclude these wider works.</p> <p>We believe that paying interest adds complication that is disproportionate in relation to materiality, and therefore believe that those WACMs that do not entail payment of interest (original, 1,3,5, 7, 10) are better in this respect than those that do.</p> <p>On the matter of targeted recovery of TNUoS funds, we believe that costs should be recovered from all parties who pay generation TNUoS charges, via an uplift in the generation residual in the first charging year after CMP203 implementation. We do note that one Workgroup member proposed that the recovery of TNUoS refunds could be targeted and that he felt that the cost of the refund to be recovered should be from all parties who paid generation TNUoS charges at the time the one-off works were completed. He suggested that if some of these parties no longer exist, the remaining costs should be recovered from the surviving parties who paid generation TNUoS charges at the time the one-off works were completed. This, embodied in WACM 4, 5, and 8, sounds un-necessarily complicated.</p> <p>On the matter of when the refund should apply from, we do not support retrospective application. We note that only WACM 1 (the only variant to enjoy unanimous workgroup support) and the Original, do not feature any kind of retrospective application.</p>
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<p><b>3. Which, if any, proposal do you consider <u>best</u> facilitates the Applicable CUSC objectives, and why?</b></p>	<p>EDF Energy believes that WACM1 better facilitates the applicable objectives to the greatest extent and best addresses the defect identified. It is the one variant that features the best of each of the variable features we consider in turn above.</p>
<p><b>4. Do you support the proposed implementation approach? If not, please state why and provide an</b></p>	<p>We note that the Workgroup proposed that CMP203 should be implemented on 1st April 2013, as charging methodology changes are by long-standing practice, implemented on the 1st April. We agree with this approach.</p>

<b>alternative suggestion where possible.</b>	
<b>5. Do you have any other comments?</b>	No

## CMP203 – TNUoS Charging Arrangements for Infrastructure Assets Subject to One-Off Charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **CMP203** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its recommendation to the Authority.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	Guy Phillips <a href="mailto:guy.phillips@eon-uk.com">guy.phillips@eon-uk.com</a>
<b>Company Name:</b>	E.ON UK
<b>1. Do you believe that the CMP203 Original Proposal better facilitates the Applicable CUSC Objectives and why?</b>	<p><i>For reference, the Applicable CUSC Objectives are:</i></p> <p><i>(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;</i></p> <p><i>(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);</i></p> <p><i>(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.</i></p> <p>We believe that the original proposal would better facilitate the Applicable CUSC Objectives, in particular objective a) and b) as it ensures that going forward all generators are charged against the appropriate asset base and avoids individual generators that have paid for one-off assets also paying for a proportion of the cost of those assets through TNUoS charges.</p>
<b>2. Do you believe that any of the CMP203</b>	In our view all of the Workgroup Alternative CUSC Modification Proposals better facilitate the Applicable CUSC Objectives in

<p><b>Workgroup Alternative CUSC Modification Proposals better facilitates the Applicable CUSC Objectives and why?</b></p>	<p>that they rectify the defect identified by the original proposal. However we do not believe in the case of WACM 3 and 7 that retrospective application is appropriate. Prior to the defect being identified all users applied the methodology approved at the time, to seek to revisit charges levied and subsequently recover the balance from other users prospectively undermines long term regulatory certainty. In addition we do not think the defect warrants retrospective treatment as it does not satisfy previous guidance published by Ofgem in relation to retrospective modifications (see Appendix 1, page 6: <a href="http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20Modification%20Urgency%20Criteria%20-%20Final%20decision.pdf">http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20Modification%20Urgency%20Criteria%20-%20Final%20decision.pdf</a>)</p>
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<p><b>3. Which, if any, proposal do you consider <u>best</u> facilitates the Applicable CUSC objectives, and why?</b></p>	<p>We believe that WACM1 best facilitates the Applicable CUSC objectives as, in addition to addressing the defect, it also ensures that wider charges are calculated appropriately should, in what we understand to be an unlikely occurrence, wider works be subject to a one-off charge.</p>
<p><b>4. Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</b></p>	<p>In relation to the original and WACM 1 we do support the proposed implementation. For WACM 3 and 7 we do not support the proposed implementation for the reasons outlined in the response to question 2.</p>
<p><b>5. Do you have any other comments?</b></p>	<p>No.</p>