

## Stage 02: Workgroup Report

### Connection and Use of System Code (CUSC)

# CMP222 User Commitment for Non- Generation Users

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 proposal seeks to introduce enduring User Commitment arrangements for sites where there is an offtake of electricity from the Transmission System (excluding generation site supplies), namely Interconnectors, Distribution Network Grid Supply Points (GSPs), Directly Connected Loads and Pumped Storage.

This document contains the discussion of the Workgroup which formed in September 2013 to develop the new approach. Any interested party is able to make a response in line with the guidance set out in Section 5 of this document.

**Published on: Wednesday 18<sup>th</sup> December 2013**

**Length of Consultation: 20 working days**

**Responses by: Monday 20th January 2014**



***The Workgroup concludes:***



***High Impact:***

For non-generation Users: Interconnectors, Distribution Network Grid Supply Points (GSPs) and Directly Connected Loads



***Medium Impact:***

None identified



***Low Impact:***

None identified

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### Any Questions?

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## About this document

This document is a Workgroup consultation which seeks the views of CUSC and interested parties in relation to the issues raised by the Original CMP222 CUSC Modification Proposal which was proposed by National Grid and developed by the Workgroup. Parties are requested to respond by 20/01/2014 to [cusc.team@nationalgrid.com](mailto:cusc.team@nationalgrid.com) using the Workgroup Consultation Response Proforma which can be found on the following link:  
<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/current/amendmentproposals/>

## Document Control

Version	Date	Author	Change Reference
0.1	21/11/2013	Code Administrator	Draft to Workgroup
0.2	18/12/2013	Code Administrator	Workgroup Consultation for Industry

## 1 Summary

- 1.1 This report summarises the deliberations of the Workgroup, describes the Original CMP222 CUSC Modification Proposal ('the Proposal') and the discussion around possible Workgroup Alternative CUSC Modification(s).
- 1.2 CMP222 was proposed by National Grid and submitted to the Modifications Panel for their consideration on 27<sup>th</sup> September 2013. A copy of the Proposal is provided in Annex 1. The Modifications Panel ('the Panel') determined that the Proposal should be considered by a Workgroup. The Workgroup report is currently expect to be submitted back to the Panel in February.
- 1.3 The Workgroup first met on 18<sup>th</sup> October 2013. A copy of the Terms of Reference is provided in Annex 2. The Workgroup considered the development of the Proposal; the issues raised by it and considered whether the Proposal and the options for potential Workgroup Alternative CUSC Modifications would better facilitate the Applicable CUSC Objectives.
- 1.4 The Proposal aims to introduce enduring User Commitment arrangements for non-generation users who offtake electricity from the Transmission System, namely Interconnectors, Distribution Network Grid Supply Points (GSPs), Directly Connected Loads and Pumped Storage. This follows on from CMP192 Generation User Commitment introduction. National Grid agreed temporary arrangements with Ofgem until 1<sup>st</sup> April 2015.
- 1.5 This Workgroup Consultation has been prepared in accordance with the Terms of the CUSC. An electronic copy can be found on the National Grid Website, [www.nationalgrid.com/uk/Electricity/Codes/](http://www.nationalgrid.com/uk/Electricity/Codes/).

## 2 Background and Current Arrangements

- 2.1 Modification Proposal CMP 192, “Arrangements for Enduring Generation User Commitment”, introduced enduring User Commitment arrangements for Generators, both pre- and post-commissioning and resulted in the creation of the new Section 15 of the CUSC.
- 2.2 Following CMP192, Generator User Commitment liabilities are calculated using two terms:
  - 1) a Cancellation Amount for pre-commissioning Power Stations that takes account of transmission investment for Attributable and Wider Works; and
  - 2) a Cancellation Amount for post-commissioning Power Stations that takes account of the investment for Wider Works.
- 2.3 Currently, pre-commissioning non-generation Users provide security through either the interim Final Sums arrangements set out in their Construction Agreement, or the Interim Generic User Commitment Methodology (IGUCM). Final Sums are the costs of abortive transmission investments undertaken on behalf of a User. The interim Final Sums process only requires users to secure local works. IGUCM is a generic methodology that uses a multiple of TNUoS as a proxy for the cost of transmission investment for individual Users.
- 2.4 Currently, post commissioning non-generation Users have requirements under the CUSC to provide 28 days notice to the NETSO of their intention to close, but no formal financial commitments are in place beyond this.
- 2.5 Interim Final Sums and IGUCM were intended as short-term solutions whilst enduring arrangements were developed. National Grid received a letter of comfort from Ofgem which requires enduring arrangements to be in place for 1<sup>st</sup> April 2015. With the introduction of the enduring generation User Commitment arrangements in April 2013, it is therefore timely to develop an enduring approach for non-generation Users.

### 3 Proposed Modification

3.1 This Proposal intends to introduce User Commitment arrangements for sites where there is an offtake of electricity from the Transmission System (excluding generation site supplies), namely Interconnectors, Distribution Network Grid Supply Points (GSPs) and Directly Connected Loads.

3.2 The table below summarises the proposed User Commitment arrangements of CMP 222:

	<b>Pre-Commissioning</b>	<b>Post-Commissioning</b>
<b>Interconnectors</b>	CUSC Section 15 (using higher of import/export capacity)	None
<b>Distribution Network GSPs</b>	Final Sums (Local)	None
<b>Directly Connected Demand</b>	Final Sums (Local)	None
<b>Pumped Storage</b>	CUSC Section 15	CUSC Section 15

#### Interconnectors

3.3 Pre-commissioning Interconnector developments pose similar risks, and impacts on the Transmission System as generators of equivalent size. It is therefore proposed to apply the principles of CUSC Section 15 to pre-commissioning Interconnectors, using the higher of their import and export capacities (MW).

3.4 Although not currently allowed for by National Grid Electricity Transmission's licence, Ofgem's ITPR (Integrated Transmission Planning and Regulation) review is considering whether Interconnectors may be identified and developed by a central body such as the System Operator. In this situation the appropriateness of User Commitment could be questioned, as the System Operator would have control of the risk itself. CUSC proposals are developed and assessed against the existing arrangements and therefore do not consider future ITPR proposals.

3.5 The Proposer considers that post-commissioning Interconnectors have a much smaller risk profile than a generator of equivalent size, therefore considers that there is no requirement to introduce additional User Commitment for post-commissioning Interconnectors.

#### Distribution Network GSPs

3.6 It is proposed, with CMP222, to continue with Final Sums limited to local works for pre-commissioning DNO GSPs, as the Proposer perceives that DNO GSPs present a low risk profile to transmission investment plans. For the avoidance of doubt, this does not affect the liability passed to the DNO for an Embedded Generator through the existing Section 15 arrangements.

3.7 The Proposer considers that there is no requirement to introduce any additional User Commitment for post-commissioning DNO GSPs as they

present a low risk profile to transmission investment plans. A possible exception to this is where the GSP is mainly associated with export onto the Transmission System. The Proposer suggested that this was an area for discussion during the Workgroup.

### **Directly Connected Demand**

- 3.8 It is proposed to continue with Final Sums limited to local works for pre-commissioning directly connected demand. Pre-commissioning directly connected demand presents, in the view of the Proposer, a low risk to transmission investment plans. In addition, sites are small in size and number therefore have a limited impact on wider investments on the Transmission System.
- 3.9 No security from post-commissioning directly connected demand is proposed as post-commissioning directly connected demand present a low risk to transmission investment plans. The majority of directly connected demand is with the rail network, a regulated monopoly industry with predictable investment plans that are agreed with a regulatory authority.

### **Pumped Storage**

- 3.10 The Proposer considers that Pumped Storage sites are considered to be generators and as such provide User Commitment through the arrangements set out in CUSC Section 15 on the basis of the TEC they hold.

## 4 Summary of Workgroup Discussions

### Terms of Reference

- 4.1 The Terms of Reference were agreed by the Workgroup, subject to a few minor amendments.
- 4.2 It was suggested that the workgroup should note the proposed European arrangements and the impact they may have on the market if implemented, in particular in relation to merchant Interconnector arrangements in the GB regime. Whilst this is a very important factor to consider, it was proposed that the Workgroup focuses on the current arrangements as European arrangements are still in draft form at this stage. It was noted that in another place (the Grid Code) National Grid had raised the proposed European arrangements as a reason why certain changes did need to be considered now, which seemed to be at odds with what was being suggested here with CMP222. It was confirmed that CUSC Modification Proposals must be assessed against the current CUSC baseline and that CUSC change processes were different to those in the Grid Code.
- 4.3 It was also suggested that the Workgroup consider the application of the proposed solution to the potential Irish joint projects<sup>1</sup>; which could see dedicated transmission assets being built to dedicated generation sites located in Ireland to transfer electricity into the GB Transmission System. These transmission assets are defined as “Interconnectors” in GB law and therefore are likely to be licensed as Interconnectors, however the workgroup noted that at present they were being progressed as generator connections.

### Interconnectors

#### Pre-ambles on Interconnectors

- 4.4 In this section the workgroup considered possible future arrangements under which Interconnectors may be regulated i.e. a merchant Interconnector or a regulated Interconnector. Within the current regulatory regime, this distinction is not made but may arise out of ITPR (the Integrated Transmission Planning and Regulation) review. For pre-commissioning Interconnectors, there is an argument, explored in Section 4.5 – 4.29 which discusses whether a regulated Interconnector should be exposed to pre-commissioning securities (assuming that a merchant Interconnector would be). In terms of post-commissioning Interconnectors, the workgroup touched on the issue of differentiating between regulated and non-regulated Interconnectors, however the discussion in this section focuses on pre-ITPR discussions, where all Interconnectors are considered the same. The workgroup did not agree whether merchant Interconnectors should be exposed to post-commissioning User Commitment and therefore this is likely to form part of the post-consultation discussion on an alternative.

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<sup>1</sup> April 2009 European Union Directive 2009/28/EC set renewable energy targets and outlines three cooperation mechanisms (statistical transfers, joint project and joint support schemes) Directive 2009/28/EC, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:en:PDF> (April 2009)

## Pre-Commissioning Interconnectors

- 4.5 It is proposed to apply the principles of CUSC Section 15 to pre-commissioning Interconnectors; this would be done using the higher of their import and export capacities (rather than TEC).
- 4.6 The Proposer presented data which showed that of the ten Interconnector projects which applied for connection since privatisation, three were commissioned, one terminated their agreement and six applications lapsed. The Proposer considered that this dataset, whilst not large, indicated that there was a material risk of pre-commissioning Interconnector projects not proceeding.
- 4.7 The Proposer presented a data set of current <sup>2</sup>pre-commissioning Interconnector projects (Figure 1). For clarification, this excludes distribution connected Interconnectors. The Proposer noted that future projects tended to be for connection to markets which have existing Interconnectors between them already or to neighbouring markets, and increased interconnection would tend to bring market prices closer together. Therefore as more Interconnectors connect to the same market, the economics of future Interconnectors to that market becomes less attractive, and hence there is an increased risk that they terminate their connection agreements prior to commissioning. This would not be the case with those Interconnectors planned and funded via the System Operator however this is not how Interconnector projects are currently planned or delivered, and is dependent on the outcome of ITPR. It was also noted that the proposed projects were all in the range 1-1.4GW, which was comparable with a large generator.

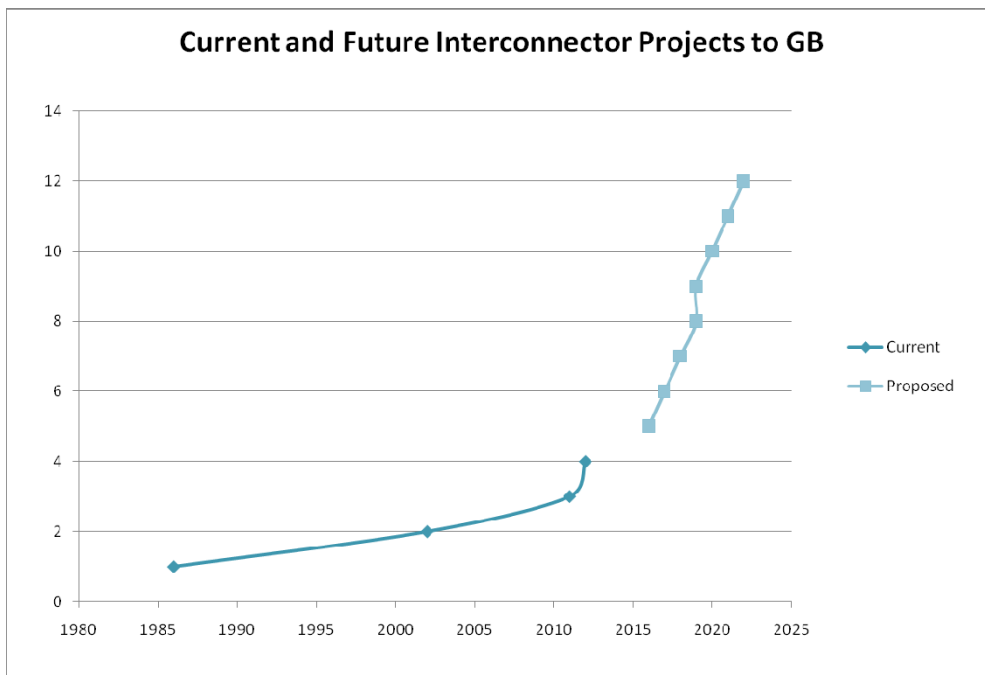


Figure 1

- 4.8 The Proposer considered that these two arguments demonstrated that there was a similar risk profile to pre-commissioning Interconnectors as generation (i.e. some may be speculative), and therefore similar User Commitment arrangements should apply.
- 4.9 It was noted that there were certain projects that may be treated as Interconnectors (i.e. generation in Ireland isolated from the Irish

<sup>2</sup> Interconnector Register 22-10-2013



transmission system and connecting to the GB Transmission System through subsea cables) and the importance of considering such projects in the Workgroup discussions and report as they may have a different risk profile compared with other Interconnectors. The Workgroup noted that the regulatory treatment of this sort of project was not yet clear (Ofgem's consultation on the matter was issued 18<sup>th</sup> November<sup>3</sup>), and that there are currently 10.5GW of connection agreements being progressed through generator connection agreements. The Workgroup also noted that such projects would exhibit very similar characteristics as an offshore wind farm connected via a subsea cable to the GB Transmission System. The Workgroup also noted the need to take account of those offshore wind farms located in GB waters whose connection, to the GB Transmission System, may be changed if their connection is 'upgraded' or linked to an Interconnector in the future.

4.10 The National Grid representative explained the anticipated impact of Integrated Transmission Planning and Regulation (ITPR) review on Interconnector projects, specifically around how they are identified and delivered. It was noted that there are two types of regulatory approaches to Interconnectors under the existing GB regulatory arrangements: a merchant Interconnector whose revenue is not regulated and who is subject to commercial market conditions, and an Interconnector whose revenue is regulated by the Authority and underwritten by customers. Interconnectors with regulated revenue streams underwritten by customers are insulated to some extent from extremes of the commercial market. It was noted that there are currently two post-commissioning Interconnectors linked to GB which have unregulated revenue streams in GB, namely IFA (the 2000MW link between England and France) and BritNed (the 1000MW link between England and Netherlands).

4.11 The Proposer considered that there were two clear possible outcomes of the ITPR review, either all Interconnector projects would continue to be progressed by third party developers; i.e. 'merchant' Interconnectors with regulated or unregulated revenue streams; or they would be identified by a central body (Figure 2). The Proposer assumed that the central body would be the NETSO, and therefore no User Commitment would be required, however it was agreed that this may not necessarily be the case.

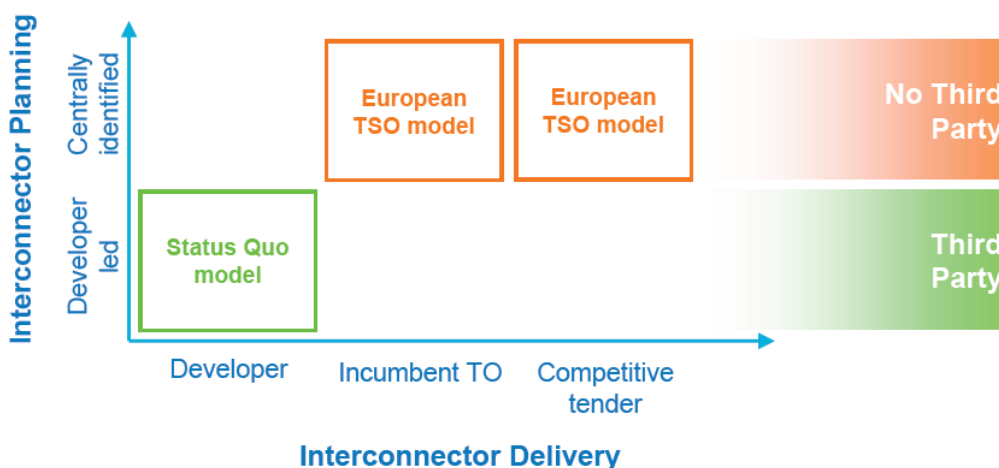


Figure 2

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<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/regulation-transmission-connecting-non-gb-generation-gb-transmission-system>

- 4.12 There was discussion around the difference between a third party Interconnector, and one which was identified by a central body. A Workgroup member commented that if the central body was a NETSO then no User Commitment would be required, as the security would be provided from the NETSO to itself. In contrast, a third party Interconnector would require User Commitment, as the NETSO would have no visibility or control over the status or progression of the project, yet would retain a liability to the TOs for any abortive transmission works.
- 4.13 It was questioned whether this would automatically give the centrally identified (non merchant) Interconnector a competitive advantage over a merchant Interconnector. However it was suggested the financial liability to the TO that user commitment represents would still sit on the NETSO, there would just be no third party to back it off with. As regulated bodies the NETSO, the TO and the regulated Interconnector have a joint duty to be efficient and coordinate to justify their regulatory income. It was also noted that a centrally regulated Interconnector would have a rate of return reflecting this lower risk.
- 4.14 A Workgroup member suggested that an Interconnector project might be more likely to be abandoned (compared to an onshore power station) due to the physical challenges posed by building under the sea; i.e. due to unforeseen seabed conditions etc. However it was also noted that there were far fewer consenting and planning hurdles offshore compared to onshore, and therefore no conclusion was drawn.
- 4.15 There was discussion over European treatment of Interconnectors as transmission assets. It was pointed out that IFA has an unregulated revenue stream in GB, however in France RTE's revenues are reflected in the regulated price control. One member considered that this made it a regulated transmission asset – i.e. the TSOs who operate the Interconnector have to work within their own regulatory environment. It was noted that whilst it was accounted for in the French regulatory arrangements it was not necessarily directly funded by French consumers. It was generally accepted that from a GB perspective the IFA can be assumed as a 'merchant' Interconnector.
- 4.16 The Workgroup agreed that until ITPR concludes, the Workgroup can only consider User Commitment under the existing Interconnector regime, and that should the regime change to a model with a central body, this issue will need to be re-addressed.
- 4.17 The Workgroup discussed whether Interconnectors should be treated the same as generators under CUSC Section 15. One Workgroup member argued that Interconnectors are, for the purposes of User Commitment, the same as generators, as both are commercial investments, and they should have the same Section 15 requirements applied to them to avoid discriminatory treatment between Users. It was clarified that investment planning by TOs does not distinguish between Interconnectors and generators when considering fault conditions under the SQSS, as they have the same maximum loss limit of 1800MW. Interconnectors have a separate loss limit specified for export, however this does not affect any system reinforcements as it is lower than 1800MW. Although it was noted that Interconnectors are treated differently to generators in other areas of the SQSS (e.g. under for peak and cost benefit analysis planning).
- 4.18 Under the current regime, the Workgroup agreed that CUSC Section 15 should apply to pre-commissioning Interconnectors as they are commercial projects with no guarantee of income, in a similar way to power stations, and thus should receive the same User Commitment treatment. This ensures that a merchant investor has similarly

proportioned incentive to generators to provide the NETSO and TOs with investment information in a timely manner.

4.19 The Proposer talked through the aspects of CUSC Section 15 that are proposed to apply to pre-commissioning Interconnectors, and highlighted two areas that would require separate consideration for Interconnector projects:

■ Aspects of CUSC Section 15:

- Based on TEC
  - Asset Reuse Factor
  - Strategic Investment Factor
- Attributable / Wider liabilities
- Fixed / Actual
- Security Percentages
- Credit Requirements

4.20 The Workgroup agreed with most aspects of CUSC Section 15 the Proposer put forward to apply to pre-commissioning Interconnectors. There was some discussion on the two aspects highlighted, namely whether the capacity that CUSC Section 15 should be applied to should be based on TEC (MW), and what security percentages should be applied to pre-commissioning Interconnectors.

4.21 There was a discussion around whether Interconnectors have TEC (MW); one Workgroup member stated that when signing a Bilateral Connection Agreement an Interconnector would state its TEC, whilst others felt that this is no longer the case. It was confirmed that Interconnectors still have TEC although they do not pay for it through TNUoS charges. This means the option to base User Commitment securities on Interconnectors in the same way as generators do is viable, although the TEC for Interconnectors is only for importing to the GB system, not exports from the GB Transmission System.

4.22 The Proposer explained that there are three options for measuring capacity in an Interconnector's BCA that CUSC Section 15 could be applied to:

- (a) Use TEC (MW); or
- (b) Use the higher of import or export capacity (MW) as specified for CUSC 9.5 and 9.6; or
- (c) Use the higher of the import or export capacity set out in CEC(MW).

4.23 The Workgroup discussed the options for Interconnector User Commitment capacity measurement and agreed that the second option; to use the higher of import or export capacity (MW) as specified for CUSC 9.5 and 9.6; was the most pragmatic given that it is specific and covers the case where an Interconnector is either export or import-focussed (thus avoiding under-securing, as might be the case if only the TEC figure was used). Additionally, whilst some Interconnector BCAs may have both import and export capacity figures included in their CEC, there is no requirement for this under the CUSC.

- 4.24 The Proposer explained that security percentages used in CUSC Section 15 for generators are based on an analysis of the number of generator applications which terminated prior to commissioning at different points (i.e. scoping, pre-consents, and post-consents). These are 100%, 42% and 10% of a user’s liability.
- 4.25 Similar analysis for Interconnectors gives the numbers 100%, 70% and 0%, however the Proposer noted that this is based on a very small data set of 10 Interconnector projects since privatisation, of which 3 commissioned and 7 terminated prior to gaining consent (in these instances liabilities were paid and securities did not need to be drawn upon). This data set is small enough to suggest that it is “statistically insignificant” and so the CMP222 Proposal is to use the equivalent generation percentages (100%, 42%, 10%) but to keep the numbers under review. If a review identified that a change was required then this would require a separate CUSC Modification to be raised.
- 4.26 In the absence of further evidence, the Workgroup agreed that the security percentages, for Interconnectors, should be 100%, 42%, 10% (the same as for generators).
- 4.27 It was suggested that Interconnector applications might be more speculative than generator applications; there are several proposals at the moment which will join the GB market to the same markets and it seems unlikely that these will all go ahead (more interconnection undermines the initial business case of a merchant Interconnector to expose the price differential between two markets and receive a revenue based on that price differential). It was also questioned what consents must be gained for Interconnector projects.

**Q1: The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 10%) to be applied to pre-commissioning Interconnectors.**

- 4.28 The Proposer presented analysis of the impact on Interconnectors, based on the Gone Green generation background for April 2015 to September 2015 – see Table 1. This suggests that the Proposal would result in a reduction in both the liabilities and securities paid by pre-commissioning Interconnectors compared to continuing with current baseline arrangements.

Table 1

		Pre-commissioning (£M)
Current	Liability	57
	Security	57
New (Attributable + Wider)	Liability	49
	Security	30*

(\*Assumes the same % reduction as for generation users, i.e. 100%, 42%, 10%)

- 4.29 Further analysis was presented on the potential impact of including Interconnectors in the calculation of the zonal wider liability figures. This showed a reduction only in tariffs for generation charging zones 15 South Lancashire, Yorkshire and Humber, and 16, North Midlands and North Wales (~15% and ~12.5% respectively).

## Post Commissioning Interconnectors

- 4.30 The Proposer stated that it considered post-commissioning Interconnectors are very low risk and therefore would not require any User Commitment. Two reasons were given to support this.
- 4.31 Firstly, European legislation considers Interconnectors to be extensions of the transmission system, and they are licensed by Ofgem effectively as TOs. As such, they neither use the transmission system nor pay use of system charges (TNUoS or BSUoS), but instead facilitate other Users accessing the market.
- 4.32 Secondly, unlike generators, Interconnectors are unlikely to close unexpectedly at short notice once they are built, as they have limited ongoing operational costs, and no fuel costs. Their licence also includes a requirement to coordinate with other TOs on system planning, and hence there is no need to introduce a further financial commitment to incentivise timely information provision. The Proposer noted that there has never been a closure, expected or unexpected, of an Interconnector to GB.
- 4.33 It was suggested that there is the same intrinsic commercial risk from post-commissioning Interconnectors as the equivalent post-commissioning generator. Interconnectors are commercial projects, subject to the same commercial pressures as generators and therefore capable of failing in a similar way to generators. Both are built on the basis of a business plan and (invariably) bank loans / share capital and both, as commercial propositions, do not have access to secured revenue stream.
- 4.34 There was some discussion regarding what would happen in the scenario that the owner of an Interconnector was declared bankrupt / put into administration / liquidation / receivership. In terms of User Commitment, it was the view of some Workgroup members that the Interconnector would be in the same position (commercially) as a generator that went bankrupt etc. In both cases the business case for the original investment in the asset (Interconnector or power station) would not have worked and, therefore, the asset would then be sold on (with shareholders / bond holders getting less than 100p per £ they had invested). In either case the risk of non-payment to the NETSO, for which User Commitment is required, would be the same.
- 4.35 The example of the Moyle Interconnector was noted, which has seen its availability (and thus revenue raising capability) severely curtailed over a prolonged period of time. If this were to happen to a Interconnector then, it was suggested, it could be expected to be in the same position as a post-commissioning generator – outgoings to honour (bank financing, staff, rates and other costs etc.) and no income to offset those costs, leading to the asset no longer being a ‘going concern’ and, under UK company law, leading the Directors to wind the business up. In addition bank covenants are also likely to be breach, in that situation, leading to the loans being call in. The Workgroup member therefore proposed that all post-commissioning Interconnectors should have the same User Commitment as post-commissioning generators do.
- 4.36 In the event that the project failed to be profitable, the proposer believed it was not the same decision to withdraw from the market as a generator would have. Given the broader European regime to converge markets the proposer believed that it was likely that as a minimum the Interconnector would be ‘adopted’. Prior to bankruptcy the cost of the Interconnector would mainly be sunk, and so the incentive would be to keep running.

- 4.37 It was questioned as to whether the administrator could restrict the use of the Interconnector in these cases. The Workgroup considered whether this could be classified as removing capacity from the market, and whether the regulator would step in and introduce (or renegotiate) a cap and collar revenue stream. An administrator would seek a return and so likely try to keep the Interconnector viable as a going concern. Although it was recognised that technical rather than economic reasons could cause the withdrawal of capacity for a period (e.g. a major cable failure). So, other than for a major technical fault, it seems unlikely that an Interconnector would not be made available for service.
- 4.38 It was suggested that an Interconnector would shut down and be replaced, in a similar manner to a generator. Therefore an Interconnector should also have the same post commissioning User Commitment arrangements as a generator. Counter to this it was pointed out that a generator was less likely to be replaced than a transmission line which aided market coupling. However, if the commercial case for either asset (Interconnector or power station) still existed then both would be replaced as this was the economically rational thing to do.
- 4.39 This opened up a debate about the treatment of Interconnectors in terms of system planning and co-ordination. TSO's have a licence obligation to co-ordinate, but it was pointed out that under EU legislation generators also have a licence obligation to coordinate and therefore this was no substitute for different post-commissioning User Commitment treatment (between Interconnectors and power stations). Upon further investigation, however, it was noted that the obligation on Interconnectors under EU regulation 714/2009<sup>4</sup> included providing information on the long-term evolution of the transmission infrastructure and its impact on cross-border transmission capacity, which is exactly the information that CUSC Section 15 is intended to incentivise. In comparison, the coordination requirement for generators was concerned with meeting technical requirements for the operation of the transmission system, and therefore was not a comparable obligation.
- 4.40 Some members of the workgroup believed that after a fault the decisions faced by the Interconnector were similar to the decisions faced by generators and the consequences of these were similar. Therefore they supported the view that Interconnectors should be exposed to post-commissioning User Commitment. Other members of the workgroup believed User Commitment is there to incentivise provision of information therefore a technical fault would not be sufficient justification for post-commissioning User Commitment as the owner would not be able to provide that information in advance.

**Q2: The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.**

- 4.41 The Workgroup considered if the market drivers for Interconnectors and generators were different, with Interconnectors able to forecast the market further ahead than generators. This is of significance as the agreed period that post-commissioning generators are subject to a User Commitment liability is up to two years in CUSC Section 15. However it was pointed out that both the Interconnector and the generator (in a post-commissioning situation) were relying on the same wholesale market

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<sup>4</sup>REGULATION (EC) No 714/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009, Annex 1, Paragraph 5.5 (a) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF> (page 19 of 21)

prices to determine if they should continue as a commercially viable concern (or close / sell out).

- 4.42 The Workgroup discussed that there is no intrinsic 'skill' or 'knowledge' that means an Interconnector was better able to forecast the wholesale market further ahead than generators. Given that generators are active participants in the wholesale markets they, it could be argued, might even have a slight knowledge 'advantage', when compared with an Interconnector, in that they 'better' understand the key price drivers of the wholesale market. They would, for example, be expected to be negotiating fuel supply contracts etc., over the period (something Interconnectors would not do).
- 4.43 It was suggested that a further factor to be taken into consideration with respect to Interconnectors related to the proposed joint projects to Ireland. If the generation at the Irish end of the link were to 'disappear'; for example no longer be commercially viable; then, presumably, the related Interconnector would give the NETSO near identical notice as generation (in this example).
- 4.44 It was noted that during the development of CMP192, Workgroup members argued that a generator's decision to reduce TEC or disconnect was based on short-term factors, in particular expected future wholesale power prices and spreads. As there is no market beyond 1-2 years, post-commissioning generators would only be able to give up to 1-2 years' notice of TEC reduction or disconnection. The original CMP192 proposal was for post-commissioning generators to provide a similar duration of User Commitment as pre-commissioning generators, i.e. 4 years. However, given that, post-commissioning, Interconnectors (and generators) rely for their revenue on the same wholesale market(s); i.e. the wholesale market price difference between Country A and Country B; they too only have a similar period of certainty (of revenue to pay their costs) as generators.

**Q3: The Workgroup invites views and evidence as to whether post-commissioning Interconnectors, in the event that they are required to provide User Commitment, have a greater ability to forecast market conditions than generators.**

### **Direct Demand**

#### **Pre-Commissioning Direct Demand**

- 4.45 It is proposed to codify the existing Final Sums arrangements; i.e. limited to local works; for pre-commissioning Directly-Connected User. Currently these arrangements are included as an appendix to each User's BCA. Pre-commissioning Directly-Connected Users presents a low risk to transmission investment plans. In addition, sites are small in size and number, therefore have a limited impact on wider Transmission System investments.
- 4.46 The Proposer explained how the majority of direct demand connected to date is associated with upgrades to the rail system, which has been the case for a number of years. As a regulated monopoly industry with long-term agreed investment plans, the rail industry is considered at a low risk of unexpected terminations.
- 4.47 It was also noted that direct demand sites have no codified maximum capacity figures, and a number of factors in the CUSC Section 15 arrangements require a capacity figure. The Proposer considered that creating and codifying such a figure for the purposes of User Commitment

would be subjective due to demand side not having maximum capacities, and a disproportionate response for the small number of low risk Users affected.

- 4.48 The Proposer stated there have been 5 new connection sites for Directly-Connected User demand since 2007. A Workgroup member also noted the recent National Grid 'Timely Connections Report'<sup>5</sup>, which mentions 11 demand sites with offers for commissioning between now and 2024. It was observed this is roughly one such connection per year. The National Grid representative explained that only one of the offers in the 'Timely Connections Report' includes a new substation, the others are connecting to existing substations.
- 4.49 The Workgroup agreed the CMP222 Proposal represents appropriate treatment for pre-commissioning Directly-Connected Users.

### **Post-Commissioning Direct Demand**

- 4.50 The Proposer explained that post-commissioning directly connected demand presents a low risk to transmission investment plans. There are approximately 30 sites on the GB Transmission network, the majority of which are supplies to the rail network. As the rail network is also a regulated monopoly industry with predictable development over time, it is not expected that these sites will need a financial commitment to incentivise information provision for closures.
- 4.51 There are around 5 steelworks and chemical works that present a risk profile that is similar to a generator and hence may require some commitment, however due to their small number, size and their local impact, no security from post-commissioning directly connected demand is proposed under CMP222. However, one Workgroup member noted that some of these large industrial demand Users have capacity in excess of some generators on the Transmission System who did have to provide User Commitment. The Proposer noted that all remaining sites are <100MW peak demand. Therefore it is proposed that there is no need to introduce further User Commitment for these types of demand Users. A workgroup member noted that the workgroup should discuss further (post-consultation) whether this would be considered undue discrimination.

### **DNO GSPs**

#### **Pre-Commissioning DNO GSPs**

- 4.52 It is proposed to codify the existing Final Sums arrangements; i.e. limited to local works: for pre-commissioning DNO GSPs as they present a low risk profile to transmission investment plans. The Proposer clarified that this was not intended to change the User Commitment arrangements for embedded generation which is already set out in CUSC Section 15.
- 4.53 Where new GSPs are being developed for demand growth, it tends to reduce the load on neighbouring GSPs which feed the same distribution system, and hence the impact on the wider Transmission System is minimal. Furthermore, as the demand landscape has changed gradually and predictably, the requirement for new GSPs is reasonably stable. The requirement for, and value of, User Commitment for wider Transmission works from DNO GSPs is therefore considered minimal.

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<sup>5</sup> <http://www.nationalgrid.com/NR/rdonlyres/B87798CE-61EC-4D50-8C44-402D1A509F35/60492/TimelyConnectionsReportV10130513.pdf> (Figures 4 and 6)



4.54 It was also noted that DNO GSPs have no codified maximum capacity figures, and a number of factors in the CUSC Section 15 arrangements require a capacity figure. The Proposer considered that creating and codifying such a figure for the purposes of User Commitment would therefore be subjective, and a disproportionate response for the small number of low risk Users affected.

4.55 The Workgroup noted that there is an interaction between embedded generation associated with new GSPs. The Proposer clarified that this would be as per current arrangements, and that the Final Sums for the DNO would be the cost of the local works once the liability of any associated embedded generator has been excluded.

4.56 It was requested that the Proposer provide an example of how this works for an island hub with a new GSP for both embedded and demand connection, shown in Figure 3. This shows a DNO GSP connecting two generators to a substation, generator X of 200MW and generator Y of 150MW. The Proposer noted that, in the case of an island generation hub, the island cable had been excluded from DNO Final Sums as the driver for the cable is connecting generation to the mainland.

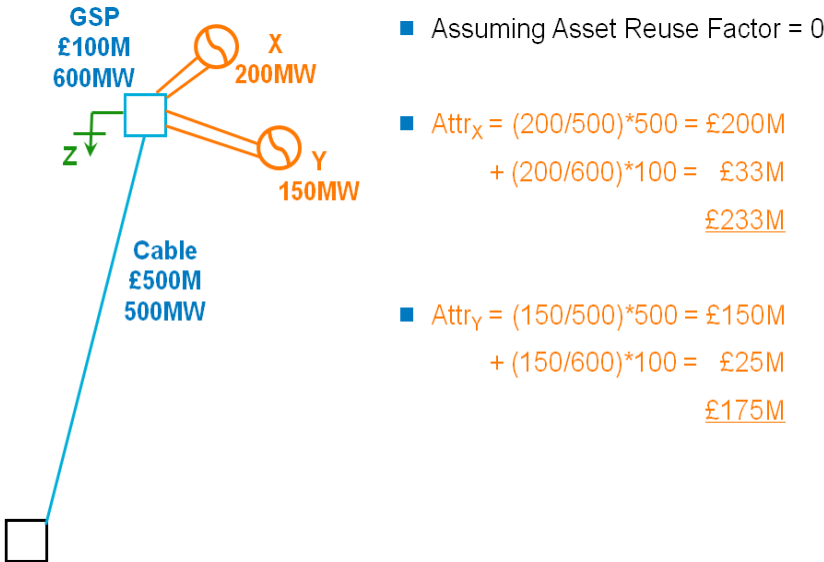


Figure 3

4.57 The substation will be connected to the MITS via a 500MW cable. Assuming an asset reuse factor of 0, the attributable liability to generator X for the substation are £33M; the attributable liability to generator Y are £25M and Final Sums to the DNO for the new substation are the remainder of £42M. For the cable, the remainder of £150M that is not being secured by the embedded generation is covered by all GB Users through the SIF.

**Post-Commissioning DNO GSPs**

4.58 Post-commissioning DNO GSPs present a very low risk profile, and have strong parallels with TO – TO arrangements. DNOs have regulated investment plans and obligations to coordinate set out in their licences, and historically once a GSP is commissioned it is unlikely to be decommissioned at short notice. The Proposer noted that there was no record of a DNO GSP being closed without considerable notice being provided through channels such as the annual Week 24 demand forecasts. The Workgroup agreed that post-commissioning DNO GSPs should require no further User Commitment.

## Pumped Storage

4.59 It was suggested during discussions with industry at the September TCMF that Pumped Storage should be included within this CMP222 Modification Proposal because they import from and export to the Transmission System. The Proposer reiterated that Pumped Storage are considered to be generators and therefore provide User Commitment through the arrangements set out in Section 15. It was also noted that the one Pumped Storage project currently with a BCA is securing through CUSC Section 15.

4.60 It was the questioned whether this extended to all energy storage Users or simply Pumped Storage Users. The Proposer considered this would apply to all storage Users.

**Q4: The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how.**

- 5.1 This Workgroup is seeking the views of CUSC Parties and other interested parties in relation to the issues noted in this documents and specifically in response to the questions highlighted in the report and summarised below:

**Q1: The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors**

**Q2: The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.**

**Q3: The Workgroup invites views and evidence as to whether post-commissioning Interconnectors, in the event that they are required to provide User Commitment, have a greater ability to forecast market conditions than generators.**

**Q4: The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how.**

- 5.2 If you wish to make a representation on this Workgroup Consultation, please use the response proforma which can be found under CMP222 at the following link:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

- 5.3 In accordance with Section 8 of the CUSC, CUSC Parties, BSC Parties and the National Consumer Council may also raise a Workgroup Consultation Alternative Request. If you wish to raise such a request, please use the relevant form available at the weblink below:

[http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms\\_guidance/](http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/)

- 5.4 Views are invited upon the proposals outlined in this report, which should be received by Monday 20<sup>th</sup> January 2014. Your formal responses may be emailed to: [cusc.team@nationalgrid.com](mailto:cusc.team@nationalgrid.com)

- 5.5 If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid's website unless the response is clearly marked "Private & Confidential", and we will contact you to establish the extent of the confidentiality. A response marked "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non confidential response.

- 5.6 Please note an automatic confidentiality disclaimer generated by your IT System will not in itself mean that your response is treated as if it had been marked "Private and Confidential".

## 6 Appendix

List of workgroup meeting and attendance (O attended, D dialled in, A provided alternate, X did not attend).

Attendance List				
Name	Company	Role	Meeting 1	Meeting 2
Patrick Hynes	NETSO	Chair	O	O
Amy Boast	Code Administrator	Technical Secretary	A	O
Adam Sims	NETSO	Proposer	O	O
Guy Nicholson	Greenwire Ltd	Workgroup member	O	O
Ane Landaluze	Scottish Power	Workgroup member	D	D
Garth Graham	SSE (Generation)	Workgroup member	D	O
Kenny Stott	SSE	Workgroup member	X	O
Deborah MacPherson	Scottish Power Distribution	Workgroup member	X	O
Kyle Martin	Energy UK	Workgroup member	D	O
Leonida Bandura	EON	Workgroup member	A	O
Vanja Munerati	Ofgem	Observer	O	O
Vince Hammond	NGIL	Workgroup member	X	O

# CUSC Modification Proposal Form CMP222



## Connection and Use of System Code (CUSC)

<b>Title of the CUSC Modification Proposal</b>
User Commitment for Non-Generation Users
<b>Submission Date</b>
18 <sup>th</sup> September 2013
<b>Description of the Issue or Defect that the CUSC Modification Proposal seeks to address</b>
<p>Enduring user commitment arrangements for generators, both pre- and post-commissioning, were developed through modification proposal CMP192, Arrangements for Enduring Generation User Commitment<sup>1</sup>, which created the new Section 15 of the CUSC. Non-generation users currently provide security through either the Final Sums arrangements set out in their Construction Agreement or the Interim Generic User Commitment Methodology (IGUCM)<sup>2</sup>. These were intended to provide short-term solutions whilst enduring arrangements were developed, and Ofgem have provided a letter of comfort to National Grid that requires enduring arrangements to be in place for 1<sup>st</sup> April 2015. With the introduction of the enduring generation user commitment arrangements in April 2013, it is therefore timely to develop an enduring methodology for non-generation users.</p> <p><sup>1</sup> <a href="http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/">http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/</a>  <sup>2</sup> <a href="http://www.nationalgrid.com/uk/Electricity/GettingConnected/PoliciesAndGuidance/">http://www.nationalgrid.com/uk/Electricity/GettingConnected/PoliciesAndGuidance/</a></p>
<b>Description of the CUSC Modification Proposal</b>
<p>This proposal is intended to introduce enduring user commitment arrangements for sites where there is an offtake of electricity from the transmission system (excluding generation site supplies), specifically interconnectors, distribution network Grid Supply Points (GSPs) and directly connected loads. These arrangements should not seek to indemnify sunk costs, but to provide an incentive on users to signal their intentions early and hence allow Transmission Owners (TOs) to avoid inefficient investment. It is also intended that they be proportionate to the number and materiality of the users involved.</p> <p><u>Interconnectors</u>  Pre-commissioning interconnector developments pose similar risks to, and impacts on, the transmission system as generators of equivalent size. It is therefore proposed to apply the principles of CUSC Section 15 to pre-commissioning interconnectors, using the higher of their import and export capacities. Although not currently allowed for by National Grid Electricity Transmission's licence, Ofgem's ITPR review (Integrated Transmission Planning &amp; Regulation) is considering whether interconnectors may be identified and developed by a central body such as the System Operator. In this situation the appropriateness of user commitment should be considered, as the System Operator would have control of the risk itself.</p> <p>Post-commissioning interconnectors have a much smaller risk profile than a generator of equivalent</p>

size. Firstly, European legislation considers interconnectors to be extensions of the transmission system, and they are licensed by Ofgem effectively as TOs. As such, they neither use the transmission system nor pay use of system charges (TNUoS or BSUoS). Secondly, unlike generators, interconnectors are unlikely to close unexpectedly at short notice once they are built, as they have limited ongoing operational costs, and no fuel costs. Their licence also includes a requirement to coordinate with other TOs, and hence there is no need to introduce a further financial commitment to incentivise timely information provision. National Grid therefore considers that there is no requirement to introduce any additional user commitment for post-commissioning interconnectors.

#### Distribution Network GSPs

Pre-commissioning DNO GSPs present a low risk profile to transmission investment plans. Where new GSPs are being developed for demand growth, it tends to reduce the load on neighbouring GSPs which feed the same distribution system, and hence the impact on the wider system is minimal. Furthermore, as the demand landscape changes gradually and predictably, the requirement for new GSPs is reasonably stable. The requirement for, and value of, user commitment for wider transmission works from DNO GSPs is therefore considered minimal. It is proposed to continue with Final Sums limited to local works for pre-commissioning DNO GSPs. For the avoidance of doubt, this does not affect the liability passed to the DNO for an embedded generator through the existing Section 15 arrangements.

Post-commissioning DNO GSPs present a very low risk profile, and have strong parallels with TO – TO arrangements. DNOs have regulated investment plans and obligations to coordinate set out in their licences, and historically once a GSP is commissioned it is unlikely to be decommissioned at short notice. National Grid therefore considers that there is no requirement to introduce any additional user commitment for post-commissioning DNO GSPs. A possible exception to this is where the GSP is mainly associated with export onto the Transmission system. The proposal should consider whether the risks are higher in these cases and if there is a justification for adopting post-commissioning user commitment.

#### Directly Connected Demand

Pre-commissioning directly connected demand presents a low risk to transmission investment plans. Sites are small in size and number, and hence have a limited impact on wider investments. It is proposed to continue with Final Sums limited to local works for pre-commissioning directly connected demand.

Post-commissioning directly connected demand similarly present a low risk to transmission investment plans. There are approximately 30 sites on the GB network, the majority of which are supplies to the rail network. As the rail network is also a regulated industry with predictable development over time, it is not expected that these sites will need a financial commitment to incentivise information provision for closures. There are around 5 steelworks and chemical works that present a risk profile that is similar to a generator and hence may require some commitment, however due to their small number, size and their local impact, no security from post-commissioning directly connected demand is proposed.

#### Pumped Storage

Pumped storage sites are considered to be generators and as such provide user commitment through the arrangements set out in CUSC Section 15. However, as they do offtake electricity from the transmission system for purposes other than site supply, the proposal should consider whether this is appropriate for these sites.

<b>Impact on the CUSC</b>
It is anticipated that this proposal would affect Section 15; Schedule 2 Exhibit 1; Schedule 2 Exhibit 3; Section 11; and require transitional arrangements in Section 10.
<b>Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No</b>
No impact has been identified.
<b>Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information</b>
<p>BSC <input type="checkbox"/></p> <p>Grid Code <input type="checkbox"/></p> <p>STC <input type="checkbox"/></p> <p>Other <input type="checkbox"/> <i>(please specify)</i></p> <p><i>This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.</i></p>
<b>Urgency Recommended: Yes / No</b>
Urgency is not requested.
<b>Justification for Urgency Recommendation</b>
N/A
<b>Self-Governance Recommended: Yes / No</b>
Self-governance is not requested.
<b>Justification for Self-Governance Recommendation</b>
N/A
<b>Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?</b>

N/A
<b>Impact on Computer Systems and Processes used by CUSC Parties:</b>
None identified.
<b>Details of any Related Modification to Other Industry Codes</b>
N/A
<b>Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:</b>
<p><b>Please tick the relevant boxes and provide justification:</b></p> <p><input type="checkbox"/> (a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence</p> <p><input checked="" type="checkbox"/> (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.</p> <p>Introducing enduring arrangements for user commitment will ensure that users have clarity over their financial liabilities to the System Operator. Particularly for interconnector developers, clarity and transparency over liabilities will ensure that user commitment arrangements do not unduly restrict new developments, and hence limit the arbitrage opportunities between continental Europe and the GB market.</p> <p><input type="checkbox"/> (c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.</p> <p>These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1.</p> <p>Objective (c) was added in November 2011. This refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</p>



**Additional details**

<b>Details of Proposer:</b> (Organisation Name)	National Grid Electricity Transmission
<b>Capacity in which the CUSC Modification Proposal is being proposed:</b> (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Adam Sims National Grid 01926 655292 <a href="mailto:Adam.sims@nationalgrid.com">Adam.sims@nationalgrid.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Andy Wainwright National Grid 01926 655944 <a href="mailto:Andy.wainwright@nationalgrid.com">Andy.wainwright@nationalgrid.com</a>
<b>Attachments (No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	

### Workgroup Terms of Reference and Membership TERMS OF REFERENCE FOR CMP222 WORKGROUP

#### Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP222 User Commitment for Non-Generation Users tabled by National Grid Electricity Transmission Plc at the CUSC Modifications Panel meeting on 27 September 2013.
2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:
  - (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.
3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

#### Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:
  - a) Consider the risk profile of post-commissioning Interconnectors
  - b) Consider the interaction with GSPs and potential overlap with CMP223.
  - c) Review illustrative legal text
  - d) Review the interaction with European Regulations, in particular in relation to merchant interconnector arrangements in the GB regime.
  - e) Consider the application of the proposed solution to the potential Irish join projects
6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the

current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.

7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of 3 weeks as determined by the Modifications Panel.
11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on 23 January 2014 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 31 January 2014.

## Membership

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
<i>Chairman</i>	Patrick Hynes	National Grid

<i>National Grid Representative*</i>	Adam Sims (Proposer)	National Grid
<i>Industry Representatives*</i>	Guy Nicholson	Greenwire Ltd
	Ane Landaluze	Scottish Power Renewables
	Leonida Bandura	EON
	Garth Graham	SSE
	Deborah Macpherson	SP Distribution
<i>Authority Representatives</i>	Vanja Munerati	Ofgem
<i>Technical secretary</i>	Amy Boast	
<i>Observers</i>		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP222 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise]. There may be up to three rounds of voting, as follows:
  - Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
  - Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
  - Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.
16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

#### Appendix: Indicative Workgroup Timetable

The following timetable is indicative for the CMP222 Workgroup.

W/C 30 September	Send out request for WG nominations
18 October	Workgroup meeting 1
W/C 4 November	Workgroup meeting 2
W/C 11 November	Workgroup meeting 3
19 November	Issue draft Workgroup Consultation for Workgroup comment (5 working days)
26 November	Deadline for comments on draft Workgroup Consultation
28 November	Publish Workgroup consultation (for 3 weeks)
19 December	Deadline for responses to Workgroup consultation
W/C 6 January 2014	Post-consultation Workgroup meeting
14 January 2014	Circulate draft Workgroup Report
21 January 2014	Deadline for comment on Workgroup report
23 January 2014	Submit final Workgroup report to Panel Secretary
31 January 2014	Present Workgroup report to CUSC Modifications Panel