

Presentation to CUSC panel CMP223



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Background



CMP192 development

Defects identified

1. Framework transparency

2. Potential volatility

3. Difference in pre and post

4. Perceived risk profile

DG outside CMP192 scope

CMP192 introduced April 2013

Disparity results

Key issues for DG sites with transmission impact

1. Uncertainty in relation to how terms and conditions will be applied
 2. Projects under actual methodology may incur additional liabilities if other projects cancel
 4. Liabilities remain at same level as securities throughout the construction process
 - Reconciliation will not take place until construction complete
 - Uncertainty in relation to ongoing levels of commitment
- Issue is affecting projects now so we are keen to progress a solution as soon as possible

CMP192 Implementation process

- > Connection agreements varied to reflect CMP192 terms and conditions
- > National Grid relies on recovery mechanism for any potential stranded assets
 - NGET has an adjustment mechanism in its licence ([Special Licence Condition: 6F](#)) which permits it to recover the value of stranded generation connections spend, subject to satisfying certain conditions, in the event that it is unable to recover 100% of a generator's liability following a termination of its connection agreement.
- > Relevant DG users see their liability passed on through relevant DNO

Potential solutions

1. Add new user definition **in section 15** of the CUSC

- Definition to include relevant embedded generators (i.e. those deemed to have transmission impact under SOW process) to benefit from the same arrangements as directly connected customers
- The solution must not lead to distributed generators becoming party to/ needing to become compliant with the wider terms of the CUSC – after all the primary relationship for connection and use of the network for distributed customers is with a DNO
- Deminimis threshold for passing through securities should be considered. Smaller parties are effected by the arrangements disproportionately as they are usually the most cash constrained investors. We suggest that Sub 1MW generators should be exempt from security downpayments.
- ☑ Simple and straight forward solution
- ☑ All transmission assets could be secured under the same arrangements
- ☑ No significant regulatory changes required and therefore likely to be quickest solution to implement
- ✘ Affected DG users would not be able to participate in the process because they are not CUSC users
 - We have extensively consulted with affected DG users to deal with this issue

Other potential solutions

2. Change definition in DCUSA to mirror CUSC provisions for relevant embedded DG
 - a. Change DCUSA to reflect same terms and conditions as CUSC
 - DG customers would pick up liability for transmission assets
 - There is no mechanism for dealing with this type of additional liability through the DNOs' licence
 - b. Change DCUSA to pass back liability for transmission assets directly to National Grid
 - Changes to DCUSA would take longer to progress than changes to CUSC because implications of the change would go beyond the remit of the DCUSA.
3. Change provisions in DNO construction agreement to oblige DNOs to pass on same terms and conditions to DG users
 - There is no mechanism for dealing with this type of liability through the DNOs licence
 - Therefore, likely to take time for DNOs to progress this issue
4. Interim change to the CUSC
 - To allow time for enduring solution to be progressed under options 2 or 3

Conclusion

- > We believe that CUSC mod is most appropriate because
 - this seems to be the quickest and simplest way of resolving the issue.
 - This is extremely important because of the impact on projects currently under development
- > We recognise that our proposed solution may be modified by the CUSC modification process
- > We welcome progression of CUSC modification and associated working group to flesh out these issues and progress optimal solution

Progression of CMP223

- The Panel is asked to agree:
 - whether CMP223 should be progressed through Self-governance
 - how to progress CMP223
 - Workgroup
 - Code Administrator Consultation
 - whether CMP223 is exempt from the ongoing SCR

CMP223 Workgroup Timetable

27 September	Proposal presented to CUSC Panel
W/C 30 September	Workgroup Nominations and draft ToR circulated
W/C 14 October	Workgroup Meeting 1
W/C 28 October	Workgroup Meeting 2
W/C 11 November	Workgroup Meeting 3
19 November	WG Consultation issued for 1 week Workgroup comment
26 November	Deadline for Comments
2 December	WG Consultation published
23 December	Deadline for responses
W/C 6 January	Workgroup meeting 4
15 January	Circulate draft WG Report
22 January	Deadline for Comment
23 January	Submit final WG Report to Panel
31 January	Present WG Report at Panel meeting