nationalgrid

Stage 03: Workgroup Report Volume 2

Connection and Use of System Code (CUSC)

CMP192 Arrangements for Enduring Generation User Commitment

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 document contains the individual responses received to the Workgroup consultation process that took place between 19th July 2011 and 16th August 2011.

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Contents

Document Control

Version	Date	Author	Change Reference
2.0	22 September 2011	National Grid	Report to CUSC Panel

Any Questions?

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1 Responses Received to the Consultation

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Aaron Priest* *aaron.priest@shetland.gov.uk*
Company Name:	*Viking Energy Ltd.*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	The current arrangements for user commitment are a significant barrier to entry to the delivery of new renewable energy generation projects in the UK. The proposals contained within CMP 192 and within the Workgroup consultation are welcome and timely. The significant challenges of meeting low carbon energy targets require barriers to entry to be broken down. Also, the UK's need to diversify its electricity generation mix by technology and geographical dispersion also requires recognised barriers of entry to be broken down. The quiet efficiency with which the Workgroup has approached this task and has developed this consultation should serve as an exemplar for other initiatives. Viking Energy Ltd. would like to see connections to the three Scottish Island Groups categorised as assets of strategic national importance and categorised as "wider" works in their entirety. Failing this, Viking Energy Ltd would like to express support for Fairwind Orkney's alternative proposal namely: "**That Local works should not be differentiated from Wider works insofar as the sharing aspect of the liability with consumers. In the current proposal the current proposal for the sharing factor for Wider is 50/50, in which case Local would also be 50/50".**

	Viking Energy Ltd also supports the justification provided by Fairwind Orkney. The modest increase in consumer bills would be more than justified by the encouragement of renewable electricity generation projects in areas of best resource and the consequent delivery of low carbon generation from a much wider geographical spread and from a wider range of generation technologies.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*The categorisation of island connections as being of strategic national importance (and their categorisation as wider works), the CMP 192 proposal and Fairwind's alternative will all help, to varying degrees, to break down a significant barrier to entry to parties and projects willing to participate in the generation and supply of electricity. By definition the breaking down of barriers to entry facilitates competition in generation and supply.*

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	
Do you have any other comments?	
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*If yes, please complete a Workgroup Consultation Alternative Request form, available on National Grid's website, and return to the above email address with your completed Workgroup Consultation response proforma.*

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	Viking Energy Ltd would prefer to see island connections redefined as assets of strategic national importance and categorised alongside wider works as a result. Failing this, Viking Energy Ltd. supports Fairwind Orkney's alternative proposals, as justified by the case they have articulated. The local to wider ratio of 23:1 quoted for Orkney would be considerably more acute when translated to the proposed HVDC connections to the Western Isles and Shetland.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	
4	Are there any further implications of project slippage that should be considered?	
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	Ideally connections to the three Scottish Island Groups should be categorised as assets of strategic national importance and categorised as "wider" works in their entirety. Failing this, we support Fairwind Orkney's alternative proposals.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes. A requirement for security to be posted by post-commissioning generators would build up a new barrier to entry and would therefore be anti-competitive.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	

Q	Question	Response
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	
15	Which definition do you believe should be used for attributable generator works, and why?	The local/wider works boundary which centres on the MITS is, and remains, problematic for island connections. A new definition which pushed the boundary geographically closer to the islands would help to solve ongoing island connection and charging issues. Ideally, island connections should be viewed as assets of national strategic importance and adopted as "wider "works, in their entirety.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	As at 15 (immediately above) the current MITS boundary definition acts as a significant barrier to future offshore and island generation. Ideally offshore HVDC assets should be defined as assets of national strategic importance and redefined as wider works as a result. The justification for this would be a recognition of offshore and islands crucial role in helping to achieve low carbon generation targets and a significantly more diverse supply base helping to better achieve security of supply.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	No. User commitment should be measured in terms of real risk rather than based on theory.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	The aim of user commitment should be to encourage efficient investment to facilitate the switch to secure, low carbon UK electricity supply.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Security of supply will improve through the encouragement of a more diverse number of entrants into the market, a broader range of generation technologies and with a better geographical dispersion.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	
21	What is your view of the impact of volatility on users?	
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	

24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Ideally island connections should be adopted as works of national strategic importance and treated as wider works in their entirety. If this cannot be achieved then Fairwind Orkney's proposals for a 50/50% factor is the next best alternative for the reasons they have articulated.

29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	Yes. The demonstrated commitments to generation projects at financial close should be a more than adequate indication of commitment to utilise transmission assets. Financially closed projects, post due-diligence, should present zero stranding risk.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	Commitments to third parties (eg. turbine deposits) mean that de-facto commitment is in place and the risk of stranding is directly removed.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	No, it would perpetuate a barrier to entry and the work on CMP192 clearly demonstrates that improvement can be made at little or no disadvantage to anyone.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	Yes, it would facilitate the development and connection of new, low carbon, electricity generation by breaking down a significant barrier to entry.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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Respondent:	*Please insert your name and contact details (phone number or email address) Bill Reed, bil.reed@rwe.com, 01793 893835*
Company Name:	*Please insert Company Name*: RWE Npower plc RWE Supply and Trading GmbH, An Suidhe Wind Farm Limited, Beaufort Wind Limited, Carnedd Wen Wind Farm Limited, Causeymire Windfarm Limited, Farr Windfarm Limited, Gwynt-y-Mor Offshore Windfarm Limited, Kildrummy Wind Farm Limited, Novar ii Wind Farm Limited, Triton Knoll Offshore Windfarm Limited, Great Yarmouth Power Ltd, Npower Cogen Limited, Npower Cogen Trading Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We support the development of an enduring arrangement for user commitment which addresses both the scale and extent of the liabilities for CUSC parties and the potential for discrimination between pre and post commissioning generators. We believe that the proposed CUSC amendment is an improvement over the existing baseline and an important sep forward. However, there are a number of important elements that need to be included in the enduring baseline. These include: • The potential for developers to opt for Fully Cost Reflective final sums for local works with an option in the methodology that enables users to enter into the proposed CMP192 local arrangements (but not vice versa). This will enable parties with projects in

	development to effectively and efficiently manage capacity requirements in the light of uncertainty as to he required capacity in early stages of projects (particularly the case for large offshore wind farms where TEC reduction costs may be unnecessarily penal); • Fully Cost reflective local final sums should be subject to reconciliation to actual works (as now). This will ensure that parties are liable to costs directly incurred and will help projects in early stages of development and prior to the final investment decision to manage these liabilities; • A firm estimate of the costs of local works should be established when a user signs a connection agreement. This will remove uncertainty as a project progresses through development phases and enable users to finance projects and manage risks associated with transmission investment; • An agreed approach to the establishment of liabilities for wider works which should be based on the current level of user commitment (2-years) introduced as part of the connect and manage arrangements; • A sharing factor for local works that reflects the potential for sharing island and offshore connections (including DC links). This reflects the reduced cost to customers and enhanced security of supply that would result from integrated shared design solutions. In these circumstances the sharing factor could be 50% for generators and 50% for customers. Fully Cost Reflective Final Sums would not be subject to a sharing factor provided that costs that are attributed relate solely to the transmission investment required for the generator. These elements will enable parties with projects in development to manage capacity requirements in the light of uncertainty as to the required capacity in early stages of projects (which is particularly the case during the development of large offshore wind farms). We believe that the issues identified above should be incorporated in the modification proposal.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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.* We believe that on balance CMP 192 would better meet CUSC

	Objective (b). We believe that CMP192 represents the first step in the implementation of an enduring user commitment regime subject to the inclusion of the elements outlined above. It will help to improve competition for users seeking connection to or already connected to the GB transmission system. Our preference is for an enduring regime based on cost reflective reconcilable final sums for local works with an option to enter generic arrangements and a 2-year user commitment for wider works (new and existing users). This regime should include an option for sharing of local offshore works with customers which are compatible with the development of island connections and an integrated offshore grid (on a 50:50 basis). We believe that this is justified where an integrated solution can be shown to offer cost savings compared to other radial solutions for offshore networks (as demonstrated in National Grid's modelling of the integrated solution). This will result in lower overall costs to consumers and therefore, we believe that lower levels of liability (and associated securities) are justified in order to enable the cost savings to be realised. We believe that such a regime better meet the CUSC objectives than the baseline and is better than the original and that all these elements may be available through either confirmation of the original or the development of the proposed alternatives.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	Yes – we recognise that implementation of the modification will be complicated given the number of projects in development, their differing status and the requirement to modify existing agreements. Implementation should, however, occur as soon as reasonably practical.
Do you have any other comments?	The implementation process must enable existing projects in development to manage the risks associated with the new liabilities and security requirements as they transition to the new regime. We are particularly concerned about projects that are currently seeking finance where there is a risk of a project hiatus associated with the introduction of the new regime. We believe that the transition process must be carefully managed and an option for users to remain on their existing contractual arrangements may be appropriate. We believe that careful liaison is required by National Grid, Ofgem and users is required. On a related matter we believe that the enduring regime should consider the relationship between National Grid and project developers. In this context we would welcome improved collaboration between National Grid and project developers

	during the construction phase. This should include better reporting arrangements on project progress and enhanced use of project milestones in the Construction Agreement that reflect individual project risks
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*If yes, please complete a Workgroup Consultation Alternative Request form, available on National Grid's website, and return to the above email address with your completed Workgroup Consultation response proforma.* We believe that the key components of the proposal for local works should include: • *For local works both Fully Cost Reflective reconcilable and the proposed CMP192 arrangements should be available to users on application;* • *Users have the option to switch from Fully Cost Reflective to CMP192 local final sums (but not the other way);* • *A firm estimate of the liabilities for final sums is included in the project offer (without further revision)* • *Securities are derived by applying a factor from the generic risk of completion identified pre and post consents* • *An option for local works to be shared (50%) that reflects the potential for asset sharing as part of the development process for islands and an offshore interconnected transmission system (including interconnections and DC links)* The key components of the wider works should include: • *A two-year user commitment* • *A TNUoS or Capex based liability for early termination* • *The wider liability can be 100% in each year it applies* • *No requirement for wider security for both pre and post commissioning generators* All of these elements exist either in the original, in options for the original or in various alternatives. We believe that they can be combined to form a comprehensive version of the modification proposal.

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	The wider sharing factors are consistent with those adopted under the interim methodology and could therefore be considered to be a reasonable approach for managing the associated liabilities. However, we do not believe that the sharing factors can be established with any degree of precision or accuracy. We note that there is no evidence presented that objectively justifies the sharing factors (this was also the case for the 50% sharing factor under the interim generic user commitment methodology). We note that the fact that the liabilities are not subject to reconciliation in the event of termination appears to provide some protection for customers. We support the implementation of an option for the cost reflective allocation of the local works with reconciliation.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We believe that the 2-year notice period adopted recently as part of the enduring connect and manage regime should form the basis for the notice period associated with pre and post commissioning generators and their liabilities for wider works. We do not believe that the case has been made for the adoption of a longer notice period. We note that there is considerable variability in the lead time associated with wider works. Furthermore, we believe that 2-years strike a reasonable compromise between market certainty, user commitment liabilities and/or a commitment to pay TNUoS for existing generators.

Q	Question	Response
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	The approach based on percentages for pre-commissioning generators reflects the approach adopted under the interim generic arrangements. CMP192 assumes that the costs associated with terminating prior to connection are conditional on the “average” lead time associated with the associated wider transmission works. Data presented in this report appears to support this proposition, though we would note that there is a wide spread in lead times across a range of projects. While we recognise that there may be an average “lead time” for wider works, we believe that the user commitment for wider works should be associated with a “reasonable” notice period for existing generators rather than the transmission investment lead times. Consequently the wider works user commitment should be driven by the market uncertainties for existing generators rather than for transmission investment time horizons. Since the recently implemented connect and manage regime implemented a 2-year commitment period, this should be used as the basis for a reasonable commitment form generators. Therefore, CMP192 should be based on a 2-years user commitment for wider works.
4	Are there any further implications of project slippage that should be considered?	We agree with the approach presented in the consultation document with regard to project slippage such that if a user instigates a delay to the connection date the liabilities are frozen, but that if National Grid delays the connection date then a new profile of user commitment is calculated.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	We do not believe that different treatment for pre and post commissioning generators is appropriate with respect to wider works. We would support a liability for wider works for both pre commissioning and post commissioning generators with no specific security requirement. We believe that pre commissioning securities should apply only to the local works (which after all are the most significant element of the works for an individual user).

Q	Question	Response
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We believe that the revised assessment of securities represents a key element of CMP192. The proposal will substantially reduce the level of securities for local works in particular (though it will not reduce the overall liabilities). However, the proposal may increase the level of liabilities and security prior to financial close for some projects. This may have unintended consequences by increasing project risk. It is important that the basis for establishing the level of securities is robust and objective in its application. We are concerned that the approach adopted for wider works under the proposals is potentially subject to volatility (i.e. the levels can change year on year) though the linkage to National grid's assessment of investment levels by the Transmission Owners. The approach adopted should be transparent and accurately reflect the risks associated with project termination prior to completion (since this may affects the overall cost recovery from users).
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	The recently implemented user commitment arrangements under the connect and manage regime do not require existing users to put up security for the associated liabilities. We believe that CMP192 should be consistent with this approach and that there should be no requirement for securities from existing users. We also note that existing users will retain a liability for TNUoS within the relevant financial year.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	We believe that the issue of security for post commissioning generators relates to the likelihood of default. Experience in the GB electricity industry has demonstrated that historically it is highly unlikely that there will be a default in terms of payment from transmission connected generators. Even if the owners of power stations suffer financial difficulties then new owners will respect the liability and payment arrangements in order to protect their existing transmission rights. Therefore it is not unreasonable for post commissioning generators to maintain liabilities but not securities. Furthermore we would observe that the imposition of securities on existing generators will simply increase costs for customers.

Q	Question	Response
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	CMP192 appears to define the “Value at Risk” as the risk that new or existing generators will fail to underwrite transmission investment costs and that this failure will result in an inefficient outcome for the customer. In reality it is not the “value at risk” that is important, it is the risk that transmission assets will be built that are unnecessary with costs that either cannot be recovered through the regulatory asset base or result in a more expensive asset base (inefficient investment) that may be funded by customers. In this context we believe it is important that the “Value at Risk” is targeted at those users of the system that create the risk. For local works this clearly means that local works should be attributable to individual generation projects while wider investment should be attributable to those users that create the need for the investment. We support therefore the allocation processes envisaged under CMP192 where liabilities for local works are identified for individual users and wider works shared between new and existing generators as well as customers. We also believe that there may be a case for the sharing of certain “local” works offshore in cases where there are clear cost savings associated with the development of an integrated offshore network.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	The allocation of the “Value at Risk” for wider works is by definition complex since there is an interaction between new and existing generators. The approach adopted by CMP192 whereby the wider capital expenditure is allocated across transmission boundaries appears a pragmatic approach to this question, though we would note that the specific methodology adopted by National Grid should be open and transparent. In this context it is also important that the methodology should produce results that a relatively stable over time and comprehensible to users.

Q	Question	Response
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	We believe that capacity sharing is a complex subject. CMP192 is based on the principle that where wider works are required it is for the exclusive benefit of all new and existing generators that are subject to the reinforcement. It is arguable that not all investments at transmission boundaries are for the benefit of new and existing generators, particularly where wider works are required to accommodate a single large power station in import constrained zones. In these circumstances the “cost reflective” solution would be to attribute a proportion of such wider works to the single large power station having taking into account the boundary import capability. This could potentially be accommodated under CMP192 by using a boundary factor of less than one in such circumstances. This factor would be determined by the extent to which the import capability of the boundary is taken into account.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC’s Connect & Manage decision, and what is the reason for your position?	The “compliance factor” is an artificial construct that is designed to demonstrate the relative “compliance” of a transmission boundary to the required SQSS standard. The importance of this factor is that it reduces user commitment required at boundaries where there is little likelihood of transmission investment that is not required. We are concerned that the approach adopted will tend to dilute the signal associated with locating new projects in congested regions of the transmission system, particularly when compared to the full application of the liabilities in other less congested regions. This appears to be a somewhat perverse outcome of the methodology. We note that given the complexity that is required to derive this function, which in reality is based on expectations of generators connecting, operating and closing a simplified approach may be appropriate, and a linear function based on required capability over available capability may be the simplest approach (see also the answer to question 11).
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	The asset reuse factor is important in reducing the liabilities for wider works. We note that the approach under CMP192 is based on estimates of wider asset reuse from National Grid. We have no evidence to question the asset reuse data or the reuse factor. The factors indicated appear to be a reasonable approach to the assessment of liabilities.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	We have no information that would enable us to propose an alternative asset reuse factor.

Q	Question	Response
15	Which definition do you believe should be used for attributable generator works, and why?	We believe that the “local” and “wider” split proposed under CMP192 is a reasonable approach given that it is consistent with the existing transmission charging arrangements.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	The treatment of local works for offshore developments is an important consideration in the introduction of an enduring user commitment regime. We are concerned that the current proposal may be insufficiently flexible to recognise the development stage of certain large scale offshore projects which have the potential for the development of an integrated approach for an offshore grid. We believe that there may be a case that certain offshore works that would otherwise be considered local could also have the potential to benefit from the cost savings identified by National Grid through sharing. In this context, we believe that the user commitment regime for offshore should reflect the potential to allow sharing of “local” works on a 50% basis in certain circumstances. This could include allow for example, the development of large scale shared or shareable DC infrastructure offshore that is designed with the potential for connection with other wind farm projects or interconnection with other markets. This could also apply to island connections.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We recognise that in certain circumstances wider transmission investments may be required for both new and existing users of the transmission system. However, we also note that the user commitment regime implemented through connect and manage creates a 2-year liability to pay TNUoS. We believe that this 2-year user commitment should form the basis for the equitable treatment of both new and existing generators in an enduring regime under CMP192. This reflects the fact that the “lead time” for existing generators should reflect a reasonable level of commitment given the current market conditions and uncertainty in pricing information more than 2 years in advance. We do not believe, therefore, that the case has been made for a 4-year user commitment with respect to wider works.

18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	We believe that the user commitment with respect to wider works should reflect the “reasonable notice period” for existing users and that this respects the market circumstances in which power stations operate.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	We are concerned that a 4-year user commitment for existing power stations will be difficult to manage given the changing circumstances in which power stations operate. Consequently, any notice period based on this time frame will be inefficient because it will force sub optimal closure decisions. Users that give 4-years notice to reduce TEC may wish to reverse their decision should market conditions change. CMP192 may, therefore, increase the costs associated with operating in the market.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	CMP192 should be based on transparent information on the status of transmission reinforcement so that users can understand their wider liabilities and assess the potential for year on year changes. We would support six monthly updates.
21	What is your view of the impact of volatility on users?	We would be concerned if the CMP192 arrangements introduced significant volatility in user commitment liabilities for wider works and we would urge National Grid to consider measures that may be required to mitigate potential volatility of these liabilities.
22	Are there any further interactions that the Workgroup have overlooked?	Yes. There may be an issue with “non-firm” connections under CMP192. Clarification may be required as to whether the trigger date is 4 years before “commissioning” (ie connection) or 4 year before the firm access if fully available.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	We support a 2-year user commitment in line with the regime introduced under connect and manage,

24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	Given the need to avoid discrimination we would support a 2-year liability for wider works for pre commissioning generators. This could be based on 50% in year -2 and 100% in year -1 or could remain at 100% in both years given that the risk of default under a 2-year regime is low for pre-commissioning generators.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	Our preference is that the user commitment arrangements introduced under connect and manage regime should be respected and that the liability should be based on TNUoS. Both pre and post commissioning generators should be treated on the same basis. However, we recognise that there may be uncertainty about the future TNUoS regime and the option should exist under the proposal for a transition to the alternative CAPEX regime in certain defined circumstances. We also note that the treatment of importing zones needs to be considered under this methodology (as noted above).
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	We believe that users should have a choice between refundable and non refundable user commitment methodology for local works. We believe that the choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) is appropriate.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	We support a one-way switch from cost-reflective Final Sums (refundable) to CMP192 original (non-refundable) Final Sums.

28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	A level of liabilities for offshore works that reflects the potential for future asset sharing as part of the development process for an offshore interconnected transmission system (including interconnections and DC links) should form part of CMP192.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	No. we support the application of cost reflective final sums which fall away at project completion. We note that the methodology reflects the status of the project through the factor that reflects the risk of project completion and that this significantly reduces the security requirement once a project receives planning consent. We think this is the appropriate way to reflect the liability and security risk.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No. We believe that a user should provide financial liabilities and associated securities that reflect the risks associated with transmission investment. We do not believe that commitments to third parties necessarily reflect a risk of a project completing.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	It would be possible to amend the existing cost reflective Final Sums arrangements by including the wider works using the current TNUoS based 2-year levels of user commitment.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	We do not believe that the modification proposal would have any significant impact on greenhouse gas emissions based on the information presented in the consultation document. However, If proposal facilitates connections and lowers barriers to entry then this could help to meet renewables targets more effectively and would reduce greenhouse gas emissions more than the existing arrangements.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Paul Jones paul.jones@eon-uk.com*
Company Name:	*E.ON UK plc*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Given the nature of the proposals (ie their complexity) it is not an easy consultation to understand. However, given the tight timescales under which it was produced, the document is as clear as it could be.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	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. We do not consider that the original proposal better meets the applicable objectives as it treats pre and post commissioning generation similarly when they are relevantly different cases. This therefore represents undue discrimination which works against objective b. An alternative which removed the 4 year notice period for post commissioning generators, but retained the other features of the original for pre commissioning generators would better meet

	applicable objective b overall in our opinion.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	Yes, this would seem appropriate although we do not support the 4 year notice period for post commissioning generators on which some of the transitional arrangements are based.
Do you have any other comments?	No thank you.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not if an option which retains a 2 year notice period for TEC reductions for post commissioning generation is put forward by the working group.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	This seems consistent with the approach taken presently for TNUoS charging and indeed BSUoS charging. Of course, in this instance the risk is shared 50:50 between new connecting and departing generators and "other Users" who would be generators and suppliers. Therefore, the sharing of risk is not quite 50:50 in reality between generators and suppliers and could be more or less than this. The example in 4.36 shows how it could be less than 50% liability for generators. However, there are examples that would show a higher than 50% share of liability (such as when more generators give no notice in the above example). However, the principle is correct and therefore we support it. For local works, these are currently targeted at the specific users from a charging perspective. Therefore, to extend this principle into underwriting stranding risk appears appropriate too.

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We agree that for our pre commissioning generation we would find a four year notice period acceptable. National Grid has shown through the workgroup process that this is a good proxy for when, on average, the rate of spend on transmission projects would expect to ramp up. We do not agree that pre and post commissioning generators are identical and should therefore be treated the same. We believe that the rationale that has been given for doing so is too service provider focussed, in that it comes from the perspective of what the System Operator would ideally want. From a customer's (ie User) perspective it cannot be correct to treat a customer who has pre booked a service, but has not turned up to take it, in the same manner as one which has been taking and paying for a service for a number of years and wants to cease using it. Possibly more importantly, at a practical level in most instances generators cannot give more than two years' notice of a reduction in capacity. The reasons for this have been clearly expressed by the workgroup so we will not replicate them here, but we agree with what has been said. Therefore, as pre and post commissioning generators are not the same, there is no justification to treat them as if they are. In fact, to do so could in itself be unduly discriminatory.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	The percentages clearly are an approximation for the average profile, but seem close enough to justify them. Anything more specific would seem to involve a degree of spurious accuracy.
4	Are there any further implications of project slippage that should be considered?	The approach outlined in the proposal, to follow the same method as presently used in IGUM, would seem appropriate.

Q	Question	Response
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes. Pre and post commissioning generation projects are clearly different. The likelihood of pre and post commissioning generators incurring liabilities is different in general between the two classes. It has been documented in the workgroup report how TNUoS bills are always likely to be paid even when a generator defaults, due to another generator buying the assets of the defaulting generator. There will be instances where some pre commissioning generators will have a similarly low risk of default, such as just before commissioning when another generator will buy the project and continue with it. However, this is not the general case and therefore is not a rationale for treating pre and post generation the same as a class. As generally pre and post commissioning generators are different, treating them similarly could be construed as undue discrimination.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	Yes, although we were initially confused by the manner in which it was described. The percentages that are quoted relate to the probability that projects on average will not go ahead at any point in time. Therefore, our understanding is that they relate to the amount of the liability that will be subject to the security cover provisions, rather than the level of security which needs to be provided. That is, they do not directly relate to the amount of cover which needs to be provided by lodging cash/LOC/Company Guarantees etc, which will continue to be affected by the credit rating of the company concerned.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	We do not believe that post commissioning users should be exposed to a liability for the reasons given in our response to 5 above. However, as a second best we would agree with no requirement for security for those liabilities.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	As a rough generic assessment it is probably as accurate as it needs to be. However, it doesn't cover secondary issues such as the effect that lodging additional cover has on a company's credit rating and therefore cost of borrowing etc. This would be difficult to model but is an important factor in why companies would wish to avoid being subject to additional credit requirements where possible.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	At present local works differ significantly between different sites and the charging reflects this. Therefore, a site specific approach for VAR, as suggested, would seem appropriate.

Q	Question	Response
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	This would seem the more appropriate manner for apportioning the wider VAR, so that all affected boundaries are apportioned to the relevant zone. Clearly, as an average proxy it won't fully take into account all possible interactions between zones. However, there is no specific evidence of a bias in one particular direction.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	Yes. The approach proposed seems sensible and we agree with the workgroup that this would allow a more specific approach to be adopted at a later date if deemed necessary.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	Again, this looks like a reasonable proxy.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	This appears to be a sensible approach. Clearly we are not in a position to audit the input data used but have no reason to believe that it is not correct. It would have been useful to obtain data from other TOs to derive a true GB wide figure but the workgroup can only work with what it is given.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	A more specific reuse factor for local works would be a good idea and, as suggested in the consultation, could be adjusted as the project develops to take account of real spend. Therefore the profiled local VAR would represent the total forecast spend, which could be adjusted to reflect the actual level of reuse.
15	Which definition do you believe should be used for attributable generator works, and why?	None of the possible definitions is likely to perfectly suit all circumstances. Local works seems to be an appropriate one to choose as it follows that used for charging. If the charging definition were to change, for instance as a result of the Project Transmit work, then it would seem appropriate for this definition to change also.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	At present in the absence of shared offshore assets, the definition is probably suitable. In due course, it may be that this definition needs to change in response to changing circumstances.

Broader Policy questions

Q	Question	Response

17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	As we mention above in our response to question 2, we believe that pre and post commissioning generators are not relevantly similar and therefore to treat them the same could represent undue discrimination. We agree with the arguments which have been made in the workgroup to this effect. There has been some discussion about generators who are pre commissioning representing a similar risk of stranding as post commissioning generators and we agree that there will be instances when this is the case. This has been suggested as a reason not to discriminate between the two classes for the purposes of User Commitment. However, conversely if only a small subset of one class has relevantly similar characteristics to the other class, then it must be unduly discriminatory to treat both classes the same.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	It is both to some extent. As with Transmission charging, there is an incentive role plus a cost recovery role. Pre commissioning generators of course do not pay TNUoS until they commission. Therefore, pre commissioning generators have no incentive or cost recovery mechanism other than final sums or IGUM. Of course, incentives can be provided through different mechanisms for different circumstances.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	If it improves prospects for new entrants then it may benefit security of supply. However for existing plant it is difficult to tell. There is a concern that some plant may be forced to reduce TEC sooner rather than later in order to avoid the new arrangements, although it is hard to ascertain the extent to which that concern is founded.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Information provision should be made on the same frequency as the secured amount statements are issued to the generators under their construction agreements, in order that they can manage their credit positions. We would not be concerned about this moving to a 12 month frequency from the current 6 months. Indeed this would have benefits in terms of only having to arrange LOCs/PCGs etc once a year. Of course if the level of charge is likely to change through the year, which could be the case for local charging if an actual reuse factor is calculated for instance, then it is important that the generator is aware of the spend that is being undertaken. Our preferred route for this would be through the quarterly reports which are issued in accordance with the construction agreement (Clause 2.8).

21	What is your view of the impact of volatility on users?	The information in 5.51 of the consultation report shows that the CMP192 liabilities are more volatile than TNUoS. Therefore, there may be an issue for generators used to the IGUCM methodology, particularly as IGCUM liabilities are set when the construction agreement is signed and the CMP192 wider liabilities become fixed four years out from the connection date. Therefore, when the wider liabilities are due to be set, then it is important that the generator has sufficient notice of the change in its liabilities so that it may act to avoid the new level by closing its project under the existing rate if necessary.
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	Four years is a reasonable number and should be manageable for pre commissioning generators.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	The liability profile should presumably follow the profile calculated by National Grid as a proxy for the spend profile. Therefore, if the notice was two years and notice was given before this in year-2, then the relevant part of the profile should apply (which presumably would be 75%).
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	CAPEX would seem to be the more accurate figure, but TNUoS may have benefits for simplicity and predictability. On balance CAPEX would appear preferable.

26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	We would question the extent to which the model defined under CMP192 gives scope for such flexibility, unless the current model for Final Sums is retained as an option for generators to choose instead of the CMP192 model. Within the CMP192 model, if the liability is set up front then by definition it is non refundable. For the wider works, this would be the case and it is unclear how this could be changed into a refundable option. For the local works, if there is an actual fluid reuse factor, then this becomes refundable to the extent that works haven't been undertaken and this is taken into account in the calculation of the reuse factor.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	The ability for generators to switch between options does appear to offer the opportunity to cherry pick in order to maximise the likelihood of avoiding liabilities. Whilst this may be good for developers, it increases the potential stranding risk on all other users. It would also increase the administrative burden on National Grid to administer new agreements each time a developer swapped between arrangements.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	A 100% share for local is consistent with current transmission charging. Clearly, this may be seen to disadvantage those schemes with relatively large local works. Therefore, there could be an argument for similar sharing factors for consistency. However, there is less of an argument that local works are created for the benefit of both generation and demand. If the definition of local works for charging and UC is seen to be an issue in certain circumstances, then it may be more beneficial to change the definition for both purposes.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	Although Financial Close is an important milestone in a project, it is not clear that reaching it reduces the probability of not commissioning to zero. For instance, there may be conditions set against any funding arrangements which if not met results in that funding being withdrawn. Additionally, the current proposal is to only require 10% cover from granting of consents. Therefore, this may be of limited additional benefit to justify the costs of administering the arrangements such as checking board papers/financing agreements etc.

30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	As with our answer to question 29, this would seem to be a lot of administrative effort for not much additional benefit (compared with the post consent 10% rate under the original proposal).
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Yes. The present arrangements are acceptable and formalising them in the CUSC would be an appropriate solution.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	This would be very hard to estimate. It is more likely that if it makes new renewable build easier it would reduce the cost of meeting the renewables targets.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Neil Kermode. Neil.kermode@emec.org.uk*
Company Name:	*European Marine Energy Centre*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Overall EMEC welcomes the work done on this comparatively small but important part of the processes that will set the future direction of much of the grid investment needed in the UK. EMEC is concerned, however that the measures do not go as far as it believes are necessary if the UK is to achieve its ambitions of a sustainable energy system. EMEC remains concerned that the overall approach lacks the passion and thrust that would be evident if the decarbonisation was a strategic imperative. The House of Commons Energy and Climate Committee made specific recommendations in its 2009-10 report (Item 100 – Point 2) for the 'prioritisation of renewables in electricity despatch to maximise their contribution to decarbonising the energy system'. Reading the work of the CMP working group does not show that this prioritisation is present. Whilst EMEC recognises the work put in by the participants the overall remaining feeling has been one of not wanting to rock the boat too much rather than the 'prioritisation of renewables' called for. So within the context of this underlying disappointment at the lack of fundamental change the following comments are made:
Do you believe that the proposed original or any of the alternatives better	Overall EMEC does support the changes, but points to the CUSC objectives themselves as evidence of the lack of vision. The Applicable CUSC Objectives are:

facilitate the Applicable CUSC Objectives? Please include your reasoning.	*(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.* None of which make reference to the need for a sustainable energy system. It is hardly surprising therefore that the outputs do not go as far as EMEC believes necessary to support the emerging wave and tidal sectors.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	EMEC generally supports CMP 192 as it represents an improvement over the present arrangements with some specific qualifications. 1. The CMP Original actually significantly increases the liabilities which Pre-Com generators would have to cover when compared with the present IGUCM arrangements. This still presents a large an unreasonable barrier to entry - particularly for those projects on the periphery of the grid where wave and tidal energy are most likely to proliferate. 2. EMEC supports those alternatives which bring down the liabilities - especially for pre-commissioned generators. In EMEC's opinion there is a need for vision to foresee the future system, not seek to preserve the status quo. EMEC would point out that there seems to have been a significant focus on the risk of stranded assets, a risk which has not been manifest to date. EMEC supports local sharing at 50/50 in the absence of a definition which would see extended and shared 'pre-wider' works treated as Wider. 3. EMEC believes the reduction to 2 years notice of closure for post –commissioned installations is acceptable PROVIDED that the wider liabilities for Pre-com are also reduced to 2 years in order to avoid discrimination. *4.* EMEC would also support an asset re-use factor of 33% as better reflecting the situation if projects were terminated. EMEC believes that assets can be moved or re-used in situ by later generators.
Do you have any other comments?	EMEC will make separate comment on the need to re-visit the 'Wider v Local' split. In its case EMEC finds it inconceivable that a connection shared by multiple generators and running for half the length of Scotland can be regarded as anything other than a

	strategic and therefore 'Wider' asset.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes. Doc being submitted.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	No. Local works have been simplified in the CMP 192 original to signify sole user assets. We believe this does not take into account shared assets which may often be extensive in nature and represent connections to strategically important areas of high resource for future generation. Local works where there is an obvious sharing with different generators, including generation using a diversity of fuel types.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	2 years post commissioning seems to offer a reasonable chance of forecasting fuel costs and, hence, plant viability. We believe 2 years should also be offered to Pre-commissioning – certainly wider works. Anything other could be viewed as discriminatory.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	
4	Are there any further implications of project slippage that should be considered?	If projects slip due to generator's projects being held up then there should be some flexibility – especially in the first 2 years of the 4-year lead in for TO spending to be delayed to match a reasonably revised date. Where the TO is late, the BCA and consag are usually revised unilaterally – which may put the generator project at greater risk. There should be a mechanism to mitigate this potential damage and achieve a better balance between the 2 scenarios..
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	There should be no different treatment between pre and post commissioning generators. The need for security is to cover a real risk. Early pre-commissioning projects have risk associated, primarily, with planning issues but as they begin to mature by spending significant funds on development and reach planning consent then their risk begins to look not dissimilar to an old power station which may close at in indeterminate time in the relatively near future. When a pre-commissioning generator can show financial close it should be viewed as very close to zero risk.

Q	Question	Response
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	See answer to Question 5 and Q 29. 10% is rather high considering the real likelihood of projects being aborted after obtaining consents. We note that the National Grid example concerns those projects, which slipped their dates as well as those, which terminated completely. To ensure transparency it would be necessary to see data for terminations only.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	If they have assets on the ground they could be taken over by others. It is therefore reasonable that securities required should be zero.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	Not fully.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	Local VAR should have the benefit of full asset re-use and should also take into account sharing with other generation and the selling on of capacity to other users within 4 years after a project triggers liability.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	Yes – though we support the full apportioning of compliance over boundaries which already need heavy reinforcement and do not require new parties in order to reduce stranded asset risk.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	Yes – it is an efficient use of resources and should be encouraged. It will become even more important as renewables penetration increases.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	Re-use should consider all moveable assets including cables and towers.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Yes – this is likely to be more project specific. TOs and generators sharing an extended 'local' asset should confer regularly and lessen the risk of mistimed capex.

Q	Question	Response
15	Which definition do you believe should be used for attributable generator works, and why?	
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	The answer to this depends upon the approach to the wider/local split being proposed in the amendment. If we were to consider extensive and shared local to be in the process of becoming 'wider' and that this may apply to both onshore and offshore projects then there would be no discrimination issues.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	Generally 'No'. In most cases this approach would be undue discrimination –see answer to Q5. If the risk of stranded assets is a lack of an adequate signal to National Grid then Pre-and Post Commissioning generators are equally likely to fail to give such a signal.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	User Commitment should not be used to indemnify historic investment – we are in a 'shallow' world since BETTA – where projects pay for the system via TNUoS. The sole reason for UC is to reduce the risk of stranded assets. To date there have been no stranded assets. The risk of stranded future assets is unlikely to be different and should therefore be zero or close to zero.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Any system puts up barriers to entry for new sustainable generation will to lead to a weakness in the overall security of supply. Decarbonisation of the electricity system is of paramount importance to meet climate change and security of supply objectives. UC liabilities should therefore strike a balance between the encouragement of a sustainable energy mix on the grid and the real risk of stranded assets.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Whatever is most efficient. This may differ according to project development phases for pre-commissioning or age of power station for Post.
21	What is your view of the impact of volatility on users?	Volatility is a huge disincentive for investment into new projects. It may also trigger early than necessary closure of existing plant if signals are not reliable.

22	Are there any further interactions that the Workgroup have overlooked?	Probably due to insufficient time – but the interaction with new technology is lacking.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	See Q2.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	If Post Commissioning is 2 years then Pre Commissioning should also be 2 years. The suggestion for 50% and 100% may be reasonable in the context of the proposed modification. However the accelerator for maximum liabilities to coincide with minimum risk is still rather perverse.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	CAPEX taking into account boundaries seems to be fairer. Pre and Post should be treated the same.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Yes – with one chance to swap from Final Sums to CMP generic.

27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	See Q26
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Yes. Local should reflect wider works and have the same sharing factor with the consumer. In the context of CMP 192 Original this would be 50/50. It seems that the largest CAPEX for local will be incurred through the extensive assets connecting a number of generators – which will bring more and diverse generators onto the system – thus aiding competition and security of supply and lessen fuel price volatility. The proposed amendment would redefine some of these works as 'Wider'
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	If the risk of the project not connecting approaches zero or where the prospect of the project being taken over by another party is near 100% then securities required should reflect that. We support the alternative that proposes zero security post Financial Close.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	Anything that shows that a part is committed to connecting a project should be counted – if risk is the only reason for UC.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	Liabilities under CMP 192 could be Liabilities Wider and Local – less liabilities covering Crown Estate leases etc for the same project.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	No – they are discriminate unduly against Pre-Commissioning generators and act as real barriers to entry, particularly for independent, non-portfolio parties.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	UC, if too high and if weighted too much against peripheral generation (with a preponderance of renewable sources such as wind, wave and tidal) could have negative impact on greenhouse gas emmissions.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Paul Carter Tel 01977 782525 Email paul.carter@eggboroughpower.co.uk
Company Name:	Eggborough Power Ltd
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Eggborough Power Limited (EPL) welcomes the group's work on this modification as a robust attempt to try and address many of the issues surrounding security and notice given by system users to TOs. On balance EPL feels that the modification would better facilitate the relevant objectives but we would like to see consideration of some alternative suggestions. EPL is therefore raising an alternative modification that will impact only post commissioning generators.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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.* EPL believes that its alternative better fulfils the relevant objectives, for post commissioning generators, as outlined in our alternative form. For pre commissioning generators, we agree that facilitating easier connection with lower liabilities is a positive move in light of the amount and type of generation the system requires

	connects in the coming years. Competition can be enhanced if barriers to market entry are reduced, which we believe this modification will achieve. EPL feels that allowing plant to connect in a least cost manner will enhance competition by allowing new parties to enter the market, as well as incumbent players to invest in new technologies. It is also reasonable to change the security such that it falls away as plant nears completion rather than increasing it. Where a developer goes into administration, once the kit is ordered and site works commenced it is highly likely that the project will simply be taken forward by another player. So the risks of the TOs investment being incurred in an inefficient manner do fall away as plant nears its completion date. Based on this position, we do have sympathy with the view that any substantive local works is likely to have some benefit for customers, as it is probable that it will be adopted by other plant and then can be used for new build in future. The idea that vast amount of equipment would go onto a site and then never be adopted by another plant developer seems unlikely.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	The implementation process looks robust, but we believe that parties, both pre and post commissioning may require additional time to consider their positions before providing notice, adjusting security, etc…
Do you have any other comments?	
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes - *Workgroup Consultation Alternative Request form attached.*

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	EPL would rather see the customers share some additional liability as the regime is really about delivering to them. Power plants would not be built, nor use the networks, if the customers did not demand power. However, we accept that the analysis supports a 50/50 factor for wider works. As noted above local works could also contain at least some degree of sharing. As a matter of principle it is better to explicitly accept that the customers do ultimately carry most risks in the market through prices. So where a generator is faxed with a closure tax, or significant new build financing requirements, these costs ultimately appear in the level of power prices. By placing the risks on the customers directly they will probably pay a lower cost per unit as there is no distortion in the mechanism between incurring the costs (TOs spend) and billing the customers (unit charge to suppliers).
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	2 years for post and 4 years for pre commissioning. This is because we feel that the risks that they place on the system are different and should be treated differently. See our Working Group Alternative.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	No – We do not agree. The percentages we support are outlined in our alternative. Looking at the figure in 4.61 of the report, EPL believe that the 2 years notice is sufficient for plant closures. In terms of wider works it is extremely unlikely they are occurring to support one generator that is shutting, so the 4 years in the graph we assume covers initial works right up to final large scale engineering work. To therefore require a 4 year notice period does not, we suggest, result in none of that investment occurring, but may result in some scaling back. Around 2 years out the graph suggests that some 50% of the investment would be done, win the major work still to go. So 2 years notice of a closure seems unlikely to lead to stranded assets.
4	Are there any further implications of project slippage that should be considered?	Not in terms of the proposal, but in terms of the treatment of pre and post commissioning generators. See our alternative.

Q	Question	Response
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes – see our alternative.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	We would argue that the cost of security for companies like EPL is underestimated in the figures put forward by the Working Group report. We agree that we must also take account of our liabilities, as well as security, all of which takes up the limited funds companies have available to invest in their plants. Investment in plant is vital to maintain security of supplies and the work toward environmental improvement. We can see plenty of costs associated with security, but little by way of benefit. Were any plant to close at short notice, the chance of their security covering some investment that would then be abandoned seems extremely unlikely. As noted above EPL suspects that most wider work is occurring due to the significant change in assets on the network, the different use of the network and the age of the assets. It is not occurring because plant that has been on the system for 20 years is still there.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	No – see above.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We believe that the process is sound, but can understand concerns about specific asset reuse.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	EPL has concerns that the boundaries may move and that could create volatility in security. We would like to see consideration given to smoothing.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	No view.

Q	Question	Response
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	Proposal seems sensible.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	33% looks low to EPL given the nature of investment that is currently occurring and is likely to be undertaken by TOs in the next 10-20 years. As noted above, we suspect much of the investment would not stop if one post commissioning generator were to pull out, but would continue to go ahead, so the reuse factor would be higher. This may be different in the case of say a specific piece of work to connect an offshore wind farm, but across the network as a whole the number looks low. We can only suggest that this is kept under view and that TOs report on asset reuse on an annual basis.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	No comment.
15	Which definition do you believe should be used for attributable generator works, and why?	No comment.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	No comment.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	Different treatment is not unduly discriminatory. See alternative proposal.

18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	The commitment should be trying to stop inefficient investment in future as there is little anyone can do about any mistakes made in the past. Adding to costs, which this modification has tried not to do, is always unwelcome, so looking backward will not help the customers. There is no evidence of stranded assets, so there is every reason to believe that the TOs are generally good at making efficient investment. In fact the transmission queue suggests that the TOs are over cautious. Incentivising great information is a reasonable goal, but EPL doubts it will have a material impact on TO investment. Where investment is required it is likely to appear after the generation connects. Where older plant does shut the TOs are likely to have expected it to close because of wider regulatory considerations. Given the current economic climate, it seems unnecessary to worry that huge amounts of generation are about to appear, go unused and leave parts of the network "gold plated" at the customers' expenses. A more likely, and worrying, scenario is that older plant must go on running as there is little that can be done to achieve the levels of new build, of the green technologies the Government desires, in a next decade at least.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	EPL is worried that the closure tax nature of the proposal will lead to older plants giving notice sooner rather than later. This creates a risk of plant shortages, especially in light of the delays to nuclear build and the lack of funding for other new plants in the current financial climate.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	More frequent information provision always helps parties better manage risks, so we would support 6 monthly.
21	What is your view of the impact of volatility on users?	EPL is worried about volatility. It makes managing risks from monopolies more difficult and costly. We would like the proposer to look in more detail as to what it would have forecast for wider liabilities, and what the out turn has been. It may be that a smoothing factor, say not allowing liabilities and thus security to alter by more than [5%] a year, is required.
22	Are there any further interactions that the Workgroup have overlooked?	No.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	See our alternative.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	See our alternative.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	CAPEX – especially as TNUoS is currently under review in the TransmiT process.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Yes. EPL can understand the concerns that non-refundable security may create at the start of projects.

27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	No comment.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	EPL believes that the risk factors in general are missing the point that the customers do ultimately carry risks through prices. It may therefore be worth revisiting the risk factors for wider and local works. See comments above.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	No comment.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No comment.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	See alternative proposal.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	No.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	No.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Alex Lambie Welsh Power Group Limited Tel: +44 (0)2920 547200 *Alex.lambie@welshpower.com*
Company Name:	Wyre Power Ltd, CUSC party owned by Welsh Power
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Welsh Power welcomes the group's work on this modification as a robust attempt to try and address many of the issues surrounding security and notice given by system users to TOs. Welsh Power has some concerns about the proposals: The non-refundable nature of the initial security, as the money may never be spent; The pre-trigger security may be materially more onerous under CMP192 than under Final Sums; The fact that the security under CMP192 may be significantly higher pre-trigger date than post-trigger date security; and The compulsory nature of the proposals. Welsh Power therefore believes that an alternative modification would better facilitate the relevant objectives. However, we do agree that the provision of security requirements on post commissioning generators would be an advantage and could help incentivise them to give more notice of closure to the TOs is currently the case.
Do you believe that the proposed original or any of the alternatives better	*For reference, the Applicable CUSC Objectives are:* *(a) the efficient discharge by the licensee of the obligations*

facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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.* Welsh Power believes that the proposal in addressing post commissioning generators' obligations better fulfils the relevant objectives, but for pre-commissioning generators we believe that an alternative is needed, as outlined in our alternative proposal forms. For post commissioning generators it will help the TOs plan efficient investment if they know earlier if plant is likely to decommission. It will also help competition if the TOs can more quickly connect new plant if they can reuse parts of the network earlier. For pre commissioning generators, we agree that facilitating easier connection with lower liabilities would be helpful in light of the amount and type of generation the system requires connects in the coming years. Competition can be enhanced if barriers to market entry are reduced, which we believe this modification is trying to achieve, but we feel that the methodology has not managed to achieve those objectives for Wyre. Welsh Power particularly agrees that the security arrangements for pre-commissioning generators should reduce security requirements as plant nears completion rather than increasing it. Even if a developer goes out of business, once the kit is ordered and site works commenced, it is highly likely that the project will simply be taken forward by another party. So the risks of the TOs investment being incurred in an inefficient reduce significantly as plant nears its completion date. Welsh Power notes the group briefly considered whether there is a case for having some of the local works share with customers. We believe that there is a case for such a sharing of risks, especially as projects progress. Until the issues surround pre-commissioning generators are addressed, Welsh Power does not believe the proposal, taken as a package, better fulfils the relevant objectives as it will not improve competition.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	The implementation process looks robust, but we believe that parties, both pre and post commissioning may require additional time to consider their positions before providing notice, adjusting security, etc… Welsh Power does not support forcing companies to move from Final Sums to CMP192 and has therefore raised an alternative to

	address this issue.
Do you have any other comments?	
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes – 3 Workgroup Consultation Alternative Request forms attached. These alternate could be taken as a package, but we were advised that each should be raised separately.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	Welsh Power believes that customers should share some additional liability as the network is to deliver power to the customers. The argument that the network is a route to market for generators is rather odd, as the generators only exist as customers' demand power. In all markets there is an expectation that the costs associated with supply are passed to the customers, in the case of generation the customers can pay 50% directly and 50% indirectly, but they will ultimately pay it all. A sharing factor of 80/20 (customers/generators) may therefore be more appropriate as the customers may then be paying for the network to support 100% of the generation required in any given day, but not the extra plant margin (20% often being said to be the desired margin). Local works should also contain at least some degree of sharing. Welsh Power suggests that this may occur post the trigger date, when the plant risks start to reduce. We would suggest it is based around the idea that reduction in the costs of financing will ultimately feed through to the customers as lower power costs. We believe a sharing factor of 10/100 (customer/developer) could be considered. We have not had time to analyse what the impact on reduced funding requirements would be on the capital cost of a new plant, but suggest it could reduce prices.

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	Welsh Power feels that the notice periods outlined are reasonable for post commissioning generators, but suspect that they simply do not know 4 years out if they intend to close. Unless they are subject to a regulatory requirement to shut, their operations seem likely to continue on the basis of the market price. Unfortunately, the GB market does not have a 4 year forward curve for anyone to look at. Welsh Power would therefore sympathise if the post commissioning plant believe a shorter notice is required. For pre-commissioning generators the structure of security looks reasonable post-trigger date, but we feel the level of security could come down further in the years before commissioning. While the "trigger date" will provide a useful measure of a plants progression a second trigger related to the awarding of the EPC contract could be used to further lower securities.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	The percentages seem sensible, but the liabilities could be reduced via sharing local works. Liabilities for pre-trigger years should, we believe, also be able to remain related to costs (i.e. on Final Sums) and we have addressed this in our alternative proposals.
4	Are there any further implications of project slippage that should be considered?	Yes – if a pre-commissioning plant is on £3/kW security for a number of years we believe that the level of security is likely to excessive compared to the actual spend that the TO is undertaking for that plant. We have tried to address this in our third alternative.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes – see our alternative.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	No – we believe that the pre-trigger securities should be based on forecast and actual spend if that is what developers prefer. See our alternatives.

Q	Question	Response
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	The cost of security for companies like Welsh Power is underestimated in the figures put forward by the Working Group report. Every penny we have tied up in security is money we cannot use to develop other projects. Welsh Power, like all companies must account for its liabilities, as well as security, all of which takes up the limited funds companies have available to invest in their businesses. The fact that post-commissioning generators do not put up any security gives them a significant competitive advantage in the market. We therefore feel they should be required to put some security, possibly based on their local asset values, as these may well be stranded if they shut earlier than notified.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	No – see above and our alternative proposals re security for pre-commissioning generators.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We have a lot of sympathy for the view that some VAR from local works could be placed on customers, notably after the trigger date.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	This seems sensible, but we are concerned about the volatility in the wider security requirements. This will need to be closely monitored.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	No comments.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	Proposal seems sensible.

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	Welsh Power believes that 33% looks low given the nature of investment that is currently occurring and is likely to be undertaken by TOs in the next 10-20 years. Given the age of the assets, the type and size of plant connecting and the need for significant new build generation, we believe much of the investment could not be stopped or deferred by long if one post or pre commissioning generator were to pull out, but would continue to go ahead. It therefore makes us believe that the reuse factor in future is probably significantly higher. Welsh Power recognises that for certain types of investment, such as work to connect an offshore wind farm, the wider works are probably less likely to be subject to reuse, but across the network as a whole the number looks low. Welsh Power suggest that Ofgem asks the TOs to report on asset reuse on an annual basis so that this can be kept under review and altered in the light of more data.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Welsh Power's alternatives to allow for the continued use of Final Sums allows work done early in projects to return any security where reuse of assets actually occurs. We have outlined in our alternatives why we feel that this is important.
15	Which definition do you believe should be used for attributable generator works, and why?	It seems sensible to use existing definitions of local works.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	No comment.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	Different treatment is not unduly discriminatory. See alternative proposals.

18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	Any commitment can only be trying to stop inefficient investment in future as there is little anyone can do about any mistakes made in the past. The Working Group has established that there are no stranded assets so there is no need to look at historic investments.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Welsh Power is worried that the proposal can make pre-trigger security considerably more expensive for some projects. If these plants cannot be built then there is possibility that future security of supply will not be achieved. Our alternative proposals aim to address these concerns.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Frequent information provision is welcomed by all parties as an effective tool to help manage and mitigate risks. It also helps with planning company finances and we would support 6 monthly.
21	What is your view of the impact of volatility on users?	Welsh Power is concerned about the volatility in security for wider works. It makes managing risks from monopolies more difficult and costly. We suggest that the proposer does additional work to asses what the volatility would have been over say the past five years and wehter there are any additional measures that could be put in place to protect parties, or smooth changes. For example some sort of smoothing could be developed, such as a rule that would stop liabilities and security changing by more than a fixed percentage between years.
22	Are there any further interactions that the Workgroup have overlooked?	No.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	No comment.

24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	We agree with the liability profile, but with some changes pre-trigger date - see our alternatives.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	CAPEX – especially as TNUoS is currently under review in the TransmiT process.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Yes – see our alternatives.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	Yes – see our alternatives.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Welsh Power does believe there is a chase for sharing, particularly after the trigger date. We have not raised an alternative on this, but hope that the Working Group will igve it further consideration.

29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	We are not sure that zero would be consistent with the principle that all parties carry some liabilities, but ti would be worth considering a low factor post financial close or the signing of an EPC agreement.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No – this looks difficult to monitor and operate. For example is a land option the same a Crown Estates commitment?
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	See alternative proposals.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Yes, if the issues surrounding pre-commissioning generators cannot be addressed.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	No.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*David Walker*
Company Name:	*West Coast Energy Ltd*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	I have no comments to make on CMP 192;-'Arrangements for Enduring Generation User Commitment Workgroup' consultation at this stage apart from the Alternative attached which deals with distributed generation.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*My alternative better ' facilitates effective competition' because of the disparities in the treatment between transmission and distribution system connected generation..*

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	

Do you have any other comments?	
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*Yes Alternative attached.*

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	
4	Are there any further implications of project slippage that should be considered?	
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	

Q	Question	Response
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	
15	Which definition do you believe should be used for attributable generator works, and why?	

Q	Question	Response
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	
21	What is your view of the impact of volatility on users?	
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	

28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Merel van der Neut Kolfschoten
Company Name:	Centrica
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We are happy to provide feedback on the Workgroup consultation later in the process.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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.* We support the codification of the user commitment methodology for pre-commissioning generators within the CUSC. Although we have concerns with some aspects of the proposed user commitment methodology for pre-commissioning generators (see below), we believe that insofar as it reduces barriers to entry for new generation by reducing the level of security and liability this will have a positive impact on competition and therefore will better facilitate the applicable CUSC objectives. We believe that the proposed user commitment methodology for

	post-commissioning will not better facilitate the applicable CUSC objectives, because it will result in marginal plant leaving the system early which will have a negative impact on competition and possibly security of supply.
Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	Although we appreciate that this might complicate matters, we believe that as a point of principle the Workgroup should consider grandfathering of existing user commitment arrangements.
Do you have any other comments?	As also mentioned in the Workgroup meeting, it would be helpful if Ofgem could provide the Workgroup with an initial view on the proposals and the possible alternatives included in the report . In addition, we would welcome Ofgem's view on potential gaps in the analysis carried out by the Workgroup so far.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*If yes, please complete a Workgroup Consultation Alternative Request form, available on National Grid's website, and return to the above email address with your completed Workgroup Consultation response proforma.* No. Our assumption is that where we have identified further areas for discussion, the outcome of these discussions, if appropriate, can still be included in the possible alternatives mentioned in the report.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	We support a 50/50 sharing factor for wider works because both generation and demand benefit from these works. We agree with the sharing factor of 0/100 for local works on the assumption that if a generation project is terminated, consumers are indeed less likely to benefit from another generator using those works, although this also depends in our view on how "wide" the definition is of local works. A 0/100 sharing factor for a wide definition of local works may be less appropriate. In our view the sharing factor is ultimately a policy decision for DECC/Ofgem. It is linked to the Price Control arrangements and the TOs' duty to promote competition and to ensure efficient investment in the network.

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We are not convinced that the concept of notice period necessarily works for pre-commissioning generators. In practice, a project gets cancelled and National Grid is subsequently informed, within a year or a number of years before the date of commissioning. Leaving this aside, under the proposed original, the notice period for pre-commissioning generators is 4 years. It would be helpful to understand why the date at which the TO receives its key consents is no longer used as trigger date, as per the existing IGUCM. In addition, it would be useful to see if the TO spend profile varies depending on local or wider works. For post-commissioning generators we believe that a 4 year notice period would result in a disproportionate penalty and would not give the required investment signal. A generator's decision to reduce TEC or disconnect very much depends on short-term factors (power, fuel and carbon prices).Therefore we believe for post-commissioning generators the existing notice period (1 year and 5 days) is the most appropriate notice period.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	If a 4 year spend profile is used for both local and wider works, we agree with the simple and straightforward stepped profile of 25, 50, 75, 100%.
4	Are there any further implications of project slippage that should be considered?	In addition to project slippage, we would like the Workgroup to consider TEC reduction for pre-commissioning generators in more detail. In our view there needs to be some flexibility in terms of project sizing.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Pre- and post-commissioning generators are in our view different and can therefore be treated differently, both in terms of notice period and security provision.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We agree that the risk profile of pre-commissioning generators should be taken into account and we therefore support a reduction in security based on project milestones. However, we would like to have further clarity on possible future changes to the proposed 42% and 10% (process and timescales). We are concerned about retrospective changes that could have a negative impact on existing projects.

Q	Question	Response
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes, as set out under question 5, we believe pre- and post-commissioning generators are different and can therefore be treated differently. Unlike pre-commissioning generators, post-commissioning generators are physical and are paying TNUoS charges.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	We fully agree that there is a cost associated with providing security which limits the opportunities for investment in other projects.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We agree in principle with a project specific local VAR. However, we are not yet convinced that the proposed methodology should be non-refundable. Our understanding is that the current IGUCM is non-refundable because it is a generic methodology and includes a 50/50 sharing factor, while the original proposal is a project specific methodology and has a 0/100 sharing factor.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	We have concerns with the TO CAPEX approach for both pre- and post-commissioning generators, as mentioned under question 18. However, of the two generic methodologies for apportioning wider VAR, we agree that the simpler boundary method would be the preferred methodology.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	We agree with the implied capacity sharing for pre-commissioning generators based on TEC because it is a simple and straightforward approach.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	We believe that where generators are connected in advance of wider works, the significantly reduced risk of underutilisation of these works should be taken into account. We believe that for derogated boundaries the VAR = 0 and therefore users should not be liable for the wider works associated with these boundaries.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	This seems appropriate. However, as raised under question 6, we would like to have further clarity on possible future changes to the proposed 33% (process and timescales) because we are concerned about retrospective changes that could have a negative impact on existing projects.

Q	Question	Response
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	We agree that the re-use factor for local works should be project specific. We believe this factor should take into account the different stages of the construction process, where possible.
15	Which definition do you believe should be used for attributable generator works, and why?	Our initial view is that the charging definition is the most transparent and straightforward definition of local works. However, we would like to better understand the impact of a change in the definition of local works for pre-commissioning generators that are currently on FSL.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	We are not yet entirely clear on the proposed approach for offshore generators.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe that pre- and post-commissioning generators are different and can therefore be treated differently.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	For pre-commissioning generators we believe it is about indemnifying other users against the risk of underutilisation of transmission network assets with the aim of avoiding inefficient network investment. We believe there is very little risk of stranded transmission assets (i.e. transmission assets not allowed in the RAB), but as mentioned under question 22, further clarity on the Price Control arrangements would be useful. For post-commissioning generators it is about providing the transmission companies, where possible, with information that is helpful for decisions on future network investment. This should be combined with improved communication between the transmission companies and the users, both pre- and post-commissioning generators.

19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	As mentioned under question 2, we consider a 4 year notification period to be a disproportionate penalty for post-commissioning generators. We believe this will result in marginal generators leaving the system early to avoid this penalty. As this will be at a time when a number of generators will close anyway and at the same time more flexible back-up plant is required for intermittent generation, we believe this could have a negative impact on security of supply.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Our initial view is that actual liability for local and wider works and forecasts for wider works (multiple years) should be provided on an annual basis, and on a 6 monthly basis if the liability for local works is variable.
21	What is your view of the impact of volatility on users?	Volatility and uncertainty around liability and security increases project risk and project cost. This is in our view one of the concerns with the proposed TO CAPEX methodology. We believe the Workgroup should consider fixing the wider liability.
22	Are there any further interactions that the Workgroup have overlooked?	We believe the Workgroup should consider the following areas: • the impact of the existing and proposed user commitment arrangements for distributed generation without a bilateral agreement with National Grid, and • the interaction with the Price Control arrangements.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	As mentioned under question 5, we believe that pre- and post-commissioning generators can be treated differently. We believe that for pre-commissioning generators the 4 year profile should apply to wider works as this ties in with the average spend profile. However, we could also support a 2 year notice period.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	As mentioned above, our preference would be for a 4 year profile with a 25, 50, 75, 100% ladder. For a 2 year "notice period" the most straightforward option is in our view a ladder of 50 and 100%.

25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	As mentioned earlier, we believe that pre- and post-commissioning generators can be treated differently. Our initial view is that the liability for wider works for post-commissioning generators should be based on the existing TNUoS methodology. Firstly, because we believe the penalty for not providing sufficient notice should be based on the service provided (i.e. use of system). Secondly, we have concerns about the TO CAPEX methodology. These include volatility, uncertainty, complexity of the methodology as well as concerns about the actual liabilities and incentives on generators and the NLR TO CAPEX spend. Considering these issues, we are not yet convinced that the CAPEX methodology should be used to determine the wider liability for pre-commissioning generators either.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Different developers have a different appetite for risk and we therefore agree that pre-commissioning generators should have a choice between a refundable and non-refundable methodology (or alternatively have a fixed, but refundable methodology as suggested under question 9).
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	Our initial view is that pre-commissioning generators should be able to switch once from one methodology to the other to better align the liability/security profile with the generation project. Allowing pre-commissioning generators to switch more than once will be difficult to manage from an administrative point of view and could result in pre-commissioning generators "gaming the system".
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	See question 1.

29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	Our initial view is that it will be difficult to come up with a transparent, objective and simple definition of "financial close" that could apply to both onshore and offshore generators.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	We do not support this approach as this will mean that when a developer cancels its project National Grid will not be able to recover the liabilities that have been offset with monetary commitments to third parties.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	N/A
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	We believe that keeping the existing arrangements for post-commissioning generators and codifying an improved version of the existing FSL and IGUCM arrangements for pre-commissioning generators, as suggested in the report, would be an option for an alternative modification proposal to avoid the concerns with the proposed TO CAPEX methodology.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	It is our understanding that one of the main aims of this proposal is to reduce the barrier to entry for new generation. As this will include low carbon generation (and more efficient generation), the proposal is likely to have a positive impact on greenhouse gas emissions. However, the impact might not be "material" as the impact is likely to be smaller than the impact from government support in bringing some of this generation forward.

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YOUR REF./DATE: OUR REF.: PLACE/DATE: Oslo, 16.08.2011

CMP 192 - Workgroup consultation response

Dear Ms Clark,

Please find attached Statkraft's response to the workgroup consultation on CUSC Modification Proposal 192. It is attached in two documents; Part 1 – Key issues and Alternative and Part 2 – Response form.

Do get in touch if you have any queries.

Yours sincerely,

for Bjørn Drangsholt
Managing Director

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CMP192 Arrangements for Enduring Generation User Commitment consultation

Statkraft response – Part 1: Key issues and Alternative

Introduction

Thank you for the opportunity to provide views on the CMP192.

Statkraft is a new entrant generator into the GB market. Most notably we are currently commissioning the Sheringham Shoal Round 2 offshore wind scheme, and have a significant interest in the Dogger Bank Round 3 at Dogger Bank.

This response divides into four parts:

- some general comments in on the issue of user commitment in this memo;
- key points of concern with the working group's proposals also summarised in this memo;
- Statkraft's Modification Alternative proposal again in this memo; and.
- comments and detailed responses to some of the consultation questions focussing on the proposed pre-commissioning arrangements in the Response form (Part2 – separate file)

General comments

Statkraft supports the development of an appropriately designed enduring framework for user commitment where this ensures predictability but also continuity and where appropriate choice. We believe these design criteria – as well as the CUSC applicable objectives – are key to delivering a supportive investment environment that can play the required role in delivering extremely ambitious targets for low-carbon generation growth by 2020 and beyond.

Indeed establishing proportionate user commitment is a key part of the mechanisms to enable network investment to take place and new generation to connect. However its design must be a fair and equitable for all parties, which in turn means the sharing the risks with all parties – developers, transmission owners and consumers – with each accepting appropriate levels of liability for the considerable investment needed.

We also welcome the opportunity for introducing greater transparency in this area with user commitment falling within the CUSC governance regime. This will bring enhanced accountability for National Grid (and indirectly the transmission owners) to grid users.

With current pre-commissioning arrangements due to expire in March 2012, enduring arrangements need to be put in place urgently. However, whilst supporting this review and the global objectives of Project Transmit more generally, we do have concerns that this process is happening against a background of significant change taking place (evolution of the road-map, the bedding in of the regime for regulation of offshore development, the SCR and the Western "bootstrap" exposure draft decision to name but four).

As such we fear there is a risk we may find ourselves with a user commitment mechanism which is not fully consistent with other outcomes. As a result it will be transitional, not enduring. In particular we are concerned that in endeavouring to establish a one-size fits all approach that is intended to be technologically neutral, National Grid will be taken down a route that delivers a lowest common denominator outcome based around the interests and assets of the existing integrated players (who are typically active onshore) but which ignores the real issues and challenges facing merchant developers of key targeted technologies (such as offshore wind).

In this context, while we recognise that CMP192 relates to user commitment for onshore assets, we have concerns that in the longer-term the approach applied to onshore may be extended to offshore, particularly where there is the prospect of offshore wider works. As one of the developers of the Dogger Bank project, we are already seeing the possibility of offshore non-radial links between generation sites being included in offers, as an alternative to onshore wider works. While we see advantages of such arrangements and recognise they may be the most efficient approach, we are very concerned that there is no mechanism in place or in the proposals to reflect offshore wider works in terms of liability and ultimately cost recovery.

We are also concerned that the burden of risk associated with transmission investment to enable the connection of new generation under the proposals rests too heavily with the generator and does not appropriately reflect the considerable wider benefits to the system and consumers more generally. These benefits are measurable not only in terms of a more integrated transmission system but also through enhanced security of supply and carbon abatement. This comment is particular relevant to the proposed treatment of wider works.

Furthermore to be truly cost-reflective appropriate levels of user commitment must be based on accurate and realistic cost forecasts and must be stable. There is a balance to be struck between deterring speculative outcomes and exposing generators to proportionate levels of liability and the associated securities, and we do not believe the current proposals strike this balance. The level of securitisation sought from grid users needs to be reflective of the risk to which all parties are exposed and not just National Grid.

So, while we are supportive of the broad approach proposed by CMP192, important elements of the proposals could create a real barrier to entry for new generation. We develop some of these comments further below.

Key issues

Whilst supporting the need to establish enduring arrangements Statkraft has a number of particular concerns with aspects of the proposals. These relate to:

- a lack of choice in arrangements. As a minimum current agreements should be allowed to continue;
- the relationship between liability and security under the proposed package;
- the inclusion of wider works;
- accuracy, volatility and reconciliation of security;
- the role of 'likelihood factors' in determining appropriate security; and
- the treatment of pre- and post-commissioning liabilities.

1. Absence of choice and continuation of existing arrangements

We are very concerned about the absence of choice for developers, especially against the current baseline where choice exists. A generic scheme applied on a zonal basis will inevitable create outliers, and abolishing the interim Final Sums Liability (FSL) approach as proposed cannot increase cost-reflectivity. It will also have competitive impacts because of widely differing connection costs of individual schemes.

As a holder of an existing and ongoing connection agreement at Creyke Beck, which has been financed and secured against existing methodologies, we are very concerned that there the proposal does not enable existing agreement holders to retain existing terms and conditions. Indeed we would question the legality of seeking to impose changes to agreements willingly entered into.

2. Liability, not security, is the key

We welcome the proposal to reduce pre-commissioning security. However this does not ultimately benefit developers who will still need to record full liability on their balance sheets for identified works, and this will be recognised by banks with regard to project funding. The key issue for developers is about the quantum of liabilities and the level of the potential financial commitment that is required of them, not of the securitised amount.

More fundamentally we are concerned that National Grid is seeking to pass through potential onerous liabilities when it acknowledges that there has been no substantive asset stranding to date and it has not attempted to quantify how its risk might change going forward.

3. No basis for including liability for wider works

We see no reason why the current interim arrangements cannot be simply transposed into the code as the enduring arrangements, and the draft report does not establish a case for a fundamental rewrite of the rules.

In particular we do not agree with the inclusion of a wider liability for pre-commissioning generators. The basis of liability should be local works as by the current interim Final Sums Liability (FSL) methodology, in turn backed up by accurate estimation of necessary works. The Interim FSL approach was applied following the Transmission Access Review and extensive industry consultation and discussions with Ofgem (*April 2010 Final Sums Liabilities consultation*), when it was agreed that National Grid would implement a further interim solution where liabilities and therefore the security required for wider transmission investment works are not sought. This approach forms one key part of the current baseline, and the draft report does not attempt to explain why this might be defective and why therefore it needs to be replaced.

Wider works are usually attributed to reinforcement that is largely future-proofing for the benefit of grid users as a whole. Much of the work carried out by the transmission owners is on their own account, especially near and across SQSS derogated boundaries. Such investment should more appropriately be adopted as part of appropriate regulatory settlement through evolution of the current arrangements for strategic investment or for the treatment of the Transmission Investment Incentive.

While the pending RIIO-T1 price control arrangements are likely to see a number of changes introduced to the application of economic regulation to National Grid, the arrangements are anyhow likely to further de-risk National Grid, meaning the risks become loaded on developers. More generally we would want the RIIO-T1 process to address how National Grid (and the other TOs) can improve their own forecasting and estimation processes and improve accuracy.

In the absence of National Grid presenting a compelling case for withdrawing its current interim FSL policy or should it seek to continue to press to modify it to include the securitisation of wider works, we believe there is a strong case for a higher level of demand-side sharing (73-27 at least) in line with the current TNUoS allocation. This is the established basis for grid usage and would seem the obvious default position. But the proposer must first be able to demonstrate unambiguously that there is a robust case for developer's underwriting some element of its wider reinforcement programme.

4. Liability should be tied to the developer's actual timetable and accurate

It has been recognised in the proposal that the timing of a developer's project will often differ from National Grid's. We are concerned that there is still insufficient recognition of the progress of the developer's project.

The proposal suggests cancellation amounts based on forecast capital expenditure starts from a fixed point, four years ahead of the commissioning date, based largely on "generic" assumptions about historic projects. We do not agree with this approach for many projects. However different technologies empirically raise different issues for the TOs. In particular cancellation amounts based on capital expenditure should begin when the capital expenditure begins, and commencement should be mutually agreed between the transmission owners and the developers. Until then continuation of a £/kW approach seems a reasonable and practical mechanism which should cover costs to date and serve as a disincentive to spurious applications.

Furthermore, with liability based on TO forecasts it is imperative that any revision to forecast costs is reflected in a revised liability calculation in a timely manner. It has been our experience to have forecast costs cited by National Grid change dramatically within the space of a few months. Similarly, recognising that forecasts will vary with out-turn, it is only reasonable to have any liability called to be reconcilable, based on actual, rather than forecasts.

Pulling these comments together we think for offshore wind operators a three year window should be applied post-trigger, with securitised costs and cancellation amounts based on 33% increments, and subject to periodic reconciliation.

5. Likelihood factors need to be supplemented

Notwithstanding the concerns above regarding security and liability, we welcome the recognition of increased certainty as a project progresses, reflected in the application of discounted security rates. We believe it is entirely appropriate to recognise commitment to the project and we would propose two additional factors for consideration.

First many developers will make significant commitment to a project through expenditure prior to signing an agreement with a TO. Most notably in the case of offshore developers, this is with regard to licences gained from the Crown Estate. We believe such a commitment should be recognised by application of an additional security factor, as suggested in one of the possible alternatives flagged by a working group member.

Second we are pleased to see recognition of developer consents resulting a security falling from 42% to 10%. However we believe that an additional milestone, that of Financial Close (or the Financial Investment Decision, FID) should also be recognised. Once FID has been passed, a project is almost certain to go ahead, as such the risk to the TO of assets becoming stranded falls almost to zero. Inclusion of such a milestone need not preclude National Grid undertaking works on its own account if it is needed for wider system reasons.

6. Pre- and post-commissioning generation differ

The proposal appears to see avoiding discrimination between pre-commissioning (i.e. new generation) and post-commissioning (i.e. existing generation closing or reducing TEC) as a key objective (as well as a binding constraint in offering choice). We do not accept that assets pre- and post- commissioning are equal and opposite and that arrangements need to be symmetrical to avoid discrimination. Different projects ***and*** technologies at different stages raise different levels of risk to both the transmission operator and the developer. We agree that transmission owners should make efficient investment, but this is as much a matter of information as liability.

For pre-commissioning developers with new assets being built, which is our focus, appropriate liability should be in place, but it needs to be shared appropriately between generators, consumers and the network. We agree that some investment may be unnecessary if an existing generator indicates that it will close in the meantime, but we believe the right approach is to ensure accurate and timely information flows to the transmission owner backed up by an appropriate security deposit. Requiring existing generators to face a liability for up to four years in all circumstances seems an attempt to indemnify past expenditure and is more akin to a 'closure tax'. Neither of these properties are valid objectives under industry rules.

More generally there are clearly instances where discrimination is appropriate (i.e. due discrimination), but we believe the proposer is misinterpreting the earlier outcome of CAP131 in this regard. We believe its interpretation that such considerations necessitate a single common methodology that extends in all material respects to all technologies at all stages is excessively influencing several elements of the proposal.

In short, pre- and post-commissioning assets create different situations and these can be treated differently albeit within a common framework without unduly discriminating between them. Furthermore where the costs to the system are different arising from different technologies, rules should be flexed to reflect this reality.

Alternative proposal

We have pulled together the key elements of our response where proposed mechanisms differ from those in the draft report. These are summarised at Box 1 as an Alternative Modification Proposal.

Box 1—Statkraft Alternative Proposal

Grandfathering of existing arrangements

Interim FSL arrangements to continue to be available

0% of wider works included in liability (net of future proof/strategic works – i.e. shallow, not deep)

Commitment amounts calculated as is in the pre-trigger period (£1/kW, £2/kW up to £3/kW)

Material capex to be carried out by TO pre trigger if pre FID subject to developer's approval

3 yrs securitisation post cancellation amount trigger (not 4 years), with 33% steps, for offshore wind

Securitised amounts fully reconcilable

Recognition of other sunk financial commitments for project developers to be netted off securitised amounts

We would be happy for the various elements listed here to be used as a package, in combination or for the eight elements to be treated as separate, should the Workgroup choose.

Detailed response

A set of responses to the questions raised in the consultation is attached in a separate document.

Please let me know if you have any questions on this response, including the Alternative, or whether you would like further comment.

Knut Dyrstad

Statkraft

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Knut Dyrstad* *e-mail: knut.dyrstad@statkraft.com* *Mobile: 0047-48026416*
Company Name:	*Statkraft UK Ltd.*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We have set out our views on the workgroup consultation at the general comments section of our response (**see attached separate document – Part1**), supplemented as appropriate by specific responses to the consultation questions below.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	If it were assumed there is no current baseline (simply because there is no codification of the current user commitment rules within CUSC) the formalisation of rules and exposing them to industry governance will deliver benefits. However, it is unclear in this context how the current interim policies should be taken into account. The proposal has a number of beneficial aspects (especially with regard to calculation of security amounts). However it is has elements that are in our view inferior to the current interim policies and do not promote the discharge of its obligations under the licence by the transmission licensees. Most notably: ▪ there is choice under the current arrangements, which

	contributes to the efficiency discharge of the licence functions by the transmission licensee and also enhances competition; ▪ in this context it is a moot point whether retaining or development of a specific methodology for offshore developers would better reflect developments in the licensees business (and therefore enable more efficient discharge of the licence obligations); ▪ the current interim FSL approach is more cost-reflective because it avoids loading of reinforcement and strategic works onto connecting parties and avoids generic assumptions; ▪ CMP192 loads costs onto developers by exaggerating liabilities that do not reflect realistic levels of stranding risk to which the TOs are exposed; ▪ by applying a generic, one size fits all solution across technologies the proposed solution fails to reflect different issues and costs faced by different types of technology developers. In particular we do not believe a four year commitment period for pre-commissioning generators is appropriate to offshore wind developers and cannot be cost-reflective; ▪ the proposed generic solution seeks to parallel the TOs' costs albeit based on highly averaged assumptions, but does not take into account the generators expenditure and therefore cannot in the round be cost-reflective and therefore allow licensee to discharge its obligations efficiently. Specific reasons for this are that the proposals: ➢ do not take into account other financial commitments secured against the developer; ➢ ignore the importance of the FID in allocating cost and risks onto the developer; and ➢ ignore typical development timescales for individual technologies. Conversely we believe that the Statkraft Alternative addresses these defects in the proposed solution enabling the licensee to discharge its obligations more efficiently and leading to more competitive outcomes in the generation market.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	We do not disagree with the implementation timetable but do wonder if there is sufficient time to fully detail the proposed solution in a way that is equitable to all technology developers. The timetable will need to embrace a transitional period whereby schemes currently on the table can take up the interim

	methodologies already in place.
Do you have any other comments?	We remain concerned that National Grid has not established the correct baseline – including the relevant of the current interim methodologies - and therefore the basis on which proper evaluation can be based. This is a key consultation for offshore wind developers and the timescale for responses has been limited especially given the concurrence of the summer holiday period, Given the importance of this issue we would expect Ofgem to conduct a full regulatory impact assessment before decisions are taken.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*If yes, please complete a Workgroup Consultation Alternative Request form, available on National Grid's website, and return to the above email address with your completed Workgroup Consultation response proforma.*

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	No, we do not agree with the allocation of wider works liabilities to pre-commissioning users. The basis of liability should be **local works only** as precedented by the current interim Final Sums Liability (FSL) methodology, which was applied following the Transmission Access Review and extensive industry consultation and discussions with Ofgem (*April 2010 Final Sums Liabilities consultation*). Wider works are attributable to reinforcements that are for the most part for the future benefit of all grid users and are required to enable TOs meet there licence obligations. If there is to be any allocation to generators for **wider works it should not exceed the 27% share of grid charges** that they current face. Connect and Manage was implemented as a means of enabling generation to connect ahead of wider reinforcement, with accompanying SQSS derogation. The proposed application of compliance factors for reinforcement across SQSS derogated boundaries recognises that the investment is not related to individual schemes but to all users. The addition of this "locationally constrained" generation is the corner stone of the government's plans for new generation over the next 10 years to ensure security of supply. In the case of **dedicated local assets**, a 100% allocation of the relevant costs to the connecting generator would seem justifiable. As far as local works are concerned we agree with the work-group member who considered that local works begin to look like wider when they connect more than one generator and where they share with demand. Some local works, once completed, may then become wider for later connections. We agree that if is difficult to understand in these cases how a new entrant triggering a reinforcement to the UK grid leading to an extension of the MITS should be treated differently to a party connecting to an existing MITS node. We therefore support a **50% sharing factor for local works** in this case. Significant strategic investment in the UK transmission network is required over the next 10 years, we do not believe it is correct to target this mainly at developers as it will become a barrier to building new generation assets, which are the vast bulk of the required £200bn investment required. Excessive and inappropriate user commitment at the early stage will act as a significant barrier to generation investment. This factor will be more important as we move towards an "offshore integrated network" with assets built as wider works that will be a step-change in costs (i.e. HVDC links between Round Round 3 zones, costing potentially billions of pounds).

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	First we believe that the treatment of pre-commissioning and post-commissioning are quite separate issues and as such there is no requirement for the approach to each to be the same. For pre-commissioning, the four-year proposed cancellation notice has been derived from National Grid's experience with regard to a range of new connection and infrastructure projects as being a minimum period during which it can reasonably change its plans. Such an approach completely fails to take into account a developer's project timelines. We believe there should be alignment so that the developer and TO agree when local works should begin and this, and the length of time to commissioning, should then set the cancellation period. As such we would like to see flexibility both in terms of the trigger start date and duration. As far as post-commissioning is concerned, National Grid has proposed four year user commitment as this reflects the current and proposed situation for pre-commissioning. There is no other justification given for a four year commitment period, and we agree with many members of the working group who felt this to be unworkable and effectively representing a "closure tax." The key issue for National Grid is to have information regarding future requirements for its assets so that it can make efficient investment decisions, but the impact of this proposed approach on generators is wholly disproportionate. The proposals therefore place an additional and unrealistic liability on post-commissioning generators for which a good case has not been made. This approach if implemented will reduce flexibility on the system at a time of great change in the generation base, which will have adverse implications therefore for security of supply. The connect and manage arrangements with a two year notice to close or reduce TEC (effectively a minimum of 1 year and five days) only came into effect in April this year; it therefore seems inappropriate for National Grid to be changing this even before it has a chance to take effect. This will invariably create more uncertainty and regulatory risk in the investment environment. We therefore support retaining a two year period for post commissioning commitment as currently.

Q	Question	Response
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	No. We note that National Grid presented the average spend profile of TO transmission investment projects and confirmed that it approximated to the 25/50/75/100 stepped proportions adopted by the IGUCM. Since the actual spend is usually an “S-curve”, this is actually worse early on for the developer (year 1) and better late on. Since developer worry is around early commitment, we think a 20/50/80/100 profile is more cost-reflective or even 15/50/85/100. For offshore projects, we think a profile based on three years, with 33% steps would be more aligned with actual experience of projects.
4	Are there any further implications of project slippage that should be considered?	A significant failing of current arrangements and the proposal is any form of alignment between a developer’s timetable and that of the transmission owners. We believe it is imperative that the two timescales where practical are aligned, in terms of both trigger points for expenditure (and application of appropriate liability) and for revisions due to slippage. If the FID becomes the trigger, for significant expenditure and liabilities, the risks arising from slippage would be greatly mitigated. Where slippage occurs before the trigger point, it would be appropriate to maintain a default liability basis, i.e. £/kW basis (revising the tariff to reflect time before the revised trigger point, e.g. if slipping at t-6 then maintain £2/kW until t-5).

Q	Question	Response
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Pre- and post-commissioning represent quite different issues in terms of liability to transmission investment; as such they should not be treated the same (or as equal and opposite). Pre-commissioning security is a matter of indemnifying the transmission owner against inefficient expenditure on behalf of a users who has yet to commission their own assets; as such cancellation or default by a pre-commissioning user may lead to asset stranding, although the likelihood of a project not being taken over by another party, especially at a late stage is very small. In contrast post-commissioning liability (we agree there should be no securitisation) is, in the terms of the proposal, seen primarily as a vehicle for ensuring adequate notice is given to the TO; it is not there to indemnify the TO for past expenditure. We have concerns that the proposal is not addressing the issue it is seeking to resolve, i.e. a means of ensuring information flows to the TO. Instead, as we have suggested above, the proposal is effectively seeking to apply a closure tax. Pre-commissioning liability should only apply to the assets at risk, the local works, while post-commissioning users should not face a liability per se but a requirement for some payment of TNUoS, and we believe the current requirement of 1 year and 5 days is a suitable requirement and we note that historically there have been no defaults on CUSC payments by post-commissioning users. In addition we would support strengthening of other avenues, such as Grid Code submissions or notifications under the licence, which would enable potential closure or TEC reduction information to be made available as soon as possible; or alternatively, confirmation of continuing TEC. This dialogue would need to be established within a commercially confidential framework.

Q	Question	Response
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We welcome the proposal's recognition of increased project certainty as a project progresses; namely security for pre-commissioning generators at 42% prior to key consents and 10% post consents. However as we have explained we would support the addition of an FID-based trigger after which the project is almost certain to proceed. However, whilst welcoming reductions in securitisation, as stated elsewhere these factors must relate to "liability" not security in order to have a material impact on developer ability to invest. Liability should reflect the risk of a project cancelling; as a project becomes more and more certain, so the liability should reflect the reducing risk to the TOs.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes, see Q5 above. Security for post-commissioning generators would be both unnecessary and a significant additional cost to the industry.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	No comment.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We believe that where local assets are sole use, then a 100% allocation of security is appropriate. Where the new connection means a non-MITS substation becomes a MITS substation then this should be taken into account.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	We do not agree with the application of security for wide work assets.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	No comment.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	No comment.

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	By their very nature, wider assets are required for all users, as such we question the likelihood of wider assets becoming stranded. In particular we believe a methodology is required to identify redundant asset reuse, including a recognition that the TOs may seek to retain assets for strategic reasons or in order to retain a wayleave. If such assets do become stranded, then reuse wherever possible must be the most efficient outcome; we therefore support the inclusion of the reuse factor proposed.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Yes. We support the principle of asset reuse in terms of determining a realistic 'actual' value at risk. Any generic approach, while simpler than specific, does run the risk of averaging. We know from our own experience that asset requirements can vary significantly between sites. We would support a generic approach where this reflects particular asset groups, e.g. switchgear, transformers, lines and cables etc. as these will have similar reuse potential within a group. We note that the TOs have never given up way-leaves.
15	Which definition do you believe should be used for attributable generator works, and why?	We support the use of the CUSC section 14 definition (MITS); this is a clear and transparent definition and realistically reflects the extent of user-attributable works. However we believe that a connection which converts a non-MITS substation into a MITS substation should be classified as MITS for the purposes of allocating pre-commissioning security.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	As we have noted different technologies can raise different issues, and the same applies to the offshore, onshore differences. In this instance, however, we see no reason why similar treatment cannot be adopted.

Broader Policy questions

Q	Question	Response

17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe National Grid is using the rejection of CAP131 on the grounds of discrimination as the basis to treat pre- and post-commissioning on the same basis, which we do not consider appropriate. The premise behind the proposal is that adding new generation or removing generation has an equal and opposite effect on the need for network capacity and so should be treated the same way as far as security is concerned. However, they are not the same: pre commissioning is about securing new transmission; post commissioning is however less clear. Is it there to enable better information to plan and avoid stranded asset or is it to indemnify previous investment and recover those costs, e.g. by TNUoS? We believe the objective is to enable National Grid to make more informed decisions and therefore make more efficient investment. In this case we believe there are better ways of doing this than applying what we believe to be a 'closure tax'. Therefore there is no clear reason why pre- and post-commissioning assets should be treated the same given their different characteristics. The differing nature of user commitment for pre- and post-commissioning users needs to be appreciated. For pre-commissioning users it is a direct reduction in their ability to invest. User commitment is a much higher proportion in comparison to development expenditure than in comparison to generation revenues for an operational plant, and therefore has a much higher ability to act as a barrier to new investment.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	User commitment should aim at avoiding inefficient future investment. It should do so by applying a proportionate level of security to deter frivolous or speculative applications. But the extent of the financial commitment needs to reflect the low risk National Grid sees under its price control and the reality that much of the wider works it carries out relate to reinforcement or future proofing for the generality of grid users.

19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Yes, any regime that unnecessarily ties up developers' funds will inevitably undermine the amount of investment – and therefore security of supply – at the margin. This situation can be expected to be more problematic with the addition of wider works, and may mean the termination of a number of existing agreements if current arrangements are not grandfathered. There is no doubt that the burden of wider network reinforcement expenditure over the next 10-20 years is going to be considerably higher than over the last 10 years. Any proposals that reduce the ability of developers to invest in new generating plant that is in line with the Government's road-map should be avoided at all cost. Securing the necessary investment, most from overseas companies who have a range of markets to invest in, will be challenging enough as it is without increasing barriers and deflecting investment funds.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	No comment.
21	What is your view of the impact of volatility on users?	A key issue for developers is certainty and stability, therefore volatility should be minimised wherever possible. In terms of local liability the proposal sees a forecast liability being made at around t-4.5 and this is the local liability until commissioning. While this provides stability, we are concerned (and our own experience shows this) that an incorrect forecast, which may overstate liability significantly, will not be revised. We believe that a choice of local liability should be offered, being fixed and variable approaches (as now). Taking into account previous forecast error we believe both approaches should include reconciliation against actual spend should a project be cancelled before commissioning and the security called.
22	Are there any further interactions that the Workgroup have overlooked?	More detail is required on transition issues and how those will affect pre-commissioning users. We believe existing agreements should be able to choose whether to stay on their current arrangements or transfer post April 2012 to new.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	As discussed above we believe that pre-commissioning generators should not be liable for wider works. We have already said above that a three year cancellation period should apply to offshore wind projects
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	We have already said above that a three year cancellation period should apply to offshore wind projects. The profile should be in uniform annual increasing steps of 33%.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	As above; we believe pre-commissioning should not be liable for wider works. If there were a liability say for 27% of the works, a capex-based liability would provide a better indication of future investment, shared between all users impacted by the expenditure, as such, in terms of cost-reflectivity (recognising that this may be zero). This approach is to be preferred rather than a TNUoS based methodology.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Yes, see comments above.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	Pre-commissioning generators should be able to choose between a fixed liability which will give certainty and a variable approach. The main issue here is the accuracy of TO forecasts; as such we believe any change in forecast should be reflected in changed liability where a variable approach is chosen.

28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	As we have explained above – see para 5 in response to Q1- there are circumstances where some of the costs of underwriting investment should be shared.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	The proposal recognises increased certainty as a project progresses. Achievement of developer consents is a significant milestone, which will increase that certainty. Developer financial close is a further step which will confirm developer commitment to the project; as such we would support a further reduction in security. While we welcome the discounting of security, we re-iterate that liability is the key issue of concern to developers and we would seek to see reductions in liability as a result of increased probability. We have already explained that material expenditure by the TO should be expressly approved ahead of the FiD if this will lead to a liability. If such agreement is not forthcoming, the trigger should be delayed until the FiD.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	Yes. The key issue for requiring security is to indemnify TOs against the risks of assets being stranded. The application of likelihood factors to security amounts recognises increased certainty of a project going ahead. Therefore anything which can reinforce that probability of a project going ahead should be considered. Payment to the Crown Estate is a very good example of pre-commissioning user commitment.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No comment.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Yes. As a minimum holders of existing agreements should have the option of retaining current terms or transferring to new arrangements at their call. Projects will have been established and financed on the basis of prevailing terms, and as such they may not be able to meet the possibility of potentially more onerous and volatile conditions under the new arrangements. National Grid should face incentives to furnish accurate forecasts of likely security and liability under the new arrangements under any approach.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	Yes. By establishing a more appropriate framework for generation connection, current barriers should be mitigated leading to more timely investment in low-carbon technologies.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Danielle Lane, Regulatory Affairs Manager*
Company Name:	*DONG Energy Power (UK) Ltd, on behalf of DONG Energy A/S and its affiliated generator companies operating or under development in the British electricity market*

Please express your views regarding the Workgroup Consultation, including rationale.
 	
(Please include any issues, suggestions or queries)
	• We are broadly supportive of the CMP192 proposals.
	• Our main concern is that the liability is not proposed to be reconcilable, and we would strongly urge for this to be the case.
	• We support a reduction of the notice period from 4 to 3 years for two reasons:
	  ○ As generators will find it hard to take a view of the market that is longer than 3 years, a 4 year notice period risks making a termination fee inevitable.
	  ○ Three years is a closer approximation of the time between final investment decision and commissioning of plant (for an offshore generator), which means that the risk to the generator is reduced.
	• As delays from National Grid can have a significant impact on a developer's costs, we would support the addition of a monetary incentive on National Grid to complete agreed works according to schedule.
	• Finally, we support a sharing factor between demand and generation of 27:73, to ensure consistency with TNUoS charging arrangements, recognising that this may need to change as a result of Project TransmiT.

Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	We believe that the proposal facilitates the CUSC objectives, as it is aligned with the overall policy objective to facilitate grid connections. We also believe that the proposals have the potential to improve competition, as barriers to entry may be reduced as a result of a reduction in the security requirement.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	We support the implementation timetable.
Do you have any other comments?	No.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	We agree that both generation and demand benefit from new TO assets. However, we believe that the wider works should be shared between demand and generation on a basis that is consistent across the CUSC. Thus a split of 27:73 to mirror the TNUoS arrangements is more appropriate.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We agree with the comment from the Workgroup that there is a risk is that generator may need to pay a termination amount, as it is difficult to forecast market and regulatory developments 4 years ahead. Therefore, we believe that 3 years would be a reasonable notice period for system. A shorter time period would benefit generators in two ways: • Facilitate the process of closure/TEC reduction of post-commissioning assets • Reduce the amount of security needed for a pre-commissioning plant early in the process, when the risk for the developer is the largest.

Q	Question	Response
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	We agree with the proposed profile, but as an organisation we would like to see the following: • A reconciliation process in the event of project cancellation, to ensure that a generator pays no more that the costs actually incurred by National Grid. • A detailed six-monthly statement setting out the total liability in event of project cancellation.
4	Are there any further implications of project slippage that should be considered?	No comment.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes, we agree. Pre- and post-commissioning generators have different agreements with the TO/SO and therefore do not need to be under the same requirements in terms of security.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	Yes, we agree, as overall, the proposals reduce the amount of security that needs to be put in place and so reduces the barriers to entry for the new entrants. However, we would like to stress the fact that the phase before key consents are achieved is the one where generators are facing the biggest challenges and financial risks. Reducing the security after key consents are achieved, does not actually reduce the level risks for a generator, as in this phase the generator has more certainty about the project moving forward and therefore the overall level of risk of abandoning the project is already reduced. Further, the definition of key consent is also not clear (section 4.79) and need further clarification: does it include TO works as well?
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	For reasons of simplicity and transparency, we agree that post-commissioning users should not be required to post security.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	We support the analysis provided in the section.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	Yes, we agree with the approach to apportion local VAR, although we believe it should be subject to reconciliation, as this would better reflect the loss for TO and relative amount of unutilised works.

Q	Question	Response
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	Yes, it seems the simplest to implement and to cover all possible situations
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	Yes, we agree with the position in the consultation document. Explicit sharing arrangements should be based on appropriate information and not subjective judgement. We note that capacity sharing for TNUoS charges is currently considered under project TransmiT. Should the TNUoS arrangements be modified to encompass capacity sharing, it would also be appropriate to consider it in more detail for user commitment.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	We agree with this approach as it would be the simplest to implement.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	The wider asset reuse analysis looks comprehensive and addresses all relevant issues. The asset reuse factor ensures that a generator is not liable for non-stranded assets. This should reduce the liability and associated securitisation costs, and reduce barriers to entry and improve competition.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	If the liability is reconcilable, we would support a global asset reuse factor for reasons of simplicity and transparency. We strongly support reconciliability, and believe that if it is not provided a specific reuse factor will be necessary to allow for an accurate drawdown of costs.
15	Which definition do you believe should be used for attributable generator works, and why?	We believe that the definition of local should be used to ensure consistency with the Connect and Manage methodology.

Q	Question	Response

16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	We do not consider the proposed arrangements to be suitable for offshore, for two main reasons:
		• Generators who opt for the OFTO build model are likely to face disproportionately higher liabilities compared to onshore generators.
		  ○ this is could result in a barrier to entry to new offshore developers, and
		  ○ could prevent developers from choosing the OFTO build option, and making offshore coordination more difficult.
		• The relative cost of partial socialisation of offshore local works is small compared to the overall system cost.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We agree with the approach proposed in the consultation. Not requiring post-commissioning users to post security is consistent with the reduction in securitisation proposed to reflect the reduced risk of stranded assets to NGET the closer a developer is to commissioning.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	We think that the aim of user commitment should be to avoid inefficient future investment. By securing work new users reduce the risk of stranded assets, and by asking for termination sums, NGET have a better view of the users on the system in the future: the effect should be to enable more efficient investment.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	We believe that the proposals have the potential to improve security of supply. Increased certainty of what plants are coming on and offline should be able to provide a clearer view of the margin.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	We support a 6 month update, as it will allow better budget control and reduce the risk of unanticipated changes to grid connection charges. For instance, visibility on the commitment profile around FID is very important, as timing of liability payments may have an impact on an investment decision, if the information that we have at FID is (say) 9 months out-of-date.

21	What is your view of the impact of volatility on users?	We agree that users should be allowed to choose between fixed and non-reconcilable, and variable and reconcilable local liabilities, as different generators may have different approaches to risk and volatility. The variable option needs to be accompanied by a detailed 6-monthly statement to ensure that developers hacve the best possible view of what their future liability may be,
22	Are there any further interactions that the Workgroup have overlooked?	Where appropriate, any changes to the user commitment arrangements should be consistent with changes coming out of Project TransmiT to ensure consistency across CUSC.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	We propose a 3 year notice period, see our response to question 2.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	We support a linear liability profile for pre-commissioning generators as this is the simplest and most transparent method.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	We believe that the liability should be based on CAPEX rather than TNUoS, as the TNUoS zones do not map the SYS perfectly. We believe that the same basis should be used for both pre- and post commissioning generators.

26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	See our response to question 3.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	Our preferred option, as set out in question 26, would be for a single reconcilable methodology. However, should two methodologies be implemented for CMP 192, we would support giving generators an option to switch.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	See question 1.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	This could be an option, as after financial close, the risk of cancellation is lower for generators.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	There is some merit in the concept of orders for large items (e.g. turbines) being used to offset National Grid's user commitment as they can be significant financial commitments which may, in some cases, be made ahead of financial close. However, this is not always the case and may act to discriminate against small generators as they will potentially get less preferential terms than other users.

31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	At the simplest level, the value of the contract entered into could be offset against the security due in a period. However, there may be issues arising over proof of contract and sharing what is likely to be commercially sensitive information. It is also likely that a threshold value would need to be determined and some consideration as to whether the value of contracts could be cumulative.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Based on the information provided this far, we support CMP 192 and believe it is a better alternative than the existing arrangements.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	CMP192 is aimed at improving access arrangements for new generation. As a high proportion of new generation in the next 10 years is expected to be low carbon, we would expect a positive impact on greenhouse gas emissions.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Stuart Cotten 01757 612 751
Company Name:	Drax Power Limited
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Drax supports initiatives that promote greater competition in the wholesale electricity market by lowering the overall cost of new entry. Drax further supports the recognition of there being a lower risk of a developer walking away from a project as it reaches key milestones, such as achieving key consents and financial closure. Drax believes that these elements of CMP192 Original will lower the overall financial burden placed on pre-commissioning users. In addition, Drax supports the provision of greater clarity of investment signals to both new and existing market participants. As such, Drax understands the motivation to introduce arrangements that provide all investors (in both transmission and generation) with greater information on transmission capacity availability in future years. However, it is unfortunate that the CMP192 Original is unworkable in its current form due to the notice periods it seeks to impose. Without a liquid forward curve in the wholesale electricity market, generators are simply unable to provide transmission investors with TEC reduction / closure signals four years forward. As is made clear in the consultation document, the aim of user commitment is to avoid inefficient investment in transmission assets. This aim can only be achieved if market participants are able to react to visible market signals and proposed changes to regulatory arrangements.

	Generation businesses (particularly independent generators) will make decisions on the viability of plant based upon the spreads they can achieve in the forward market. To provide the notice periods that National Grid is proposing, the wholesale electricity market would require four years of liquidity (preferably longer) across the forward curve. Currently, the forward curve struggles to attract liquidity greater than 18 months forward. To become a viable proposal, measures to improve wholesale market liquidity over the forward curve (at least four to five years forward) would be required *before* CMP192 Original was implemented. As such, Drax is unable to support CMP192 Original as it currently stands. In addition, policy decisions taken over the last year have led to increasing concerns over the ability to view and react to market signals beyond 18-24 months forward. The recent announcement by the Government to introduce a Carbon Price Support mechanism (or carbon floor price) means that a significant proportion of generators will be subject to a rate of tax that is unknown until two years prior to its application (on a rolling basis). Each of the issues outlined above points towards generators being able to provide two years notice to TEC reduction / plant closure, with notice periods greater than two years introducing significant additional risks for investors. As noted by some Workgroup members in the Workgroup Report, the creation of a longer notice period would equate to a closure tax that generators are unable to mitigate. Drax would be more supportive of an alternative proposal that allows investors in generation to react to key financial and policy signals, both internal and external to the wholesale electricity market. It is these signals that will drive investment and closure decisions over the coming decade. Finally, Drax believes that post-commissioning generators should not be required to provide security against their user commitment liabilities. Such generators are already connected to the transmission system, have on-going charging arrangements in place (for transmission and system charges) and are much less likely to walk away from a given project than a developer at an earlier stage of the investment process.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include	CMP192 Original does not better facilitate Applicable CUSC Objective (b), the facilitation of effective competition in the generation and supply of electricity. Whilst measures to help lessen the burden on pre-commissioning generators are a positive step forward, the benefits are outweighed by placing all existing and future generators in a position where their exposure

your reasoning.	to market uncertainty is greatly increased (particularly in terms of exposure to market price movements). In addition, the proposal places those generators that are subject to the Government's Carbon Price Support mechanism at a disadvantage to those that are not. Such generators will be subject to a variable rate of tax that is unknown until two years ahead of its application.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	The proposed implementation timeframe and transition methodology appears reasonable.
Do you have any other comments?	No.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No. However, Drax does support the Workgroup in further developing the following: • An alternative where post-commissioning users are subject to a two year user commitment / notice period, in line with visibility of market signals; • Greater choice (flexibility) in the potential methodologies available for securitisation for pre-commissioning users (e.g. an additional option that is equivalent to the current IGUCM methodology); • The use of a sharing factor on local liabilities for pre-commissioning users.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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Please send your responses by **16 August 2011** to 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.

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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.

Respondent:	*L Schmitz* *louise.schmitz@edfenergy.com*
Company Name:	*EDF Energy*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We support, in principle, the incorporation of appropriate and robust pre-commissioning liability and security arrangements in the CUSC. We share the desire to optimise and minimise, where possible, the risks of transmission costs which are faced by all users (including consumers and existing and future investors). However, it is important to recognise that there has been no historic data made available which can demonstrate that the risk of over investment in transmission has occurred. Indeed, given the regulatory oversight and incentive mechanisms already in place there is no evidence that the risk of future transmission overbuild is likely or material. Furthermore, the analysis by the proposer, within this workgroup consultation indicates that the annual forward view of risk is very low; whereas the risk of under investment is demonstrably more material. The proposer details the potential benefits of the proposal in respect of delivering efficient transmission investment. However, given the potential scale of the issue we have some concerns over the level of risk being passed to post-commissioning generators in the form of a four year notice period for TEC reduction. A four year notice period, does not, in our view provide generation with an incentive to relinquish TEC in an

	efficient manner. In fact, the proposal focuses the value of TEC as an option to generate and may affect behaviour in a number of ways. Two examples are: (1) the proposal might result in generation retaining their current TEC level as they approach end of life; or (2) the proposal might force generators to close early and/or front-load their remaining running hours under LCPD in order to close early and avoid lengthier user commitment periods. The impact of the proposal on post-commissioning generators should be properly assessed as it might have consequences for security of supply. The proposer has completed some initial analysis of this option as an appendix to the consultation and used their ELSI (Electricity Scenarios Illustrative) Model developed for the NGET price control to demonstrate the benefits and implications of transmission works) to consider some of the wider impacts on the market and therefore consumers. We believe that in order to understand the true impact on consumers, a fully quantified impact assessment is required which builds on the work commenced by the proposer and considers the electricity system as a whole rather than simply the efficiency of network investment. For example, an improvement in network investment might be outweighed by increased costs to consumers due to a reduction in the efficient exit of generators from the system. The potential for this to be the case seems to be demonstrated by the analysis in the report (paragraph 4.41) indicating a potential risk of less than 20p per year for a domestic customer. It is our view that any benefit of CMP192 remains unproven unless a quantifiable impact assessment is performed which incorporates robust bespoke analysis of the risk to prices and security of supply.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning. *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*	We recognise the intent of the proposer with respect to the efficient discharge of their obligations in that information from generators will facilitate their own responsibilities. Furthermore, we agree that incorporating liability arrangements for pre-commissioning generators might facilitate the connection of new generation. This may in turn lead to facilitating effective competition. However, as discussed above we suggest that the wider consequences of the proposals need to be fully investigated. We consider that the risk to the market and security of supply might override the potential benefits of facilitating competition by the connection of new generation.

(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.	

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	Yes.
Do you have any other comments?	None.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes, please see attached Workgroup Consultation Alternative Request form.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)), and what is the reason for your position?	Given the view that both generators and demand (consumers) should bear the risk of wider transmission system investment, we support the views of the proposer that a 50/50 sharing factor is reasonable for the purposes of allocating risk of over investment in transmission. We note also that the risk of under investment in transmission i.e. constraint costs are also shared on a 50/50 basis. Given the assumption that local transmission system investment is driven specifically by new generation projects a 100% allocation of the investment risk to the new generator seems reasonable.

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We do not support a four year notice period. We continue to believe that the baseline arrangements with a two year notice period for TEC reduction are adequate. However, we have raised a workgroup alternative request which might help to mitigate the impact of this four year proposal on security of supply and the potential for generators to retain their TEC or close early, as discussed above. Our alternative proposal is based on a better reflection of the interaction between the transmission owners and developers while retaining many of the features of the original proposal.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	The proposer's basis of % figures is entirely based on an average of transmission system investment projects. We would welcome an understanding of how often this analysis might be reviewed. We also consider that the averaging approach does not reflect those transmission investments which are not average and contain the potential for late delivery by the TO of contracted connection dates.
4	Are there any further implications of project slippage that should be considered?	We consider that the slippage of transmission system investment projects delaying the delivery of connection dates to be a relevant issue. The proposal has not addressed this possibility appropriately our workgroup alternative request better addresses this imbalance of risk.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes, we agree that in this respect pre- and post-commissioning projects present an entirely different risk of cancellation/closure. Therefore we support the different treatment in the original proposal which (1) requires a financial commitment from developers of new generation and (2) retains existing arrangements for post-commissioning generators where no financial security is provided.

Q	Question	Response
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We note the consideration of the workgroup to the suggestion that the risk of cancellation is reduced close to zero once financial close is reached. The original proposal suggests a level of 10% at the point at which key consents are obtained. It would be useful to understand if the proposer would consider that pre-commissioning projects could drop to zero security either at this point or a later project milestone.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes, as discussed above.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	Given the available data and the comprehensive review of the issues the assessment seems appropriate.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We agree that local Value at Risk (VAR) should be based on a cost reflective approach as this ensures that the risk specifically associated with new projects is appropriately allocated.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	Of the options discussed by the workgroup, the boundary method is a reasonable balance of cost reflectivity and simplicity.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	We agree that the generic nature of the methodology for wider works is in effect a sharing of the liability for transmission capacity across all generators. The pro-rata basis for any sharing of local works capex seems appropriate.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	The linear compliance factor seems a reasonable approach..

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	We support the approach to ensure that the wider asset reuse factor be reviewed; the assessment of NGET data seems satisfactory however we would welcome greater transparency of information from other TOs.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Ensuring that asset reuse for local works is specific allows for individual generators to have transparency of information with respect to the transmission investment works for their project. We hope that transparent information and a close relationship between developer and NGET will contribute to achieving appropriate information.
15	Which definition do you believe should be used for attributable generator works, and why?	We agree with the use of the CUSC definition of local works due to the benefits of transparency and consistency of treatment for different users.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	The approach ensures that offshore generators are not liable for onshore reinforcement which is forced offshore. This seems reasonable.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We recognise the merits of the proposal in the treatment of the risk of unnecessary investment in wider works being allocated on a 50/50 basis to both generators and consumers. Both, we believe, represent different risks to the transmission system and yet the proposal treats them similarly due to the overall view that all users of the system benefit from transmission system investments. Therefore, within the generation community we continue to believe that pre-commissioning and post-commissioning generators also represent different risks to the transmission system and might warrant due discrimination. However, for the purposes of CMP192 there might be merit in a similar treatment.

18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	We consider the avoidance of inefficient future transmission to be a primary concern in that sunk investments are adequately addressed via other means.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	The qualitative review of the potential impact on security of supply in the consultation document seems to capture the issues well. We also note in this context the additional work of the proposer in Appendix 6 of the consultation which considers an impact assessment of the proposal on post-commissioning generators. It is notable from this work that the least profitable half of the plants due to close over the next decade will do so two years earlier than they would have done under the existing arrangements. We consider that this conclusion could therefore demonstrate a more quantifiable risk to security of supply. We have discussed our views earlier on the need for a robust impact assessment of this proposal. Our preference for post-commissioning generators would retain the existing two-year notice period and mitigate this potential risk to security of supply. Our alternative proposal for a three year notice period would mitigate the risk associated with the original four year proposal.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	The provision of annual information aligns with the annual nature of the liability amounts however we believe that six-monthly information will provide users with a viable forecast of the amount for the coming financial year. Given the current activity in respect of transmission investment and new generation projects a six-monthly update might be more informative than annual reporting.
21	What is your view of the impact of volatility on users?	We consider that the impact of volatility is likely to vary significantly across different users of the system. For developers, the impact might be significant to their financial arrangements and could result in delays to the project. Similarly a notable step change in the liability for a post-commissioning generator nearing the end of life volatility may prove significant. We would hope that the provision of information will assist users in managing this issue.

22	Are there any further interactions that the Workgroup have overlooked?	We have no further issues to add.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	Our workgroup alternative request addresses our views in this respect. We believe that a three year period for pre-commissioning generators is appropriate for both wider works and local works. We consider that this three year notice period might be applied to post-commissioning generators as described in our alternative request. However, our preference for post-commissioning generators would retain the existing two year notice period.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	Our workgroup alternative request gives a 33%, 67% and 100% profile. We consider that this better reflects non-average transmission investment projects and the risk of late delivery of contracted connection dates.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	We support the use of CAPEX as a mechanism to capture the need to avoid inefficient future transmission investment. Were the existing notice periods for post-commissioning generators to be retained (our preference) then it might be considered reasonable to retain the existing TNUoS-based liability for simplicity. However, we would wish to ensure that there is sufficient evidence that it remains cost-reflective.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	We agree with a choice for pre-commissioning generators, and have included this in our workgroup alternative request.

27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	We would support switching between methodologies onto the non-refundable mechanism as this allows pre-commissioning generators a mechanism to better manage their financing. We believe that a final sums arrangements for local works liabilities, as it is ultimately fully reconcilable, should protect other users from any exposure to unnecessary risk and costs. Furthermore, a developer cancelling their project under a refundable final sums arrangement will neither under nor overpay for transmission investment undertaken on their behalf. A developer choosing to move onto a fixed, non-refundable liability is unlikely to have sufficient visibility of TO spend to be able to assume that a lower cost would be incurred in the event that they cancel their project.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	We consider that the consumer benefits from local works are difficult to describe and link to specific new generation projects. Therefore, given the assumption that local transmission system investment is driven specifically by new generation projects a 100% allocation to the new generator is reasonable.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	It is notable here that the original proposal uses a generator's key consents date as the point at which security might reduce to 10% of liabilities. Understanding the difference of impact between the original and an option for security to be zero from financial close might provide a basis on which such as decision might be made.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	We note that the proposer is seeking to allocate the risk of transmission investment to different users of the transmission system. Commitments made by new generation projects to other third parties does demonstrate the intention of the developer to proceed with their project, however, it would be very difficult to determine a non-discriminatory and transparent method of linking commitment to third parties with commitment to the transmission system. Without a more detailed proposal for such an alternative we are unable to offer and views on how appropriate such an option would be.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	Please see the above comments.

32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	We do not agree that keeping the existing liability and security arrangements for pre-commissioning generators is a viable alternative CUSC proposal. We would support retention of the existing two-year notice periods for post-commissioning generators as previously discussed. We offer an alternative proposal which mitigates the risks associated with the four year notice period of the original proposal.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	We believe that there is a possibility of an impact on carbon reduction targets as the proposal might better facilitate the connection of new generation projects. This is on the assumption that open-governance arrangements and transparency of user commitment for pre-commissioning generators improves connection processes. We consider that many new generation projects will be low carbon and renewable however, we do not agree that the impact can be described as material.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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Any queries on the content of the consultation should be addressed to Adam Sims at adam.sims@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.

Respondent:	*Simon Lord slord@fhc.co.uk*
Company Name:	*First Hydro Company*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*The current situation for post commissioning generators is acceptable (i.e two years notice). For pre-commissioning generators the proposed solution (40% then 10% security) is acceptable. There is clearly a difference between pre and post commissioning generation so we believe they can be treated differently.*

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	*Yes*

Do you have any other comments?	*No*
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*No*

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	Yes
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	Pre- 4 years, post two years
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	Yes the closer a pre-commissioning generator get to commissioning the more it becomes like a post commissioning generator i.e asset on the ground etc.
4	Are there any further implications of project slippage that should be considered?	No
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes post commission generators have assets on the ground and consents agreed. There is a significantly lower probability that the projects would not be able to be sold a s a going concern.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	Yes

Q	Question	Response
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes It would be a significant cost to the industry and consumers for what by any measure is small probability that any closure charge would not be met.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	Yes
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	Yes in principle but there is concern that for some southern zones the loss of generation would result in significant additional TO works. For this type of zone the liability should be set to zero. A further concern is that security is required for "load related capex" the majority of this capex is required irrespective of generators commissioning /leaving the system.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	Yes but for southern importing boundaries there is a problem with the methodology that the boundary capex would increase if generation exit the system.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	No. There is a concern that a liability of £239 m will be placed on existing users and £30 million new users. The majority of existing users will be at an age that they are unlikely to close. The methodology should use the S curve approach to post commissioning generators based on a generic 40 years to life in a similar way to boundary compliance (section 4.97). This would give a generator a liability of 20% of capex for a 40 year old generator.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	No a curve based on probability would give a better (more realistic) measure of the potential MW that might close.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	Yes
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Yes, should be achieved based on a project specific basis.

Q	Question	Response
15	Which definition do you believe should be used for attributable generator works, and why?	This should be based on the “Enabling” works definition which is the minimum level of works required to connect a generator.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	Yes

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe that pre-and post commissioning generators can be treated differently see Q5 due discrimination is apropriate
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	Avoiding inefficient future investment.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Yes closure decision will need to be planned without knowledge of market conditions given that 4 years ahead there is little information or liquidity in the market.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Annually
21	What is your view of the impact of volatility on users?	Predictability is important and information for users to be able to predict future liability need to be provided.
22	Are there any further interactions that the Workgroup have overlooked?	No

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	Four years ties up with NG investment
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	n/a
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	CAPEX based . TNUoS could change in its fundamental nature so Capex should be used.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Generic none-refundable

27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	No. All should be transferred on to the new methodology but with an option to exit at the point of transition.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Yes where there is significant sharing of local works amongst users (where shared is defined as no single user has more than 40% of capacity)
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	No it should reduce to as per wider works for 'shared local" where shared is defined as no single user has more than 40% of capacity.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Yes for post commissioning although methodology for pre-commissioning generators need addressing.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	Yes it would lessen the hurdle for new projects.


MAINSTREAM
RENEWABLE
POWER

National Grid
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

RE: CMP 192 CMP192 Arrangements for Enduring Generation User Commitment

Dear Adam Sims,

Mainstream Renewable Power is a global renewable energy company. We are developing onshore wind projects in North America, South America, and South Africa. In the German North Sea, we are developing the 1000 MW Horizont project.

In the UK, we are developing a series of large offshore wind projects. In Scottish territorial waters we are developing the 450 MW Neart Na Gaoithe project. Additionally, through the SMart Wind consortium, we are developing the 4000MW Hornsea Round 3 zone with our partners Siemens Project Ventures.

The current Final Sums Liabilities (FSL) arrangements are a significant impediment to project delivery and we therefore welcome this consultation. We support the original proposal and believe it best meets the stated criteria, (non-discriminate, proportionate, transparent, and stable). We also support some of the alternatives as explained in our detailed responses to the questions below. Specifically, we support the alternatives to:

- treating precomisisoning generation as postcomisisoning once it reaches the financial close stage, and
- allowing precomisisoing projects to offset their user commitment to National Grid with other forms of user commitment such as to their landlord or unrecoverable spend on projects.

Technical Questions

Q1: Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)), and what is the reason for your position?

No. For wider works, we accept the principle that both generators and consumers should equally bear the risk of inefficient transmission investment. However, we do not agree that the magnitude of possible inefficient transmission investment is equal to the total CAPEX spend on transmission investment, (even after making adjustments due to reuse, compliance, etc). For example, as part of Project Discovery, the range transmission investment by 2025 under its four scenarios is from £47B to £53; a very narrow range suggesting that there is little risk of overbuilding transmission infrastructure. In addition, generators are currently required not required to secure any wider works (”option 3”), including many generators who have accepted grid connection agreements under these arrangements. We therefore suggest that the sharing factor for wider works should be 100/0.

For local works, the sharing factor should only be 0/100 when the location is determined solely by the generator. For situations such as Round 3 offshore wind, onshore wind in Wales, and nuclear, the plant location is, to varying extents, out of the control of the generator. In these situations, the sharing factor should be reduced.

Q2: What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?

Given that transmission investment ramps up significantly at the four year out mark, we agree that four years is an appropriate notice period.

Q3: Do you agree with the percentages used within the notice period, and what is the reason for your position?

Yes, we agree with the percentages used.

Q4: Are there any further implications of project slippage that should be considered?

No

Q5: Do you agree that different treatment of security for pre- and postcommissioning generators is justified, and what is the reason for your position?

Yes, we agree that different treatment is justified for pre- and postcomissioning generators because of their significantly different circumstances. Given that postcomissioning generators have physical assets in the ground, there is no need to impose securities in addition. Also, we believe that generators should be considered postcomisisoning once they reach the financial close stage, as addressed in question 29.

Q6: Do you agree with the assessment of securities for precommissioning users, and if not how they should be determined?

Yes, we agree with these figures.

Q7: Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?

Yes. The physical plant of postcomisisoning should effectively be considered the security for postcomissioning users negating the need for additional security to be posted.

Q8: Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?

We think the assessment underestimates the cost of posting security principally because the Cost of Capital assumptions seem low. (Need to justify)

Q9: Do you agree with the process for apportioning local VAR, and what is the reason for your position?

We agree that local VAR should be based on specific local CAPEX and fixed at the outset to add stability.

Q10: Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?

Yes

Q11: Do you agree with the approach to capacity sharing, and what is the reason for your position?

As long as generators are not subject to additional security due to any “future proofing” or any other transmission works incurred in addition to the minimum needed to connect a generator, then we agree with this approach.

Q12: Do you agree that a linear compliance factor is appropriate to account for the implications of DECC’s Connect & Manage decision, and what is the reason for your position?

Yes, we agree with this approach.

Q13: Do you agree with the analysis of wider asset reuse, and what is the reason for your position?

We agree with the analysis of wider asset reuse. However, we believe this figure should be regularly revisited to ensure it remains current.

Q14: Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?

Yes, different plant type will have a different make up of local assets. For example, offshore wind projects will have a significant amount of undersea cabling that would not be present in the local works of a CCGT or nuclear plant. Therefore a specific process for local works seems reasonable.

Q15: Which definition do you believe should be used for attributable generator works, and why?

We agree that section 14 of the CUSC should be used as the definition of local works, primarily because of the clarity it provides. However, section 14 of the CUSC is based loosely on definitions contained in sections 2 and 4 of the SQSS. The SQSS is currently under review as it applies to offshore. Once the review is completed, the use of CUSC section 14 will need to be revisited in order to ensure it still best reflects the concept of local works.

Q16: Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?

We believe the proposed offshore arrangements are suitable. However, there are many regulatory uncertainties associated with offshore networks such as the implementation of the enduring OFTO regime, and any outcome of the Offshore Transmission Coordination Group. Depending on their outcome, these could have implications for the distinction between wider and local works offshore.

Broader Policy Questions

Q17: Do you believe that treating pre-commissioning and postcommissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?

We believe that treating pre-commissioning and postcommissioning users differently for user commitment is due discrimination. Clearly, postcomisisoning users have shown user commitment beyond any financial security they could provide to National Grid simply by being there and having invested the significant amount needed to build the power station.

We note that there has been significant concern within the industry about the current difference in treatment between pre and postcomissioning users. This is because under the current arrangements, the entire burden of new transmission investment is borne by precomissioning users even though, arguably, some of the new investment is caused by existing users. Therefore, the problem is not that pre and postcomissioning users are treated differently, but rather that precomissioning users are securing works associated with postcomissioning users.

Even though the CMP192 proposals do not require postcomissioning users to post security, this does not result in additional securities being imposed on precomissioning users. This is a significant improvement from the existing arrangements and makes the different treatment of pre and postcomissioning users justifiable.

Q18: Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?

The aim of user commitment should be to avoid any inefficient future investment. As pointed out in the consultation document, this risk is far more likely and can be better addressed by user commitment.

Q19: Do you consider that the proposal will have an effect on security of supply, and if so why and how?

This proposal may have some impact on security of supply. However, given the multiple different ways this proposal could affect security of supply, and the many other policy and regulatory debates current in the electricity industry, the effect on security of supply should not be considered significant.

Although it is true that imposing liabilities on post commissioning users may cause them to close early and therefore increase security of supply concerns. It is also true that if the CMP192 proposals have a positive impact on precomissioning users allowing them to connect earlier, then this may offset any plant closing earlier. Also, in a wider context, the government is promoting renewables and nuclear power for a number of reasons, one of them being to increase security of supply in the context of protecting the UK from being reliant on foreign fuel sources. In this sense, thermal plant closing earlier to be replaced with new renewable/nuclear plant would increase security of supply.

It is impossible to measure these varying effects on security of supply to credibly determine whether the CMP192 proposals will have a significant effect on security of supply.

Q20: Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?

We do not have a position on this.

Q21: What is your view of the impact of volatility on users?

This proposal appears to lower the volatility on users. This is a definitely a positive element as volatility in user commitment is an unhedgable risk.

Q22: Are there any further interactions that the Workgroup have overlooked?

No

Alternative Option Questions
Q23: With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.

We believe the notice period for wider works should be as little as justifiable possible. Given that transmission spend markedly increases 4 years out, 4 years seems reasonable. However, the notice period for pre and postcomisisoning users should be the same as postcomisisoning users so if they are 2 years, then the same should apply to precomissioning.

Q24: What should the liability profile for wider works be for precommissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.

Yes

Q25: Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.

There is currently significant uncertainty regarding how TNUoS will be calculated in the future. Assuming that clear, transparent, and stable liability could be calculated from TNUoS then that would seem a reasonable alternative.

Q26: Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.

Yes, precomissioning users should have a choice. There is a wide variety of developers entering the market and based on factors such as their financial strength, familiarity with the UK market, etc, they may wish to have either refundable or non-refundable user commitment. As much as possible should be provided.

Q27: Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, nonreconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.
Yes, we believe generators should have the option to switch. Just as in our response to Q26 we noted that there are different types of developers who will want different user commitment arrangements, as precomisisoing projects reach certain milestones and potentially new investors are brought in, the choice of refundable or non-refundable user commitment may also change. The only restriction on switching should be to avoid any “gaming” of the arrangements.

Q28: Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.

Yes, we believe a sharing factor should apply to local works. Local works in some situations such as offshore wind and islands connections can be very significant. In these situations, the security required for local works could go beyond any reasonable amount needed to show commitment to a project and therefore go beyond what is needed to avoid inefficient transmission investment; the primary goal of user commitment. In these cases, a sharing factor is reasonable.

Q29: Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.

Yes. The justification for postcomissioning users not having to post security is that because there are physical assets in the ground, there is no plausible scenario where the power station, or the site of the power station in the case of repowering, will not be used and therefore no scenario where the associated transmission infrastructure will not be needed. Even in the case where a generator has gone bankrupt, there has never been a case where a power station site has not continued to be used.

Although the physical assets will not be present until commissioning, the likelyhood of them being there rise to 100% once financial close is reached. Because of financing arrangements with external funders, and contractual agreements with suppliers, even if a developer wanted to cancel a project after financial close, it wouldn’t be able to. Therefore, securities should reduce to zero at financial close for the same reasons that they do for postcomissioning generators.

Furthermore, financial close is a well defined term in the infrastructure industry and therefore possible to use as a milestone. For example, the definition used in the consultation is used for to trigger transmission investment for offshore wind farms in Germany. Also, when DECC originally

proposed 2 ROCs for offshore wind, they used a proxy for financial close (turbine supply agreements) as a criteria for eligibility for 2 ROCs.(need to source)

Q30: Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.

Yes, the purpose of user commitment is to prevent inefficient transmission investment. There is an implication in the current and proposed arrangements that only security posted to National Grid can demonstrate commitment to a project. However, this does not recognise the fact that developers make significant commitment to their projects through development spend, and potential commitments to the landlord. These should be recognised as commitment to the project and reduce the need for additional user commitment to National Grid.

Q31: Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?
Yes. Where a generator demonstrates commitment to a precomisioning project by incurring/committing to cost that will be lost of the project fails to commission, then these amounts should be offset against the user commitment otherwise required.

Q32: Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.

We believe that not exposing precomissioning users to user commitment associated with wider works is positive and justifiable aspect of the current arrangements and should be maintained.

We not that given the uncertainty associated with the OFTO regime, offshore coordinated networks, etc, it has never been clear how the existing arrangements would apply to offshore works. If the existing arrangements are maintained, this uncertainty would still need to eb resolved.

Impact & Assessment Questions

Q33: Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?

Yes, we believe these arrangements will lower the barrier for precommsioning users which tend to be of a lower greenhouse gas emitting nature than existing plant. Therefore greenhouse gas emissions should reduce. However, the precise amount would be difficult to justify.

I hope these responses are of use and look forward to this outcome of this consultation. Do not hesitate to contact me if needed.

Yours sincerely,

Nick Fedorkiw
Mainstream Renewable Power

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Albert Tait, Chief Executive, 01856 873535*
Company Name:	*Orkney Islands Council*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Overall, the Council believes that the proposal detailed in the consultation document is a significant step in the right direction, and the Council therefore welcomes it. The separation of liability from the requirement for securities, and the reduction of the latter through the application of different factors, will be helpful in reducing the barrier to entry created by user commitment. However, it does not remove it entirely, and the Council would like to see changes to the proposal which would further reduce that barrier. User commitment is particularly problematic in Orkney for a number of reasons: a) The total potential renewables resource in Orkney is large but individual projects (both onshore and offshore wind tend to be medium to small size, due partly to planning issues but also to the fact that a number of such projects are locally owned by small special purpose companies, or community trusts. Whilst current projects are distribution-connected, relatively medium to small size projects will continue to characterise the industry in Orkney in future, when transmission reinforcement is required. These companies are much less able to meet user commitment requirements than are larger, established companies. b) Capacity sharing is more of an issue in Orkney because of the size of projects, introducing greater risk to individual projects due to the interdependence of one

	project on the continued commitment of others. c) The huge imbalance between local and wider costs of transmission reinforcement, compared with the national average. The consultation document itself notes (para 6.36) that, nationally, local costs are around one third of total capex spend on the system, whilst in the islands the ratio can be in excess of 23:1, due to the distance to the nearest MITS point (Blackhillock in Orkney's case.) As a consequence of these factors, the Council's view has always been that connection arrangements constitute as significant a problem for Orkney as the more high-profile issue of transmission charges, and the Council has followed the work of the CUSC panel on connection arrangements with great interest, and (as noted above) broadly welcomes the proposals for separation of liability and securitisation, with the reduction of the latter. There remains some lingering concern that the retention of full user liability for stranded assets will still deter some developers and investors, particularly for smaller and less financially strong and sophisticated companies. The Council notes the discussion (in and around para 4.75) about the treatment of liability in company accounts, and the conclusion that this would not appear on the balance sheet but could impact credit risk, thereby increasing costs for smaller, more marginal projects. The Council believes that in some cases this will constitute a barrier to entry. This underlines the strength of the particular points made below. The Council believes that consideration and resolution of the specific issues raised in this response will significantly increase the value of the proposal in terms of removing barriers to entry and accelerating the development of the rich renewable resources of the islands and peripheral areas of the UK. Orkney can offer a uniquely diversified range of renewables – onshore wind, offshore wind, wave, and tidal stream – and a very substantial aggregate capacity, in excess of 1GW by 2020 and even more in later decades. There will be significant benefits to future UK consumers if the current barriers to transmission reinforcement can be overcome.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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.*

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	
Do you have any other comments?	
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	*If yes, please complete a Workgroup Consultation Alternative Request form, available on National Grid's website, and return to the above email address with your completed Workgroup Consultation response proforma.*

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	
4	Are there any further implications of project slippage that should be considered?	

Q	Question	Response
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	

Q	Question	Response
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	
15	Which definition do you believe should be used for attributable generator works, and why?	Preference appears to be given in the consultation document to the established definition of 'local works' (to the nearest MITS point) because its basis on physical assets facilitates its application. The Council does not think facility of application should be the overriding criterion. It is interested in the suggestion by the Proposer (in 4.180) that a new definition of 'attributable' could be developed , in order that local transmission works are those which are affected by a limited number of generator users. In Orkney's case, the more distant parts of future grid reinforcement, i.e. that section connecting landfall in Caithness to the current MITS point at Blackhillock, will draw in much greater numbers of users than those sections closer to the islands. On a commonsense view, a section with a significant number of users has all the appearance of being 'wider works'. As the number of current and potential users increases, the practical difficulties of arranging shared user commitment multiply. Additionally, the consultation document elsewhere (5.27) envisages the situation where local assets may be subsumed into the wider network through organic growth. It would be more sensible, and indeed fairer, to anticipate this situation, by projecting and planning future MITS points, and arranging user commitment on the basis of that projected local/wider boundary. The Council believes that these ideas, which are in the consultation document, provide scope for an improved definition of local works, and that the Proposer and the CUSC panel should look at this again.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	

Broader Policy questions

Q	Question	Response

17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	
21	What is your view of the impact of volatility on users?	
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	

24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	

28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	The importance of this issue, clearly, is due to the more onerous commitment requirements relating to local, as opposed to wider, works. In this context, the Council is supportive of the alternative proposal for the application of a sharing factor to local works, on the same basis as it is applied to wider works. It acknowledges that this means shifting risk onto end consumers, albeit that risk amounts to a few pence per annum on the average consumers electricity bill, at a time when consumers are experiencing massive increases due to fossil fuel price increases. The benefits of reduction in user risk will accrue mainly to peripheral areas such as Orkney which have disproportionately high local works costs. Thus for this small increase in risk to consumers, they (consumers) benefit from a reduction in entry barriers for renewable projects in the richest renewable resource areas in the country, areas which provide both diversity in renewable resources, and in their geographic spread, thus increasing security of supply for consumers. In the Council's view these provide sufficiently strong arguments to justify the application of a 50/50 sharing split to local works.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	The Council is also supportive of this alternative, which proposes that security for local works should reduce to zero for pre-commissioning generators at financial close. There is a clear logic in the assertion that once financial close is reached, the risk of a project not being carried out sinks to zero, and the requirement for security should do the same.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	

32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	

nationalgrid

CUSC Workgroup Consultation: response proforma

CMP192 Arrangements for Enduring Generation User Commitment

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 **5pm** on **16 August 20111** to **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 **[XXXX]** at **[XXXX]**.

These responses will be considered by the Workgroup at their next meeting at which members will also consider any WG 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.

Respondent:	James Anderson 0141 568 4469; james.anderson@scottishpower.com
Company Name:	ScottishPower Energy Management & ScottishPower Renewables
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	ScottishPower supports the aims of this proposal to codify an enduring user commitment methodology within the CUSC where it will become subject to normal industry governance. The proposal represents a more equitable and logical approach to user commitment by pre-commissioning generators. However, we do not think that it is appropriate to introduce a 4 year notice period for commissioned generators who can provide 2 years notice at most based upon forward market data availability.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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* *The proposed methodology is complex and may be more costly to administer than either of the current FSL and IGUM methodologies. However, the proposed methodology removes current inefficiency of over-securitisation by pre-commissioning generators.* *(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. *The proposed methodology will reduce barriers to entry, and encourage the deployment of new generation through the implementation of appropriate levels of user commitment for pre-commissioning generators. This will increase competition. However, introduction of a four year notice period for post-commissioning generators may force early closure of some marginal plant thus reducing competition and security of supply, thereby reducing efficiency.*
Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	*ScottishPower supports the proposed implementation approach.*
Do you have any other comments?	*No.*
Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	*No.*

Specific questions for CMP192

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers /generators), and what is the reason for your position?	Yes. Consumers benefit from investment in wider transmission infrastructure and therefore it is appropriate that they share 50% of the risks during construction. Local works are largely driven by generator requirements. However all generators have a role in meeting demand and therefore generators should not necessarily bear 100% of this risk.

Q	Question	Response
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	The graph at 4.61 provides evidence that a four year notice period for pre-commissioning generators is appropriate. A four year notice period for post-commissioning generators is not appropriate as they do not have the information to make an efficient economic decision on closure in these timescales, A notice period of two years would reflect the market data available to generators when making closure decisions.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	Again, the graph at 4.61 provides evidence that the percentages proposed within the four year notice period are appropriate.
4	Are there any further implications of project slippage that should be considered?	The proposed treatment of project slippage on liabilities appears appropriate by freezing or adjusting liabilities until project timescales are caught up.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Different treatment of security for pre and post-commissioning generators is justified on the basis of the risk associated with each. While a pre-commissioning generator faces development and project finance risks until completion, the post-commissioning generator has assets which can survive the demise of the current owner and which will continue to be used and pay TNUoS under new ownership.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We agree that the risk of a project being cancelled prior to commissioning reduces significantly once key consents are obtained and this is reflected in the proposed methodology. It is important to have a level of user commitment from signing a Connection Agreement to avoid frivolous applications and continuation of the current £1, £2, £3/kW seems appropriate.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Post-commissioning users have a credit rating based upon their trading history which includes a history of payment of TNUoS charges. Further, their position is backed by the existing of commissioned generation assets which could be transferred as a going concern to an alternative user who would continue to utilise the transmission assets.

Q	Question	Response
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	Requiring high levels of security from both pre and post- commissioning generators restricts the capital available to them for further investment. There will be a cost to post-commissioning generators from providing security and the methodology used in 4.130 probably provides a reasonable estimate of this.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	Local Works are separately identified in users' construction agreements and therefore can be reflected specifically in the user commitment requirement. This approach has both simplicity and transparency of costs allocated to each user.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	The boundary method of allocating transmission investment has significant advantages of greater simplicity and transparency over an ICRP based method. Use of existing SYS boundaries and TO capex from the price control should improve the forward forecast of VAR to enable users to budget for future liability and security.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	We agree that sharing of capacity is implied by the allocation of VAR across generators based upon their TEC.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, And what is the reason for your position?	We believe that where a boundary is currently non-compliant, TO investment is intended to deliver compliance with the SQSS and not "additional" capacity for pre-commissioning generators. We do not believe that a linear Compliance Factor is appropriate in the way currently specified. Where a boundary is non-compliant, there is no risk of asset stranding, no liability should be assigned to pre or post-commissioning generators and the Compliance Factor should be set to zero. If any liability is to be assigned on a non compliant boundary this should only reflect the extent to which a generator's withdrawal would result in the over provision of capacity on this boundary. e.g. existing capacity shortfall on boundary 1000MW, generators awaiting future connection 900MW. If the TO is planning to build 1000MW of additional capacity and a 1000MW generator withdraws then the boundary would be over-built by 100MW and the compliance factor should be 10% (100/1000MW investment).

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	We agree with the use of a Global Asset Reuse Factor of 33% for Wider VAR based on the analysis carried out by National Grid. It may be worthwhile to re-visit the value of this factor at the end of each Price Control Period to ensure that it remains valid.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Local Works may entail more bespoke transmission design and assets and also a varying degree of site specific works such as civil works. Therefore a specific asset reuse factor should be adopted for each new connection's local works. The TO is in the best position to determine the specific reuse factor based upon their experience but should be obliged to provide justification for the factor if challenged by the new connectee.
15	Which definition do you believe should be used for attributable generator works, and why?	We believe that the definition of local works contained in Section 14 of the CUSC is the most objective and least ambiguous definition and should be used in the calculation of Local VAR.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	Many offshore developers will choose to manage the risk of delivering their offshore transmission assets through the generator own-build option and therefore should not be required to assume any liability for Local VAR. The issue of offshore local and wider works will need to addressed as soon as offshore networks become meshed and shared by multiple users and may require the definition of an Offshore MITS Substation.
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe that different treatment of pre and post-commissioning generators is due discrimination due to the very different risks associated with each. Through the payment of TNUoS charges over a number of years, a generator is likely to have paid the "sunk costs" of historic investment. In particular, post-commissioning generators have demonstrated their commitment to utilising the transmission system through completion of their generation investment. Pre-commissioning generators face several risks in completion of their projects such as construction and finance risks although it should be recognised that these risks reduce as the project approaches commissioning.

Q	Question	Response
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	There is no evidence of stranded transmission investment in the past. In most cases, transmission assets will be reused either by a new owner acquiring existing generation assets or by the redevelopment of the connection site with new generation assets. There is therefore no need to indemnify historic investments. User commitment should therefore be directed at avoiding future unnecessary investment, where possible, bearing in mind that it is widely recognised that there is an asymmetric risk from the late delivery of transmission investment (as evidenced on the Cheviot boundary). Therefore the costs of "over building" the wider transmission system should not be over stated as it provides additional capacity and security which will most likely be utilised by future connectees who will have to wait a shorter time for connection
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	For existing plant which does not have the information to make an efficient closure decision more than 2 years into the future, a 4 year user commitment period represents a closure tax. Introduction of the CMP192 proposal may therefore precipitate the early closure of marginal thermal plant seeking to avoid the introduction of this closure tax. This would have an impact on security of supply at a time when flexible plant is required to respond to the increasing amount of intermittent generation on the system.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Wider investment relates to more than one user and the information on wider VAR should be provided annually in line with changes in the SYS. In many cases, local VAR will be user specific and may constitute the larger of the two elements of user commitment. Given its scale, we would suggest that information on local VAR should be updated 6 monthly.
21	What is your view of the impact of volatility on users?	Volatility in user commitment amounts and the associated security requirements can have a significant impact on a developer's ability to progress projects to completion. Unexpected increases in security requirement at a time when project outlays are at their highest level can force developers to require additional financing or even the sale of the project. Certainty over the total level of financing reduces risk and therefore project finance costs.

Q	Question	Response
22	Are there any further interactions that the Workgroup have overlooked?	The workgroup appear to have considered the key interactions and, in particular, the need for transition arrangements to allow the orderly exit of LCPD plant.
23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	With reference back to Question 2, the graph at 4.61 provides evidence that a four year notice period for pre-commissioning generators is appropriate. If user commitment is based upon avoiding unnecessary future capital expenditure then a 4 year period reflects the period of highest investment by the TO. Given that we believe that due discrimination allows the different treatment of pre and post commissioning generators we do not believe that it is appropriate to apply the same notice period to post commissioning generators.
24	What should the liability profile for wider works be for pre-commissioning generators? For example, assuming 2 years' notice, do you agree with 50% (year-2) and 100% (year-1)? Please explain.	Again the graph at 4.61 indicates that a profile of 25%, 50%, 75%,100% would approximately reflect the profile of TO expenditure in the years immediately prior to commissioning assuming a 4 year commitment period.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	TNUoS charging does not accurately reflect the scale and scope of *future* TO investment and therefore if the aim of CMP192 is to avoid inefficient future capital expenditure then TO Capex provides a more appropriate measure of VAR. Although existing generators' liability is currently based on TNUoS, using TO Capex for post-commissioning liabilities would ensure consistency and avoid potential issues of discrimination.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Pre-commissioning generators should be offered the choice between refundable Final Sums Liability and the non-refundable TO Capex based liability for the local works only. This would allow the user to choose a methodology compatible with its own risk appetite and their perception of the risks of delivering the project. The liability profile under a Final Sums methodology may also reflect the timing of the TO spend more accurately than the generic 25%, 50%, 75%, 100% profile for local works.

Q	Question	Response
27	Do you believe pre-commissioning generators should have the option To switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	The user should have one opportunity to switch methodology from Final Sums to TO Capex during the pre-commissioning phase. This would allow the user to adapt the liability should the delivery profile of the connection works change. However, once on the CMP192 generic basis, the user should be unable to change due to the mutualised sharing of risk assumed under this methodology.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	We believe that a sharing factor could be applied to local works. Using the CUSC Section 14 definition of Local Works, there is no demand connected to the local works, however, the connection of additional generation capacity does provide an additional level of security of supply to consumers and therefore generators should not necessarily bear all of the risk. While a 50/50% factor may not be justified for local works, a lower sharing factor may be appropriate.
29	Do you believe that when pre-commissioning generators reach financial close (or a different project milestone), their security for local works should reduce to zero? Please explain.	The original proposal (4.77) sets the level of security required from pre-commissioning generators at 10% after key consents have been secured based on the likelihood of the project not completing. As a risk of non-completion remains, it would not be appropriate to set the security requirement for local works to zero at this stage. In addition, achieving a satisfactory definition of financial close, encompassing the criteria at 6.42, and which could be applied to all developers would be problematic.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	While commitments to third parties demonstrate a level of commitment to those parties they do not provide commitment directly to other transmission users. The original proposal reduces the level of security from pre-commissioning generators to 10% once key consents are obtained in recognition of the commitment made by the developer to the project and we do not consider that any further reduction is appropriate.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No.

Q	Question	Response
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	We believe that the original proposal addresses many of the issues of over-securitisation by pre-commissioning generators and provides stability and accountability through codifying the arrangements within the CUSC. However, we believe that the original proposals for user commitment from post-commissioning generators raise issues around the generators' ability to provide 4 years notice of closure. An alternative which incorporated the new proposals for pre-commissioning generators but retained the existing 2 year notice period for post-commissioning generators would address these concerns.
33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	To the extent that the proposal removed barriers to the entry of new, low-carbon generation enabling earlier achievement of government renewable targets, it would be expected to have a beneficial impact on greenhouse gas emissions.

Scottish and Southern Energy
Power Distribution

Scottish Hydro Electric Transmission Limited
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Adam Sims
National Grid Electricity Transmission
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Date: 15th August 2011

Our Reference: CMP192
Your Reference: -

Dear Adam.

CMP192 – "Arrangements for Enduring Generation User Commitment"

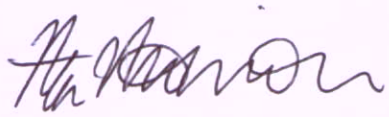
Scottish Hydro Electric Transmission Limited ("SHETL") is happy to provide NGET with capital expenditure data to support the development, implementation and on-going management of the CMP192 proposals. The exact data requirements and frequency of submissions will, however, need to be discussed and agreed ahead of the proposed implementation date. SHETL will also need to assess if there are any data confidentiality related issues in providing the requested data, particularly if the intention is to make this information publicly available.

To ensure that data of this kind is provided in a consistent and timely manner, any data provided as part of CMP192 (either now or in the future) should be based on an extract from an existing data submission (e.g. RIIO-T1 submissions, Quarterly Reports, Finals Sums etc) rather than being a bespoke requirement solely for CMP192.

Finally, the existing data exchange obligations contained within the System Operator Transmission Owner Code ("STC") will need to be reviewed and, if necessary, augmented to include any specific CMP192 provision. This should be brought to the attention of the STC Committee so they have sufficient time to consider the extent of any change, and if necessary, undertake their own consultation.

If you wish to discuss this response in more detail then you can contact me on 01738 456770.

Yours sincerely,



Alec Morrison
Manager, Transmission Commercial Policy

SP ENERGY NETWORKS

Regulation & Commercial

Your ref

Our Ref

Date

16 August 2011

Contact / Extension

0141 614 1953

Adam Sims
National Grid Electricity Transmission
NGET House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

CMP 192 – Arrangements for Enduring Generation User Commitment - Response

This response is from SP Transmission Limited ("SPT"), which as the regulated Transmission Owner ("TO"), owns and maintains the electricity transmission network in the South and central Scotland.

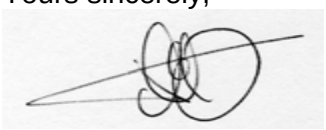
SPT are supportive of the CMP192 proposals, including the requirement as a TO to provide National Grid Electricity Transmission ("NGET") with capital expenditure information where this is required, and efficient, to enable the development, implementation and enduring management of the new arrangements.

Any new requirement to provide information should be agreed via the STC Committee in line with the code amendment process, with any new data exchange obligations being reflected within the System Operator Transmission Owner Code ("STC"). We are of the view information provided by the TO should be based upon the existing form of data submissions already provided to NGET and Ofgem.

SPT note the proposed obligation on NGET to make publicly available information in relation to TO capital spend. Before such an obligation is implemented, TOs will need to agree that confidentiality issues do not arise in making this information publicly available, or this may restrict the information that TO's are able to agree to provide to NGET.

Should you wish to discuss any aspect of this response further, please do not hesitate to contact me.

Yours sincerely,



Jim McOmish
Policy Manager, Regulation & Commercial

New Alderston House, Dove Wynd, Strathclyde Business Park, Bellshill, ML4 3FF

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CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Garth Graham (01738 456000)*
Company Name:	Scottish and Southern Energy, Southern Electric, Airtricity Developments (Scotland) Limited, Airtricity Developments (UK) Limited, Clyde Wind Farm (Scotland) Limited, Greenock Wind Farm (Scotland) Limited, Griffin Wind Farm Limited, Keadby Developments Limited, Keadby Generation Limited, Medway Power Limited, Slough Energy Supplies Limited, SSE (Ireland) Limited, SSE Energy Limited and SSE Generation Limited.
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	With respect to post-commissioning generators, we note the lack of any evidence of stranded transmission assets being provided to the Working Group. In our view therefore, CMP192 is seeking to address a defect that has not manifested itself for over 20 years and we therefore question the need for this change proposal. As a result, we do not believe that CMP192 should not be implemented
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*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* In our view, a four year notice period for post commissioning generators would clearly impose an onerous and unmanageable requirement to guarantee a level of information that they practically do not have. This would most certainly be counter to CUSC Applicable Objective (b) and could even be considered counter to (a) as well.

	In our view a VAR process based on ICRP is flawed, as the ICRP model (for the reasons established earlier this year for Project TransmiT) is wholly inappropriate for determining transmission charges. We also have concerns that the 'simple' apportionment of the VAR to boundaries, based on the SYS, is too arbitrary. This, in our view, is likely to lead to an inappropriate allocation of TO investment(s) to the transmission boundaries, leading to a distorting impact on generators (which would be counter to CUSC Applicable Objective (b)). We can see no improvement in security of supply coming from CMP192 and foresee a risk of detriment and therefore conclude that CMP192 will have an overall negative effect on security of supply - which would be to detriment of consumers, and could be considered to run counter to CUSC Applicable Objective (a).

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	We note the deliberations of the Working Group, as set out in Section 8 of the consultation document. We concur with the implementation approach (as set out in section 8 of the consultation document).
Do you have any other comments?	For the reasons we have set out in this response, we have great sympathy with utilising the existing arrangements for wider works, vis four (pre-commissioning) and two (post-commissioning) years.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	In light of the discussions in paragraphs 4.3 to 4.37 we do not support the 50/50 wider split. In our view a fairer split that recognises: as outlined in paragraph 4.40**, "**there have never been any stranded transmission assets…"; that both customers and generators benefit from wider investments; that the build of assets is approved by Ofgem and falls into the RAB; but also the desire to set a User Commitment level as a signal for efficient investment in the system; would be 25/75 (G/D) or aligning with the TNUoS split, 27/73.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We note the discussions in paragraphs 4.53 to 4.56. In our view there is a clear case for post commissioning generators having a two year notice period as this clearly accords with the period of time for two key (generator related) variables in terms of their decision to continue to operate; namely forward energy prices and the price of carbon. Furthermore, in our view, a four year notice period would clearly impose an onerous and unmanageable requirement on post commissioning generators to guarantee a level of information that they practically do not have. This would most certainly be counter to CUSC Applicable Objective (b) and could even be considered counter to (a) as well.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	We note that the percentages proposed (25/50/75/100) accords only with the TO time period, rather than that, necessarily, of the generator.
4	Are there any further implications of project slippage that should be considered?	In our view the Working Group has considered the implications of project slippage in paragraph 4.69 and we do not, at this time, believe there are any further implications.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	We agree with the different treatment of security for pre- and post-commissioning generators. As outlined in paragraphs 4.104 to 4.108, they are clearly different, in that they have different risks of default.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We are concerned by the proposal, with respect to pre-commissioning generators, to link the security step change from 42% to 10% to a not clearly defined event, namely 'financial close'. We fear that some parties might be 'tempted' to move the 'financial close' event in order to instigate this step change - whilst, in reality, not having actually achieved it. In our view the step change should be linked to clearly verifiable events; ideally independent of the developer; such as the granting of planning consent / environmental permitting etc.,

Q	Question	Response
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	We note the deliberations set out in paragraphs 4.104 to 4.108. Given that, since the industry was privatised in the early 1990's, there have been no examples of TNUoS going unpaid (even though generator parties have left the GB market) it seems perfectly fair and reasonable to treat post-commissioning generators in the way proposed - namely they should not be subject to the need to provide security. Given this, the increased cost to the industry and hence customers illustrated in paragraph 4.130 could not be justified.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	Yes. We concur with the assessment of the security implications detailed in the deliberations set out in paragraphs 4.112 to 4.130.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We note the deliberations of the Working Group on the matter of VAR. We have concerns over the openness of the VAR process.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	In our view a VAR process based on ICRP is flawed, as the ICRP model (for the reasons established earlier this year for Project TransmiT) is wholly inappropriate for determining transmission charges. We also have concerns that the 'simple' apportionment of the VAR to boundaries, based on the SYS, is too arbitrary. This, in our view, is likely to lead to an inappropriate allocation of TO investment(s) to the transmission boundaries, leading to a distorting impact on generators (which would be counter to CUSC Applicable Objective (b)).
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	We note the deliberations of the Working Group on the matter of transmission capacity sharing between power stations. In our view a possible solution to this would be the sharing modification brought forward under the suite of 'TAR' related changes a few years ago (which had widespread industry support).
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	Yes, we concur with the use of a linear compliance factor as a pragmatic solution, as set out in paragraphs 4.155 to 4.160.

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	We note the deliberations of the Working Group with respect to transmission asset reuse, as set out in paragraphs 4.161 to 4.167 and concur that, at this stage, a GARF of 33% seems suitable - although we would urge that this matter be reviewed on a regular basis. In our view, given the environmental statements of the parties involved, there is the potential for a higher level of transmission asset reuse. We note the comments in paragraph 4.174, namely that there have been no stranded transmission assets since privatisation. In our view this points to there being either a far higher GARF or that this CMP192 proposal, with respect to post-commissioning generators, is not required - as there is no defect for this type of user.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	We agree there should be a more specific process with respect to local works transmission asset reuse as set out in paragraph 4.168.
15	Which definition do you believe should be used for attributable generator works, and why?	In our view the definition should be 'local' (as set out in paragraph 4.177) as this is clearly understood by all users (pre- and post- commissioning). Furthermore, it is not subject to arbitrary change / alteration by the SO / TOs; as is the case with both 'enabling' and 'SQSS' - both of which are 'fluid' in terms of being uncertain, from a generators' point of view, due to the SO/TOs being able to amend them as they see fit. The lack of an open and transparent governance arrangement, for example, surrounding the SQSS make this the least preferred definition, from the point of view of generation users.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	We note the deliberations of the Working Group set out in paragraphs 4.188 to 4.193 and concur, reluctantly, with the Proposers' suggested wording in paragraph 4.191 for the reasons set out in paragraph 4.192 and 4.193.

Broader Policy questions

Q	Question	Response

17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe there is a case to be made for treating pre- and post-commissioning generators differently, whilst not acting in a discriminatory manner. In our view there is a clear case for post commissioning generators having a two year notice period as this clearly accords with the period of time for two key (generator related) variables in terms of their decision to continue to operate; namely forward energy prices and the price of carbon. In our view, a four year notice period would clearly impose an onerous and unmanageable requirement on post commissioning generators to guarantee a level of information that they practically do not have. However, given the planning / equipment ordering timeframes etc., it is far more feasible to set a longer notice period for pre-commissioning generators without imposing an onerous and unmanageable requirement on these (pre-commissioning) generators to guarantee a level of information that they practically do not have. For these reasons we believe that the notice period for pre-commissioning generators should be set at four years and post-commissioning at two years. We note the deliberations in Section 5 on 'Indemnification and stranding'. We further note the lack of any evidence of stranded transmission assets provided to the Working Group. In our view CMP192 is seeking to address a defect that has not manifested itself for over 20 years - we therefore question the need for this change proposal.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	We note the deliberations of the Working Group, as set out in paragraph 5.26 to 5.28. Whilst the Proposer believes that user commitment should be about avoiding inefficient investment, in our view it is not clear that transmission investment would, in certain parts of GB, be inefficient if a particular generator (be that pre or post) were to cancel. The reason for this is demonstrated by the investment in the transmission system in, for example, large parts of Scotland where there is (with the enduring Connect & Manage regime) a plethora of projects seeking to utilise the transmission system. Were a power station (be it pre or post) to 'fall away' the capacity associated with that plant would be quickly (if not 'instantaneously') unitised by other power stations. This is borne out by the statement in paragraph 4.40**, "**there have never been any stranded transmission assets…"

19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	We note the deliberations of the Working Group on this matter, as set out in paragraphs 5.29 to 5.39. We sympathise with the 'con' views set out in paragraphs 5.34 and 5.39. We can see no improvement in security of supply coming from CMP192 and foresee a risk of detriment and therefore conclude that CMP192 will have an overall negative effect on security of supply - which would be to detriment of consumers, and could be considered to run counter to CUSC Applicable Objective (a).
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	In our view the timeframe (be it six months or one year) should be linked to how often the User Commitment security / liability figure for each (pre- and post-) generator changes. Generators cannot be expected to accept a revised User Commitment figure (provided by the NETSO) without the fullest transparency surrounding how that figure was derived. This means that all the information that feeds into the calculation of the figure(s); such as VAR and boundary allocations etc.; must be provided so that generators can check (and have confidence in) the figure provided by the NETSO.
21	What is your view of the impact of volatility on users?	We note the relative volatility illustrated between TNUoS and the proposed strawman. However, we would highlight that any assessment of the volatility of the strawman needs to be taken in the light of the high level of volatility inherent in the current TNUoS methodology. We concur with the majority view of the Working Group that Users should have a choice between the two approaches set out in paragraphs 5.51 to 5.54.
22	Are there any further interactions that the Workgroup have overlooked?	We do not believe that there are.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	For the reasons we have set out in Q17 above, we believe there is a case to be made for a four year notice period for pre-commissioning generators (and two years for post-commissioning generators).

24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	In our view, taking account of the deliberations of the Working Group (in Section 6) on this matter, we believe that with a four year notice for pre-commissioning generators, the profile would be 25% (year-4), 50% (year-3), 75% (year2) and 100% (year-1) seems appropriate.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	In our view, given the details set out in the CMP192 report, we believe it would make sense (if CMP192 were to be implemented - which is not something we agree with) that it be based on the proposed new approach that is at the heart of CMP192 (namely the eight criteria set out in the original proposal, and detailed further in the consultation document). This being the case, pre- and post-commissioning should, in our view, be treated the same; i.e. both (TO) CAPEX rather than one or both being TNUoS; albeit one (pre) set at four years the other (post) at two years (for the reasons we outline elsewhere in this response).
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	In our view generators should be provided with a clear choice (based on the fullest information that its possible for the NETSO to provide) to enable the generator to make the most economic and efficient decision. This, in our view, ensures that CUSC Applicable Objective (b) is better facilitated. Therefore we agree that pre-commissioning generators should have the choice between refundable and non-refundable and that this should be (if CMP192 were to be implemented - which is not something we agree with) either CMP192 (non refundable) or Final Sums (refundable).
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	For the reasons we set out in Q26 above, choice is to be very much to be welcomed. However, this has to be tempered by the desirability to ensure some certainty for all parties concerned. Therefore we agree that there should be a one way (rather than both ways) option available to switch between methodologies. This will ensure that generators take due care an attention over that (one) choice.

28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	In our view the current (baseline) arrangements; 50/50 (G/D) for local; is appropriate. We note the Working Group deliberations on Area 3. Whilst we appreciate the concern in this area, in our view this may be an issue worthy of further deliberation by the UK Government and, in particular, the Section 185 powers available to them, rather than via CMP192.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	As we have noted in response to Q6 above, we have serious reservations about a 'milestone' being set which is linked to a poorly defined phrase; such as 'financial close'; which could tempt a generator to declare this to have occurred in order to reduce their security cover. We are not certain that, over the past 20 years, there have not been cases of pre commissioning projects reaching financial close and yet being halted.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	In our view the generators' liability, with respect to transmission connections, is to CUSC Parties and the NETSO. For us the 'simple test' to apply is would the other 'counter party'; such as the Crown Estate; be willing to accept a security / liability provided by the generator to the NETSO in lieu of their (Crown Estate) liability. We suspect the answer would be a resounding 'no'. Given this, and given that the counter party would look to have their liability paid first (and only then the NETSO liability - and the liability should only cover that counter party's needs, rather than that and the NETSO needs) that this suggested approach is both impractical and unreasonable. It would, in effect, remove completely the security / liability cover for these types of generators (which might be considered discriminatory). It could also give rise to unintended consequences as parties seek imaginative ways to perhaps 'engineer' a situation where, within a group of companies etc., they provide a 'User Commitment' to a landlord (who happens to be from within the same group of companies) and thus 'avoid' making any User Commitment to the NETSO.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	We have no views beyond those set out in Q29 and Q30 on this matter.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	For the reasons we have set out above we have great sympathy with utilising the existing arrangements vis four (pre-) and two (post-) years.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	We note that the Proposer stated that there would be a material impact on greenhouse gas emissions (if CMP192 were implemented) as it is anticipated to reduce the barriers to connection and as such to improve the situation for developing low carbon projects which are expected to replace older, more carbon intensive, generation. Given this we can only conclude that yes there would be a material impact.

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Michael Davies, 020 7484 2772 Mike.davies@futurelectric.co.uk
Company Name:	Wind Energy (Newfield) Limited
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	The Consultation is very thorough and we would like to express our appreciation of the efforts of those involved to rigorously review the many issues arising. In many respects we support the proposals but we have particular concerns on a small number of key points which are addressed in our responses below. In a number of areas where we have no strong view or where we feel we lack the level of understanding of the issues to make a meaningful comment, we have chosen not to respond.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	We believe that both the proposed original and the alternatives better facilitate the Applicable CUSC Objectives in many cases but not all. The various proposals all represent improvements on the approaches to user commitment and security which have been adopted previously in respect of most users. We have drawn attention below to those areas where we feel that problems remain and suggested ways to better address them in the interests of both the stated CUSC objectives.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	We are generally supportive of the new arrangements being implemented for pre-commissioning generators (our main area of focus) in April 2013. However we would ask the Working Group and most particularly the Proposer to carefully consider once again if they would be able to negotiate figures for Local Assets with all prospective generators in this time period. We question if

	this is viable.
Do you have any other comments?	Not at this time.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes. Please see the attached.

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	We agree in concept that there should be a sharing of risk between generation and demand. However it appears anomalous that this is proposed to be 50/50 for the purpose of wider works in CMP192 while TNUoS is divided between generation and demand on a 27/73 basis. We suggest that this latter ratio would be more appropriate in the interests of consistency. In the case of Local Works we consider that the issue has been over-simplified and on that basis we do not agree that 0/100 is appropriate as a sharing factor in many cases. For more detail on this point please see our proposed Workgroup Consultation Alternative Request.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	For pre-commissioning we accept the logic of four years in respect of wider works. Our position on Local Works is set out in our Workgroup Consultation Alternative Request. Post commissioning, whilst we understand the commercial point that decisions to continue or close older plant will be taken as a result of market conditions which are difficult or impossible to adequately forecast so far in advance, nevertheless as those decisions have an impact on TO investment decisions we consider it reasonable and appropriate that post-commissioning generators should have a matching four year notice period to terminate or reduce TEC. On that basis we do not support shorter periods.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	Yes we do agree with them. Based on a typical S curve expenditure profile there is potentially a case for reducing the Year 1 percentage, leaving Year 2 at 50% and increasing Year 3 but the approach suggested appears to have the merit of simplicity and the Proposer has suggested in the Consultation that these percentages do indeed approximate to its spend profile on transmission upgrades.

Q	Question	Response
4	Are there any further implications of project slippage that should be considered?	We consider that the principal impacts of project slippage are in the Local Assets and this point is addressed by our proposed Workgroup Consultation Alternative Request.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Yes we agree it is justified on the basis of the risk profile. Post commissioning generators are by definition already connected to the network while pre-commissioning generators are at risk of not connecting. The changes in risk are reflected by the proposed percentages within CMP192.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We consider that the proposed 10% risk factor for pre-commissioning generators with consents in place is too onerous and unrealistic. We support a Financial Close concept, at which point we believe that security should no longer be required as the risk profile of the generator is then analogous to that of a post-commissioning generator.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes, we agree on the basis that the overall cost to the industry – and therefor ultimately to the consumer – of such security would be excessive. Existing generators have valuable assets and should be well able to meet such obligations.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	Local VAR will form the basis of the largest element of user commitment in many cases. We do not agree with the process for apportioning it as set out in the Workgroup Consultation. We do not consider it to be reflective of the real world in our experience. We provide more details in our proposed Workgroup Consultation Alternative Request.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	

Q	Question	Response
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Yes we do agree with a more specific process for local works. To take the point addressed in the Workgroup Consultation document, in the early years financial commitments are made by the TO to procure assets which can be redirected to other projects or reused in other ways. Only later in the upgrade time line will those assets be put into the ground or otherwise used in ways which mean the costs of dismantling them etc will be too high to justify their re-use. It is therefore logical that the percentages of asset reuse must change significantly over time. We think this should be achieved by NGET making proposals to Generators which they can challenge with some form of simple arbitration mechanism – potentially through Ofgem – to ensure fairness.
15	Which definition do you believe should be used for attributable generator works, and why?	We answer this question in more detail in our proposed Workgroup Consultation Alternative Request. We believe that Local Works should be further divided into two categories, being (i) those required to connect a generator to existing grid infrastructure; and (ii) those required to strengthen existing grid infrastructure back to the MITS.
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	We believe, in the way proposed and with the additional benefit of the changes proposed in our Alternative Request, that such differences as may remain between user commitment for pre-commissioning and post-commissioning generators represents due discrimination.

18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	We consider that the aim of user commitment should only be to avoid inefficient future investment. Once investment has happened and an asset accepted into the RAB, the TO can fund it through standard mechanisms. There is no evidence of which we are aware to suggest that any problems exist of any material nature with regard to historic investment.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	
21	What is your view of the impact of volatility on users?	
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	

25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	We believe it should be based on CAPEX. We believe the proposals in respect of wider works, as embodied in the original proposal, are reasonable.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	We believe that there should be a choice between refundable and non-refundable. We further believe that generators should be at liberty to switch between the two whenever they wish but on the basis that if they wish to switch to a non-refundable position then at that point NGET may give them revised costs and a fee should be payable to compensate the TO's for the work involved in preparing such a proposal.
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	As mentioned in our response to Question 27, yes we believe that generators should be at liberty to move between the two methodologies.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Yes we believe a sharing factor is appropriate in many cases. Please see our proposed Alternative Request for more details.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	Yes we strongly support the position that security for both local and wider works should fall to zero at financial close.

30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No we do not support this. There is no relationship between the obligations to different parties.
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	No we do not.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	

2 Responses Received After the Consultation Deadline

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	Calum Davidson
Company Name:	Highlands and Islands Enterprise
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	Highlands and Islands Enterprise (HIE) is the Scottish Government's agency responsible for economic and community development across the northern half of Scotland and the islands. We welcome the opportunity to respond to this consultation on underwriting commitments and have chosen to limit our response to only the technical questions with the greatest perceived impacts for low carbon generation in peripheral areas. Please find these and more general comments below. Renewable energy resources in HIE's area constitute the greatest concentration of potentially exploitable renewable energy resources in the UK and the region is well placed to contribute to UK and European carbon reduction and renewable electricity generation targets *if* key regulatory barriers can be effectively addressed to facilitate deployment of renewable technologies. We note that the energy sector today is very different to when the previous grid connection underwriting regime was first conceived which we think is no longer successful in promoting a range of geographically dispersed technologies. Levying higher charges for access to the transmission network on generators furthest from centres of demand was an effective signal when the UK had an over-supply of conventional generation and secure sources of fuel. However, we feel it doesn't fit with current UK policy objectives which require a fundamental shift to a more mixed and geographically

	spread energy supply, including a significant renewable energy element. The interim connection underwriting arrangements made some attempt to address the barrier to renewables deployment they posed, however, we are not aware of any projects in the Highlands and Islands which were positively influenced by them and do not feel that they went far enough to stimulating renewables development in support of UK policy ambitions. In November 2010 HIE urged Ofgem to treat connection charges with the same gravity as transmission charges as the dual barriers to renewables energy deployment in the Highlands and Islands of Scotland. We therefore welcome the CMP192 process and associated consultation as a major step forward in addressing one of the two fundamental barriers to low carbon generation deployment across the UK.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	HIE believes that elements of the proposed original represent significant progress for UK mainland projects towards CUSC Objective (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'. Projects sited in the Highlands are regularly expected to provide significant security prior to achieving financial close. This leads to a reduction in the number of operators with sufficient access to finance to deliver these projects and a resulting lack of competition in generation and supply in areas with high connection costs. For example, there are 26 projects of ≥50MW in operation, under construction or in planning in the highlands but only 13 different operators which leads to a high incidence of repeat ownership. The proposed original should reduce the barriers to market entry in the Highlands assist towards creating the right conditions for investment in renewables from a range of sources. However, Island projects will still need to post significant securities despite the reductions under the original proposal. This leads us to support the Fairwind Orkney alternative which offers a more reasonable level of securities that will better facilitate CUSC Objective (b) both in the islands and other peripheral locations. **Rationale for Support of Fairwind Orkney (FO) Alternative** 1. The interim connection arrangements have already established the principal of a 50/50 split of liability between consumers and generators and while admittedly only arbitrary and interim, we believe that this has worked well for large parts of the UK. The Fairwind Orkney

	alternative is based on this established principal with a proven track record of connecting projects in many parts of the UK where connection costs are less extreme than the Highlands and Islands. 2. The ratio of local vs. wider capex spend on the system in the Highlands and Islands is significantly higher than in other parts of the UK. In the islands the ratio can be in around 25:1 whereas the average is around 3:1. The FO alternative seeks to redress this balance to a limited, but fairer extent. 3. Modelling by the proposer indicates an additional cost to the consumer of around six pence per annum. With recent announced increases in consumer energy costs and the wider benefits of a geographically dispersed, range of low carbon generation the alternative would assist towards; six pence would appear to be a comparably modest increase. 4. We are unsure as to how smaller operators will reflect liabilities in their accounts which will have a resulting impact on their credit risk and cost of capital. This will have a material impact on the ability of smaller and less sophisticated operators to enter the market in peripheral locations which is divergent from CUSC Objective (b). 5. The FO alternative is simple and supportable. Rather than trying to address laudable but complex issues of changing definitions of local and wider works; it proposes a tried and tested methodology which achieves some of the same aims.

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	
Do you have any other comments?	

Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	

Technical questions

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	Please see items 1-5 above detailing our rationale for supporting the Fairwind Orkney alternative.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	We believe that both the original proposal and FO alternative capture appropriate notice periods. We do have some sympathy with the view that existing generators cannot predict energy values more than 2 years in advance. However, this is unlikely to affect low carbon generation for a number of years, many of whom, in future, will have benefited from the revised connection agreements.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	
4	Are there any further implications of project slippage that should be considered?	
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	HIE agrees with the different treatment of security for pre and post-commissioning users. Pre-commissioning users present some risk prior to receiving consent while the risk with post commissioning users is sunk in the assets therefore no security should be required.

Q	Question	Response
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We support the FO alternative in that local works should not be differentiated from wider works insofar as the sharing aspect of the liability with consumers. In the original proposal the sharing factor for Wider is 50/50, in which case Local would also be 50/50. This is based on a principal which is proven in practice and would have a material impact on the development of projects in peripheral, high resource areas. We also support the view raised in the Mainstream alternative that security should drop to zero upon reaching a certain project milestone; in this case, financial close. Demonstrated financial commitment to a project to this extent should be interchangeable with 'zero risk of stranding'.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	We agree with this position as posting security would be an artificial barrier. The risk is already sunk in the assets and the threat of liability should be amply sufficient to encourage good communication between the generator and the SO. By imposing a security requirement NG could negatively impact the economics of operational power stations and force early closure.
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	

Q	Question	Response
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	
15	Which definition do you believe should be used for attributable generator works, and why?	
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	The FO alternative would offer a fairer balance between user commitment and risk of stranding and would better support UK policy ambitions.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	HIE believes that this is due discrimination but draw the important distinction as to whether or not it is disadvantaging. We consider the fairer treatment of pre-commissioning users vital in order to achieve a geographically dispersed, range of low carbon generation in line with UK policy ambitions.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	The proposal should have a positive impact on security of supply as it will remove a barrier to low carbon electricity generation in a range of locations around the UK. UK policy is to decarbonise its electricity supply and one of the most effective ways to do this is to deploy a range of different low carbon technologies with a large geographic spread to avoid correlation and decrease the effects of variable outputs on the stability of the system.

20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	
21	What is your view of the impact of volatility on users?	
22	Are there any further interactions that the Workgroup have overlooked?	

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	

26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	
27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Yes. Local should reflect wider works and have the same sharing factor with the consumer. In the context of the original proposal and in line with our support for the FO alternative this should be 50/50.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	Yes. Demonstrated financial commitment to a projectat financial close should be interchangeable with 'zero risk of stranding'.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	Yes. The Crown Estate require large bonds with offshore project developers which are both significant financial burdens but a display of commitment to a project. This is an additional barrier to entry which is not present in other parts of the low carbon sector which NG should take into account when considering user commitment.

31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	No. The existing arrangements form one half of the dual regulatory barriers to the deployment of low carbon generation across the UK, particularly for smaller, non-portfolio generators.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	Yes, by reducing one of the key barriers to deployment for low carbon generation, particularly in peripheral areas of high resource; HIE believes that the proposal will have a material impact on greenhouse gas emissions by facilitating earlier deployment of renewables.

SCOTTISH renewables
The Forum for Scotland's Renewable Energy Industry

CUSC Team
National Grid

Via email to cusc.team@uk.ngrid.com

19 August 2011

Dear CUSC Team

CMP192 Arrangements for Enduring Generation User Commitment

I am writing in relation to National Grid's CUSC Workgroup Consultation on the above CUSC Modification Proposal. Scottish Renewables supports the broad principles set out in the consultation document, and we recognise that this represents a positive step towards alleviating what has been a substantial barrier for renewables deployment in Scotland, and particularly for the islands of Scotland. Many developers have experienced great difficulty connecting to the grid, and even postponed the development of projects due to onerous underwriting requirements.

However, we urge National Grid to reconsider the notice period for post commissioning liabilities with broad consensus across the industry that a four year notice period is too long. This requirement would entail significant financial risk to developers at a time when government and regulators are looking to strike the correct balance between risk and reward to encourage investment in low carbon generation. Secondly, we are concerned that the proposed division of local and wider works will not address the significant barriers to island connections, and is surely not appropriate to expect individual generators or projects to underwrite connections to our island groups, all of which have significant wind, wave and tidal resources.

Yours sincerely

Niall Stuart
Chief Executive

Scottish Renewables
3rd Floor 49 Bath Street GLASGOW G2 2DL
Tel: 0141 353 4980 **Fax:** 0141 353 4989
Email: info@scottishrenewables.com
Web: www.scottishrenewables.com

CUSC Workgroup Consultation Response Proforma

CMP192 – Arrangements for Enduring Generation User Commitment

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 **16 August 2011** to 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 Adam Sims at adam.sims@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.

Respondent:	*Kirsten Elliott-Smith* *e-mail:* kirsten.elliott-smith@conocophillips.com *phone: 0207 408 6651*
Company Name:	*ConocoPhillips U. K. Limited / Immingham CHP LLP*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	The ambition to codify user commitment rules within the CUSC and allowing them to be subject to industry governance should deliver benefits. However, it is unclear in this context how the current interim policies should be taken into account and no attempt has been made to justify the merits of the proposal against current practice (IGUCM and IFSL). We note that the Group's proposals will reduce choice and result in existing agreements being replaced. This is not acceptable, and existing agreements must be grandfathered. We strongly oppose the proposals for post-commissioning generators. New rules have only recently been established by DECC, and these should not be changed.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	The proposals for pre-commissioning have a number of beneficial aspects, particularly concerning the calculation of security amounts. But there are components of the proposals that we believe are inferior to the current interim policies and do not promote the discharge of its obligations under the licence by the transmission licensees.

	These are: ▪ there is choice under the current arrangements, which contributes to the efficiency discharge of the licence functions by the transmission licensee and also enhances competition; ▪ CMP192 loads costs onto developers by exaggerating liabilities that do not reflect realistic levels of stranding risk to which the TOs are exposed; ▪ a one size fits all solution for all technologies does not take into account the different issues and costs faced by different types of technology developers. We do not believe a four year commitment period for pre-or post- commissioning generators is appropriate and cannot be cost-reflective for individual projects other than through the law of averages. Further the generic solution seeks to parallel the TOs' costs albeit based on highly averaged assumptions, but does not take into account the generators expenditure and therefore cannot in the round be cost-reflective and therefore allow licensee to discharge its obligations efficiently..

Do you support the proposed implementation approach and transition timeframe? If not, please state why and provide an alternative suggestion where possible.	The timetable will need to consider a transitional period to ensure schemes in the pipeline can take up the interim methodologies already in place.
Do you have any other comments?	We remain concerned that National Grid has not established the correct baseline – including the relevant of the current interim methodologies - and therefore the basis on which proper evaluation can be based.
Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

Technical questions

Q	Question	Response

Q	Question	Response
1	Do you agree with the sharing factors of 50/50 for wider works and 0/100 for local works (consumers/generators)) , and what is the reason for your position?	Wider works are attributable to reinforcements that are for the most part for the future benefit of all grid users and are required to enable TOs meet there licence obligations. If there is to be any allocation to generators for wider works it should not exceed the 27% share of grid charges that they current face. In the case of dedicated local assets, a 100% allocation of the relevant costs to the connecting generator would seem justifiable. However we agree with the work-group member who considered that local works begin to look like wider when they connect more than one generator and where they share with demand. Some local works, once completed, may then become wider for later connections. Excessive and inappropriate user commitment at the early stage will act as a significant barrier to generation investment, and wider works should not be taken into account.
2	What period of notice do you consider to be the most appropriate for both pre- and post-commissioning, and what is the justification for your view?	For pre-commissioning, the four-year proposed cancellation notice has been derived from National Grid's experience with regard to a range of new connection and infrastructure projects as being a minimum period during which it can reasonably change its plans. Such an approach completely fails to take into account a developer's project timelines. We believe there should be alignment so that the developer and TO agree when local works should begin and this, and the length of time to commissioning, should then set the cancellation period. For post-commissioning, National Grid has proposed four year user commitment as this reflects the current and proposed situation for pre-commissioning. There is no other justification given for a four year commitment period, and we agree with many members of the working group who felt this to be unworkable and effectively representing a "closure tax." Again National Grid has not demonstrated why the current rules that were set in place in August 2010 are defective, and believe these should represent the appropriate elements of the enduring solution. We therefore support retaining a two year period for post commissioning commitment as currently.
3	Do you agree with the percentages used within the notice period, and what is the reason for your position?	No. Actual spend does not follow such a linear path as suggested by National Grid , meaning costs incurred by developers are often front-loaded.

Q	Question	Response
4	Are there any further implications of project slippage that should be considered?	A significant failing of current arrangements and the proposal is any form of alignment between a developer's timetable and that of the transmission owners. We believe it is imperative that the two timescales where practical are aligned.
5	Do you agree that different treatment of security for pre- and post-commissioning generators is justified, and what is the reason for your position?	Pre- and post-commissioning represent quite different issues in terms of liability to transmission investment; as such they should not be treated the same. Pre-commissioning security is a matter of indemnifying the transmission owner against inefficient expenditure on behalf of a user who has yet to commission their own assets. In contrast post-commissioning liability (we agree there should be no securitisation) is, in the terms of the proposal, seen primarily as a vehicle for ensuring adequate notice is given to the TO; it is not there to indemnify the TO for past expenditure. We have concerns that the proposal is not addressing the issue it is seeking to resolve, i.e. a means of ensuring information flows to the TO. Pre-commissioning liability should only apply to the assets at risk, the local works, while post-commissioning users should not face a liability per se but a requirement for some payment of TNUoS, and we believe the current requirement of 1 year and 5 days is a suitable requirement and we note that historically there have been no defaults on CUSC payments by post-commissioning users.
6	Do you agree with the assessment of securities for pre-commissioning users, and if not how they should be determined?	We welcome the proposal's recognition of increased project certainty as a project progresses; namely security for pre-commissioning generators at 42% prior to key consents and 10% post consents. However, whilst welcoming reductions in securitisation, as stated elsewhere these factors must also relate to "liability" not security in order to have a material impact on developer ability to invest. Liability should reflect the risk of a project cancelling; as a project becomes more and more certain, so the liability should reflect the reducing risk to the TOs.
7	Do you agree that post-commissioning users should not put up security against their user commitment liabilities, and what is the reason for your position?	Yes, see Q5 above. Security for post-commissioning generators would be both unnecessary and a significant additional cost to the industry.

Q	Question	Response
8	Do you agree with the assessment of security implications detailed in this section, and what is the reason for your position?	No comment.
9	Do you agree with the process for apportioning local VAR, and what is the reason for your position?	We believe that where local assets are sole use, then a 100% allocation of security is appropriate.
10	Do you agree with using the boundary method for apportioning wider VAR, and what is the reason for your position?	We do not agree with the application of security for wide work assets.
11	Do you agree with the approach to capacity sharing, and what is the reason for your position?	Yes. The proposals seem sensible.
12	Do you agree that a linear compliance factor is appropriate to account for the implications of DECC's Connect & Manage decision, and what is the reason for your position?	Yes. The proposals seem sensible.
13	Do you agree with the analysis of wider asset reuse, and what is the reason for your position?	We support the inclusion of the reuse factor proposed.
14	Do you agree with a more specific process to asset reuse for local works, and how do you think this should be achieved?	Yes.
15	Which definition do you believe should be used for attributable generator works, and why?	We support the use of the CUSC section 14 definition (MITS); this is a clear and transparent definition and realistically reflects the extent of user-attributable works. .
16	Do you consider the offshore arrangements for local to be suitable, and are there any discrimination issues with onshore?	No comment.

Broader Policy questions

Q	Question	Response
17	Do you believe that treating pre-commissioning and post-commissioning users differently for user commitment is due or undue discrimination, and what is the reason for your position?	The premise behind the proposal is that adding new generation or removing generation has an equal and opposite effect on the need for network capacity and so should be treated the same way as far as security is concerned. However, they are not the same: pre commissioning is about securing new transmission; post commissioning is however less clear. We believe the objective is to enable National Grid to make more informed decisions and therefore make more efficient investment. In this case we believe there are better ways of doing this than applying what we believe to be a 'closure tax'. Therefore there is no clear reason why pre- and post-commissioning assets should be treated the same given their different characteristics.
18	Do you consider that the aim of user commitment should be avoiding inefficient future investment or indemnifying historic investment, and what is the reason for your position?	It should be the former. Issues relating to historic investment should be dealt with through the price control. In this context we note that National grid has not had a problem in the past with asset stranding.
19	Do you consider that the proposal will have an effect on security of supply, and if so why and how?	Yes, any regime that unnecessarily ties up developers' funds will inevitably undermine the amount of investment – and therefore security of supply – at the margin.
20	Do you believe that information should be provided either six-monthly or annually, and what is the reason for your position?	Yes – this seems to strike the apporpiate balance between information and compliance..
21	What is your view of the impact of volatility on users?	A key issue for developers is certainty and stability, therefore volatility should be minimised wherever possible.
22	Are there any further interactions that the Workgroup have overlooked?	We believe existing agreements should be able to choose whether to stay on their current arrangements or transfer post April 2012 to new.

Alternative option questions

23	With regards to wider works, do you believe that the notice period for pre-commissioning generators should be 2 or 4 years (or a different number). Please explain.	As discussed above we believe that pre-commissioning generators should not be liable for wider works.
24	What should the liability profile for wider works be for pre-commissioning generators ? For example, assuming 2 years' notice, to you agree with 50% (year-2) and 100% (year-1)? Please explain.	As discussed above we believe that pre-commissioning generators should not be liable for wider works.
25	Do you believe that the liability for wider works should be based on TNUoS or CAPEX? Should pre-and post-commissioning generators be treated the same or differently? Please explain.	Pre-commissioning should not be liable for wider works. If the enduring rules stipulate otherwise, capex is the more appropriate basis.
26	Do you believe pre-commissioning generators should have a choice between a refundable and non-refundable User Commitment methodology ? If yes, should that be a choice between CMP192 original (non-refundable) and cost-reflective Final Sums (refundable) or a different choice? Please explain.	Yes.

27	Do you believe pre-commissioning generators should have the option to switch between methodologies (i.e. between a fixed, non-reconcilable local liability and a variable, reconcilable local liability)? If yes, should that be one way or both ways? Please explain.	Pre-commissioning generators should be able to choose between a fixed liability which will give certainty and a variable approach.
28	Do you believe a sharing factor should be applied to local works? If yes, would a 50/50% factor be the right balance between entry signal and risk? Please explain.	Broadly. There are circumstances where some of the costs of under-writing investment should be shared where there is more than one beneficiary.
29	Do you believe that when pre-commissioning generators reach financial close(or a different project milestone), their security for local works should reduce to zero? Please explain.	The proposal recognises increased certainty as a project progresses. Achievement of developer consents is a significant milestone, which will increase that certainty. Developer financial close is a further step which will confirm developer commitment to the project; as such we would support a further reduction in security.
30	Do you believe that pre-commissioning generators should be able to offset the National Grid user commitment with monetary commitments to third parties, for example the Crown Estate? Please explain.	No. Such an approach would be discriminatory..
31	Do you have any views on how that could be incorporated in the original CMP192 proposal (or any alternatives)?	No comment.
32	Do you believe that keeping the existing arrangements and/or amending the existing arrangements would be a viable alternative modification proposal? Please explain.	Yes, but with the provisions to mitigate securitisaed amounts. Under the existing or enduring arrangements, National Grid should face stronger incentives to furnish accurate forecasts of likely security and liability under the new arrangements under any approach.

Impact and Assessment questions

33	Do you consider that the proposal would have a material impact on greenhouse gas emissions, and what is the reason for your position?	Yes. By establishing a more appropriate framework for generation connection, current barriers should be mitigated leading to more timely investment in low-carbon technologies.

3 Workgroup Consultation Alternative Requests

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to cusc.team@uk.ngrid.com by **16 August 2011**

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	*L Schmitz* louise.schmitz@edfenergy.com
CMP192 Enduring user Commitment	
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC party

Description of the Proposal for the Workgroup to consider *(mandatory by proposer)*:

This alternative proposal is similar to the original CMP192 proposal. However, a three-year cancellation period for pre-commissioning generators is used to calculate local and wider transmission liabilities. The profile of the liability will be 33%, 67% and 100% in years T-3, T-2 and T-1. Prior to this the Advanced Works amounts will apply.

Post-commissioning liabilities will similarly be calculated based on a 3 year period to apply against a notice period for TEC reduction of 2 years and 5 business days. Once notice is given the profile of the liability will be 100%, 67% and 33%.

Liabilities for wider works will be based on Capex and the methodology described in the original proposal.

Pre-commissioning generators will have a choice of either a non-refundable variable final sums amount for local liabilities or a refundable amount fixed at 3 years and 6 months prior to commissioning.

Security for both post-commissioning and pre-commissioning generators will be as described in the original proposal.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) *(mandatory by proposer)*:

This proposal differs from the original proposal with regards to items (b) The minimum notice period required to alter TO investment before significant costs are incurred and (s) the practical timeframe for generators to provide TOs with notice of their intentions

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

This proposal is better than the baseline in that arrangements for pre-commissioning generators will be described in the CUSC in an open and transparent manner.

This proposal better reflects arrangements which will promote collaborative working between a pre-commissioning generator and the Transmission Owner (TO). The use of a three year liability on a pre-commissioning generator will better incentivise close working needed between TO and pre-commissioning generators to ensure that construction timescales are aligned and that both the generation project and transmission projects can be delivered in a timely manner. This therefore represents a better balance of risk in respect of the probability of the late delivery of a transmission connection for which no compensation arrangements exist for the developer.

This proposal considers that the early TO spend on system studies and long lead items for transmission investment are better reflected by the Advanced Works amounts. This ensures that the Advanced Works contribute to a developers liability in addition to providing a signal to the TO that a developer is genuine about their desire to connect. The use of similar treatment of post-commissioning generators in respect of TEC notice periods aligns with the principles of the proposer of the original.

It is believed that a two year and 5 business days notice period for post-commissioning generator TEC reductions is more practical for generators than that of the original. The arguments for practical notice periods have been captured by the workgroup consultation and we also suggest that this is better than the original proposal in respect of the risk to security of supply.

Impact on the CUSC *(this should be given where possible)*:

Essentially as indicated by the original with the variations as described above.

Impact on Core Industry Documentation *(this should be given where possible)*:

As described in the original.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

Minimal, if any.

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

CUSC applicable objective (a) is delivered in that the incentives on the TO are better met by promoting collaborative working with pre-commissioning generators, this in turns ensures that the licensee discharges its responsibilities efficiently.

The incorporation into the CUSC of these arrangements for pre-commissioning generators facilitates the mechanisms for connection of new generation which in turn has the potential to facilitate competition and deliver CUSC applicable objectives (b).

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

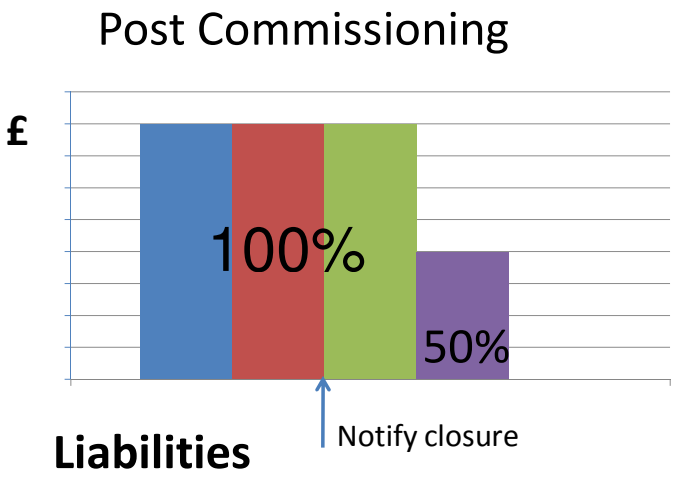
Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Paul Carter Tel 01977 782525 Email paul.carter@eggboroughpower.co.uk Eggborough Power Ltd
CMP192 – Arrangements for Enduring Generation User Commitment	CMP192 – Arrangements for Enduring Generation User Commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC and BSC party

Description of the Proposal for the Workgroup to consider *(mandatory by proposer)*:

Post Commissioning generators should be required to give only 2 years (and 5 days) notice before being able to shut without facing any liability. If they shut in year 1 they would face 100% liability and if they shut before the end of year 2 they would be required to pay 50% of their liabilities.



The same methodology would be applied for TEC reductions as well as site closures.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s):
The original proposal leaves the generators liable for 4 years, rather than 2 years proposed by this alternative.

Amount of Notice Provided	**Cancellation Charge (as % of the Cancellation Amount)**	
	Original	**Alternate**
Less than 1 year	100%	100%
Between 1 and 2 years	75%	50%

Between 2 and 3 years	50%	0%
Between 3 and 4 years	25%	0%
Greater than 4 years	**0%**	**0%**

Other than changing the liability profile the proposal is the same.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

The working group report points out that many generators do not feel that they will be able to forecast closure 4 years out. EPL believes that until liquidity in the power market improves there is simply no way for generators to be able to tell if their plant will be profitable more than 2 years out (as far forward as power trades). While the larger integrated players may be able to plan to sell their power internally to their supply businesses, for independent players such as ourselves we believe that the market conditions do not allow us to make commercial decisions further forward than 2 years.

Were EPL to want to sell power further forward we would want a robust index to price the sales around. This would allow a fluctuation in forward prices to reflect any changes in policy, such as the carbon floor, EU ETS, etc… At the present time there is simply no robust index to price around so no ability to sell forward. This issue is one Ofgem is explicitly trying to address in its work on liquidity.

At some point in the future it may be reasonable to length the time required to give notice, but at the present time the modification as it stands simply represents a closure tax. This seems likely to result in plant shutting early than it may otherwise have doe at a time when the UK is facing a generation gap. This would not be consistent with Ofgem's wider duties to protect the environment.

Furthermore, as recognised by the working group, there is a good case for recognising that the most likely sites for new build are those sites currently used by older plant. It can therefore be argued that even where plant shuts with only 2 years notice, it may well be that the site, and thus the assets, will be reused within a relatively short timeframe by new plant built on the same site. In the case of the old coal plant, following RWE's conversion of Tilbury, some plant may only be off for a short period while converted to other fuels. Others may be rebuilt as gas or new biomass plants. Under all of these scenarios the chance of stranding assets is very limited.

Taking these two factors into account, along with the lack of any evidence of stranded assets, EPL believes that its alternative represents a more economic solution to the desire to increase notice.

EPL is aware that Ofgem have previously expressed concerns about the differential treatment on pre and post commissioning generators. We agree that non-discrimination is an important principle, but there are significant differences in the two types of generator. In the case of a pre commissioning plant there is the possibility that a plant will commission late, so having agreed investment is required will not turn up to use it for some time.

A good example is the original connection dates for new nuclear plants of 2016, EDF then said completion in 2018 and is now reviewing their timetable again. On the TEC register Hinkley is still connecting in 2017. While the Working Group shows the slippage in new plant to date, EPL feels that the required levels of investment for extremely larger new nuclear and offshore wind farms is far greater than previously seen. The TOs investments are expected to be significantly greater and thus the risks imposed by these pre-commissioning generators is far greater.

The shifting of dates in this manner must create additional uncertainty for TO's investment programmes, compared to an existing plant giving notice to close which he would then follow through. Changing a connection date may incur a "mod app" fee, but it is unlikely to reflect the potential costs to the TO's of shifting investment on the scale required by a nuclear plant. Where a plant that says it is going to close cannot "mod app" his TEC back, but has to formally request a connection.

Given the current outlook for the market as a whole, EPL would argue that the Government and Ofgem have an incentive to keep older generators running, or at least available to run, for longer in case the new nuclear plants and volumes of wind envisaged by EMR do not appear. Both have legal duties to secure supplies and meet reasonable customer demands, which may only be possible by running older plant longer. If plants are required to give 4 years notice they may shut earlier rather than later and thus jeopardise the security of supply in the medium term. The new pre

commissioning plant has every incentive to commission early, but we do not believe that anyone wants to incentivise early closure at the current time. It seems to us the market outlook justifies treating pre and post commissioning generators differently, in the best interests of the consumers.

Impact on the CUSC *(this should be given where possible)*:

Same as original.

Impact on Core Industry Documentation *(this should be given where possible)*:

Same as original.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

Same as original.

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

EPL believes that their proposal better fulfils the CUSC Objectives over the original.

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence.
The TOs will receive sufficient notice to avoid reinforcements where plant is closing. It is already recognised that plant that must close (i.e. as a result of LCPD and old Magnox) are already excluded from TO planning, as it should be. It is probable that under the IED the next tranche of plant that is likely to shut (older coal) will also be notifying closure dates well in advance. In light of any evidence to suggest that stranded assets is an issue, the efficient panning of future system needs seems to have been well served by more limited noticed periods than the 2 years we propose.

If notice were increased only to two years, rather than 4 years, because that is far out as generators can judge their plant economics, the investment still undertaken by the TOs would be likely to be efficient because history suggests that the sites themselves will be reused. TOs' investments will be efficient as they are unlikely to be undertaking any wider works that will not be used in the longer term by new generators or existing customers.

(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.
EPL believes that competition in the medium term will be better served by allowing existing generators to stay on the network for as long it is economic for them to do so. The proposed modification risks early closure, or a substantial closure tax that must feed through into prices in the short term. It is therefore in the best interests of competition, and thus of customers, that the older plants in particular are encouraged to remain operational while it is efficient for them to do so.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	No

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	*Neil Kermode. European Marine Energy Centre, Orkney. Neil.kermode@emec.org.uk*
CMP### [Add – Title of the Modification]	Wider/Local redefinition
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC Party

Description of the Proposal for the Workgroup to consider *(mandatory by proposer)*:

To redefine the boundary between 'Wider' & 'Local' works.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) *(mandatory by proposer)*:

The present threshold is that any connection coming to a MITS is regarded as a local connection. Works downstream of the MITS are regarded as Wider. This alternative proposes changing the threshold and will move the transition outwards from the centre of the grid.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

The proposed changes provide insufficient encouragement to decarbonise the electricity supply system. Government targets and the Renewables Directive call for positive discrimination in favour of renewables, however the proposal does not deliver this.

Wave and Tidal energy, almost by definition, occur at the periphery of the nation. The grid was never taken to these locations with the intention of drawing energy from them. Its present

configuration has generally been driven by the need to move power from the larger centralised generators in a tree configuration with the outer branches and twigs being insubstantial, but sufficient for the local demand. The future configuration of the grid will demand this being changed. Substantial connections will be required from these strategic peripheral areas. It is estimated that there will be 6GW of renewables able to be exploited in Orkney.

In the case of marine energy in Orkney the present rules would require that all works between Orkney and Inverness (half the length of Scotland) would be regarded as 'Local'.

In addition much of the renewable generation will be produced through a number of diffuse sources which will join together and aggregate to form the eventual 6GW.

This amendment proposes that a more strategic view is taken of the boundary between local and wider. The Threshold should now be set so as to encourage renewables onto the grid. This amendment proposes the point should be defined as where more than 4 generators join together.

Impact on the CUSC *(this should be given where possible)*:

Impact on Core Industry Documentation *(this should be given where possible)*:

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

The Applicable CUSC Objective is:

(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.

This makes no reference to the need for a sustainable energy system, but it is necessary to view competition in a more wide sense than that used to date. For the UK to seek to maximise its commercial advantage in the development of renewable technologies (particularly wave & tidal) it is critical that un favourable signals are taken down. Once developed fully these technologies will deliver on security of supply objectives and be important in the decarbonisation of the electricity system and provide valuable product for sale and trading.

EMEC believes it is necessary to support the emerging wave and tidal sectors and seeks to ensure that passive disadvantages are removed.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Dr David Walker West Coast Energy Ltd, Mynydd Awel, Maes Gwern, Mold, Flintshire CH7 1XN 01352 757604, on behalf of Millennium Wind Energy Ltd and Kilbraur Wind Energy Ltd
CMP192	Arrangements for Enduring Generation User Commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	On behalf of Millennium Wind Energy Ltd and Kilbraur Wind Energy Ltd both CUSC Parties

Description of the Proposal for the Workgroup to consider *(mandatory by proposer)*:

The proposals outlined in the Stage 2 Workgroup Consultation published on 19 July 2011 fail to take into account their implications for relatively small distribution system connected generators. This Alternative would seek to address this by imposing a *de minimis* limit of 50MW below which generators would not be liable for securitisation for transmission works and hence would not be affected by CAP 192. This could be implemented by removing the requirement for the DNOs to provide user commitment in the first place

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) *(mandatory by proposer)*:
The proposed Alternative removes smaller generators from the securitisation of transmission works process.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:The original proposal fails to address the issue of distribution connected generators apart from a one paragraph in the Modification Proposal (paragraph 3.4)
We have come across a number of instances where small wind energy projects were not proceeded

with because of a pass through demand from the DNO to securitise wider transmission works in the North of England. The sums involved were disproportionate and smaller companies are not set up to carry out the securitisation processes outlined in the CUSC ie Parent Company Guarantees, Escrow Accounts etc.
The securitisation process as envisaged in the Workgroup Consultation Report is anticompetitive as it is biased towards the larger (vertically integrated) generators and effectively biased against smaller independent generators because it ignores the relatively minor effect such generators have on the transmission system. Also such small generators are usually non-CUSC parties and the CUSC is trying to impose costs on non-CUSC parties who have no representation on the CUSC panels.

The current proposal imposes an inordinate amount of liability and costs on small independent generators and there is very little transparency on how these costs are arrived at.

Impact on the CUSC *(this should be given where possible)*:
None

Impact on Core Industry Documentation *(this should be given where possible)*:

None

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

None

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:
e
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

The securitisation process as envisaged in the Workgroup Consultation Report is anticompetitive as it is biased towards the larger (vertically integrated) generators and effectively biased against smaller independent generators because it ignores the relatively minor effect such generators have on the transmission system and the difficulties small companies have in fulfilling CUSC requirements.

Also such small generators are usually non-CUSC parties and the CUSC is trying to impose costs on non-CUSC parties who have no representation on the CUSC panels.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	*Knut Dyrstad* *knut.dyrstad@statkraft.com*
Modification	CMP192 Enduring user commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC Party

Description of the Proposal for the Workgroup to consider*(mandatory by proposer)*:

Jointly or severally (We would be happy for the various elements listed here to be used as a package, in combination or for the elements to be treated as separate, should the Workgroup choose):

CMP192 Proposal as starting point, with the following changes:

Grandfathering of existing arrangements at call of developer

Interim FSL arrangements to continue to be available

0% of wider works included in liability

Commitment amounts calculated as is in the pre-trigger period (£1/kW, £2/kW up to £3/kW)

Material capex to be carried out by TO pre trigger if pre developer Final Investment Decision (FiD) subject to developer's endorsement

3 yrs securitisation post cancellation amount trigger (not 4 years), with 33% steps, for offshore wind

Securitised amounts fully reconcilable

Recognition of other sunk financial commitments for project developers to be netted off securitised amounts

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) *(mandatory by proposer)*:

See above box.

For pre-commissioning the changes are that existing arrangements should be

grandfathered; and existing choice for new connections to use the current interim FSL methodology in addition to the new methodology should be maintained. Wider works capex should not be included in the liability, in line with the current interim FSL.

When the TO aims to make significant investments prior to the generation project's FID, the TO will have to get this approved by the developer. If the developer will not accept this, he may have to take the risk of a delayed connection. The important point is that the de3veloper should have control as to whether it takes on significant liabilities ahead of the FiD.

For offshore wind pre and post-commissioning there should be 3 years notice period rather than 4, and hence an annual increase in the cancellation charge as % of the cancellation amount of 33% rather than 25%.

Securitised amount should be fully reconcilable, but we understand this to be included in the WG proposal (3.34 model b).

Justification for the proposal (*<u>including why the Original proposal / Workgroup Alternative(s) does not address the defect</u>*) *(mandatory by proposer)*:

We also refer to the Statkraft response Part 1: Key issues and Alternative.

<u>Grandfathering</u>

As a holder of an existing and ongoing connection agreement at Creyke Beck, which has been financed and secured against existing methodologies, we are very concerned that there the proposal does not enable existing agreement holders to retain existing terms and conditions. Indeed we would question the legality of seeking to impose changes to agreements willingly entered into.

<u>Choice of methodology</u>

We see no reason why the current interim arrangements cannot be simply transposed into the code as the enduring arrangements, and the draft report does not establish a case for a fundamental rewrite of the rules. Continuity can be expected to reduce perceptions of risk and should facilitate competition.

<u>Liability for wider works is not justified</u>

The Interim FSL approach was applied following the Transmission Access Review and extensive industry consultation and discussions with Ofgem (April 2010 Final Sums Liabilities consultation), when it was agreed that National Grid would implement a further interim solution where liabilities and therefore the security required for wider transmission investment works are not sought. This approach forms one key part of the current baseline, and the draft report does not attempt to explain why this might be defective and why therefore it needs to be replaced. Our proposal addresses this by allowing choice and continuity for developers, impacting beneficially on competition and recognising developments within the existing business of the licensee.

Wider works are usually attributed to reinforcement that is largely future-proofing for the benefit of grid users as a whole. Much of the work carried out by the transmission owners is on their own account, especially near and across SQSS derogated boundaries. Such investment should more appropriately be adopted as part of appropriate regulatory settlement through evolution of the current arrangements for strategic investment or for the treatment of the Transmission Investment Incentive. Our proposal reflects more appropriate risk allocation and therefore should better support competition over the original proposal.

Material capex to be carried out by TO pre trigger if pre FID subject to developer's approval

Any development which requires transmission investment will need close liaison between the developer and the transmission owners. It has been recognised in the proposal that the timing of a developer's project will often differ from National Grid's. We are concerned that there is still insufficient recognition of the progress of the developer's project.

However under the current arrangements the transmission investment programme appears to operate almost in isolation of the developer's programme. Once TOs have identified the works that are required their investment and building programme proceeds on the basis of meeting commissioning dates. No account is taken of a developer's programme or perceived risk profiles. This should change. Trigger points for transmission investment, and associated calls for securitisation, need to reflect the project and investment timescales of both the developer and the TOs. Alignment in this way will avoid developer's assuming unnecessary liabilities, draining scare funds and stimulating more optimal and timely development. In turn this would create remove a competitive distortion relative to the CMP192 proposal and enhance security of supply.

As many of the schemes impacted are low-carbon, this element of the alternative should also deliver environmental benefits.

For offshore wind pre- and post-commissioning there should be 3 years notice period rather than 4

We do not accept that assets pre- and post- commissioning are equal and opposite and that arrangements need to be symmetrical to avoid discrimination. Different projects and technologies at different stages raise different levels of risk to both the transmission operator and the developer. We agree that transmission owners should make efficient investment, but this is as much a matter of information as liability.
For pre-commissioning developers with new assets being built, appropriate liability should be in place, but it needs to be shared appropriately between generators, consumers and the network.

We agree that some investment may be unnecessary if an existing generator indicates that it will close in the meantime, but we believe the right approach is to ensure accurate and timely information flows to the transmission owner backed up by an appropriate security deposit. Requiring existing generators to face a liability for up to four years in all circumstances seems an attempt to indemnify past expenditure and is more akin to a 'closure tax'. Neither of these properties are valid objectives under industry rules.

A three year commitment period for offshore wind aligns better with projects delivered to date and should there fore reflect all parties cost better and result in more appropriate risk allocation.

Recognition of other sunk financial commitments for project developers to be netted off securitised

We agree with the alternative proposal of taking into account use commitment to third parties, for example Crown Estate for offshore projects. These liabilities show commitment

to the project and means less risk of project cancellation The additional liability from grid connections increases the financial burden on these projects. This should be taken into account to avoid a total burden that is too high and hampers generation growth.
Impact on the CUSC *(this should be given where possible)*: Yes – would modify proposals being developed by CMP192 work group. Would introduce new section into CUSC in place of new section on user commitment.
Impact on Core Industry Documentation *(this should be given where possible)*:
Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*: As above would introduce new section into CUSC (and therefore procedures) in place of new section on user commitment.
Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

Attachments (No): **If Yes, Title and No. of pages of each Attachment:**	No

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to CMP192 by 16 August 2011.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Michael Davies 020 7484 2772 Wind Energy (Newfield) Limited
CMP192	Local Asset Reclassification and changes to liability calculations.
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	CUSC Party

Description of the Proposal for the Workgroup to consider*(mandatory by proposer)*:

This amendment addresses a concern that the concept of Local Assets as contemplated by the original CMP192 is too broad and encompasses a range of asset types for which differing treatments are appropriate to give effective user commitment. The amendment proposes a division of such assets into three sub-classes, being:

i) Assets solely intended for use by the generator which in no event will extend beyond a connection to any transmission asset used by one or more other parties ("LA1");
ii) Assets intended for use by the generator but reasonably likely to be used by other parties – for instance all connections to islands where two way flow along the line is possible and benefits exist for local demand ("LA2");
iii) Existing transmission assets lying between the generator and the MITS which may require upgrading to permit generator connection ("LA3").

User commitment will be amended as follows:

a) For LA1 assets the liabilities should be calculated at 100% of cost;
b) For LA2 assets the liabilities should be calculated at 50% of cost (with the balance being taken by demand)
c) For LA3 assets the liabilities should be first calculated at 50% of cost then divided between all generation proposing to use such assets, being both existing and new generation.

In all cases where a line is proposed at a capacity in excess of requirement, the liabilities should be reduced pro-rata. For example if an LA1 asset is to be built with a capacity of 150MW for a 50MW generating plant then only 33.3% of the cost should be covered by the generator in question.

This amendment also proposes to change liabilities from the 4 year period proposed in the Original, having increases in each year to 25%. 50%, 75% and 100% to a specific schedule to be negotiated between the Generator and NGET, better reflecting expected spend on each sub-class of the Local Assets. This would better reflect the commercial wish of new Generators to hold down their financial commitments prior to planning consents being in place by working with the TO to schedule upgrade work in a more efficient manner.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s) *(mandatory by proposer)*:

The differences between this proposal and the Original are:

i) Local Assets are divided into three sub-classes;
ii) User commitment picks up the use of certain of these assets (LA3) by other generators and benefits to demand;
iii) The changes will reduce the level of liability for Local Asset upgrades for many generators;
iv) The proposed changes to timing of liability for Local Assets reduce barriers to entry and enable better economic decisions to be made.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

The proposed Amendment addresses two perceived deficiencies in the Original proposal, both relating to Local Assets.

The proposed definition of Local Assets in the Original Proposal encompasses both new transmission assets required to connect generators to the network and also the upgrade of existing transmission assets which lie outside the MITS. Such existing assets would require upgrading as a result of combining both the proposed new generation capacity and existing generation flows along those lines but in the approach suggested by the Original proposal, no contribution for such upgrades is proposed from existing users. That would be discriminatory. In expanding the concept of Local Assets into different classes the amendment seeks to remove this element of discrimination and better reflect the economic considerations impacting such upgrade investments. In a similar manner the economic considerations which differ between new assets needed for a single generator and those which have realistic potential to be used more widely are not brought out in the Original proposal; this is also addressed in the Alternative.

The proposed change to timing of liability for Local Assets better reflects the economic wishes of generators and allows generators and TO's to work together to plan such upgrades in a more efficient manner, making stranded assets less likely.

Impact on the CUSC *(this should be given where possible)*:

Impact on Core Industry Documentation *(this should be given where possible)*:
If adopted, the proposed Alternative would require changes to the proposed legal drafting for the CUSC but further changes are not thought to be necessary.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

By dividing Local Assets into further sub-classes, this proposal better aligns the interests of those users whose generation gives rise to upgrade requirements. This should enhance the economic and efficient nature of such upgrades. A further benefit will be to reduce liabilities for new entrants, reducing barriers to entry and promoting competition.

Attachments (Yes/No): **If Yes, Title and No. of pages of each**	No

Attachment:	

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Matthew Tucker Welsh Power Group Limited tel: 029 2054 7206 *matthew.tucker@welshpower.com*
CMP192 – Arrangements for Enduring Generation User Commitment	CMP192 – Arrangements for Enduring Generation User Commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	Wyre Power, owned by Welsh Power is a CUSC party

Description of the Proposals for the Workgroup to consider*(mandatory by proposer)*:

Pre-commissioning generators at the point of cut over to any new methodology should be allowed to stay on their existing methodology if they chose to do so. They would be allowed to cut over to the new methodology in the future, but at a time they chose and it would be a one way switch, i.e. they could not then move back.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s):

This Alternative would allow all pre-commissioning generators to stay on their current security if they wished to do so. This is different to CMP 192 that requires all parties to switch to the new security arrangements.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

Pre-commissioning generators on final sums have undertaken investment decisions based on those security profiles. The type of funding they have secured will have been available to them given the forecast costs presented at the time. Financiers will also have understood that were final sums not spent by the TO in the event that a project is terminated the remaining security would be returned to them. To alter the basis of the funding, the amount of security required and to make it non refundable (in the event that the money is not spent and the plant not built) will undermine and potentially jeopardise pre-commissioning plant. A similar transitional arrangement was put in place when IGUM was introduced to allow developers to have a choice when financing plants.

The CMP192 methodology was trying to help parties to connect and therefore allow new entrants to build the new plant that the UK requires. Regulatory risk is always detrimental to investor confidence, but the risk can be better managed where transition arrangements try to keep the position of existing parties more stable, especially at the early phases of projects when the project risk is also significant.

Wyre is also concerned that the pre-trigger amounts under the new methodology may be significantly higher than the CMP192 methodology. To raise additional security in the current market will be extremely difficult and if parties fail to achieve the timescales set out the will have to pull projects that may otherwise be financially viable.

For smaller parties the work in altering security amounts is also significant and where the CMP192 security is greater staff will have to focus on project financing rather than on other development issues. This may slow projects down when the generation shortfall is looking relatively pressing.

Welsh Power has previously objected to IGUM as we have always found it to be relatively expensive at the start of a project compared to final sums. This may be related to the type of plant we look to develop or the locations we select, but we are concerned that the generic nature of IGUM has made the pre-trigger security for all the projects we have looked at more, not less, expensive. We recognise that the methodology, but being generic, is not designed to be cost reflective, but we worry that is in fact in some cases significantly more expensive than final sums. This means that some developers (we suspect with projects in the "right" locations) are subsidising those developing less economic plant elsewhere.

Impact on the CUSC *(this should be given where possible)*:

Alters the cut over proposals.

Impact on Core Industry Documentation *(this should be given where possible)*:

Same as original.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

Same as original. Though may require TOs to go on producing Final Sums profiles for longer.

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

Wyre Power believes that this alternative proposal better fulfils the CUSC Objectives over the original.

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence.

(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.

For those parties that have arranged project financing around final sums they will be able to stay with that process for longer if they chose to do so. In a number of cases we believe that the financing of projects based on the principle that the money, if not spent by TOs, can be returned is easier for parties to raise money against. Were these parties to have to cancel their projects due to the change in securities this will have a detrimental impact on competition.

Where parties would face considerably more onerous security under CMP192 than under Final Sums, they will not have to cross subsidise less economic projects. We believe it is good for competition if developers are not in effect indemnifying TOs against the risks imposed by other projects.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	No

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Matthew Tucker Welsh Power Group Limited tel: 029 2054 7206 *matthew.tucker@welshpower.com*
CMP192 – Arrangements for Enduring Generation User Commitment	CMP192 – Arrangements for Enduring Generation User Commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	Wyre Power, owned by Welsh Power is a CUSC party

Description of the Proposals for the Workgroup to consider*(mandatory by proposer)*:

Pre-commissioning generators should be allowed to start development based on a final sums profile with the same methodology as used now. They would be allowed (or could be required) to switch to the new CMP 192 methodology at the trigger date, but could only switch one way.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s):

This alternative would allow pre-commissioning generators to choose to start a project based on the existing final sums methodology or CMP192 methodology. At the trigger date they would be allowed to switch (or even could be required to switch) to CMP 192 methodology. So that all generators within 4 years of connecting are putting up security based on the same methodology. CMP192 would require all pre-commissioning plant to be on the equivalent of IGUM.

This in effect maintains the status quo for pre-trigger securities in that developers can chose between IGUM and Final Sums.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

The time and cost associated with pre-trigger date works can vary significantly between projects. It is difficult for developers to know if they will progress a project until after this initial work is undertaken. TOs are often working on planning themselves, rather than significant engineering works, so generally a project is more speculative during pre-trigger period. For some projects the principle that any security not spent is returned if a project does not commence is easier to secure financing for. Financing before financial close is also often undertaken by parties who sell out earlier in a project and who are generally less comfortable with the concept of giving a fixed fee for some unspecified work that may, or may not, be undertaken. Arrangements that help independent parties to secure financing for projects should be encouraged.

Welsh Power's experience is that the IGUM amounts are far higher for most projects than final sums (though we appreciate this may not be the case for say windfarms). We have also found that as a developer we can have some influence over final sums, for example sharing environmental studies with the TO etc., which can bring down project costs to the benefit of all parties. We therefore feel that as well as being cost reflective they incentivise economic develop and cooperation between develop and TO that is in the longer term interests of all parties.

The alternation of Final Sums every 6 months can also help developers by limiting security increases to smaller, incremental amounts. Where smaller parties are developing projects the ability to keep security lower for longer has an important impact on overall project finance.

By focusing on the actual costs associated with the earlier works, when the risk is great that the project will not complete, the TO can be comfortable that they face no financial risk while the party can be comfortable that he is not securitising work that is actually not being undertaken in relation to his project. There is no cross subsidy going on and therefore no detrimental impact on competition between developers. Ofgem has already shown that it does not feel that the parallel security arrangements are distortionary or discriminatory by allowing IGUM and Final Sums to co-exist at the current time.

Impact on the CUSC *(this should be given where possible)*:

Same as original.

Impact on Core Industry Documentation *(this should be given where possible)*:

Same as original.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:

TOs would have to continue to produce Final Sums profiles if requested to do so.

Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*:

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence.

The TOs will have all their actual expenditure associated with the early works of a project fully securitised, allowing then to efficiently undertake investment in their network development. It will also be more efficient if developers and TOs work together sharing preparatory work where possible, such as environmental studies required for planning permissions.

(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.

Competition is enhanced if developers can more easily finance their projects, which may be the case with Final Sums compared to IGUM for some parties. It will not be helpful if projects cannot be commenced as parties cannot secure financing for them as the IGUM amounts are so significant and non-refundable. The non-refundable nature of security matters far less once a project has reached its trigger point as it is then highly likely to complete, but initial works are more speculative and maintain competition in project development would be enhanced by maintain Final Sums.

As competition is enhanced by lowering barriers to market entry, the best way to do this is to maintain both IGUM and Final Sums. Welsh Power would like to see as many parties as possible be able to develop projects in the most economic manner possible.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	No

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.

CUSC WORKGROUP CONSULTATION ALTERNATIVE REQUEST FORM

Please send your completed form along with your completed Workgroup Consultation Response to ###### by ####.

Please note that any responses received after the deadline may not receive due consideration by the Workgroup.

Respondent Name and contact details	Matthew Tucker Welsh Power Group Limited tel: 029 2054 7206 *matthew.tucker@welshpower.com*
CMP192 – Arrangements for Enduring Generation User Commitment	CMP192 – Arrangements for Enduring Generation User Commitment
Capacity in which the WG Consultation Alternative Request is being raised : (i.e. CUSC Party, BSC Party or "National Consumer Council ")	Wyre Power, owned by Welsh Power is a CUSC party

Description of the Proposals for the Workgroup to consider*(mandatory by proposer)*:

Where the CMP192 methodology (or the use of final sums under Welsh Power's proposed alternatives) results in pre-trigger sums that are larger (or significantly larger) than the post trigger sums, the pre-trigger security will be capped at the level of the first year post-trigger security amount.

Description of the difference(s) between your proposal compared to Original / Workgroup Alternative(s):

This alternative can be applied to CMP 192, as well as both of the other alternatives Welsh Power has proposed.

Any security required prior to the pre-trigger date should be capped at a level no greater than the first year after the trigger date. CMP192 as it stands can have security significantly higher 5 years from connection than 4 years from connection.

Justification for the proposal (*including why the Original proposal / Workgroup Alternative(s) does not address the defect*) *(mandatory by proposer)*:

The Working Group report shows that the percentage of total project spend that occurs before 4 years from the point of connection for pre-commissioning generators is very low. This means that the value of actual spend may be over stated in the IGUM methodology, forcing developers to securitise larger values than those that are attributable to their projects. While this may not always be the case, the projects we have looked at this has been the case so we believe it is a common problem. Furthermore the amounts are substantial, up to £2m in the case of one project, and for smaller companies securitising that sort of value will simply be prohibitively expensive at worst and at best tie up working capital stopping other developments occurring.

By capping the security requirement at the same level as the post-trigger amount will create a security profile for many projects that is more closely to TO spend. This will certainly be the case where a connection date is moved and the security profile is stuck on the £3kW rate for say a number of years.

As noted in our other alternatives, Welsh Power believes that for the initial stages of many projects Final Sums remains the cheaper option for developers, despite the security being directly linked to spend. If Ofgem then requires that the market moves to a generic approach then we believe some cap is still required to ensure developers are not over securitising work in the pre-trigger period.

Impact on the CUSC *(this should be given where possible)*: Same as original.
Impact on Core Industry Documentation *(this should be given where possible)*: Same as original.
Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*: Same as original.
Justification for the proposal with Reference to Applicable CUSC Objectives* *(mandatory by proposer)*: *(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence.* *(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.* Keeping security in line with the costs associated with the development of most projects will mean that barriers to market entry will be kept low, which is good for competition. It is also more efficient if the parties are required to securtise the TO only against what is likely to spend, so the TO is acting in an efficient manner as well. The majority, if not all of the TOs aggregate risks will also be securitised when looking at the difference between Final Sums and IGUM, especially when also considering the projects that slip, but maintain security at a level that will simply be far greater than the TOs spend id likely to be. This means that the TOs will not be holding excess levels of credit that would be inefficient for the market as a whole.

Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	No

Notes:

1. Applicable CUSC Objectives* - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed Modification.