Workgroup Consultation Response Proforma

CMP328: Connections Triggering Distribution Impact Assessment

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 to cusc.team@nationalgrideso.com by **5pm** on 12 March 2021. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation, please contact Rob Pears Rob.Pears@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Grahame Neale
Company name:	National Grid ESO
Email address:	Grahame.Neale@nationalgrideso.com
Phone number:	07787 261 242

For reference the Applicable CUSC (non-charging) Objectives are:

a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission 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;*
c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP328 Original Proposal better facilitates the Applicable Objectives?	Against the Applicable CUSC Objectives, we believe the Proposal is mostly negative, with details against each objective listed below: a. Objective A - Negative: Whilst NGESO supports the intention of CMP328 in principle and recognises the challenges it seeks to address, the proposed changes would not facilitate the efficient discharge of licence requirements. Applying the DIA process to all connection applications would result in a significantly increased workload for DNOs, double handling of contracts by TOs in response to DIA outcomes, and additional fees for the applicant. Lack of criteria defining which parties NGESO should apply to for DIAs beyond the immediate GSP raises further challenges. b. Objective B - Neutral: The proposed changes may be argued as facilitating effective competition in that new connection applicants would have clarity on the timescales and milestones at which they can expect responses and a decision; this could facilitate related investment decisions which may be contingent on the go-live of the connection. Conversely however this would require additional and significant STC & DCUSA code changes before the positive effects are realised, to ensure transmission-connected generation is not at a disadvantage. c. Objective C - Neutral. d. Objective D - Negative: There are several key areas of consideration outlined within the responses below, which if unaddressed will represent increased resource requirements particularly for NGESO and onshore Transmission Operators. For example, Transmission Operators may

		have to double-handle connection applications which could add a significant administrative burden to an already complex process. Also with the DIA process applying to all new connections, it is highly likely that many DIAs will be performed unnecessarily where impacts on the network would be negligible. CMP328 creates a new process, where NGESO believes amendments to the existing Third Party Works process would facilitate more efficiency in discharging licence obligations.
2	Do you support the proposed implementation approach?	In part. The DIA process applying for new transmission applications poses no challenges in and of itself (lack of current details of the actual DIA process notwithstanding), and NGESO agree that contracts which have completed the TPW process will not be affected by this change. However, the DIA process applying to all applications including accepted projects yet to complete the TPW process raises significant issues. NGESO currently supports projects in the TPW process, but customers are responsible for managing this themselves. As such, NGESO does not track the stage customers are at in completing the TPW process; it would require a significant volume of additional work to collect this data, meaning ultimately greater cost to the consumer. Most contracts will have some stage-gated milestones applied, but NGESO would have to contact every individual open contract to clarify progress against each stage. This would require additional resourcing, adding complexity and extending the timelines without a clearly definable timescale for completion. Similarly, there is not appropriate consideration of customers undergoing a Modification Application process. For example, if a customer is halfway through the TPW process and chooses to delay progression of the connection process for an appreciable length of time, there is no incentive to assess impacts on the network until an undefined point further into the future. The current process leaves the responsibility with the connecting

		customer, but the proposed process would mean ESO having to take ownership of this additional process – requiring systems to track and manage this for all affected parties; the costs of doing so would, in our view, outweigh the benefits. For Mod-App customers who have not begun the TPW process, it would be workable for them to utilise the DIA process. Further complications arise from the Connections Infrastructure Options Note (CION) process, which applies for significant connections to the Transmission network – typically offshore wind and interconnectors. The process is used to determine the most economical and efficient point to connect to the onshore system; it takes place covering both pre-offer and post-signature stage to take into account any material changes to the network during the process which may impact the decision made at pre-connection. The option ultimately taken forwards as a result of the CION process could have a significant material impact on the local DNO(s). A late change in connection point generally requires the applicant to Mod-App, meaning a DIA could be rendered obsolete and need to be re-run, or a new DIA request may be required from a different DNO which could add to the connection timeline and cause costly delays. As such, any DIA process needs to align with existing TOCO processes as closely as practicable; a more fundamental whole-system approach would be beneficial for the longer-term. **Timescale** NGESO suggest an implementation timeline of up to 12 months from the point of approval by the Authority. We also believe the STC modifications should be developed and presented to the Authority as part of a complete package of work so that the Authority has a compete view of the changes before making their decision. This timescale consists of the following items, some of which could be run in parallel: - 6 months to create, develop and implement potentially significant STC modifications

		required to facilitate the changes – which will require separate discussion with onshore TOs and separate decisions on the associated modifications by The Authority. - 6 months for NGESO, DNOs and TOs to o review and implement improvements to business processes, o create new legal/contractual documentation (e.g. a DIA offer template), o develop and implement supporting system changes (including workflow management and financial systems) - 3 months to update procedural documentation (e.g. templates, forms, operating procedures) and conduct training accordingly A contingency buffer is strongly recommended primarily due to the Ofgem decision timescale being inherently approximate; modification consideration decisions may be impacted by factors such as the volume of current modifications being considered, complexity of the proposed changes, and any alternative solutions requiring consideration.
3	Do you have any other comments?	NGESO would also highlight an inefficiency in the proposed DIA process. The key rationale of the DIA process is that the contractual requirements (as a result of the DIA) are captured in the Bilateral Connection Agreement and/or Construction Agreement between NGESO and the DNOs; however without the DNOs providing variations to these contracts as part of the DIA offer, the DIA is likely to result in a duplicate commercial contract rather than amending the existing contracts. NGESO feels that as an alternative approach, the existing Third Party Works Process could be enhanced to make it more appropriate for the needs of the affected parties rather than creating a whole new process. This would require less time and resource to achieve and maintain, less complexity in terms of code changes, and could achieve the vast majority of the desired outcomes proposed within the CMP328 Original Solution – ultimately reflecting greater value for the consumer.

		NGESO's proposed Alternative will create new CUSC text on TPW, with two key focuses: 1. Defining roles and responsibilities in the process 2. Defining timescales in the process NGESO feels that clearer definitions and structure will facilitate greater understanding of the wider TPW process, leading to more effective use of it. It is important to recognise that the Original as proposed would require significant STC changes for it to function. For example, changes to facilitate: - Making offers conditional on the outcome of the DIA - Defining timescales and processes to update the connection offer once a DIA has been received - A process (including timescales and contractual terms) to require the ESO to share the DIA outcomes - Avoiding the requirement for a new modification application (and associated application fee and timescales) to a TOCO in response to a DIA - Ensuring a mechanism to facilitate the pass-through of fees to negate potential cashflow risk for NGESO - Addressing challenges associated with conflicting TO/DNO solutions whereby revisions to connection design may result. As an example, if the TO's offer prescribes a build solution but a non-build solution is prescribed via the DIA, these two solutions will not be compatible and so one (or both) will need to be revised to get them aligned. An Alternative approach could avoid much of this complexity and require fewer code changes to incorporate.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes – see attached
Modification Specific Workgroup Consultation questions		

5	For DNO respondents, please describe your process and timescales associated with current Third Party Works applications	N/A
6	For Third Party Works users, please describe your experience of using the Third Party Works process, specifically awareness of and timescales associated with the process; are there any defects in the TPW process that the DIA process does not address?	While NGESO is not a User, feedback has been received over time from Users who have utilised the process. Views tend to be mixed, with some who are keen to utilise the process as-is, and others with concerns over the efficacy. The TPW process has been used for many years and certain challenges have become embedded as a result. In particular, lack of consistency in how DNOs use the data they receive and the willingness with which the DNOs will engage can leave applicants unclear as to the applicable process in a given licence area. There is no clearly defined DNO process or any timelines for progression and completion, and it is therefore often unclear as to the next steps. Customers can be waiting for months for any form of update on the process which can impact on key business decisions such as investment roadmaps. Whilst this is a reflection of the inherent flexibility within the process which takes different affected parties' requirements into consideration, adding some rigidity and harmonisation to the existing process would clearly be beneficial. Again noting TPW has existed for a number of years, the process impacts on more than just Distribution Systems – for example, impacts on User-owned equipment beyond licence owners – so the wider concerns must be considered within the proposed changes. Our view is that this serves to highlight that while the TPW process is not perfect in its current form, it can be tweaked and improved to make it sufficiently robust without creating a whole new process. If the structure and process(es) involved were more transparent – particularly in terms of the timeline – NGESO believe more Users would be happy to use it and it would enable the reassurance and confidence they require. NGESO is happy to facilitate the key discussions and provide support throughout the process which would ensure as smooth an experience as practicable for all affected parties. NGESO also suggest that the lack of consistency in how the TPW process is executed is inherently not a CUSC issue. The key issues (such as turnaround times and format of TPW data exchange) could be

		addressed through the DCUSA rather than complex changes to the CUSC Connections process - however we accept that CUSC could provide more guidance on this.
7	Annex 6 provides a summary of the WG's view of the pros/cons of both the Third Party Works and proposed Distribution Impact Assessment process.	See responses to 7a and 7b.
7a	Do you agree with this?	NGESO agree that the Annex is a fair representation of the views discussed overall, but add that while happy with the principle of applying a set number of days to turn around a response to a DIA, the challenge arises when applying it to "any transmission-connected party". You could for example have a tertiary connection with a process committing to a response in X days from the DNO, but may need to consider another transmission-connected party within that area which is also impacted. For example, the new tertiary connection could affect a power station in terms of their assets or Short Circuit Level, meaning the TPW process would require a clause equally requiring the power station to form a solution and associated costs in X amount of days. As the DIA will only apply to DNOs and their assets, NGESO will still need to operate the Third Party Works process for instances where assets owned by someone other than a DNO are affected. This creates challenges in that timescales for response and responsibilities for approaching a DNO and non-DNO party (whose assets are affected) will be different adding unneeded complexity to the process – which could be avoided through amendments to the existing TPW process. NGESO also reiterates that applying the DIA process to all connections as a default position will be a costly and resource-heavy approach to the industry, encompassing a wide range of connectees which would have little to no discernible impact on the DNO's network.
7b	Do you have any additional pros or cons you wish to add?	N/A

8	Applicability - Do you agree with the applicability criteria proposed? Please provide your rationale.	NGESO believe the criteria broadly make sense, but it would be useful to have specific engineering metrics applied. For example, it could be argued that a zero-megawatt connection will not impact on an otherwise affected party – which may be correct from a thermal criterion perspective, but impacts could be realised in other forms such as fault level. As such, more specificity would be complementary to the current criteria. However, NGESO disagree that the criteria proposed should apply to demand connections as a default position. If a DNO is typically feeding into the transmission system (rather than being a demand site) then there is no benefit to the DNO in producing the DIA. Furthermore, if modelling the DIA process on the Statement of Works process, then applying the DIA process to demand connections creates unequal treatment between distribution and transmission. Currently, demand connections to a DNO's network do not need to make specific applications to NGESO to understand their impact on the transmission network and so it seems unfair that a Transmission demand connection would have this burden placed upon them whilst the same connection at distribution would not. Additionally, the criteria outlining which party NGESO actually apply to for a DIA is not defined; there could be a significant difference and resource requirement in terms of potential impact of a new connectee. For example, a 50MW tertiary connection at a GSP is very different to a 1GW nuclear power station in terms of likely impact. It is unclear how an "affected DNO" is defined and therefore unclear how to assess which DNOs (beyond the immediate GSP connection location) should be contacted. Finally, as mentioned in the response to the previous questions, we believe applying the DIA to every transmission connection is disproportionate as the majority of applications to the transmission system will have no impact on distribution systems. This is an inherently challenging area which would benefit from a TO-driven approach as they are the party agreeing to (or considering) the connection.
9	Contractual milestones - Do you foresee a better way of updating contractual milestones to reflect	There is a need to ensure Appendix J (of the Construction Agreement appendices) milestones are reflective of the DIA process and can be updated as necessary further to the outcome. For

	the result of a Distribution Impact Assessment?	example, should NGESO accept a Transmission connection applicant and issue their contract, the DNO's timescales for completing and issuing the DIA may not be in alignment. As such, the connectee would need to update their contract milestones to reflect the DNO's timeline. This will require a change to the STC connection process to reflect those milestones being only indicative until the DIA outcome is known. While this translates essentially to modifying the agreed contract, it ensures the contracted party is not forced to mod-app and pay a second application fee in response to the DIA process. This risk is exacerbated by the reliance on the DIA process not running into delays and deviating from its timeline. These challenges further highlight the benefits which could be presented by a whole-system cost-benefit analysis approach to the connections process. Such an approach could see NGESO provide a connection offer only once the outcomes of both the TOCO and DIA are clear. This in turn would avoid the need for possible re-working of the original offer, meaning TOs would not have to double-handle every connection application. This would also avoid the need to factor in this re-work in the original application fee. Such a process would require significant redesigns of the STC, CUSC and DCUSA connection processes to implement.
10	Fees and Costs - Do you agree with the Proposal that any costs as a result of the DIA should be passed from the DNO to the Transmission applicant via the ESO?	NGESO would receive payment at the application stage to ensure that payment can be made to the DNO – which means there is no cashflow impact on NGESO which could negatively affect consumers. The same logic applies with construction costs and maintenance management fees levied by the DNO. However the dates would need to be clearly defined to ensure a 30 day turnaround for invoicing to avoid any cashflow risk. In addition, values will need to be clearly documented to avoid any under/over recovery of funds whilst passing through.
11	Clean Energy Package (CEP) - Currently CUSC Section 4 documents the payments that will be made by the ESO for Mandatory Services with the site-specific details captured in the	NGESO do not feel compensation for a mandatory condition of connection should be held in a commercial contract. For this type of constraint on the Transmission network, it will typically be a condition of connection (with the methodology documented in the CUSC and subject to open

	Bilateral Connection Agreement. In your view, how/where should any compensational arrangements be documented for DNOs curtailing Transmission connected generators.	governance), via Balancing Service contracts (with publicly available products and procurement guidelines and auction results) or via Balancing Mechanism actions such as BOAs; there is no current equivalent approach here. As such, there is a clear need for a transparent methodology to be built into the proposed DIA process concerning how and when DNOs may charge for restricting transmission access. This will have the added benefit of demonstrating when and how the DNO is achieving positive value resulting from the course of action taken e.g. constraining off a generator rather than paying for additional enforcement.
12	Which of the following do you believe should be included when assessing options/impacts under the proposed DIA process; a) impact upon distribution connected generators/storage with transmission export capacity (TEC) b) impact upon distribution connected generators/storage without transmission export capacity (TEC)	There are inherent complexities within this question. Contractually, it is unclear how a DNO could restrict access to the transmission network for parties (whether transmission or distribution connected) who have TEC as this represents an explicit export right. However the majority of parties connected at distribution level do not have TEC, and so this implies priority access to the NETS for those who do. This does not serve to create a level playing field commercially. In addition with regards to queueing, it would be unfair to constrain a connected party to facilitate access for a third party which contracted or connected at a later date. This highlights the challenge of lack of "whole system" approach – the lack of whole system connection queue means there is not the visibility needed to use appropriate consideration of impacts on or resulting from those with and without TEC. Only the DNO has a sufficiently robust view of what is connected to their network and consequently what would be considered in a DIA; without the whole-system view the DIA process and outcomes could be open to manipulation or preferential treatment. This broader challenge is not only limited to that of new connections, as other changes to the transmission network (e.g. a modification, or termination) could have a material impact on the DNO also. The most fair outcome would be to base options/impacts on contracted date for all parties

		regardless of TEC status – however neither the existing TPW or proposed DIA processes address this sufficiently. The issue will need to be addressed as part of creating a "whole system" approach, however there are currently no specific objectives within distribution or transmission development working groups (such as Open Networks[1]) which would address this from a commercial perspective. The matter may however be picked up within the Network Access and Forward Looking Charges Significant Code Review[2] (one of the objectives being to review access rights for transmission and distribution users) [1] https://www.energynetworks.org/creating-tomorrows-networks/open-networks [2] https://www.ofgem.gov.uk/electricity/transmission-networks/charging/reform-network-access-and-forward-looking-charges
13	Should the DIA process be triggered upon receipt, or acceptance of an application from the transmission customer and please provide your reasoning.	The ESO would prefer an either/or approach to facilitate a customer-focused process with appropriate flexibility. "On application" would be most practical in terms of service efficacy, but this would require the ability to align TO and DNO responses to provide a single view of the whole works of the connection – either by changing timescales within licence conditions to facilitate it, or by DNOs having to provide offers more quickly than they may otherwise have done to avoid additional delays to the process (i.e. commit to providing an offer within 2 months of application). The question also requires consideration of how much information the DNOs actually require e.g. whether they need to know the TO design before they can assess the DNO design, and the implications of this on the timeline. If so, the DIA process would have to be triggered on acceptance of the application – but NGESO's view is that the DNO should only need to know where the connection would be occurring e.g. at which GSP, in order to understand the effect at the GSP boundary.