


CUSC Modification Proposal Form (Revised 5 August 2019)	At what stage is this document in the process?
--	--


CMP320:


Mod Title: Island MITS Radial Link Security Factor


01	Proposal Form
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report







Purpose of Modification: Islands that have a MITS Node but are served by a single circuit radial link are exposed to non-cost reflective charging of a 1.8 Security Factor rather than the application of a 1.0 Security Factor. This proposal will apply a 1.0 Security Factor in that situation.

	<ul style="list-style-type: none"> • The Proposer recommends that this modification should be: proceed to Consultation <p>This modification was raised <i>18 July 2019</i> and will be presented by the Proposer to the Panel on <i>26 July 2019</i>. On the 26 July 2019, the CUSC Panel determined that CMP320 should follow the standard governance route and proceed to a Workgroup.</p> <p>The Proposer of CMP320 has requested this Modification should be treated as an Urgent Modification and has therefore submitted a revised proposal form and justification for urgency letter. A Special CUSC Panel meeting will be convened in August to re-discuss this proposal.</p>
---	---

	<p>High Impact: Insert text here.</p>
---	--

	<p>Medium Impact Island based Generation.</p>
---	--

	<p>Low Impact Non Island based Users.</p>
---	--

Contents		 Any questions?
1	Summary	4
2	Governance	5
3	Why Change?	5
4	Code Specific Matters	6
5	Solution	6
6	Impacts & Other Considerations	6
7	Relevant Objectives	7
8	Implementation	8
9	Legal Text	8
10	Recommendations	8
11	Annex 1: Urgency Letter	8
Timetable		 telephone
<i>The Code Administrator will update the timetable.</i>		Proposer: Jennifer Geraghty
The Code Administrator recommends the following timetable: <i>(amend as appropriate)</i>		 Jennifer.geraghty@sse.com
Initial consideration by Workgroup	dd month year	 00353 1 655 6619
Workgroup Consultation issued to the Industry	dd month year	National Grid Representative:
Modification concluded by Workgroup	dd month year	 email address.
Workgroup Report presented to Panel	dd month year	 telephone
Code Administration Consultation Report issued to the Industry	dd month year	
Draft Final Modification Report presented to Panel	dd month year	
Modification Panel decision	dd month year	
Final Modification Report issued the Authority	dd month year	
Decision implemented in CUSC	dd month year	

Proposer Details

Details of Proposer: (Organisation Name)	SSE Generation Ltd.
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Jennifer Geraghty SSE Generation Ltd. 00353 1 655 6619 Jennifer.geraghty@sse.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Aaron Priest Viking Energy Wind Farm LLP 00441595744930 aaron.priest@vikingenergy.co.uk
Attachments (Yes/No): No	
If Yes, Title and No. of pages of each Attachment:	

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

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

(Please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

1 Summary

Defect

As noted in CMP213 Final Modification Report (Volume 1)¹ at paragraph 6.29 “In the baseline charging methodology, the security factor for circuits classed as “wider” in the transmission network is 1.8. This is multiplied by the zonal location tariff for generators to reflect redundancy in the transmission system. However, as many island connection transmission designs are radial spurs and therefore are connected by a single radial circuit to the mainland, there is effectively no redundancy in the transmission circuit.”

The definition of MITS means that it is possible, in certain circumstances beyond the control of the User, that a MITS node² maybe created on an Island (served by a single radial³ subsea circuit to the mainland). This results in the single circuit being classified as part of the ‘wider’ system for which a Security Factor of 1.8 is applied; even though only a single circuit (1.0) situation actually arises. This would result in non-cost reflective charges being applied to Generation based on the relevant Island.

What

The application of the Security Factor where a MITS node is located on an island which, in turn, is connected to the mainland on a single radial subsea circuit needs to be changed from 1.8 to 1.0 if the relevant circumstances apply. -

Why

This change is required to ensure that the charges paid by Generators located on Islands served by a single radial circuit pay more cost reflective charges.

How

Amend Section 14 of the CUSC to apply a Security Factor of 1.0 (rather than 1.8) where a MITS node is located on an island which, in turn, is connected to the mainland on a single radial subsea circuit.

¹ <https://www.nationalgrideso.com/document/6246/download>

² A node with either (i) more than 4 Transmission Circuits; or (ii) 2 or more Transmission Circuits and a Grid Supply Point.

³ Radial circuits are single ‘spurs’ that link generation and/or demand in one location to the wider interconnected transmission network.

2 Governance

Justification for [Normal, Urgent, Self-Governance or Fast Track Self-Governance] Procedures

We believe this change should be treated under the Normal procedure (i.e. not Self-Governance) as it will have a material effect on Users.

Panel is asked to treat this modification as an Urgent CUSC Modification Proposal.

The need for urgency is related to an **imminent issue** outside of the applicant's control which, if not urgently addressed, may result in a **significant commercial impact** on industry parties, consumers or other stakeholders.

The imminent issue is the CfD auction for which we expect a requirement for successful bidders to accept contracts between 24th September and 7th October 2019. Failure to reach clarity on CMP320 by 24th September would have significant detrimental commercial implications for affected parties, such as remote island wind generators which may be considering submitting CfD bids. The detrimental impact would be in the form of substantially more expensive TNUoS charges and the cost of uncertainty at the point of signing CfD contracts regarding what the value of TNUoS charge for these types of generators is likely to be.

This modification proposal and request for urgency have been raised as early as possible. In May 2019 at the Networks Charging and CUSC Awareness event, the NGESO flagged that it expects Shetland, and the other Scottish islands, to eventually meet the criteria to become a MITS node (instead of being classed as a local circuit), so the defect of the 1.8x security factor would apply.

The Proposer's justification for urgency letter can be found via in Annex 1.

Requested Next Steps

This modification should:

- Panel is asked to treat this modification as an Urgent CUSC Modification Proposal and proceed to Code Administrator Consultation.

We believe that the defect this Modification seeks to address is self-evident and straightforward and as such it should proceed to Code Administrator Consultation.

3 Why Change?

The change needs to be made to rectify the situation where a Security Factor of 1.8 is applied as part of the current baseline on Islands served by a single radial circuit where the level of security delivered is 1.0 instead of the 1.8 that the Security Factor applies in terms of charges. This results in relevant charges paid by Generators on those Islands that are 80% more expensive than is cost reflective. This situation is expected to arise in the near future as transmission connections and MITS nodes extend to, in particular,

the Scottish Island groupings of the Western Isles, Orkney and Shetland. This matter was explored by NGENSO, the relevant TO and relevant stakeholders at an event on in 2nd May 2019..

4 Code Specific Matters

Technical Skillsets

Understanding of Section 14 of the CUSC.

Reference Documents

CMP213 Final Modification Report.

'Networks Charging and CUSC Awareness Event' 2nd May 2019 Presentation

5 Solution

Amend Section 14 of the CUSC to apply a Security Factor of 1.0 (rather than 1.8) where a MITS node is located on an island which, in turn, is connected to the mainland on a single radial circuit.

6 Impacts & Other Considerations

The CUSC will be impacted by this change resulting in a change to the calculation of TNUoS charging by NGENSO. We do not expect there to be any significant system impacts from this change.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification is not expected to impact any ongoing SCRs or other significant industry change projects.

Consumer Impacts

This change will lead to more cost reflective charges that, in turn, will result in a more competitive market in terms of generation, which will lead to lower costs for end consumers.

7 Relevant Objectives

Mandatory for the Proposer to complete. Please delete the CUSC Objectives that is not applicable.

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

Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	Positive
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	Positive
(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;	Positive
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	None
*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

This Modification will ensure that TNUoS charges for Islands which have a MITS node; but are connected to the mainland transmission system via a single radial circuit; are more cost reflective than under the current CUSC baseline. This will better facilitate Applicable Objective (b). In turn, by having more cost reflective charges, competition between generators will be enhanced, thus better facilitating Applicable Objective (a). Finally, this change will bring the baseline CUSC up to date as the transmission system evolves with the introduction of single radial spurs and MITs nodes to Island situation, which will better facilitate Applicable Objective (c).

8 Implementation

As is normal with CUSC changes, we'd expect implementation into the CUSC to occur ten Working Days after an Authority decision. However, for practical purposes the change itself would only apply from the next 1st April after an Authority decision and only then come into effect when an Island with a MITS node and a single radial spur occurs. Based on public domain data this would suggest a practical date of application; in terms of changes to TNUoS charges for Users; of circa 1st April 2024.

9 Legal Text

10 Recommendations

Proposer's Recommendation to Panel

- Panel is asked to treat this modification as an Urgent CUSC Modification Proposal and proceed to Code Administrator Consultation

11 Annex 1: Urgency Letter



Head Office
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
John.tindal@sse.com

Trisha Mcauley
c/o the CUSC Panel Secretary
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA
cusc.team@nationalgrideso.com

2nd August 2019

Dear Trisha,

Recommend CMP320 should be treated as an Urgent CUSC Modification Proposal

This letter constitutes a formal recommendation by SSE Renewables Developments (UK) Limited (a wholly owned subsidiary of SSE plc and equity owner of Viking Energy Wind Farm LLP), that CMP320 should be treated as an Urgent CUSC Modification Proposal in accordance with CUSC Paragraph 8.24. The need for urgency is related to an **imminent issue** outside of the applicant's control which, if not urgently addressed, may result in a **significant commercial impact** on industry parties, named further in this letter, consumers or other stakeholders.

1. Imminent issue related to the CfD auction timing

Urgency for CMP320 is driven by the imminent issue of the CfD auction Round 3 timing which is currently open, with the submission of CfD bids taking place between 9th and 15th August 2019 and contracts acceptance between 24th September and 7th October 2019. In order for affected parties to be in a position to submit credible and competitive bids and, in particular, to allow successful Remote Island Wind (RIW) projects to sign and return CfD contracts, it is essential that a decision on CMP320, and associated clarity on the approach to use of transmission system charging, is provided to affected parties as soon as possible and by no later than 24th September 2019. The failure to reach clarity on CMP320 by this date will have significant commercial implications for affected parties which may be considering submitting CfD bids including the Viking Energy Wind Farm project and other RIW developers. These commercial impacts are explained in detail further in this letter.

This urgency request is being raised following the decision taken at the CUSC Panel meeting on 26th July 2019 to place CMP320 in the bottom half of the modifications list for the purposes of prioritisation. This view from the Panel appears to be based on an inadvertent misunderstanding that clarity on CMP320 is not required until 2024. However, as clearly stated above, to avoid a significant

commercial impact on affected parties it is paramount that the decision on CMP320 is reached by 24th September 2019.

2. A significant commercial impact on the Viking Energy Wind Farm and Shetland Islands

A failure to reach a decision on CMP320 by 24th September 2019 would mean that if affected parties placed a CfD bid, they would need to do so and accept the CfD contract without a clear understanding of their full TNUoS cost exposure. Ultimately, where RIW projects might become linked to an island located MITS node, dependent on a single radial subsea cable circuit in order to function within the NETS, affected parties would be exposed to much higher TNUoS costs. Based on the existing CUSC methodology, an uplift in TNUoS charges as a result of possible changes to the definition of MITS nodes would be 80% for affected circuits.¹

[REDACTED]

If the Viking Energy Wind farm renewable generation project were not developed on Shetland, this would likely render the HVDC link to Shetland no longer viable, which in turn would likely preclude any other Remote Island Wind generation from connecting on Shetland. This would directly contravene Article 16(3) of the EU Renewable Energy Directive which seeks to integrate new renewable energy sources to the interconnected grid.

Furthermore, the security of supply in Shetland would be jeopardised if this HVDC Link does not proceed. This is because the proposed 600MW HVDC transmission connection to Shetland is being recommended by Scottish Hydro Electric Power Distribution (SHEPD) as the best value outcome for electricity customers to maintain security of supply in Shetland ahead of closure of the existing thermal generation station in Lerwick by the end of 2025. We understand that the Shetland HVDC transmission link will, however, only pass Ofgem's Needs Case assessment (subject to a consultation – now closed) if the Viking windfarm is successful in obtaining and agreeing a CfD contract in the current CfD auction round. Again, clarity is required on the vital strategic aspect of transmission charging, as outlined in CMP320, ahead of 24 September 2019 to deliver these security of supply options, at best overall value to GB electricity customers.

[REDACTED]

¹ As a matter of background, Section 14 of CUSC currently prescribes that, when modelled as part of the Wider locational charge, a Security Factor of 1.8 is applied to the circuit cost for radially connected Island links despite this security level not actually being provided. This equates to an 80% uplift to certain elements of TNUoS charges.

3. Relevant legal requirements: Non-discrimination approach to industry codes implementation

Separately, the EU Renewable Energy Directive (2009/28/EC) distinctly addresses the issue of non-discriminatory implementation of national industry codes. In this particular case, it is the applicant's understanding that there are no other MITS nodes in the mainland GB area connected to the rest of the transmission network by single radial circuit (or without redundancy). Therefore, by definition, RIW projects are subject to what appears to be a discriminatory application of a national industry code (namely the CUSC) by potentially having a 1.8 Security Factor applied, despite the fact it does not have any redundancy to mainland GB.

In particular, Article 16 (7) of the Directive specifically requires that *"Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density."* For the avoidance of doubt, Remote Island Wind such as wind generation on Shetland clearly falls within the scope of Article 16 (7).

4. This modification proposal and request for urgency have been raised as early as possible

CMP320 was submitted urgently and as soon as the issue underpinning this modification became apparent. Prior to submission, it was discussed with the NGENSO to establish the best approach. Over a period of time, it has been the understanding of all parties, including the National Grid Electricity System Operator (NGESO) that the 1.8x security factor would not have been relevant, because the Shetland link would have been charged as a local circuit, where a security factor of 1 would have been applied under an agreed derogation from SQSS requirements. However, in May at the Networks Charging and CUSC Awareness event, the NGENSO flagged that it expects Shetland, and the other Scottish islands, to eventually meet the criteria to become a MITS node, so the 1.8x security factor would apply in those circumstances. Following a discussion of the issue with NGENSO, it was decided that CMP320 should be raised by a CUSC party with NGENSO's advice and support.

We had anticipated that the modification could have moved directly to the Code Administrator consultation which would have still enabled an Ofgem decision within normal timescales. However, it is only the CUSC Panel decision of 26th July 2019, to proceed to a Workgroup Assessment, which has now made it essential to pursue the urgency status for CMP320.

Yours sincerely,

John Tindal
Head of Power Economics
SSE Regulation
(on behalf of SSE Renewables Development (UK) Ltd.)