

Stage 03: 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 discussions and conclusions of the Workgroup which formed in September 2013 to develop the new approach.



The Workgroup concludes:

That CMP222 WACM1 should be implemented as it better facilitates the Applicable CUSC Objectives.



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

Contents



Any Questions?

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About this document

This is the final Workgroup Report, which includes the deliberations of the Workgroup, responses from the Workgroup Consultation and the final conclusions of the Workgroup.

Document Control

Version	Date	Author	Change Reference
0.1	11 March 2014	Code Administrator	Draft to Workgroup
1.0	20 March 2014	Code Administrator	Workgroup Report to Panel

1 Summary

- 1.1 CMP222 was proposed by National Grid and submitted to the Modifications Panel for their consideration on 27th 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 and they should report back to the Panel within four months following a period of 15 business days for the Workgroup Consultation.
- 1.2 CMP222 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 1st April 2015.
- 1.3 The Workgroup first met on 18th October 2013. A copy of the Terms of Reference is provided in Annex 2. The Workgroup have 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 One Workgroup Alternative CUSC Modification (WACM) was discussed by the Workgroup. The Workgroup alternative was the same as the Original Proposal, except that it would apply CUSC Section 15 User Commitment to post-commissioning interconnectors. This was an area discussed at great length by the Workgroup during their meetings.
- 1.5 The Workgroup Consultation closed for comment on 20th January 2014 and four responses were received. The Workgroup met to discuss the responses received and to agree on the Original Proposal and one WACM: the Original proposal but with CUSC Section 15 User Commitment applied to post-commissioning Interconnectors.
- 1.6 The Workgroup met on 10th March 2014 to vote on the Original and the one WACM and voted by a majority of 5 to 3 that WACM1 best facilitates the Applicable CUSC Objectives out of the options put forward and also better facilitates the Applicable CUSC Objectives than the baseline and so should be implemented.
- 1.7 This Workgroup Report has been prepared in accordance with the Terms of the CUSC. An electronic copy can be found on the National Grid Website, <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Connection-and-Use-of-System-Code/>.

2 Background and Current Arrangements

- 2.1 Modification Proposal CMP192, “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 1st 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 Original 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 Table 1 below summarises the proposed User Commitment arrangements of Original CMP 222:

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

Table 1 – Original Proposed User Commitment arrangements under CMP222

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 and 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 projects¹; 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

Preamble 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.

¹ 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 ²pre-commissioning Interconnector projects (Figure 1 – Current and Future Interconnector Projects to GB). 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.

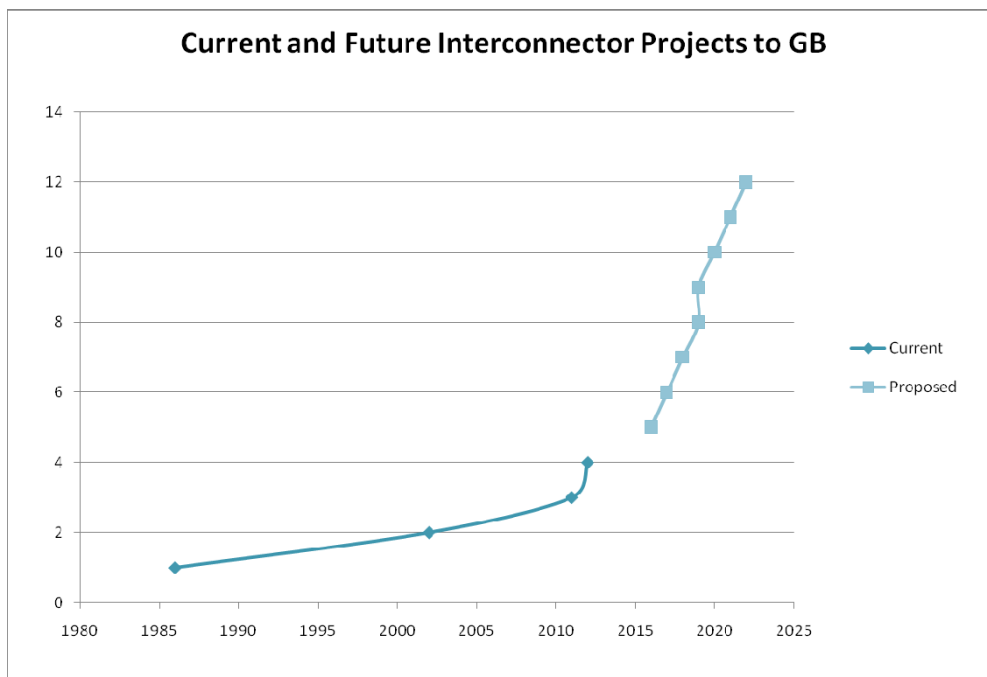


Figure 1 – Current and Future Interconnector Projects to GB

- 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.

² Interconnector Register 22-10-2013

- 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 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 18th November³), 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.

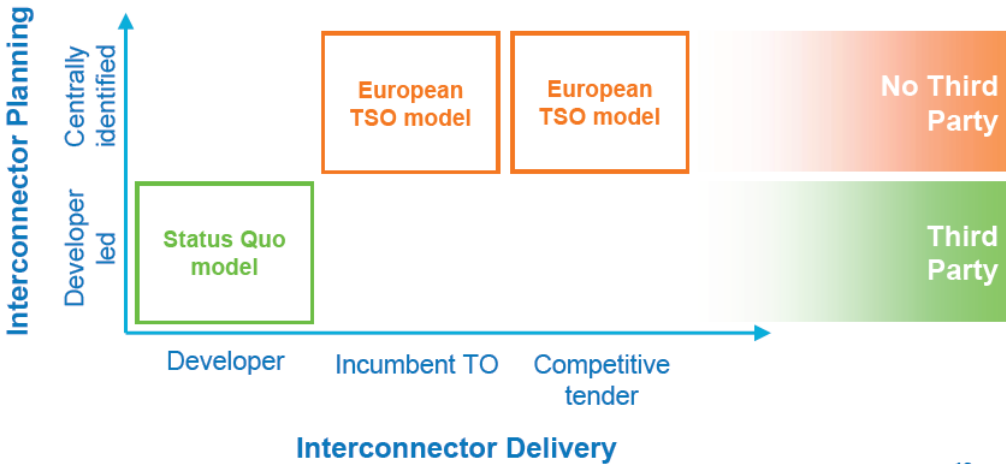


Figure 2 – Possible outcomes of ITPR review.

³ <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). No further evidence was received during the Workgroup Consultation regarding these numbers.
- 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.
- 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 2. 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.

		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%)

Table 2 – Impact on interconnectors based on Gone Green generation background

- 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 714/2009⁴ 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.
- 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 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).

⁴REGULATION (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)

- 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.

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’⁵, 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.

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

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.
- 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.

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 – Example of island hub with new GSP**

- 4.56 . 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.

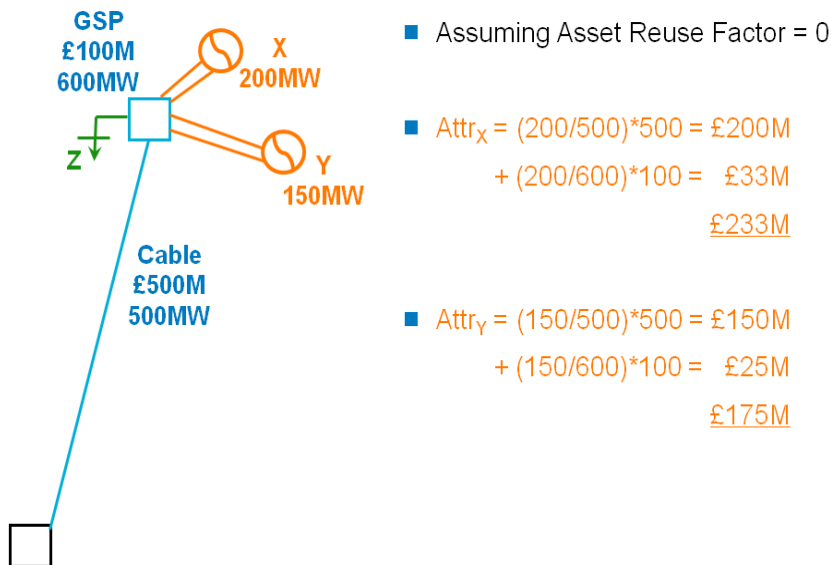


Figure 3 – Example of island hub with new GSP

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.

Post Workgroup Report Discussion

4.61 The Workgroup met to discuss the 4 responses received to the Workgroup Report, including answers to the questions posed in the

Workgroup Report. These responses are included in Appendix 4. The Workgroup then discussed the draft legal text for the original proposal (CUSC Section 11, CUSC Section 15).

- 4.62 It was questioned as to whether it was appropriate to use the higher of import or export capacity for interconnector projects, as there would be a different effect on transmission investment requirements if the interconnector was located in a zone that was predominantly generation rather than predominantly demand. For example, transmission investment decisions in a high demand area would consider an interconnector's export capacity as being a contributory factor, whereas decisions in a high generation area would consider an interconnector's import capacity. The workgroup considered whether this made the use of a blanket 'higher of' principle insufficiently nuanced in those cases where the figures were different. The proposer considered whether it would be possible to link the choice of which capacity figure to use to an assessment of the net supply position (i.e. generation vs. demand) of the location it was to connect to. One option would be for National Grid to undertake an assessment of the position when a new interconnector project applies, however this would lack transparency for users.
- 4.63 The group discussed how an objective, transparent and stable assessment of the net supply position could be determined. The proposer considered that it would be necessary for any assessment criteria to be sufficiently high-level and stable that any future interconnectors did not find their liabilities flipping between being based on import or export. It was considered that there may be publically available data on generation and demand on a zonal basis which could be used to provide a locational assessment in the E-TYS, although upon investigation neither included zonal breakdowns of either generation or supply. Consideration was given to using the total generation position in each zone, net of peak demand, as calculated from the DCLF ICRP Transport & Tariff model (available from National Grid upon request). The net position is shown in Figure 4.

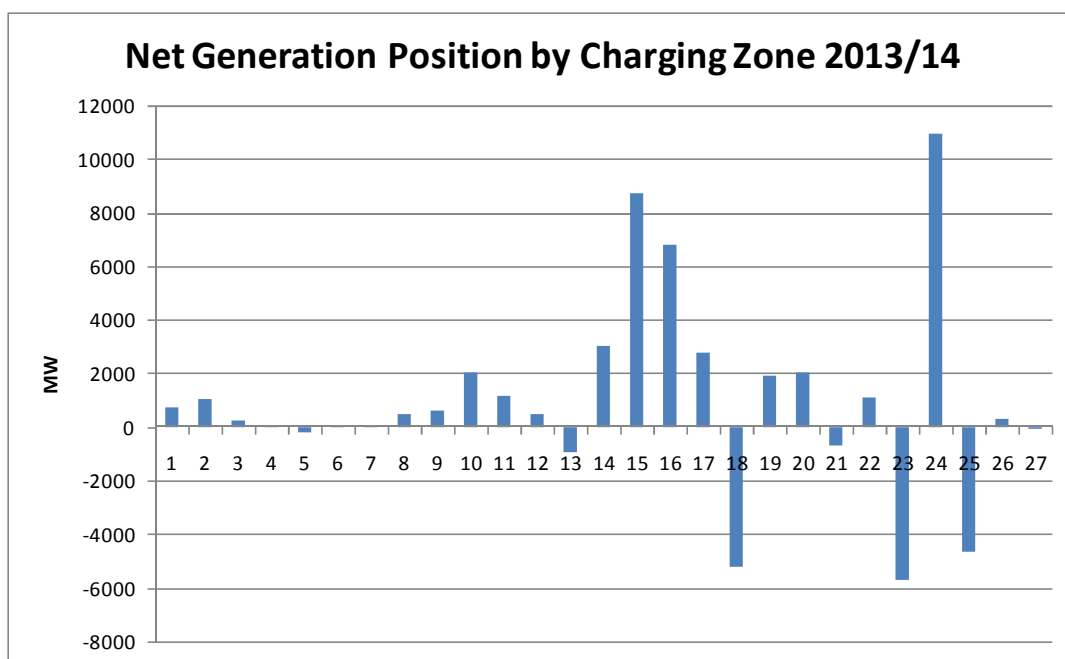


Figure 4

- 4.64 However, this showed that for over half of the zones the difference between generation and demand was not pronounced, and hence these zones could result in volatile liabilities for interconnectors. It was also

apparent when considering the required boundary capabilities in the E-TYS that there was not a strong correlation between net supply position and investment driver. For example, the overwhelming driver of transmission investment for zones 1 to 15 is increased generation, yet this is not reflected in the net supply position.

4.65 Boundary reinforcement drivers were then considered to identify a suitable locational split between areas of predominantly generation-driven investment and demand-driven investment. The E-TYS clearly identifies boundary B11 as delineating the “power exporting regions of Scotland, Yorkshire and the Humber”. On boundaries above B11, the E-TYS is clear that the main driver is Scotland generation, and therefore choosing one of these would miss out Yorkshire and the Humber regions. Below this boundary there is no clear separation of drivers, with the middle of the system being a mix of power flows coming from several directions.

4.66 It can therefore be assumed that above B11 the majority of investments on the transmission system will be driven by generation, and below B11 by demand. The choice of one of the fixed boundaries that is clearly defined in the E-TYS also ensures that there is transparency and predictability over what liabilities would be calculated on. It is expected that the applicability of this boundary be assessed at the mid and end reviews of the Price Control.

4.67 The finalised Original proposal is described in **Table 3** below;

	Pre-Commissioning	Post-Commissioning
Interconnectors	CUSC Section 15 (using import capacity above B11, export capacity below B11)	None
Distribution Network GSPs	Final Sums (Local)	None
Directly Connected Demand	Final Sums (Local)	None
Pumped Storage	CUSC Section 15	CUSC Section 15

Table 3 - Finalised Original Proposal

Workgroup Alternative CUSC Modifications

4.68 As detailed above, the workgroup discussed at length the arguments around whether post-commissioning interconnectors should have the same User Commitment arrangements applied to them as generators i.e. CUSC Section 15. This was thus proposed as an alternative, with the workgroup voting 4 to 2 in favour of making this a Workgroup Alternative, WACM1. No other alternatives were proposed. WACM1: Original proposal but with CUSC Section 15 User Commitment applied to post-commissioning Interconnectors, is outlined in table 4 below:

	Pre-Commissioning	Post-Commissioning
Interconnectors	CUSC Section 15 (using import capacity	CUSC Section 15 (using import capacity

	above B11, export capacity below B11)	above B11, export capacity below B11)
Distribution Network GSPs	Final Sums (Local)	None
Directly Connected Demand	Final Sums (Local)	None
Pumped Storage	CUSC Section 15	CUSC Section 15

Table 4 – WACM1

5 Workgroup Consultation Responses

5.1 Four responses were received to the Workgroup Consultation. No alternative requests were made during the Workgroup Consultation. The full responses can be found in Annex 4 of this Workgroup Report.

5.2 The following table provides an overview of the representation received:

Company	Initial Views	Views Against Applicable CUSC Objectives	Implementation	Other Comments
Greenwire	Support the proposal for all Users: Interconnectors, DNO GSPs, Directly Connected Demand and Pumped Storage. Consider the proposal creates a more “level playing field” between Generators and Interconnectors.	Agree with Proposer’s view.	Implementation approach not included in Workgroup Consultation	
UK Power Networks	<u>DNO GSPs</u> In full agreement with the proposal that Final Sums should remain limited to local works only for pre-commissioning DNO GSPs. Agree that post-commissioning DNOP GSPs require no further user commitment: “in the last 15 years..have only seen one GSP decommissioned across our three DNO areas...due to collective agreement with National Grid.” No comment made regarding proposal with respect to three other Users being considered (Directly Connected Demand , Pumped Storage and Interconnectors).	Yes on (b).		
SSE	<u>Interconnectors</u> Not supportive of approach with respect to Interconnectors. Perceive proposal to give discriminatory treatment to post commissioning Interconnectors. <u>DNO GSPs</u>	Overall, no for (a), (b) and (c). For three (of the four User types, Distribution Network GSPs, Directly Connected Demand and Pumped Storage) yes on (b), neutral on (a) and (c).		Agree with proposed security percentages of 100%, 42%, 10% are “appropriate for application to pre-commissioning

	<p>Supportive of approach. <u>Directly Connected Demand</u> Supportive of approach. <u>Pumped Storage</u> Supportive of approach.</p>	<p>For merchant Interconnectors, No on (b) as it “unduly discriminates in its treatment of post commissioning interconnectors (by allowing them, as it is currently proposed, to avoid having a similar User Commitment as other post commissioning users, such as generators)”.</p>		<p>merchant interconnectors.” Perceive interconnectors as having the same perceived risks, post-commissioning, as “other non Interconnector CUSC Parties for whom User Commitment is currently required” under CMP192.</p>
EDF Energy	<p><u>Interconnectors</u> Supportive that the principles of CUSC Section 15 should be applied to pre-commissioning interconnectors, from the point of view of “the cost-efficient development of the transmission system”. Support of proposal with respect to post-commissioning interconnectors. <u>DNO GSPs</u> Supportive of proposal: “DNO GSPs present a low risk profile to transmission investment plans” <u>Directly Connected Demand</u> Agree with proposal <u>Pumped Storage.</u> Agree that “Pumped Storage sites are generators at times and should continue to be subject to CMP192 on the same basis as any other generator”.</p>	<p>Yes on (b).</p>	<p>Implementation approach not included in Workgroup Consultation</p>	<p>Know of no evidence to support the “application of different securitisation percentage of user commitment potential liabilities at the different stages of the pre-commissioning project, as between generation and interconnection”. Agree that “an operating interconnector generally may have a slightly smaller risk profile than a generator of equivalent size”.</p>

6 Impact and Assessment

Impact on the CUSC

- 6.1 Changes to Section 15, User Commitment Arrangements, possible changes to Section 11, Definitions and Interpretations, changes to Section 10, Transitional Arrangements, changes to Schedule 2.

Impact on Greenhouse Gas Emissions

- 6.2 None identified.

Impact on Core Industry Documents

- 6.3 None identified.

Impact on other Industry Documents

- 6.4 The workgroup discussed whether the proposal or WACM had any interaction with CMP223 Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment. It was agreed that there was no interaction.

7 Views

- 7.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP222 has been fully considered. On 10th March 2014 the Workgroup voted by a majority of 5 to 3 that WACM1 best facilitates the Applicable CUSC Objectives out of the options put forward and also better facilitates the Applicable CUSC Objectives than the baseline and so should be implemented.
- 7.2 For reference the CUSC Objectives are:
- The efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence
 - 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
 - Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

National Grid Initial View

- 7.3 National Grid considered that the CMP222 Original Proposal would better facilitate Applicable CUSC objective (b) in that it would ensure users had clarity over their financial liabilities to the System Operator, and in particular, 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.
- 7.4 The Workgroup met on 10th March 2014 and voted on the Original proposal and the Workgroup Alternative CUSC Modification. The votes received are as follows:
- 7.5 **Vote 1:** Whether each proposal better facilitates the Applicable CUSC Objectives;

Original

WG Member	(a)	(b)	(c)	Overall
Adam Sims	Yes – Proposal ensures Users are treated equitably	Yes – ensures User commitment will not unduly restrict new developments	Yes – In line with EU guidelines	Yes
Kenny Stott	No – Inequitable treatment of post-commissioning Users	No – Fails to provide equality for post-commissioning Users	No – Market distortion and discriminatory treatment within UK	No
Vince Hammond	Yes – Proposal ensures Users are treated equitably	Yes – ensures User commitment will not unduly restrict new developments	Yes – In line with EU guidelines	Yes

Guy Nicholson	Yes – NGET has a licence obligation	Yes – Interconnectors are currently disadvantaged	Yes – It is less onerous on interconnectors	Yes
Leonida Bandura	Yes – facilitates efficient discharge of licensee's obligations	Yes – provides transparency and clarity in relation to users financial abilities	Yes – in line with existing EU regulations and guidelines	Yes
Garth Graham	No – Can't treat post-commissioning Users differently to other post-commissioning Users.	No – Original fails to provide equality of treatment by treating post-commissioning Users differently.	No – treating users differently will affect cross border trade and distort internal market in electricity.	No
Deborah MacPherson	Yes – ensures compliance with NGETs licence obligation	Yes – provides clarity in relation to users financial abilities	Yes –	Yes
Kyle Martin	No – Can't treat post-commissioning Users differently to other post-commissioning Users.	No – Original fails to provide equality of treatment by treating post-commissioning Users differently.	No – treating users differently will affect cross border trade and distort internal market in electricity.	No

WACM 1

WG Member	(a)	(b)	(c)	Overall
Adam Sims	No – Post-commissioning ICs are different under EU regulation, treating them the same as generators is undue discrimination.	Yes – ensures User commitment will not unduly restrict new developments	No – treating post-commissioning interconnectors as generators is against European guidelines.	No
Kenny Stott	Yes – Equitable treatment within UK	Yes – Promotes effective competition	Yes – within the context of European requirements	Yes
Vince Hammond	No – Post commissioning I/Cs are designated as TSOs, a completely different entity to	No – If discriminatory then cannot be construed as 'effective competition'	No – Treating Interconnectors the same as Generators is counter to European guidelines.	No

	generators and seems arbitrary therefore to apply same treatment as generation. Potential discrimination arises.			
Guy Nicholson	Yes – NGET has a licence obligation	Yes – Interconnectors are currently disadvantaged	Yes – It is less onerous on interconnectors	Yes
Leonida Bandura	No – treating post-commissioning interconnectors as generators is not appropriate	Yes (in part) – for Users that are not post commissioning interconnectors, there is greater clarity around Users financial liabilities.	No – treating post-commissioning interconnectors as generators is not in line with EU guidelines. They are an extension of the transmission system.	No
Garth Graham	Neutral –	Yes – treating post-commissioning interconnectors the same as other Users facilitates effective competition.	Neutral -	Yes
Deborah MacPherson	Yes - ensures compliance with NGETs licence obligation	Yes – Greater clarity around Users financial liabilities with SO and removes potential discrimination between parties	Yes –	Yes
Kyle Martin	Neutral -	Yes – treating post-commissioning interconnectors the same as other Users facilitates effective competition.	Neutral -	Yes

- 7.6 **Vote 2:** Where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the Original Modification Proposal:

WG Member	WACM 1
Adam Sims	No – treating post-commissioning interconnectors as generators is against EU guidelines.
Kenny Stott	Yes – Post commissioning, promotes effective competition.
Vince Hammond	No – post-commissioning interconnectors are different to generation, they are TSOs – therefore it seems arbitrary to apply the same treatment to a TSO as a generator and counter to the EU guidelines on interconnectors.
Guy Nicholson	Yes – if interconnectors are treated the same as generation pre-commissioning they should not be treated differently to generation post-commissioning.
Leonida Bandura	No – interconnectors should not be treated the same as generators as they are an extension to the transmission system.
Garth Graham	Yes – treating post-commissioning interconnectors the same as other Users facilitates effective competition.
Deborah MacPherson	Yes – Provides clarity in respect of financial liability with the SO and removes potential discrimination between parties.
Kyle Martin	Yes – treating post-commissioning interconnectors the same as other Users facilitates effective competition.

- 7.7 **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.

WG Member	Best option
Adam Sims	Original
Kenny Stott	WACM1
Vince Hammond	Original
Guy Nicholson	WACM1
Leonida Bandura	Original
Garth Graham	WACM1
Deborah MacPherson	WACM1
Kyle Martin	WACM1

8 Proposed Implementation and Transition

- 8.1 The Workgroup agreed that, if implemented, the Proposal should come into effect, taking into account the six monthly securities periods. It was considered that an implementation date of 1st April 2015 would give parties suitable notice and allow the administration of new contracts to be undertaken. The security amounts applicable from April 2015 would be notified in January 2015.

CUSC Modification Proposal Form
CMP222



Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal
User Commitment for Non-Generation Users
Submission Date
18 th September 2013
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address
<p>Enduring user commitment arrangements for generators, both pre- and post-commissioning, were developed through modification proposal CMP192, Arrangements for Enduring Generation User Commitment¹, 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)². 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 1st 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>¹ http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/ ² http://www.nationalgrid.com/uk/Electricity/GettingConnected/PoliciesAndGuidance/</p>
Description of the CUSC Modification Proposal
<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 & 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.

Impact on the CUSC
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.
Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No
No impact has been identified.
Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information
<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>
Urgency Recommended: Yes / No
Urgency is not requested.
Justification for Urgency Recommendation
N/A
Self-Governance Recommended: Yes / No
Self-governance is not requested.
Justification for Self-Governance Recommendation
N/A
Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

N/A
Impact on Computer Systems and Processes used by CUSC Parties:
None identified.
Details of any Related Modification to Other Industry Codes
N/A
Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:
<p>Please tick the relevant boxes and provide justification:</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>

CUSC Modification Proposal Form v1.4

Additional details

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

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

Annex 3 – Workgroup Attendance

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

Name	Company	Role	Meeting 1	Meeting 2	Meeting 3	Meeting 4
Patrick Hynes	NETSO	Chair	O	O	O	O
Amy Boast	Code Administrator	Technical Secretary	A	O	O	A
Adam Sims	NETSO	Proposer	O	O	O	O
Guy Nicholson	Greenwire Ltd	Workgroup member	O	O	O	D
Ane Landaluze	Scottish Power	Workgroup member	D	D	L	L
Garth Graham	SSE (Generation)	Workgroup member	D	O	D	D
Kenny Stott	SSE	Workgroup member	X	O	X	O
Deborah MacPherson	Scottish Power Distribution	Workgroup member	X	O	X	O
Kyle Martin	Energy UK	Workgroup member	D	O	D	X
Leonida Bandura	EON	Workgroup member	A	O	O	O
Vanja Munerati	Ofgem	Observer	O	O	A	A
Vince Hammond	NGIL	Workgroup member	X	O	O	D

CMP222 – User Commitment for non-generation Users

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 by **20/01/2014** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Wayne Mullins at Wayne.Mullins@nationalgrid.com.

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	Guy Nicholson, guy.nicholson@elpower.com 07824145479
Company Name:	Greenwire Ltd - c/o Element Power
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	We support the proposal. As Greenwire we are fundamentally a Generator but expected to be licenced as an Interconnector. As far as is possible we would seek to be treated as a generator, including for User Commitment.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	There are no Alternatives in the Consultation. The original facilitates the Applicable CUSC Objectives as it creates a more level playing field between Generators and Interconnectors. <i>For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology are:</i> <i>(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;</i> <i>(b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their</i>

	<p><i>transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);</i></p> <p><i>(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.</i></p>
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<p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p>	<p>YES</p>
<p>Do you have any other comments?</p>	<p>NO</p>
<p>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</p>	<p>NO</p> <p><i>If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website¹, and return to the above email address with your completed Workgroup Consultation response proforma.</i></p>

Specific questions for CMP222

Q	Question	Response
1	<p>The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors.</p>	<p>Greenwire – although expected to be licenced as an Interconnector - is dependent on its generation project and will be financed primarily as a generator – in which case the security percentages applicable to generators would be appropriate.</p> <p>We would expect the same to apply to all proposed Irish Joint Projects.</p>

¹ http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Q	Question	Response
2	<p>The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.</p>	<p>For Greenwire we expect the post commissioning risk to be lower than an equivalent pure generator as it is likely that an additional “real interconnector” will be added to connect the GB and Irish markets, providing an additional reason and potential source of revenue to maintain the asset.</p> <p>However, for assets of this kind we would see the key risk as a failure, or serial failures, of the subsea cable. If that were to happen, failure would be unpredictable. At some stage, late in its life, it is conceivable that in some circumstances the cost of repair and risk of further failure means that the asset is abandoned.</p> <p>Providing post commissioning user commitment may or may not have some influence on the decision to repair or abandon.</p>
3	<p>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.</p>	<p>Greenwire is primarily a generator, though is expected to facilitate real interconnection between GB and Ireland. We do not see that one activity or the other would give a greater or lesser ability to forecast market conditions.</p> <p>In our view it is a fault or failure of the asset that would drive a decision to close, not a market forecast.</p>
4	<p>The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how?</p>	<p>No comment.</p>

CMP222 – User Commitment for non-generation Users

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 by **20/01/2014** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Wayne Mullins at Wayne.Mullins@nationalgrid.com.

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	Jonathan Purdy jonathan.purdy@ukpowernetworks.co.uk 07875 11 3017
Company Name:	Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc collectively referred to as “UK Power Networks”.
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>Pre-Commissioning DNO GSPs</p> <p>We note the proposers intent not to change the existing Final Sums arrangements for pre-commissioning DNO GSPs. DNO GSPs represent a very low risk profile to transmission investment plans and have a minimal impact on the wider transmission system. We are, therefore, in full agreement that the Final Sums should remain limited to the local works only.</p> <p>Post-Commissioning DNO GSPs</p> <p>In the last 15 years we have seen only one (very old 275/132kV) GSP decommissioned across our three DNO areas and that was only because the collective agreement with National Grid was to build a new 400/132kV GSP with twice the capacity on an adjacent site in preference to re-planting the existing site. We, therefore, agree with the views of the proposer and the Workgroup that post-commissioning DNO GSPs require no further user commitment.</p>
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC	For reference, the Applicable CUSC objectives are:

Objectives? Please include your reasoning.	(a) 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.
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Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	Yes
Do you have any other comments?	No
Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?	No

Specific questions for CMP222

Q	Question	Response
1	The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors.	We have no observations to make on this question.
2	The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.	We have no observations to make on this question.

Q	Question	Response
3	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.	We have no observations to make on this question.
4	The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how?	We have no observations to make on this question.

CMP222 – User Commitment for non-generation Users

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 by **20/01/2014** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Wayne Mullins at Wayne.Mullins@nationalgrid.com.

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Garth Graham (garth.graham@sse.com)</i>
Company Name:	<i>SSE</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	We set our initial views on this proposed Modification (CMP222) in response to the questions posed below.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	<p>CMP222 deals with four types of Users of the transmission system in terms of their respective User Commitment in two distinct phases of their operation; namely pre and post commissioning.</p> <p>In terms of three (of the four User types) we agree that CMP222, as currently drafted, does, at this initial stage, appear to better meet Applicable CUSC Objective (b) (and is neutral with respect to (a) and (c)). The three User types are (i) Distribution Network GSPs; (ii) Directly Connected Demand and (iii) Pumped Storage.</p> <p>However, in respect of the fourth User type; merchant interconnectors; we believe that CMP222 fails to better meet the Applicable CUSC Objective (b) as it unduly discriminates in its treatment of post commissioning merchant interconnectors (by allowing them, as it is currently proposed, to avoid having a similar User Commitment as other post commissioning users, such as generators). This, therefore, fails to facilitate effective competition in the generation and supply of electricity.</p>

	<p>Furthermore, this discriminatory treatment of post commissioning merchant interconnectors also means that CMP222 does not better meet Applicable CUSC Objective (a) as the Transmission Company would be treating identical users differently, which would breach their licence obligations as regards discrimination. This, therefore, means they fail to discharge The Company obligations imposed in the Act and Transmission Licence.</p> <p>Finally, this discriminatory treatment of post commissioning merchant interconnectors also means that CMP222 does not better meet Applicable CUSC Objective (c) as this, in our view, would be in breach of the Electricity Regulation and other relevant legally binding decisions of the European Commission and / or the Agency.</p> <p>Therefore, at this Workgroup Consultation stage in the CMP222 modification process we do not believe, overall, that CMP222 does better meet any of the Applicable CUSC Objectives as it fails to do so with respect to Objectives (a), (b) and (c) for the reasons outlined above.</p>
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<p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p>	<p>Given that an implementation approach is not set out in the Workgroup Consultation we cannot support something we have not seen.</p>
<p>Do you have any other comments?</p>	<p>We note the changes in both Liability and Security for interconnectors, as set out in Table 1 of the Workgroup consultation which appears to show that, with the CMP222 proposal, there will be a 14% reduction in the level of liability and a 47% reduction in the level of security provided by interconnectors.</p> <p>It will be for Ofgem to determine if this amounts to a cross subsidy from none interconnector parties to merchant interconnector parties; noting that the vast majority of the merchant interconnectors to GB involve a direct corporate interest on the part of the parent company of the Proposer of this Modification, namely National Grid PLC.</p>
<p>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</p>	<p>No.</p>

Specific questions for CMP222

Q	Question	Response
1	The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors.	We note the Workgroup deliberations, as set out in paragraphs 4.24-4.27, and it appears, from the evidence to date, that the proposed security percentages of 100% / 42% / 10% are appropriate for application to pre-commissioning merchant interconnectors.
2	The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.	<p>In our view merchant interconnectors have the same (if not worse) perceived risks, post commissioning, as other non interconnector CUSC Parties for whom User Commitment is currently required (as per CMP192).</p> <p>Both types of project (be they a merchant interconnector or a power station) are, as we understand it, based on a commercial view of the market (be that cross border arbitrage or generation respectively) and as such there is an inherent risk (that is the same for both types of Users) that their commercial judgement is flawed.</p> <p>If that were to be the case and both could no longer viably trade then the assets would, presumably, be sold on (at a loss to the existing shareholders / bondholders) and the new owners would pick up the liability to pay their charges to National Grid (for which the User Commitment is required) because if the charges were not paid then the assets could not use the transmission system etc., etc., and would, therefore, be rendered useless. In this respect we note that despite numerous examples of organisations that own GB power stations having ceased trading over the past twenty odd years there have been no examples provided by National Grid (or Ofgem) of those assets not paying their applicable charges such that other Users are out of pocket.</p> <p>In respect of merchant interconnectors we make two additional observations.</p> <p>Firstly it is the case, as for example we have seen recently with the Moyle interconnector, that technical problems can cause the asset to be unavailable for long periods. This could be fatal in the case of a merchant interconnector which relies on the income it raises during its operation to pay back its capital / loans / bonds. A prolonged technical outage could render its commercial position untenable (i.e. no longer a going concern) leading to it ceasing trading and, presumably,</p>

Q	Question	Response
		<p>being either sold on or closed down (if the cost / timescale to repair / replace the link is to great given current and forecast market conditions).</p> <p>[lack of space on the pro forma – rest of answer to Q2 is shown at the bottom of the pro forma.]</p>
3	<p>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.</p>	<p>We agree with the views of the Workgroup noted in paragraph 4.42 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).”</p> <p>We agree with these views.</p> <p>Merchant interconnectors have no greater ability to forecast market conditions than generators and, indeed, there are credible grounds for believe the opposite is the case (that, in fact, generators have a greater ability to forecast market conditions when compared to merchant interconnectors).</p>
4	<p>The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how?</p>	<p>We note the Workgroup deliberations set out in paragraphs 4.59-4.60 and we have no evidence to suggest that Pumped Storage (or other storage Users) should be treated differently from other generation (or merchant interconnector) types.</p>

Q2

Secondly we are mindful of the regulatory developments currently underway with regard to generation wholly located in Ireland being directly connected to the GB network via a dedicated merchant interconnector.

In this scenario the said merchant interconnector would be rendered redundant if the post commissioned power station to which it is connected either went out of business or ceased operation. If the said power station was located in GB it would have provided User Commitment (as per CMP192) but where its located, say, in Ireland neither the power station or the associated merchant Interconnector would, if CMP222 were to be implemented, be required to provide any post commissioning User Commitment.

This, in our view, is discriminatory as it treats two identical power stations (both receiving income via the GB electricity / capacity / renewable arrangements etc.,) differently with

respect to one of the two power stations (GB located) having to provide User Commitment and the other (non GB located) not having to. This will grossly distort effective competition in the generation of electricity and, therefore, is not consistent with facilitating such competition in the sale, distribution and purchase of electricity.

CMP222 – User Commitment for non-generation Users

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 by **20/01/2014** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Wayne Mullins at Wayne.Mullins@nationalgrid.com.

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	Paul Mott
Company Name:	EDF Energy
<p>Please express your views regarding the Workgroup Consultation, including rationale.</p> <p>(Please include any issues, suggestions or queries)</p>	<p>We do agree that pre-commissioning Interconnector developments pose similar risks to new large generator development projects, in that the development is capital-intensive, comes, in today's GB market, with a range of regulatory and commercial risks, and may not ultimately be developed. There is thus a similar risk of "stranded assets" that the consumer may be left paying for via TNUoS charges to all other users, if such a project fails. These stranded assets take the form of onshore transmission system investments to accommodate new interconnector projects, which may fail to reach fruition. We do therefore agree with this proposal to apply the principles of CUSC Section 15 (arising from the carefully-developed generator user commitment mod "CMP192") to pre-commissioning interconnectors, from the point of view of the cost-efficient development of the transmission system. We agree with the proposal that all parameters including security percentages should be the same as for pre-commissioning generators (100%, 42%, 10%, depending on the project's stage)</p> <p>In terms of evidence of interconnector project failure/lapse rates, we note with interest the workgroup's findings that of ten Interconnector projects which have applied for connection since privatisation (1990), only three have actually been commissioned, with one terminating formally and six simply "lapsing" under informal earlier arrangements (this excludes currently-physically-undeveloped interconnector projects with a live, signed connection agreement at this time – it is not yet</p>

	<p>known whether these will be realised, or lapse/cancel).</p> <p>As to directly-connected demand (mostly rail connections) and pre-commissioning, proposed new DNO GSPs, we agree with the proposal to continue with Final Sums limited to local works, as we agree with National Grid, the proposer, that DNO GSPs present a low risk profile to transmission investment plans.</p> <p>We agree that pumped storage sites are generators at times and should continue to be subject to CMP192 on the same basis as any other generator.</p>
<p>Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.</p>	<p>We believe that the change proposal better meets CUSC applicable objective (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. It could be argued to do this by, to some extent, ensuring equitable treatment of pre-commissioning generator and interconnector projects. This may be further relevant given Ofgem’s consultation on non-GB directly connected generators,</p> <p>We believe that the change proposal is neutral against CUSC applicable objective (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, costs.</p> <p>The change does reflect developments in the transmission system, in relation to trends in what is connected to it.</p> <p>We believe that the change proposal also minimises costs to consumers by ensuring that the risk of the consumer having to pay for stranded assets on the TO networks, is minimised.</p>

<p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p>	<p>Yes</p>
<p>Do you have any other comments?</p>	<p>No</p>
<p>Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?</p>	<p>No</p>

Specific questions for CMP222

Q	Question	Response
1	The Workgroup asks for views and evidence for alternative security percentages (than 100%, 42%, 20%) to be applied to pre-commissioning Interconnectors.	There is no evidence known to us, to support the application of different securitisation percentages of user commitment potential liabilities at the different stages of the pre-commissioning project, as between generation and interconnection.
2	The Workgroup invites views on the perceived risk of post-commissioning Interconnectors and whether they should provide User Commitment.	<p>As to post-commissioning interconnectors, it is quite a finely-balanced matter, but we do agree with the content of the report under consultation on this modification proposal. Specifically, although there is some risk of cable failure as has occurred at Moyle, in general, we agree that an operating interconnector generally may have a slightly smaller risk profile than a generator of equivalent size, in terms of ceasing to operate due to “wearing out” and needing extensive re-planting (or experiencing a conflagration, as at Tilbury). If market prices cause the asset to need to be mothballed for a period of time, with an uncertain but potentially-positive future, the costs during mothballing for an interconnector should be lower than for a generator. This is due to no wider TNUoS exposure, and the more limited human resources and maintenance requirements (for generators, these include inert gases, barring etc) involved. This could perhaps support a decision not to permanently close an interconnector in adverse market conditions, where a generator would permanently close. Tightening environmental regulations (SOx, NOx and greenhouse gases) are a driver for generator closures, yet are almost irrelevant for interconnectors (other than for switchgear-related gaseous leakages). Most generator closures are not due to technical failure, but due to commercial and environmental considerations (often a mix, and interaction, of both) – although the costs of replanting on older generators, to maintain efficiency and reliability, can form an important part of a closure decision. There would be a valid counter-argument that the treatment should be comparable, though, as post-commissioning projects, if subject to CUSC section 15 (CMP192), do not have to secure the potential CMP192 liability – it only crystallises if the asset actually does close at less than a year and 5 working days’ notice.</p> <p>It is thus quite a finely-balanced matter, but on balance, we do agree that due to different risks, there is no requirement to introduce additional User Commitment for post-commissioning Interconnectors. We note from the consultation that <i>“the workgroup did not agree whether merchant Interconnectors</i></p>

Q	Question	Response
		<i>should be exposed to post-commissioning User Commitment and therefore this is likely to form part of the post-consultation discussion on an alternative.”</i>
3	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.	Interconnectors rely for their revenue on the same GB wholesale market as generators, except that they are also dependent on another market (in fact, on the difference in price between the two). They only have a similar period of certainty of forward market conditions (of revenue to pay their costs) as generators, which was deemed to be about two years in the CMP192 debate. There are other commercial and environmental factors that affect interconnectors and generators differently in closure vs mothballing/possible re-opening decisions, which we detail in our reply to the preceding question.
4	The Workgroup invites views and evidence as to whether Pumped Storage sites should be treated differently from other generation types, and if so how?	There is no valid reason for any different treatment – we agree with the consultation document / workgroup majority, on this.

[CMP222 Legal text for Original and WACM1](#)

CUSC - SECTION 1

**APPLICABILITY OF SECTIONS AND RELATED
AGREEMENTS STRUCTURE**

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CUSC - SECTION 1

APPLICABILITY OF SECTIONS AND RELATED AGREEMENTS STRUCTURE

1.1 INTRODUCTION

- 1.1.1 The **CUSC** is divided into different sections, including sections dealing specifically with **Connection** to and **Use of System**, the provision of **Balancing Services**, **Interconnectors** and other sections of more general application.
- 1.1.2 Compliance with the various sections by a **User** is dependent on the nature of that **User's** connection and/or use in any given instance. A **User** may be party to the **CUSC** in a number of different categories.
- 1.1.3 This Section also deals with the requirement for a **User** to enter into **Bilateral Agreements**, **Construction Agreements** and **Mandatory Services Agreements**.
- 1.1.4 The **CUSC** and the proforma **Bilateral Agreements** set out as Exhibits 1, 2 and 5 of Schedule 2 are drafted to reflect the standard terms in relation to **The Company's** charges (an indicative price agreement). Where a **User** chooses to have a different charging option, where provided for in the **Charging Statements** current at the time of application for the relevant **Bilateral Agreement**, that **Bilateral Agreement** will provide for the specific terms relating to the charging option and for the relevant paragraphs of Section 2 to apply (or be disapplied) subject to those specific terms. This may lead to the areas covered by the relevant **Bilateral Agreement** being wider in certain circumstances.

1.2 APPLICABILITY

- 1.2.1 Each **User** is required to comply with the various Sections of the **CUSC** as provided for in this Section 1. Each Section may contain further detail in relation to particular categories of connection and/or use.
- 1.2.2 The different categories of connection and/or use reflect the types of utilisation which can exist. For example a **User** could have a directly connected **Power Station** and also be acting as a **Supplier**. In that case that **User** will need to comply in relation to two categories of connection and/or use, and its obligations in relation to each will differ.
- 1.2.3 Section 1, Sections 5 to 8 and 11 of the **CUSC** apply to all categories of connection and/or use, and therefore should be complied with by all **Users**, subject as specifically provided in those

Sections. Section 4 of the **CUSC** applies to **Users** who provide **Balancing Services** to **The Company**, and contains its own provisions on applicability to such **Users**.

- 1.2.4 In relation to Sections 2, 3, 9 and 15 the following table sets out the applicability of those Sections in addition to those Sections referred to in Paragraph 1.2.3:

	Categories	Applicable Sections
1.	Power Station directly connected to the GB Transmission System	2 and 3 and 15
2.	Non-Embedded Customer Site	2 only
3.	Distribution System directly connected to the GB Transmission System	2 only and, where a Construction Agreement is associated with Distributed Generation , 15
4.	Suppliers	3 only
5.	Embedded Power Station except those which are the subject of a BELLA	3 only and, where the subject of a BEGA , 15
6.	Small Power Station Trading Parties	3 only
7.	Interconnector User	9 Part II only
8.	Interconnector Error Administrator	9 Part II only
9.	Interconnector Owner	9 Part I only and 15
10.	Distribution Interconnector Owner	3 Only
11.	Embedded Exemptable Large Power Stations whose Boundary Point Metering System is either SMRS registered or is registered in CMRS by a User who is responsible for the Use of System Charges associated with the BM Unit registered in CMRS	None

Users, when making a **Connection Application** or **Use of System Application** (in each case in the form of the relevant exhibit), should identify the category for which they are applying.

- 1.2.5 Each **Bilateral Agreement, Use of System Supply Confirmation Notice** or **Use of System Interconnector Confirmation Notice**, will set out the category of connection and/or use to which it relates.
- 1.2.6 Where a Paragraph states a category of connection and/or use, or type of **User**, to which that Paragraph (or part of that Paragraph) applies, the application of that Paragraph (or part of Paragraph) shall be limited to the **User** in relation to that category of connection and/or use, or type of **User**, described.
- 1.2.7 Where a Paragraph does not state a category of connection and/or use, or type of **User**, to which that Paragraph (or some part of that Paragraph) applies, that Paragraph (or part of the Paragraph) shall apply to all types of **Users** and categories of connection and/or use.
- 1.2.8 Where a Paragraph is stated “as between **The Company** and that **User**”, rights and obligations under that Paragraph shall arise only between **The Company** and each **User** individually to whom that Paragraph applies. Accordingly, no **User** shall enjoy any rights nor incur any obligations against any other **User** pursuant to the terms of any such Paragraph.
- 1.2.9 Notwithstanding any other provision of this **Code**, where a **User** owns or operates an **Exemptable Embedded Large Power Station** which is **Embedded** in part of a **Distribution System** or the **System** of any other **User** where and to the extent that such part of the system in which the **Exemptable Embedded Large Power Station** is **Embedded** is not directly or indirectly connected to the **GB Transmission System**, that **User** need not comply with paragraphs 1.3, 1.7, 6.3.6 and 6.3.7 in respect of that **Exemptable Embedded Large Power Station**.

1.3 **BILATERAL AGREEMENTS, CONSTRUCTION AGREEMENTS AND MANDATORY SERVICES AGREEMENTS**

1.3.1 Bilateral Agreements

- (a) Each **User** in respect of each category of connection and/or use with a direct connection to the **GB Transmission System** shall enter into and comply with a **Bilateral Connection Agreement** in relation to such connection and/or use as identified in Paragraph 1.3.1(d).
- (b) Each **User** in respect of each category of connection and/or use with an **Embedded Power Station** (except those which are the subject of a **BELLA**) and/or in relation to a **Small Power Station Trading Party** and/or a **Distribution Interconnector** shall enter into

and comply with a **Bilateral Embedded Generation Agreement** in relation to such use as identified in Paragraph 1.3.1(d).

- (c) Each **User** in respect of its **Embedded Exemptable Large Power Station** whose **Boundary Point Metering System** is registered in **SMRS** or is registered in **CMRS** by another **User** who is responsible for the **Use of System Charges** associated with the **BM Unit** registered in **CMRS** shall enter into and comply with a **BELLA** as identified in Paragraph 1.3.1(d).
- (d) Exhibits 1, 2 and 5 in Schedule 2 to the **CUSC** contain the forms of **Bilateral Agreements** contemplated to be entered into pursuant to this Paragraph 1.3, being:
 - (i) Exhibit 1 – **Bilateral Connection Agreement**: direct connection to the **GB Transmission System (Power Station** directly connected to the **GB Transmission System, Distribution System** directly connected to the **GB Transmission System, Non-Embedded Customer Site and/or Interconnector)**;
 - (ii) Exhibit 2 – **Bilateral Embedded Generation Agreement**: embedded use of system (**Embedded Power Station** (except those which are the subject of a **BELLA**) and/or in relation to a **Small Power Station Trading Party** and/or **Distribution Interconnector**);
 - (iii) Exhibit 5 – **BELLA**: provisions associated with such **Embedded Exemptable Large Power Stations** who have no rights and obligations under Section 3 of the **CUSC**.

1.3.2 Construction Agreements

Each **User** who wishes to construct or modify a direct connection to the **GB Transmission System** or commence or modify use by his **Embedded Power Station** or **Distribution Interconnector**, or any **Distributor** who wishes to connect a **Relevant Embedded Medium Power Station** or **Relevant Embedded Small Power Station** to his system shall enter into and comply with a **Construction Agreement** in respect of any construction works required as a result of that connection or **Modification**, together with a **Bilateral Agreement** as identified in Paragraph 1.3.1 or, as appropriate, an agreement

to vary such **Bilateral Agreement**. In any case under the **OTSDUW Arrangements**, paragraph 1.5 applies to such **Construction Agreement**.

1.3.3 Mandatory Services Agreements

- (a) **The Company** and each **User** if a **Generator** shall, as between **The Company** and that **User**, in respect of the **Generating Units, DC Converters** and **Power Park Modules** from which that **User** is required to provide the **Mandatory Ancillary Services** in accordance with the **Grid Code**, enter into and comply with a **Mandatory Services Agreement** where applicable in accordance with Paragraph 1.3.3(b) in a form to be agreed between **The Company** and that **User** but based substantially on the form set out in Exhibit 4 in Schedule 2 (with necessary changes to enable the operation of those provisions, and those in Section 4 and Schedule 3 where the **Generating Units, DC Converters** or **Power Park Modules** (as the case may be) are not registered as **BM Unit(s)**).
- (b) Each **User** and **The Company** shall, as between **The Company** and that **User**, not later than 6 months (or such lesser time as may be agreed) prior to the expected **Commissioning Programme Commencement Date**, have entered into a **Mandatory Services Agreement** providing for payment for **Mandatory Ancillary Services** to be supplied by the **User** to **The Company**. In the event of a **Mandatory Services Agreement** not having been entered into by the said date, either party shall be entitled to initiate the procedure for resolution of the issue as an **Other Dispute** in accordance with Paragraph 7.4 to settle the terms of the said **Mandatory Services Agreement**. **The Company** shall not **Energise** the **User's Equipment** or in the case of an **Embedded Power Station** issue an **Operational Notification** until the said **Mandatory Services Agreement** shall have been entered into by both parties.

1.3.4 General Provisions

- (a) **Bilateral Agreements** and **Construction Agreements** which are entered into between **The Company** and **Users** shall be in or substantially in the relevant exhibited form of **Bilateral Agreement** and/or

Construction Agreement unless the parties thereto agree otherwise.

- (b) Each and every **Bilateral Agreement, Mandatory Services Agreement and Construction Agreement** entered into by a **User** and in force from time to time shall constitute a separate agreement governed by the terms of the **CUSC** and will be read and construed accordingly. For the avoidance of doubt no **User** shall enjoy any rights nor incur any obligations against any other **User** pursuant to the terms of any **Bilateral Agreement, Mandatory Services Agreement or Construction Agreement**.

1.4 CONNECT AND MANAGE ARRANGEMENTS

1.4.1 Any **Offer** or **Modification Offer** made to an **Applicant** or **User** in the category of:

- (a) a **Power Station** directly connected to the **National Electricity Transmission System**; or
- (b) an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement** or a **Bilateral Embedded Licence Exemptable Large Power Station Agreement**; or
- (c) where such **Offer** or **Modification Offer** is associated with **Distributed Generation**, a **Distribution System** directly connected to the **National Electricity Transmission System**,

shall be offered on the basis of the **Connect and Manage Arrangements**.

1.4.2 Transitional Arrangements

The Company shall as soon as reasonably practical after the **Connect and Manage Implementation Date** and in any event by the end of the **Connect and Manage Transition** issue:

- (a) a revised **Offer** on the basis of the **Connect and Manage Arrangements** as regards any **Offer** issued but not accepted pursuant to the **Interim Connect and Management Arrangements**
- (b) an offer to vary each **Existing ICM Construction Agreement** such that it is in a form and on terms consistent with a **Construction Agreement** entered

into on the basis of the **Connect and Manage Arrangements**; and/or

- (c) a **Modification Offer** as regards any **Bilateral Agreement** entered into on the basis of the **Interim Connect and Manage Arrangements** which would require amendments in order to comply with the **Connect and Management Arrangements**,

in each case on terms no less advantageous than those contained in offers made or agreements entered into pursuant to the **Interim Connect and Manage Arrangements**. The **Applicant** or **User** (as appropriate) shall be entitled to accept such a proposal or continue with its existing arrangements.

1.5 OTSDUW ARRANGEMENTS

- 1.5.1 Any **Offer** or **Modification Offer** made to an **Applicant** in respect of a **New Connection Site** located in **Offshore Waters** shall, unless the **Applicant** indicates otherwise, be made on the assumption that the **User** (following agreement with **The Company**) will undertake **Offshore Transmission System Development User Works** (including construction and installation). For the avoidance of doubt, this shall not prevent the **Applicant** and **The Company** from agreeing (prior to signing the **Construction Agreement**) that the scope of **OTSDUW** will be narrower than that set out in the **Offer** or that **OTSDUW** will not be undertaken by the **User**.
- 1.5.2 Provisions of the **CUSC** which apply in relation to **OTSDUW** and **OTSUA**, and/or a **Transmission Interface Site**, shall (in any particular case) apply up to the **OTSUA Transfer Time**, whereupon such provisions shall (without prejudice to any prior non-compliance) cease to apply, without prejudice to the continuing application of provisions of the **CUSC** applying in relation to the relevant **Offshore Transmission System** and/or **Connection Site**.

1.6 CATEGORIES OF USE WITHOUT BILATERAL AGREEMENTS

- 1.6.1 Three categories of use of the **GB Transmission System** do not require a **Bilateral Agreement** to be entered into as all the relevant provisions are included in the **CUSC** itself. These relate to **Suppliers**, **Interconnector Users** and **Interconnector Error Administrators** who in those categories of connection and/or use have no physical presence on the system. Further provisions on this are contained in Section 3 and Section 9 Part II.

1.7 BELLA APPLICATION

- 1.7.1 A **User** in respect of its **Embedded Exemptable Large Power Station** whose **Boundary Point Metering System** is registered in **SMRS** (or who intends to so register) or in **CMRS** by a **User** who is responsible for the **Use of System Charges** associated with the **BM Unit** registered in **CMRS** (or who intends to so register), shall complete and submit to **The Company** a **BELLA Application** and comply with the terms thereof.
- 1.7.2 **The Company** shall make a **BELLA Offer** to that **User** as soon as practicable after receipt of the **BELLA Application** and (save where the **Authority** consents to a longer period) in any event not more than 3 months after receipt by **The Company** of the effective **BELLA Application**. The **BELLA Offer** shall be in the form of a **BELLA**.
- 1.7.3 The **BELLA Offer** shall remain open for acceptance for 3 months from its receipt by that **User** unless either that **User** or **The Company** makes an application to the **Authority** under Paragraph 1.7 of the **CUSC**, in which event the **BELLA Offer** shall remain open for acceptance until 14 days after any determination by the **Authority** pursuant to such application.
- 1.7.4 Upon acceptance of the **BELLA Offer** (as offered by **The Company** or determined by the **Authority**) by the **User** and execution by **The Company**, the **User's** rights and obligations pursuant thereto shall commence in accordance with its terms. Such rights and obligations shall continue until the **BELLA** is terminated.
- 1.7.5 A **User** who is required by this Paragraph 1.7 to submit a **BELLA Application** shall not energise or operate its **Embedded Exemptable Large Power Station** until it has entered into a **BELLA** with **The Company** and until **The Company** has issued the **User** with an **Operational Notification** in accordance with the terms of the **BELLA**.

1.8 AUTHORITY'S RIGHT TO DETERMINE IN RESPECT OF A BELLA

- 1.8.1 If, after a period which appears to the **Authority** to be reasonable for the purpose, **The Company** or the **User** have failed to enter into a **BELLA** in respect of the **Embedded Exemptable Large Power Station** either **The Company** or the **User** may apply to the **Authority** for the **Authority** to settle any terms of the **BELLA Offer** in dispute.
- 1.8.2 Upon such application, the **Authority**, pursuant to section 7 (3) (c) of the **Act**, may settle any terms in dispute between **The Company** and the **User** in respect of such **BELLA** in such manner as appears to the **Authority** to be reasonable having (in so far as relevant) regard in particular to the following considerations:
- (a) that the performance by **The Company** of its obligations under the **BELLA** should not cause it to be in breach of those provisions referred to at paragraph 5 of Standard Condition C8 of the **Transmission Licence**;
 - (b) that any methods by which **The Company's** transmission system is connected to any other **System** for the transmission or distribution of electricity accord (insofar as applicable to **The Company**) with the **Grid Code**, the **STC** and the **Distribution Code**;
 - (c) that the terms and conditions of the **BELLA** so settled by the **Authority** and of any other agreements entered into by **The Company** pursuant to Paragraph 1.7 should be in as similar a form as is practicable.
- 1.8.3 Where the **Authority** settles any terms in dispute, the **User** and **The Company** shall forthwith enter into the **BELLA** as settled.
- 1.8.4 If either the **User** or **The Company** proposes to vary the terms of the **BELLA** in a manner provided for under such agreement, the **Authority** may, at the request of **The Company** or the **User**, settle any dispute relating to such variation in such manner as appears to the **Authority** to be reasonable.

END OF SECTION 1

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CUSC - SECTION 11

INTERPRETATION AND DEFINITIONS

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- 11.1 Introduction
- 11.2 Interpretation and Construction
- 11.3 Definitions

SECTION 11

INTERPRETATION AND DEFINITIONS

11.1 INTRODUCTION

This Section sets out general rules to be applied in interpreting the **CUSC**, **Bilateral Agreements**, **Construction Agreements** and **Mandatory Services Agreements**. It also sets out the defined terms used by the **CUSC** (other than those defined elsewhere in the **CUSC**) and other agreements. Those other agreements may, in accordance with Paragraph 11.2.2, have their own further interpretation rules and defined terms which apply only to the individual agreements.

11.2 INTERPRETATION AND CONSTRUCTION:

11.2.1 In the **CUSC** and in each **Bilateral Agreement** and in each **Mandatory Services Agreement** and each **Construction Agreement**:

- (a) the interpretation rules in this Paragraph 11.2; and
- (b) the words and expressions defined in Paragraph 11.3,

shall, unless the subject matter or context otherwise requires or is inconsistent therewith, apply.

11.2.2 Save as otherwise expressly provided in the **CUSC**, in the event of any inconsistency between the provisions of any **Bilateral Agreement**, **Mandatory Services Agreement** or **Construction Agreement** and the **CUSC**, the provisions of the **Bilateral Agreement** or **Mandatory Services Agreement** or **Construction Agreement** shall prevail in relation to the **Connection Site** which is the subject thereof to the extent that the rights and obligations of **Users** not party to that **Bilateral Agreement**, **Mandatory Services Agreement** or **Construction Agreement** are not affected.

11.2.3 If in order to comply with any obligation in the **CUSC**, any **Bilateral Agreement** or any **Construction Agreement** any **CUSC Party** is under a duty to obtain the consent or approval (including any statutory licence or permission) ("the **Consent**") of a third party (or the **Consent** of another **CUSC Party**) such obligation shall be deemed to be subject to the obtaining of such **Consent** which the **CUSC Party** requiring the **Consent** shall use its reasonable endeavours to obtain including (if there are reasonable grounds therefor) pursuing any appeal in order to obtain such **Consent**.

11.2.4 If such **Consent** is required from any **CUSC Party** then such **CUSC Party** shall grant such **Consent** unless it is unable to do so or it would be unlawful for it to do so provided that such grant by such **CUSC Party** may be made subject to such reasonable conditions as such **CUSC Party** shall reasonably determine.

- 11.2.5 For the avoidance of doubt if the **CUSC Party** who is under a duty to obtain such **Consent** fails to obtain such **Consent** having complied with this Paragraph 11.2 the obligation on that **CUSC Party** (in relation to which such **Consent** is required) shall cease.
- 11.2.6 In the **CUSC** and in each **Bilateral Agreement** and in each **Mandatory Services Agreement** and each **Construction Agreement**:
- (a) unless the context otherwise requires all references to a particular Paragraph, Part, Section, Schedule or Exhibit shall be a reference to that Paragraph, Part, Section, Schedule or Exhibit in or to the **CUSC** and all references to a particular Appendix shall be a reference to that Appendix to a **Bilateral Agreement** or **Mandatory Services Agreement** or **Construction Agreement** (as the case may be);
 - (b) a table of contents and headings are inserted for convenience only and shall be ignored in construing the **CUSC** or a **Bilateral Agreement**, **Construction Agreement** or **Mandatory Services Agreement** as the case may be;
 - (c) references to the words "include" or "including" are to be construed without limitation to the generality of the preceding words;
 - (d) unless the context otherwise requires any reference to an Act of Parliament or any part or section or other provision of or schedule to an Act of Parliament shall be construed, at the particular time, as including a reference to any modification, extension or re-enactment thereof then in force and to all instruments, orders or regulations then in force and made under or deriving validity from the relevant Act of Parliament; and
 - (e) references to the masculine shall include the feminine and references in the singular shall include the plural and vice versa and words denoting persons shall include any individual, partnership, firm, company, corporation, joint venture, trust, association, organisation or other entity, in each case whether or not having separate legal personality.

11.3 DEFINITIONS

The following terms shall have the following meanings:

"10 Clear Days"	defined as 10 complete periods of 24 hours from 00:00hrs to 24:00hrs;
"ABSVD Methodology Statement"	the document entitled "Applicable Balancing Services Volume Data Methodology Statement", as published by The Company as the same may be amended from time to time;
"Accession Agreement"	an agreement in or substantially in the form of Exhibit A to the CUSC whereby an applicant accedes to the CUSC Framework Agreement ;

"Acceptance Volume"	as defined in the Balancing and Settlement Code ;
"Act"	the Electricity Act 1989;
"Active Power"	<p>the product of voltage and the in-phase component of alternating current measured in units of watts and standard multiples thereof i.e.</p> <p>1000 watts = 1kW 1000 kW = 1MW 1000 MW = 1GW 1000 GW = 1TW;</p>
"Actual Amount"	as defined in Paragraph 3.13;
"Actual Attributable Works Cancellation Charge"	where the Attributable Works Cancellation Charge is calculated in accordance with Paragraph 3.5.2 of Part Two of the User Commitment Methodology ;
"Additional Load"	Site Load other than Station Load and importing Generating Units for processes other than the production of electricity;
"Additional Scheduling Data"	as defined in the Grid Code on the day prior to the NETA Go-live Date ;
"Adjusted LDTEC Profile"	the LDTEC Profile as adjusted by the MW cap specified by the User in its acceptance of the LDTEC Block Offer in accordance with CUSC Paragraph 6.32.6.4;
"Affected User"	<p>a User:</p> <p>a) with Transmission Entry Capacity for the Connection Site against which the affected BM Unit is registered and who is paying or in receipt of generator Transmission Network Use of System Charges by reference to such Transmission Entry Capacity; or</p> <p>b) an Interconnector Owner;</p>
"Affiliate"	in relation to The Company (and in relation to Paragraphs 6.14 and 8A.4.2.2, any User) means any holding company or subsidiary of The Company (or the User as the case may be) or any subsidiary of a holding company of The Company (or the User as the case may be), in each case within the meaning of sections 736, 736A and 736B of the Companies Act 1985 as substituted by section 144 of the Companies Act 1989;
"Agency Business"	any business of The Company or any Affiliate or Related Undertaking in the purchase or other acquisition or sale or other disposal of electricity as agent for any other Authorised Electricity

	Operator;
"Agreed Ancillary Services"	Part 2 System Ancillary Services and Commercial Ancillary Services;
"Agreed Value"	the value attributed by The Company to the form of security provided that if The Company and the User cannot agree on such value then the value will be determined by an expert appointed by The Company and the User or, failing their agreement as to the expert, the expert nominated by the Director General of The Institute of Credit Management;
"Alternate Election Process"	as defined in Paragraph 8A.4.4.2;
"Alternate Member(s)"	persons appointed as such pursuant to Paragraph 8.7.2;
"Alternate Member Interim Vacancies"	as defined in Paragraph 8A.4.3.3;
"Allowed Interruption"	shall mean an Interruption as a result of any of the following: <ul style="list-style-type: none"> a) an Event other than an Event on the National Electricity Transmission System; b) an event of Force Majeure pursuant to Paragraph 6.19 of the CUSC; c) a Total Shutdown or Partial Shutdown; d) action taken under the Fuel Security Code; e) Disconnection or Deenergisation by or at the request of The Company under Section 5 of the CUSC, except in the case of an Emergency Deenergisation Instruction; f) the result of a direction of the Authority or Secretary of State; g) tripping of the User's Circuit Breaker(s) following receipt of a signal from a System to Generator Operational Intertripping Scheme which has been armed in accordance with Paragraph 4.2A.2.1(b). <p>or if provided for in a Bilateral Agreement with the affected User;</p>
"Ancillary Services"	System Ancillary Services and/or Commercial Ancillary Services as the case may be;
"Ancillary Services Agreement"	an agreement between The Company and a User or other person to govern the provision of and payment for one or more Ancillary Services , which term shall include without limitation a Mandatory

	Services Agreement;
"Annual Average Cold Spell (ACS) Conditions"	a particular combination of weather elements which gives rise to a level of peak Demand within an The Company Financial Year which has a 50% chance of being exceeded as a result of weather variation alone;
"Annual Wider Cancellation Amount Statement"	the statement published by The Company each Financial Year in accordance with the User Commitment Methodology ;
"Apparatus"	all equipment in which electrical conductors are used, supported or of which they may form a part;
"Applicant"	a person applying for connection and/or use of system under the CUSC ;
"Applicable CUSC Objectives"	as defined in the Transmission Licence ;
"Applicable Value"	the highest contractual Transmission Entry Capacity figure for year "t" provided to The Company up to and including 31 October in year "t-1" for publication in the October update of the Seven Year Statement;
"Application for a STTEC"	an application made by a User in accordance with the Offer " Paragraph 6.31 for Short Term Capacity for a STTEC Period ;
"Approved Agency"	the panel of three independent assessment agencies appointed by The Company and other network operators from time to time for the purpose of providing Independent Credit Assessments details of such agencies to be published on the The Company Website ;
"Approved CUSC Modification"	as defined in Paragraph 8.23.7;
"Approved CUSC Modification Fast Track Proposal"	as defined in Paragraph 8.29.7, provided that no objection is received pursuant to Paragraph 8.29.12;
"Approved CUSC Modification Self-Governance Proposal"	as defined in Paragraph 8.25.10;
"Applicable Balancing Services Volume Data"	has the meaning given in the Balancing and Settlement Code .
"Approved Credit Rating"	a long term debt rating of not less than BB- by Standard and Poor's Corporation or a rating not less than Ba3 by Moody's Investor Services, or a short term rating which correlates to those long term ratings, or an equivalent rating from any other reputable credit agency approved by The Company ; or such other lower rating as may be reasonably approved by The Company from time to time;
"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**;

"Attributable Cancellation Charge"	Works	the component of the Cancellation Charge which applies on and after the Trigger Date and prior to the Charging Date as more particularly described in Part Two of the User Commitment Methodology ;
"Attributable Cost"	Works Capital	means the fees, expenses and costs of whatever nature reasonably and properly incurred or due in respect of each component within the Attributable Works ;
"Authorised Recipient"		in relation to any Protected Information , means any Business Person who, before the Protected Information had been divulged to him by The Company or any Subsidiary of The Company , had been informed of the nature and effect of Paragraph 6.15.1 and who requires access to such Protected Information for the proper performance of his duties as a Business Person in the course of Permitted Activities ;
"Authority"		the Director General of Electricity Supply appointed for the time being pursuant to section 1 of the Act or, after the coming into force of section 1 of the Utilities Act 2000, the Gas and Electricity Markets Authority established by that section;
"Available LDTEC"		is the level of MW for an LDTEC Week as notified by The Company to a User in (in the case of the first seven LDTEC Weeks) the LDTEC Indicative Block Offer and for subsequent LDTEC Weeks in an LDTEC Availability Notification ;
"Back Stop Date"		in relation to an item of Derogated Plant , the date by which it is to attain its Required Standard , as specified in or pursuant to the relevant Derogation ;
"Balancing and Settlement Code" or "BSC"		as defined in the Transmission Licence ;
"Balancing Code" or "BC"		as defined in the Grid Code ;
"Balancing Mechanism"		as defined in the Transmission Licence ;
"Balancing Services"		as defined in the Transmission Licence ;
"Balancing Services Activity"		as defined in the Transmission Licence ;

"Balancing Services Agreement"	an agreement between The Company and a User or other person governing the provision of and payment for one or more Balancing Services ;
"Balancing Services Use of System Charges"	the element of Use of System Charges payable in respect of the Balancing Services Activity ;
"Balancing Services Use of System Charges Forecast Information"	The Company's estimate of the average expected Balancing Services Use of System Charges for each month in the Current Financial Year and each month of the following Financial Year .
"Balancing Services Use of System Reconciliation Statement"	as defined in Paragraph 3.15.1;
"Bank Account"	<p>a bank account in the name of The Company at such branch of Barclays Bank PLC, or such branch of any other bank, in the City of London as is notified by The Company to the User in which deposits of principal sums from the User shall be ascertainable, bearing interest from (and including) the date of deposit of principal sums to (but excluding) the date of withdrawal of principal sums from such account, mandated for withdrawal of principal solely by The Company against delivery of a Notice of Drawing for the amount demanded therein and mandated for the transfer of any interest accrued to the Bank Account to such account to:</p> <p>a) an associated bank account in the name of The Company in which the interest accruing in respect of the principal sums deposited by the User shall be ascertainable; or</p> <p>b) such bank account as the User may specify;</p>
"Base Rate"	in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding Business Day ;
"Base Value at Risk"	the sum of HH Base Value at Risk and the NHH Base Value at Risk ;
"BELLA Application"	an application for a BELLA in the form or substantially in the form set out in Exhibit Q;
"BELLA Offer"	an offer for a BELLA in the form or substantially the form set out in Exhibit R including any revision or extension of such offer;
"Bi-annual Estimate"	an estimate pursuant to Paragraph 2.21.2 of all payments to be made or which may be required to be made by the User in any relevant period, such estimate to be substantially in the form set out in Exhibit L to the CUSC ;

"Bid"	as defined in the Balancing and Settlement Code ;
"Bid-Offer Acceptance"	as defined in the Balancing and Settlement Code ;
"Bid-Offer Volume"	as defined in the Balancing and Settlement Code ;
"Bilateral Agreement"	in relation to a User , a Bilateral Connection Agreement or a Bilateral Embedded Generation Agreement , or a BELLA between The Company and the User ;
"Bilateral Connection Agreement"	an agreement entered into pursuant to Paragraph 1.3.1 a form of which is set out in Exhibit 1 to Schedule 2 ;
"Bilateral Embedded Generation Agreement"	an agreement entered into pursuant to Paragraph 1.3.1, a form of which is set out in Exhibit 2 to Schedule 2 ;
"Bilateral Embedded Licence exemptable Large power station Agreement" or "BELLA"	an agreement in respect of an Embedded Exemptable Large Power Station entered into pursuant to Paragraph 1.3.1, a form of which is set out in Exhibit 5 to Schedule 2 ;
"Bilateral Insurance Policy"	a policy of insurance taken out by the User with a company in the business of providing insurance who meets the Requirements for the benefit of The Company and upon which The Company can claim if the circumstances set out in CUSC Paragraph 5.3.1(b) (i) to (v) arise in respect of such User and which shall provide security for the Agreed Value . In addition The Company may accept such a policy from such a company who does not meet the Requirements up to an Agreed Value where The Company agrees or where The Company does not agree as determined by an expert appointed by The Company and the User or failing their agreement as to the expert the expert nominated by the Director General of The Institute of Credit Management;
"Block LDTEC"	is at any given time the lower of the MW figure in the LDTEC Profile or Adjusted LDTEC Profile for an LDTEC Period ;
"BM Unit"	as defined in the Balancing and Settlement Code ;
"BM Unit Identifiers"	the identifiers (as defined in the Balancing and Settlement Code) of the BM Units ;
"BM Unit Metered Volume"	as defined in the Balancing and Settlement Code ;
"Boundary Point Metering System"	as defined in the Balancing and Settlement Code ;
"British Grid Systems Agreement"	the agreement made on 30 March 1990 of that name between The Company , Scottish Hydro Electric plc, and Scottish Power plc;

"BSC Agent"	as defined in the Balancing and Settlement Code ;
"BSC Framework Agreement"	as defined in the Transmission Licence ;
"BSC Panel"	the Panel as defined in the Balancing and Settlement Code ;
"BSC Party"	a person who is for the time being bound by the Balancing and Settlement Code by virtue of being a party to the BSC Framework Agreement ;
"Business Day"	any week-day other than a Saturday on which banks are open for domestic business in the City of London;
"Business Person"	any person who is a Main Business Person or a Corporate Functions Person and " Business Personnel " shall be construed accordingly;
"Cancellation Charge"	the charge payable by certain Users in the event of termination of a Bilateral Connection Agreement or Bilateral Embedded Generation Agreement or Construction Agreement or a reduction in Transmission Entry Capacity <u>or a reduction in Interconnector User Commitment Capacity</u> or a reduction in Developer Capacity as calculated in accordance with the User Commitment Methodology ;
"Cancellation Charge Profile"	the profile as applied to the Fixed Attributable Works Cancellation Charge and Wider Cancellation Charge in accordance with Part Two of the User Commitment Methodology ;
"Cancellation Charge Secured Amount"	the amount to be secured by a User from the start of and during a Security Period as such amount is applied and calculated in accordance with Part Three of the User Commitment Methodology ;
"Cancellation Charge Secured Amount Statement"	the statement issued by The Company to a User in accordance with Part Two of the User Commitment Methodology showing the Cancellation Charge Secured Amount for a given Security Period such statement to be in substantially the form set out in Exhibit MM2 to the CUSC ;
"Cancellation Charge Statement"	the statement issued by The Company to a User in accordance with Part Two of the User Commitment Methodology such statement to be in substantially the form set out in Exhibit MM1 to the CUSC ;
"CAP 179 Implementation Date"	shall mean the date specified as the Implementation Date in the direction issued by the Authority approving CUSC Amendment Proposal 179 (Prevention of Timing Out of Authority Decisions on Amendment Proposals);
"Capability Payment"	as defined in Paragraph 4.2A.4(a)(i);
"Category 1 Intertripping"	as defined in the Grid Code ;

Scheme"	
"Category 2 Intertripping Scheme"	as defined in the Grid Code ;
"Category 3 Intertripping Scheme"	as defined in the Grid Code ;
"Category 4 Intertripping Scheme"	as defined in the Grid Code ;
"CCGT Unit"	a Generating Unit within a CCGT Module ;
"Central Volume Allocation"	as defined in the Balancing and Settlement Code ;
"Charging Date"	as defined in the Construction Agreement ;
"Charging Dispute"	as defined in Paragraph 7.2.1;
"Charging Methodologies"	(a) the Use of System Charging Methodology ; and/or (b) the Connection Charging Methodology ;
"Charging Statements"	the Statement of the Connection Charging Methodology , the Statement of the Use of System Charging Methodology , and the Statement of Use of System Charges ;
"Circuit Breaker"	a mechanical switching device, capable of making, carrying and breaking currents under normal circuit conditions and also of making, carrying for a specified time and breaking currents under specified abnormal circuit conditions, such as those of short circuit;
"CMRS"	as defined in the Balancing and Settlement Code ;
"Code Administration Code of Practice"	the code of practice approved by the Authority and: (a) developed and maintained by the code administrators in existence from time to time; (b) amended subject to the Authority's approval from time to time; and (c) re-published from time to time;
"Code Administrator"	The Company carrying out the role of Code Administrator pursuant to Section 8;
"Code of Practice"	as defined in the Balancing and Settlement Code ;
"Combined Cycle Gas Turbine Module" or "CCGT Module"	a collection of Generating Units (registered under the Grid Code PC) comprising one or more Gas Turbine Units (or other gas based engine units) and one or more Steam Units where, in

	normal operation, the waste heat from the Gas Turbine Units is passed to the water/steam system of the associated Steam Units and where the component units within the CCGT Module are directly connected by steam or hot gas lines to enable those units to contribute to the efficiency of the combined cycle operation of the CCGT Module ;
"Commercial Ancillary Services"	as defined in the Grid Code ;
"Commercial Boundary"	(unless otherwise defined in the relevant Mandatory Services Agreements), the commercial boundary between either The Company or a Public Distribution System Operator (as the case may be) and the User at the higher voltage terminal of the generator step-up transformer;
"Commercial Services Agreement"	an agreement between The Company and a User or other person to govern the provision of and payment for one or more Agreed Ancillary Services ;
"Commissioned"	in respect of Plant and Apparatus commissioned before the Transfer Date means Plant and Apparatus recognised as having been commissioned according to the commissioning procedures current at the time of commissioning and in respect of Plant and Apparatus commissioned after the Transfer Date means Plant and/or Apparatus certified by the Independent Engineer as having been commissioned in accordance with the relevant Commissioning Programme ;
"Commissioning Programme"	in relation to a particular user, as defined in its Construction Agreement ;
"Commissioning Programme Commencement Date"	as defined in relation to a particular User in the Construction Agreement ;
"Competent Authority"	the Secretary of State , the Authority and any local or national agency, authority, department, inspectorate, minister (including Scottish ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom or the European Community;
"Completion Date"	in relation to a particular User , as defined in its Construction Agreement ;
"Composite Demand Charges"	in respect of a User its Demand related Transmission Network Use of System Charges for each Transmission Network Use of System Demand Zone ;
"Confidential Information"	all data and other information supplied to a User by another CUSC Party under the provisions of the CUSC or any Bilateral Agreement , Construction Agreement or Mandatory Services

	Agreement;
“Connect and Manage Arrangements”	the arrangements whereby pursuant to Standard Condition C26 of the Transmission Licence and Standard Condition D16 of a Relevant Transmission Licensee’s transmission licence connection to and or use of the National Electricity Transmission System is permitted by virtue of a Connect and Manage Derogation on completion of the Enabling Works but prior to completion of the Wider Transmission Reinforcement Works ;
“Connect and Manage Derogation”	means the temporary derogation from the NETS SQSS available to The Company pursuant to Standard Condition C17 of the Transmission Licence and/or a Relevant Transmission Licensee pursuant to Standard Condition D3 of its transmission licence;
“Connect and Manage Derogation Criteria”	the criteria detailed as such in CUSC Section 13.2.4;
“Connect and Manage Derogation Report”	the report required to be prepared by The Company and/or a Relevant Transmission Licensee in respect of a Connect and Manage Derogation ;
“Connect and Manage Implementation Date”	means the date which the Secretary of State determines shall be the connect and manage implementation date;
“Connect and Manage Power Station”	means a Power Station which is directly connected to the National Electricity Transmission System or which is Distributed Generation ;
“Connect and Manage Transition Period”	means the period ending 6 months after the Connect and Manage Implementation Date ;
“Connected Planning Data”	in relation to a particular user, as defined in its Construction Agreement ;
“Connection”	a direct connection to the National Electricity Transmission System by a User ;
“Connection Application”	an application for a New Connection Site in the form or substantially in the form set out in Exhibit B to the CUSC ;
“Connection Boundary”	shall be the boundary defined by Paragraph 14.2.6 of the Statement of the Connection Charging Methodology;
“Connection Charges”	charges made or levied or to be made or levied for the carrying out (whether before or after the date on which the Transmission Licence comes into force) of works and provision and installation of electrical plant, electric lines and ancillary meters in constructing entry and exit points on the National Electricity Transmission System , together with charges in respect of maintenance and repair of such items in so far as not otherwise recoverable as Use

	<p>of System Charges, all as more fully described in the Transmission Licence, whether or not such charges are annualised, including all charges provided for in the statement of Connection Charging Methodology (such as Termination Amounts and One-off Charges);</p>
"Connection Charging Methodology"	as defined in the Transmission Licence and set out in Section 14;
"Connection Conditions" or "CC"	that portion of the Grid Code which is identified as the Connection Conditions ;
"Connection Entry Capacity"	the figure specified as such for the Connection Site and each Generating Units as set out in Appendix C of the relevant Bilateral Connection Agreement ;
"Connection Offer"	an offer or (where appropriate) the offers for a New Connection Site in the form or substantially in the form set out in Exhibit C including any revision or extension of such offer or offers;
"Connection Site"	each location more particularly described in the relevant Bilateral Agreement at which a User's Equipment and Transmission Connection Assets required to connect that User to the National Electricity Transmission System are situated. If two or more Users own or operate Plant and Apparatus which is connected at any particular location that location shall constitute two (or the appropriate number of) Connection Sites ;
"Connection Site Demand Capability"	the capability of a Connection Site to take power to the maximum level forecast by the User from time to time and forming part of the Forecast Data supplied to The Company pursuant to the Grid Code together with such margin as The Company shall in its reasonable opinion consider necessary having regard to The Company's duties under its Transmission Licence ;
"Consents"	<p>in relation to a particular User, as defined in its Construction Agreement;</p> <p>In relation to any Works:-</p> <ol style="list-style-type: none"> a) all such planning and other statutory consents; and b) all wayleaves, easements, rights over or interests in land or any other consent; or for commencement and carrying on of any activity proposed to be undertaken at or from such Works when completed c) permission of any kind as shall be necessary for the construction of the Works;

"Construction Agreement"	an agreement entered into pursuant to Paragraph 1.3.2;
"Construction Programme"	in relation to a particular User , as defined in its Construction Agreement ;
"Construction Works"	In relation to a particular User , as defined in its Construction Agreement ;
"Consumption"	as defined in the Balancing and Settlement Code in relation to a Consumption BM Unit;
"Control Telephony"	as defined in the Grid Code ;
"Contract Test"	a test (not being a Reactive Test) described in a Market Agreement ;
"Contract Start Days"	as defined in Paragraph 3.3 of Schedule 3, Part I;
"Core Industry Documents"	as defined in the Transmission Licence ;
"Core Industry Document Owner"	in relation to a Core Industry Document , the body(ies) or entity(ies) responsible for the management and operation of procedures for making changes to such document;
"Corporate Functions Person"	any person who is: <ul style="list-style-type: none"> (a) a director of The Company; or (b) an employee of The Company or any of its subsidiaries carrying out any administrative, finance or other corporate services of any kind which in part relate to the Main Business; or (c) engaged as an agent of or adviser to or performs work in relation to or services for the Main Business;
"Cost Statement"	as defined in Paragraph 2.14.3;
"Credit Assessment Score"	a score between zero and ten given by an Approved Agency in the Independent Credit Assessment ;
"Credit Assessment Sum"	the proportion of the Unsecured Credit Cover extended by The Company to a User who does not meet the Approved Credit Rating and calculated in accordance with Paragraph 3.26.6;
"Credit Rating"	the credit requirements set by The Company from time to time in relation to Termination Amounts ;
"CUSC"	this Connection and Use of System Code ;
"CUSC Framework Agreement"	as defined in the Transmission Licence ;

"CUSC Implementation Date"	00.01 on the 18 September 2001;
"CUSC Modification Fast Track Proposal"	a proposal to modify the CUSC which is raised pursuant to Paragraph 8.29 and has not yet been approved or rejected by the CUSC Modifications Panel ;
"CUSC Modification Fast Track Report"	a report prepared pursuant to Paragraph 8.29;
"CUSC Modification Procedures"	the procedures for the modification of the CUSC (including the implementation of Approved CUSC Modifications) as set out in Section 8;
"CUSC Modification Process"	the part of the CUSC Modification Procedures relating to consideration by the CUSC Modifications Panel and Workgroups , consultation by the Workgroups and The Company and preparation of a CUSC Modification Report by the CUSC Modifications Panel ;
"CUSC Modification Proposal"	a proposal to modify the CUSC which is not rejected pursuant to Paragraphs 8.16.5 or 8.16.6 and has not yet been implemented;
"CUSC Modification Register"	as defined in Paragraph 8.13.1;
"CUSC Modification Report"	a report prepared pursuant to Paragraph 8.23;
"CUSC Modification Self-Governance Report"	a report prepared pursuant to Paragraph 8.25;
"CUSC Modifications Panel"	the body established and maintained pursuant to Paragraph 8.3;
"CUSC Modifications Panel Recommendation Vote"	the vote of Panel Members undertaken by the Panel Chairman in accordance with Paragraph 8.23.4 as to whether in their view they believe each CUSC Modification Proposal , or Workgroup Alternative CUSC Modification would better facilitate achievement of the Applicable CUSC Objective(s) and so should be made;
"CUSC Modifications Panel Self-Governance Vote"	The vote of Panel Members undertaken by the Panel Chairman in accordance with Paragraph 8.25.9 as to whether they believe each CUSC Modification Proposal , as compared with the then existing provisions of the CUSC and any Workgroup Alternative CUSC Modification set out in the CUSC Modification Self-Governance Report , would better facilitate achievement of the Applicable CUSC Objective(s) ;
"CUSC Party"	as defined in the Transmission Licence ;
"Customer"	a person to whom electrical power is provided (whether or not he is the provider of such electrical power) other than power to meet

	Station Demand of that person;
"Customer Services Team"	the customer services team identified within The Company which manages the commercial interface with parties connected to the transmission network, as identified on the Website ;
"DC Converter"	As defined in the Grid Code ;
"Data Registration Code" or "DRC"	the portion of the Grid Code which is identified as the Data Registration Code ;
"DCLF"	Direct Current Load Flow;
"Deemed HH Forecasting Performance"	the sum calculated in accordance with Section 3, Appendix 2 Paragraph 3 as it may be revised in accordance with paragraph 3.22.7.
"Deemed NHH Forecasting Performance"	the sum calculated in accordance with Section 3, Appendix 2 Paragraph 6 as it may be revised pursuant to Paragraph 3.22.8.
"Deenergisation" or "Deenergise(d)"	the movement of any isolator, breaker or switch or the removal of any fuse whereby no electricity can flow to or from the relevant System through the User's Equipment ;
"Defaulting Party"	as defined in Paragraph 4.3.2.11;
"Defendant Party"	as defined in Paragraph 7.5.1;
"Delivering"	as defined in the Balancing and Settlement Code ;
"De-Load"	the difference (expressed in MW) between the Maximum Export Limit and the Final Physical Notification Data as adjusted by the Acceptance Volume in respect of a Bid-Offer Acceptance (if any), and "De-Loaded" shall be construed accordingly;
"Demand"	the demand of MW and Mvar of electricity (i.e. both Active Power and Reactive Power), unless otherwise stated;
"Demand Forecast"	a User's forecast of its Demand submitted to The Company in accordance with paragraphs 3.10, 3.11 and 3.12;
"Depreciation Period"	in relation to a Transmission Connection Asset for a particular User , the period which commences on the asset's initial effective charging date, and which expires after the appropriate duration, which unless otherwise agreed upon connection is 40 years excluding FMS metering electronics that are agreed between the User and The Company ;
"Derogation"	means (a) a direction issued by the Authority relieving a CUSC Party from the obligation under its Licence to comply with such parts of the Grid Code or any Distribution Code or in the case of

The Company the **Transmission Licence** as may be specified in such direction and/or (b) a **Connect and Manage Derogation** as the context requires and "Derogated" shall be construed accordingly;

"Derogated Plant"	Plant or Apparatus which is the subject of a Derogation ;
"Design Variation"	is a connection design (which provides for connection to the National Electricity Transmission System) which fails to satisfy the relevant deterministic criteria detailed for an Onshore Connection in paragraphs 2.5 to 2.13 and for an Offshore Connection in 7.7 to 7.19, as appropriate, of the NETS SQSS ;
"Designated Sum"	means such sum as shall be directed by the Authority as soon as practicable after the determination of an approved Use of System Charging Methodology ;
"Designated sum"	As defined in Standard Condition C13 of the Transmission Licence
"De-synchronisation"	the act of taking a BM Unit off a System to which it has been Synchronised , by opening any connecting circuit breaker, and " De-synchronised " shall be construed accordingly;
"Detailed Planning Data"	detailed additional data which The Company requires under the PC in support of Standard Planning Data;
"Developer Capacity"	the MW figure as specified as such by a User in a BELLA or in a Construction Agreement entered into between The Company and a User in the category of a Distribution System directly connected to the National Electricity Transmission System as a consequence of a Request for a Statement of Works ;
"Directive"	includes any present or future directive, requirement, instruction, direction or rule of any Competent Authority , (but only, if not having the force of law, if compliance with the Directive is in accordance with the general practice of persons to whom the Directive is addressed) and includes any modification, extension or replacement thereof then in force;
"Directly-Connected User" or "Directly-Connected Customer"	A large, usually industrial, consumer of electricity who is directly connected to the National Electricity Transmission System ;
"Disconnect" or "Disconnection"	without prejudice to the interpretation of the terms " Disconnect " or " Disconnection " to Users acting in capacities other than those detailed, the following definitions shall apply: (a) for Users acting in their capacity as Generators with Embedded Large Power Stations or Embedded Medium Power Stations , passing power on to a Distribution System through a connection to a Distribution System which had not

been commissioned as at the **Transfer Date**, means permanent physical disconnection of the **User's Equipment** at the site of connection to the **Distribution System**;

- (b) for **Users** who are **Trading Parties** (as defined in the **Balancing and Settlement Code**) acting in their capacity as responsible for **Small Power Stations** which are **Embedded**, means, permanent physical disconnection of the **User's Equipment** or **Equipment** for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) at the site of connection to the **Distribution System**;
- (c) for **Users** acting in a capacity other than those detailed in (a) or (b), means permanent physical disconnection of a **User's Equipment** at any given **Connection Site** which permits removal thereof from the **Connection Site** or removal of all **Transmission Connection Assets** there from (as the case may be);

"Dispute Resolution Procedure"

the procedures set out in Section 7;

"Dispute Statement"

as defined in Paragraph 3.15.4;

"Distributed Generation"

means for the purposes of the **Connect and Manage Arrangements** and Section 15 of the **CUSC**:

- (a) an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement**;
- (b) an **Embedded Power Station** which is the subject of a **Bilateral Embedded Licence Exemptable Large Power Station Agreement**;
- (c) a **Relevant Embedded Medium Power Station**;
- (d) a **Relevant Embedded Small Power Station**.

"Distribution Agreement"

an agreement entered into by a **User** with the owner/operator of the **Distribution System** for the connection of the **User's Equipment** (or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) to and use of such **Distribution System**;

"Distribution Code(s)"

the **Distribution Code(s)** drawn up by **Public Distribution System Operators** pursuant to the terms of their respective **Licence(s)** as from time to time revised in accordance with those **Licences**;

"Distribution Connection"

an agreement between a **User** who owns or operates a **Distribution System** and an owner of a **Power Station** for

"Agreement"	connection to that User's Distribution System ;
"Distribution Interconnector"	as defined in the Balancing and Settlement Code ;
"Distribution Interconnector Owner"	the Owner of a Distribution Interconnector or of that part of a Distribution Interconnector directly connected to a Distribution System ;
"Distribution Licence"	a licence issued under section 6(1)(c) of the Act ;
"Distribution System"	the system consisting (wholly or mainly) of electric lines owned or operated by any Authorised Electricity Operator and used for the distribution of electricity from Grid Supply Points or generation sets or other entry points to the point of delivery to Customers or Authorised Electricity Operators , and includes any Remote Transmission Assets operated by such Authorised Electricity Operator and any electrical plant and meters owned or operated by the Authorised Electricity Operator in connection with the distribution of electricity, but shall not include any part of the National Electricity Transmission System ;
"Distribution Voltage"	a voltage of 132kV or below in England & Wales. A voltage of below 132kV in Scotland. Generally taken to be voltages lower than those defined as transmission voltages;
"Dormant CUSC Party"	a CUSC Party which does not enjoy any ongoing rights and/or obligations for the period of its dormancy under the CUSC , as provided for in Section 5;
"Earthing"	as defined in the Grid Code ;
"EdF Documents"	as defined in the Balancing and Settlement Code ;
"Election Timetable"	as defined in Paragraph 8A.1.2.1;
"Election Year"	as defined in Paragraph 8A.1.1.2;
"Electricity Arbitration Association"	as the phrase ' Electricity Supply Industry Arbitration Association ' is defined in the Grid Code ;
"Eligible Small Generator"	defined as an eligible generator in Standard Condition 13 of the Transmission Licence;
"Embedded"	a direct connection to a Distribution System or the System of any other User to which Customers and/or Power Stations are connected; in the context of the Charging Methodologies it shall mean a direct connection to a Distribution System or the System of any other User to which Customers and/or Power Stations are connected, such connection being either a direct connection or a

connection via a busbar of another **User** or of a **Transmission Licensee** (but with no other connection to the **National Electricity Transmission System**);

"Embedded Generator MW Register"

the Register set up by **The Company** pursuant to Paragraph 6.35;

"Emergency Deenergisation Instruction"

an instruction issued by **The Company** to a **User** to either:

- (a) **Deenergise** that **User's Equipment**, or
- (b) request the owner of the **Distribution System to which the User's Equipment** or equipment for which that **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) is connected to **Deenergise** that **User's Equipment** or equipment for which that **User** is responsible (as defined in Section K of the **Balancing and Settlement Code** or ;
- (c) declare its **Maximum Export Limit** in respect of the **BM Unit(s)** associated with such **User's Equipment** to zero and to maintain it at that level during the **Interruption Period**,

where in **The Company's** reasonable opinion:

- (i) the condition or manner of operation of any **Transmission Plant** and/or **Apparatus** is such that it may cause damage or injury to any person or to the **National Electricity Transmission System**; and
- (ii) if the **User's Equipment** connected to such **Transmission Plant** and/or **Apparatus** was not **Deenergised** and/or the **Maximum Export Limit** of such **User's Equipment** connected to such **Transmission Plant** and/or **Apparatus** was not reduced to zero then it is likely that the **Transmission Plant** and/or **Apparatus** would automatically trip; and
- (iii) if such **Transmission Plant** and/or **Apparatus** had tripped automatically, then
 - (I) the **BM Unit** comprised in such **User's Equipment** (other than an **Interconnector Owner**); or
 - (II) an **Interconnector** of an **Affected User** who is an **Interconnector Owner**,

would, solely as a result of **Deenergisation** of **Plant** and **Apparatus** forming part of the **National Electricity Transmission**

"Emergency Instruction"	System , have been Deenergised ; as defined in the Grid Code ;
"Enabling Works"	those elements of the Transmission Reinforcement Works identified as such in accordance with CUSC Section 13 and which in relation to a particular User are as specified and by its acceptance of the Offer or Modification Offer , agreed by the User in the relevant Construction Agreement ;
"End Date"	shall mean 5.00pm on the date 12 months from (and not including) the Security Amendment -Implementation Date ;
"Energisation" or "Energise(d)"	the movement of any isolator, breaker or switch or the insertion of any fuse so as to enable Energy to flow from and to the relevant System through the User's Equipment ;
"Energy"	the electrical energy produced, flowing or supplied by an electric circuit during a time interval, being the integral with respect to time of the power, measured in units of watt-hours or standard multiples thereof i.e. 1000 Wh = 1KWh 1000 KWh = 1MWh 1000 MWh = 1GWh 1000 GWh = 1TWh;
"Energy Metering Equipment"	as the phrase " Metering Equipment " is defined in the Balancing and Settlement Code ;
"Energy Metering System"	as the phrase " Metering System " is defined in the Balancing and Settlement Code ;
"Enforceable"	The Company (acting reasonably) is satisfied that the security is legally enforceable and in this respect the User shall obtain such legal opinion at its expense as The Company (acting reasonably shall require);
"Engineering Charge"	as set out in the Statement of Use of System Charges from time to time;
"Enhanced Reactive Power Service"	as defined in Paragraph 1.2 of Schedule 3, Part I;
"Enhanced Rate"	in respect of any day the rate per annum which is 4% per annum above the Base Rate ;

"Escrow Account"	<p>a bank account in the name of The Company at such branch of Barclays Bank PLC or such branch of any other bank, in the City of London as is notified by The Company to the User in which deposits of principal sums from the User shall be ascertainable, bearing interest from (and including) the date of deposit of principal sums to (but excluding) the date of withdrawal of principal sums from such account, mandated for withdrawal of any sums solely by The Company and mandated for the transfer of any interest accrued to such account to:</p> <p>a) an associated bank account in the name of The Company in which the interest accruing in respect of the principal sums deposited by the User shall be ascertainable; or</p> <p>b) such bank account as the User may specify;</p>
"Estimated Demand"	the forecast Demand (Active Power) data filed with The Company pursuant to the Charging Statements ;
"ET Interface Operator"	the operator of the Onshore Distribution System to which an ET Offshore Transmission System connects;
"ET Interface Point"	the electrical point of connection between an Offshore Transmission System and an Onshore Distribution System and in relation to a particular User as defined in its Bilateral Connection Agreement ;
"ET Offshore Transmission System"	an Offshore Transmission System connected at an ET Interface Point ;
"ET Restrictions on Availability"	is in the context of an ET Offshore Transmission System the reduction in capability as set out in the relevant Notification of ET Restrictions on Availability ;
"ET Use of System Charges"	the element of Use of System Charges consisting of charges payable by The Company to the ET Interface Operator in respect of the connection to a Distribution System by an Offshore Transmission System and use of such Distribution System by means of such Offshore Transmission System ;
"Event"	as defined in the Grid Code ;
"Event of Default"	any of the events set out in Section 5 as constituting an event of default;
"Exchange Rate"	the Transmission Entry Capacity available to a specific party as a direct result of a specific reduction in the Transmission Entry Capacity available to another party.

"Exchange Rate Request"	a joint request from a User and another User to calculate the Exchange Rate that would apply were they to agree to a TEC Trade ;
"Excitation System"	the equipment providing the field current of a machine, including all regulating and control elements as well as field discharge or suppression equipment and protective devices;
"Exemptable"	where the person generating electricity at the relevant Power Station is, or would be (if it generated electricity at no other Power Station and/or did not hold a Generation Licence) exempt from the requirement to hold a Generation Licence under the Act ;
"Exempt Export BM Unit"	as defined in the Balancing and Settlement Code ;
"Exempt Generator"	any generator who, under the terms of the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001, is not obliged to hold a generation licence;
"Exemptible Generation"	generating plant where the party generating electricity at that generating plant is, or would (if it generated electricity at no other generating plant and/or did not hold a generation licence) be, exempt from the requirement to hold a generation licence (including Scottish generation that export between 50 and 100MW that was connected on or before 30 September 2000);
"Exempt Power Station"	a Power Station where the person generating electricity at that Power Station is exempt from the requirement to hold a Generation Licence under the Act ;
"Existing ICM Construction Agreement"	a Construction Agreement entered into between The Company and a User prior to the Connect and Manage Implementation Date and which is on the basis of the Interim Connect and Manage Arrangements ;
"Existing Offshore Generator"	as defined in the Transmission Licence ;
"Existing Security Cover"	the Security Cover held by The Company in respect of a User pursuant to CUSC Section 3 Part III immediately prior to the Security Amendment Implementation Date ;
"Export"	as defined in the Balancing and Settlement Code ;
"External Interconnection"	as defined in the Grid Code ;
"Externally Interconnected System Operator"	as defined in the Grid Code ;
"Fast Track Criteria"	a CUSC Modification Proposal that, if implemented,

- (a) would meet the **Self-Governance Criteria**; and
- (b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:
 - (i) updating names or addresses listed in the **CUSC**;
 - (ii) correcting any minor typographical errors;
 - (iii) correcting formatting and consistency errors, such as paragraph numbering; or
 - (iv) updating out of date references to other documents or paragraphs .

"Final Adjustments Statement	as defined in Paragraph 4.3.2.6(b);
"Final Demand Reconciliation Statement"	as defined in Paragraph 3.12.7(a);
"Final Monthly Statement"	as defined in Paragraph 4.3.2.6;
"Final Physical Notification Data"	as defined in the Balancing and Settlement Code ;
"Final Reconciliation Settlement Run"	as defined in the Balancing and Settlement Code ;
"Final Reconciliation Volume Allocation Run"	as defined in the Balancing and Settlement Code ;
"Final Statement"	as defined in Paragraph 4.3.2.6(a);
"Final Sums"	in relation to a particular User , as defined in its Construction Agreement ;
"Financial Year"	the period of 12 months ending on 31st March in each calendar year;
"First Offer"	as defined in Paragraph 6.10.4;
"First Security Period"	from the date of Construction Agreement to the 31 March or 30 September, whichever is the first to occur;
"First User"	as defined in Paragraph 6.10.3;
"Fixed Attributable Cancellation Charge"	Works where the Attributable Works Cancellation Charge is calculated in accordance with Paragraph 3.5.1 of Part TWO of the User Commitment Methodology ;
"Fixed Proposed	the proposed date(s) for the implementation of a CUSC Modification Proposal or Workgroup Alternative CUSC

Implementation Date"	Modification such date to be a specific date by reference to an assumed date by which a direction from the Authority approving the CUSC Modification Proposal or Workgroup Alternative CUSC Modification is required in order for the CUSC Modification Proposal or any Workgroup Alternative CUSC Modification , if it were approved, to be implemented by the proposed date;
"FMS Date"	1st April 1993;
"Force Majeure"	in relation to any CUSC Party any event or circumstance which is beyond the reasonable control of such CUSC Party and which results in or causes the failure of that CUSC Party to perform any of its obligations under the CUSC including act of God, strike, lockout or other industrial disturbance, act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, lightning, fire, storm, flood, earthquake, accumulation of snow or ice, lack of water arising from weather or environmental problems, explosion, fault or failure of Plant and Apparatus (which could not have been prevented by Good Industry Practice), governmental restraint, Act of Parliament, other legislation, bye law and Directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of that CUSC Party and provided, for the avoidance of doubt, that weather conditions which are reasonably to be expected at the location of the event or circumstance are also excluded as not being beyond the reasonable control of that CUSC Party ;
"Forecasting Performance Related VAR "	the sum of HH Forecasting Performance Related VAR and NHH Forecasting Performance Related VAR ;
"Frequency"	the number of alternating current cycles per second (expressed in Hertz) at which a System is running;
"Frequency Deviation"	a positive or negative deviation from Target Frequency ;
"Frequency Response"	an automatic response by a BM Unit or CCGT Unit to a change in Frequency with the aim of containing System Frequency within the limits provided for under the Grid Code ;
"Frequency Sensitive Mode"	as defined in the Grid Code ;
"Fuel Security Code"	the document of that title designated as such by the Secretary of State as from time to time amended;
"Full TEC Reduction Notice Period"	means one Financial Year and 5 Business Days prior to the beginning of the Financial Year from which the decrease in Transmission Entry Capacity or Disconnection (as appropriate)

	is to take effect;
"Gas Insulated Switchgear" or "GIS"	SF6 switchgear where the substation busbars (and the interfacing switchgear between those busbars and any connecting circuits) are of an integrated metal enclosed, gas insulated construction;
"GB Transmission System" or "GBTS"	for the purposes of Section 12 means the system consisting (wholly or mainly) of high voltage electric wires owned or operated by transmission licensees within Great Britain and used for the transmission of electricity from one Power Station to a sub-station or to another Power Station or between sub-stations or to or from any External Interconnection and includes any Plant and Apparatus or meters owned or operated by any transmission licensee within Great Britain in connection with the transmission of electricity but shall not include Remote Transmission Assets ;
"Gas Turbine Unit"	a Generating Unit driven by a gas turbine (for instance an aero-engine);
"Generating Plant"	a Large Power Station ;
"Generating Unit"	unless otherwise provided in the Grid Code any Apparatus which produces electricity;
"Generation Business"	the authorised business of The Company or any Affiliate or Related Undertaking in the generation of electricity or the provision of Balancing Services , in each case from pumped storage and from the Kielder hydro-electric generating station;
"Generation Capacity"	the normal full load capacity of a Generating Unit as declared by the Generator , less the MW consumed by the Generating Unit through the Generating Unit's unit transformer when producing the same;
"Generation Licence"	the licence granted to a Generator pursuant to section 6(1)(a) of the Act ;
"Generation Reconciliation Statement"	as defined in Paragraph 3.12.2;
"Generator"	a person who generates electricity under licence or exemption under the Act ;
"Genset"	as defined in the Grid Code ;
"GIS Asset Outage"	as defined in the relevant Bilateral connection Agreement ;

"Good Industry Practice"	in relation to any undertaking and any circumstances, the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances;
"Great Britain"	The landmass of England and Wales and Scotland, including internal waters;
"Grid Code"	the Grid Code drawn up pursuant to the Transmission Licence , as from time to time revised in accordance with the Transmission Licence ;
"Grid Supply Point" ("GSP")	a point of delivery from the National Electricity Transmission System to a Distribution System or a Non-Embedded Customer ;
"Gross Asset Value"	the value calculated by The Company in accordance with recognised accounting principles and procedures as published by The Company from time to time;
"Group"	as defined in the Grid Code ;
"GSP Group"	as defined in the Balancing and Settlement Code ;
"HH Base Percentage"	the % value for the relevant Security Period as specified in the table in paragraph 1 of Section 3, Appendix 2;
"HH Base Value at Risk"	the sum as calculated in accordance with Paragraph 3.22.3;
"HH Charges"	that element of Transmission Network Use of System Demand Charges relating to half-hourly metered Demand ;
"HH Forecasting Performance Related VAR "	the amount resulting from multiplying the Deemed HH Forecasting Performance and the Indicative Annual HH TNUoS Charge calculated on the basis of the latest Demand Forecast received by The Company ;
"High Frequency Response"	as defined in the Grid Code ;
"High Voltage" or "HV"	a voltage exceeding 650 volts;
"Holding Payment"	that component of the payment for Mode A Frequency Response calculated in accordance with Paragraph 4.1.3.9;
"ICRP"	Investment Cost Related Pricing;
"Implementation Date"	is the date and time for implementation of an Approved CUSC Modification as specified in accordance with Paragraph 8.28.3;
"Import"	as defined in the Balancing and Settlement Code ;

"Income Adjusting Event"	as defined in the Transmission Licence ;
"Indemnified Persons"	as defined in Paragraph 8.12.1;
"Independent Engineer"	in relation to a particular User , as defined in its Construction Agreement ;
"Independent Credit Assessment"	an assessment of the creditworthiness of a User or entity by an Approved Agency as nominated by the User or entity obtained in accordance with Paragraph 3.26.7, 3.26.8 and 3.26.9;
"Independent Security Arrangement"	a guarantee in favour of The Company in a form satisfactory to The Company and which is provided by an entity which meets the Requirements . In addition The Company may accept such a policy from an entity who does not meet the Requirements up to an Agreed Value where The Company agrees or where The Company does not agree as determined by an expert appointed by The Company and the User or failing their agreement as to the expert the expert nominated by the Director General of The Institute of Credit Management;
"Indicative Annual HH TNUoS charge"	The Company's forecast of the User's total HH Charges relating to a Financial Year ;
"Indicative Annual NHH TNUoS charge"	The Company's forecast of the User's total NHH Charges relating to a Financial Year ;
"Indicative Block LDTEC"	is the Available LDTEC ;
"Indicative Maximum Generation Capability"	has the meaning attributed to it in Paragraph 4.2.3.2;
"Industry Code"	means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Act or under sections 7, 7ZA or 7A of the Gas Act 1986;
"Initial Charge"	as defined in Paragraph 3.16.2;
"Initial Demand Reconciliation Statement"	as defined in Paragraph 3.13.4;
"Initial Volume Allocation Run"	as defined in the Balancing and Settlement Code ;
"Initial Settlement Run"	as defined in the Balancing and Settlement Code ;
"Insurance Performance Bond"	a Performance Bond provided by a company in the business of providing insurance which meets the Requirements . In addition The Company may accept such a policy from such a company who does not meet the Requirements up to an Agreed Value where The Company agrees or where The Company does not agree as determined by an expert appointed by The Company and

the **User** or failing their agreement as to the expert the expert nominated by the Director General of The Institute of Credit Management;

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"Intellectual Property" or "IPRs"

patents, trade marks, service marks, rights in designs, trade names, copyrights and topography rights (whether or not any of the same are registered and including applications for registration of any of the same) and rights under licences and consents in relation to any of the same and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of the same which may subsist anywhere in the world;

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"Interconnected System Operator"

as defined in the **Balancing and Settlement Code**;

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"Interconnector"

as defined in the **Balancing and Settlement Code**;

(b) . for Interconnector's whose Connection Site is above the B11 boundary as set out in the annual Electricity Ten Year Statement (E-TYS), this is the Interconnector Import Capacity, capacity figure as set out in determined for Section 9.45 of the CUSC"

"Interconnector Asset Owner"

the owner of an **Interconnector**;

"Interconnector Error Administrator"

as defined in the **Balancing and Settlement Code**;

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"Interconnector Owner"

the owner of an **Interconnector**, or of that part of a **Interconnector**, directly connected to the **National Electricity Transmission System**;

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"Interconnector User"

(a) in relation to an **Interconnector** connected to the **National Electricity Transmission System**, as defined in the **Balancing and Settlement Code**; and

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(b) in relation to a **Distribution Interconnector**, a Lead Party (as defined in the **Balancing and Settlement Code**) in respect of a single **BM Unit** where under Section K5 of the **Balancing and Settlement Code** the **BM Unit** has been allocated in relation to that **Distribution Interconnector** or if there is no such allocation, as defined in the **Balancing and Settlement Code**;

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"Interconnector User Commitment Capacity"

(a) for **Interconnectors** whose **Connection Site** is below the B11 boundary as set out in the annual Electricity Ten Year Statement, this is the figure for the purposes of **CUSC** Paragraph 9.5 as specified in Appendix C of the **User's Bilateral Connection Agreement**; and

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(b) for **Interconnectors** whose **Connection Site** is above the B11 boundary as set out in the annual Electricity Ten Year Statement, this is the figure for the purposes of **CUSC** Paragraph 9.4 as specified in Appendix C of the **User's Bilateral Connection Agreement**;

"Interface Agreement"	the agreement(s) entered into pursuant to Paragraph 2.11 and Paragraph 9.13 based substantially on the forms set out in Exhibit O to the CUSC ;
"Interim Connect and Manage Arrangements"	the arrangements in place between 8 May 2009 and the Connect and Manage Implementation Date whereby Offers were made by The Company on the basis that a Derogation would be obtained from the Authority such that identified Transmission Reinforcement Works did not need to be completed prior to connection and/or use of system;
"Interim Panel and Alternate Election process"	As defined in Paragraph 8A.4.3.2
"Interruption"	<p>where either:-</p> <ul style="list-style-type: none"> (i) solely as a result of Deenergisation of Plant and Apparatus forming part of the National Electricity Transmission System; or (ii) in accordance with an Emergency Deenergisation Instruction; <ul style="list-style-type: none"> a) a BM Unit comprised in the User's Equipment of an Affected User (other than an Interconnector Owner) is Deenergised; or b) an Interconnector of an Affected User who is an Interconnector Owner is Deenergised; or c) The Maximum Export Limit in respect of the BM Unit(s) associated with such User's Equipment is zero.
"Interruption Payment"	<p>the payment for a Relevant Interruption calculated as follows:</p> <ul style="list-style-type: none"> 1) In the case of a Relevant Interruption arising as a result of a Planned Outage; <p>In the case of an Affected User other than an Interconnector Owner</p> $\sum_{i=k}^{i=n} \text{Maximum}(\text{Average daily } \pounds \text{ per MW rate}_i, \text{Actual daily } \pounds \text{ per MW rate}_i) * \text{Affected MW}_i$ <p>In the case of an Affected User who is an Interconnector Owner</p> $\sum_{i=k}^{i=n} \text{Average daily } \pounds \text{ per MW rate}_i * \text{MW specified as the Transmission Entry Capacity for the Connection Site}$

where:

i = calendar days

k = 1, representing the first calendar day associated with a **Relevant Interruption**.

n = number of complete or part complete calendar days of a **Relevant Interruption**

2) In the case of a **Relevant Interruption** arising as a result of an **Emergency Deenergisation Instruction**:

In the case of an **Affected User** other than an **Interconnector Owner**

j = p

$$\sum_{j=1} \text{System Buy Price}_j * 0.5 * \text{Affected MW}_j$$

Plus (if applicable)

j = m

$$\sum_{j=4} \text{Market Price}_j * 0.5 * \text{Affected MW}_j$$

In the case of an **Affected User** who is an **Interconnector Owner**

j = p

$$\sum_{j=1} \text{System Buy Price}_j * 0.5 * \text{MW specified as the Transmission Entry Capacity for the Connection Site}$$

Plus (if applicable)

j = m

$$\sum_{j=4} \text{Market Price}_j * 0.5 * \text{MW specified as the Transmission Entry Capacity for the Connection Site}$$

where;

j = **Settlement Periods** from the time when the **Emergency Deenergisation Instruction** was issued by **The Company**, with 1 representing the first **Settlement Period**.

m = The duration of the **Relevant Interruption** (being the

Interruption Period), in **Settlement Periods** for which **Gate Closure** has not yet occurred (which shall be greater than 3, up to a maximum value of 48)

p = The duration of the **Relevant Interruption** in **Settlement Periods** for which **Gate Closure** has occurred (up to a maximum value of 3).

and after the first 24 hours of a Relevant Interruption a sum calculated as 1 above save that k shall be equal to 2.

3) In the case of all other Relevant Interruptions:

In the case of an **Affected User** other than an **Interconnector Owner**

$$\sum_{j=1}^{j=p} \text{System Buy Price}_j * 0.5 * \text{Affected MW}_j$$

Plus (if applicable)

$$\sum_{j=4}^{j=m} \text{Market Price}_j * 0.5 * \text{Affected MW}_j$$

In the case of an **Affected User** who is an **Interconnector Owner**

$$\sum_{j=1}^{j=p} \text{System Buy Price}_j * 0.5 * \text{MW specified as the Transmission Entry Capacity for the Connection Site}$$

Plus (if applicable)

$$\sum_{j=4}^{j=m} \text{Market Price}_j * 0.5 * \text{MW specified as the Transmission Entry Capacity for the Connection Site}$$

where;

j = **Settlement Periods** from the start of the **Relevant Interruption**, with 1 representing the first **Settlement Period**.

m = The duration of the **Relevant Interruption** (being the **Interruption Period**), in **Settlement Periods** for which **Gate Closure** has not yet occurred (which shall be greater than 3, up to a maximum value of 48)

p = The duration of the **Relevant Interruption** in **Settlement Periods** for which **Gate Closure** has occurred (up to a maximum value of 3).

and after the first 24 hours of a **Relevant Interruption** a sum calculated in accordance with paragraph 1 above save that **k** shall be equal to 2.

Provided always that an **Affected User** shall not receive payment in respect of more than one **Relevant Interruption** for the same period.

4. In the event of the relevant **Market Price** being zero then for purpose of paragraphs 2 or 3 above the **Market Price** shall be deemed to be the most recent preceding positive price.

Throughout this definition of **Interruption Payment**:

Average daily £ per MW rate = (TNUoS income derived from generators/ total system **Transmission Entry Capacity**) / 365, calculated by reference in each case to figures for the **Financial Year** prior to that in which the **Relevant Interruption** occurs to give a daily £ per MW rate;

Actual daily £ per MW rate = (Annual TNUoS charge of an **Affected User** for the **Financial Year** /**Transmission Entry Capacity** for the **Connection Site**) / 365 calculated by reference to the tariff in the **Statement of Use of System Charges** for the **Financial Year** in which the **Relevant Interruption** occurs;

Affected MW = the MW arrived at after deducting from the **Transmission Entry Capacity** for the **Connection Site** the sum of the **Connection Entry Capacity** of the unaffected **BM Units** at the **Connection Site**;

System Buy Price is as defined in the **Balancing and Settlement Code**;

Market Price is as defined in the **Balancing and Settlement Code**.

“Interruption Period”

For a **Planned Outage**, shall mean the period in whole calendar days commencing with the notification of the **Affected User** by **The**

Company of the start of **Relevant Interruption** and ending on the notification of the **Affected User** by **The Company** that the **Relevant Interruption** has ended;

For a **Relevant Interruption** arising as a result of an **Emergency Deenergisation Instruction**, shall mean the period from the start of the **Settlement Period** in which **The Company** gave notification to the **Affected User** of the start of such **Relevant Interruption**, until the end of the **Settlement Period** in respect of which **The Company** gave notification to the **Affected User** by **The Company** that the **Relevant Interruption** has ended which shall be measured in:

- i) whole **Settlement Periods** for the first 24 hours from the time of notification by **The Company** to the **Affected User** of the start of such **Relevant Interruption**; and
- ii) whole calendar days for any time after the first 24 hour period referred to in i) above.

In the case of all other **Relevant Interruptions** the duration, shall mean the period from the start of such **Relevant Interruption** which shall be measured in:

- i) whole **Settlement Periods** for the first 24 hours from the start of such **Relevant Interruption**; and
- ii) whole calendar days for any time after the first 24 hour period referred to in i) above.

"Intertrip Contracted Unit"

(i) in the case of a **Power Park Module**, the collection of **Non-Synchronous Generating Units** which are registered as a **Power Park Module** under the **Grid Code**; and

(ii) all other cases, a **Generating Unit**,

unless, in either case, the **Bilateral Agreement** specifies otherwise.

"Intertrip Payment"

as defined in Paragraph 4.2A.4(c);

"Isolation"

as defined in the **Grid Code**;

"Joint System Incident"

Paragraphs (a) and (b) below are without prejudice to the application of Paragraph 6.4 to **Users** acting in capacities other than those detailed in Paragraphs (a) and (b),

- (a) for **Users** in respect of their **Connection Sites** which were not **Commissioned** as at the **Transfer Date**, shall have the meaning given to that term in the **Grid Code**;

(b) for **Users** acting in their capacity as **Generators** with **Embedded Large Power Stations** or **Embedded Medium Power Stations** and who are passing power onto a **Distribution System** through a connection with a **Distribution System** which was not **Commissioned** as at the **Transfer Date**, means an event wherever occurring (other than on an **Embedded Medium Power Station** or **Embedded Small Power Station**) which, in the opinion of **The Company** or a **User** has or may have a serious and/or widespread effect, being (in the case of an event on a **User(s) System(s)**) (other than on an **Embedded Medium Power Station** or **Embedded Small Power Station**), on the **National Electricity Transmission System** , and (in the case of an event on the **National Electricity Transmission System**), on a **User(s) System(s)** (other than on an **Embedded Independent Generating Plant**);

"Joint Temporary TEC Exchange Users"

means the **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User**;

"Key Consents"

those **Consents** a **User** requires in respect of its **Power Station** project which are identified by **The Company** as key for the purposes of Part Three of the **User Commitment Methodology** and in relation to a particular **User** as defined in its **Construction Agreement**;

"Key Consents In Place Date"

the date that **The Company** confirms in writing to the **User** that **The Company** is satisfied, for the purposes of Part Three of the **User Commitment Methodology**, that the **User** has been granted the **Key Consents**;

"Land Charge"

the charge (if any) set out in Appendix B to a **Bilateral Connection Agreement**;

"Large Power Station"

as defined in the **Grid Code**;

"LDTEC"

Is, in the case of an accepted **LDTEC Block Offer**, **Block LDTEC** or, in the case of an accepted **LDTEC Indicative Block Offer**, **Indicative Block LDTEC**;

"LDTEC Availability Notification"

the form set out in Exhibit T to the **CUSC**;

"LDTEC Block Offer"

is an offer made by **The Company** for **Short Term Capacity** in accordance with the terms of Paragraphs 6.32.4.6 and 6.32.6.1 in response to an **LDTEC Request**;

"LDTEC Charge"

being a component of the **Use of System Charges** which is made or levied by **The Company** and to be paid by the **User** , in the case of an accepted **LDTEC Block Offer**, for **Block LDTEC** and in the case of an accepted **LDTEC Indicative Block Offer** for **Requested**

LDTEC and in the case of an accepted **Temporary TEC Exchange Rate Offer** for **Temporary Received TEC**, in each case calculated in accordance with the **Charging Statements**;

- "**LDTEC Indicative Block Offer**" is an offer made by **The Company** for **Short Term Capacity** in accordance with the terms of Paragraphs 6.32.6.4 and 6.32.6.2 in response to an **LDTEC Request**;
- "**LDTEC Indicative Profile**" is a profile in MW that indicates **The Company's** assessment of the MW capacity that may be available to a **User** for the **LDTEC Period** which has been prepared solely for the purpose of enabling a **User** to make its assessment of an **LDTEC Indicative Block Offer**;
- "**LDTEC Offer**" is an **LDTEC Block Offer** and/or an **LDTEC Indicative Offer**;
- "**LDTEC Period**" is,
(a) a period of weeks or part thereof within a **Financial Year** as specified by the **User** in its **LDTEC Request Form** for a minimum period of seven weeks commencing on a Monday at 0.00 hours and finishing at 23.59 on any given day no later than the last day of such **Financial Year**, or
(b) in the case of an accepted **Temporary TEC Exchange Offer**, the **Temporary TEC Exchange Period**;
- "**LDTEC Profile**" is a profile in MW of **The Company's** assessment of the MW capacity that is available to a **User** for the **LDTEC Period** (not exceeding the maximum level in the **LDTEC Request**) in an **LDTEC Block Offer**;
- "**LDTEC Request**" is an application made by a user for an **LDTEC Block Offer** and/or an **LDTEC Indicative Block Offer** made using an **LDTEC Request Form**;
- "**LDTEC Request Fee**" the fee to be paid by the **User** to **The Company** for an **LDTEC Request** as detailed in the **Charging Statements**;
- "**LDTEC Request Form**" is the form set out in Exhibit S to the **CUSC**;
- "**LDTEC Week**" is a week or part thereof within an **LDTEC Period** commencing on Monday at 0.00 and finishing on 23:59 on the last day within such week;
- "**Leading**" in relation to **Reactive Power**, importing Mvar;
- "**Legal Challenge**" an appeal to the Competition Commission or a judicial review in respect of the **Authority's** decision to approve or not to approve a **CUSC Modification Proposal**;

"Less than 100MW"	Is defined as not having the capability to export 100MW to the Total System ;
"Letter of Credit"	<p>(a) in respect of Paragraph 2.22 shall mean an irrevocable standby letter of credit in a form reasonably satisfactory to The Company but in any case expressed to be governed by the Uniform Customs and Practice for Documentary Credits 1993 Revision ICC Publication No. 500 or such other form as may be reasonably satisfactory to The Company and allowing for partial drawings and providing for the payment to The Company on demand forthwith on and against The Company's delivery to the issuer thereof of a Notice of Drawing of the amount demanded therein;</p> <p>(b) in all other cases shall mean an unconditional irrevocable standby letter of credit in such form as The Company may reasonably approve issued for the account of the User in sterling in favour of The Company, allowing for partial drawings and providing for the payment to The Company forthwith on demand by any United Kingdom clearing bank or any other bank which in each case has a long term debt rating of not less than single "A" by Standard and Poor's Corporation or by Moody's Investors Services, or such other bank as The Company may approve and which shall be available for payment at a branch of the issuing bank;</p>
"Licence"	any licence granted pursuant to Section 6 of the Act ;
"Licence Standards"	the standards to be met by The Company under Standard Condition C17 of the Transmission Licence ;
"Licensable Generation"	generating plant that is not Exemptible Generation ;
"Liquidated Damages"	in relation to a particular User , as defined in its Construction Agreement ;
"Local Safety Instructions"	as defined in the Grid Code ;
"Loss of Transmission Access Compensation Claim Form"	A form amended from time to time by agreement between the CUSC Modification Panel and The Company , to be completed by a claimant for submission of Relevant Interruption claims and available on a website maintained by The Company .
"MCUSA"	the Master Connection and Use of System Agreement dated 30 March 1990 (now amended to become the CUSC Framework Agreement);
"Main Business"	any business of The Company or any of its subsidiaries as at the Transfer Date or which it is required to carry on under the Transmission Licence , other than the Generation Business ;

"Main Business Person"	any employee of The Company or any director or employee of its subsidiaries who is engaged solely in the Main Business and "Main Business Personnel" shall be construed accordingly;
"Main System Circuits"	means Transmission Circuits but excluding a Grid Supply Point transformer;
"Maintenance Reconciliation Statement"	the statement prepared in accordance with Paragraph 2.14.5 and Paragraph 9.9.5;
"Mandatory Ancillary Services"	Part 1 System Ancillary Services ;
"Mandatory Services Agreement"	an agreement between The Company and a User to govern the provision of and payment for Mandatory Ancillary Services or to govern the payment by The Company to a User for Obligatory Reactive Power Service provided by an Offshore Transmission Licensee in accordance with the STC ;
"Market Agreement"	as defined in Paragraph 3.1 of Schedule 3, Part I;
"Market Day"	as defined in Paragraph 3.3 of Schedule 3, Part I;
"Material Effect"	an effect causing The Company or a Relevant Transmission Licensee to effect any works or to alter the manner of operation of Transmission Plant and/or Transmission Apparatus at the Connection Site or the site of connection or a User to effect any works or to alter the manner of operation of its Plant and/or Apparatus at the Connection Site or the site of connection which in either case involves that party in expenditure of more than £10,000;
"Materially Affected Party"	any person or class of persons designated by the Authority as such, in relation to the Charging Methodologies ;
"Maximum Export Capacity"	as defined in the Grid Code and in relation to a particular User , as defined in its Bilateral Connection Agreement ;
"Maximum Export Limit"	as defined in the Grid Code ;
"Maximum Generation"	means a Balancing Service provided from the Available BM Units by generating at a level above the MEL so as to increase the total export of Active Power from the Power Station to the National Electricity Transmission System, contributing towards The Company's requirement for additional short-term generation output, all as more particularly described in Paragraph 4.2;
"Maximum Generation BM Unit"	means, as between The Company and a User , the BM Units, specified in the Maximum Generation Service Agreement ;
"Maximum Generation Energy"	the amount (£/MWh) set out in the Maximum Generation Service Agreement as the same may be revised from time to time in

Fee"	accordance with Paragraph 4.2.5;
"Maximum Generation Energy Payment"	has the meaning attributed to it in Paragraph 4.2.5.1;
"Maximum Generation Instruction"	has the meaning attributed to it in Paragraph 4.2.4.1;
"Maximum Generation Redeclaration"	has the meaning attributed to it in Paragraph 4.2.3.3;
"Maximum Generation Service Agreement"	an agreement between The Company and a User specifying, amongst other things, the BM Units and the Maximum Generation Energy Fee applicable to the provision of Maximum Generation ;
"Maximum Import Capacity"	as defined in the Grid Code and in relation to a particular User , as defined in its Bilateral Connection Agreement ;
"Medium Power Station"	as defined in the Grid Code ;
"Meters"	as defined in the Balancing and Settlement Code ;
"Metering Equipment"	as defined in the Balancing and Settlement Code ;
"Meter Operator Agent"	as defined in the Balancing and Settlement Code ;
"Metering System"	as defined in the Balancing and Settlement Code ;
"Methodology"	the Statement of the Use of System Charging Methodology or the Statement of the Connection Charging Methodology (and " Methodologies " shall be construed accordingly);
"MITS Connection Works"	means those Transmission Reinforcement Works (inclusive of substation works) that are required from the Connection Site to connect to a MITS Substation (and in the context of an Embedded Power Station , "connection site" shall mean the associated Grid Supply Point identified as such in the relevant Bilateral Agreement);
"MITS Node"	means in the context of ascertaining the Attributable Works , a node with (i) more than four Transmission circuits or (ii) two or more Transmission circuits and a Grid Supply Point ;
"MITS Substation"	means (in the context of the definition of MITS Connection Works , a Transmission substation with more than 4 Main System Circuits connecting at that substation;
"Mode A Frequency Response"	as defined in Paragraph 4.1.3.3;

"Modification"	any actual or proposed replacement, renovation, modification, alteration, or construction by or on behalf of a User or The Company to either the User's Plant or Apparatus or the manner of its operation or Transmission Plant or Transmission Apparatus or the manner of its operation which in either case has or may have a Material Effect on another CUSC Party at a particular Connection Site ;
"Modification Affected User"	as defined in Paragraph 6.9.3.2;
"Modification Application"	an application in the form or substantially in the form set out in Exhibit I to the CUSC ;
"Modification Notification"	a notification in the form or substantially in the form set out in Exhibit K to the CUSC ;
"Modification Offer"	an offer in the form or substantially in the form set out in Exhibit J to the CUSC , including any revision or extension of such offer;
"National Consumer Council"	the body of that name established by Part I, section 1 of the Consumers, Estate Agents and Redress Act 2007'.
"National Electricity Transmission System" or "NETS"	the system consisting (wholly or mainly) of high voltage electric wires owned or operated by transmission licensees within Great Britain and Offshore and used for the transmission of electricity from one Power Station to a sub-station or to another Power Station or between sub-stations or to or from any External Interconnection and includes any Plant and Apparatus or meters owned or operated by any transmission licensee within Great Britain and Offshore in connection with the transmission of electricity but shall not include Remote Transmission Assets ;
"National Electricity Transmission System SQSS" or "NETS SQSS"	is the National Electricity Transmission System Security and Quality of Supply Standards (version 1) issued under Standard Condition C17 of the Transmission Licence (as amended, varied or replaced from time to time);
"Natural Demand"	the Demand (Active Power) which is necessary to meet the needs of Customers excluding that Demand (Active Power) met by Embedded Generating Units whose generation is not traded by Trading Parties through Energy Metering Systems registered under the Balancing and Settlement Code ;
"Net Asset Value"	the Gross Asset Value of the Transmission Connection Asset in question less depreciation over the Replacement Period calculated in accordance with recognised accounting principles and procedures;
"New Connection Site"	a proposed Connection Site in relation to which there is no

	Bilateral Agreement in force between the CUSC Parties ;
"New CUSC Party"	as defined in Paragraph 6.13;
"Net Demand"	Sum of the BM Unit Metered Volumes (QM_{ij}) of the Trading Unit during the three Settlement Periods of the Triad expressed as a positive number (i.e. $\sum QM_{ij}$);
"NHH Base Percentage"	the % value for the relevant Security Period as specified in the table in paragraph 2 of Section 3, Appendix 2;
"NHH Charges"	that element of Transmission Network Use of System Demand Charges relating to non-half-hourly metered Demand ;
"NHH Base Value at Risk"	the sum as calculated in accordance with Paragraph 3.22.4;
"NHH Forecasting Performance Related VAR "	the amount resulting from multiplying the Deemed NHH Forecasting Performance and the Indicative Annual HH TNUoS Charge calculated on the basis of the latest Demand Forecast received by The Company ;
"Nominated Registered Capacity"	as defined in Appendix 5 of Schedule 3, Part I;
"Non- Performing Party"	as defined in Paragraph 6.19;
"Non-Embedded Customer"	a Customer except for a Public Distribution System Operator receiving electricity direct from the National Electricity Transmission System irrespective of from whom it is supplied;
"Non-Embedded User"	A User , except for a Public Distribution System Operator , receiving electricity direct from the National Electricity Transmission System irrespective of from whom it is supplied;
"Non Standard Boundary"	where the division of ownership of Plant and Apparatus is contrary to the principles of ownership set out in CUSC Paragraph 2.12;
"Non-Synchronous Generating Unit"	as defined in the Grid Code .
"Notice of Drawing"	a notice of drawing signed by or on behalf of The Company substantially in the form set out in Exhibit N to the CUSC ;
"Notification Date"	as defined in the Balancing and Settlement Code ;
"Notification of Circuit Outage"	as defined in the relevant Bilateral Connection Agreement or Bilateral Embedded Generation Agreement ;
"Notification of Circuit	as defined in the relevant Bilateral Connection Agreement or

Restriction"	Bilateral Embedded Generation Agreement;
"Notification of Fixed Attributable Works Cancellation Charge"	the notification issued by The Company to a User , in accordance with Part Two of the User Commitment Methodology showing the Fixed Attributable Works Cancellation Charge such statement to be in substantially the form set out in Exhibit MM3 to the CUSC ;
"Notification of Restrictions on Availability"	as defined in the relevant Bilateral Connection Agreement or Bilateral Embedded Generation Agreement ;
"Notification of ET Restrictions on Availability"	as defined in the relevant Bilateral Connection Agreement ;
"Notional Amount"	as defined in Paragraph 3.13;
"Nuclear Generator"	as defined in Paragraph 6.11;
"Nuclear Site Licence Provisions Agreement"	shall mean each of the following agreements (as from time to time amended) (a) the agreement between The Company and Magnox Electric plc (formally called Nuclear Electric plc) dated 30 March 1990, (b) the agreement between The Company and British Energy Generation Limited dated 31 March 1996, (c) the agreement between SP Transmission Limited and British Energy Generation (UK) Limited dated 29 May 1991 in relation to Hunterston power station and Torness power station, and (d) the agreement between SP Transmission Limited and British Nuclear Fuels plc in relation to Chapelcross power station ² ;
"Obligatory Reactive Power Service"	as defined in Paragraph 1.1 of Schedule 3, Part I or provided by an Offshore Transmission Licensee in accordance with the STC ;
"Offer"	an offer for connection to and/or use of the National Electricity Transmission System made by The Company in relation to the CUSC ; In the context of the Charging Methodologies it shall have the meaning as defined in the BSC;
"Offshore"	means wholly or partly in the Offshore Waters and when used in conjunction with another defined term and the terms together are not otherwise defined means that the associated term is to be read accordingly;
"Offshore Construction Works"	In relation to a particular User means those elements of the Construction Works to be undertaken by an Offshore Transmission Licensee on the Offshore Transmission System as defined in its Construction Agreement ;
"Offshore Grid Entry Point"	as defined in the Grid Code ;

"Offshore Platform"	a single structure comprising of Plant and Apparatus located Offshore which includes one or more Offshore Grid Entry Points ;
"Offshore Standard Design"	is a connection design (which provides for connection to the National Electricity Transmission System) of a Connection Site located Offshore which satisfies the minimum deterministic criteria detailed in paragraphs 7.7 to 7.19 of the NETS SQSS but does not satisfy the deterministic criteria detailed in paragraphs 2.5 to 2.13 of the NETS SQSS ;
"Offshore Tender Process"	that process followed by the Authority to make, in prescribed cases, a determination on a competitive basis of the person to whom an offshore transmission licence is to be granted;
"Offshore Tender Regulations"	those regulations made by the Authority in accordance with section 6C of the Act to facilitate the determination on a competitive basis of the person to whom an offshore transmission licence is to be granted;
"Offshore Transmission"	means as defined in the Energy Act 2004;
"Offshore Transmission Implementation Plan"	as defined in the Transmission Licence ;
"Offshore Transmission Licensee"	means such person in relation to whose Licence the standard conditions in Section E (offshore transmission owner standard conditions) of such Licence have been given effect or any person in that prospective role;
"Offshore Transmission Owner"	means either (a) such person in relation to whose Licence the standard conditions in Section E (offshore transmission owner standard conditions) of such Licence have been given effect; or (b) a party who has acceded to the STC prior to the grant of a Licence referred to in (a) above as a requirement of the Offshore Tender Regulations ;
"Offshore Transmission Reinforcement Works"	in relation to a particular User , as defined in its Construction Agreement ;
"Offshore Transmission System"	a part of the National Electricity Transmission System used (or to be used) for the purposes of Offshore Transmission and for which there is (or where the OTSDUW Arrangements apply, will be) an Offshore Transmission Licensee ;
"Offshore Transmission System Development User Works" or "OTSDUW"	in relation to a particular User where the OTSDUW Arrangements apply means those activities and/or works for (a) the design, planning, consenting, construction and installation of the Offshore Transmission System or (b) the design, planning and consenting of the Offshore Transmission System to be undertaken by the User as identified in Part 2 of Appendix I of the relevant

	Construction Agreement;
"Offshore Transmission System User Assets" or "OTSUA"	in relation to a particular User , any Plant and Apparatus resulting from the OTSDUW that once transferred to the Relevant Transmission Licensee will form the Offshore Transmission System to which the User's Equipment is to be connected at the Connection Site , as identified in its Construction Agreement ;
"Offshore Waters"	has the meaning given to "offshore waters" in Section 90(9) of the Energy Act 2004;
"Offtaking"	as defined in the Balancing and Settlement Code ;
"One Off Charge"	the costs, including profits and overheads of carrying out the One Off Works , together with the Net Asset Value of any asset made redundant as a result of the Construction Works an estimate of which is specified in Appendix B1 to the relevant Construction Agreement and/or Bilateral Agreement ;
"One Off Works"	the works described in Appendix B1 to the relevant Construction Agreement and/or Bilateral Agreement ;
"Onshore"	means within Great Britain and when used in conjunction with another defined term and the terms together are not otherwise defined means that the associated term is to be read accordingly;
Onshore Transmission System	the part of the National Electricity Transmission System which is not an Offshore Transmission System ;
"Onshore Construction Works"	in relation to a particular User , means those elements of the Construction Works to be undertaken other than on the Offshore Transmission System as defined in its Construction Agreement ;
"Onshore Transmission Reinforcement Works"	in relation to a particular User , as defined in its Construction Agreement ;
"Operating Agreement(s)"	the operating agreements or arrangements identified in the Bilateral Connection Agreement between The Company and the Interconnector Owner of the relevant Interconnector and made between either The Company and the relevant Interconnector Owner and/or The Company and the relevant Interconnected System Operator ;
"Operating Code" or "OC"	the portion of the Grid Code which is identified as the Operating Code ;
"Operation Diagrams"	as defined in the Grid Code ;
"Operational"	in relation to a Connection Site means that the same has been Commissioned (which for the avoidance of doubt does not necessarily include commissioning of Generating Units connected

	at the Connection Site) and that the User can use such User's Equipment to undertake those acts and things capable of being undertaken by BSC Parties ;
"Operational Date"	the date on which The Company issues the Operational Notification ;
"Operational Effect"	any effect on the operation of any System which causes that System to operate (or be at a materially increased risk of operating) differently to the way in which it would have normally operated in the absence of that effect;
"Operational Intertripping"	the automatic tripping of circuit breakers to prevent abnormal system conditions occurring, such as over voltage, overload, system instability etc. after the tripping of other circuit breakers following power system fault(s) which includes System to Power Station and System to Demand intertripping schemes;
"Operational Metering Equipment"	meters, instrument transformers (both voltage and current), transducers, metering protection equipment including alarms circuitry and their associated outstations as may be necessary for the purpose of CC.6.5.6 of the Grid Code and the corresponding provision of the relevant Distribution Code ;
"Operational Notification"	the notice of that name given to the User by The Company under Paragraphs 1.5.5 or 3.2.6 as appropriate;
"Original Party"	as defined in the CUSC Framework Agreement ;
"Other Dispute"	as defined in Paragraph 7.2.3;
"Other Party"	as defined in Paragraph 7.5.1;
"Other User"	as defined in Paragraph 6.10.3;
"OTSDUW Arrangements"	the arrangements whereby (a) the design, planning and consenting, construction and installation of assets that are to comprise an Offshore Transmission System or (b) the design, planning and consenting of assets that are to comprise an Offshore Transmission System are capable of being undertaken by a User ;
"OTSUA Transfer Time"	the time and date at which the OTSUA are transferred by the relevant User to an Offshore Transmission Licensee ;
"Output"	the actual Active Power or Reactive Power output achieved by a BM Unit ;
"Output Useable"	shall have the meaning given to that term in the Grid Code ;
"Panel Chairman"	a person appointed as such in accordance with Paragraph 8.4.1;

"Panel Member"	any of the persons listed in Paragraph 8.3.1(b);
"Panel Member Interim Vacancies"	as defined in Paragraph 8A.4.3.3;
"Panel Members' Recommendation"	the recommendation in accordance with the CUSC Modifications Panel Recommendation Vote ;
"Panel Secretary"	a person appointed as such in accordance with Paragraph 8.3.1(c);
"Part 1 System Ancillary Services"	as defined in Grid Code CC 8.1;
"Part 2 System Ancillary Services"	as defined in Grid Code CC 8.1;
"Partial Shutdown "	as defined in the Grid Code ;
"Party Liable"	as defined in Paragraph 6.12.1;
"Payment Date"	as defined in the Balancing and Settlement Code ;
"Payment Record Sum"	the proportion of the Unsecured Credit Cover extended by The Company to a User who does meeting the Approved Credit Rating calculated in accordance with Paragraph 3.26.4 and 3.26.5;
"Pending CUSC Modification Proposal"	a CUSC Modification Proposal in respect of which, at the relevant time, the Authority has not yet made a decision as to whether to direct such Proposed CUSC Modification to be made pursuant to the Transmission Licence (whether or not a CUSC Modification Report has been submitted in respect of such CUSC Modification Proposal);
"Performance Bond"	an on first demand without proof or conditions irrevocable performance bond or performance guarantee executed as a deed in a form reasonably satisfactory to The Company but in any case allowing for partial drawings and providing for the payment to The Company on demand forthwith on and against The Company's delivery to the issuer thereof of a Notice of Drawing of the amount demanded therein;
"Permitted Activities"	activities carried on for the purposes of the Main Business ;
"Physical Notification"	as defined in the Balancing and Settlement Code ;
"Planned Outage"	as defined in the Grid Code ;
"Planning Code" or PC	that portion of the Grid Code which is identified as the Planning Code ;
"Plant"	fixed and moveable items used in the generation and/or supply

	and/or transmission of electricity other than Apparatus ;
"Pool Member"	as defined in the Balancing and Settlement Code ;
"Pooling and Settlement Agreement"	as defined in the Balancing and Settlement Code ;
"Power Park Module"	as defined in the Grid Code ;
"Power Park Unit"	as defined in the Grid Code ;
"Power Station"	as defined in the Grid Code ;
"Practical Completion Date"	in relation to a particular User , as defined in its Construction Agreement ;
"Preference Votes"	as defined in Paragraph 8A.3.2.1;
"Prescribed Rate"	the rate of interest set for the relevant period as the statutory interest rate for the purposes of the Late Payment of Commercial Debts (interest) Act 1998;
"Pre Trigger Amount"	the component of the Cancellation Charge that applies before the Trigger Date and which is more particularly described in Part Two of the User Commitment Methodology ;
"Primary Response"	as defined in the Grid Code ;
"Proceedings"	as defined in Paragraph 6.23.1;
"Production"	as defined in the Balancing and Settlement Code in relation to a Production BM Unit;
"Progress Report"	as defined in Paragraph 8.14;
"Proposed Implementation Date"	the proposed date(s) for the implementation of a CUSC Modification Proposal or Workgroup Alternative CUSC Modification such date(s) to be either (i) described by reference to a specified period after a direction from the Authority approving the CUSC Modification Proposal or Workgroup Alternative CUSC Modification or (ii) a Fixed Proposed Implementation Date ;
"Proposer"	in relation to a particular CUSC Modification Proposal , the person who makes such CUSC Modification Proposal ;
"Protected Information"	any information relating to the affairs of a CUSC Party which is furnished to Business Personnel pursuant to the CUSC or a Bilateral Agreement or a Mandatory Services Agreement or a Construction Agreement or pursuant to a direction under section 34 of the Act or pursuant to the provisions of the Fuel Security

Code unless, prior to such information being furnished, such **CUSC Party** has informed the recipient thereof by notice in writing or by endorsement on such information, that the said information is not to be regarded as **Protected Information**;

"Provisional Statement"	as defined in Paragraph 4.3.2.1(a);
"Provisional Monthly Statement"	as defined in Paragraph 4.3.2.1;
"Provisional Adjustments Statement"	as defined in Paragraph 4.3.2.1(b);
"Public Distribution System Operator"	a holder of a Distribution Licence who was the holder, or is a successor to a company which was the holder of a Public Electricity Supply Licence relating to distribution activities in Great Britain on the CUSC Implementation Date ;
"Public Electricity Supply Licence"	a licence issued under section 6(1)(c) of the Act prior to the coming in force of section 30 of the Utilities Act 2000;
"Qualified Bank" or "Qualifying Bank"	a City of London branch of a bank, its successors and assigns, which has throughout the validity period of the Performance Bond or Letter of Credit it issues in favour of The Company , a rating of at least A- in Standard and Poor's long term debt rating or A3 in Moody's long term debt rating provided that such bank is not during such validity period put on any credit watch or any similar credit surveillance which gives The Company reasonable cause to doubt that such bank may not be able to maintain the aforesaid rating throughout the validity period and no other event has occurred which gives The Company reasonable cause to have such doubt;
"Qualified Company" or "Qualifying Company"	<p>a company which is a public company or a private company within the meaning of section 1(3) of the Companies Act 1985 and which is either :</p> <p>(a) a shareholder of the User or any holding company of such shareholder-or</p> <p>(b) any subsidiary of any such holding company, but only where the subsidiary</p> <p>(i) demonstrates to The Company's satisfaction that it has power under its constitution to give a Performance Bond other than in respect of its subsidiary;</p> <p>(ii) provides an extract of the minutes of a meeting of its directors recording that the directors have duly concluded that the giving of the Performance Bond is likely to promote the success of that subsidiary for the benefit of its members;</p>

(iii) provides certified copies of the authorisation by every holding company of the subsidiary up to and including the holding company of the User, of the giving of the Performance Bond,

(the expressions "holding company" and "subsidiary" having the respective meanings assigned thereto by section 736, Companies Act 1985 as supplemented by section 144(3), Companies Act 1989) and which has throughout the validity period of the Performance Bond it gives in favour of The Company, a rating of at least A- in Standard and Poor's long term debt rating or A3 in Moody's long term debt rating or such lesser rating which The Company may in its absolute discretion allow by prior written notice given pursuant to a resolution of its board of directors for such period and on such terms as such resolution may specify provided that such company is not during such validity period put on any credit watch or any similar credit surveillance procedure which gives The Company reasonable cause to doubt that such company may not be able to maintain the aforesaid rating throughout the validity period of the Performance Bond and no other event has occurred which gives The Company reasonable cause to have such doubt;

"Qualifying Guarantee"

a guarantee in favour of **The Company** in a form proposed by the **User** and agreed by **The Company** (whose agreement shall not be unreasonably withheld or delayed) and which is provided by

(i) an entity which holds an **Approved Credit Rating** provided that such guarantee cannot secure a sum greater than the level of **User's Allowed Credit** that would be available to that entity in accordance with Paragraph 3.26.2 if it was a **User**; or

(ii) an entity with an **Independent Credit Assessment** provided that such guarantee cannot secure a sum greater than the level of **User's Allowed Credit** that would be available to that entity in accordance with Paragraph 3.26.6 if it was a **User**; and

(iii) which in either case does not, when aggregated with all other **Qualifying Guarantees** provided by that entity, exceed (a) the level of **User's Allowed Credit** that would be available to that entity in accordance with Paragraph 3.26 if it was a **User** or (b) if the entity is a **User** the level of **User's Allowed Credit** available to it in accordance with Paragraph 3.26 less any amount relied on by the **User** in respect of its own requirements.

"Rated MW"

as defined in the **Grid Code**;

"Reactive Despatch Instruction"

an instruction relating to **Reactive Power** given by **The Company** to a **Generator** in accordance with **Grid Code BC2**;

"Reactive Despatch to Zero Mvar Network Restriction"

as defined in the **Grid Code**;

"Reactive Energy"	as defined in the Balancing and Settlement Code ;
"Reactive Power"	the product of voltage and current and the sine of the phase angle between them measured in units of voltamperes reactive and standard multiples thereof i.e.:- 1000 Var = 1Kvar 1000 Kvar = 1Mvar;
"Reactive Test"	a test conducted pursuant to Grid Code OC 5.5.1;
"Reasonable Charges"	reasonable cost reflective charges comparable to charges for similar services obtainable in the open market;
"Reconciled Charge"	as defined in Paragraph 3.15.1 and like terms shall be construed accordingly;
"Reconciliation Settlement Run"	as defined in the Balancing and Settlement Code ;
"Reenergisation" or "Reenergised"	any Energisation after a Deenergisation ;
"Registered Capacity"	has the meaning given in the Grid Code ;
"Registered Data"	those items of Standard Planning Data and Detailed Planning Data which upon connection become fixed (subject to any subsequent changes);
"Registrant"	as defined in the Balancing and Settlement Code ;
"Regulations"	the Electricity Supply Regulations 1988 or any amendment or re-enactment thereof;
"Rejected CUSC Modification Proposal"	a CUSC Modification Proposal in respect of which the Authority has decided not to direct The Company to modify the Code pursuant to the Transmission Licence in the manner set out herein;
"Related Person"	means, in relation to an individual, any member of his immediate family, his employer (and any former employer of his within the previous 12 months), any partner with whom he is in partnership, and any company or Affiliate of a company in which he or any member of his immediate family controls more than 20% of the voting rights in respect of the shares of the company;
"Related Undertaking"	in relation to The Company (and for the purposes of Paragraph 6.15, a User) means any undertaking in which The Company has a participating interest as defined by section 260(1) of the Companies Act 1985 as substituted by section 22 of the

	Companies Act 1989;
"Release Date"	as defined in Paragraph 2.22.2;
"Relevant Embedded Medium Power Station"	an Embedded Medium Power Station which is an Exempt Power Station , and does not intend to be the subject of a Bilateral Agreement ;
"Relevant Embedded Small Power Station"	an Embedded Small Power Station that the User who owns or operates the Distribution System to which the Embedded Small Power Station intends to connect reasonably believes may have a significant system effect on the National Electricity Transmission System ;
"Relevant Interruption"	an Interruption other than an Allowed Interruption ;
"Relevant Offshore Agreement"	as defined in the Transmission Licence ;
"Relevant Party"	as defined in Paragraph 8.16.10(a);
"Relevant Transmission Licensee"	means SP Transmission Limited in south of Scotland, Scottish Hydro- Electric Transmission Limited in north of Scotland and in respect of each Offshore Transmission System the Offshore Transmission Licensee for that Offshore Transmission System;
"Remote Transmission Assets"	any Plant and Apparatus or meters owned by The Company which (a) are embedded in a Distribution System or a User System and which are not directly connected by Plant and/or Apparatus owned by The Company to a sub-station owned by The Company and (b) are by agreement between The Company and such Public Distribution System Operator or User under the direction and control of such Public Distribution System Operator or User ;
"Replacement Period"	in relation to a Transmission Connection Asset , the period commencing on the date on which such Transmission Connection Asset is or was originally Commissioned , after which it is assumed for accounting purposes such Transmission Connection Asset will need to be replaced, which shall be 40 years except (a) in the case of Transmission Connection Assets located Offshore where it shall be 20 years, or unless otherwise agreed between the CUSC Parties to a Bilateral Agreement and recorded in the relevant Bilateral Agreement ;
"Reported Period(s) of Increase"	the period of time during which a User's Demand increased not being more than 20 Business Days , as notified to The Company under paragraph 3.22.7 or paragraph 3.22.8;

"Request for a Statement of Works"	a request in the form or substantially in the form set out in Exhibit S to the CUSC ;
"Request for a STTEC Authorisation"	a request made by a User in accordance with the terms Paragraph 6.31 for Short Term Capacity for a STTEC Period;
"Requested LDTEC"	the figure in MW for the LDTEC Period (not exceeding the maximum level in the LDTEC Request) specified in the User's acceptance of the LDTEC Indicative Block Offer in accordance with paragraph 6.32.6.5;
"Required Amount"	as defined in Paragraph 2.21.2(c);
"Required Sovereign Credit Rating"	a long term debt rating of not less than A by Standard and Poor's Corporation or a rating not less than A2 by Moody's Investor Services or a short term rating which correlates to those long term ratings or an equivalent rating from any other reputable credit agency approved by The Company in respect of non local currency obligations;
"Required Standard"	in relation to an item of Derogated Plant , the respective standard required of that item (which shall not exceed that required by the Grid Code or the Licence Standards , as the case may be) as specified in or pursuant to the relevant Derogation ;
"Requirements"	shall mean an entity who throughout the validity period of the Bilateral Insurance Policy, Insurance Performance Bond or Independent Security Arrangement : <ul style="list-style-type: none"> (a) holds a rating of at least A- in Standard and Poor's long term debt rating or A3 in Moody's long term debt rating provided that such entity is not during such validity period put on any credit watch or any similar credit surveillance which gives The Company reasonable cause to doubt that such entity may not be able to retain the aforesaid rating throughout the validity period; and (b) the country of residence of such entity meets the Required Sovereign Credit Rating; and (c) the security provided is Enforceable; and (d) there are no material conditions preventing the exercise by The Company of its rights under the Bilateral Insurance Policy, Insurance Performance Bond or Independent Security Arrangement;
"Resigning Alternate Member"	as defined in Paragraph 8A.4.1.3;
"Resigning Panel Member"	as defined in Paragraph 8A.4.1;

"Response"	Primary Response, Secondary Response and High Frequency Response or any of them as the case may be;
"Response Energy Payment"	that component of the payment for Mode A Frequency Response calculated in accordance with Paragraph 4.1.3.9A;
"Restricted Export Level Payment"	in respect of each Restricted Export Level Period, the payment for each day comprised within the Restricted Export Level Period or (where the Restricted Export Level Period starts or ends during a day) part of a day calculated as follows: The higher of: A. the £ per MW calculated by reference to the total TNUoS income derived from generators divided by the total system Transmission Entry Capacity, in each case using figures for the Financial Year prior to that in which the System to Generator Operational Intertipping Scheme trips, this is then divided by 365 to give a daily £ per MW rate; or B. the actual £ per MW of the User (who requests in accordance with Clause 4.2A.4) by reference to the tariff in the Use of System Charging Statement for the Financial Year in which the System to Generator Operational Intertipping Scheme trips divided by 365 to give a daily £ per MW rate. A or B are then multiplied by: the MW arrived at after deducting from the Transmission Entry Capacity for the Connection Site the Restricted MW Export Level;
"Restricted Export Level Period"	as defined in Paragraph 4.2A.4(b)(ii);
"Restricted MW Export Level"	as defined in Paragraph 4.2A.2.1(c)(i);
"Restrictions on Availability"	is, in the context of a Design Variation or an Offshore Connection , the outage or reduction in capability as set out in the relevant Notification of Restrictions on Availability ;
"Retail Price Index"	the general index of retail prices published by the Office for National Statistics each month in respect of all items or: (a) if the said index for any month in any year shall not have been published on or before the last day of the third month after such month such index for such month or months as the parties hereto agree produces as nearly as possible the same result shall be substituted or in default of the parties reaching agreement within six weeks after the last day of such three month period then as determined by a sole Chartered Accountant appointed by agreement by both parties or in the

absence of agreement on the application of either party by the President of the **Electricity Arbitration Association** who shall act as an expert and whose decision shall be final and binding on the parties; or

- (b) if there is a material change in the basis of the said index, such other index as the parties agree produces as nearly as possible the same result shall be substituted or in default of the parties reaching agreement within six weeks after the occurrence of the material change in the basis of the said index then as determined by the sole Chartered Accountant appointed by agreement by both parties or in the absence of agreement on the application of either party by the President of the **Electricity Arbitration Association** who shall act as an expert and whose decision shall be final and binding on the parties;

"Revised Indicative Annual HH TNUoS charge"	the value calculated in accordance with Appendix 2 paragraph 5;
"Revised Indicative Annual NHH TNUoS charge"	the value calculated in accordance with Appendix 2 paragraph 8;
"Revised Proposed Implementation Date"	the revision to a Fixed Proposed Implementation Date recommended to the Authority by the CUSC Modifications Panel pursuant to CUSC Paragraph 8.23.9.4;
"Safety Coordinator(s)"	a person or persons nominated by The Company and each User in relation to Connection Points (as defined in the Grid Code) in England and Wales or nominated by the Relevant Transmission Licensee and each User in relation to Connection Points in Scotland or Offshore to be responsible for the co-ordination of Safety Precautions (as defined in the Grid Code) at each Connection Point when work and/or testing is to be carried out on a system which necessitates the provision of Safety Precautions on HV Apparatus , pursuant to OC8;
"Safety Rules"	the rules of The Company , a Relevant Transmission Licensee or a User that seek to ensure that persons working on Plant and/or Apparatus to which the rules apply are safeguarded from hazards arising from the System ;
"Second Offer"	as defined in Paragraph 6.10.4;
"Secondary Response"	as defined in the Grid Code ;
"Secretary of State"	has the meaning given to that term in the Act ;
"Secured Amount Statement"	a statement accompanying the Bi-annual Estimate setting out the amount to be secured by the User under Paragraph 2.21 based on figures contained in the Bi-annual Estimate being the amount for

	which security shall be provided to The Company pursuant to that Paragraph such statement to be substantially in the form set out in Exhibit M to the CUSC ;
"Secured Event"	as defined in the Grid Code ;
"Security Amendment"	the Proposed Amendment in respect of Amendment Proposal 089\090\091 ;
"Security Amendment Implementation Date"	the Implementation Date of the Security Amendment ;
"Security Amount"	in respect of the User the aggregate of available amounts of each outstanding (a) Letter of Credit , (b) Qualifying Guarantee and (c) the principal amount (if any) of cash that the User has paid to the credit of the Escrow Account (and which has not been repaid to the User); for the purpose of this definition, in relation to a Letter of Credit or Qualifying Guarantee "available amount" means the face amount thereof less (i) payments already made thereunder and (ii) claims made thereunder but not yet paid;
"Security Cover"	for each User , the User's Security Requirement less the User's Allowed Credit ;
"Security Period"	means the First Security Period and each 6 month period thereafter commencing on the 1 April or 1 October until 30 days after the relevant Charging Date ;
"Security and Quality of Supply Standard"	as defined in the Grid Code ;
"Security Requirement"	the aggregate amount for the time being which the User shall be required by The Company to provide and maintain by way of Security Cover and its User's Allowed Credit in accordance with Paragraph 3.22;
"Security Standard"	the Security and Quality of Supply Standard ;
"Self-Governance Criteria"	a CUSC Modification Proposal that, if implemented, <ul style="list-style-type: none"> (a) is unlikely to have a material effect on: <ul style="list-style-type: none"> (i) existing or future electricity consumers; and (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution or supply of electricity; and (iii) the operation of the National Electricity Transmission

	<p>System; and</p> <p>(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and</p> <p>(v) the CUSC's governance procedures or the CUSC's modification procedures, and</p> <p>(b) is unlikely to discriminate between different classes of CUSC Parties;</p>
"Self-Governance Statement"	<p>the statement made by the CUSC Modifications Panel and submitted to the Authority:</p> <p>(a) confirming that, in its opinion, the Self-Governance Criteria are met and the CUSC Modification Proposal is suitable for the self-governance route; and</p> <p>(b) providing a detailed explanation of the CUSC Modification Panel's reasons for that opinion;</p>
"Separate Business"	<p>the Transmission Business taken separately from any other business of The Company, but so that where all or any part of such business is carried out by an Affiliate or Related Undertaking of The Company such part of the business as is carried out by that Affiliate or Related Undertaking shall be consolidated with any other such business of The Company (and of any other Affiliate or Related Undertaking) so as to form a single Separate Business;</p>
"Settlement Administration Agent (SAA)"	<p>as defined in the Balancing and Settlement Code;</p>
"Settlement Day"	<p>as defined in the Balancing and Settlement Code;</p>
"Settlement Period"	<p>as defined in the Balancing and Settlement Code;</p>
"Settlement Run"	<p>as defined in the Balancing and Settlement Code;</p>
"Seven Year Statement"	<p>as defined in the Grid Code;</p>
"Short Term Capacity"	<p>the right to export on to the National Electricity Transmission System power in accordance with the provisions of CUSC;</p>
"Significant Code Review"	<p>a review of one or more matters which the Authority considers is likely to:</p> <p>(a) relate to the CUSC (either on its own or in conjunction with other Industry Codes); and</p>

	(b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Act), statutory functions and/or relevant obligations arising under EU law, and
	concerning which the Authority has issued a notice to the CUSC Parties (among others, as appropriate) stating:
	(i) that the review will constitute a significant code review;
	(ii) the start date of the significant code review; and
	(iii) the matters that will fall within the scope of the review;
"Significant Code Review Phase"	the period commencing on the start date of a Significant Code Review as stated in the noticed issued by the Authority , and ending either:
	(a) on the date on which the Authority issues a statement that no directions will be issued in relation to the CUSC ; or
	(b) if no statement is made under (a), on the date on which The Company has made a CUSC Modification Proposal in accordance with Paragraph 8.17.6; or
	(c) immediately, if neither a statement nor directions are issued by the Authority up to and including twenty eight (28) days from the Authority's publication of its Significant Code Review conclusions;
"Site Common Drawings"	as defined in the Grid Code ;
"Site Load"	the sum of the BM Unit Metered Volumes (QM_{ij}) , expressed as a positive number, of BM Units within the Trading Unit with QM _i less than zero during the three Settlement Periods of the Triad (i.e. $\sum QM_{ij}$ where $QM_{ij} < 0$), which may comprise Station Load and Additional Load ;
"Site Responsibility Schedule"	a schedule containing the information and prepared on the basis of the provisions set out in Appendix 1 of the CC ;
"Site Specific Maintenance Charge"	the element of the Connection Charges relating to maintenance and repair calculated in accordance with the Connection Charging Methodology ;
"Site Specific Requirements"	those requirements reasonably required by The Company in accordance with the Grid Code at the site of connection of a Relevant Embedded Medium Power Station or a Relevant Embedded Small Power Station ;
"Small Independent Generating"	a Medium Power Station ;

Plant"

"Small Participant"

(a) a generator, supplier, distributor, or new entrants to the electricity market in Great Britain that can demonstrate to the **Code Administrator** that it is resource-constrained and, therefore in particular need of assistance;

(b) any other participant or class of participant that the **Code Administrator** considers to be in particular need of assistance; and

(c) a participant or class of participant that the **Authority** has notified to the **Code Administrator** as being in particular need of assistance;

"Small Power Station"

as defined in the **Grid Code**;

"Small Power Station Trading Party"

a **Trading Party** trading on behalf of one or more **Small Power Stations** whether owned by the **Trading Party** or another person;

"SMRS"

as defined in the **Balancing and Settlement Code**;

"Sole Trading Unit"

as defined in the **Balancing and Settlement Code**;

"Standard CUSC Modification Proposal"

A **CUSC Modification Proposal** that does not fall within the scope of a **Significant Code Review** subject to any direction by the **Authority** pursuant to Paragraphs 8.17.3 and 8.17.4, nor meets the **Self-Governance Criteria** subject to any direction by the **Authority** pursuant to Paragraph 8.25.4 and in accordance with any direction under Paragraph 8.25.2;

"Statement of the Connection Charging Methodology"

the statement produced pursuant to and in accordance with Standard Condition C6 of the **Transmission Licence**, as modified from time to time;

"Statement of Use of System Charges"

the statement produced pursuant to and in accordance with Standard Condition C4 of the **Transmission Licence**, as modified from time to time;

"Statement of the Use of System Charging Methodology"

the statement produced pursuant to Standard Condition C5 of the **Transmission Licence**, as modified from time to time;

"Station Demand"

in respect of any generating station and **Generator**, means that consumption of electricity (excluding any supply to any **Customer** of the relevant **Generator** who is neither such **Generator** nor a member of a qualifying group of which such **Generator** is a part) from the **National Electricity Transmission System** or a **Distribution System** at premises on the same site as such generating station, with premises being treated as on the same site as each other if they are:

- (i) the same premises;
- (ii) immediately adjoining each other;
- (iii) separated from each other only by road, railway or watercourse or by other premises (other than a pipe-line, electric line or similar structure) occupied by the consumer in question or by any other person who together with that consumer forms a qualifying group; and for the purpose of this definition "generating station" and "qualifying group" shall have the meanings given those expressions when used in the Electricity (Class Exemptions from the Requirement for a Licence) Order 1990;

"Station Load"	the Station Load is equal to the sum of the demand of BM Units solely comprising the Station Transformers within the Power Station . For the avoidance of doubt, Station Load excludes BM Units comprising Additional Load ;
"Station Transformer"	has the meaning given in the Grid Code ;
"Steam Unit"	a Generating Unit whose prime mover converts the heat energy in steam to mechanical energy;
"STC"	the System Operator - Transmission Owner Code entered into by The Company pursuant to the Transmission Licence as from time to time revised in accordance with the Transmission Licence ;
"STTEC"	the figure in MW (if any) for the STTEC Period granted by The Company in accordance with Paragraph 6.31 of the CUSC and specified as such in Appendix C of the relevant Bilateral Connection Agreement or Bilateral Embedded Generation Agreement ;
"STTEC Authorisation"	the authorisation notified by The Company for Short Term Capacity in accordance with the terms of Paragraph 6.3.1.6.1 in response to a Request for a STTEC Authorisation ;
"STTEC Charge"	being a component of the Use of System Charges which is made or levied by The Company and to be paid by the User for STTEC calculated in accordance with the Charging Statements ;
"STTEC Offer"	an offer made by The Company for Short Term Capacity in accordance with the terms of Paragraphs 6.31.6.2 and 6.31.6.3 in response to an Application for a STTEC Offer ;
"STTEC Period"	in the case of a STTEC Authorisation , a period of 28 days commencing on a Monday at 00.00 hours and finishing at 23.59 on a Sunday. In the case of a STTEC Offer , a period of either 28, 35, or 42 days (as specified by the User in its STTEC Request Form) commencing on a Monday at 0.00 hours and finishing at 23.59 on a

	Sunday;
"STTEC Request"	either a Request for a STTEC Authorisation or an Application for a STTEC Offer ;
"STTEC Request Fee"	the non-refundable fee to be paid by the User to The Company as detailed in the Charging Statements ;
"STTEC Request Form"	the form set out in Exhibit P to the CUSC ;
"Subsidiary"	has the meaning given to that term in section 736A of the Companies Act 1985;
"Supplemental Agreement"	an agreement entered into pursuant to clause 2 of the MCUSA ;
"Supplier"	a person who holds a Supply Licence ;
"Supply Agreement"	an agreement between a Non-Embedded Customer and a Supplier for the supply of electricity to the Non-Embedded Customer's Connection Site ;
"Supplier Half Hourly Demand"	means BM Unit Metered Volumes (QM_{ij}) expressed as a positive number (i.e. $\sum QM_{ij}$) of the Trading Unit during the three Settlement Periods of the Triad due to half-hourly metered imports;
"Supply Licence"	a licence granted under section 6(1)(d) of the Act ;
"Supplier Non Half-Hourly Demand"	means BM Metered Volumes (QM_{ij}) expressed as a positive number (i.e. $\sum QM_{ij}$) of the Trading Unit over the charging year between Settlement Periods 33 to 38 due to Non-half-hourly metered imports;
"Supplier Volume Allocation"	as defined in the Balancing and Settlement Code ;
"Synchronous Compensation"	the operation of rotating synchronous apparatus for the specific purpose of either generation or absorption of Reactive Power ;
"Synchronised"	the condition where an incoming BM Unit or CCGT Unit or System is connected to the busbars of another System so that the Frequencies and phase relationships of that BM Unit or CCGT Unit or the System , as the case may be, and the System to which it is connected are identical;
"System Ancillary Services"	Mandatory Ancillary Services and Part 2 System Ancillary Services ;
"System"	any User System or the National Electricity Transmission System as the case may be;
"System to Generator"	as defined in the Grid Code ;

Operational Intertripping"	
"System to Generator Operational Intertripping Scheme"	as defined in the Grid Code ;
"Target Frequency"	the Frequency determined by The Company in its reasonable opinion as the desired operating Frequency of the Total System . This will normally be 50.00 Hz plus or minus 0.05 Hz, except in exceptional circumstances as determined by The Company in its reasonable opinion. An example of exceptional circumstances may be difficulties caused in operating the System during disputes affecting fuel supplies;
"TEC Increase Request"	a request for an increase in Transmission Entry Capacity pursuant to CUSC paragraph 6.30.2;
"TEC Register"	the register set up by The Company pursuant to Paragraph 6.30.3.1;
"TEC Trade"	a trade between parties of their respective Transmission Entry Capacity ;
"Tendered Capability Breakpoints"	as defined in Paragraph 1.4 of Appendix 5 of Schedule 3, Part I;
"Temporary Donated TEC"	is the temporary MW reduction in the export rights of the Temporary TEC Exchange Donor User arising from acceptance of a Temporary TEC Exchange Offer ;
"Temporary Received TEC"	is at any time the Temporary TEC Exchange Rate ;
"Temporary TEC Exchange Donor User"	is a User that has jointly made a Temporary TEC Exchange Rate Request to reduce its rights to export for the duration of the Temporary TEC Exchange Period ;
"Temporary TEC Exchange Notification of Interest Form"	is the form set out in Exhibit X to the CUSC ;
"Temporary TEC Exchange Offer"	is an offer made by The Company for a Temporary TEC Exchange Rate in accordance with the terms of Paragraphs 6.34.4.6;
"Temporary TEC Exchange Period"	is a period within a Financial Year as specified in the Temporary TEC Exchange Rate Request Form being for a minimum of four weeks and commencing at 0.00 hours on a Monday and finishing at 23.59 on any given day no later than the last day of such Financial Year ;

"Temporary TEC Exchange Rate Request Fee"	is the single fee to be paid to The Company for a Temporary TEC Exchange Rate Request as detailed in the Charging Statements ;
"Temporary TEC Exchange Rate Request Form"	is the form set out in Exhibit W to the CUSC ;
"Temporary TEC Exchange Rate Request"	is a joint application made by a Temporary TEC Exchange Donor User and a Temporary TEC Exchange Recipient User for a Temporary TEC Exchange Rate Offer ;
"Temporary TEC Exchange Rate"	is a weekly profile of the additional export rights in MW available to the Temporary TEC Exchange Recipient User as a direct result of the temporary reduction in export rights in MW of the Temporary TEC Exchange Donor User ;
"Temporary TEC Exchange Recipient User"	is a User that has jointly made a Temporary TEC Exchange Rate Request to increase its rights to export for the duration of the Temporary TEC Exchange Period ;
"Temporary TEC Trade Exchange"	a trade made pursuant to CUSC Paragraph 6.34;
"Tenders"	as defined in Paragraph 3.3 of Schedule 3, Part I;
"Tenderers"	as defined in Paragraph 3.3 of Schedule 3, Part I;
"Tender Period"	as defined in Paragraph 3.3 of Schedule 3, Part I;
"Term"	without prejudice to the interpretation of Term in respect of Users acting in other capacities, for Users acting in respect of their Connection Sites which were not Commissioned at the Transfer Date , it means the term of the relevant Bilateral Connection Agreement commencing on the date of the Bilateral Connection Agreement and ending in accordance with Clause 9 of that agreement;
"Termination Amount"	in relation to a Connection Site , the amount calculated in accordance with the Charging Statements ;
"The Company"	National Grid Electricity Transmission plc (No: 2366977) whose registered office is at 1-3 Strand, London, WC2N 5EH;
"The Company Credit Rating"	any one of the following:- <ul style="list-style-type: none"> (a) a credit rating for long term debt of A- and A3 respectively as set by Standard and Poor's or Moody's respectively; (b) an indicative long term private credit rating of A- and A3 respectively as set by Standard and Poor's or Moody's as the

basis of issuing senior unsecured debt;

- (c) a short term rating by Standard and Poor's or Moody's which correlates to a long term rating of A- and A3 respectively; or
- (d) where the **User's Licence** issued under the Electricity Act 1989 (as amended by the Utilities Act 2000) requires that User to maintain a credit rating, the credit rating defined in that **User's Licence**;

"The Company's Engineering Charges" the charges levied by **The Company** in relation to an application for connection and/or use of the **National Electricity Transmission System**;

"The Company Prescribed Level" the forecast value of the regulatory asset value of **The Company** for a **Financial Year** as set out in the document published from time to time by Ofgem setting this out and currently known as "Ofgem's Transmission Price Control Review of The Company – Transmission Owner Final Proposals" such values to be published on **The Company Website** by reference to **The Company** credit arrangements no later than 31 January prior to the beginning of the **Financial Year** to which such value relates;

"Third Party Claim" as defined in Paragraph 7.5.3;

"Third Party Works" in relation to a particular **User** those works, defined as such in its **Construction Agreement**; being works undertaken on assets belonging to someone other than **The Company** or the **User** where such works are required by **The Company** to enable it to provide the connection to and/or use of the **National Electricity Transmission System** by the **User** or required as a consequence of connection to and/or use of the **National Electricity Transmission System** by the **User**;

TNUoS Tariff Forecast Timetable an annual timetable prepared and published by **The Company** by the end of January of each **Financial Year** (t) which sets out when **The Company** will publish updates in **Financial Year** (t+1) (being not less than quarterly) to the forecast of **Transmission Network Use of System Charges** for the **Financial** (t+2).

"Total System" the **National Electricity Transmission System** and all **User Systems** in **Great Britain** and **Offshore**;

"Total System Chargeable HH Demand" the total of all half-hourly metered **Demands** for which **HH Charges** are paid, taken over a period of time which may or may not be that to which **HH Charges** relate;

"Total System Chargeable NHH" the total of all half-hourly metered **Demands** for which **NHH Charges** are paid, taken over a period of time which may or may

"Demand"	not be that to which NHH Charges relate.
"Trading Party"	as defined in the Balancing and Settlement Code ;
"Trading Unit"	as defined in the Balancing and Settlement Code ;
"Transfer Date"	"24.00" hours on 30th March 1990;
"Transfer Scheme"	schemes made under sections 65 and 66 of the Act and effected on the Transfer Date ;
"Transmission"	means, when used in conjunction with another term relating to equipment, whether defined or not, that the associated term is to be read as being part of or directly associated with the National Electricity Transmission System and not of or with the User System ;
"Transmission Business"	the authorised business of The Company or any Affiliate or Related Undertaking in the planning, development, construction and maintenance of the National Electricity Transmission System (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) and the operation of such system for the transmission of electricity, including any business in providing connections to the National Electricity Transmission System but shall not include (i) any other Separate Business or (ii) any other business (not being a Separate Business) of The Company or any Affiliate or Related Undertaking in the provision of services to or on behalf of any one or more persons;
"Transmission Charging Methodology Forum"	the charging methodology forum (and related arrangements) established to facilitate meetings between The Company and any other persons whose interests are materially affected by the applicable Charging Methodologies for the purpose of discussing the further development of the applicable Charging Methodologies ;
"Transmission Circuits"	as defined in the NETS SQSS ;
"Transmission Connection Assets"	the Transmission Plant and Transmission Apparatus necessary to connect the User's Equipment to the National Electricity Transmission System at any particular Connection Site in respect of which The Company charges Connection Charges (if any) as listed or identified in Appendix A to the Bilateral Connection Agreement relating to each such Connection Site ;
"Transmission Connection Asset Works"	in relation to a particular User , as defined in its Construction Agreement ;
"Transmission Entry Capacity"	the figure specified as such as set out in Appendix C of the relevant Bilateral Connection Agreement or Bilateral Embedded

Generation Agreement;

"Transmission Interface Point"	in the context of a Construction Agreement means the electrical point of connection between the Offshore Transmission System and an Onshore Transmission System as set out in the Offshore Works Assumptions .
"Transmission Interface Site"	the site at which the Transmission Interface Point is located;
"Transmission Licence"	the licence granted to The Company under section 6(1)(b) of the Act ;
"Transmission Licences"	the licences granted to The Company , SP Transmission Limited and Scottish Hydro Electric Transmission Limited under the Act ;
"Transmission Network Services"	as defined in the Transmission Licence ;
"Transmission Licensees Assets"	The Plant and Apparatus owned by Transmission Licensees necessary to connect the User's Equipment to the National Electricity Transmission System at any particular Connection Site in respect of which The Company charges Connection Charges (if any) as listed or identified in [Appendix A] to the Bilateral Agreement relating to each such Connection Site;
"Transmission Network Use of System Charges"	the element of Use of System Charges payable in respect of Transmission Network Services (including for the avoidance of doubt Transmission Network Use of System Demand Reconciliation Charges and ET Use of System Charges);
"Transmission Network Use of System Demand Charges"	that element of Transmission Network Use of System Charges relating to Demand ;
"Transmission Network Use of System Demand Zone"	each of the zones identified by The Company in the Charging Statements for charging of Transmission Network Use of System Charges in relation to Demand ;
"Transmission Network Use of System Demand Reconciliation Charges"	sums payable by the User to The Company under invoices issued to the User pursuant to Paragraph 3.12.7;
"Transmission Owner Activity"	The Function of the Transmission Licensees' Transmission Business as defined in the Transmission Licences ;
"Transmission Related Agreement"	an agreement between The Company and a User substantially in the form of Schedule 2 Exhibit 5;
"Transmission Services Activity"	as defined in the Transmission Licence ;
"Transmission Services Use of System Charges"	the element of Use of System Charges payable in respect of the

"System Charges"	Transmission Services Activity;
"Transmission Reinforcement Works"	in relation to a particular User , as defined in its Construction Agreement or BELLA as appropriate;
"Transmission Voltage"	In Scotland voltages of 132kV and above; in England and Wales voltages above 132kV – usually 275kV and 400kV;
"Transmission Works Register"	the register set up by The Company pursuant to Paragraph 6.36.1;
"Transmission Works"	in relation to a particular User , those works which are specified in Appendix H or identified as OTSDUW in to the relevant Construction Agreement ;
"Triad"	is used as a short hand way to describe the three Settlement Periods of highest transmission systems Demand , namely the half hour Settlement Period of system peak Demand and the two half hour Settlement Periods of next highest Demand , which are separated from the system peak Demand and from each other by at least 10 Clear Days , between November to February inclusive;
"Trigger Date"	as identified by The Company in accordance with Part Two of the User Commitment Methodology and in relation to a particular User as defined in its Construction Agreement ;
"Undertaking"	as defined in section 259 of the Companies Act 1985;
"Unsecured Credit Cover"	the maximum amount of unsecured credit available to each User for the purposes of Part III of Section 3 of the CUSC at any time which shall be a sum equal to 2% of the The Company Prescribed Level in the relevant Financial Year ;
"Unusual Load Characteristics"	loads which have characteristics which are significantly different from those of the normal range of domestic, commercial and industrial loads (including loads which vary considerably in duration or magnitude);
"Urgent CUSC Modification Proposal"	an CUSC Modification Proposal treated or to be treated as an Urgent CUSC Modification Proposal in accordance with Paragraph 8.24;
"Use of System"	use of the National Electricity Transmission System for the transport of electricity by any Authorised Electricity Operator or Interconnector User or Interconnector Error Administrator ;
"Use of System Application"	an application for a Bilateral Embedded Generation Agreement or for Use of System in the form or substantially in the form set out in Exhibit D or F to the CUSC as appropriate;

"Use of System Charges"	charges made or levied or to be made or levied by The Company for the provision of services as part of the Transmission Business to any Authorised Electricity Operator as more fully described at Standard Condition C4 and C5 of the Transmission Licence and in the Bilateral Agreements and Section 3 and Section 9 Part II and as amended in accordance with Standard Condition C13 of the Transmission Licence but shall not include Connection Charges ;
"Use of System Charging Methodology"	as defined in the Transmission Licence and set out in Section 14;
"Use of System Interconnector Confirmation Notice"	the part of the Use of System Interconnector Offer and Confirmation Notice by which The Company confirms the use of the National Electricity Transmission System by an Interconnector User or an Interconnector Error Administrator ;
"Use of System Interconnector Offer and Confirmation Notice"	the notice which combines the offer and confirmation in relation to the use of the National Electricity Transmission System by an Interconnector User or an Interconnector Error Administrator , in the form set out in Exhibit H to the CUSC ;
"Use of System Interconnector Offer Notice"	the part of the Use of System Interconnector Offer and Confirmation Notice by which The Company offers an Interconnector User or an Interconnector Error Administrator use of the National Electricity Transmission System ;
"Use of System Offer"	an offer (or in the case of a use of system generation offer and where appropriate, offers) made by The Company to a User pursuant to Paragraph 3.7 or 9.19 substantially in the form of Exhibit G (Use of System Supply Offer) or Exhibit E (Use of System Generation Offer) or Exhibit H (Use of System Interconnector Offer) to the CUSC ;
"Use of System Payment Date"	the date for payment of Use of System Charges ;
"Use of System Supply Confirmation Notice"	the part of the Use of System Supply Offer and Confirmation Notice by which The Company confirms the use of the National Electricity Transmission System by a Supplier ;
"Use of System Supply Offer and Confirmation Notice"	the notice which combines the offer and confirmation in relation to the use of the National Electricity Transmission System by a Supplier , in the form set out in Exhibit G to the CUSC ;
"Use of System Supply Offer Notice"	the part of the Use of System Supply Offer and Confirmation Notice by which The Company offers a Supplier use of the National Electricity Transmission System ;
"Use of System Termination Notice"	the notice to be given to terminate Use of System by a Supplier or an Interconnector User , or an Interconnector Error Administrator in accordance with the CUSC ;

"User"	a person who is a party to the CUSC Framework Agreement other than The Company ;
"User Commitment Methodology"	the methodology and principles applied by The Company in the application and calculation of the Cancellation Charge and Cancellation Charge Secured Amount such principles being set out in CUSC Section 15;
"User Development"	shall have the meaning set out in the Connection Application or the Use of System Application as the case may be;
"User's Allowed Credit"	that proportion of the Unsecured Credit Cover extended to a User by The Company as calculated in accordance with Paragraph 3.26;
"User's Equipment"	the Plant and Apparatus owned by a User (ascertained in the absence of agreement to the contrary by reference to the rules set out in Paragraph 2.12) which: (a) is connected to the Transmission Connection Assets forming part of the National Electricity Transmission System at any particular Connection Site to which that User wishes so to connect, or (b) is connected to a Distribution System to which that User wishes so to connect but excluding for the avoidance of doubt any OTSUA ;
"User's Licence"	a User's licence to carry on its business granted pursuant to Section 6 of the Act ;
"User System"	any system owned or operated by a User comprising Generating Units and/or Distribution Systems (and/or other systems consisting (wholly or mainly) of electric lines which are owned or operated by a person other than a Public Distribution System Operator and Plant and/or Apparatus connecting Generating Units , Distribution Systems (and/or other systems consisting wholly or mainly of electric lines which are owned or operated by a person other than a Public Distribution System Operator or Non-Embedded Customers to the National Electricity Transmission System or (except in the case of Non-Embedded Customers) to the relevant other User System , as the case may be, including any Remote Transmission Assets operated by such User or other person and any Plant and/or Apparatus and meters owned or operated by such User or other person in connection with the distribution of electricity but does not include any part of the National Electricity Transmission System ;
"Utilities Act 2000"	Electricity Act 1989, as amended by the Utilities Act 2000;
"Valid"	valid for payment to be made thereunder against delivery of a Notice of Drawing given within the period stated therein;
"Value Added Tax"	United Kingdom value added tax or any tax supplementing or

	replacing the same;
"Value At Risk Amendment"	the Proposed Amendment in respect of Amendment Proposal 127 ;
"Value At Risk Amendment Implementation Date"	the Implementation Date of the Value At Risk Amendment ;
"Value At Risk Amendment Implementation End Date"	the date one year following the Value At Risk Amendment Implementation Date ;
"Website"	the site established by The Company on the World-Wide Web for the exchange of information among CUSC Parties and other interested persons in accordance with such restrictions on access as may be determined from time to time by The Company ;
"Week"	means a period of seven Calendar Days commencing at 05.00 hours on a Monday and terminating at 05.00 hours on the next following Monday;
"Weekly Maximum Generation Declaration"	has the meaning attributed to it in Paragraph 4.2.3.1;
"Wider Cancellation Charge"	a component of the Cancellation Charge that applies on and after the Trigger Date as more particularly described in Part Two of the User Commitment Methodology ;
"Wider Transmission Reinforcement Works"	in relation to a particular User means those Transmission Reinforcement Works other than the Enabling Works and which are specified in the relevant Construction Agreement ;
"Workgroup"	a Workgroup established by the CUSC Modifications Panel pursuant to Paragraph 8.20.1;
"Workgroup Consultation"	as defined in Paragraph 8.20.10, and any further consultation which may be directed by the CUSC Modifications Panel pursuant to Paragraph 8.20.17;
"Workgroup Consultation Alternative Request"	any request from a CUSC Party , a BSC Party or the National Consumer Council for a Workgroup Alternative CUSC Modification to be developed by the Workgroup expressed as such and which contains the information referred to at Paragraph 8.20.13. For the avoidance of doubt any WG Consultation Alternative Request does not constitute either a CUSC Modification Proposal or a Workgroup Alternative CUSC Modification ;

"Workgroup Alternative CUSC Modification"

an alternative modification to the **CUSC Modification Proposal** developed by the **Workgroup** under the **Workgroup** terms of reference (either as a result of a **Workgroup Consultation** or otherwise) and which is believed by a majority of the members of the **Workgroup** or by the chairman of the **Workgroup** to better facilitate the **Applicable CUSC Objectives** than the **CUSC Modification Proposal** or the current version of the **CUSC**.

END OF SECTION 11

CUSC SECTION 15

USER COMMITMENT METHODOLOGY

CONTENTS

Part One	Introduction
Part Two	Calculation of Cancellation Charge
Part Three	Calculation of Cancellation Charge Secured Amount and Credit Requirements
Part Four	Reconciliation of Actual Attributable Works Cancellation Charge

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PART ONE INTRODUCTION

1 Where (a) a **Construction Agreement** and/or a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** between a **User** in respect of the categories specified below and **The Company** is terminated or (b) there is a reduction in **Transmission Entry Capacity** by or in respect of such **User** or (c) there is a reduction in **Developer Capacity** in a **Construction Agreement** prior to the Charging Date or (d) there is a reduction in Interconnector User Commitment Capacity by or in respect of such User prior to the charging date, such **User** shall pay to **The Company** the **Cancellation Charge** calculated and applied in accordance with Part Two of this Section 15

Deleted: or (d) there is a reduction in **Interconnector User Commitment Capacity** by or in respect of such **User**
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2 The **Cancellation Charge** is payable by **Users** on termination of agreements with and reductions in **Transmission Entry Capacity** or **Developer Capacity** or Interconnector User Commitment Capacity in respect of **Users** in the categories of

(a) a **Power Station** directly connected to the **National Electricity Transmission System** in respect of which there is a **Bilateral Connection Agreement** with **The Company**;

(b) an **Embedded Power Station** in respect of which there is a **Bilateral Embedded Generation Agreement** with **The Company**;

(c) a **Distribution System** directly connected to the **National Electricity Transmission System** in respect of which there is a **Construction Agreement** associated with **Distributed Generation**,

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(d) an Interconnector directly connected to the National Electricity Transmission System in respect of which there is a Bilateral Connection Agreement with The Company

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and reference to **User** in this Section 15 shall be interpreted accordingly.

For the avoidance of doubt this schedule does not apply to **Users** other than those described above.

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For the avoidance of doubt in respect of **Users** in the case of category (b) above where **The Company** has an associated **Construction Agreement** with a **User** in the category of (c) above, the **Cancellation Charge** payable by a **User** in category (b) above will not include the **Attributable Works Cancellation Charge** component of the **Cancellation Charge**. In such case the **Attributable Works Cancellation Charge** component of the **Cancellation Charge** will be payable by the associated **User** in category (c) above.

For the avoidance of doubt in the case of:

- (i) **Users** in the case of category (c) above; and
- (ii) **Users in the case of category (d) above; and**
- (iii) **Distributed Generation** (other than an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement**),

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the **Cancellation Charge** does not apply for reductions in **Developer Capacity or Interconnector User Commitment Capacity** on or after the **Charging Date** or termination on or after the **Charging Date**.

For information, for **Users** other than **Users** in the categories to which this Section 15 applies, the liability for and security requirements in respect of **Final Sums**, which are due on termination of a **Construction Agreement** are as set out in the **Construction Agreement** (and in the proforma attached at **CUSC** Schedule 2, Exhibit 3).

For the avoidance of doubt, in addition to the **Cancellation Charge**, **Termination Amounts** also apply in respect of **Transmission Connection Assets**.

- 3 **The Company** shall apply and calculate the **Cancellation Charge** in accordance with Part Two of this Section 15.

The **Cancellation Charge** is made up of a number of components: the “**Pre Trigger Amount**”, “**Attributable Works Cancellation Charge**” and “**Wider Cancellation Charge**” which apply at different stages.

- 4 As provided for at Paragraph 3.5, the **Attributable Works Cancellation Charge** can be (at the **User’s** election in accordance with Paragraph 7) on the

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basis of the **Fixed Cancellation Charge** (Paragraph 3.6) rather than the **Actual Attributable Works Cancellation Charge** (Paragraph 3.7).

- 5 This Section 15 also sets out in Part Three the level of, and arrangements for, security required in respect of the **Cancellation Charge**.
- 6 **The Company** shall apply and calculate the **Cancellation Charge Secured Amount** in accordance with this Section 15 Part Three.
- 7 This Section 15 also sets out in Part Four the reconciliation process in respect of the **Actual Attributable Works Cancellation Charge**.
- 8 For reference a number of terms used in this Section 15 are defined within this Section 15.

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PART TWO CALCULATION OF CANCELLATION CHARGE

1.1 The **Cancellation Charge** payable shall be calculated in accordance with this Part Two of Section 15.

1.2 Value Added Tax will be payable on any **Cancellation Charge**.

2 Completion Date and Trigger Date

2.1 In making an **Offer** to a **User The Company** will consider the **Construction Works** and **Construction Programme** associated with that **Offer** and taking into account the nature and programming of the **Construction Works** and the **Consents** associated with this will identify dates in the **Construction Agreement** as the **Completion Date**.

2.2 The **Trigger Date** will be (a) the 1 April which is three **Financial Years** prior to the start of the **Financial Year** in which the **Charging Date** occurs or (b) where the **Charging Date** is less than three **Financial Years** from the date of the **Construction Agreement**, the date of the **Construction Agreement** (in which case the **Financial Year** in which such date falls is the relevant **Financial Year** within the **Cancellation Charge Profile** working back from the **Charging Date**).

2.3 The **Trigger Date** is the date from which the **Wider Cancellation Charge** applies and the date from which, in the case of the **Fixed Cancellation Charge**, the **Fixed Attributable Works Cancellation Charge** rather than the **Pre Trigger Amount** applies. Prior to the **Trigger Date**, only the **Attributable Works Cancellation Charge** applies, or in case of the **Fixed Cancellation Charge**, the **Pre Trigger Amount** applies.

2.4 **Changes to Construction Programme or Construction Works or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity**

2.4.1 Where the **Construction Programme** or the **Construction Works** or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** subsequently changes from that in the original **Construction Agreement** the following

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principles will apply in respect of reassessing the **Trigger Date** and the **Cancellation Charge**.

2.4.2 Where such change is as a result of **The Company's** exercise of its rights under the **Construction Agreement** then:

- (i) Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date**. The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
- (ii) Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will be revised by reference to the revised **Completion Date** and the **Cancellation Charge** (including the **Cancellation Charge Profile**) will be adjusted to reflect the revised date.
- (iii) In the case of a **Fixed Cancellation Charge**, a change in the **Attributable Works** will not adjust the **Cancellation Charge Profile** unless the **Completion Date** has also changed in which case (ii) above will apply.

2.4.3 Where a change is as a result of the **User's** request then, notwithstanding any change in the **Completion Date**;

- (i) Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date**. The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
- (ii) Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will not be revised by reference to the revised **Completion Date** and the **Cancellation Charge** will not be adjusted downwards but will be held at that level and will increase from that level in line with any new **Construction Programme**.

3 Calculation of Cancellation Charge

3.1 The **Cancellation Charge** is the charge due to **The Company** by a **User** on termination of a **Construction Agreement**, **Disconnection** or a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** prior to the **Charging Date** and **Disconnection** or a reduction in **Transmission Entry Capacity** on or after the **Charging Date**.

3.2 This calculation of the **Cancellation Charge** is different:

- (a) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced before the **Trigger Date** (the “**Pre Trigger Amount**” or “**Actual Attributable Works Cancellation Charge**”) (Paragraphs 3.6.1 and 3.7);
- (b) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date** (the “**Fixed Attributable Works Cancellation Charge**” or “**Actual Attributable Works Cancellation Charge**” and the “**Wider Cancellation Charge**”) (Paragraphs 3.5 to 3.8);
- (c) depending whether the **Attributable Works Cancellation Charge** is a **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge** (Paragraphs 3.5 to 3.7);
- (d) where the **Transmission Entry Capacity** is reduced or **Disconnection** occurs on or after the **Charging Date** (the “**Wider Cancellation Charge**”) (Paragraph 3.8).

3.3 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced before the Trigger Date

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Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced before the Trigger Date the Cancellation Charge shall be calculated as follows:

Cancellation Charge = Attributable Works Cancellation Charge

3.4 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced on or after the Trigger date but prior to the Charging Date

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Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced on or after the Trigger date but prior to the Charging Date the Cancellation Charge shall be calculated as follows:

Cancellation Charge = Attributable Works Cancellation Charge plus Wider Cancellation Charge

The following Paragraphs set out in detail the **Attributable Works Cancellation Charge** and **Wider Cancellation Charge** and Paragraph 3.7 sets out the above calculation by formula.

3.5 Attributable Works Cancellation Charge

The **Attributable Works Cancellation Charge** can be either the **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge**.

3.6 Fixed Cancellation Charge

The calculation of the **Fixed Cancellation Charge** is different where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or

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Developer Capacity or Interconnector User Commitment Capacity is reduced before (“Pre Trigger Amount”) or on or after the Trigger Date (“Fixed Attributable Works Cancellation Charge”).

3.6.1 Pre Trigger Amount

Should a Construction Agreement be terminated, or Transmission Entry Capacity be reduced or Developer Capacity be reduced or Interconnector User Commitment Capacity be reduced before the Trigger Date the Fixed Cancellation Charge is the Pre Trigger Amount calculated as a £/MW figure by reference to the Cancellation Charge Profile and derived in accordance with the formula at Paragraph 3.9 and set out in the Notification of Fixed Cancellation Charge by reference to which an election is made in accordance with Paragraph 7:

3.6.2 Fixed Attributable Works Cancellation Charge

Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced on or after the Trigger Date but prior to the Charging Date the Fixed Cancellation Charge is the Fixed Attributable Works Cancellation Charge calculated as follows:

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Fixed Attributable Works Cancellation Charge = (Attributable Works Cancellation Amount x MW Reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity) x Cancellation Charge Profile

Where the Attributable Works Cancellation Amount results in a £/MW figure calculated as follows:

(Estimated Attributable Works Capital Cost x (1 – Local Asset Reuse Factor) x Strategic Investment Factor x Distance Factor) / Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity

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Where the **Estimated Attributable Works Capital Cost** is the fair and reasonable estimate of the **Attributable Works Capital Cost** for each component within the **Attributable Works** and which is as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Attributable Works** are as specified in Appendix MM of the **Construction Agreement** at the time of the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Local Asset Reuse Factor** is the factor representing the potential for reuse of each component within the **Attributable Works** as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Strategic Investment Factor** is a factor calculated for each component within the **Attributable Works** as a ratio of the **Transmission Entry Capacity** and/or **Developer Capacity** and/or Interconnector User Commitment Capacity sharing those **Attributable Works** against the secured capability of the **Transmission** assets and set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Distance Factor** is a factor calculated for each component within the **Attributable Works** as a ratio of distance to the nearest suitable MITS substation and distance to the MITS substation where the **Attributable Works** connect as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6. This factor is only valid for components where distance is relevant i.e. cables and overhead lines.

Where the **Cancellation Charge Profile** is the profile derived in accordance with the formula at Paragraph 3.10 and set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

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3.6.3 The **Pre Trigger Amount** and the **Attributable Works Cancellation Amount** (and the factors used in deriving this) and the **Cancellation Charge Profile** are fixed at the time an election is made in accordance with Paragraph 7 and the **Pre Trigger Amount** and **Attributable Works Cancellation Amount** are not subject to any further specific adjustment, reconciliation or credit should any of the **Transmission** assets resulting from the **Attributable Works** be reused or of benefit to other **Users**.

3.7 Actual Attributable Works Cancellation Charge

3.7.1 The **Actual Attributable Works Cancellation Charge** is the **Attributable Works Capital Cost** in respect of each component within the **Attributable Works** at the time at which the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced including (a) fees, expenses and costs properly payable by **The Company** in respect of, or arising from the termination by **The Company** or any third party of any contract for or relating to the carrying out of any of the **Attributable Works** provided it is negotiated on an arms length basis (including any such arising under the **STC**) and (b) a sum equal to the reasonable costs of removing any **Transmission Connection Assets** and of making good the remaining **Plant** and **Apparatus** following such removal and (c) proper and reasonable expenses incurred and or paid or which **The Company** is legally bound to incur or pay in seeking **Consents** for the **Attributable Works** and (d) interest on any such amounts from the date they were paid by **The Company** to the date of **The Company's** invoice at 2% over **Base Rate** from time to time and for the time being provided that in each case **The Company** shall take into account the **Local Asset Reuse Factor**, the **Strategic Investment Factor** and the **Distance Factor** as calculated in paragraph 3.6.2, of the **Attributable Works** and any of the resulting **Transmission** assets.

3.7.2 In the case of the **Actual Attributable Works Cancellation Charge**, on termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** prior to the **Charging Date**, **The Company** shall be entitled to invoice the **User** for a sum equal to **The Company's** fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** and so (a) in the case of

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termination, the **User** shall pay to **The Company** on account of the **Actual Attributable Works Cancellation Charge** a sum equal to the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs and (b) in the case of a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity**, a sum by reference to the MW reduction based on the £/MW figure derived from the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs. These will then be subject to reconciliation in accordance with this Section 15 Part Four.

3.8 Wider Cancellation Charge

The **Wider Cancellation Charge** results in a £/MW charge calculated as follows:

Zonal Unit Amount** x (MW of reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity**) x **Cancellation Charge Profile

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The **Zonal Unit Amount** is a £/MW figure calculated by reference to the **Generation Zone** in which the **Power Station** or **Interconnector** is to be located as set out in the **Cancellation Charge Statement**. It is calculated by reference to the **Annual Wider Cancellation Charge Statement** for the **Financial Year** in which notice of reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is given and/or notice of **Disconnection** is given or, where in the case of an **Event of Default** where notice is not given, the **Financial Year** in which the reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Disconnection** occurs.

*Where the **Zonal Unit Amount** = **Load Related Boundary Capex** apportioned to **Boundaries** by **Boundary (LR) Level** and **Non Load Related Boundary Capex** apportioned to **Boundaries** by **Boundary (NLR) Level**, summated and multiplied by **Boundary Non Compliance Factors** and then mapped to **Generation Zones** and divided by the **Wider User Commitment Liability Base**, excluding those **Power Stations** or **Interconnectors** in respect of which*

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a **Construction Agreement** has terminated or **The Company** has been notified of a reduction in the **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Disconnection** within the period in question.

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Where **Load Related Boundary Capex** is the capex required to increase capability in the network as determined by **The Company** for a given **Financial Year**, excluding any **Attributable Works Capital Cost**, multiplied by the **User Risk Factor** and the **Global Asset Reuse Factor**, as set out in the **Annual Wider Cancellation Charge Statement**.

Where **Non Load Related Boundary Capex** is the capex required to maintain capability in the network as determined by **The Company** for a given **Financial Year**, excluding any **Attributable Works Capital Cost**, multiplied by the **User Risk Factor** and the **Global Asset Reuse Factor**, as set out in the **Annual Wider Cancellation Charge Statement**.

Where the **User Risk Factor** is the share of total risk between generation and consumers, set at 0.5.

Where the **Global Asset Reuse Factor** for a given **Financial Year** is as set out in the **Annual Wider Cancellation Charge Statement**.

Where the **Boundaries** are as detailed in Section 8 of the **Seven Year Statement**.

Where **Boundary (LR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the increase in required capability on that **Boundary** over the forthcoming four year period, as set out in the **Seven Year Statement**.

Where **Boundary (NLR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the available capability on that **Boundary** in the year in question, as set out in the **Seven Year Statement**.

Where **Boundary Non Compliance Factors** are the ratio between the available capability and required capability on each **Boundary** as detailed in Section 8 of the **Seven Year Statement**, capped at 100%.

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Where **Generation Zones** are (a) as defined in the **Seven Year Statement** for the **Financial Year** in which the termination or reduction in **Transmission Entry Capacity** or reduction in **Developer Capacity**, or reduction in **Interconnector User Commitment Capacity** occurs prior to the **Charging Date** (or where not so defined as set out in the relevant **Cancellation Charge Statement**) or (b) as defined in the **Seven Year Statement** for the **Financial Year** in which the notice of **Disconnection** or reduction in **Transmission Entry Capacity** occurs on or after the **Charging Date**.

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Where the **Wider User Commitment Liability Base** is the total amount of generation and **Interconnector User Commitment Capacity** in MW liable for the **Wider Cancellation Charge** in the year in question and the total amount of generation and **Interconnector User Commitment Capacity** in MW which will become liable for the **Wider Cancellation Charge** in the year in question and set out in the **Annual Wider Cancellation Charge Statement**.

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Where the **Cancellation Charge Profile** is the profile derived in accordance with the formula at Paragraph 3.10 or 3.11, as appropriate.

3.9 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced before the Trigger Date

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Should a **Construction Agreement** be terminated, or **Transmission Entry Capacity** be reduced or **Developer Capacity** be reduced or **Interconnector User Commitment Capacity** be reduced before the **Trigger Date** the **Cancellation Charge** shall be calculated as follows:

Cancellation Charge = Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:

Reduction in Transmission Entry Capacity or Reduction in Developer Capacity or Reduction in Interconnector User Commitment Capacity x Pre Trigger Amount_t

Where:

- *Transmission Entry Capacity /Developer Capacity /Interconnector User Commitment Capacity expressed in MW.*

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- Termination of Construction Agreement equates to a reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Pre Trigger Amount_t which varies according to the number of Financial Years from the date of the Construction Agreement to the Trigger Date:
 - up to the end of the first Financial Year (i.e. t =1), the lower of either (a) Pre Trigger Amount_t = (£1000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.
 - Where t = 2, the lower of either (a) Pre Trigger Amount_t = (£2000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.
 - Where t ≥ 3 up to Trigger Date, the lower of either (a) Pre Trigger Amount_t = (£3000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.

3.10 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced on or after the Trigger Date but prior to the Charging Date

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Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** is reduced or Interconnector User Commitment Capacity is reduced on or after the **Trigger Date** but prior to the **Charging Date** a **User** shall pay the **Cancellation Charge** calculated as follows:

Cancellation Charge = the sum of (a) Fixed Attributable Works Cancellation Charge or Actual Attributable Works Cancellation Charge and (b) Wider Cancellation Charge

- (a) *Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:*

Where:

- Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Fixed Attributable Works Cancellation Charge = Attributable Works Cancellation Amount x MW reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity x Cancellation Charge Profile_t

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- Cancellation Charge Profile_t, which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:
 - In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,
 - In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;
 - In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and
 - In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile, = 0.25.

AND

(b) Wider Cancellation Charge

Where:

- Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Wider Cancellation Charge = Zonal Unit Amount x reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity x Cancellation Charge Profile_t
- Cancellation Charge Profile_t, which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:
 - In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,
 - In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;
 - In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and
 - In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile = 0.25.

3.11 Where the Transmission Entry Capacity is reduced or Notice of Disconnection is given on or after the Charging Date

The **Cancellation Charge** payable on notice of **Disconnection** and/or a reduction in **Transmission Entry Capacity** on or after the **Charging Date** is calculated on a £/MW basis as follows by reference to the **Zonal Unit Amount** for the **Financial Year** in which the notice is given:

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Cancellation Charge = Wider Cancellation Charge

Where:

- *Disconnection equates to reduction in Transmission Entry Capacity to zero*
- *Wider Cancellation Charge = Zonal Unit Amount for year in which notice of disconnection or reduction is given x reduction in Transmission Entry Capacity x Cancellation Charge Profile_t.*
- *Cancellation Charge Profile_t which varies according to the number of Financial Years notice given from the date of notification to Disconnection or reduction in Transmission Entry Capacity:*
 - *where notice is given in the Financial Year in which such notice is to take effect (t=0) Cancellation Charge Profile = 1,*
 - *where notice is given in the Financial Year prior to the Financial Year in which such notice is to take effect (t=1), Cancellation Charge Profile = 0.75,*
 - *where notice is given in the Financial Year which is two Financial Years prior to the Financial Year in which such notice is to take effect (t=2), Wider Cancellation Charge = zero.*

4 Annual Wider Cancellation Charge Statement

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4.1 By not later than 31 January prior to the start of each **Financial Year** The **Company** will publish a statement showing:

- (a) the **Zonal Unit Amount** by **Generation Zone** for that **Financial Year**;
- (b) the **Wider User Commitment Liability Base** for that **Financial Year**;
- (c) the **Total TO Capex** for that **Financial Year** (*where the **Total TO Capex** is the forecast of the **Load Related Boundary Capex** and **Non Load Related Boundary Capex** for a given **Financial Year**, excluding the total **Attributable Works Capital Cost**;*
- (d) a forecast of the **Total TO Capex** for the following three **Financial Years**;
- (e) the **Global Asset Reuse Factor** for that **Financial Year**;
- (f) the **Boundary Non Compliance Factors** for that **Financial Year**;
- (g) a forecast of the **Zonal Unit Amount** by **Generation Zone** for the following three **Financial Years**;
- (h) the % of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date**.

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4.2 In the event that for any **Financial Year** it is proposed to change the **Global Asset Reuse Factor** or the % of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date** from that set out in the **Annual Wider Cancellation Charge Statement** for the previous **Financial Year**, **The Company** shall not make such change without first consulting on the change (and its provision in electronic form on the Website and in electronic mails to **CUSC Parties** and such other persons who have supplied relevant details shall meet this requirement).

5. Statement of Cancellation Charge

5.1 With an **Offer** **The Company** shall provide each **User** with an indicative profile of the estimated spend in respect of the **Attributable Works** and a **Notification of Fixed Cancellation Charge**.

5.2 Cancellation Charge Statement

5.2.1 **The Company** shall issue a **Cancellation Charge Statement** to a **User** showing the amount of the payment required or which may be required to be made by the **User** to **The Company** in respect of the **Cancellation Charge** prior to the **Charging Date** at the following times and in respect of the following periods:-

- (i) Forthwith on and with effect from the signing of the **Construction Agreement**, in respect of the period from and including the day of signing of the **Construction Agreement** until the next following 30 September or 31 March, whichever is the earlier; and thereafter

- (ii) not less than 75 (seventy five) days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September and 31 March thereafter in respect of the period of six calendar months commencing on the immediately following 1 October or 1 April (as the case may be), until the earlier of either the termination of the relevant **Construction Agreement** or the **Charging Date**.

5.3 If a **User** does not elect for the **Fixed Cancellation Charge** (unless and until a **User** subsequently elects for a **Fixed Cancellation Charge** as provided for at Paragraph 7 or advises **The Company** that it does not wish to receive this) **The**

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Company shall provide a **Notification of Fixed Cancellation Charge** and an estimate of the **Actual Attributable Works Cancellation Charge** with each **Cancellation Charge Statement**.

5.4 The **Actual Attributable Works Cancellation Charge** shall apply unless and until a **User** elects for a **Fixed Cancellation Charge** in accordance with Paragraph 6.

5.5 Estimating the Actual Attributable Works Cancellation Charge

In the case of the **Actual Attributable Works Cancellation Charge**, the **Cancellation Charge Statement** shall set out a fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** for the 6 month period and, for the project generally. In addition the 6 month estimate of the **Actual Attributable Works Cancellation Charge** shall, for the purposes of assessing the **Cancellation Charge Secured Amount**, be prorated on a MW basis between those **Users** who share a component within the **Attributable Works**.

6 Electing for the Fixed Cancellation Charge

6.1 To elect for a the **Fixed Cancellation Charge**, a **User** must notify **The Company** to this effect by (a) returning a signed copy of the **Notification of Fixed Cancellation Charge** with its acceptance of the **Construction Agreement** or (b) , where a **User** does not elect at that time, it can elect 45 days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September or 31 March thereafter by returning a signed copy of the **Notification of Fixed Cancellation Charge** as provided with the relevant **Cancellation Charge Statement**.

6.2 Once a **User** has elected for the **Fixed Cancellation Charge**, the **Pre Trigger Amount**, **Attributable Works Amount** and **Cancellation Charge Profile** will then be fixed as that set out in the **Notification of Fixed Cancellation Charge** by reference to which such election was made and a **User** cannot revert to the **Actual Attributable Works Cancellation Charge**.

7 Cancellation Charge Secured Amount Statement

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7.1 Where a **User** has to provide security in accordance with Part Three of this Section 15 the **Cancellation Charge Statement** shall be accompanied by the **Cancellation Charge Secured Amount Statement**.

7.2 The **Cancellation Charge Secured Amount** shall be based on the highest level of **Cancellation Charge** due within the period covered by the **Cancellation Charge Secured Amount Statement**.

8 Interconnector Transition to Cancellation Charge

8.1 This provision only applies in respect of Users who are Interconnectors.

8.2 The provisions of this Section 15 shall apply in respect of the first Security Period which is not less than 6 months after the Implementation Date for CUSC Modification Proposal 222. In the period prior to that Security Period and as soon as practicable after the Implementation Date for CUSC Modification Proposal 222

8.2.1 The Company shall

8.2.1.1 offer to amend each User's Construction Agreement such that it will be substantially in the form of that set out Schedule 2, Exhibit 3 Part 1 (as it relates to the Cancellation Charge arrangements);

8.2.1.2 send to each User in respect of each Construction Agreement a Cancellation Charge Statement for that Security Period

8.2.2 the User shall put Security Arrangements in place in respect of its Construction Agreement in accordance with CUSC Section 15 to be effective from the start of that Security Period to the next following 31 March or 30 September (whichever is the earlier).

8.3 If The Company and a User fail to agree changes to the Construction Agreement either such person may refer the matter to the Authority under Standard Condition C9 Paragraph 4 of the Transmission Licence.

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PART THREE

1. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT AND CREDIT REQUIREMENTS

2. Each **User** which has a **Construction Agreement** shall provide security in respect of each of its **Construction Agreements** for the **Cancellation Charge Secured Amount** as applied and calculated in accordance with this Part Three of Section 15:

2.1 in the case of a **User** which meets **The Company Credit Rating** at the date of the **Construction Agreement** in accordance with Paragraph 4; and

2.2 in the case of a **User** which does not meet **The Company Credit Rating** at the date of the **Construction Agreement** or thereafter ceases to meet it, in accordance with Paragraph 5.

3. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT

3.1 Prior to the **Trigger Date** the **Cancellation Charge Secured Amount** is the **Cancellation Charge** as set out in the **Cancellation Charge Statement** for the relevant **Security Period**.

3.2 On or after the **Trigger Date** until the **Charging Date** the **Cancellation Charge Secured Amount** is that percentage of the figure shown as the **Cancellation Charge** in the **Cancellation Charge Statement** for the relevant **Security Period** determined as follows:

Prior to (and including) the Key Consents In Place Date	the % for that Financial Year as set out in the Annual Wider Cancellation Charge Statement .
From the Key Consents In Place Date	the % for that Financial Year as set out in the Annual Wider Cancellation Charge Statement .

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3.3 The **User** shall notify **The Company** once it considers that it has been granted the **Key Consents**. **The Company** shall respond as soon as practicable after such notification confirming that it is satisfied that this is the case or giving reasons why it is not so satisfied.

4. PROVISION OF SECURITY WHERE USER MEETS THE COMPANY CREDIT RATING

4.1 The **User** shall as soon as possible after entering into a **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** and in any event no later than one (1) month after the date of the same confirm to **The Company** whether it meets **The Company Credit Rating**. Thereafter not less than 75 days before the 1 April and 1 October each year until 30 days after the **Charging Date** the **User** shall confirm to **The Company** whether it meets **The Company Credit Rating** (which in the case of a long term private credit rating shall be confirmed by Standard and Poor's or Moody's within a period of 45 days prior to the date of confirmation). The **User** shall inform **The Company** in writing forthwith if it becomes aware of no longer meeting **The Company Credit Rating** or if it is or is likely to be put on credit watch or any similar credit surveillance procedure which may give **The Company** reasonable cause to believe that the **User** may not be able to sustain meeting **The Company Credit Rating** for at least 12 months.

4.2 In the event that the **User** has elected to provide **The Company** with an indicative credit rating and **The Company** is of the reasonable opinion that the **User** has ceased to comply with the requirements of Paragraph 4.1 then **The Company** may require the **User** forthwith:

- (i) to apply to Standard and Poor's and/or Moody's for a further indicative long term private credit rating; or
- (ii) to confirm to **The Company** that it shall provide the security referred to in Paragraph 4.4 below.

4.3 In the event of the **User**:

- (i) not meeting **The Company Credit Rating**; or

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- (ii) having a credit rating below **The Company Credit Rating**; or
- (iii) not having obtained from Standard and Poor's or Moody's within 30 days of the written notification under Paragraph 4.2(i) above an indicative long term private credit rating,

or if **The Company** becomes aware that:

- (iv) the **User** ceases to meet **The Company Credit Rating**; or
- (v) the **User** is put on credit watch or other similar credit surveillance procedure as specified above which may give **The Company** reasonable cause to believe that the **User** may not be able to maintain **The Company Credit Rating** for at least 12 months; or
- (vi) the **User** has not obtained from Standard and Poor's within 30 days of the written notification by **The Company** under Paragraph 4.2(i) above a further indicative long term private credit rating,

the **User** shall (where appropriate on receipt of written notification from **The Company**) comply with the terms of Paragraph 4.4.

4.4 The **User** shall within 21 days of the giving of a notice under Paragraph 4.3 or within 30 days of the **User** confirming to **The Company** under Paragraph 4.2(ii) that it will provide the security specified below (whichever is the earlier), provide **The Company** with the security specified below to cover the **Cancellation Charge Secured Amount** for the relevant **Security Period** as notified by **The Company** to the **User**.

4.5 The form of security provided shall be of a type set out in Paragraph 6.

4.6 If the facts or circumstances giving rise to the obligation of the **User** to provide the security have ceased, then **The Company** shall release the security.

5. PROVISION OF SECURITY WHERE USER DOES NOT MEET OR CEASES TO MEET THE COMPANY CREDIT RATING

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5.1 Each **User** hereby agrees that it shall at the date of the relevant **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** provide to **The Company** or procure the provision to **The Company** of, and the **User** shall until 28 days after the **Charging Date** maintain or procure that there is maintained in full force and effect (including by renewal or replacement) a security arrangement from time to time and for the time being as set out in Paragraph 6 to provide security for the **Cancellation Charge Secured Amount**.

5.2 If there shall be any dispute between the **User** and **The Company** as to:-

- (i) the fairness and reasonableness of the estimate of the **Attributable Works Capital Charge**; or
- (ii) the calculation of the **Cancellation Charge**, or
- (iii) whether there has been an **Event of Default** as provided in **CUSC** Section 5; or
- (iv) the lawfulness or otherwise of any termination or purported termination of the **Construction Agreement**,

such dispute shall not affect the ability of **The Company** to make demands pursuant to the security arrangement to be provided pursuant to this **CUSC** Section 15 and to recover the amount or amounts payable thereunder, it being acknowledged by the **User** that but for such being the case **The Company's** security would be illusory by reason of the period of validity of the relevant security being likely to expire or capable of expiring before the final resolution of such dispute. The **User** accordingly covenants with **The Company** that it will not take any action, whether by way of proceedings or otherwise, designed or calculated to prevent, restrict or interfere with the payment to **The Company** of any amount secured under the security arrangement nor seek nor permit nor assist others to do so.

6. TYPES OF SECURITY

6.1 The **User** shall from time to time and for the time being as set out in Paragraph 5 provide security for the **Cancellation Charge Secured Amount** by any one of the following:-

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6.1.1 A **Performance Bond** or **Letter of Credit** from a **Qualified Bank** for **Cancellation Charge Secured Amount** for a given **Security Period**, such **Performance Bond** or **Letter of Credit** to be **Valid** for at least that given **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3; or

6.1.2 A cash deposit in a **Bank Account** at least for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such cash deposit to be increased or reduced periodically where applicable in the manner stated in paragraph 6.2.4; or

6.1.3 A **Performance Bond** from a **Qualified Company** for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such **Performance Bond** to be **Valid** for at least that **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3.

6.2 General Provisions regarding Security

6.2.1 Any **Notice of Drawing** to be delivered to Barclays Bank PLC or any other bank at which the **Bank Account** shall have been opened or a **Qualified Bank** or a **Qualified Company** may be delivered by hand, by post or by facsimile transmission.

6.2.2 If the **User** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, the **User** shall so notify **The Company** in writing as soon as it becomes so aware. If **The Company** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, **The Company** may notify the **User** to that effect in writing. Where the bank or the company so ceases to be either a **Qualified Bank** or a **Qualified Company** (as the case may be) as a consequence of **The Company** having reasonable cause to doubt the continued rating of the said bank or company, such notice shall be accompanied by a statement setting out **The**

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Company's reasons for having such doubt. The **User** shall within 21 days of the giving of such notice by **The Company** or the **User** whichever is the earlier provide a replacement **Performance Bond** and/or **Letter of Credit** from a **Qualified Bank** or **Qualified Company**, as the case may be, and/or provide a cash deposit in the required amount in a **Bank Account**. From the date the replacement **Performance Bond** or **Letter of Credit** or **Bank Account** cash deposit is effectively and unconditionally provided and **Valid**, **The Company** will consent in writing to the security which it replaces being released.

6.2.3 The following provisions shall govern the issuance, renewal and release of the **Performance Bond** or **Letter of Credit**:-

6.2.3.1 The **Performance Bond** or **Letter of Credit** shall be **Valid** initially for the **First Security Period**. Such **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** for that **First Security Period**.

6.2.3.2 On a date which is at least 45 days (or if such day is not a **Business Day** then on the immediately preceding **Business Day**) before the start of each following **Security Period** such **Performance Bond** or **Letter of Credit** shall be renewed so as to be **Valid** for not less than such **Security Period** and in the case of the last **Security Period** to be **Valid**, unless **The Company** agrees otherwise, for 45 days after the last day of such **Security Period**. Such renewed **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** to be secured during that **Security Period**.

6.2.4 The following provisions shall govern the maintenance of cash deposits in the **Bank Account**:-

6.2.4.1 The amount of the **User's** cash deposit to be maintained in the **Bank Account** shall be maintained by the **User** from the date of the **Construction Agreement** at least to the end of the **First**

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Security Period. Such cash deposit shall be in the amount of the **Cancellation Charge Secured Amount** to be secured during that **First Security Period**.

6.2.4.2 If the amount of the **Cancellation Charge Secured Amount** to be secured from the start of each **Security Period** is an amount greater than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be increased by the **User** to such greater amount on the date which is 45 days before the start of the given **Security Period**.

6.2.4.3 If the **Cancellation Charge Secured Amount** for a given **Security Period** is smaller than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall not be reduced to the amount so stated until the expiry of 7 days after the start of that given **Security Period** ("the **Release Date**").

6.2.4.4 The sum equal to the amount of reduction in the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be paid by **The Company** to the **User** from the **Bank Account** on the **Release Date**.

6.2.4.5 Any interest accruing in respect of the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be for the account of and belong to the **User** absolutely, and **The Company** agrees to take any steps required to be taken by it for the release from the **Bank Account** (or any other bank account in the name of **The Company** in which such interest is held) and payment to the **User** of such interest as soon as **The Company** shall have received notice from the **User** requesting such payment.

6.2.4.6 For the avoidance of doubt, the **User's** cash deposit in the **Bank Account** shall remain the sole property and entitlement of the **User** until such time when (and to such extent as) the **Company** exercises its right of set off against the **User's** cash deposit in

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accordance with the terms of the **CUSC**, and the **User** shall have no right to have the cash deposit returned to it for so long as it is under any prospective or contingent liability to the **Company**.

6.3 Notwithstanding any provision aforesaid:-

6.3.1 The **User** may provide different securities to **The Company** at any one time, each securing a different amount, provided that the aggregate amount secured by such securities shall be not less than the amount of the **Cancellation Charge Secured Amount** required to be secured for that **Security Period**.

6.3.2 The **User** may upon the expiry of at least 14 days prior written notice to **The Company**, substitute one type of security for another provided that unless **The Company** shall otherwise agree in writing such substituted security must be **Valid** from the first day of the relevant **Security Period** and committed at least 45 days before this in the following manner:-

(a) where a **Performance Bond** or a **Letter of Credit** is to substitute for other securities, it must be issued or given at least 45 days before the start of the **Security Period** to which it relates.

(b) where a cash deposit in a **Bank Account** is to substitute for other securities, it must be deposited into the **Bank Account** at least 45 days before the start of the **Security Period** to which it relates.

6.3.3 Upon request by the **User** to **The Company**, securities substituted in the aforesaid manner shall, providing the substitute security shall be **Valid**, be released on the first day of the **Security Period** which the substitute security is securing. However, where the **Cancellation Charge Secured Amount** to be secured for any **Security Period** is less than the amount required to be secured in the preceding **Security Period**, the

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substituted security shall not be released until 7 days after the start of the **Security Period** that that substitute security is securing.

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PART FOUR RECONCILIATION OF ACTUAL ATTRIBUTABLE WORKS CANCELLATION CHARGE

1. As soon as practicable and in any event within 60 days of the date, as appropriate, of termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** **The Company** shall:
 - (a) furnish the **User** with a statement showing a revised estimate of the **Actual Attributable Works Cancellation Charge** and will provide as soon as practicable evidence of such having been incurred; and
 - (b) furnish the **User** with justification of and supporting information in respect of its assessment of the actual or potential for reuse and any strategic benefits of the **Attributable Works** and any of the resulting **Transmission** assets.

2. As soon as reasonably practicable after termination of this **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** and in any event within 12 months of such event **The Company** shall provide the **User** with a final statement of the **Actual Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is greater than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge** the **User** shall within 28 days of the said statement and invoice prepared by **The Company** pay to **The Company** the additional payments due by the **User** together with interest calculated thereon on a daily basis at **Base Rate** for the time being and from time to time from the date of previous payment(s) to the date of the final statement of the **Actual Attributable Works Cancellation Charge** and final invoice for the **Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is less than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge** **The Company** shall forthwith pay to the **User** the excess paid together with interest on a daily basis at **Base Rate** for the time being and from time to time from the date of payment of the fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** to the date of reimbursement by **The Company** of the said excess paid.

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SCHEDULE 2 EXHIBIT 3

PART 1

For use with User's in the categories of (i) Power Stations directly connected to the National Electricity Transmission system, (ii) Embedded Power Stations which are the subject of a Bilateral Embedded Generation Agreement, Interconnectors directly connected to the National Electricity Transmission system or (iv) where, associated with Distributed Generation, a Distribution System directly connected to the National Electricity Transmission System

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Please note that as the Connect and Manage Arrangements do not apply to Interconnectors, this construction agreement will be adapted accordingly to reflect that, other than in the context of the Cancellation Charge arrangements, it will be based on the form at PART 2

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INDICATIVE

DATED [] 200[1]

NATIONAL GRID ELECTRICITY TRANSMISSION PLC (1)

and

[] (2)

THE CONNECTION AND USE OF SYSTEM CODE

CONSTRUCTION AGREEMENT

CONTENTS

<u>Clause</u>	<u>Title</u>
1	Definitions, Interpretation and Construction
2	Carrying out of the Works
3	Delays
4	Commissioning Programme and Liquidated Damages
5	Approval to Connect/Energise/Become Operational
6	Independent Engineer
7	Becoming Operational
8	Compliance with Site Specific Technical Conditions
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13	CUSC
14	Disputes
15	Variations
Appendix B1	One Off Works
Appendix G	Transmission Connection Asset Works
Appendix H	Transmission Reinforcement Works
Appendix I	User's Works
Appendix J	Construction Programme
Appendix K	Liquidated Damages
Appendix L	Independent Engineer

CUSC v1.9

Appendix MM Attributable Works and Key Consents

Appendix N Third Party Works

v1.9 – 9 January 2014

THIS CONSTRUCTION AGREEMENT is made on the [] day of [] 200[1]

BETWEEN

- (1) National Grid Electricity Transmission plc a company registered in England with number 2366977 whose registered office is at 1-3 Strand, London, WC2N 5EH ("**The Company**", which expression shall include its successors and/or permitted assigns); and
- (2) [] a company registered in [] with number [] whose registered office is at [] ("**User**", which expression shall include its successors and/or permitted assigns)

WHEREAS

- (A) Pursuant to the **Transmission Licence**, **The Company** has prepared a Connection and Use of System Code (**CUSC**) setting out the terms of the arrangements for connection to and use of the **National Electricity Transmission System** and the provision of certain **Balancing Services**.
- (B) The **User** has applied for [connection to] [and use of] [modification to its connection to] [or use of] the **National Electricity Transmission System** and pursuant to Standard Condition C8 of the **Transmission Licence**, **The Company** is required to offer terms in accordance with the **CUSC** in this respect **or** [specific recital to reflect that the **Construction Agreement** is an amendment of an existing signed offer pursuant to the **CUSC** amending documents]
- (C) **The Company** and the **User** are parties to the **CUSC Framework Agreement** (being an agreement by which the **CUSC** is made contractually binding between the parties).
- (D) Certain works are required as part of this offer as set out in this **Construction Agreement**.
- (E) This **Construction Agreement** is entered into pursuant to the terms of the **CUSC**.
- (F) This **Construction Agreement** has been prepared under the **Connect and Manage Arrangements**.

NOW IT IS HEREBY AGREED as follows:

1.1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section 11 of the **CUSC** and in

the Bilateral Connection Agreement have the same meanings, interpretations or constructions in this **Construction Agreement**.

"Attributable Works"	those Construction Works identified as such in accordance with the User Commitment Methodology and which are set out in Appendix MM Part 1.
"Authority"	as defined in the CUSC .
"Bilateral Connection Agreement"	the Bilateral Connection Agreement entered into between the parties on even date herewith.
"Bilateral Embedded Generation Agreement"	the Bilateral Embedded Generation Agreement entered into between the parties on even date herewith.
"Cancellation Charge"	as calculated in accordance with the User Commitment Methodology .
"Charging Date"	the date upon which the Construction Works are first Commissioned and available for use by the User or if the Independent Engineer before, on or after the Commissioning Programme Commencement Date shall have certified in writing that the Transmission Connection Assets , are completed to a stage where The Company could commence commissioning and by such date the User's Works shall not have been so certified then the date falling [] days after the date of such certification, provided that the Transmission Reinforcement Works are Commissioned and Seven Year Statement Works are completed as at that date. In the event that the Transmission Reinforcement Works are not so Commissioned and/or the Seven Year Statement Works are not so completed the Charging Date shall be the date on which they are Commissioned and/or completed as appropriate. <i>[Exclude Seven Year Statement Works from this definition if</i>

they are not also Enabling Works].

“Commissioning Programme Commencement Date”	the date specified in the Construction Programme for the commencement of the Commissioning Programme or any substituted date fixed under the terms of this Construction Agreement
“Commissioning Programme”	the sequence of operations/tests necessary to connect the User’s Works and the Transmission Connection Asset Works to the National Electricity Transmission System for the purpose of making the User’s Works available for operation to be determined pursuant to Clause 2.10 of this Construction Agreement .
“Completion Date”	[] or such other date as may be agreed in terms of this Construction Agreement for completion of the Construction Works .
“Connect and Manage	the temporary derogation from the NETS

Derogation”	SQSS available to The Company under Standard Condition C17 of the Transmission Licence and/or the Relevant Transmission Licensee under Standard Condition D3 of its transmission licence;
“Connected Planning Data”	data required pursuant to the Planning Code which replaces data containing estimated values assumed for planning purposes by validated actual values and updated estimates for the future and by updated forecasts for forecast data items.
“Consents”	in relation to any Works :- <ul style="list-style-type: none"> (a) all such planning and other statutory consents; and (b) all wayleaves, easements, rights over or interests in land or any other consent; or (c) permission of any kind as shall be necessary for the construction of the Works and for commencement and carrying on of any activity proposed to be undertaken at or from such Works when completed.
“Construction Programme”	the agreed programme for the Works to be carried out by The Company and the User set out in detail in Appendix [J] to this Construction Agreement or as amended from time to time pursuant to Clauses 2.3 and 3.2 of this Construction Agreement .
"Construction Site"	the site where the Transmission Connection Asset Works are being undertaken by or on behalf of The Company ;
“Construction Works”	the Transmission Connection Asset Works, Enabling Works, Seven Year Statement Works and One Off Works and such additional works as are required in order to comply with any

relevant **Consents** relating to any such works but excluding for the avoidance of doubt any **Third Party Works**.

"Dispute Resolution Procedure"	the procedure for referral to arbitration set out in Paragraph 7.4 of the CUSC .
"Enabling Works"	those Transmission Reinforcement Works which are specified in Appendix H Part 1 to this Construction Agreement .
"Event of Default"	any of the events set out in Clause 10 of this Construction Agreement as constituting an event of default.
"Independent Engineer"	<p>the engineer specified in Appendix L to this Construction Agreement. Provided that:-</p> <ul style="list-style-type: none">(a) where the parties fail to agree on a suitable engineer within 120 days of the date of this Construction Agreement; or(b) where any Independent Engineer appointed from time to time shall fail, refuse or cease to act in the capacity set out herein and no substitute engineer of suitable standing and qualification can be agreed by the parties within 30 days; <p>then such engineer as the President of the Institution of Electrical Engineers shall, on the application of either party, nominate shall be the Independent Engineer.</p>
"Key Consents"	those Consents required in respect of the [User's/Developer's] Power Station which The Company has identified as such and which are set out in Appendix MM Part 2.
"Liquidated Damages"	the sums specified in or calculated pursuant to Appendix K to this

Construction Agreement.

“One Off Works”	the works described in Appendix B1 to this Construction Agreement .
Seven Year Statement Works”	the works set out in Table B7 of the statement prepared by The Company pursuant to Standard Condition C11 of the Transmission Licence and issued by The Company in [] which in The Company’s reasonable opinion (and in the absence of the Connect and Manage Derogation are required to be completed before the Completion Date to ensure that the National Electricity Transmission System complies with the requirements of Standard Condition C17 of the Transmission Licence and Standard Condition D3 of any Relevant Transmission Licensee’s transmission licence prior to the Connection of the User’s Equipment in terms of Clause 7.1 [or 7.2] of this Construction Agreement .
“Term”	the term of this Construction Agreement commencing on the date hereof and ending in accordance with Clause 12.
“Third Party Works”	the works to be undertaken on assets belonging to a party other than The Company and the User to enable it to provide or as a consequence of the connection to and/or use of the National Electricity Transmission System by the User as specified in Appendix N;
“Transmission Connection Assets”	the assets specified in Appendix A to the Bilateral Connection Agreement .
“Transmission Connection Asset Works”	the works necessary for construction and installation of the Transmission Connection Assets at the Connection Site specified in Appendix G to this Construction Agreement .

“Transmission Reinforcement Works”

those works other than the **Transmission Connection Asset Works Seven Year Statement Works** and **One Off Works**, which in the reasonable opinion of **The Company** (and in the absence of the **Connect and Manage Derogation**) are all necessary to extend or reinforce the **National Electricity Transmission System** to ensure that the **National Electricity Transmission System** complies with the requirements of Standard Condition C17 of the **Transmission Licence** and Standard Condition D3 of any **Relevant Transmission Licensee’s** transmission system and which are specified in Appendix H to this **Construction Agreement**, where Part 1 is the **Enabling Works** and Part 2 is the **Wider Transmission Reinforcement Works**.

“Trigger Date”

[date] as identified in accordance with the **User Commitment methodology**.

“User’s Works”

those works necessary for installation of the **User’s Equipment** which are specified in Appendix I to this **Construction Agreement**.

“Wider Transmission Reinforcement Works”

those **Transmission Reinforcement Works** which are specified in Appendix H Part 2 to this **Construction Agreement** where Part 2.1 is works required for the **User** and Part 2.2 is works required for wider system reasons.

“Works”

the **Construction Works** and the **User’s Works**.

Users in the capacity of a Directly Connected Power Station or Embedded Power Station (other than those who are a BELLA) insert the following

[Notice of Intent	the notice issued by The Company pursuant to Clause 7.4.4.
Notice of Reduction	the notice issued by The Company pursuant to Clause 7.4.7 including a revised Appendix C specifying the revised Transmission Entry Capacity .
Preliminary Request	the request issued by The Company pursuant to Clause 7.4.1.
Reduction Fee	the fee payable by the User to The Company in respect of the agreement to vary issued pursuant to Clause 7.4.9 such fee being calculated on the same basis as that set out in the Charging Statements as payable on a payment of actual costs basis in respect of a Modification Application ..

Users in the capacity of a Directly Connected Distribution System where works are required in respect of a BELLA or a Relevant Embedded Medium Power Station or a Relevant Embedded Small Power Station insert the following

[Developer Capacity	the MW figure [<i>for export</i>] specified in the Developer's Data .
Developer	<i>Insert name address and registered number</i> who is party to a BELLA with The Company or the subject of the Request for a Statement of Works .
Developer's Data	the information provided by the [Developer-BELLA] [User] in respect of the Developer in the Request for a Statement of Works-relevant embedded medium\small power station] and set out in Appendix [P].

Developer's Project	the connection of a [xMW wind farm\power station to the User's Distribution System at []
Notice of Intent	the notice issued by The Company pursuant to Clause 7.4.4.
Notice of Reduction	the notice issued by The Company pursuant to Clause 7.4.7 revising the Developer's Capacity for this Construction Agreement and Appendix A to the BELLA .
Preliminary Request	the request issued by The Company pursuant to Clause 7.4.1.
Reduction Fee	the fee payable by the User to The Company in respect of the agreement to vary issued pursuant to Clause 7.4.9 such fee being calculated on the same basis as that set out in the Charging Statements as payable on a payment of actual costs basis in respect of a Modification Application .

2. CARRYING OUT OF THE WORKS

- 2.1** Forthwith following the date of this **Construction Agreement** (i) in respect of **Connection Sites** in England and Wales **The Company** and the **User** shall agree the **Safety Rules** and **Local Safety Instructions** to apply during the **Construction Programme** and **Commissioning Programme**; and (ii) in respect of **Connection Sites** in Scotland the **User** shall agree with the **Relevant Transmission Licensee** the **Safety Rules** and **Local Safety Instructions** to apply during the **Construction Programme** and **Commissioning Programme**. Failing agreement within three months of the date of this **Construction Agreement** the matter shall be referred to the **Independent Engineer** for determination in accordance with Clause 6 of the **Construction Agreement**.
- 2.2** Subject to Clauses 2.3 and 2.4 of this **Construction Agreement** forthwith following the date of this **Construction Agreement** **The Company** shall use its best endeavours to obtain in relation to the **Construction Works**, and the **User** shall use its best endeavours to obtain in relation to the **User's Works**, all **Consents**. Each shall give advice and assistance to the other to the extent reasonably required by the other in the furtherance of these

obligations. Further, each party shall, so far as it is legally able to do so, grant to, in relation to **Connection Sites** in England and Wales, the other, or in relation to **Connection Sites** in Scotland, the **Relevant Transmission Licensee**, all such wayleaves, easements, servitude rights, rights over or interests (but not estates as regards land in England and Wales and not heritable or leasehold interests as regards land in Scotland) in land or any other consents reasonably required by the other or the **Relevant Transmission Licensee** in order to enable the **Works** to be expeditiously completed and to enable that other to carry out its obligations to the other under this **Construction Agreement** and in all cases subject to such terms and conditions as are reasonable.

2.3 The following additional provisions shall apply in respect of the **Consents** and **Construction Works**:-

2.3.1 All dates specified in this **Construction Agreement** are subject to **The Company** obtaining **Consents** for the **Construction Works** in a form acceptable to it within the time required to carry out the **Construction Works** in accordance with the **Construction Programme**.

2.3.2 In the event of:-

- (a) the **Consents** not being obtained by the required date; or
- (b) the **Consents** being subject to conditions which affect the dates; or
- (c) **The Company** wishing to amend the **Construction Works** to facilitate the granting of the **Consents**,

The Company shall be entitled to revise the **Construction Works** (and as a consequence Appendix A to the **Bilateral Connection Agreement**) and all dates specified in this **Construction Agreement** and the charges specified in Appendix B to the **Bilateral Connection Agreement**. For the avoidance of doubt such revisions shall be at **The Company 's** absolute discretion and the consent of the **User** is not required.

2.3.3 The **User** shall be regularly updated by **The Company** in writing or by such other means as the parties may agree as to progress made by **The Company** from time to time in the obtaining of relevant **Consents** pursuant to its obligations under Clause 2.2 or 2.3 of this **Construction Agreement**.

2.4 Paragraphs 11.2.3 to 11.2.5 of the **CUSC** relating to **Consents** shall apply to the **Construction Agreement** as if set out here in full.

2.5 Prior to the commencement of the **Transmission Connection Asset Works** the **User** shall have the right to terminate this **Construction Agreement** upon

giving not less than 7 (seven) days notice in writing to **The Company**. In the event of the **User** terminating this **Construction Agreement** in terms of this Clause 2.5 the provisions of Clause 11 shall apply].

- 2.6 If the **User** fails to obtain all **Consents** for the **User's Works** having complied with the obligations in Clause 2.2 of this **Construction Agreement** the obligation on the **User** to complete the **User's Works** shall cease and the **User** may by written notice to **The Company** terminate this **Construction Agreement** and the provisions of Clause 11 shall apply
- 2.7 Both parties shall be entitled to contract or sub-contract for the carrying out of their respective parts of the **Works** (which in the case of **The Company** shall include work carried out by a **Relevant Transmission Licensee** or its contractors or sub-contractors). The **User** or any contractor on its behalf shall be responsible for commencing and for carrying out the **User's Works** to such stage of completion as shall render them capable of being **Commissioned** in accordance with the **Construction Programme** and **The Company** or any contractor on its behalf shall be responsible for commencing and carrying out the **Construction Works** to such stage of completion as shall render them capable of being **Commissioned** in accordance with the **Construction Programme**.
- 2.8 The parties shall continuously liaise throughout the **Construction Programme** and **Commissioning Programme** and each shall provide to the other all information relating to its own **Works** reasonably necessary to assist the other in performance of that other's part of the **Works**, and shall use all reasonable endeavours to coordinate and integrate their respective part of the **Works**. There shall be on-site meetings between representatives of the parties at intervals to be agreed between the parties. Each party shall deliver to the other party a written report of progress during each calendar quarter within 7 days of the end of that quarter.

Users in the capacity of a Directly Connected Distribution System where works are required in respect of a BELLA or a Relevant Embedded Medium Power Station or a Relevant Embedded Small Power Station insert the following

- [“2.8 The parties shall continuously liaise throughout the **Construction Programme** and **Commissioning Programme** and each shall provide to the other all information relating to its own **Works** reasonably necessary to assist the other in performance of that other's part of the **Works**, and shall use all reasonable endeavours to coordinate and integrate their respective part of the **Works**. There shall be on-site meetings between representatives of the parties at intervals to be agreed between the parties. The **User** shall also provide to **The Company** such information as **The Company** shall reasonably request and which the **User** is entitled to disclose in respect of the **Developer's Project**. Each party shall deliver to the other party where requested a written report of progress during each calendar quarter (including in the case of the **User** progress on the **Developer's Project** to the extent

that the **User** has such information and is entitled to disclose it) within 7 days of the end of that quarter.”]

- 2.9 During the period of and at the times and otherwise as provided in the **Construction Programme** and the **Commissioning Programme** **The Company** shall allow the **User**, its employees, agents, suppliers, contractors and sub-contractors necessary access to the **Construction Site** and the **User** shall allow **The Company** or, in the case of **Connection Sites** in Scotland, the **Relevant Transmission Licensee** and in either case their employees, agents, suppliers, contractors and sub-contractors necessary access to its site to enable each to carry out the **Transmission Connection Asset Works** and **One Off Works** or **User's Works** but not so as to disrupt or delay the construction and completion of the other's **Works** on the said sites or the operation of the other's **Plant** and **Apparatus** located thereon, such access to be in accordance with any reasonable regulations relating thereto made by the site owner or occupier.
- 2.10 Not later than six months prior to the **Commissioning Programme Commencement Date** **The Company** shall provide the **User** with a draft **Commissioning Programme** for the **Commissioning** of the **Transmission Connection Assets**, and the **User's Equipment**. The **User** shall, as quickly as practicable and in any event within three months of receipt thereof, determine whether or not to approve the proposed **Commissioning Programme** (which approval shall not be unreasonably withheld or delayed) and shall within such three month period either notify **The Company** of its approval or, in the event that the **User** reasonably withholds its approval, notify **The Company** of any changes or variations to the proposed commissioning programme recommended by the **User**. If **The Company** does not accept such changes or variations submitted by the **User** any dispute shall be referred to the **Independent Engineer** for determination. The **Commissioning Programme** agreed between the parties or determined by the **Independent Engineer** as the case may be shall be implemented by the parties and their sub-contractors in accordance with its terms.
- 2.11 If at any time prior to the **Completion Date** it is necessary for **The Company** or **The Company** in its reasonable discretion wishes to make any addition to or omission from or amendment to the **Transmission Connection Asset Works** and/or **Transmission Reinforcement Works** and/or the **One Off Works** and/or the **Third Party Works** **The Company** shall notify the **User** in writing of such addition, omission or amendment and Appendices [B1 (**One Off Works**), G (**Transmission Connection Asset Works**) H (**Transmission Reinforcement Works**), MM (**Attributable Works**) and N (**Third Party Works**)] to this **Construction Agreement** and consequently Appendices [A (**Transmission Connection Assets**) and B (**Connection Charges** and **One Off Charges**)] to the associated **Bilateral Connection Agreement** shall be automatically amended to reflect the change. Provided that where a **User** has elected for the **Actual Attributable Works Cancellation Charge** to be based on the **Fixed Attributable Works Cancellation Charge** the

Attributable Works can only be changed after the **Trigger Date** as provided for in **CUSC** Section 15.

- 2.12** [The **User** shall apply to the Secretary of State for Trade and Industry as part of its application under Section 36 of the Act for its generating station, for deemed planning permission in relation to the substation forming part of the **Transmission Connection Asset Works**. The **User** shall use its best endeavours to procure that the said deemed planning permission is so obtained. **The Company's** obligations under Clause 2.2 of this **Construction Agreement** shall not require it to obtain planning consent for the said substation unless and until the Secretary of State for Trade and Industry shall for whatever reason refuse to deem the grant of planning permission in respect of the same. The **User** shall liaise with **The Company** as to its construction and operational requirements and shall ensure that the said application meets **The Company's** requirements. **The Company** shall provide the **User** with all information reasonably required by it in relation to the application and the **User** shall ensure that all requirements of **The Company** are incorporated in the application for deemed planning consent.]
- 2.13** [The **Enabling Works** are conditional on British Energy Generation Limited and/or Magnox Electric plc (as the case may be) granting approval to the carrying out of the **Construction Works** in terms of the Nuclear Site Licence Provisions Agreement being an agreement dated 30 March 1990 between **The Company** and Nuclear Electric plc (now called Magnox Electric plc) and an agreement dated 31 March 1996 between **The Company** and British Energy Generation Limited (and described as such). In the event of British Energy Generation Limited and/or Magnox Electric plc (as the case may be) not granting approval **The Company** shall be entitled to change the **Construction Works**, the **Construction Programme** and all dates specified in this **Construction Agreement**.]
- 2.14** [It is hereby agreed and declared for the purposes of the Construction (Design and Management) Regulations 1994 that the **User** is the only client in respect of the **User's Works** and **The Company** is the only client in respect of the **Construction Works** and **Wider Transmission Reinforcement Works** and each of the **User** and **The Company** shall accordingly discharge all the duties of clients under the said **Regulations**.]
- 2.15** [**The Company** and the **User** hereby agree and acknowledge that this **Construction Agreement** is not to be treated as a construction contract within the meaning of section 104 of the Housing Grants, Construction and Re-generation Act 1996 and sections 104 to 113 of the said Act shall have no application either to the **Construction Works** or the **User's Works** and the parties' rights and obligations with regard to matters of dispute resolution and payment procedures are as expressly set out herein.
- 2.16** **Third Party Works**

2.16.1 The **User** shall be responsible for carrying out or procuring that the **Third Party Works** are carried out and shall carry them out or procure that they are carried out in accordance with the timescales specified in the **Construction Programme**. The **User** shall confirm to **The Company** or, where requested to do so by **The Company**, provide confirmation from the third party that the **Third Party Works** have been completed.

2.16.2 Given the nature of these works it may not be possible to fully identify the works required or the third parties they relate to at the date hereof. Where this is the case **The Company** shall, subject to 2.16.3 below, advise the **User** as soon as practicable and in any event by [] of the **Third Party Works** and shall be entitled to revise Appendix N and as a consequence the **Construction Programme** as necessary to reflect this.

2.16.3 Where **Third Party Works** are likely to be **Modifications** required to be made by another user(s) ("the "**First User(s)**") as a consequence of **Modifications** to the **National Electricity Transmission System** to be undertaken by **The Company** under this **Construction Agreement** **The Company** shall as soon as practicable after the date hereof issue the notification to such **First User's** in accordance with **CUSC** Paragraph 6.9.3.1. The **User** should note its obligations under **CUSC** Paragraph 6.10.3 in respect of the costs of any **Modifications** required by the **First User(s)**.

2.16.4 In the event that the **Third Party Works** have not been completed by the date specified in the **Construction Programme** or, in **The Company's** reasonable opinion are unlikely to be completed by such date, **The Company** shall be entitled to revise the **Construction Programme** as necessary to reflect such delay and also, where **The Company** considers it necessary to do so, shall be entitled to revise the **Construction Works** (and as a consequence Appendices A and B to the **Bilateral Connection Agreement**). For the avoidance of doubt such revisions shall be at **The Company's** absolute discretion and the consent of the **User** is not required. Further, in the event that the **Third Party Works** have not been completed by [] **The Company** shall have the right to terminate this **Construction Agreement** upon giving notice in writing to the **User** and in this event the provisions of Clause 11 of this **Construction Agreement** shall apply.

2.17 Wider Transmission Reinforcement Works

The Company shall keep the **User** advised as to progress on the **Wider Transmission Reinforcement Works** and shall include information on these in the reports produced pursuant to Clause 2.8.

3. DELAYS

- 3.1 If either party shall have reason to believe that it is being delayed or will be delayed in carrying out that party's **Works** for any reason (whether it is one entitling it to the fixing of a new date under Clause 3.2 of this **Construction Agreement** or not) it shall forthwith notify the other party in writing of the circumstances giving rise to the delay and of the extent of the actual and/or anticipated delay.
- 3.2 If prior to the **Completion Date** a party (in this Clause 3.2 "the **Affected Party**") shall be delayed in carrying out any of the **Affected Party's Works** (including their commissioning) by reason of any act, default or omission on the part of the other Party (in this Clause the "**Defaulting Party**") or the **Defaulting Party's** employees, agents, contractors or sub-contractors or by reason of an event of **Force Majeure**, the **Affected Party** shall be entitled to have such later date or dates fixed as the **Commissioning Programme Commencement Date** and/or (as the case may be) the **Completion Date** as may be fair and reasonable in the circumstances provided that it shall have notified the **Defaulting Party** in writing of such act, default or omission or event of **Force Majeure** within 28 days of it becoming aware of the occurrence giving rise to the delay together with an estimate of the proposed delay which it will cause the **Affected Party**. In the event of a dispute between the parties over what is or are any fair and reasonable new date or dates to be fixed in the circumstances this shall be promptly referred to and determined by the **Independent Engineer**. Once the new date or dates are fixed the **Construction Programme** and/or **Commissioning Programme** shall be deemed automatically amended as appropriate.

4. COMMISSIONING PROGRAMME AND LIQUIDATED DAMAGES

- 4.1 Each party shall give written notice to the other declaring its readiness to commence the **Commissioning Programme** when this is the case.
- 4.2 The **Commissioning Programme** shall commence forthwith once both parties have given written notice to the other under Clause 4.1.
- 4.3 The **Works** shall be deemed to have been **Commissioned** on the date that the **Independent Engineer** certifies in writing to that effect.
- 4.4 In the event that the actual date of commencement of the **Commissioning Programme** is later than the **Commissioning Programme Commencement Date** **The Company** (if and to the extent that it is responsible for delayed commissioning beyond the **Commissioning Programme Commencement Date**, such responsibility and/or its extent to be determined by the **Independent Engineer** failing agreement between the parties) shall be liable to pay to the **User Liquidated Damages** for each day that the actual date of commencement of the **Commissioning Programme** is later than the

Commissioning Programme Commencement Date. It is declared and agreed that such **Liquidated Damages** shall cease to be payable in respect of any period after the date of actual commencement of the **Commissioning Programme**.

- 4.5 In the event that the actual date on which the **Construction Works** are **Commissioned** is later than the **Completion Date** **The Company** (if and to the extent that it is responsible for delayed completion beyond the **Completion Date**, such responsibility and/or its extent to be determined by the **Independent Engineer** failing agreement between the parties) shall be liable to pay to the **User Liquidated Damages** for each day that the actual date on which the **Construction Works** are **Commissioned** is later than the **Completion Date**. It is hereby agreed and declared that such **Liquidated Damages** shall cease to be payable in respect of any period after completion of the **Construction Works**.
- 4.6 **Liquidated Damages** payable under Clauses 4.4 and 4.5 of this **Construction Agreement** shall accumulate on a daily basis but shall be payable calendar monthly. On or before the 15th day of each month the party entitled to receive the payment of **Liquidated Damages** shall send to the other party a statement of the **Liquidated Damages** which have accrued due in the previous calendar month. The party receiving such statement shall in the absence of manifest error pay the **Liquidated Damages** shown on the statement within 28 days of the date upon which the statement is received.
- 4.7 Without prejudice to and in addition to the obligation of the **User** pursuant to Clause 2.4 of this **Construction Agreement**, the payment or allowance of **Liquidated Damages** pursuant to this Clause 4 shall be in full satisfaction of **The Company's** liability for failure to perform its obligations by the **Commissioning Programme Commencement Date** and/or the **Completion Date** as appropriate.
- 4.8 In the event that the **User** shall have failed, in circumstances not entitling it to the fixing of a new date as the **Commissioning Programme Commencement Date** pursuant to Clause 3.2, to complete the **User's Works** by [] to a stage where the **User** is ready to commence the **Commissioning Programme**, **The Company** shall have the right to terminate this **Construction Agreement** upon giving notice in writing to the **User** and the provisions of Clause 11 shall apply.

5. APPROVAL TO CONNECT/ENERGISE/BECOME OPERATIONAL

- 5.1 Not later than 4 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties the parties shall prepare and submit the **Operation Diagrams** required to be prepared and submitted by each of them respectively under CC 7.4.7 and 7.4.10 and likewise the **Site Common Drawings** required

under CC 7.5.2 and 7.5.4 and, if necessary, **Gas Zone Diagrams** referred to in CC 7.4.9 and 7.4.12.

5.2 Not later than 3 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties the parties shall prepare and submit the **Operation Diagrams** required to be prepared and submitted by each of them respectively under CC 7.4.8 and 7.4.11 and likewise the Site **Common Drawings** required under CC 7.5.3 and 7.5.5.

5.3 Not later than 3 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties:-

5.3.1 each party shall submit to the other data within its possession needed to enable the completion of Appendices F3 and F4 to the **Bilateral Connection Agreement**; and

5.3.2 the **User** shall submit to **The Company** evidence satisfactory to **The Company** that the **User's Equipment** complies or will on completion of the **User's Works** comply with Clause 8 of this **Construction Agreement** and Paragraphs [1.3.3(b), 2.9 and 6.7] of the **CUSC**.

5.4 Not later than 8 weeks prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties each party shall submit to the other:

5.4.1 for the **Connection Site** information to enable preparation of **Site Responsibility Schedules** complying with the provisions of Appendix 1 to the **Connection Conditions** together with a list of managers who have been duly authorised by the **User** to sign such **Site Responsibility Schedules** on the **User's** behalf;

5.4.2 written confirmation as required under CC.5.2(g) that the list of **Safety Co-ordinators** are authorised and competent [and a list of persons appointed pursuant to **Grid Code** CC5.2(m)];

5.4.3 a list of the telephone numbers for the facsimile machines referred to in CC6.5.9.

5.5 If directly connected to the **National Electricity Transmission System** not later than 3 months prior to the expected **Commissioning Programme Commencement Date** each party shall submit to the other a statement of readiness to complete the **Commissioning Programme** in respect of the **Works** and the statement submitted by the **User** shall in addition contain relevant **Connected Planning Data** and a report certifying to **The Company** that, to the best of the information, knowledge and belief of the **User**, all relevant **Connection Conditions** applicable to the **User** have been

considered and complied with. If **The Company** considers that it is necessary, it will require this latter report to be prepared by the **Independent Engineer**. The report shall incorporate if requested by **The Company** type test reports and test certificates produced by the manufacturer showing that the **User's Equipment** meets the criteria specified in CC6.

5.6 If embedded not later than 3 months prior to the **Charging Date** or by such other time as may be agreed between the **Parties** the **User** shall submit to **The Company** a statement of readiness to use the **National Electricity Transmission System** together with **Connected Planning Data** and a report certifying to **The Company** that, to the best of the information, knowledge and belief of the **User**:-

- (i) all relevant **Connection Conditions** applicable to the **User** have been considered;
- (ii) CC 6 insofar as it is applicable to the **User** has been complied with; and
- (iii) the site-specific conditions set out in Appendices [F1, F3, F4] and [F5] to the **Bilateral Embedded Generation Agreement** have been complied with.

If **The Company** considers that it is necessary, it will require this report to be prepared by the **Independent Engineer**. The report shall incorporate if requested by **The Company** type test reports and test certificates produced by the manufacturer showing that the **User's Equipment** meets the criteria.

6. INDEPENDENT ENGINEER

The parties agree and shall procure that the **Independent Engineer** shall act as an expert and not as an arbitrator and shall decide those matters referred or reserved to him under this **Construction Agreement** by reference to **Good Industry Practice** using his skill, experience and knowledge and with regard to such other matters as the **Independent Engineer** in his sole discretion considers appropriate. All references to the **Independent Engineer** shall be made in writing by either party with notice to the other being given contemporaneously as soon as reasonably practicable and in any event within 14 days of the occurrence of the dispute to be referred to the **Independent Engineer**. The parties shall promptly supply the **Independent Engineer** with such documents and information as he may request when considering such question. The **Independent Engineer** shall use his best endeavours to give his decision upon the question before him as soon as possible following its referral to him. The parties shall share equally the fees and expenses of the **Independent Engineer**. The parties expressly acknowledge that submission of disputes for resolution by the **Independent Engineer** does not preclude subsequent submission of disputes for resolution by arbitration as provided for in the **Dispute Resolution Procedure**. Pending

any such submission the parties shall treat the **Independent Engineer's** decision as final and binding.

7. BECOMING OPERATIONAL

- [7.1 If directly connected to the **National Electricity Transmission System** **The Company** shall connect and **Energise** the **User's Equipment** at the **Connection Site** during the course of and in accordance with the **Commissioning Programme** and thereafter upon compliance by the **User** with the provisions of Clause 5 and provided (1) the **Construction Works** excluding the **Seven Year Statement Works** [delete Seven Year Statement Works under the Connect and Manage Arrangements if these are not Enabling Works] shall be **Commissioned** and (2) [the **Seven Year Statement Works** and **Third Party Works** shall be completed **The Company** shall forthwith notify the **User** in writing that the **Connection Site** shall become **Operational.**] or
- [7.2 If **Embedded** upon compliance by the **User** with the provisions of Clauses 5.1, 5.2 and 5.3 and subject, if **The Company** so requires, to the Enabling Works [and/or works for the **Modification**] being carried out and/or the [**New**] **Connection Site** being **Operational** (any or all as appropriate) **The Company** shall forthwith notify the **User** ("**Operational Notification**") in writing that it has the right to use the **National Electricity Transmission System**. It is an express condition of this **Construction Agreement** that in no circumstances, will the **User** use or operate the **User's Equipment** without receiving the **Operational Notification** from **The Company.**]
- 7.3 If, on completion of the **User's Works** in accordance with the terms of this **Construction Agreement** the **Registered Capacity** of the **User's Equipment** is less than []MW, **The Company** shall automatically have the right to amend Clause 7 and Appendix C to the **Bilateral Connection Agreement** to reflect the actual **Registered Capacity** of the **User's Equipment**.

Users in the capacity of a Directly Connected Power Station or Embedded Power Station (other than those who are a BELLA) insert the following

[7.4 Transmission Entry Capacity Reduction

- 7.4.1 If, at any time prior to the **Completion Date** **The Company** reasonably believes from data provided by the **User** to **The Company**, the reports provided by the **User** pursuant to Clause 2.8 and Clause 5 of this **Construction Agreement**, the commissioning process under the **Construction Agreement** or otherwise that the **User's Equipment** will be such that it will not be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** **The Company** shall advise the **User** accordingly in writing setting

out its reasons for this belief, the source of the information giving rise to the concern and seeking clarification from the **User**.

- 7.4.2** The **User** shall respond to **The Company** within 15 **Business Days** of the date of the **Preliminary Request** providing such information or data as is necessary to satisfy **The Company's** concerns set out in the **Preliminary Request** and making any amendments necessary to the report provided by the **User** pursuant to Clause 2.8 and / or data provided by the **User** to **The Company** to reflect this.
- 7.4.3** In the event that **The Company** is satisfied from the information provided in accordance with Clause 7.4.2 by the **User** that the **User's Equipment** will be such that it will be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** **The Company** shall notify the **User** accordingly.
- 7.4.4** In the event that the **User** does not respond to the **Preliminary Request** or, notwithstanding the **User's** response, **The Company** remains of the view that the **User's Equipment** will be such that it will not reasonably be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** **The Company** shall inform the **User** in writing that it intends to amend Clause 7 and Appendix C to the [**Bilateral Connection Agreement**] [**Bilateral Embedded Generation Agreement**] to reflect the **Transmission Entry Capacity** that it reasonably believes to be the level of power that the **User's Equipment** will be capable of exporting .
- 7.4.5** The **User** shall respond to the **Notice of Intent** within 15 **Business Days** of the date of the **Notice of Intent** explaining why it still reasonably believes that its **User's Equipment** will be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** or at more than the MW figure proposed by **The Company** in the **Notice of Intent** or providing a reasonable explanation as to why this is not the case.
- 7.4.6** In the event that **The Company** is satisfied from the information provided in accordance with Clause 7.4.5 by the **User** that the **User's Equipment** will be such that it will be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** **The Company** shall notify the **User** accordingly.
- 7.4.7** Where notwithstanding the **User's** response to the **Notice of Intent** **The Company** remains of the view that the **User's Equipment** will be such that it will not reasonably be capable of exporting power onto the **National Electricity Transmission System** at the level of the **Transmission Entry Capacity** or at more than the MW figure proposed by **The Company** in the **Notice of Intent** or the **User** does not provide a response that is satisfactory to **The Company** within the timescale specified in 7.4.5 above **The Company**

will issue the **Notice of Reduction** to the **User** and will send a copy of the same to the **Authority**.

7.4.8 Unless during such period the matter has been referred by the **User** to the **Authority** for determination by the **Authority** under the provisions of Standard Condition C9 Paragraph 4 of the **Transmission Licence**, the **Notice of Reduction** shall take effect on the day 15 **Business Days** after the date of the **Notice of Reduction** and Appendix C of the [**Bilateral Connection Agreement**] [**Bilateral Embedded Generation Agreement**] shall be amended on that date in the manner set out in the **Notice of Reduction**. Where the matter has been referred the amendments to Appendix C of the [**Bilateral Connection Agreement**] [**Bilateral Embedded Generation Agreement**] and the date they take effect shall be as set out in the Authority's determination.

7.4.9 After a **Notice of Reduction** has taken effect **The Company** shall be entitled to make such amendments to this **Construction Agreement** as it requires as a result of the reduction in **Transmission Entry Capacity** effected by the **Notice of Reduction** and as a consequence to the [**Bilateral Connection Agreement**] [**Bilateral Embedded Generation Agreement**]. **The Company** shall advise the **User** as soon as practicable and in any event within 3 months of the date of the **Notice of Reduction** (or if the matter has been referred by the **User** to the **Authority** for determination, the date of determination) of such amendments by way of offer of an agreement to vary the **Construction Agreement** and [**Bilateral Connection Agreement**] [**Bilateral Embedded Generation Agreement**]. This agreement to vary will also provide for payment by the **User** of the **Reduction Fee** where applicable. The parties acknowledge that any dispute regarding this variation shall be referable to and determined by the **Authority** under the provisions of Standard Condition C9 Paragraph 4 of the **Transmission Licence**.

7.5 Where there is a reduction in **Transmission Entry Capacity** under Clause 7.4 prior to the **Charging Date**, on such reduction in **Transmission Entry Capacity** taking effect the **User** shall pay to **The Company** the **Cancellation Charge** such payment to be made within 14 days of the date of **The Company's** invoice in respect thereof.]

Users in the capacity of a Directly Connected Distribution System where works are required in respect of a BELLA or a Relevant Embedded Medium Power Station or a Relevant Embedded Small Power Station insert the following

[7.4 Developer Capacity Reduction

7.4.1 If, at any time prior to the **Completion Date** **The Company** reasonably believes from the reports provided by the **User** pursuant to Clause 2.8 and Clause 5 of this **Construction Agreement** [*in the case of relevant embedded small/medium power stations – and/or CUSC Paragraphs 6.5.8 or 6.5.5.11*], the commissioning process generally or otherwise that the **Developer's Equipment** will be such that it will not be capable of generating at the

Developer Capacity, The Company shall advise the **User** accordingly in writing setting out its reasons and seeking clarification of the position from the **User**.

- 7.4.2** The **User** shall respond to **The Company** within 15 **Business Days** of the date of the **Preliminary Request** providing such information or data as is necessary to satisfy **The Company's** concerns set out in the **Preliminary Request** and making any amendments necessary to the report provided by the **User** pursuant to Clause 2.8 and /or data provided by the **User** to **The Company** to reflect this.
- 7.4.3** In the event that **The Company** is satisfied from the information provided in accordance with Clause 7.4.2 by the **User** that the **Developer's Equipment** will be such that it will be capable of generating at the **Developer Capacity** **The Company** shall notify the **User** accordingly.
- 7.4.4** In the event that the **User** does not respond to the **Preliminary Request** or, notwithstanding the **User's** response, **The Company** remains of the view that the **Developer's Equipment** will be such that it will not reasonably be capable of generating at the **Developer Capacity** , **The Company** shall inform the **User** and the **Developer** in writing that it intends to amend the **Developer Capacity** in this **Construction Agreement** [and the associated **BELLA**] to reflect the whole MW figure that it reasonably believes the **Developer's Equipment** will be capable of generating at.
- 7.4.5** The **User** shall respond to the **Notice of Intent** within 15 **Business Days** of the date of the **Notice of Intent** explaining why it still reasonably believes that the **Developer's Equipment** will be capable of generating at the **Developer Capacity** or at more than the MW figure proposed by **The Company** in the **Notice of Intent** or providing a reasonable explanation as to why this is not the case.
- 7.4.6** In the event that **The Company** is satisfied from the information provided in accordance with Clause 7.4.5 by the **User** that the **Developer's Equipment** will be such that it will be capable of generating at the **Developer Capacity** **The Company** shall notify the **User** accordingly.
- 7.4.7** Where notwithstanding the **User's** response **The Company** remains of the view that the **Developer's Equipment** will be such that it will not be capable of generating at the **Developer Capacity** or at or at more than the MW figure proposed by **The Company** in the **Notice of Intent** or the **User** does not provide a response that is satisfactory to **The Company** within the timescale specified in Clause 7.4.5 above **The Company** will issue the **Notice of Reduction** to the **User** and the **Developer** and will send a copy of the same to the **Authority**.
- 7.4.8** Unless during such period the matter has been referred by the **User** to the **Authority** for determination by the **Authority** under the provisions of

Standard Condition C9 Paragraph 4 of the **Transmission Licence**, the **Notice of Reduction** shall take effect on the day 15 **Business Days** after the date of the **Notice of Reduction** and the **Developer Capacity** in this **Construction Agreement** [and Appendix A of the associated **BELLA**] shall be amended on that date in the manner set out in the **Notice of Reduction**. Where the matter has been referred the amendments to Appendix A of the associated **BELLA** and the date they take effect shall be as set out in the Authority's determination.

7.4.9 After a **Notice of Reduction** has taken effect **The Company** shall be entitled to make such amendments to this **Construction Agreement** as it requires as a result of the reduction in the **Developer Capacity** effected by the **Notice of Reduction** and as a consequence to the [**Bilateral Connection Agreement** or **Agreement to Vary**] [and **BELLA**]. **The Company** shall advise the **User** as soon as practicable and in any event within 3 months of the date of the **Notice of Reduction** (or if the matter has been referred by the **User** [and **BELLA**] to the **Authority**, the date of determination) of such amendments by way of agreement(s) to vary. The agreement to vary will also provide for payment by the **User** of the **Reduction Fee** and on such reduction in **Developer Capacity** taking effect the **User** shall pay the **Cancellation Charge** in respect of the reduction such payment to be made within 14 days of the date of **The Company's** invoice in respect thereof. The parties acknowledge that any dispute regarding this variation shall be referable to and determined by the **Authority** under the provisions of Standard Condition C9 Paragraph 4 of the **Transmission Licence**.”]

7.4.10 Where as a result of the reduction in the **Developer Capacity** effected by the **Notice of Reduction** the **Developer** is no longer an **Embedded Exemptable Large Power Station** and as a result the **BELLA** is to be terminated as provided for in the **BELLA** then the following provisions shall apply:

7.4.10.1 The agreement to vary referred to in Clause 7.4.9 above shall also provide for such amendments as are necessary to the **Construction Agreement** and [**Bilateral Connection Agreement** or **Agreement to Vary**] to reflect the fact that the **Developer** is no longer to be party to a **BELLA** but is a **Relevant Embedded Small Power Station**.

7.4.10.2 Where **The Company** determines that the reduction in the **Developer Capacity** effected by the **Notice of Reduction** is such that if a **Request for a Statement of Works** had been made by the **User** on the basis of that reduced **Developer Capacity** on the same date as, but instead of, the **Developer's** application for the **BELLA** then no works would have been required on the **National Electricity Transmission System** then **The Company** shall be entitled to terminate this **Construction Agreement** and the provisions of Clause 11 shall apply. In such case **The Company** shall be entitled to make such amendments as are necessary to the [**Bilateral Connection Agreement** or **Agreement to Vary**] to reflect the

fact that the **Developer** is no longer party to a **BELLA** but is a **Relevant Embedded Small Power Station**.

7.4.10.3 The **Company** and the **User** shall treat the **Developer** as if it had been a **Relevant Embedded Small Power Station** at the time of its application for a **BELLA** and for the purposes of **CUSC** Paragraph 6.5 as if a) the **Developer's** application for the **BELLA** had been a **Request for a Statement of Works** under **CUSC** 6.5.5, b) this **Construction Agreement** had been entered into as a result of the **Modification Application** referred to in **CUSC** Paragraph 6.5.5.5, c) the **Notice of Reduction** is a revised **Request for a Statement of Works** from the **User** under **CUSC** Paragraph 6.5.5.8 by reference to the reduction in the **Developer Capacity** effected by the **Notice of Reduction** and d) the agreement to vary referred to in Clause 7.4.10.1 or 7.4.10.2 as **The Company's** response to the **User's** revised **Request for a Statement of Works** and the provisions of **CUSC** Paragraph 6.5 shall apply on that basis.

7.5 Where there is a reduction in **Developer Capacity** under Clause 7.4 prior to the **Charging Date**, on such reduction in **Developer Capacity** taking effect the **User** shall pay to **The Company** the **Cancellation Charge** such payment to be made within 14 days of the date of **The Company's** invoice in respect thereof.

8. COMPLIANCE WITH SITE SPECIFIC TECHNICAL CONDITIONS

The **User** shall ensure that on the **Completion Date** the **User's Equipment** complies with the site specific technical conditions set out in Appendices F1-5 to the **Bilateral Connection Agreement** .

9. PROVISION OF SECURITY

Where required to do so under **CUSC** Section 15, the **User** shall provide **The Company** with security arrangements in accordance with **CUSC** Section 15 Part Three in respect of the **User's** obligations to pay the **Cancellation Charge** to **The Company** on termination of this **Construction Agreement** or a reduction in [**Transmission Entry Capacity**] [**Developer Capacity**] prior to the **Charging Date**.

10. EVENT OF DEFAULT

Once any of the **Events of Default** in Paragraph 5.3.1 and/or Paragraph 5.4.6.2 and/or Paragraph 5.4.6.3 of the **CUSC** has occurred and is continuing **The Company** may give notice of termination to the **User** whereupon this

Construction Agreement shall forthwith terminate and the provisions of Clause 11 shall apply.

11. TERMINATION

11.1 On termination of this **Construction Agreement** **The Company** shall disconnect all the **User's Equipment** at the **Connection Site** and:

(a) the **User** shall remove any of the **User's Equipment** on, in relation to **Connection Sites** in England and Wales, **The Company's** or, in relation to **Connection Sites** in Scotland, **Relevant Transmission Licensee's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**; and

(b) in the case of **Connection Sites** in England and Wales, **The Company** shall remove and, in the case of **Connection Sites** in Scotland, **The Company** shall procure that the **Relevant Transmission Licensee** removes, any **Transmission Connection Assets** on the **User's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**.

11.2 The **User** shall where this **Construction Agreement** terminates prior to the **Charging Date** be liable forthwith on the date this **Construction Agreement** so terminates to pay to **The Company** the **Cancellation Charge** such payment to be made within 14 days of the date of **The Company's** invoice in respect thereof.

12. TERM

12.1 Subject to the provisions for earlier termination set out in the **CUSC** this **Construction Agreement** shall continue until terminated in accordance with Clause 2.5, 2.6, 4.8 or 11 hereof.

12.2 In addition this **Construction Agreement** shall terminate upon termination of the associated **Bilateral Connection Agreement** and in the event that this is prior to the **Charging Date** the **User** the provisions of Clause 11 shall apply.

12.3 The associated [**Bilateral Connection Agreements** or **Agreement to Vary the Bilateral Connection Agreement**] will automatically terminate upon termination of this **Construction Agreement** prior to the **Charging Date**.

12.4 Any provisions for payment shall survive termination of this **Construction Agreement**.

13. CUSC

The provisions of Sections 6.6 (Payment), 6.14 (Transfer and Subcontracting), 6.15 (Confidentiality), 6.18 (Intellectual Property), 6.19 (Force Majeure), 6.20 (Waiver), 6.21 (Notices), 6.22 (Third party Rights), 6.23 (Jurisdiction), 6.24 (Counterparts), 6.25 (Governing Law), 6.26 (Severance of Terms), 6.27 (Language) inclusive of the **CUSC** shall apply to this **Construction Agreement** as if set out in this **Construction Agreement**.

14. DISPUTES

14.1 Except as specifically provided for in Clause 14.2 of this **Construction Agreement** any dispute arising under the terms of this **Construction Agreement** shall be referred to arbitration in accordance with the **Dispute Resolution Procedure**.

14.2 If there shall be any dispute between the **User** and **The Company** as to:-

15. VARIATIONS

15.1 Subject to Clause 15.2 and 15.3 below, no variation to this **Construction Agreement** shall be effective unless made in writing and signed by or on behalf of both **The Company** and the **User**.

15.2 **The Company** and the **User** shall effect any amendment required to be made to this **Construction Agreement** by the **Authority** as a result of a change in the **CUSC** or the **Transmission Licence**, an order or direction made pursuant to the **Act** or a **Licence**, or as a result of settling any of the terms hereof. The **User** hereby authorises and instructs **The Company** to make any such amendment on its behalf and undertakes not to withdraw, qualify or revoke such authority or instruction at any time.

15.3 **The Company** has the right to vary Appendices in accordance with Clauses 2.3, 2.11 and 7.4 and Paragraph 6.9 of the **CUSC**.

IN WITNESS WHEREOF the hands of the duly authorised representatives of the parties hereto at the date first above written

SIGNED BY)
[name])
for and on behalf of)
National Grid Electricity Transmission plc)

SIGNED BY)
[name])
for and on behalf of)
[User])

APPENDIX [B]
ONE OFF WORKS

APPENDIX [G]
TRANSMISSION CONNECTION ASSET WORKS

APPENDIX [H]

TRANSMISSION REINFORCEMENT WORKS

Part 1 Enabling Works

Part 2 Wider Transmission Reinforcement Works

**APPENDIX [I]
USER'S WORKS**

APPENDIX [J]
CONSTRUCTION PROGRAMME

APPENDIX [K]
LIQUIDATED DAMAGES

Company:

Connection site:

Type:

The amount of Liquidated Damages payable by The Company to the User pursuant to this Construction Agreement shall be:

Liquidated Damages under Clause [4] of this Construction Agreement shall be calculated on a daily basis at a rate of £XXXXX per week subject to the limit that the total Liquidated Damages payable by The Company to the User under this Clause shall not exceed £XXXXX.

APPENDIX [L]

INDEPENDENT ENGINEER

Company:

Connection site:

Type:

The Independent Engineer will be a Member of the Association of Consulting Engineers (ACE) and shall be agreed between the parties within 120 days of execution of this Construction Agreement or such other period as may be agreed between the parties. Failing agreement it shall be referred to the President of the Institution of Electrical Engineers who shall nominate the Independent Engineer.

APPENDIX [N]
THIRD PARTY WORKS

APPENDIX [P]

DEVELOPER'S DATA

Power Station

Location of Power station

Connection Site (GSP)

Site of Connection

Agreement Reference

[Insert details equivalent to data listed in part 1 of the planning code]

Anticipated date when Power Station's connection to use of the Distribution System will be energised.

SCHEDULE 2 EXHIBIT 3

PART 2

For use with Users other than in the categories referred to in **PART 1**

Deleted: art

INDICATIVE

DATED [] 200[1]

NATIONAL GRID ELECTRICITY TRANSMISSION PLC (1)

and

[] (2)

THE CONNECTION AND USE OF SYSTEM CODE

CONSTRUCTION AGREEMENT

CONTENTS

<u>Clause</u>	<u>Title</u>
1	Definitions, Interpretation and Construction
2	Carrying out of the Works
3	Delays
4	Commissioning Programme and Liquidated Damages
5	Approval to Connect/Energise/Become Operational
6	Independent Engineer

7	Becoming Operational
8	Compliance with Site Specific Technical Conditions
9	Credit Requirements
10	Event of Default
11	Termination on Event of Default
12	Term
13	CUSC
14	Disputes
15	Variations
Appendix B	One Off Works
Appendix G	Transmission Connection Asset Works
Appendix H	Transmission Reinforcement Works
Appendix I	User's Works
Appendix J	Construction Programme
Appendix K	Liquidated Damages
Appendix L	Independent Engineer
Appendix M	Security Arrangements
Appendix N	Third Party Works

THIS CONSTRUCTION AGREEMENT is made on the [] day of [] 200[1]

BETWEEN

- (1) National Grid Electricity Transmission plc a company registered in England with number 2366977 whose registered office is at 1-3 Strand, London, WC2N 5EH ("**The Company**", which expression shall include its successors and/or permitted assigns); and
- (2) [] a company registered in [] with number [] whose registered office is at [] ("**User**", which expression shall include its successors and/or permitted assigns)

WHEREAS

- (A) Pursuant to the **Transmission Licence**, **The Company** has prepared a Connection and Use of System Code (**CUSC**) setting out the terms of the arrangements for connection to and use of the **National Electricity Transmission System** and the provision of certain **Balancing Services**.
- (B) The **User** has applied for [connection to] [and use of] [modification to its connection to] [or use of] the **National Electricity Transmission System** and pursuant to Standard Condition C8 of the **Transmission Licence**, **The Company** is required to offer terms in accordance with the **CUSC** in this respect **or** [specific recital to reflect that the **Construction Agreement** is an amendment of an existing signed offer pursuant to the **CUSC** amending documents]
- (C) **The Company** and the **User** are parties to the **CUSC Framework Agreement** (being an agreement by which the **CUSC** is made contractually binding between the parties).
- (D) Certain works are required as part of this offer as set out in this **Construction Agreement**.
- (E) This **Construction Agreement** is entered into pursuant to the terms of the **CUSC**.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section 11 of the **CUSC** and in the Bilateral Connection Agreement have the same meanings, interpretations or constructions in this **Construction Agreement**.

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"Authority"	as defined in the CUSC .
"Bilateral Connection Agreement"	the Bilateral Connection Agreement entered into between the parties on even date herewith.
"Charging Date"	the date upon which the Construction Works are first Commissioned and available for use by the User or if the Independent Engineer before, on or after the Commissioning Programme Commencement Date shall have certified in writing that the Transmission Connection Assets , are completed to a stage where The Company could commence commissioning and by such date the User's Works shall not have been so certified then the date falling [] days after the date of such certification, provided that the Transmission Reinforcement Works are Commissioned and Seven Year Statement Works are completed as at that date. In the event that the Transmission Reinforcement Works are not so Commissioned and/or the Seven Year Statement Works are not so completed the Charging Date shall be the date on which they are Commissioned and/or completed as appropriate.
"Commissioning Programme Commencement Date"	the date specified in the Construction Programme for the commencement of the Commissioning Programme or any substituted date fixed under the terms of this Construction Agreement
"Commissioning Programme"	the sequence of operations/tests necessary to connect the User's Works and the Transmission Connection Asset Works to the National Electricity Transmission System for the purpose of making the User's Works available for operation to be determined pursuant to Clause 2.10 of this Construction

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“Completion Date”	[] or such other date as may be agreed in terms of this Construction Agreement for completion of the Construction Works .
“Connected Planning Data”	data required pursuant to the Planning Code which replaces data containing estimated values assumed for planning purposes by validated actual values and updated estimates for the future and by updated forecasts for forecast data items.
“Consents”	in relation to any Works :- (a) all such planning and other statutory consents; and (b) all wayleaves, easements, rights over or interests in land or any other consent; or (c) permission of any kind as shall be necessary for the construction of the Works and for commencement and carrying on of any activity proposed to be undertaken at or from such Works when completed.
“Construction Programme”	the agreed programme for the Works to be carried out by The Company and the User set out in detail in Appendix [J] to this Construction Agreement or as amended from time to time pursuant to Clauses 2.3 and 3.2 of this Construction Agreement .
“Construction Site”	the site where the Transmission Connection Asset Works are being undertaken by or on behalf of The Company ;
“Construction Works”	the Transmission Connection Asset Works, Transmission Reinforcement Works, Seven Year Statement Works

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and **One Off Works** and such additional works as are required in order to comply with any relevant **Consents** relating to any such works but excluding for the avoidance of doubt any **Third Party Works**.

- "Dispute Resolution Procedure" the procedure for referral to arbitration set out in Paragraph 7.4 of the **CUSC**.
- "Event of Default" any of the events set out in Clause 10 of this **Construction Agreement** as constituting an event of default.
- "Final Sums" the amount payable by the **User** on termination of this **Construction Agreement** being the aggregate from time to time and for the time being of:-
- (1) all **The Company Engineering Charges** arisen prior to the date of termination;
 - (2) fees, expenses and costs (excluding costs on account of interest charges incurred by The Company) of whatever nature reasonably and properly incurred or due by **The Company** in respect of any part of the **Construction Works** carried out prior to the date of termination of this **Construction Agreement**;
 - (3) fees, expenses and costs properly payable by **The Company** in respect of, or arising from the termination by it or any third party of any contract for or relating to the carrying out of any **Construction Works** provided it is negotiated on an arms length basis (including any such arising under the **STC**);
 - (4) a sum equal to the reasonable

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costs of removing any **Transmission Connection Assets** and of making good the remaining **Plant and Apparatus** following such removal; and

- (5) interest on any such amounts from the date they were paid by The Company to the date of The Company's invoice at 2% over **Base Rate** from time to time and for the time being.

Provided that no sum shall be due in respect of **Final Sums** in respect of fees, expenses and costs associated with (a) the **Seven Year Statement Works** and/or (b) **Transmission Reinforcement Works** and specified in Part 2 of Appendix H.

Any dispute as to the amount of **Final Sums** shall be referred to arbitration in accordance with the **Dispute Resolution Procedure**.

"Independent Engineer"

the engineer specified in Appendix L to this **Construction Agreement**. Provided that:-

- (a) where the parties fail to agree on a suitable engineer within 120 days of the date of this **Construction Agreement**; or
- (b) where any **Independent Engineer** appointed from time to time shall fail, refuse or cease to act in the capacity set out herein and no substitute engineer of suitable standing and qualification can be agreed by the parties within 30 days;

then such engineer as the President of the Institution of Electrical Engineers

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	shall, on the application of either party, nominate shall be the Independent Engineer .
“Liquidated Damages”	the sums specified in or calculated pursuant to Appendix K to this Construction Agreement .
“One Off Works”	the works described in Appendix B1 to this Construction Agreement .
“Seven Year Statement Works”	the works set out in Table B7 of the statement prepared by The Company pursuant to Standard Condition C11 of the Transmission Licence and issued by The Company in [] which in The Company’s reasonable opinion are required to be completed before the Completion Date to ensure that the National Electricity Transmission System complies with the requirements of Standard Condition C17 of the Transmission Licence and Standard Condition D3 of any Relevant Transmission Licensee’s transmission licence prior to the Connection of the User’s Equipment in terms of Clause 7.1 [or 7.2] of this Construction Agreement .
“Term”	the term of this Construction Agreement commencing on the date hereof and ending in accordance with Clause 12.
“Third Party Works”	the works to be undertaken on assets belonging to a party other than The Company and the User to enable it to provide or as a consequence of the connection to and/or use of the National Electricity Transmission System by the User as specified in Appendix N;

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"Transmission Connection Assets"	the assets specified in Appendix A to the Bilateral Connection Agreement .
"Transmission Connection Asset Works"	the works necessary for construction and installation of the Transmission Connection Assets at the Connection Site specified in Appendix G to this Construction Agreement .
"Transmission Reinforcement Works"	those works other than the Transmission Connection Asset Works, Seven Year Statement Works and One Off Works , which in the reasonable opinion of The Company are all necessary to extend or reinforce the National Electricity Transmission System to ensure that the National Electricity Transmission System complies with the requirements of Standard Condition C17 of the Transmission Licence and Standard Condition D3 of any Relevant Transmission Licensee's transmission system in relation to and prior to the connection of the User's Equipment at the Connection Site and which are specified in Appendix H to this Construction Agreement , where Part 1 is works required for the User and Part 2 is works required for wider system reasons.
"User's Works"	those works necessary for installation of the User's Equipment which are specified in Appendix I to this Construction Agreement .
"Works"	the Construction Works and the User's Works .

2 CARRYING OUT OF THE WORKS

- 2.1 Forthwith following the date of this **Construction Agreement** (i) in respect of **Connection Sites** in England and Wales **The Company** and the **User** shall agree the **Safety Rules** and **Local Safety Instructions** to apply during the **Construction Programme** and **Commissioning Programme**; and (ii) in

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respect of **Connection Sites** in Scotland the **User** shall agree with the **Relevant Transmission Licensee** the **Safety Rules** and **Local Safety Instructions** to apply during the **Construction Programme** and **Commissioning Programme**. Failing agreement within three months of the date of this **Construction Agreement** the matter shall be referred to the **Independent Engineer** for determination in accordance with Clause 6 of the **Construction Agreement**.

2.2 Subject to Clauses 2.3 and 2.4 of this **Construction Agreement** forthwith following the date of this **Construction Agreement** **The Company** shall use its best endeavours to obtain in relation to the **Construction Works**, and the **User** shall use its best endeavours to obtain in relation to the **User's Works**, all **Consents**. Each shall give advice and assistance to the other to the extent reasonably required by the other in the furtherance of these obligations. Further, each party shall, so far as it is legally able to do so, grant to, in relation to **Connection Sites** in England and Wales, the other, or in relation to **Connection Sites** in Scotland, the **Relevant Transmission Licensee**, all such wayleaves, easements, servitude rights, rights over or interests (but not estates as regards land in England and Wales and not heritable or leasehold interests as regards land in Scotland) in land or any other consents reasonably required by the other or the **Relevant Transmission Licensee** in order to enable the **Works** to be expeditiously completed and to enable that other to carry out its obligations to the other under this **Construction Agreement** and in all cases subject to such terms and conditions as are reasonable.

2.3 The following additional provisions shall apply in respect of the **Consents** and **Construction Works**:-

2.3.1 All dates specified in this **Construction Agreement** are subject to **The Company** obtaining **Consents** for the **Construction Works** in a form acceptable to it within the time required to carry out the **Construction Works** in accordance with the **Construction Programme**.

2.3.2 In the event of:-

- (a) the **Consents** not being obtained by the required date; or
- (b) the **Consents** being subject to conditions which affect the dates; or
- (c) **The Company** wishing to amend the **Construction Works** to facilitate the granting of the **Consents**,

The Company shall be entitled to revise the **Construction Works** (and as a consequence Appendix A to the **Bilateral Connection Agreement**) and all dates specified in this **Construction Agreement** and the charges specified in Appendix B to the **Bilateral Connection**

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Agreement. For the avoidance of doubt such revisions shall be at **The Company 's** absolute discretion and the consent of the **User** is not required.

2.3.3 The **User** shall be regularly updated by **The Company** in writing or by such other means as the parties may agree as to progress made by **The Company** from time to time in the obtaining of relevant **Consents** pursuant to its obligations under Clause 2.2 or 2.3 of this **Construction Agreement**.

2.4.1 The **User** shall be liable to pay to **The Company** as part of Final Sums:-

- (a) all **The Company 's Engineering Charges** accrued; and
- (b) proper and reasonable out-of-pocket expenses incurred and/or paid or which **The Company** is legally bound to incur or pay

in seeking and obtaining the **Consents** the subject of Clause 2.2 of this **Construction** excluding any costs associated with the **Seven Year Statement Works** and the works specified in Part 2 of Appendix H.

The **User** acknowledges these out of pocket ancillary expenses may include planning inquiries or appeals and the capital costs together with reasonable legal and surveyors costs of landowners or occupiers in acquiring permanent easements or other rights in respect of any electric line or underground cable forming part of the **Transmission Connection Asset Works**. This sum shall not include any capital costs incurred by **The Company**, in relation to **Connection Sites** in England and Wales, in the acquisition by it of the freehold of any land or any **Relevant Transmission Licensee**, in relation to **Connection Sites** in Scotland, in the acquisition by it of the feuhold of any land. **The Company** shall keep the **User** informed of the level of such charges and expenses being incurred. The **User** shall pay such sums within 28 (twenty eight) days of the date of **The Company 's** invoice therefor.

2.4.2 Paragraphs 11.2.3 to 11.2.5 of the **CUSC** relating to **Consents** shall apply to the **Construction Agreement** as if set out here in full.

2.5 Prior to the commencement of the **Transmission Connection Asset Works** the **User** shall have the right to terminate this **Construction Agreement** upon giving not less than 7 (seven) days notice in writing to **The Company**. In the event of the **User** terminating this **Construction Agreement** in terms of this Clause 2.5 the **User** shall in addition to the payments for which it is liable under Clause 2.4 hereof be liable to pay to **The Company** a sum equal to **The Company 's** estimate or if applicable revised estimate of **Final Sums**. The **User** shall pay such sums within 14 (fourteen) days of the date of **The**

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Company's invoice(s) therefore and (where applicable) on termination where applicable **The Company** shall disconnect the **User's Equipment** at the **Connection Site** and:

- (a) the **User** shall remove any of the **User's Equipment** on, in relation to **Connection Sites** in England and Wales, **The Company's** or, in relation to **Connection Sites** in Scotland, **Relevant Transmission Licensee's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**; and
- (b) in the case of **Connection Sites** in England and Wales, **The Company** shall remove and, in the case of **Connection Sites** in Scotland, **The Company** shall procure that the **Relevant Transmission Licensee** removes, any of the **Transmission Connection Assets** on the **User's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**.

2.6 If the **User** fails to obtain all **Consents** for the **User's Works** having complied with the obligations in Clause 2.2 of this **Construction Agreement** the obligation on the **User** to complete the **User's Works** shall cease and the **User** may by written notice to **The Company** terminate this **Construction Agreement** whereupon the **User** shall in addition to the sums for which it is liable under Clause 2.4 hereof be liable to pay to **The Company** a sum equal to **The Company's** estimate or if applicable revised estimate of **Final Sums**. The **User** shall pay such sums within 14 (fourteen) days of the date of **The Company's** invoice(s) therefore and (where applicable) on termination **The Company** shall disconnect the **User's Equipment** at the **Connection Site** and;

- (a) the **User** shall remove any of the **User's Equipment** on, in relation to **Connection Sites** in England and Wales, **The Company's** or, in relation to **Connection Sites** in Scotland, **Relevant Transmission Licensee's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**; and
- (b) in the case of **Connection Sites** in England and Wales, **The Company** shall remove and, in the case of **Connection Sites** in Scotland, **The Company** shall procure that the **Relevant Transmission Licensee** removes, any of the **Transmission Connection Assets** on the **User's** land within 6 months of the date of termination or such longer period as may be agreed between **The**

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Company or the **Relevant Transmission Licensee** (as appropriate) and the **User**.

- 2.7 Both parties shall be entitled to contract or sub-contract for the carrying out of their respective parts of the **Works** (which in the case of **The Company** shall include work carried out by a **Relevant Transmission Licensee** or its contractors or sub-contractors). The **User** or any contractor on its behalf shall be responsible for commencing and for carrying out the **User's Works** to such stage of completion as shall render them capable of being **Commissioned** in accordance with the **Construction Programme** and **The Company** or any contractor on its behalf shall be responsible for commencing and carrying out the **Construction Works** to such stage of completion as shall render them capable of being **Commissioned** in accordance with the **Construction Programme**.
- 2.8 The parties shall continuously liaise throughout the **Construction Programme** and **Commissioning Programme** and each shall provide to the other all information relating to its own **Works** reasonably necessary to assist the other in performance of that other's part of the **Works**, and shall use all reasonable endeavours to coordinate and integrate their respective part of the **Works**. There shall be on-site meetings between representatives of the parties at intervals to be agreed between the parties. Each party shall deliver to the other party a written report of progress during each calendar quarter within 7 days of the end of that quarter.
- 2.9 During the period of and at the times and otherwise as provided in the **Construction Programme** and the **Commissioning Programme** **The Company** shall allow the **User**, its employees, agents, suppliers, contractors and sub-contractors necessary access to the **Construction Site** and the **User** shall allow **The Company** or, in the case of **Connection Sites** in Scotland, the **Relevant Transmission Licensee** and in either case their employees, agents, suppliers, contractors and sub-contractors necessary access to its site to enable each to carry out the **Transmission Connection Asset Works** and **One Off Works** or **User's Works** but not so as to disrupt or delay the construction and completion of the other's **Works** on the said sites or the operation of the other's **Plant** and **Apparatus** located thereon, such access to be in accordance with any reasonable regulations relating thereto made by the site owner or occupier.
- 2.10 Not later than six months prior to the **Commissioning Programme Commencement Date** **The Company** shall provide the **User** with a draft **Commissioning Programme** for the **Commissioning** of the **Transmission Connection Assets**, and the **User's Equipment**. The **User** shall, as quickly as practicable and in any event within three months of receipt thereof, determine whether or not to approve the proposed **Commissioning**

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Programme (which approval shall not be unreasonably withheld or delayed) and shall within such three month period either notify **The Company** of its approval or, in the event that the **User** reasonably withholds its approval, notify **The Company** of any changes or variations to the proposed commissioning programme recommended by the **User**. If **The Company** does not accept such changes or variations submitted by the **User** any dispute shall be referred to the **Independent Engineer** for determination. The **Commissioning Programme** agreed between the parties or determined by the **Independent Engineer** as the case may be shall be implemented by the parties and their sub-contractors in accordance with its terms.

- 2.11 If at any time prior to the **Completion Date** it is necessary for **The Company** or **The Company** in its reasonable discretion wishes to make any addition to or omission from or amendment to the **Transmission Connection Asset Works** and/or **Transmission Reinforcement Works** and/or the **One Off Works** and/or the **Third Party Works** **The Company** shall notify the **User** in writing of such addition, omission or amendment and Appendices [B1 (One Off Works), G (**Transmission Connection Asset Works**) H (**Transmission Reinforcement Works**) and N (**Third Party Works**)] to this **Construction Agreement** and consequently Appendices [A (**Transmission Connection Assets**) and B (**Connection Charges** and **One Off Charges**)] to the associated **Bilateral Connection Agreement** shall be automatically amended to reflect the change.
- 2.12 [The **User** shall apply to the Secretary of State for Trade and Industry as part of its application under Section 36 of the Act for its generating station, for deemed planning permission in relation to the substation forming part of the **Transmission Connection Asset Works**. The **User** shall use its best endeavours to procure that the said deemed planning permission is so obtained. **The Company's** obligations under Clause 2.2 of this **Construction Agreement** shall not require it to obtain planning consent for the said substation unless and until the Secretary of State for Trade and Industry shall for whatever reason refuse to deem the grant of planning permission in respect of the same. The **User** shall liaise with **The Company** as to its construction and operational requirements and shall ensure that the said application meets **The Company's** requirements. **The Company** shall provide the **User** with all information reasonably required by it in relation to the application and the **User** shall ensure that all requirements of **The Company** are incorporated in the application for deemed planning consent.]
- 2.13 [The **Transmission Reinforcement Works** are conditional on British Energy Generation Limited and/or Magnox Electric plc (as the case may be) granting approval to the carrying out of the **Construction Works** in terms of the Nuclear Site Licence Provisions Agreement being an agreement dated 30 March 1990 between The Company and Nuclear Electric plc (now called Magnox Electric plc) and an agreement dated 31 March 1996 between The

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Company and British Energy Generation Limited (and described as such). In the event of British Energy Generation Limited and/or Magnox Electric plc (as the case may be) not granting approval **The Company** shall be entitled to change the **Construction Works**, the **Construction Programme** and all dates specified in this **Construction Agreement**.]

2.14 [It is hereby agreed and declared for the purposes of the Construction (Design and Management) Regulations 1994 that the **User** is the only client in respect of the **User's Works** and **The Company** is the only client in respect of the **Construction Works** and each of the **User** and **The Company** shall accordingly discharge all the duties of clients under the said **Regulations**.]

2.15 [**The Company** and the **User** hereby agree and acknowledge that this **Construction Agreement** is not to be treated as a construction contract within the meaning of section 104 of the Housing Grants, Construction and Re-generation Act 1996 and sections 104 to 113 of the said Act shall have no application either to the **Construction Works** or the **User's Works** and the parties' rights and obligations with regard to matters of dispute resolution and payment procedures are as expressly set out herein.

2.16 **Third Party Works**

2.16.1 The **User** shall be responsible for carrying out or procuring that the **Third Party Works** are carried out and shall carry them out or procure that they are carried out in accordance with the timescales specified in the **Construction Programme**. The **User** shall confirm to **The Company** or, where requested to do so by **The Company**, provide confirmation from the third party that the **Third Party Works** have been completed.

2.16.2 Given the nature of these works it may not be possible to fully identify the works required or the third parties they relate to at the date hereof. Where this is the case **The Company** shall, subject to 2.x.3 below, advise the **User** as soon as practicable and in any event by [] of the **Third Party Works** and shall be entitled to revise Appendix N and as a consequence the **Construction Programme** as necessary to reflect this.

2.16.3 Where **Third Party Works** are likely to be **Modifications** required to be made by another user(s) ("the "**First User(s)**") as a consequence of **Modifications** to the **National Electricity Transmission System** to be undertaken by **The Company** under this **Construction Agreement** **The Company** shall as soon as practicable after the date hereof issue the notification to such **First User's** in accordance with **CUSC** Paragraph 6.9.3.1. The **User** should note its obligations under **CUSC** Paragraph 6.10.3 in respect of the costs of any **Modifications** required by the **First User(s)**.

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2.16.4 In the event that the **Third Party Works** have not been completed by the date specified in the **Construction Programme** or, in **The Company's** reasonable opinion are unlikely to be completed by such date, **The Company** shall be entitled to revise the **Construction Programme** as necessary to reflect such delay and also, where **The Company** considers it necessary to do so, shall be entitled to revise the **Construction Works** (and as a consequence Appendices A and B to the **Bilateral Connection Agreement**). For the avoidance of doubt such revisions shall be at **The Company's** absolute discretion and the consent of the **User** is not required. Further, in the event that the **Third Party Works** have not been completed by [] **The Company** shall have the right to terminate this **Construction Agreement** upon giving notice in writing to the **User** and in this event the provisions of Clause 11 of this **Construction Agreement** shall apply.

3 DELAYS

- 3.1 If either party shall have reason to believe that it is being delayed or will be delayed in carrying out that party's **Works** for any reason (whether it is one entitling it to the fixing of a new date under Clause 3.2 of this **Construction Agreement** or not) it shall forthwith notify the other party in writing of the circumstances giving rise to the delay and of the extent of the actual and/or anticipated delay.
- 3.2 If prior to the **Completion Date** a party (in this Clause 3.2 "the **Affected Party**") shall be delayed in carrying out any of the **Affected Party's Works** (including their commissioning) by reason of any act, default or omission on the part of the other Party (in this Clause the "**Defaulting Party**") or the **Defaulting Party's** employees, agents, contractors or sub-contractors or by reason of an event of **Force Majeure**, the **Affected Party** shall be entitled to have such later date or dates fixed as the **Commissioning Programme Commencement Date** and/or (as the case may be) the **Completion Date** as may be fair and reasonable in the circumstances provided that it shall have notified the **Defaulting Party** in writing of such act, default or omission or event of **Force Majeure** within 28 days of it becoming aware of the occurrence giving rise to the delay together with an estimate of the proposed delay which it will cause the **Affected Party**. In the event of a dispute between the parties over what is or are any fair and reasonable new date or dates to be fixed in the circumstances this shall be promptly referred to and determined by the **Independent Engineer**. Once the new date or dates are fixed the **Construction Programme** and/or **Commissioning Programme** shall be deemed automatically amended as appropriate.

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4 COMMISSIONING PROGRAMME AND LIQUIDATED DAMAGES

- 4.1 Each party shall give written notice to the other declaring its readiness to commence the **Commissioning Programme** when this is the case.
- 4.2 The **Commissioning Programme** shall commence forthwith once both parties have given written notice to the other under Clause 4.1.
- 4.3 The **Works** shall be deemed to have been **Commissioned** on the date that the **Independent Engineer** certifies in writing to that effect.
- 4.4 In the event that the actual date of commencement of the **Commissioning Programme** is later than the **Commissioning Programme Commencement Date The Company** (if and to the extent that it is responsible for delayed commissioning beyond the **Commissioning Programme Commencement Date**, such responsibility and/or its extent to be determined by the **Independent Engineer** failing agreement between the parties) shall be liable to pay to the **User Liquidated Damages** for each day that the actual date of commencement of the **Commissioning Programme** is later than the **Commissioning Programme Commencement Date**. It is declared and agreed that such **Liquidated Damages** shall cease to be payable in respect of any period after the date of actual commencement of the **Commissioning Programme**.
- 4.5 In the event that the actual date on which the **Construction Works** are **Commissioned** is later than the **Completion Date The Company** (if and to the extent that it is responsible for delayed completion beyond the **Completion Date**, such responsibility and/or its extent to be determined by the **Independent Engineer** failing agreement between the parties) shall be liable to pay to the **User Liquidated Damages** for each day that the actual date on which the **Construction Works** are **Commissioned** is later than the **Completion Date**. It is hereby agreed and declared that such **Liquidated Damages** shall cease to be payable in respect of any period after completion of the **Construction Works**.
- 4.6 **Liquidated Damages** payable under Clauses 4.4 and 4.5 of this **Construction Agreement** shall accumulate on a daily basis but shall be payable calendar monthly. On or before the 15th day of each month the party entitled to receive the payment of **Liquidated Damages** shall send to the other party a statement of the **Liquidated Damages** which have accrued due in the previous calendar month. The party receiving such statement shall in the absence of manifest error pay the **Liquidated Damages** shown on the statement within 28 days of the date upon which the statement is received.
- 4.7 Without prejudice to and in addition to the obligation of the **User** pursuant to Clause 2.4 of this **Construction Agreement**, the payment or allowance of **Liquidated Damages** pursuant to this Clause 4 shall be in full satisfaction of

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The Company's liability for failure to perform its obligations by the **Commissioning Programme Commencement Date** and/or the **Completion Date** as appropriate.

- 4.8 In the event that the **User** shall have failed, in circumstances not entitling it to the fixing of a new date as the **Commissioning Programme Commencement Date** pursuant to Clause 3.2, to complete the **User's Works** by [] to a stage where the **User** is ready to commence the **Commissioning Programme**, **The Company** shall have the right to terminate this **Construction Agreement** upon giving notice in writing to the **User**. In the event of such termination the **User** shall in addition to the amounts for which it is liable under Clause 2.4 to this **Construction Agreement** be liable to **The Company** to pay to **The Company** a sum equal to **The Company's** estimate or revised estimate of **Final Sums**. The **User** shall pay such sums within 14 (fourteen) days of the date of **The Company's** invoice(s) therefor and on termination (where applicable) **The Company** shall disconnect the **User's Equipment** at the **Connection Site** and:
- (a) the **User** shall remove any of the **User's Equipment** on, in relation to **Connection Sites** in England and Wales, **The Company's** or, in relation to **Connection Sites** in Scotland, **Relevant Transmission Licensee's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**; and
 - (b) in the case of **Connection Sites** in England and Wales, **The Company** shall remove and, in the case of **Connection Sites** in Scotland, **The Company** shall procure that the **Relevant Transmission Licensee** removes, any **Transmission Connection Assets** on the **User's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**.

5 APPROVAL TO CONNECT/ENERGISE/BECOME OPERATIONAL

- 5.1 Not later than 4 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties the parties shall prepare and submit the **Operation Diagrams** required to be prepared and submitted by each of them respectively under CC 7.4.7 and 7.4.10 and likewise the **Site Common Drawings** required under CC 7.5.2 and 7.5.4 and, if necessary, **Gas Zone Diagrams** referred to in CC 7.4.9 and 7.4.12.
- 5.2 Not later than 3 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties the parties shall prepare and submit the **Operation Diagrams** required

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to be prepared and submitted by each of them respectively under CC 7.4.8 and 7.4.11 and likewise the Site **Common Drawings** required under CC 7.5.3 and 7.5.5.

- 5.3 Not later than 3 months prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties:-
- 5.3.1 each party shall submit to the other data within its possession needed to enable the completion of Appendices F3 and F4 to the **Bilateral Connection Agreement**; and
- 5.3.2 the **User** shall submit to **The Company** evidence satisfactory to **The Company** that the **User's Equipment** complies or will on completion of the **User's Works** comply with Clause 8 of this **Construction Agreement** and Paragraphs [2.9 and 6.7] of the **CUSC**.
- 5.4 Not later than 8 weeks prior to the expected **Commissioning Programme Commencement Date** or by such other time as may be agreed between the parties each party shall submit to the other:
- 5.4.1 for the **Connection Site** information to enable preparation of **Site Responsibility Schedules** complying with the provisions of Appendix 1 to the **Connection Conditions** together with a list of managers who have been duly authorised by the **User** to sign such **Site Responsibility Schedules** on the **User's** behalf;
- 5.4.2 written confirmation as required under CC.5.2(g) that the list of **Safety Co-ordinators** are authorised and competent [and a list of persons appointed pursuant to **Grid Code** CC5.2(m)];
- 5.4.3 a list of the telephone numbers for the facsimile machines referred to in CC6.5.9.
- 5.5 Not later than 3 months prior to the expected **Commissioning Programme Commencement Date** each party shall submit to the other a statement of readiness to complete the **Commissioning Programme** in respect of the **Works** and the statement submitted by the **User** shall in addition contain relevant **Connected Planning Data** and a report certifying to **The Company** that, to the best of the information, knowledge and belief of the **User**, all relevant **Connection Conditions** applicable to the **User** have been considered and complied with. If **The Company** considers that it is necessary, it will require this latter report to be prepared by the **Independent Engineer**. The report shall incorporate if requested by **The Company** type test reports and test certificates produced by the manufacturer showing that the **User's Equipment** meets the criteria specified in CC6.

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6 INDEPENDENT ENGINEER

The parties agree and shall procure that the **Independent Engineer** shall act as an expert and not as an arbitrator and shall decide those matters referred or reserved to him under this **Construction Agreement** by reference to **Good Industry Practice** using his skill, experience and knowledge and with regard to such other matters as the **Independent Engineer** in his sole discretion considers appropriate. All references to the **Independent Engineer** shall be made in writing by either party with notice to the other being given contemporaneously as soon as reasonably practicable and in any event within 14 days of the occurrence of the dispute to be referred to the **Independent Engineer**. The parties shall promptly supply the **Independent Engineer** with such documents and information as he may request when considering such question. The **Independent Engineer** shall use his best endeavours to give his decision upon the question before him as soon as possible following its referral to him. The parties shall share equally the fees and expenses of the **Independent Engineer**. The parties expressly acknowledge that submission of disputes for resolution by the **Independent Engineer** does not preclude subsequent submission of disputes for resolution by arbitration as provided for in the **Dispute Resolution Procedure**. Pending any such submission the parties shall treat the **Independent Engineer's** decision as final and binding.

7. BECOMING OPERATIONAL

- 7.1 **The Company** shall connect and **Energise** the **User's Equipment** at the **Connection Site** during the course of and in accordance with the **Commissioning Programme** and thereafter upon compliance by the **User** with the provisions of Clause 5 and provided (1) the **Construction Works** excluding the **Seven Year Statement Works** shall be **Commissioned** and (2) [the **Seven Year Statement Works** and **Third Party Works** shall be completed **The Company** shall forthwith notify the **User** in writing that the **Connection Site** shall become **Operational**.

8. COMPLIANCE WITH SITE SPECIFIC TECHNICAL CONDITIONS

The **User** shall ensure that on the **Completion Date** the **User's Equipment** complies with the site specific technical conditions set out in Appendix F 1-5 to the **Bilateral Connection Agreement** .

9. CREDIT REQUIREMENTS

Alternate provisions apply depending whether or not the **User** does (9A) or does not (9B) meet **The Company's** required credit rating on signing the

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Construction Agreement. Details of the credit requirements are set out in the **CUSC**.

9A1 PROVISION OF SECURITY

9A.1.1 The User shall as soon as possible after execution of this **Construction Agreement** and in any event no later than one (1) month after the date of such execution confirm to **The Company** whether it meets **The Company Credit Rating**. Thereafter not less than 75 days before 1 April and 1 October in each year until (subject to Clause 9A.4) 28 days after the **Charging Date** the User shall confirm its **The Company Credit Rating** to **The Company** (which in the case of a long term private credit rating shall be confirmed by Standard and Poor's or Moody's within a period of 45 days prior to the date of confirmation). The **User** shall inform **The Company** in writing forthwith if it becomes aware of losing its **The Company Credit Rating** or if it is or is likely to be put on credit watch or any similar credit surveillance procedure which may give **The Company** reasonable cause to believe that the **User** may not be able to sustain its **The Company Credit Rating** for at least 6 months.

9A.1.2 In the event that the **User** has elected to provide **The Company** with an indicative credit rating and **The Company** is of the reasonable opinion that the **User** has ceased to comply with the requirements of Clause 9A.1.1 then **The Company** may require the User forthwith:-

- (i) to apply to Standard and Poor's and/or Moody's for a further indicative long term private credit rating; or
- (ii) to confirm to **The Company** that it shall provide the security referred to in Clause 9A.1.4 hereof.

9A.1.3 In the event of the **User**:-

- (i) not having an **The Company Credit Rating**; or
- (ii) having a credit rating below **The Company Credit Rating**; or
- (iii) not having obtained from Standard and Poor's or Moody's within 30 days of the written notification under Clause 9A.1.2 above an indicative long term private credit rating,

or if **The Company** becomes aware that:
 - (iv) the **User** ceases to have an **The Company Credit Rating**; or
 - (v) the **User** is put on credit watch or other similar credit surveillance procedure as specified above which may give **The Company**

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reasonable cause to believe that the User may not be able to maintain an **The Company Credit Rating** for at least 6 months; or

- (vi) the **User** has not obtained from Standard and Poor's within 30 days of the written notification by **The Company** under Clause 9A.1.2(i) above a further indicative long term private credit rating,

the **User** shall (where appropriate on receipt of written notification from **The Company**) comply with the terms of Clause 9A.1.4.

9A.1.4 The **User** shall within 21 days of the giving of a notice under Clause 9A.1.3 or within 30 days of the **User** confirming to **The Company** under Clause 9A.1.2(ii) that it will provide the security specified below (whichever is the earlier), provide **The Company** with the security specified below to cover the **User's** payment obligations to **The Company** arising in the event of, or which have arisen prior to, termination of this **Construction Agreement**. The security to be provided shall be in an amount not greater than such sums payable on termination and specified in writing by **The Company** to the **User** from time to time as appropriate. Such security shall be provided by way of:-

- (i) an irrevocable on demand standby **Letter of Credit** or guarantee; or
- (ii) cash held in escrow [**Escrow Account/ Bank Account**]; or
- (iii) any other form included in **The Company's** then current policy and procedure

such letter of credit or guarantee or security to be in a form agreed in writing by **The Company** and to be given by a **Qualifying Bank**, or **Qualifying Company**. Cash deposited in [escrow] shall be deposited with a **Qualifying Bank**. The choice of such security shall be at the discretion of the **User**.

9A.1.5 The **User** shall in addition to providing the requisite security enter into an agreement with **The Company**, which shall be supplemental to this **Construction Agreement** (the "Amending Agreement"). The **Amending Agreement** shall be in such form as **The Company** shall reasonably require and shall contain such provisions in relation to the **User's** obligations to provide and maintain security as shall be consequential upon the requirement for security having arisen, in line with **The Company's** then current provisions to the like effect in its agreements with other parties. The **Amending Agreement** shall relate to the procedures required in obtaining and maintaining the security and shall not alter or amend the amount of security required in terms of this **Construction Agreement**.

9A.1.6 In the event of **The Company's** credit requirements being reviewed at any time **The Company** shall advise the **User** in writing of the new credit

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requirements and the **User** shall within 30 days of such notification confirm in writing to **The Company** whether it wishes to enter into an **Amending Agreement** to reflect the new credit requirements. Thereafter if the **User** has confirmed it wishes to accept the new credit requirements **The Company** and the **User** shall within 30 days of such notification enter into an **Amending Agreement**.

9A.1.7 In the event that the facts or circumstances giving rise to the obligations of the **User** to provide the security have ceased, then **The Company** shall release the security and provisions to that effect shall be included in the **Amending Agreement**.

Final Sums

9A.2 Within 60 days of the date of termination of this **Construction Agreement** **The Company** shall:

- (a) furnish the **User** with a further statement showing a revised estimate of **Final Sums** and will provide as soon as practicable evidence of such costs having been incurred; and
- (b) by written notice to the **User** inform the **User** of all capital items which cost **The Company** in excess of £10,000 and in relation to which an amount on account of **Final Sums** shall have been paid and whether **The Company** (1) wishes to retain the said capital items or (2) dispose of them.

9A.3.1 In respect of all capital items which **The Company** wishes to retain (other than those which have been, or are proposed to be installed as a replacement for **Transmission Plant and Transmission Apparatus**) **The Company** shall forthwith reimburse to the **User** the amount paid by the **User** on account of **Final Sums** in respect of the said capital items (including without limitation the amount paid on account of the design, purchase, installation and testing of the said capital item and also associated construction works and interest charges) together with interest calculated thereon on a daily basis from the date of termination of this **Construction Agreement** to the date of payment at **Base Rate** for the time being and from time to time provided that in the event that **The Company** wishes to retain any capital item which has been installed but wishes to remove it to storage or to another site then it shall only reimburse to the **User** the cost of the capital item and not the costs of such installation and shall deduct from any reimbursement due to the **User** the costs of removal and/or storage.

9A.3.2 In respect of all capital items which **The Company** wishes to dispose (other than those which have been, or are proposed to be installed as a replacement for **Transmission Plant and Transmission Apparatus**) it shall forthwith (and subject to **The Company** obtaining the consent of the **Authority** under

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Standard Condition B3 of the **Transmission Licence** if required and/or subject to any **Relevant Transmission Licensee** obtaining the consent of the **Authority** under Standard Condition B3 of its transmission licence) sell or procure the sale of the said capital item on an arms-length basis as soon as reasonably practicable. Forthwith upon receipt of the sale proceeds **The Company** shall pay to the **User** the proceeds received from any such sale together with interest thereon calculated on a daily basis from the date of termination to the date of payment at **Base Rate** for the time being and from time to time less any reasonable costs associated with the sale including the costs and expenses reasonably incurred and/or paid and/or which **The Company** is legally bound to pay on removing the capital item, any storage charges and any costs reasonably incurred by **The Company** in respect of reinstatement associated with removal of the capital item. **The Company** shall provide the **User** with reasonably sufficient evidence of all such costs and expenses having been incurred. If the **Authority** does not agree to the disposal of the capital item the capital item shall be retained by **The Company** and **The Company** shall reimburse the **User** the notional current market value in situ of the said capital item as between a willing buyer and a willing seller as agreed between the parties and failing agreement as determined by reference to arbitration in accordance with the **Dispute Resolution Procedure** together with interest thereon calculated on a daily basis from the date of termination of this **Construction Agreement** to the date of payment at **Base Rate** for the time being and from time to time.

9A.3.3As soon as reasonably practicable after termination of this **Construction Agreement** **The Company** shall provide the **User** with a statement of and invoice for **Final Sums** together with evidence of such costs having been incurred and/or paid and/or having been committed to be incurred. If the **Final Sums** are greater than the payments made by the **User** in respect of **The Company's** estimate(s) of **Final Sums** the **User** shall within 28 days of the said statement and invoice prepared by **The Company** pay to **The Company** the additional payments due by the **User** together with interest calculated thereon on a daily basis at **Base Rate** for the time being and from time to time from the date of previous payment(s) sums equal to **The Company's** estimate of **Final Sums** to the date of the statement of and invoice for **Final Sums**. If the **Final Sums** is less than the payments made by the **User** in respect of **The Company's** estimate of **Final Sums** paid by the **User** following termination of this **Construction Agreement** **The Company** shall forthwith pay to the **User** the excess paid together with interest on a daily basis at **Base Rate** for the time being and from time to time from the date of payment of the fair and reasonable estimate of **Final Sums** to the date of reimbursement by **The Company** of the said excess paid.

9A.4 The obligations to provide security under this Clause 9A shall continue until either all sums due under this **Construction Agreement** have been paid in full or security arrangements have been put in place by the **User** under the

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Bilateral Connection Agreement in accordance with Section 2 Part III of the **CUSC**. Until such time as the security arrangements are put in place in accordance with Section 2 Part III of the **CUSC** **The Company** shall be entitled to call upon the security put in place under the terms of this **Construction Agreement** for payment of **Termination Amounts** when due under the provisions of the **CUSC**.

Or

9B.1 Provision of Security

9B.1.1 The **User** hereby agrees that it shall forthwith upon the signing of this **Construction Agreement** provide to **The Company** or procure the provision to **The Company** of, and the **User** shall until (subject to Clause 9B.8) 28 days after the **Charging Date** (unless and until this **Construction Agreement** shall be terminated and all sums due or which will or might fall due in respect of which security is to be provided shall have been paid) maintain or procure that there is maintained in full force and effect (including by renewal or replacement), a security arrangement from time to time and for the time being as set out in Appendix M hereto to provide security for the **User's** obligation to pay **The Company** any and all sums specified by **The Company** in accordance with Clause 9B.2 of this **Construction Agreement** as requiring to be secured in respect of:-

- (a) the **User's** liability to pay **The Company** amounts from time to time due under Clause 2.4 of this **Construction Agreement**; and
- (b) **Final Sums**.

9B.2 Provision of **Bi-annual Estimate** and **Secured Amount Statement**

9B.2.1 **The Company** shall provide to the **User** an estimate ("the **Bi-annual Estimate**") in substantially the form set out in Part 2 of Appendix M to this **Construction Agreement** and showing the amounts of all payments required or which may be required to be made by the **User** to **The Company** in respect of **Final Sums** and **The Company Engineering Charges** and other expenses in relation to seeking **Consents** referred to in Clause 2.4 of this **Construction Agreement** at the following times and in respect of the following periods:-

- (a) forthwith on and with effect from the signing of this **Construction Agreement**, in respect of the period from and including the day of signing of this **Construction Agreement** until the next following 31st March or 30th September (whichever shall first occur); and

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- (b) not less than 75 (seventy five) days (or if such day is not a Business Day the next following **Business Day**) prior to each 31st March and 30th September thereafter in respect of the period of six calendar months commencing on the immediately following 1st April or 1st October (as the case may be), until this **Construction Agreement** shall be terminated and all sums due or which will or might fall due in respect of which security is to be provided shall have been paid.

9B.2.2 Such **Bi-annual Estimate** shall be accompanied by a statement (in the form of the **Secured Amount Statement** set out in Part 3 of Appendix M to this **Construction Agreement**) ("**Secured Amount Statement**") specifying the aggregate amount to be secured at the beginning of and throughout each such period.

9B.2.3 If **The Company** shall not provide any subsequent **Bi-annual Estimate** and **Secured Amount Statement** by the requisite date, then the **User** shall at the date it is next required to have in full force and effect security and whether by renewal or replacement or otherwise in respect of the following six calendar month period nonetheless provide security in accordance with the provisions of this **Construction Agreement** in the same amount as the amount then in force in respect of the then current six calendar month period. Notwithstanding the foregoing, if **The Company** shall provide the **User** with any **Bi-annual Estimate** and **Secured Amount Statement** later than the date specified in Clause 9B.2.1 of this **Construction Agreement**, then the following shall apply. The **User** shall within 30 (thirty) days of receipt of the said **Secured Amount Statement** procure that to the extent that the amount in respect of which security has been or is to be provided pursuant to this Clause 9B.2.3 in respect of the relevant period ("**the Secured Amount**") falls short of the amount stated in the **Secured Amount Statement** ("**the Required Amount**") the Secured Amount shall be adjusted to the **Required Amount**.

9B.3 Entitlement to Estimate

If **The Company** is (for whatever reason) unable on any relevant date to calculate precisely any sum due or which has accrued due or in respect of which the **User** has a liability to **The Company** for payment under any of the provisions of this **Construction Agreement**, **The Company** shall be entitled to invoice the **User** for a sum equal to **The Company's** fair and reasonable estimate of the sums due or which may become due or in respect of which the **User** has a liability to **The Company** for payment. **The Company** shall also be entitled to send the **User** further invoices for such sums not covered in previous invoices. The **User** shall pay **The Company** all sums so invoiced by **The Company**.

9B.4 Demands not Affected by Disputes

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It is hereby agreed between **The Company** and the **User** that if there shall be any dispute between the **User** and **The Company** as to:-

9B.4.1 any amount certified by **The Company** in any **Secured Amount Statement** as requiring at any time and from time to time to be secured; or

9B.4.2 the fairness and reasonableness of **The Company's** estimate; or

9B.4.3 whether there has been an **Event of Default** (under the **Construction Agreement** or the **CUSC**), or

9B.4.4 the lawfulness or otherwise of any termination or purported termination of this **Construction Agreement**

such dispute shall not affect the ability of **The Company** to make demands pursuant to the security arrangement to be provided pursuant to Clause 9B.1 of and Appendix M to this **Construction Agreement** and to recover the amount or amounts payable thereunder, it being acknowledged by the **User** that but for such being the case **The Company's** security would be illusory by reason of the period of validity of the relevant security being likely to expire or capable of expiring before the final resolution of such dispute. The **User** accordingly covenants with **The Company** that it will not take any action, whether by way of proceedings or otherwise, designed or calculated to prevent, restrict or interfere with the payment to **The Company** of any amount secured under the security arrangement nor seek nor permit nor assist others to do so.

9B.5 If there shall be any dispute as mentioned in Clause 9B.4 of this **Construction Agreement** the same shall, whether **The Company** shall have terminated this **Construction Agreement** and recovered or sought to recover payment under the security arrangement or not, and without prejudice to **The Company's** right to recover or seek to recover such payment, be referred in the case of Clauses 9B.4.1 and 9B.4.2 to the **Independent Engineer** (and, for the avoidance of doubt the provisions of this **Construction Agreement** relating to the **Independent Engineer** for the purposes of this Clause 9B.5 shall survive termination) and, in the case of Clauses 9B.4.3 and 9B.4.4 be dealt with by referral to arbitration in accordance with the **Dispute Resolution Procedure**.

Final Sums

9B.6 Within 60 days of the date of termination of this **Construction Agreement** **The Company** shall:

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- (a) furnish **the User** with a further statement showing a revised estimate of **Final Sums** and will provide as soon as practicable evidence of such costs having been incurred; and
- (b) by written notice to **the User** inform **the User** of all capital items which cost **The Company** in excess of £10,000 and in relation to which an amount on account of **Final Sums** shall have been paid and whether **The Company** (1) wishes to retain the said capital items or (2) dispose of them.

9B.7.1 In respect of all capital items which **The Company** wishes to retain (other than those which have been, or are proposed to be installed as a replacement for **Transmission Plant** and **Transmission Apparatus**) **The Company** shall forthwith reimburse to the **User** the amount paid by the **User** on account of **Final Sums** in respect of the said capital items (including without limitation the amount paid on account of the design, purchase, installation and testing of the said capital item and also associated construction works and interest charges) together with interest calculated thereon on a daily basis from the date of termination of this **Construction Agreement** to the date of payment at **Base Rate** for the time being and from time to time provided that in the event that **The Company** wishes to retain any capital item which has been installed but wishes to remove it to storage or to another site then it shall only reimburse to the **User** the cost of the capital item and not the costs of such installation and shall deduct from any reimbursement due to the **User** the costs of removal and/or storage.

9B.7.2 In respect of all capital items which **The Company** wishes to dispose (other than those which have been, or are proposed to be installed as a replacement for **Transmission Plant** and **Transmission Apparatus**) it shall forthwith (and subject to **The Company** obtaining the consent of the **Authority** under Standard Condition B3 of the **Transmission Licence** if required and/or subject to any **Relevant Transmission Licensee** obtaining the consent of the **Authority** under Standard Condition B3 of its transmission licence) sell or procure the sale of the said capital item on an arms-length basis as soon as reasonably practicable. Forthwith upon receipt of the sale proceeds **The Company** shall pay to the **User** the proceeds received from any such sale together with interest thereon calculated on a daily basis from the date of termination to the date of payment at **Base Rate** for the time being and from time to time less any reasonable costs associated with the sale including the costs and expenses reasonably incurred and/or paid and/or which **The Company** is legally bound to pay on removing the capital item, any storage charges and any costs reasonably incurred by **The Company** in respect of reinstatement associated with removal of the capital item. **The Company** shall provide the **User** with reasonably sufficient evidence of all such costs and expenses having been incurred. If the **Authority** does not agree to the disposal of the capital item the capital item shall be retained by **The**

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Company and **The Company** shall reimburse the **User** the notional current market value in situ of the said capital item as between a willing buyer and a willing seller as agreed between the parties and failing agreement as determined by reference to arbitration in accordance with the **Dispute Resolution Procedure** together with interest thereon calculated on a daily basis from the date of termination of this **Construction Agreement** to the date of payment at **Base Rate** for the time being and from time to time.

9B.7.3 As soon as reasonably practicable after termination of this **Construction Agreement** **The Company** shall provide the **User** with a statement of and invoice for **Final Sums** together with evidence of such costs having been incurred and/or paid and/or having been committed to be incurred. If the **Final Sums** are greater than the payments made by the **User** in respect of **The Company's** estimate(s) of **Final Sums** the **User** shall within 28 days of the said statement and invoice prepared by **The Company** pay to **The Company** the additional payments due by the **User** together with interest calculated thereon on a daily basis at **Base Rate** for the time being and from time to time from the date of previous payment(s) sums equal to **The Company's** estimate of **Final Sums** to the date of the statement of and invoice for **Final Sums**.

If the **Final Sums** is less than the payments made by the **User** in respect of **The Company's** estimate of **Final Sums** paid by the **User** following termination of this **Construction Agreement** **The Company** shall forthwith pay to the **User** the excess paid together with interest on a daily basis at **Base Rate** for the time being and from time to time from the date of payment of the fair and reasonable estimate of **Final Sums** to the date of reimbursement by **The Company** of the said excess paid.

9B.8 The obligations to provide security under this Clause 9 B shall continue until either all sums due under this **Construction Agreement** have been paid in full or security arrangements have been put in place by the **User** under the **Bilateral Connection Agreement** in accordance with Section 2 Part III of the **CUSC**. Until such time as the security arrangements are put in place in accordance with Section 2 Part III of the **CUSC** **The Company** shall be entitled to call upon the security put in place under the terms of this **Construction Agreement** for payment of **Termination Amounts** where due under the provisions of the **CUSC**.

10. EVENT OF DEFAULT

As before alternate provisions apply depending whether or not the **User** does (10A) or does not (10B) meet **The Company's** required credit rating on signing this **Construction Agreement**

10A. Event of Default

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Any of the following events shall constitute an **Event of Default**:-

- 10A.1 If the **User** fails to provide or procure that there is provided to **The Company** within the requisite time any relevant security satisfactory to **The Company**, or to enter into the **Amending Agreement** pursuant to Clauses 9A.1 or 10A.3 of this **Construction Agreement**.
- 10A.2 If having entered into the **Amending Agreement** and having provided security satisfactory to **The Company** pursuant to Clauses 9A.1 and 10A.3 of this **Construction Agreement**.
- (a) The **User** thereafter fails to provide or procure that there is provided to **The Company** or at any time fails to maintain or procure that there is maintained in full force and effect the relevant security arrangement required by this **Construction Agreement** as varied by the **Amending Agreement** or to revise or renew such security with the required replacement security or to maintain or procure that there is maintained in full force and effect any such renewed, revised or substituted security as so required, or if the User shall otherwise be in breach of any of its obligations in respect of security under this **Construction Agreement** as varied by the **Amending Agreement**;
 - (b) The **User** or any shareholder (whether direct or indirect) of the **User** or any other party who may at any time be providing security to **The Company** pursuant to the requirements of this **Construction Agreement** as varied by the **Amending Agreement** takes any action whether by way of proceedings or otherwise designed or calculated to prevent, restrict or interfere with the payment to **The Company** of any amount so secured whether or not there shall be a dispute between the parties;
 - (c) Any party who may at any time be providing security to **The Company** pursuant to the provisions of this **Construction Agreement** as varied by the **Amending Agreement** fails to pay to **The Company** any sum demanded pursuant thereto.
- 10A.3 If
- (i) There is a material adverse change in the financial condition of the **User** such as to give **The Company** reasonable grounds for concluding that there is a substantial probability that the **User** will default in the payment of any sums due or to become due to **The Company** within the next following period of twelve (12) months in terms of or on termination of this **Construction Agreement**; or

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- (ii) an event of default has occurred under any banking arrangements (as such may be more particularly described in the **Bilateral Connection Agreement**) (an event of default being any event described as such in the banking arrangements)] put in place by the **User** in connection with a project for which security under this Clause 10A is required by **The Company** and as a result the banks who are party to such banking arrangement have taken steps to declare the principle of the advances under such arrangement immediately due and payable; or
- (iii) any other indebtedness of the **User** for the repayment of borrowed money (in a principal outstanding amount of not less than £1,000,000 pounds sterling or such greater amount specified in the **Bilateral Connection Agreement**) has become due and payable prior to the stated date of maturity thereof by reason of any default or breach on the part of the **User** and the amount in question has not been paid by the **User** or refinanced within a period of 28 days following the date upon which it was so declared due and payable

and in (i) or (ii) or (iii) the **User** fails, within a period of 7 (seven) days following the date on which **The Company** gives the **User** notice in writing of one or other of the above events occurring to provide **The Company** with such security as **The Company** shall require to cover the **User's** payment obligations to **The Company** arising in the event of or which have arisen prior to termination of this **Construction Agreement** and which arise under this **Construction Agreement**. The security to be provided shall be in a form satisfactory to **The Company** in accordance with its then current policy and procedures and in such amount as **The Company** shall specify to the **User** in the aforesaid notice. The **User** shall if required by **The Company**, in addition to providing the requisite security, within a period of 30 days following the date on which **The Company** gives the **User** such notice enter into an **Amending Agreement**. Such **Amending Agreement** shall contain such provisions in relation to the **User's** obligations to provide and maintain security as shall be consequential upon the requirement for security having arisen and shall be in such form as **The Company** shall reasonably require in line with **The Company's** then current provisions to the like effect in its connection agreements with other parties.

Provided that (in relation to paragraphs (i) or (ii) or (iii) above) if at anytime after the putting in place of security under Clause 10A.3 the **User** shall produce to **The Company** evidence to **The Company's** reasonable satisfaction that there is not a substantial probability of the **User** not being able to make payment to **The Company** of such sums within the next following period of twelve (12) months, **The Company** shall not require the **User** to provide the aforesaid security and shall release any such security then in place. This waiver is without prejudice to **The Company's** right to

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require security at any time thereafter in the event of any of the circumstances set out in paragraph (i) and/or (ii), and/or (iii) subsequently occurring.

10A.4 Any of the **Events of Default** in Paragraph 5.3.1 of the **CUSC** have occurred and are occurring.

Or

10B **Event of Default**

Any of the following events shall constitute an **Event of Default**:-

10B.1 If

- (i) an event of default has occurred under any banking arrangements (as such may be more particularly described in the **Bilateral Connection Agreement**) (an event of default being any event described as such in the banking arrangements) put in place by the **User** in connection with a project for which security under this Clause 10B is required by **The Company** and as a result the banks who are party to such banking arrangement have taken steps to declare the principle of the advances under such arrangement immediately due and payable; or
- (ii) there is a material adverse change in the financial condition of the **User** such as to give **The Company** reasonable grounds for concluding that there is a substantial probability that the **User** will default in the payment of any unsecured sum due or to become due to **The Company** within the next following period of 12 (twelve) months in terms of or on termination of this **Construction Agreement**;
- (iii) any other indebtedness of the **User** for the repayment of borrowed money (in a principal amount of not less than £1,000,000 pounds sterling or such greater amount specified in the **Bilateral Connection Agreement**) has become due and payable prior to the stated date of maturity thereof by reason of any default or breach on the part of the **User** and the amount in question has not been paid by the **User** or refinanced within a period of 28 days following the date upon which it was so declared due and payable

and in either (i) or (ii) or (iii) the **User** fails:-

- (1) within a period of 14 (fourteen) days following the date on which **The Company** gives notice of such circumstances to provide to **The Company** a cash deposit in a **Bank Account**, a **Performance Bond** or **Letter of Credit** (as defined in Appendix M) in favour of **The Company** and **Valid** (as defined in Appendix M) at least up to the last day of the **Financial Year** in which the event occurs for such amount

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representing **The Company's** reasonable estimate of all unsecured sums to become due to **The Company** in the period up to the end of the **Financial Year** in which the event occurs such sum to be specified in the said notice; or

- (2) to subsequently provide such cash deposit or renew such **Performance Bond** or **Letter of Credit** (or such renewed **Performance Bond** or **Letter of Credit** provided under this paragraph) not less than 45 days prior to its stated expiry date for such amount representing **The Company's** reasonable estimate of the unsecured sums to become due to **The Company** in the next following **Financial Year** valid at least up to the last day of the next following **Financial Year** and to continue the provision of cash deposit a **Performance Bond** or **Letter of Credit** in a similar manner, to such estimate of unsecured sums.

Provided that regarding (i) or (ii) or (iii) if at any time after the putting in place of security under this Clause 10B.1 the **User** shall provide to **The Company** evidence to **The Company's** reasonable satisfaction that there is not a substantial probability of the **User** being unable to make payment to **The Company** of any unsecured sums within the next following period of twelve (12) months, **The Company** shall not require the **User** to provide the aforesaid security and shall release any such security then in place. This waiver is without prejudice to **The Company's** right to return security at any time thereafter in the event of any of the circumstances set out in paragraph (i) and/or (ii) and/or (iii) in this Clause 10B.1 subsequently occurring.

10B.2 If the **User** fails to provide or procure that there is provided to **The Company** or at any time fails to maintain or procure that there is maintained in full force and effect the relevant security arrangement required under Clauses 9B.1 or 10B.1 of and Appendix M to this **Construction Agreement** or to renew or revise such security or to substitute any security with the required replacement security or to maintain or procure that there is maintained in full force and effect any such renewed, revised or substituted security as so required or if the **User** is otherwise in breach of any of its obligations under Appendix M to this **Construction Agreement**.

10B.3 If the **User** or any shareholder (whether direct or indirect) of the **User** takes any action whether by way of proceedings or otherwise designed or calculated to prevent restrict or interfere with the payment to **The Company** of any amount so secured or seeks or permits or assists others to do so, whether or not there shall be a dispute between the parties.

10B.4 If any party who may at any time be providing or holding security in favour of **The Company** pursuant to Clauses 9B.1 or 10B.1 of and Appendix M to this

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Construction Agreement fails to pay **The Company** any sum demanded in any Notice of Drawing (as defined in Appendix M) pursuant thereto.

10B.5 Any of the **Events of Default** in Paragraph 5.3.1 of the **CUSC** have occurred and are occurring.

11. TERMINATION ON EVENT OF DEFAULT

11.1 Once an **Event of Default** pursuant to Clause 10 has occurred and is continuing **The Company** may give notice of termination to the **User** whereupon this **Construction Agreement** shall forthwith terminate and **The Company** shall disconnect all the **User's Equipment** at the **Connection Site** and:

(a) the **User** shall remove any of the **User's Equipment** on, in relation to **Connection Sites** in England and Wales, **The Company's** or, in relation to **Connection Sites** in Scotland, **Relevant Transmission Licensee's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**; and

(b) in the case of **Connection Sites** in England and Wales, **The Company** shall remove and, in the case of **Connection Sites** in Scotland, **The Company** shall procure that the **Relevant Transmission Licensee** removes, any **Transmission Connection Assets** on the **User's** land within 6 months of the date of termination or such longer period as may be agreed between **The Company** or the **Relevant Transmission Licensee** (as appropriate) and the **User**.

11.2 The **User** shall (notwithstanding any longer time for payment which but for such termination the **User** may have for payment pursuant to this **Construction Agreement**) within 14 days from the date of termination pay to **The Company** all amounts already due and owing on the date this **Construction Agreement** so terminates and if this **Construction Agreement** terminates prior to the **Charging Date** the **User** shall be liable forthwith on the date this **Construction Agreement** so terminates to pay to **The Company**:-

- (1) a sum equal to all liabilities arising under Clause 2.4 of this **Construction Agreement** which have not yet been invoiced by **The Company** to the **User**; and
- (2) a sum equal to **The Company's** fair and reasonable estimate of **Final Sums**,

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such payments in each case to be made within 14 days of the date of **The Company's** invoice(s) in respect thereof subject to adjustment in respect of **The Company's** estimate of **Final Sums** in accordance with Clause 9A.3.3. or 9B.7.3.

12. TERM

- 12.1 Subject to the provisions for earlier termination set out in the **CUSC** this **Construction Agreement** shall continue until terminated in accordance with Clause 2.5, 2.6, 4.8 or 11 hereof.
- 12.2 In addition this **Construction Agreement** shall terminate upon termination of the associated **Bilateral Connection Agreement** and in the event that this is prior to the **Charging Date** the **User** shall in addition to the amounts for which it is liable under Clause 2.4 hereof be liable to pay to **The Company Final Sums** and the provisions of Clause 11 shall apply.
- 12.3 The associated [**Bilateral Connection Agreements** or **Agreement to Vary the Bilateral Connection Agreement**] will automatically terminate upon termination of this **Construction Agreement** prior to the **Charging Date**.
- 12.4 Any provisions for payment shall survive termination of this Construction Agreement.

13. CUSC

The provisions of Sections 6.6 (Payment), 6.14 (Transfer and Subcontracting), 6.15 (Confidentiality), 6.18 (Intellectual Property), 6.19 (Force Majeure), 6.20 (Waiver), 6.21 (Notices), 6.22 (Third party Rights), 6.23 (Jurisdiction), 6.24 (Counterparts), 6.25 (Governing Law), 6.26 (Severance of Terms), 6.27 (Language) inclusive of the **CUSC** shall apply to this **Construction Agreement** as if set out in this **Construction Agreement**.

14. DISPUTES

Except as specifically provided for in this **Construction Agreement** any dispute arising under the terms of this **Construction Agreement** shall be referred to arbitration in accordance with the **Dispute Resolution Procedure**.

15. VARIATIONS

- 15.1 Subject to Clause 15.2 and 15.3 below, no variation to this **Construction Agreement** shall be effective unless made in writing and signed by or on behalf of both **The Company** and the **User**.

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- 15.2 **The Company** and the **User** shall effect any amendment required to be made to this **Construction Agreement** by the **Authority** as a result of a change in the **CUSC** or the **Transmission Licence**, an order or direction made pursuant to the **Act** or a **Licence**, or as a result of settling any of the terms hereof. The **User** hereby authorises and instructs **The Company** to make any such amendment on its behalf and undertakes not to withdraw, qualify or revoke such authority or instruction at any time.
- 15.3 **The Company** has the right to vary Appendices in accordance with Clauses 2.3, 2.11 and 7.4 and Paragraph 6.9 of the **CUSC**.

IN WITNESS WHEREOF the hands of the duly authorised representatives of the parties hereto at the date first above written

SIGNED BY)
[name])
for and on behalf of)
National Grid Electricity Transmission plc)

SIGNED BY)
[name])
for and on behalf of)
[User])

APPENDIX [B]
ONE OFF WORKS

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APPENDIX [G]
TRANSMISSION CONNECTION ASSET WORKS

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APPENDIX [H]
TRANSMISSION REINFORCEMENT WORKS

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APPENDIX [J]
CONSTRUCTION PROGRAMME

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APPENDIX [K]
LIQUIDATED DAMAGES

Company:

Connection site:

Type:

The amount of Liquidated Damages payable by The Company to the User pursuant to this Construction Agreement shall be:

Liquidated Damages under Clause [4] of this Construction Agreement shall be calculated on a daily basis at a rate of £XXXXXX per week subject to the limit that the total Liquidated Damages payable by The Company to the User under this Clause shall not exceed £XXXXXX.

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APPENDIX [L]

INDEPENDENT ENGINEER

Company:

Connection site:

Type:

The Independent Engineer will be a Member of the Association of Consulting Engineers (ACE) and shall be agreed between the parties within 120 days of execution of this Construction Agreement or such other period as may be agreed between the parties. Failing agreement it shall be referred to the President of the Institution of Electrical Engineers who shall nominate the Independent Engineer.

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APPENDIX [M]

PART 1

SECURITY ARRANGEMENT

1. DEFINITIONS

In this Appendix M, the following terms have the meanings set out next to them:-

“Bi-annual Estimate” means an estimate pursuant to Clause [9B.2.1] of this Construction Agreement of all payments to be made or which may be required to be made by the User in any relevant period, such estimate to be substantially in the form set out in Part 2 of this Appendix M;

“Bank Account” means a separately designated bank account in the name of The Company at such branch of Barclays Bank PLC, or such branch of any other bank, in the City of London as is notified by The Company to the User, bearing interest from (and including) the date of deposit of principal sums to (but excluding) the date of withdrawal of principal sums from such account, mandated for withdrawal of principal solely by The Company against delivery of a Notice of Drawing for the amount demanded therein and mandated for the transfer of any interest accrued to the Bank Account to such bank account as the User may specify;

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- “Letter of Credit” means an irrevocable standby letter of credit in a form reasonably satisfactory to The Company but in any case expressed to be governed by the Uniform Customs and Practice for Documentary Credits 1993 Revision ICC Publication No. 500 or such other form as may be reasonably satisfactory to The Company and allowing for partial drawings and providing for the payment to The Company on demand forthwith on and against The Company’s delivery to the issuer thereof of a Notice of Drawing of the amount demanded therein;
- “Notice of Drawing” means a notice of drawing signed by or on behalf of The Company substantially in the form set out in Part 4 of this Appendix M;
- “Performance Bond” means an on first demand without proof or conditions irrevocable performance bond or performance guarantee executed as a deed in a form reasonably satisfactory to The Company but in any case allowing for partial drawings and providing for the payment to The Company on demand forthwith on and against The Company’s delivery to the issuer thereof of a Notice of Drawing of the amount demanded therein;
- “Qualified Bank” means a City of London branch of a bank, its successors and assigns, which has throughout the validity period of the Performance Bond or Letter of Credit it issues in favour of The Company, a rating of at least A- in Standard and Poor’s long term debt

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rating or A3 in Moody's long term debt rating provided that such bank is not during such validity period put on any credit watch or any similar credit surveillance which gives The Company reasonable cause to doubt that such bank may not be able to maintain the aforesaid rating throughout the validity period and no other event has occurred which gives The Company reasonable cause to have such doubt;

"Qualified Company" a company which is a public company or a private company within the meaning of section 1(3) of the Companies Act 1985 and which is either :

- (a) a shareholder of the **User** or any holding company of such shareholder-or
- (b) any subsidiary of any such holding company, but only where the subsidiary
 - (i) demonstrates to **The Company's** satisfaction that it has power under its constitution to give a **Performance Bond** other than in respect of its subsidiary;
 - (ii) provides an extract of the minutes of a meeting of its directors recording that the directors have duly concluded that the giving of the **Performance Bond** is likely to promote the success of that subsidiary for the benefit of its members;

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(iii) provides certified copies of the authorisation by every holding company of the subsidiary up to and including the holding company of the **User**, of the giving of the **Performance Bond**,

(the expressions “holding company” and “subsidiary” having the respective meanings assigned thereto by section 736, Companies Act 1985 as supplemented by section 144(3), Companies Act 1989) and which has throughout the validity period of the **Performance Bond** it gives in favour of **The Company**, a rating of at least A- in Standard and Poor’s long term debt rating or A3 in Moody’s long term debt rating or such lesser rating which **The Company** may in its absolute discretion allow by prior written notice given pursuant to a resolution of its board of directors for such period and on such terms as such resolution may specify provided that such company is not during such validity period put on any credit watch or any similar credit surveillance procedure which gives **The Company** reasonable cause to doubt that such company may not be able to maintain the aforesaid rating throughout the validity period of the **Performance Bond** and no other event has occurred which gives **The Company** reasonable cause to have such doubt;

“Secured Amount Statement”

means a statement accompanying the Bi-annual Estimate setting out the amount of the User’s Obligation based on figures contained in the Bi-

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annual Estimate being the amount for which security shall be provided to The Company pursuant to Clause 9B of this Construction Agreement;

“User’s Obligation” means the User’s obligation to pay under this Construction Agreement:-

- (i) all amounts in respect of which the User has a liability to pay to The Company pursuant to Clause 2.4 of this Construction Agreement Agreement;
- (ii) Final Sum

“Valid” means valid for payment to be made thereunder against delivery of a Notice of Drawing given within the period stated therein.

2. **SECURITY REQUIREMENT**

The User’s Obligation shall be secured by any one of the following:-

- 2.1 A Performance Bond or Letter of Credit from a Qualified Bank for the amount stated in the Secured Amount Statement as the estimated amount of the User’s Obligation to be secured, such Performance Bond or Letter of Credit to be Valid for at least the period stated in such Secured Amount Statement and to be renewed periodically where applicable in the manner stated in paragraph 3.3 of this Appendix M; or
- 2.2 A cash deposit in a Bank Account at least for the amount stated in the Secured Amount Statement as the estimated amount of the User’s Obligation to be secured, such cash deposit to be increased or

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reduced periodically where applicable in the manner stated in paragraph 3.4 of this Appendix M; or

- 2.3 A Performance Bond from a Qualified Company for the amount stated in the Secured Amount Statement as the estimated amount of the User's Obligation to be secured, such Performance Bond to be Valid for at least the period stated in such Secured Amount Statement and to be renewed periodically where applicable in the manner stated in paragraph 3.3 of this Appendix M.

3. **GENERAL PROVISIONS**

- 3.1 Any Notice of Drawing to be delivered to Barclays Bank PLC or any other bank at which the Bank Account shall have been opened or a Qualified Bank or a Qualified Company may be delivered by hand, by post or by facsimile transmission.
- 3.2 If the User becomes aware that the bank issuing the Performance Bond or Letter of Credit ceases to be a Qualified Bank or that the company giving the Performance Bond ceases to be a Qualified Company, the User shall so notify The Company in writing as soon as it becomes so aware. If The Company becomes aware that the bank issuing the Performance Bond or Letter of Credit ceases to be a Qualified Bank or that the company giving the Performance Bond ceases to be a Qualified Company, The Company may notify the User to that effect in writing. Where the bank or the company so ceases to be either a Qualified Bank or a Qualified Company (as the case may be) as a consequence of The Company having reasonable cause to doubt the continued rating of the said bank or company, such notice shall be accompanied by a statement setting out The Company's reasons for having such doubt. The User shall within 21 days of the

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giving of such notice by The Company or the User whichever is the earlier provide a replacement Performance Bond and/or Letter of Credit from a Qualified Bank or Qualified Company, as the case may be, and/or provide a cash deposit in the required amount in a Bank Account. From the date the replacement Performance Bond or Letter of Credit or Bank Account cash deposit is effectively and unconditionally provided and Valid, The Company will consent in writing to the security which it replaces being released.

3.3 The following provisions shall govern the issuance, renewal and release of the Performance Bond or Letter of Credit:-

3.3.1 The Performance Bond or Letter of Credit shall be Valid initially from the signing of this Construction Agreement at least to and including the following 31st March or 30th September whichever is the earlier date. Such Performance Bond or Letter of Credit shall be for an amount not less than that stated in the Secured Amount Statement as the amount of the User's Obligation to be secured during the period specified in the Secured Amount Statement.

3.3.2 On a date which is at least 45 days (or if such day is not a Business Day then on the immediately preceding Business Day) before the next following 31st March or 30th September whichever is the earlier date such Performance Bond or Letter of Credit shall be renewed so as to be Valid for not less than 6 months commencing from the immediately following 1st April or 1st October (as the case may be). Such renewed Performance Bond or Letter of Credit shall be for an amount not less than the amount of the User's Obligation stated in the Secured Amount Statement as the amount to be secured during the period that such renewed Performance Bond or Letter of Credit shall be Valid.

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- 3.3.3 Thereafter, the renewed Performance Bond or Letter of Credit shall be further renewed in like manner every 6 months.
- 3.4 The following provisions shall govern the maintenance of cash deposits in the Bank Account:-
- 3.4.1 The amount of the cash deposit to be maintained in the Bank Account shall be maintained from the date of this Construction Agreement at least to and including the following 31st March or 30th September, whichever is the earlier date. Such cash deposit shall be in an amount as stated in the Secured Amount Statement as the amount of the User's Obligation to be secured during the period stated in the Secured Amount Statement.
- 3.4.2 If the amount stated in the Secured Amount Statement as the amount of the User's Obligation to be secured from the following 1st April to 30th September or from the following 1st October to 31st March (as the case may be) is an amount greater than the amount then secured, the cash deposit in the Bank Account shall be increased to such greater amount on a date which is 45 days before the following 31st March or 30th September (as the case may be) which immediately precedes the commencement of the relevant above mentioned period.
- 3.4.3 If such amount stated in the Secured Amount Statement is smaller than the amount then secured, the cash deposit in the Bank Account shall not be reduced to the amount so stated until the expiry of 7 days after the next following 31st March or 30th September (as the case may be) ("the Release Date").

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3.4.4 The sum equal to the amount of reduction in the cash deposit in the Bank Account shall be paid by The Company to the User from the Bank Account on the Release Date.

3.4.5 Any interest accruing to the Bank Account shall be for the account of and belong to the User absolutely, and The Company agrees to take any steps required to be taken by it for the release from the Bank Account and payment to the User of such interest as soon as the same shall have been credited to the Bank Account and The Company shall have received notice of such credit.

3.5 Notwithstanding any provision aforesaid:-

3.5.1 The User may provide different securities to The Company at any one time, each securing a different amount, provided that the aggregate amount secured by such securities shall be not less than the aggregate amount required to be secured pursuant to the Secured Amount Statement for any period specified therein.

3.5.2 The User may upon the expiry of at least 14 days prior written notice to The Company, substitute one type of security for another provided that unless The Company shall otherwise agree in writing such substituted security must be Valid from 1st April or 1st October (as the case may be) and committed at least 45 days before the immediately preceding 31st March or 30th September (as the case may be) in the following manner:-

(a) where a Performance Bond or a Letter of Credit is to substitute for other securities, it must be issued or given at least 45 days before such immediately preceding 31st March or 30th September (as the case may be).

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(b) where a cash deposit in a Bank Account is to substitute for other securities, it must be deposited into the Bank Account at least 45 days before such immediately preceding 31st March or 30th September (as the case may be).

3.5.3 Upon request by the User to The Company, securities substituted in the aforesaid manner shall, providing the substitute security shall be Valid, be released on the following 1st April or 1st October (as the case may be). However, where the amount required by the Secured Amount Statement to be secured for any period is less than the amount required to be secured in the preceding period, the substituted security shall not be released until 7 days after the then following 31st March or 30th September (as the case may be).

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PART 2

BI-ANNUAL ESTIMATE FOR CONSTRUCTION AGREEMENT
DATED []

Amount due and amount which will
or might fall due for the period
commencing on and including
[] and ending on and
including [] in
respect of which security is
required

1. The Company Engineering Charges & expenses
for obtaining Consents pursuant to
to Clause 2.4
2. Final Sums
- [3. One Off Charge]

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PART 3

SECURED AMOUNT STATEMENT

CONSTRUCTION AGREEMENT DATED [_____]

Amount in which security is
required for the period
commencing on and including
[] and ending on and
including []

User's Obligation

We hereby certify that the amount to be secured in respect of the User's Obligation is as stated above in respect of the named period.

for and on behalf of
NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Duly authorised officer

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PART 4

NOTICE OF DRAWING

To [] Bank/Public Limited Company/Limited

copy to:

[date]

Dear Sirs,

RE: **CONSTRUCTION AGREEMENT DATED []**
PERFORMANCE BOND NO./DATED []/LETTER OF CREDIT NO.
[]/BANK ACCOUNT NO. [] (“THE SECURITY”)

We refer to the above Security in our favour. We hereby demand immediate payment thereunder in the amount of £[].

We require payment to be made by telegraphic transfer to:-

Bank plc

Address:

Sort Code:

Account Name: National Grid Electricity Transmission plc

Account No:

Yours faithfully,

for and on behalf of
NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Duly authorised officer

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APPENDIX [N]
THIRD PARTY WORKS

END OF SCHEDULE 2 EXHIBIT 3

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CUSC - EXHIBIT MM1

CANCELLATION CHARGE STATEMENT
DATED [_____]

COMPANY: [_____]

CONNECTION SITE/SITE OF CONNECTION: [_____]

CONSTRUCTION AGREEMENT: [_____]

Part 1 CANCELLATION CHARGE

The **Cancellation Charge** which will or might fall due on termination of the **Construction Agreement** during the period commencing on and including [1 April/1October] and ending on and including [30 September/31 March] is:

[£] [£/MW]

This figure is based on [A or B -strike out as appropriate] and C Deleted: and C

[A Estimate of Actual Attributable Works Cancellation Charge

[£] [£/MW]

or, where User has elected for the Fixed Cancellation Charge

B Fixed Cancellation Charge Formatted: Font: Bold, Not Italic

[£X being £X/YMW] - *insert figure/calculation from relevant Notification of Fixed Attributable Works Cancellation Charge* Formatted: Indent: Hanging: 3 cm

C Wider Cancellation Charge Deleted: B

[£X] being [£X/YMW]

| **Generation Zone** in which **Power Station** or **Interconnector** is/will be located []

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[Part 2 Estimates of the Actual Attributable Works Cancellation Charge

insert estimate of Actual Attributable Works Cancellation Charge (including sharing etc) until User has elected to fix.]

for and on behalf of
National Grid Electricity Transmission plc

END OF EXHIBIT MM1

CUSC SECTION 15

USER COMMITMENT METHODOLOGY

CONTENTS

Part One	Introduction
Part Two	Calculation of Cancellation Charge
Part Three	Calculation of Cancellation Charge Secured Amount and Credit Requirements
Part Four	Reconciliation of Actual Attributable Works Cancellation Charge

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PART ONE INTRODUCTION

1 Where (a) a **Construction Agreement** and/or a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** between a **User** in respect of the categories specified below and **The Company** is terminated or (b) there is a reduction in **Transmission Entry Capacity** by or in respect of such **User** or (c) there is a reduction in **Developer Capacity** in a **Construction Agreement** prior to the **Charging Date**, or (d) there is a reduction in Interconnector User Commitment Capacity by or in respect of such User, such **User** shall pay to **The Company** the **Cancellation Charge** calculated and applied in accordance with Part Two of this Section 15

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2 The **Cancellation Charge** is payable by **Users** on termination of agreements with and reductions in **Transmission Entry Capacity** or **Developer Capacity** or Interconnector User Commitment Capacity in respect of **Users** in the categories of

(a) a **Power Station** directly connected to the **National Electricity Transmission System** in respect of which there is a **Bilateral Connection Agreement** with **The Company**;

(b) an **Embedded Power Station** in respect of which there is a **Bilateral Embedded Generation Agreement** with **The Company**;

(c) a **Distribution System** directly connected to the **National Electricity Transmission System** in respect of which there is a **Construction Agreement** associated with **Distributed Generation**,

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(d) an Interconnector directly connected to the National Electricity Transmission System in respect of which there is a Bilateral Connection Agreement with The Company

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and reference to **User** in this Section 15 shall be interpreted accordingly.

For the avoidance of doubt this schedule does not apply to **Users** other than those described above.

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For the avoidance of doubt in respect of **Users** in the case of category (b) above where **The Company** has an associated **Construction Agreement** with a **User** in the category of (c) above, the **Cancellation Charge** payable by a **User** in category (b) above will not include the **Attributable Works Cancellation Charge** component of the **Cancellation Charge**. In such case the **Attributable Works Cancellation Charge** component of the **Cancellation Charge** will be payable by the associated **User** in category (c) above.

For the avoidance of doubt in the case of:

- (i) **Users** in the case of category (c) above; and
- (ii) **Distributed Generation** (other than an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement**),

the **Cancellation Charge** does not apply for reductions in **Developer Capacity** on or after the **Charging Date** or termination on or after the **Charging Date**.

For information, for **Users** other than **Users** in the categories to which this Section 15 applies, the liability for and security requirements in respect of **Final Sums**, which are due on termination of a **Construction Agreement** are as set out in the **Construction Agreement** (and in the proforma attached at **CUSC Schedule 2, Exhibit 3**).

For the avoidance of doubt, in addition to the **Cancellation Charge**, **Termination Amounts** also apply in respect of **Transmission Connection Assets**.

- 3** **The Company** shall apply and calculate the **Cancellation Charge** in accordance with Part Two of this Section 15.

The **Cancellation Charge** is made up of a number of components: the “**Pre Trigger Amount**”, “**Attributable Works Cancellation Charge**” and “**Wider Cancellation Charge**” which apply at different stages.

- 4** As provided for at Paragraph 3.5, the **Attributable Works Cancellation Charge** can be (at the **User’s** election in accordance with Paragraph 7) on the basis of the **Fixed Cancellation Charge** (Paragraph 3.6) rather than the **Actual Attributable Works Cancellation Charge** (Paragraph 3.7).

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- 5 This Section 15 also sets out in Part Three the level of, and arrangements for, security required in respect of the **Cancellation Charge**.
- 6 **The Company** shall apply and calculate the **Cancellation Charge Secured Amount** in accordance with this Section 15 Part Three.
- 7 This Section 15 also sets out in Part Four the reconciliation process in respect of the **Actual Attributable Works Cancellation Charge**.
- 8 For reference a number of terms used in this Section 15 are defined within this Section 15.

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PART TWO CALCULATION OF CANCELLATION CHARGE

1.1 The **Cancellation Charge** payable shall be calculated in accordance with this Part Two of Section 15.

1.2 Value Added Tax will be payable on any **Cancellation Charge**.

2 Completion Date and Trigger Date

2.1 In making an **Offer** to a **User The Company** will consider the **Construction Works** and **Construction Programme** associated with that **Offer** and taking into account the nature and programming of the **Construction Works** and the **Consents** associated with this will identify dates in the **Construction Agreement** as the **Completion Date**.

2.2 The **Trigger Date** will be (a) the 1 April which is three **Financial Years** prior to the start of the **Financial Year** in which the **Charging Date** occurs or (b) where the **Charging Date** is less than three **Financial Years** from the date of the **Construction Agreement**, the date of the **Construction Agreement** (in which case the **Financial Year** in which such date falls is the relevant **Financial Year** within the **Cancellation Charge Profile** working back from the **Charging Date**).

2.3 The **Trigger Date** is the date from which the **Wider Cancellation Charge** applies and the date from which, in the case of the **Fixed Cancellation Charge**, the **Fixed Attributable Works Cancellation Charge** rather than the **Pre Trigger Amount** applies. Prior to the **Trigger Date**, only the **Attributable Works Cancellation Charge** applies, or in case of the **Fixed Cancellation Charge**, the **Pre Trigger Amount** applies.

2.4 **Changes to Construction Programme or Construction Works or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity**

2.4.1 Where the **Construction Programme** or the **Construction Works** or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** subsequently changes from that in the original **Construction Agreement** the following

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principles will apply in respect of reassessing the **Trigger Date** and the **Cancellation Charge**.

2.4.2 Where such change is as a result of **The Company's** exercise of its rights under the **Construction Agreement** then:

- (i) Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date**. The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
- (ii) Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will be revised by reference to the revised **Completion Date** and the **Cancellation Charge** (including the **Cancellation Charge Profile**) will be adjusted to reflect the revised date.
- (iii) In the case of a **Fixed Cancellation Charge**, a change in the **Attributable Works** will not adjust the **Cancellation Charge Profile** unless the **Completion Date** has also changed in which case (ii) above will apply.

2.4.3 Where a change is as a result of the **User's** request then, notwithstanding any change in the **Completion Date**;

- (i) Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date**. The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
- (ii) Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will not be revised by reference to the revised **Completion Date** and the **Cancellation Charge** will not be adjusted downwards but will be held at that level and will increase from that level in line with any new **Construction Programme**.

3 Calculation of Cancellation Charge

3.1 The **Cancellation Charge** is the charge due to **The Company** by a **User** on termination of a **Construction Agreement**, **Disconnection** or a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** prior to the **Charging Date** and **Disconnection** or a reduction in **Transmission Entry Capacity** or **Interconnector User Commitment Capacity** on or after the **Charging Date**.

3.2 This calculation of the **Cancellation Charge** is different:

- (a) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced before the **Trigger Date** (the “**Pre Trigger Amount**” or “**Actual Attributable Works Cancellation Charge**”) (Paragraphs 3.6.1 and 3.7);
- (b) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date** (the “**Fixed Attributable Works Cancellation Charge**” or “**Actual Attributable Works Cancellation Charge**” and the “**Wider Cancellation Charge**”) (Paragraphs 3.5 to 3.8);
- (c) depending whether the **Attributable Works Cancellation Charge** is a **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge** (Paragraphs 3.5 to 3.7);
- (d) where the **Transmission Entry Capacity** or **Interconnector User Commitment Capacity** is reduced or **Disconnection** occurs on or after the **Charging Date** (the “**Wider Cancellation Charge**”) (Paragraph 3.8).

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3.3 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced before the Trigger Date

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Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced before the Trigger Date the Cancellation Charge shall be calculated as follows:

Cancellation Charge = Attributable Works Cancellation Charge

3.4 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced on or after the Trigger date but prior to the Charging Date

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Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced on or after the Trigger date but prior to the Charging Date the Cancellation Charge shall be calculated as follows:

Cancellation Charge = Attributable Works Cancellation Charge plus Wider Cancellation Charge

The following Paragraphs set out in detail the **Attributable Works Cancellation Charge** and **Wider Cancellation Charge** and Paragraph 3.7 sets out the above calculation by formula.

3.5 Attributable Works Cancellation Charge

The **Attributable Works Cancellation Charge** can be either the **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge**.

3.6 Fixed Cancellation Charge

The calculation of the **Fixed Cancellation Charge** is different where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or

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Developer Capacity or Interconnector User Commitment Capacity is reduced before (“Pre Trigger Amount”) or on or after the Trigger Date (“Fixed Attributable Works Cancellation Charge”).

3.6.1 Pre Trigger Amount

Should a Construction Agreement be terminated, or Transmission Entry Capacity be reduced or Developer Capacity be reduced or Interconnector User Commitment Capacity be reduced before the Trigger Date the Fixed Cancellation Charge is the Pre Trigger Amount calculated as a £/MW figure by reference to the Cancellation Charge Profile and derived in accordance with the formula at Paragraph 3.9 and set out in the Notification of Fixed Cancellation Charge by reference to which an election is made in accordance with Paragraph 7:

3.6.2 Fixed Attributable Works Cancellation Charge

Where a Construction Agreement is terminated or Transmission Entry Capacity is reduced or Developer Capacity is reduced or Interconnector User Commitment Capacity is reduced on or after the Trigger Date but prior to the Charging Date the Fixed Cancellation Charge is the Fixed Attributable Works Cancellation Charge calculated as follows:

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Fixed Attributable Works Cancellation Charge = (Attributable Works Cancellation Amount x MW Reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity) x Cancellation Charge Profile

Where the Attributable Works Cancellation Amount results in a £/MW figure calculated as follows:

(Estimated Attributable Works Capital Cost x (1 – Local Asset Reuse Factor) x Strategic Investment Factor x Distance Factor) / Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity

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Where the **Estimated Attributable Works Capital Cost** is the fair and reasonable estimate of the **Attributable Works Capital Cost** for each component within the **Attributable Works** and which is as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Attributable Works** are as specified in Appendix MM of the **Construction Agreement** at the time of the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Local Asset Reuse Factor** is the factor representing the potential for reuse of each component within the **Attributable Works** as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Strategic Investment Factor** is a factor calculated for each component within the **Attributable Works** as a ratio of the **Transmission Entry Capacity** and/or **Developer Capacity** and/or Interconnector User Commitment Capacity sharing those **Attributable Works** against the secured capability of the **Transmission** assets and set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

Where the **Distance Factor** is a factor calculated for each component within the **Attributable Works** as a ratio of distance to the nearest suitable MITS substation and distance to the MITS substation where the **Attributable Works** connect as set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6. This factor is only valid for components where distance is relevant i.e. cables and overhead lines.

Where the **Cancellation Charge Profile** is the profile derived in accordance with the formula at Paragraph 3.10 and set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 6.

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3.6.3 The **Pre Trigger Amount** and the **Attributable Works Cancellation Amount** (and the factors used in deriving this) and the **Cancellation Charge Profile** are fixed at the time an election is made in accordance with Paragraph 7 and the **Pre Trigger Amount** and **Attributable Works Cancellation Amount** are not subject to any further specific adjustment, reconciliation or credit should any of the **Transmission** assets resulting from the **Attributable Works** be reused or of benefit to other **Users**.

3.7 Actual Attributable Works Cancellation Charge

3.7.1 The **Actual Attributable Works Cancellation Charge** is the **Attributable Works Capital Cost** in respect of each component within the **Attributable Works** at the time at which the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced including (a) fees, expenses and costs properly payable by **The Company** in respect of, or arising from the termination by **The Company** or any third party of any contract for or relating to the carrying out of any of the **Attributable Works** provided it is negotiated on an arms length basis (including any such arising under the **STC**) and (b) a sum equal to the reasonable costs of removing any **Transmission Connection Assets** and of making good the remaining **Plant** and **Apparatus** following such removal and (c) proper and reasonable expenses incurred and or paid or which **The Company** is legally bound to incur or pay in seeking **Consents** for the **Attributable Works** and (d) interest on any such amounts from the date they were paid by **The Company** to the date of **The Company's** invoice at 2% over **Base Rate** from time to time and for the time being provided that in each case **The Company** shall take into account the **Local Asset Reuse Factor**, the **Strategic Investment Factor** and the **Distance Factor** as calculated in paragraph 3.6.2, of the **Attributable Works** and any of the resulting **Transmission** assets.

3.7.2 In the case of the **Actual Attributable Works Cancellation Charge**, on termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** prior to the **Charging Date**, **The Company** shall be entitled to invoice the **User** for a sum equal to **The Company's** fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** and so (a) in the case of

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termination, the **User** shall pay to **The Company** on account of the **Actual Attributable Works Cancellation Charge** a sum equal to the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs and (b) in the case of a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity**, a sum by reference to the MW reduction based on the £/MW figure derived from the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs. These will then be subject to reconciliation in accordance with this Section 15 Part Four.

3.8 Wider Cancellation Charge

The **Wider Cancellation Charge** results in a £/MW charge calculated as follows:

Zonal Unit Amount x (MW of reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity**) x **Cancellation Charge Profile**

The **Zonal Unit Amount** is a £/MW figure calculated by reference to the **Generation Zone** in which the **Power Station** or **Interconnector** is to be located as set out in the **Cancellation Charge Statement**. It is calculated by reference to the **Annual Wider Cancellation Charge Statement** for the **Financial Year** in which notice of reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is given and/or notice of **Disconnection** is given or, where in the case of an **Event of Default** where notice is not given, the **Financial Year** in which the reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Disconnection** occurs.

*Where the **Zonal Unit Amount** = Load Related Boundary Capex apportioned to **Boundaries** by **Boundary (LR) Level** and Non Load Related Boundary Capex apportioned to **Boundaries** by **Boundary (NLR) Level**, summated and multiplied by **Boundary Non Compliance Factors** and then mapped to **Generation Zones** and divided by the **Wider User Commitment Liability Base**, excluding those **Power Stations** or **Interconnectors** in respect of which*

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a **Construction Agreement** has terminated or **The Company** has been notified of a reduction in the **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Disconnection** within the period in question.

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Where **Load Related Boundary Capex** is the capex required to increase capability in the network as determined by **The Company** for a given **Financial Year**, excluding any **Attributable Works Capital Cost**, multiplied by the **User Risk Factor** and the **Global Asset Reuse Factor**, as set out in the **Annual Wider Cancellation Charge Statement**.

Where **Non Load Related Boundary Capex** is the capex required to maintain capability in the network as determined by **The Company** for a given **Financial Year**, excluding any **Attributable Works Capital Cost**, multiplied by the **User Risk Factor** and the **Global Asset Reuse Factor**, as set out in the **Annual Wider Cancellation Charge Statement**.

Where the **User Risk Factor** is the share of total risk between generation and consumers, set at 0.5.

Where the **Global Asset Reuse Factor** for a given **Financial Year** is as set out in the **Annual Wider Cancellation Charge Statement**.

Where the **Boundaries** are as detailed in Section 8 of the **Seven Year Statement**.

Where **Boundary (LR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the increase in required capability on that **Boundary** over the forthcoming four year period, as set out in the **Seven Year Statement**.

Where **Boundary (NLR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the available capability on that **Boundary** in the year in question, as set out in the **Seven Year Statement**.

Where **Boundary Non Compliance Factors** are the ratio between the available capability and required capability on each **Boundary** as detailed in Section 8 of the **Seven Year Statement**, capped at 100%.

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Where **Generation Zones** are (a) as defined in the **Seven Year Statement** for the **Financial Year** in which the termination or reduction in **Transmission Entry Capacity** or reduction in **Developer Capacity**, or reduction in **Interconnector User Commitment Capacity** occurs prior to the **Charging Date** (or where not so defined as set out in the relevant **Cancellation Charge Statement**) or (b) as defined in the **Seven Year Statement** for the **Financial Year** in which the notice of **Disconnection** or reduction in **Transmission Entry Capacity** occurs on or after the **Charging Date**.

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Where the **Wider User Commitment Liability Base** is the total amount of generation and **Interconnector User Commitment Capacity** in MW liable for the **Wider Cancellation Charge** in the year in question and the total amount of generation and **Interconnector User Commitment Capacity** in MW which will become liable for the **Wider Cancellation Charge** in the year in question and set out in the **Annual Wider Cancellation Charge Statement**.

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Where the **Cancellation Charge Profile** is the profile derived in accordance with the formula at Paragraph 3.10 or 3.11, as appropriate.

3.9 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced before the Trigger Date

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Should a **Construction Agreement** be terminated, or **Transmission Entry Capacity** be reduced or **Developer Capacity** be reduced or **Interconnector User Commitment Capacity** be reduced before the **Trigger Date** the **Cancellation Charge** shall be calculated as follows:

Cancellation Charge = Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:

Reduction in Transmission Entry Capacity or Reduction in Developer Capacity or Reduction in Interconnector User Commitment Capacity x Pre Trigger Amount_t

Where:

- *Transmission Entry Capacity /Developer Capacity /Interconnector User **Commitment Capacity** expressed in MW.*

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- Termination of Construction Agreement equates to a reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Pre Trigger Amount_t which varies according to the number of Financial Years from the date of the Construction Agreement to the Trigger Date:
 - up to the end of the first Financial Year (i.e. t =1), the lower of either (a) Pre Trigger Amount_t = (£1000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.
 - Where t = 2, the lower of either (a) Pre Trigger Amount_t = (£2000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.
 - Where t ≥ 3 up to Trigger Date, the lower of either (a) Pre Trigger Amount_t = (£3000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.

3.10 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity is reduced on or after the Trigger Date but prior to the Charging Date

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Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** is reduced or Interconnector User Commitment Capacity is reduced on or after the **Trigger Date** but prior to the **Charging Date** a **User** shall pay the **Cancellation Charge** calculated as follows:

Cancellation Charge = the sum of (a) Fixed Attributable Works Cancellation Charge or Actual Attributable Works Cancellation Charge and (b) Wider Cancellation Charge

- (a) *Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:*

Where:

- Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Fixed Attributable Works Cancellation Charge = Attributable Works Cancellation Amount x MW reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity x Cancellation Charge Profile_t

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- Cancellation Charge Profile_t, which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:
 - In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,
 - In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;
 - In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and
 - In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile, = 0.25.

AND

(b) Wider Cancellation Charge

Where:

- Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity to zero
- Wider Cancellation Charge = Zonal Unit Amount x reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity x Cancellation Charge Profile_t
- Cancellation Charge Profile_t, which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:
 - In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,
 - In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;
 - In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and
 - In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile = 0.25.

3.11 Where the Transmission Entry Capacity or Interconnector User Commitment Capacity is reduced or Notice of Disconnection is given on or after the Charging Date

The **Cancellation Charge** payable on notice of **Disconnection** and/or a reduction in **Transmission Entry Capacity or Interconnector User Commitment Capacity** on or after the **Charging Date** is calculated on a £/MW

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basis as follows by reference to the **Zonal Unit Amount** for the **Financial Year** in which the notice is given:

Cancellation Charge = Wider Cancellation Charge

Where:

- *Disconnection equates to reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity to zero*
- *Wider Cancellation Charge = Zonal Unit Amount for year in which notice of disconnection or reduction is given x reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity x Cancellation Charge Profile_t.*
- *Cancellation Charge Profile_t which varies according to the number of Financial Years notice given from the date of notification to Disconnection or reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity:*
 - *where notice is given in the Financial Year in which such notice is to take effect (t=0) Cancellation Charge Profile = 1,*
 - *where notice is given in the Financial Year prior to the Financial Year in which such notice is to take effect (t=1), Cancellation Charge Profile = 0.75,*
 - *where notice is given in the Financial Year which is two Financial Years prior to the Financial Year in which such notice is to take effect (t=2), Wider Cancellation Charge = zero.*

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4 Annual Wider Cancellation Charge Statement

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4.1 By not later than 31 January prior to the start of each **Financial Year** The **Company** will publish a statement showing:

- (a) the **Zonal Unit Amount** by **Generation Zone** for that **Financial Year**;
- (b) the **Wider User Commitment Liability Base** for that **Financial Year**;
- (c) the **Total TO Capex** for that **Financial Year** (*where the **Total TO Capex** is the forecast of the **Load Related Boundary Capex** and **Non Load Related Boundary Capex** for a given **Financial Year**, excluding the total **Attributable Works Capital Cost**);*
- (d) a forecast of the **Total TO Capex** for the following three **Financial Years**;
- (e) the **Global Asset Reuse Factor** for that **Financial Year**;
- (f) the **Boundary Non Compliance Factors** for that **Financial Year**;

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- (g) a forecast of the **Zonal Unit Amount** by **Generation Zone** for the following three **Financial Years**;
- (h) the % of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date**.

4.2 In the event that for any **Financial Year** it is proposed to change the **Global Asset Reuse Factor** or the % of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date** from that set out in the **Annual Wider Cancellation Charge Statement** for the previous **Financial Year**, **The Company** shall not make such change without first consulting on the change (and its provision in electronic form on the Website and in electronic mails to **CUSC Parties** and such other persons who have supplied relevant details shall meet this requirement).

5. Statement of Cancellation Charge

5.1 With an **Offer** **The Company** shall provide each **User** with an indicative profile of the estimated spend in respect of the **Attributable Works** and a **Notification of Fixed Cancellation Charge**.

5.2 Cancellation Charge Statement

5.2.1 **The Company** shall issue a **Cancellation Charge Statement** to a **User** showing the amount of the payment required or which may be required to be made by the **User** to **The Company** in respect of the **Cancellation Charge** prior to the **Charging Date** at the following times and in respect of the following periods:-

- (i) Forthwith on and with effect from the signing of the **Construction Agreement**, in respect of the period from and including the day of signing of the **Construction Agreement** until the next following 30 September or 31 March, whichever is the earlier; and thereafter
- (ii) not less than 75 (seventy five) days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September and 31 March thereafter in respect of the period of six calendar months commencing on the immediately following 1 October or 1 April (as the

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case may be), until the earlier of either the termination of the relevant **Construction Agreement** or the **Charging Date**.

5.3 If a **User** does not elect for the **Fixed Cancellation Charge** (unless and until a **User** subsequently elects for a **Fixed Cancellation Charge** as provided for at Paragraph 7 or advises **The Company** that it does not wish to receive this) **The Company** shall provide a **Notification of Fixed Cancellation Charge** and an estimate of the **Actual Attributable Works Cancellation Charge** with each **Cancellation Charge Statement**.

5.4 The **Actual Attributable Works Cancellation Charge** shall apply unless and until a **User** elects for a **Fixed Cancellation Charge** in accordance with Paragraph 6.

5.5 Estimating the Actual Attributable Works Cancellation Charge

In the case of the **Actual Attributable Works Cancellation Charge**, the **Cancellation Charge Statement** shall set out a fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** for the 6 month period and, for the project generally. In addition the 6 month estimate of the **Actual Attributable Works Cancellation Charge** shall, for the purposes of assessing the **Cancellation Charge Secured Amount**, be prorated on a MW basis between those **Users** who share a component within the **Attributable Works**.

6 Electing for the Fixed Cancellation Charge

6.1 To elect for a the **Fixed Cancellation Charge**, a **User** must notify **The Company** to this effect by (a) returning a signed copy of the **Notification of Fixed Cancellation Charge** with its acceptance of the **Construction Agreement** or (b) , where a **User** does not elect at that time, it can elect 45 days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September or 31 March thereafter by returning a signed copy of the **Notification of Fixed Cancellation Charge** as provided with the relevant **Cancellation Charge Statement**.

6.2 Once a **User** has elected for the **Fixed Cancellation Charge**, the **Pre Trigger Amount**, **Attributable Works Amount** and **Cancellation Charge Profile** will

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then be fixed as that set out in the **Notification of Fixed Cancellation Charge** by reference to which such election was made and a **User** cannot revert to the **Actual Attributable Works Cancellation Charge**.

7 Cancellation Charge Secured Amount Statement

7.1 Where a **User** has to provide security in accordance with Part Three of this Section 15 the **Cancellation Charge Statement** shall be accompanied by the **Cancellation Charge Secured Amount Statement**.

7.2 The **Cancellation Charge Secured Amount** shall be based on the highest level of **Cancellation Charge** due within the period covered by the **Cancellation Charge Secured Amount Statement**.

8 Interconnector Transition to Cancellation Charge

8.1 This provision only applies in respect of Users who are Interconnectors.

8.2 The provisions of this Section 15 shall apply in respect of the first Security Period which is not less than 6 months after the Implementation Date for CUSC Modification Proposal 222. In the period prior to that Security Period and as soon as practicable after the Implementation Date for CUSC Modification Proposal 222

8.2.1 The Company shall

8.2.1.1 offer to amend each User's Construction Agreement such that it will be substantially in the form of that set out Schedule 2, Exhibit 3 Part 1 (as it relates to the Cancellation Charge arrangements);

8.2.1.2 send to each User in respect of each Construction Agreement a Cancellation Charge Statement for that Security Period

8.2.2 the User shall put Security Arrangements in place in respect of its Construction Agreement in accordance with CUSC Section 15 to be effective from the start of that Security Period to the next following 31 March or 30 September (whichever is the earlier).

8.3 If The Company and a User fail to agree changes to the Construction Agreement either such person may refer the matter to the Authority under Standard Condition C9 Paragraph 4 of the Transmission Licence.

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PART THREE

1. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT AND CREDIT REQUIREMENTS

2. Each **User** which has a **Construction Agreement** shall provide security in respect of each of its **Construction Agreements** for the **Cancellation Charge Secured Amount** as applied and calculated in accordance with this Part Three of Section 15:

2.1 in the case of a **User** which meets **The Company Credit Rating** at the date of the **Construction Agreement** in accordance with Paragraph 4; and

2.2 in the case of a **User** which does not meet **The Company Credit Rating** at the date of the **Construction Agreement** or thereafter ceases to meet it, in accordance with Paragraph 5.

3. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT

3.1 Prior to the **Trigger Date** the **Cancellation Charge Secured Amount** is the **Cancellation Charge** as set out in the **Cancellation Charge Statement** for the relevant **Security Period**.

3.2 On or after the **Trigger Date** until the **Charging Date** the **Cancellation Charge Secured Amount** is that percentage of the figure shown as the **Cancellation Charge** in the **Cancellation Charge Statement** for the relevant **Security Period** determined as follows:

Prior to (and including) the Key Consents In Place Date	the % for that Financial Year as set out in the Annual Wider Cancellation Charge Statement .
From the Key Consents In Place Date	the % for that Financial Year as set out in the Annual Wider Cancellation Charge Statement .

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3.3 The **User** shall notify **The Company** once it considers that it has been granted the **Key Consents**. **The Company** shall respond as soon as practicable after such notification confirming that it is satisfied that this is the case or giving reasons why it is not so satisfied.

4. PROVISION OF SECURITY WHERE USER MEETS THE COMPANY CREDIT RATING

4.1 The **User** shall as soon as possible after entering into a **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** and in any event no later than one (1) month after the date of the same confirm to **The Company** whether it meets **The Company Credit Rating**. Thereafter not less than 75 days before the 1 April and 1 October each year until 30 days after the **Charging Date** the **User** shall confirm to **The Company** whether it meets **The Company Credit Rating** (which in the case of a long term private credit rating shall be confirmed by Standard and Poor's or Moody's within a period of 45 days prior to the date of confirmation). The **User** shall inform **The Company** in writing forthwith if it becomes aware of no longer meeting **The Company Credit Rating** or if it is or is likely to be put on credit watch or any similar credit surveillance procedure which may give **The Company** reasonable cause to believe that the **User** may not be able to sustain meeting **The Company Credit Rating** for at least 12 months.

4.2 In the event that the **User** has elected to provide **The Company** with an indicative credit rating and **The Company** is of the reasonable opinion that the **User** has ceased to comply with the requirements of Paragraph 4.1 then **The Company** may require the **User** forthwith:

- (i) to apply to Standard and Poor's and/or Moody's for a further indicative long term private credit rating; or
- (ii) to confirm to **The Company** that it shall provide the security referred to in Paragraph 4.4 below.

4.3 In the event of the **User**:

- (i) not meeting **The Company Credit Rating**; or

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- (ii) having a credit rating below **The Company Credit Rating**; or
- (iii) not having obtained from Standard and Poor's or Moody's within 30 days of the written notification under Paragraph 4.2(i) above an indicative long term private credit rating,

or if **The Company** becomes aware that:

- (iv) the **User** ceases to meet **The Company Credit Rating**; or
- (v) the **User** is put on credit watch or other similar credit surveillance procedure as specified above which may give **The Company** reasonable cause to believe that the **User** may not be able to maintain **The Company Credit Rating** for at least 12 months; or
- (vi) the **User** has not obtained from Standard and Poor's within 30 days of the written notification by **The Company** under Paragraph 4.2(i) above a further indicative long term private credit rating,

the **User** shall (where appropriate on receipt of written notification from **The Company**) comply with the terms of Paragraph 4.4.

4.4 The **User** shall within 21 days of the giving of a notice under Paragraph 4.3 or within 30 days of the **User** confirming to **The Company** under Paragraph 4.2(ii) that it will provide the security specified below (whichever is the earlier), provide **The Company** with the security specified below to cover the **Cancellation Charge Secured Amount** for the relevant **Security Period** as notified by **The Company** to the **User**.

4.5 The form of security provided shall be of a type set out in Paragraph 6.

4.6 If the facts or circumstances giving rise to the obligation of the **User** to provide the security have ceased, then **The Company** shall release the security.

5. PROVISION OF SECURITY WHERE USER DOES NOT MEET OR CEASES TO MEET THE COMPANY CREDIT RATING

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5.1 Each **User** hereby agrees that it shall at the date of the relevant **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** provide to **The Company** or procure the provision to **The Company** of, and the **User** shall until 28 days after the **Charging Date** maintain or procure that there is maintained in full force and effect (including by renewal or replacement) a security arrangement from time to time and for the time being as set out in Paragraph 6 to provide security for the **Cancellation Charge Secured Amount**.

5.2 If there shall be any dispute between the **User** and **The Company** as to:-

- (i) the fairness and reasonableness of the estimate of the **Attributable Works Capital Charge**; or
- (ii) the calculation of the **Cancellation Charge**, or
- (iii) whether there has been an **Event of Default** as provided in **CUSC** Section 5; or
- (iv) the lawfulness or otherwise of any termination or purported termination of the **Construction Agreement**,

such dispute shall not affect the ability of **The Company** to make demands pursuant to the security arrangement to be provided pursuant to this **CUSC** Section 15 and to recover the amount or amounts payable thereunder, it being acknowledged by the **User** that but for such being the case **The Company's** security would be illusory by reason of the period of validity of the relevant security being likely to expire or capable of expiring before the final resolution of such dispute. The **User** accordingly covenants with **The Company** that it will not take any action, whether by way of proceedings or otherwise, designed or calculated to prevent, restrict or interfere with the payment to **The Company** of any amount secured under the security arrangement nor seek nor permit nor assist others to do so.

6. TYPES OF SECURITY

6.1 The **User** shall from time to time and for the time being as set out in Paragraph 5 provide security for the **Cancellation Charge Secured Amount** by any one of the following:-

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6.1.1 A **Performance Bond** or **Letter of Credit** from a **Qualified Bank** for **Cancellation Charge Secured Amount** for a given **Security Period**, such **Performance Bond** or **Letter of Credit** to be **Valid** for at least that given **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3; or

6.1.2 A cash deposit in a **Bank Account** at least for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such cash deposit to be increased or reduced periodically where applicable in the manner stated in paragraph 6.2.4; or

6.1.3 A **Performance Bond** from a **Qualified Company** for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such **Performance Bond** to be **Valid** for at least that **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3.

6.2 General Provisions regarding Security

6.2.1 Any **Notice of Drawing** to be delivered to Barclays Bank PLC or any other bank at which the **Bank Account** shall have been opened or a **Qualified Bank** or a **Qualified Company** may be delivered by hand, by post or by facsimile transmission.

6.2.2 If the **User** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, the **User** shall so notify **The Company** in writing as soon as it becomes so aware. If **The Company** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, **The Company** may notify the **User** to that effect in writing. Where the bank or the company so ceases to be either a **Qualified Bank** or a **Qualified Company** (as the case may be) as a consequence of **The Company** having reasonable cause to doubt the continued rating of the said bank or company, such notice shall be accompanied by a statement setting out **The**

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Company's reasons for having such doubt. The **User** shall within 21 days of the giving of such notice by **The Company** or the **User** whichever is the earlier provide a replacement **Performance Bond** and/or **Letter of Credit** from a **Qualified Bank** or **Qualified Company**, as the case may be, and/or provide a cash deposit in the required amount in a **Bank Account**. From the date the replacement **Performance Bond** or **Letter of Credit** or **Bank Account** cash deposit is effectively and unconditionally provided and **Valid**, **The Company** will consent in writing to the security which it replaces being released.

6.2.3 The following provisions shall govern the issuance, renewal and release of the **Performance Bond** or **Letter of Credit**:-

6.2.3.1 The **Performance Bond** or **Letter of Credit** shall be **Valid** initially for the **First Security Period**. Such **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** for that **First Security Period**.

6.2.3.2 On a date which is at least 45 days (or if such day is not a **Business Day** then on the immediately preceding **Business Day**) before the start of each following **Security Period** such **Performance Bond** or **Letter of Credit** shall be renewed so as to be **Valid** for not less than such **Security Period** and in the case of the last **Security Period** to be **Valid**, unless **The Company** agrees otherwise, for 45 days after the last day of such **Security Period**. Such renewed **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** to be secured during that **Security Period**.

6.2.4 The following provisions shall govern the maintenance of cash deposits in the **Bank Account**:-

6.2.4.1 The amount of the **User's** cash deposit to be maintained in the **Bank Account** shall be maintained by the **User** from the date of the **Construction Agreement** at least to the end of the **First**

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Security Period. Such cash deposit shall be in the amount of the **Cancellation Charge Secured Amount** to be secured during that **First Security Period**.

6.2.4.2 If the amount of the **Cancellation Charge Secured Amount** to be secured from the start of each **Security Period** is an amount greater than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be increased by the **User** to such greater amount on the date which is 45 days before the start of the given **Security Period**.

6.2.4.3 If the **Cancellation Charge Secured Amount** for a given **Security Period** is smaller than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall not be reduced to the amount so stated until the expiry of 7 days after the start of that given **Security Period** ("the **Release Date**").

6.2.4.4 The sum equal to the amount of reduction in the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be paid by **The Company** to the **User** from the **Bank Account** on the **Release Date**.

6.2.4.5 Any interest accruing in respect of the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be for the account of and belong to the **User** absolutely, and **The Company** agrees to take any steps required to be taken by it for the release from the **Bank Account** (or any other bank account in the name of **The Company** in which such interest is held) and payment to the **User** of such interest as soon as **The Company** shall have received notice from the **User** requesting such payment.

6.2.4.6 For the avoidance of doubt, the **User's** cash deposit in the **Bank Account** shall remain the sole property and entitlement of the **User** until such time when (and to such extent as) the **Company** exercises its right of set off against the **User's** cash deposit in

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accordance with the terms of the **CUSC**, and the **User** shall have no right to have the cash deposit returned to it for so long as it is under any prospective or contingent liability to the **Company**.

6.3 Notwithstanding any provision aforesaid:-

6.3.1 The **User** may provide different securities to **The Company** at any one time, each securing a different amount, provided that the aggregate amount secured by such securities shall be not less than the amount of the **Cancellation Charge Secured Amount** required to be secured for that **Security Period**.

6.3.2 The **User** may upon the expiry of at least 14 days prior written notice to **The Company**, substitute one type of security for another provided that unless **The Company** shall otherwise agree in writing such substituted security must be **Valid** from the first day of the relevant **Security Period** and committed at least 45 days before this in the following manner:-

(a) where a **Performance Bond** or a **Letter of Credit** is to substitute for other securities, it must be issued or given at least 45 days before the start of the **Security Period** to which it relates.

(b) where a cash deposit in a **Bank Account** is to substitute for other securities, it must be deposited into the **Bank Account** at least 45 days before the start of the **Security Period** to which it relates.

6.3.3 Upon request by the **User** to **The Company**, securities substituted in the aforesaid manner shall, providing the substitute security shall be **Valid**, be released on the first day of the **Security Period** which the substitute security is securing. However, where the **Cancellation Charge Secured Amount** to be secured for any **Security Period** is less than the amount required to be secured in the preceding **Security Period**, the

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substituted security shall not be released until 7 days after the start of the **Security Period** that that substitute security is securing.

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PART FOUR RECONCILIATION OF ACTUAL ATTRIBUTABLE WORKS CANCELLATION CHARGE

1. As soon as practicable and in any event within 60 days of the date, as appropriate, of termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** **The Company** shall:
 - (a) furnish the **User** with a statement showing a revised estimate of the **Actual Attributable Works Cancellation Charge** and will provide as soon as practicable evidence of such having been incurred; and
 - (b) furnish the **User** with justification of and supporting information in respect of its assessment of the actual or potential for reuse and any strategic benefits of the **Attributable Works** and any of the resulting **Transmission** assets.

2. As soon as reasonably practicable after termination of this **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** and in any event within 12 months of such event **The Company** shall provide the **User** with a final statement of the **Actual Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is greater than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge** the **User** shall within 28 days of the said statement and invoice prepared by **The Company** pay to **The Company** the additional payments due by the **User** together with interest calculated thereon on a daily basis at **Base Rate** for the time being and from time to time from the date of previous payment(s) to the date of the final statement of the **Actual Attributable Works Cancellation Charge** and final invoice for the **Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is less than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge** **The Company** shall forthwith pay to the **User** the excess paid together with interest on a daily basis at **Base Rate** for the time being and from time to time from the date of payment of the fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** to the date of reimbursement by **The Company** of the said excess paid.

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