CUSC Alternative Form

CMP288 Alternative Request 1:
Explicit charging arrangements for customer delays and backfeeds

Overview: CMP288 seeks to amend section 14.4.2 to impose charges on Users for incremental costs incurred by the TO where a User requests a delay to the Completion Date for a connection ('delay charges'). This alternative proposal builds on CMP288 by further amending section 14.4.2 to clarify that any work undertaken and costs incurred by the TO prior to the Trigger Date specified in a Bilateral Connection Agreement will not be taken into account when calculating delay charges.

Proposer: Alastair Tolley, EP UK Investments

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What is the proposed alternative solution?

CMP288 seeks to amend section 14.4.2 to impose charges on Users for incremental costs incurred by the TO where a User requests a delay to the Completion Date for a connection ('delay charges'). This alternative proposal builds on CMP288 by further amending section 14.4.2 to clarify that any work undertaken and costs incurred by the TO prior to the Trigger Date specified in a Bilateral Connection Agreement will not be taken into account when calculating delay charges.

What is the difference between this and the Original Proposal?

The difference is that under this alternative proposal the calculation of delay charges will exclude any costs (eg. financing costs) in relation to work undertaken by the relevant TO prior to the Trigger Date contained in a connection agreement. The purpose of this change is to ensure that delay charges are not levied in relation to early TO expenditure on work (eg. consenting) which is necessary to provide a connection date that would allow for participation in a T-4 capacity auction. A well-managed project would ensure that the minimum expenditure is incurred before participating in a capacity auction, but the timing of such auctions mean that the earliest they can occur is just before the Trigger Date for a connection. Charging delay charges in relation to work undertaken prior to the Trigger Date could act as a penalty for new build projects which are unsuccessful in a T-4 capacity market auction and subsequently seek to delay their connection date accordingly. Applying delay charges in these circumstances would increase a project's costs, either making it less competitive in future capacity auctions or increasing the clearing price in those auctions and therefore the overall costs to consumers. The Trigger Date for a connection agreement is intended to the be the point at which the TO begins to incur substantial expenditure on connection projects and is therefore a sensible milestone to differentiate between costs which should be socialised and those which should be targeted at the delaying party.

What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	**Positive:** Excluding works and costs incurred prior to the Trigger Date from the calculation of delay charges will facilitate competition in the capacity market and other support mechanisms by ensuring that well-managed projects do not incur a charge where they are unsuccessful in an auction. Imposing delay charges for pre-Trigger Date expenditure would increase the costs of new build options, imposing additional costs on consumers and reducing competition in capacity auctions.
(b) That compliance with the use of system charging methodology results in	**None**

charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	**Positive:** This proposal would ensure that the application of delay charges better reflects the market arrangements in place today where a decision to proceed with a project is often dependent on award of subsidy via a competitive support mechanism. The proposal would also assist with TO network planning as it would incentivise parties which have been unsuccessful in capacity auctions to signal a project delay in a timely manner.
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**None**
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Positive:** Clarifying the treatment of pre-Trigger Date expenditure will aid the predictability and transparency of charges.
*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

When will this change take place?

Implementation date:

10 working days after a decision by the Authority

Implementation approach:

This approach should be applied in future Modification Offers issued by NGESO.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Guideline
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System
TO	Transmission Owner
TIM	Totex Incentive Mechanism
SO	System Operator

Reference material:

1. None