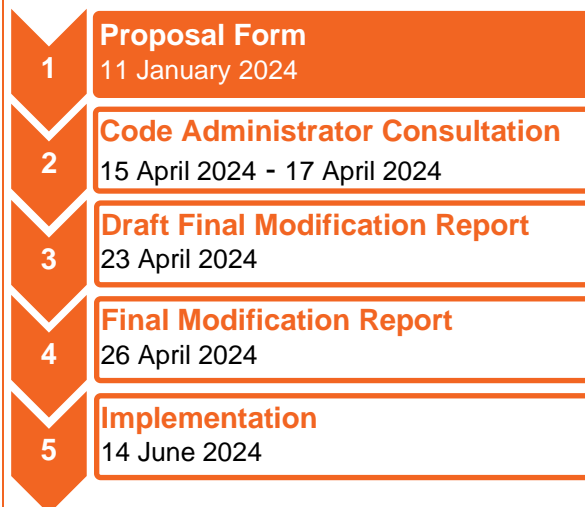


CUSC Modification Proposal Form

CMP428:

User Commitment liabilities for Onshore Transmission circuits in the Holistic Network Design

Overview: To define the User Commitment liabilities for generators connected to circuits being classified as onshore transmission within the Holistic Network Design (HND). This is to ensure that the purpose and function of circuits classified as onshore transmission are considered when determining which users are responsible for the associated liabilities.

Modification process & timetable

Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: Medium impact

On National Grid ESO, Offshore Generators and Consumers.

Proposer's recommendation of governance route

Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

Who can I talk to about the change?**Proposer:**

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What is the issue?

The Electricity System Operator (ESO) published the [Holistic Network Design](#) (HND) in July 2022 to develop a coordinated approach to offshore wind connections. The Authority subsequently published a [decision on asset classification](#) for the HND categorising the transmission assets into either onshore transmission, radial offshore transmission or non-radial offshore transmission. Onshore transmission delivers wider system benefit to transport electricity generated from a congested region behind that boundary onshore, to other parts of the onshore system with a demand bias.

The current definition of Attributable Works is outlined in CUSC section 11 as follows:

‘those components of the **Construction Works** which are required (a) to connect a **Power Station** or **Interconnector** which is to be connected at a **Connection Site** to the nearest suitable **MITS Node**; or (b) in respect of an **Embedded Power Station** from the relevant **Grid Supply Point** to the nearest suitable **MITS Node** (and in any case above where the **Construction Works** include a **Transmission** substation that once constructed will become the **MITS Node**, the **Attributable Works** will include such **Transmission** substation) and which in relation to a particular User are as specified in its **Construction Agreement**;

Applying the current definition of Attributable Works to the HND would lead to certain onshore transmission circuits being classed as Attributable Works. This would result in Generators connected to onshore transmission in the HND being responsible for liabilities associated with these circuits which deliver wider system benefit.

Why change?

The [asset classification decision](#) confirms the purpose of onshore transmission circuits in the HND are to reinforce the onshore network and therefore deliver wider system benefit. So, applying the current definition of Attributable Works would lead to unjustifiable and significant financial liabilities for certain developers in the HND.

It would not be cost reflective for these developers to secure works associated with onshore transmission circuits as they serve a broader purpose for wider users. Therefore, it is important to review the current methodology to ensure the User Commitment liabilities are cost reflective to continue to incentivise investment where onshore transmission is a feature of offshore network designs.

What is the proposer's solution?

This modification proposes that the User Commitment liabilities for onshore transmission circuits in the HND or future iterations of the HND will not be classified as Attributable Works. To facilitate this, the proposed approach is to amend the Attributable Works definition in CUSC section 11 by creating an exception for works deemed by the Authority to be wider works. Therefore, it is suggested the definition of Attributable Works in CUSC Section 11 is amended as per the red text below.

Attributable Works: ‘those components of the **Construction Works** which are required (a) to connect a **Power Station** or **Interconnector** which is to be connected at a **Connection Site** to the nearest suitable **MITS Node**; or (b) in respect of an **Embedded Power Station** from the relevant **Grid Supply Point** to the nearest suitable **MITS Node** (and in any case above where the **Construction Works** include a **Transmission** substation that once constructed will become the **MITS Node**, the **Attributable Works** will include such **Transmission** substation) and which in relation to a particular User are as

specified in its **Construction Agreement;**’ but excluding in each case any [**Excepted Works**];’

A new definition would then be created in CUSC section 11 for ‘Excepted Works’ as follows.

Excepted Works: ‘any **Construction Works** which have been designated as “onshore transmission (reinforcement)” by the **Authority** in its decision of 19 October 2022 on the classification of assets included in **The Company’s HND1** or in any future decisions by the **Authority** on the classification of assets included in the **HNDFUE** or **tCSNP** or **CSNP**.’

New definitions would then also be created in CUSC section 11 for HND, CSNP, and OTNR as follows.

HND: ‘the output of the holistic network design process being undertaken under the **OTNR** published in July 2022 (the “**HND1**”) or the subsequent follow up to the **HND1** (the “**HNDFUE**”) or any further development or iteration of the **HND** or approach to **HND**.’

Centralised Strategic Network Plan (CSNP): ‘the centralised strategic network plan being developed by **The Company**, the first version of which (which will include **HND**) (the “transitional” **CSNP** or “**tCSNP**”) is to be published in 2024.’

OTNR: ‘the Offshore Transmission Network "Review" launched in July 2020 by the UK Energy Minister.’

This would effectively ensure onshore transmission circuits in the HND or future iterations of the HND are not classified as Attributable Works, avoiding significant financial liabilities being levied on generators in the HND.

Benefits of Solution

The purpose of onshore transmission circuits to provide wider system benefit is reflected in the User Commitment methodology, enabling cost reflectivity and therefore incentivising development of offshore generation. The principles outlined in the proposed solution above compliments [CMP426](#) which proposes the TNUoS charges for onshore transmission circuits in the HND are not allocated to a specific user.

The solution should also future proof the methodology for any HND circuits designation not to be Attributable Works by the Authority. Finally, the approach is fairly simple to implement.

Modification scope and application of the wider cancellation charge.

Consideration of or comparisons to User Commitment liabilities associated with onshore transmission circuits that fall outside the HND or iterations of the HND are outside the scope of this modification.

This modification proposes that onshore transmission circuits in the HND or future iterations of the HND are not classified as Attributable Works. If Works are not attributable, these should fall into the Transmission Owner’s (TO) capital expenditure (CAPEX) forecast and therefore flow into the Wider Cancellation Charge. The cost of the reinforcement is allocated into a specific TO’s CAPEX. The ESO receive a CAPEX forecast for wider Works from the TO’s. The Capex is allocated across the Electricity Ten Year Statement (ETYS) boundaries using their contracted background. The volume of megawatts (MW) to be connected in each ETYS zone over a four year period (post

trigger date) is considered and the CAPEX costs are spread across the zones using the proportion of the total MW contracted to connect in that zone.

Draft legal text

Legal text is available in Annex 2.

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Neutral
(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;	Positive This proposal enables circuits classified as onshore transmission in the HND to not be classified as Attributable Works and therefore not impose significant liabilities on generators. This in turn will incentivise development of offshore generation which aids competition.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive Will provide clarity to the industry on what assets are classified as Attributable Works for generators in the HND.
*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	Neutral This will not impact the operation of the transmission system.
Lower bills than would otherwise be the case	Positive The clarity of the methodology will help provide offshore developers with greater confidence of what the applicable methodology and resulting User Commitment liabilities will be. This will reduce investment risk and the overall costs to consumers.
Benefits for society as a whole	Positive Facilitates the development of an integrated offshore network and the associated consumer cost, security of supply and environmental

	(fewer mudflat cable transitions) benefits compared to radially connected projects.
Reduced environmental damage	Positive Facilitates the development of an integrated offshore network and the associated benefits towards achieving Net Zero.
Improved quality of service	Neutral This will not directly impact the quality of service provided by the ESO or offshore generators.

When will this change take place?

Implementation date

14 June 2024 to ensure developers have visibility of the User Commitment methodology and associated liabilities to aid investment decisions related to generators connecting in the HND.

Date decision required by

31 May 2024 to ensure developers have the visibility of the methodology to aid investment decisions and ensure implementation by 14 June 2024.

Implementation approach

No systems are impacted through the implementation of this modification

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

The Proposer recommends that this modification should be treated as an Urgent Modification proposal based on Ofgem's Urgency criteria (a) significant commercial impact on parties, consumers or other stakeholder(s)

Due to the significant commercial impact on developers. An offshore project in the HND is progressing and the project will be responsible for £2.6bn in User Commitment liabilities from the implementation date without this modification. This will have a significant commercial impact, affecting investment decisions for the project with the potential for the project no longer progressing. Offshore projects are a key enabler to achieving net zero and the associated benefits this brings. The potential for project/s not progressing could therefore negatively impact the drive to net zero. Implementation is required by this date (14 June 2024) to ensure the project is not responsible for £2.6bn in User Commitment liabilities. The implementation date cannot be achieved through the standard code governance process.

Interactions

- | | | | |
|--|--|--|--------------------------------|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input checked="" type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European
Network Codes | <input type="checkbox"/> EBR Article 18
T&Cs ¹ | <input checked="" type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

¹ If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

This modification has interactions with:

- [CM094](#) aims to allow Transmission Owners (TO) to not pass through any costs for users to secure against for any strategic transmission reinforcements where Ofgem have approved the needs case for these works.
- [CMP417](#) is considering the definition of Attributable Works but from a demand users' perspective.
- [CMP426](#) considers TNUoS Charging and this modification considers User Commitment arrangements, but both proposals evaluate the treatment of onshore transmission circuits in the HND and the solutions in both proposals complement each other.

This modification (CMP428) and [CM094](#) both consider User Commitment liabilities associated with reinforcement works. The scope of this modification is confined to the HND and iterations to the HND, whereas [CM094](#) has a broader remit. Therefore, CMP428 and CM094 have close interactions and so the solutions, implementation and approval will need careful consideration.

For both [CMP417](#) and [CMP426](#) although there is a degree of interaction, the proposals can be approved and implemented independently.

Finally, for consistency it is important the definition for Attributable Works across CUSC and STC are aligned, therefore a consequential STC will be required to ensure alignment.

Acronyms, key terms and reference material

Acronym / key term	Meaning
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
HND	Holistic Network Design
HVDC	High-Voltage Direct Current (HVDC) circuits
NGESO	National Grid Electricity System Operator
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System
TO	Transmission Owner
OTNR	Offshore Transmission Network Review
CSNP	Centralised Strategic Network Plan
CAPEX	Capital expenditure
ETYS	Electricity Ten Year Statement
Megawatt	MW

Reference material

- [A Holistic Network Design for Offshore Wind | ESO \(nationalgrideso.com\)](#)
- [Decision on asset classification](#)
- [CM094: Amendment to Bi-annual estimate provisions](#)

- [CMP426: TNUoS Charges for transmission circuits identified for the HND as onshore transmission](#)
- [CMP417: Extending principles of CUSC section 15 to all users](#)

Annexes

Annex	Information
Annex 1	CMP428 Proposal from January 2024
Annex 2	Draft Legal Text