nationalgrid

Stage 04: Code Administrator Consultation

Connection and Use of System Code (CUSC)

CMP223 'Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment'

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 modify the CUSC such that distribution connected generators deemed to have an impact on the electricity transmission network are not faced with undue discrimination in the way security requirements under the CUSC Section 15 are passed on.

Published on: 22 May 2014
Responses by: 10 June 2014

Please note this consultation has been extended from the original deadline of 3 June 2014.

The Workgroup Concludes:
WACM3 best facilitates the Applicable CUSC Objectives and therefore should be implemented.

High Impact:
Distribution-connected generators; DNOs

Contents

Any Questions?

Contact:
Jade Clarke

Code Administrator

Jade.Clarke@nationalgrid.com

01926653606

Proposer:
Fruzsina Kemenes
Carnedd Wen Onshore Wind Farm Ltd

About this document

The purpose of this document is to consult on CMP223 with CUSC Parties and other interested industry members. Representations received in response to this consultation document will be included in the Final CUSC Modification Report that will be furnished to the Authority for their decision.

Document Control

Version	Date	Author	Change Reference
0.1	2 May 2014	Code Administrator	Version to Industry
0.2	22 May 2014	Code Administrator	Updated version to Industry

1 Summary

1.1 This document describes the CMP223 Modification Proposal, summarises the deliberations of the Workgroup, and invites responses to this Code Administrator Consultation

1.2 CMP223 was proposed by Carnedd Wen Onshore Wind Farm Ltd and was submitted to the CUSC Modifications Panel for their consideration on 27th September 2013. The Panel determined that the proposal should be considered by a Workgroup and that they should report back to the CUSC Modifications Panel following a period for the Workgroup Consultation.

1.3 This proposal seeks to modify the CUSC such that distribution connected generators deemed to have an impact on the electricity transmission network are not faced with undue discrimination in the way that security requirements under the CUSC Section 15 are passed on.

1.4 The Workgroup first met on 18th October 2013 and the members requested a change to the Terms of Reference which was approved at the 25th October 2013 CUSC Panel meeting. A copy of the Terms of Reference is provided in Annex 1. The Workgroup considered the issues raised by the CUSC Modification Proposal and worked through the Terms of Reference. The Workgroup discussions are documented in Section 4.

1.5 As part of the discussions, the Workgroup has noted that there are potential solutions to the defect CMP223 seeks to resolve that may be pursued outside of the CUSC process. Whilst the Authority can opt to implement a solution outside of the CUSC, such solutions are outside of the remit of the CUSC Modifications Panel and the CMP223 Workgroup.

1.6 At the post-Workgroup Consultation meeting on 24th February 2014, the Workgroup agreed on the Original and two Workgroup Alternative CUSC Modifications (WACMs). The Workgroup later agreed two more WACMs on 10th March 2014. The Original and four WACMs are detailed within Section 5 and 6 of this report.

1.7 The Workgroup voted on 24th March 2014 by majority seven out of nine votes that WACM3 best facilitates the Applicable CUSC Objectives and therefore should be implemented.

1.8 At the CUSC Modifications Panel on 25th April 2014, the Panel agreed that the Workgroup had met the Terms of Reference and accepted the Workgroup Report. The Panel agreed for CMP223 to progress to Code Administrator Consultation for a period of 20 Working days.

1.9 This Code Administrator Consultation 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/CUSC/Modifications/CMP223/, along with the CUSC Modification Proposal form.

1.10 During the Code Administrator Consultation process, it was discovered that the draft legal text included within the consultation did not include a requirement on DNO to provide annual figures to NGET on the number of DG terminations, and at what stage they are terminated. This requirement was agreed by the Workgroup and can be found under the descriptions of the Original and each WACM in Sections 5 and 6. The Code Administrator notified the CUSC Modifications Panel of this omission and the Panel agreed that the missing text should be added and the CMP223 Code Administrator Consultation should be extended by one week. The updated legal text can be found in Volume 2 of this document. This document is the updated Code Administrator Consultation and invites responses by 10th June 2014.

2 Background

2.1 National Grid Electricity Transmission (NGET) and the other Transmission Owners (TOs) undertake investment works to accommodate the needs of generators already connected and those expected to connect in the future to the electricity transmission network. However, a generator may decide to cancel its project or reduce its capacity after the associated works have already begun. This may result in unnecessary costs to other network users, which are ultimately borne by the end consumer.

2.2 User Commitment performs a vital function in ensuring adequate information is available to TOs to plan and develop the transmission network in a manner that is economical and efficient, and protects the interests of consumers and wider industry. User Commitment signals are also financially underwritten to incentivise the provision of accurate and timely information and to ensure that the risk of stranded transmission assets is placed on those parties best placed to mitigate and manage the risk.

2.3 Licensed Generators are required to be party to various industry codes, including the CUSC. In February 2011 NGET proposed a modification to the CUSC (CMP192) to introduce enduring User Commitment arrangements for generators based on specific local works and generic methodology for wider works. The proposal was further developed by the industry, with the final approval being given by the Authority. The User Commitment methodology introduced by CMP192 was implemented through a new section of the CUSC (Section 15) on 30 March 20121. Section 15 arrangements replaced the interim security arrangements which included both Final Sums (Local works only) and the Interim Generic User Commitment Methodology (IGUCM).

2.4 Section 15 applies to generation deemed to have an effect on the transmission system, both directly connected to the transmission network and embedded in a distribution network, before and after commissioning (referred to as pre and post commissioning).

2.5 For pre-commissioning generation, there is an Attributable liability which is specific to the investments for that project, and a Wider liability which is generic and applies to all generation on a zonal basis. Under the arrangements set out in Section 15, a Fixed or Actual calculation for the Attributable liability can be chosen depending on whether stability or cost-reflectivity is valued more (Figure 1). The party who has signed a Construction Agreement with NGET in relation to a generation project has this liability to NGET and the National Electricity Transmission System Operator (NETSO) and this 'backs off' the liability that the NETSO has to the relevant TO for the cost of abortive works. This is known as TO Final Sums and is detailed under the SO/TO Code (STC).

2.6 Security for this combined liability is required at a reducing rate as the generation project nears commissioning and passes consenting milestones. For example, presently 42% of the combined liability will be secured prior to key consents being granted, reducing to 10% once these are achieved. This is to reflect the reducing likelihood of termination by the generator as commissioning nears. In the event that a generator terminates their project and the resulting invoice levied for the liability under the Construction Agreement is not paid, NGET will draw down on the security and pursue the outstanding debt. In the event that the outstanding debt is unrecoverable, NGET has the ability through Special Licence Condition 6F to increase the amount of revenue it recovers from all transmission network users.

[1] There was a twelve month transition period with the amendment proposal taking effect from 1 April 2013.

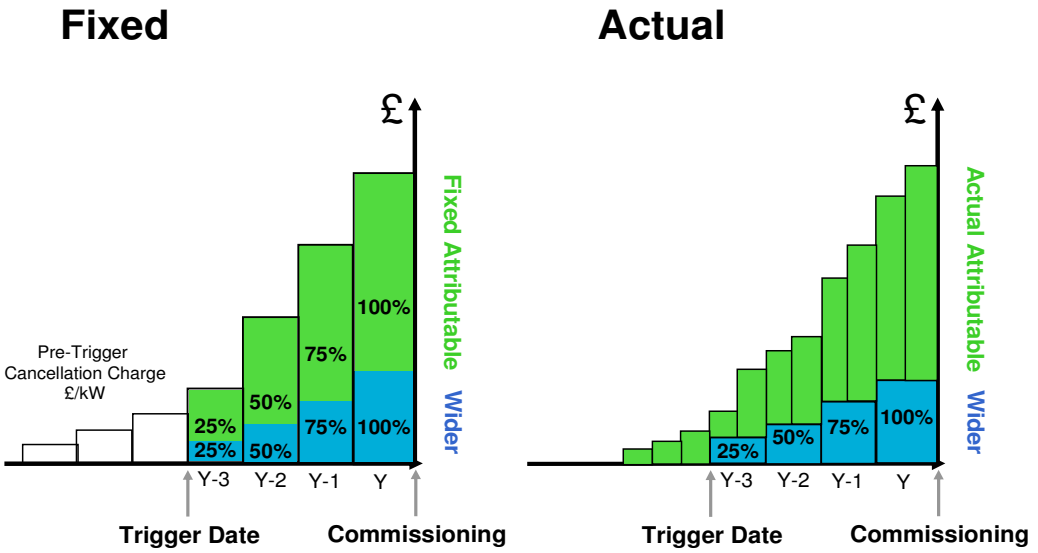


Figure 1

2.7 Generally, NGET does not have a contractual relationship with smaller distribution connected generators (apart from those with Bilateral Embedded Generation Agreements (BEGAs) or Bilateral Embedded Licence Exemptible Large Power Station Agreements (BELLAs), and so security and liability requirements are passed to the relevant DNO (both for the Attributable and wider works). For the security period ending 30th September 2014 the total liability requirement for such generation is £34.6m (including VAT), with an associated security requirement of £15.4m. For distributed generators with a BEGA only, the Wider liability and associated security requirement is applied directly to that generator, whilst the Attributable liability and associated security requirement is passed to the relevant DNO. It is a matter for the DNO to manage this liability through its relationship with the distributed generator, and this relationship is outside of the remit of the CUSC. This is illustrated in Figure 2.

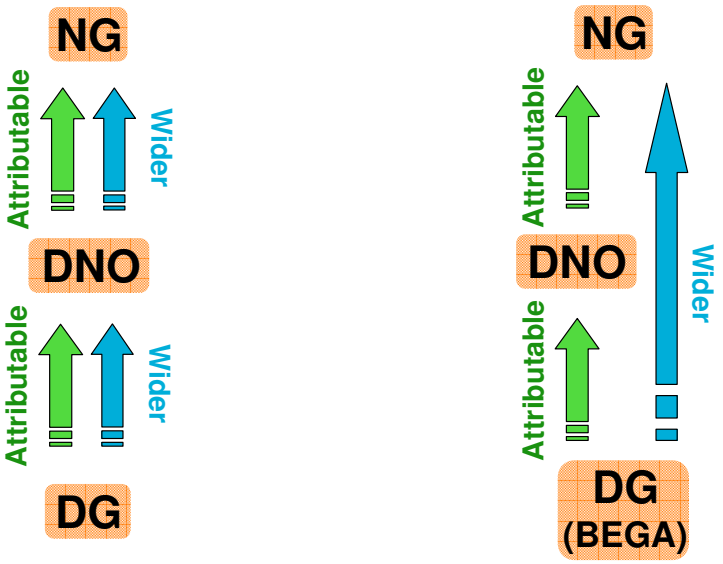


Figure 2 - relationship between NG, DNOs and DG

2.8 Post-commissioning, directly (transmission) connected generators and those distribution connected generators with BEGAs retain a wider liability to NGET, but are not required to provide security for it as the physical assets of their site are considered to be of sufficient value to minimise the risk of stranding in the event of insolvency. Post-commissioning distribution connected generators (excluding those with a BEGA) do not retain any liability to NGET.

3 Why Change?

3.1 The Proposer has put forward that since the new arrangements for generation user commitment have been codified in the Connection and Use of System Code (CUSC) as a result of the CUSC Modification Proposal (CMP) 192: "Enduring User Commitment"; that this has resulted in unintended consequences for distribution connected generators deemed to have an impact on the electricity transmission network ("relevant distributed generators").

3.2 As relevant distributed generators have the same type of impact on the electricity transmission network as generators that are directly transmission connected, they contribute to reinforcement requirements in the same manner.

3.3 Relevant distributed generators have no direct contractual relationship with National Grid Electricity Transmission (NGET). Currently, under CUSC Section 15, Distribution Network Operators (DNOs) have been defined as 'Users' in relation to the cancellation charge. This means that the DNO will be liable to pay a cancellation charge to NGET upon the termination of a relevant distributed generation project, and will, in turn, look to pass this onto the relevant distributed generator. Similarly, the security arrangements in place to cover cancellation charge liabilities under CUSC Section 15 will apply to DNOs in relation to relevant distribution generators. However, the DNOs are not required to replicate these arrangements (which allow for a level of security lower than the cancellation liability to be posted) in their agreement with the relevant distributed generator.

3.4 A DNO has no provision for recovery in its Electricity Distribution Licence in the event of non-payment of the shortfall between security provided by a relevant distributed generator and the liability incurred upon termination by that generator. As a result the DNO would be left exposed, and to mitigate this risk, a number of DNOs have requested security cover for the full cancellation charge from relevant distributed generators with more onerous terms and conditions than those specified in CUSC Section 15. The Proposer has highlighted that this places relevant distributed generators at a disadvantage compared to transmission connected generators when entering the market and that this may therefore be considered as undue discrimination. Annex 2 contains the CMP223 Proposal Form which provides further detail on why the Proposer sees change to be necessary.

3.5 Further to the defect initially highlighted by the Proposer, the following additional concerns have been highlighted as part of the Workgroup process:

- Inconsistencies between DNOs have been experienced in relation to how terms and conditions for security provision and liabilities are applied to relevant distributed generators. It is also unclear as to how DNO businesses that have not yet had to deal with the arrangements specified under CUSC Section 15 would apply this in relation to relevant distributed generators.

- The manner in which some DNOs have passed through both liabilities and securities in a 'generator hub' scenario. In the event that a single construction agreement exists between NGET and a DNO for transmission works to facilitate multiple relevant distributed generators, the allocation of a cancellation charge upon the termination of relevant distributed generator projects is at the discretion of the DNO. For example, the Proposer has indicated that in relation to a project for

Where can I find more information on CMP192?

Documentation for CMP192 can be accessed at the National Grid website at: http://www.nationalgrd.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/

Where can I find more information on User Commitment Methodology?

Further guidance and implementation of User Commitment Methodology on the Nation Grid website using the following: http://www2.nationalgrid.com/UK/Services/Electricity%20connections/policies%20and%20guidance/

which a DNO has requested a new transmission connection to form a hub for multiple embedded generation projects, a policy has been adopted by the DNO whereby any element of cancellation charge liabilities for which it does not hold security are not discretely assigned to individual generators. This means that a (non-terminating) relevant distributed generator project may incur a charge following the termination of other projects terminating, a risk that parties with an agreement with NGET would not face.

4 Solution

4.1 The Proposer's original solution seeks to rectify the defect (detailed in the CMP223 Proposal Form – see Annex 2) by adapting existing arrangements, or creating direct contractual relationships between the relevant distributed generators and NGET so that the terms and conditions for securities and liabilities in relation to related transmission works can be passed on in the same way as they are to other "Users" specified in CUSC Section 15. Under the Proposer's solution, the relating terms and conditions would be in force until either:

(i) for generation projects that commission, the later of the transmission works or the relevant distributed generator commissioning; or

(ii) for generation projects that terminate their proposed connection, the date at which the final cancellation charge is paid.

4.2 Under this solution, the term "relevant distributed generators" would be defined within the CUSC, and changes made to enable these to be treated as "Users" under Section 15 "User Commitment Methodology". This solution does not intend that relevant distributed generators becoming party to or becoming compliant with the wider terms of the CUSC. The Proposer's view is that the primary relationship for connection and use of the network for distributed customers is with a DNO.

4.3 A contractual agreement would be required to specifically cover security and liability arrangements to be in place between NGET and the relevant distributed generators. In the event of a relevant distributed generator terminating NGET would pursue this party directly for the cancellation charge. In the event of stranded assets NGET would be able to make use of the recovery mechanism set out under Special Licence Condition 6F of the Transmission Licence.

4.4 Finally, the Proposer requested that the Workgroup considers the merits of applying a de minimis threshold. Such a threshold would mean that sub 1MW generators would be exempt from User Commitment. The Proposer suggested that this may ease the administrative burden on NGET and smaller generators, and may further assist smaller parties who may be affected by the current arrangements disproportionately as they are usually the most cash constrained investors.

5 Summary of Workgroup Discussions

5.1 The Workgroup discussed the original proposal and solution and explored other potential solutions put forward by the Proposer and other Workgroup Members.

Workgroup Presentations

The presentation slides used at the first Workgroup meetings are available on National Grid's website at the link below:

http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/wg/CAP223/

Option 1 - Original Proposal: CUSC Modification to define "relevant distribution generator" as a User for the purposes of receiving Section 15 user commitment.

Applicability

5.2 Section 15 of the CUSC defines the categories of Users which the section applies to. The Workgroup discussed whether this could be broadened to include a category for relevant distributed generators. The Proposer's intention is for these entities to only be required to comply with Section 15 (in addition to any existing requirements in place where a BEGA (Bilateral Embedded Generation Agreement) or BELLA (Bilateral Embedded Licence Embedded Exemptible Large Power Station Agreement) is in place). However, in relation to those parties without an existing agreement the Workgroup recognised that if a new category of User accedes to the CUSC then the impact on each CUSC section will need to be reviewed. For example, in order to define a new "User" (even if restricted to a certain section) a change needs to be made to Section 1 of the CUSC. The Workgroup noted that for this change to work as desired, then clauses in Sections 1, 5, 7, 8, 11, and 15 of the CUSC would need to apply to relevant distributed generators in a similar manner to which these apply to BELLA parties.

Structure of Contractual Relationship

5.3 The Workgroup considered whether parties with a BEGA or a BELLA would need to have the new user commitment contract. A number of members considered that this would be unnecessary administration, since the terms of the new contract could be incorporated in the BEGA and BELLA templates.

5.4 In order to enable a direct relationship between NGET and the relevant distributed generators without a BEGA or BELLA the Workgroup explored whether this could be incorporated into existing forms of contracts (BELLAs/BEGAs) or if a new contract would be required to specifically cover security and liability arrangements will be needed. The Proposer suggested that the new contract could be based upon a simplified version of the existing BELLA contract.

5.5 In addition, it was recognised that the terms of NGET's agreements with DNO's would need to be modified to reflect the new relationship between NGET and relevant distributed generators. For example, the security and liability requirements terms would need to be removed, and additional terms added to allow termination of a Construction Agreement upon the relevant distributed generator failing to meet the terms of the new User Commitment agreement.

5.6 The Workgroup considered that some relevant distributed generators may prefer dealing with a single party rather than having a separate contract with NGET in addition to their contract with the DNO. The Workgroup suggested that relevant distributed generators (that would not be required to sign a BEGA or BELLA under the existing arrangements) are given the choice of either contracting directly with NGET or receiving securities and liabilities indirectly via the DNO.

Impact on the Contract Administration Process

5.7 The Workgroup recognised that maintaining and administering additional contracts for a new category of customer would be very burdensome for NGET. However, this would depend upon the nature of the administrative process and the volume of relevant distributed generators that require contracts.

5.8 NGET assessed the financial materiality for the administrative process associated with providing such a new form of contract. The resource requirement was estimated for progressing a simple non-contentious development which did not change as being approximately 2 days per User, based on:

- Write contract, check and send out 2 hours
- Post-signing administration, including liability profile 2 hours
- Securities calculation and creation and checking of Appendices 2 hours
- Transactional administration, credit checking, databases, etc. 1 day

5.9 NGET also highlighted that there could be additional workload required in the event of customer queries, modification applications, changes to security requirements, date changes, etc. These were estimated as an additional 2.5 days per user, based on:

- Queries and changes to contract before signing 2 hours
- Changes to transmission investment plans 1 hour
- Changes to security templates, seeking legal views, admin 2 days

5.10 It is worth noting that for BELLA and BEGA parties, some of the tasks listed above are already undertaken to some extent. It is therefore envisaged that the additional administrative burden associated with additional terms being added to these to apply the arrangements under Section 15 of the CUSC will be substantially less for these parties.

5.11 In the case of BEGA parties, a Workgroup member considered that the Proposal should actually reduce the administrative burden on NGET, DNOs and distribution connected generators by bringing the attributable and wider securities together under a single Cancellation Charge Statement issued to the relevant DG. They also considered that the Proposal would remove the delay in passing securities through the DNO intermediary giving the DG the full 28 days to secure the due amount.

5.12 The Workgroup noted that the requirement for Statements of Works was becoming more prevalent for distribution connected generation. The Workgroup noted that an increasing volume of applicants could be a large administrative burden on NGET, DNOs, and TOs. As the total volume of work required by NGET to administer the proposed new contracts would increase in line with this, it was agreed that it was important to gain an understanding of the amount of developers requiring Statements of Works for their projects throughout GB.

5.13 The Workgroup noted that the vast majority of Statement of Works applications received by NGET to date are from Scotland, and in the past 3 years the volume of Statement of Works applications from Scotland only have been:

- 1 September 2010 – 31 August 2011 36
- 1 September 2011 – 31 August 2012 41
- 1 September 2012 – 31 August 2013 58

5.14 The volumes are increasing year on year and it was noted that for every Statement of Work – Stage 1 application there is an almost 100% progression to Stage 2, which effectively doubles the figures and the level of transactions.

De-Minimis Capacity Level for Application of Section 15 of the CUSC

5.15 The Proposer suggested that a de minimis capacity level for a relevant distributed generator could be introduced to limit the additional administrative burden introduced by the proposed new contract. Under this arrangement, liabilities and securities would only be placed on generators which are larger than the set de minimis capacity and have an impact on transmission network reinforcement needs (i.e. require a Statement of Works).

5.16 The Workgroup queried how the deminimis capacity level would be determined, and how this would be justified. The Workgroup identified two different approaches that could be used to set a de minimis capacity level:

- a flat level such as 1MW; or
- via linking to the MW levels used by the DNOs to judge when a new generator should be assessed through the Statement of Works process.

5.17 It was noted that the approach linking to the Statement of Works process would be flexible taking account of geographical differences and the level would not be fixed. If the DNO has identified multiple parties which have triggered the Statement of Works then all parties would provide security. Appropriate governance would be required to be in place and the outcomes visible.

5.18 One Workgroup member commented that at present it is not logical to split a project but an unintended consequence of introducing a de minimis capacity level is that projects in the future may be split in order to avoid User Commitment. However, it was also noted that a 1MW threshold would be established under the proposed Requirement for Generators ('RfG') connection European Network Code and therefore such unintended consequences would not be particular to the de minimis level.

5.19 It was also noted that a potential future improvement could be to link the de minimis capacity level to the forthcoming Requirement for Generators Network Code definition of generation types. For example, the de minimis capacity level could be linked to lower limit for Type "B" generation. In addition to this, as Type "B" generation would be defined as generation of between 1MW and 10MW which is connected at less than 110kV, it was considered that this could provide justification for the use of a flat 1MW level.

5.20 The Workgroup discussed the advantages and disadvantages of the flat level and Statement of Works options. These are outlined in Table 1 below:

De minimis level set to:	Advantages	Disadvantages
Flat 1MW	• Its transparent • It is predictable • Same treatment for all • Links to European legislation for Type B generators and above	• It is not linked to a requirement for transmission investment. • It may capture less users than it needs to (where a Statement of Works is triggered, but a generator is <1MW).
Statement of Works	• Linked to requirement for transmission investment • Would avoid users who did not create a liability	• It is not transparent. • It is variable by location. • It is not codified.

Table 1

5.21 It was suggested that in Southern Scotland (the area covered by the Scottish Power Distribution network), distribution connected generation have a larger impact on the transmission network than similar sized generators in England and Wales. Therefore if a de minimis level was introduced which was linked to Statement of Works there may be a larger proportion of distribution connected generation in Scotland which require direct contracts with NGET than in England and Wales.

5.22 It was also questioned whether having a de minimis level such as 1MW means that no securities would be passed on to generators below 1MW by DNOs. It was stated that currently within North Scotland (the area covered by the Scottish Hydro Electric Power Distribution network), there are no securities required from <1MW generators, but generators are provided with a connection date consistent with the completion date of the transmission reinforcement works which would have resulted from completion of the Statement of Works process. It was noted that this was not a common approach across all DNOs, and that some DNOs would require security from <1MW generators if they had a Statement of Works impact.

5.23 The workgroup noted that there would be a level below which it would not be cost-effective for NGET or the relating DNO to seek security, as the transactional cost of obtaining this would be greater than the amount being secured. Whilst this level would not be public, the workgroup considered that it would be referenced in any correspondence between NGET/DNO and Ofgem when justifying why security had not been sought.

Post-Commissioning Liabilities

5.24 During the development of Section 15 of the CUSC through the CMP192 Workgroup, it was agreed to not require post-commissioning User Commitment from distributed generators for two reasons: as a result of UK Government policy (a direct consequence of licence exemptions), and also due to the lack of an enduring contractual relationship with the NETSO to enforce it. It was noted that the introduction of the new contract proposed under Option 1 would establish a contractual relationship between relevant distributed generators and NGET, removing one of the reasons for excluding them from post-commissioning liabilities.

5.25 One of the principles of Section 15 is that a 1MW change has the same effect on transmission investment plans regardless of whether it is from a pre- or

post-commissioning user. It was questioned whether this principle meant that distributed generators who accede to the CUSC, and hence have a contractual relationship with NGET, should also be required to provide post-commissioning User Commitment in the same way as a directly (transmission) connected generator. It was noted that users with a BEGA had a post-commissioning liability at present, and that this would require further investigation. However, it was also noted that the new contract would only be in force pre-commissioning, and would not therefore provide a channel for post-commissioning liabilities.

5.26 The Proposer clarified that this had not been considered in the Original proposal, and that it was not their intention for relevant distributed generators to be subjected to post-commissioning liabilities.

Credit and Security Provisions

5.27 It was questioned whether distribution connected generation would be subject to similar credit requirements as transmission connected generation or whether they would be more or less onerous. The Workgroup considered that whether the generator's contract is with the DNO or NGET they would likely have very similar credit requirements. Although, it was pointed out that around 80% of schemes within North Scotland (the area covered by the Scottish Hydro Electric Power Distribution network) would have to provide credit through a cash deposit or letter of credit anyway, as they are Special Purpose Vehicles and hence would unlikely be in a position benefit from credit or alternative security arrangements.

5.28 It was noted that the current security percentages of 100%, 42% and 10% were calculated from historical data of directly connected developments. The introduction of a new contractual relationship for relevant distributed connected generation could allow these percentages to be assessed to see if they remained appropriate for distributed generators. However, at present there is insufficient data to undertake this.

Timeline for the Recovery Process under Option 1

5.29 The following diagram, shows the timelines of events upon the relevant distributed generators ('DG') terminating in each of these scenarios under Option 1. The left hand side shows illustrates the process for DG choosing to contract with the DNO, while the right hand side illustrates the process for DG choosing to contract directly with NGET.:

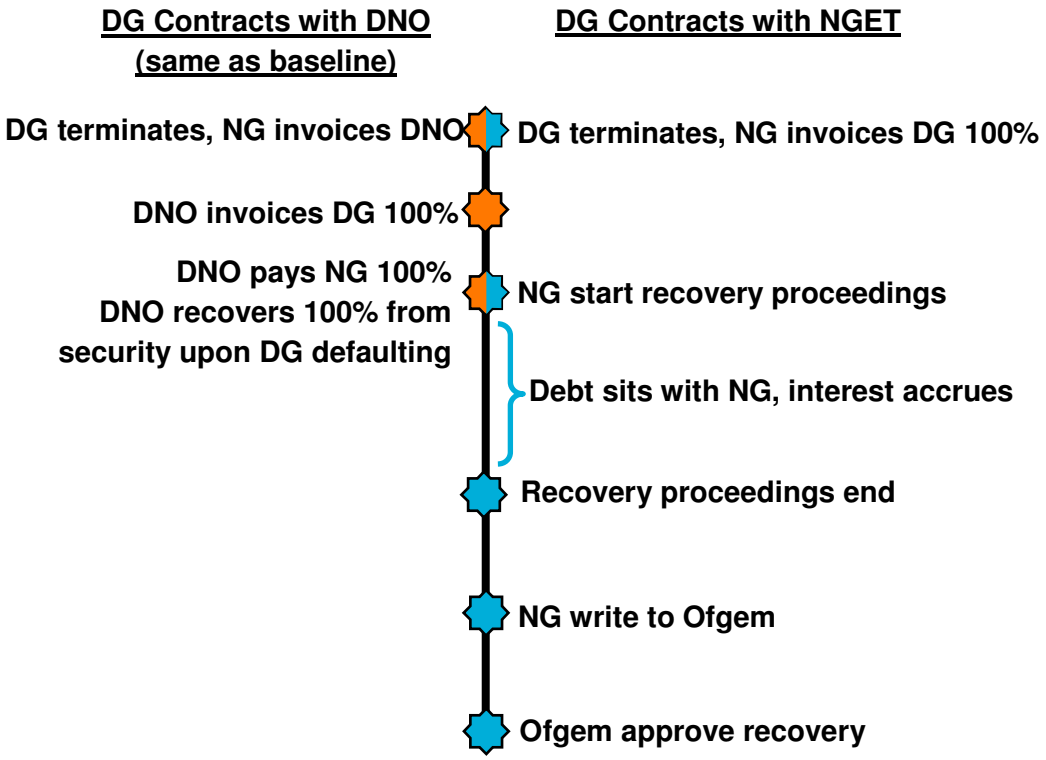


Figure 3

5.30 The Workgroup discussed whether the proposal would have an impact on the liabilities that existing relevant distributed generators have. It was noted that as distributed generation are included in the calculation of the wider liability zonal figures if they have a BEGA or BELLA, they are already captured and therefore are unlikely to have a noticeable effect.

Consequential and Related Modifications

5.31 NGET has an adjustment mechanism in its transmission licence (Special Licence Condition: 6F) which enables the recovery of liabilities in the event NGET is unable to recover 100% of the generator's liability following termination of its transmission connection agreement. The Workgroup noted the need for a change to Special Licence Condition 6F in order to allow NGET to recover relevant distributed generators liabilities, if that was the option to be taken forward.

5.32 It was noted that this approach means that the risk was being socialised by the Transmission Network Use of System (TNUoS) customers and that small parties do not pay TNUoS charges and queried whether this is cost reflective. It was also noted that the Embedded Distributed Generation Benefit review may address this in its consideration of transmission charging for embedded generation.

5.33 If an existing contract was to be utilised it was highlighted that there is currently ongoing contract changes in respect to BEGAs and BELLAs

participating in the Balancing Mechanism and a separate project to improve Statement of Works process.

Interim Solutions & Potential Solutions Outside of the CUSC

5.34 Separately the Workgroup have also explored whether there was any viable interim solutions to address the CMP223 defect as they recognised that the CUSC governance process may take up to 12 months, from its date of submission to the CUSC Panel to its eventual implementation (if approved by the Authority in due course). Whilst the following provides a summary of these, please note that such interim solutions are being developed outside of the CUSC Modification process, and as such lie outside the scope of the enduring solution being developed by the Workgroup.

5.35 The Workgroup briefly discussed whether a letter of comfort from Ofgem (enabling the DNOs to recover any financial exposure that may be incurred as a result of replicating the provisions under Section 15 of the CUSC) could be obtained as an interim solution. It was suggested that a question should be raised in the Workgroup Consultation to seek views as the DNO's are unable to socialise the risk. A Workgroup member advised that the DNO Commercial Operations Group (COG) was planning to discuss User Commitment and how to apply a consistent approach. It was agreed that data provided by DNOs to this workgroup could be shared with Ofgem at an aggregated level to support the DNO's request for an interim letter of comfort. Discussions on interim arrangements do not form part of this CUSC modification proposal.

5.36 The Workgroup considered whether a solution would be to include an additional clause in the Construction Agreement to state that the DNO will pass on the same security payment profile to its customers that it received from NGET. It was suggested that NGET may not be able to legally impose such criteria on the DNO. In addition, whilst this could potentially resolve the pass-through of the security profiles, it does not address the shortfall between security provided and liability upon termination in the event of non-payment. This is because the DNO has no provision for recovery in the Electricity Distribution Licence, and this is the root cause of the problems experienced by relevant distributed generators.

5.37 It was noted that a solution to the CMP223 defect could be to modify the DNO Licence to mirror the recovery mechanism set out in NGET Special Licence Condition 6F and make relevant Distribution Connection and Use of System Agreement (DCUSA) changes. However, the Workgroup members agreed that this option was out of scope of the CUSC and hence could not be considered. In addition the Workgroup agreed that a review of credit arrangements for small parties is out of scope for CMP223.

5.38 The Workgroup also discussed whether, if DNO licences were changed to allow them to recover the shortfall, it would be appropriate for the abortive costs of assets on the transmission system to be recovered from distribution network customers. Some members considered that this would not be justified, as the risk associated with wider transmission works would be placed only on a specific (DNO) geographical area.

Finalised Original Proposal

5.39 After the Workgroup consultation, the Proposer finalised their Original proposal to allow the Workgroup to decide on any formal Workgroup Alternatives they would like to raise. A number of aspects of the proposed new user commitment contract were discussed during this process.

5.40 Some respondents considered that the security percentages of 42% pre-consents and 10% post-consents were only appropriate in the absence of any other data. To address this issue, noted in paragraphs 5.26 and 5.27 of this report, NGET undertook analysis using their own dataset of 31 generator projects from February 2007 to March 2011 of BEGA/BELLA users who terminate/slip. It was noted that this dataset did not contain projects without a direct relationship with NGET, i.e. all sites under Statement of Works.

5.41 The graph below shows the results from this analysis:

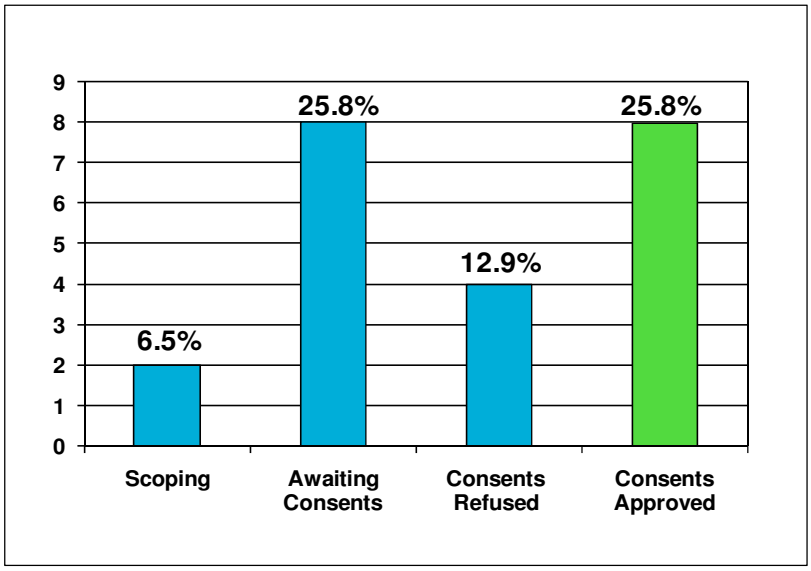


Figure 4

5.42 The analysis showed that, prior to consent, 45% of projects terminated or slipped (6.5 + 25.8 + 12.9 = 45), whilst after consent that dropped to 26%. The Workgroup agreed that, although not a complete dataset as it did not have smaller Statement of Works sites, this would be more relevant to the new contracts proposed than the original security percentages within CUSC Section 15. Table 2 below shows the current security percentages introduced under CMP192 and the proposed security percentages under CMP223.

	Current	Proposed for DG
Pre-consents	42%	45%
Post-consents	10%	26%

Table 2 –Security percentages

5.43 One Workgroup member stated that there would be a significant impact on generators with BEGAs, which currently pay 10% directly to NGET for security for their Wider liability, should this be increased to 26%. This was noted by the workgroup.

5.44 NGET provided a further breakdown of the dataset to allow the DNOs to assess whether it was representative of all received connection applications. This is shown below.

MW	Total (31 sites)	Built (22 sites)	Terminated (9 sites)
Max	315	315	126
Min	1.9	1.9	11.7
Average	56.4	59.4	49.1

Table 3

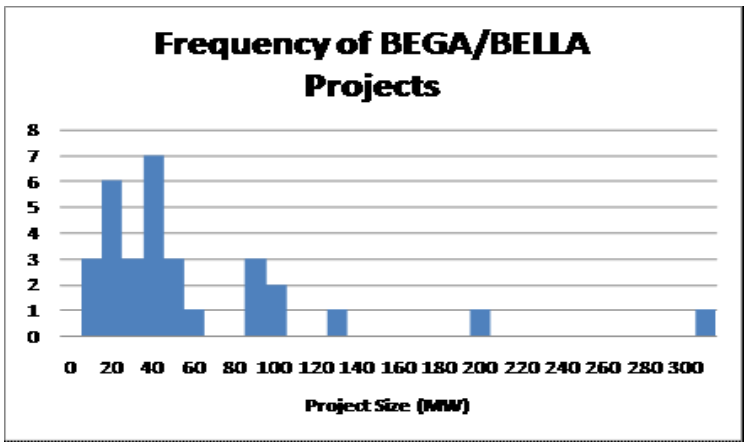


Figure 5

5.45 DNO members of the Workgroup considered that the dataset was not entirely representative of the entire population of connection applications that they receive annually. The workgroup agreed, however, that it was more representative than the existing 42% and 10% security figures that had been calculated from a dataset of all generators during the CMP192 process.

5.46 The Workgroup questioned the appropriateness of using the percentages presented in the analysis. The Workgroup noted that it could not justify ignoring the analysis, as it specifically covered at least part of the population of DG, however it may not be robust enough for Ofgem to accept the proposal. DNO members of the Workgroup stated that there was no further data to justify the analysis as, prior to the introduction of CMP192, DG users had limited user commitment and hence did not terminate their projects as readily. This was questioned, as a decision on consents for a DG site would still drive a termination and this could be used to assess risk likelihood. DNO members stated that they did not keep records of why DG projects terminated, although one member stated that they had had 18 terminations in the previous year.

5.47 It was suggested that in the absence of supporting data from DNOs, the figures identified should be used in the proposal and presented to the Panel, but that the implementation process included specific timescales for DNOs to provide more information prior to go-live. This would give advance notice to DNOs that they should start to record this data as soon as practicable to meet the deadline, and if no data is forthcoming the proposed security percentages would be used. It was also suggested that Ofgem may request data as part of their impact assessment on CMP223, although the Workgroup noted that this data had been requested several times before.

5.48 The Workgroup agreed that all options should include a requirement for DNOs to provide data to NGET on rate and stage of DG terminations annually, and that NGET should keep the security percentages under review in a similar manner to the current 42% and 10% figures, i.e. at the mid- and end-points of the Price Control Period, to ensure accuracy but avoid volatility.

5.49 The Workgroup discussed whether or not the proposed new contract should be mandatory or optional. It was considered by some members that, if the contract were to be made optional, the defect identified by the proposer would remain for those users who did not sign up to the new contract. This could mean that the proposal could not be approved by the Authority as the defect would remain. The proposer agreed that the contract should be mandatory for relevant distributed generators.

5.50 The use of a de minimis level was considered, and whether it was required if the contract was to be mandatory. The Workgroup considered that if the application of the contract was linked to the Statement of Works process, this would create a de facto de minimis level as only those projects that were likely

to have a material impact on the transmission system would be included by DNOs. The process for how this would happen was discussed, and the Workgroup concluded that the appropriate linkage would be for the distributed generator to have to sign the contract as part of accepting Stage 2 of the Statement of Works process. This is the point at which the TO has identified that there is an impact, and the DNO is requiring the distributed generator to sign a connection agreement.

5.51 The Proposer confirmed the Original Proposal as having the following aspects:

- A new BELLA-style contract for distributed generators to accede to the CUSC for the purposes of receiving Section 15 user commitment security and liability arrangements directly from NGET.
- The contract applies CUSC Section 15, along with the administrative sections (1, 5, 7, 8, 11)
- Mandatory for all distributed generators at Stage 2 of the Statement of Works process, or through BEGA/BELLA application
- Applies security percentages of 45% pre-consent and 26% post-consent
- All existing pre-commissioning DG users with Section 15 liabilities to have their contract with the DNO reopened such that they are moved to the new user commitment contract with NGET, and are allowed the choice of Fixed or Actual liability
- Contract lapses upon commissioning date of the DG (except where a BEGA/BELLA is in place), i.e. post-commissioning DG are not CUSC users
- Transparent UK-wide application by NGET
- DNOs to provide annual figures to NGET on number of DG terminations, and at what stage they terminated (before or after key consents granted)

6 Discussion on Alternatives

Option 2

6.1 The Workgroup considered an alternative solution whereby the root cause of the defect (namely the potential shortfall in securities that the DNO could not recover) would be recovered by NGET through a licence mechanism on behalf of the DNO. The Workgroup considered a number of potential approaches that this could take.

6.2 The Workgroup noted that for all approaches, NGET would have to invoice for the full liability in order to trigger the necessary contractual recovery processes by the DNO.

6.3 One idea was that the DNO would be allowed to invoice NGET for the shortfall once the DNO has demonstrated to NGET that is has pursued all avenues to recover any shortfall in liabilities in relation to a relevant distributed generator terminating. The Workgroup queried how the DNO would demonstrate that they have exhausted all practical options for debt recovery and would the standard industry practice of issuing debt recovery letters be sufficient. Some members considered that this option would require NGET having an oversight of DNO accounts, which the DNOs would be unlikely to accept, whilst some members considered that 'Good Industry Practice' should be sufficient to address NGET concerns.

6.4 The Workgroup considered whether there would be a cashflow implication for the DNO in having significant numbers of unpaid invoices outstanding from relevant distributed generators, as the invoicing from NGET would be instantaneous on termination of the relevant distributed generator. The Workgroup considered that a possible solution may be to manage the payment due date in the contract to allow for the time taken by debt recovery processes, but that this may have unintended consequences and that the implementation would require further investigation.

6.5 The NGET representative noted that it would have to provide evidence to Ofgem before it would be allowed to recover the shortfall, and therefore proposed an alternative whereby the DNO would demonstrate directly to Ofgem that it had pursued the bad debt. There was some discussion over whether the DNO would prefer to justify it's processes to NGET or Ofgem, and some members considered that NGET might require a more onerous demonstration as Ofgem would hold it accountable. However, it was considered that NGET would simply pass the justification provided on to Ofgem when requesting recovery through the licence.

6.6 A question was raised as to whether there was "Good Industry Practice" with regards to debt recovery procedures. The NGET representative considered that there was not, but there were standard actions that could be taken when a company attempts to recover an unpaid invoice. To inform the debate, the NGET representative explained their internal process.

6.7 NGET has a number of options available to pursue an unpaid invoice, and makes a decision on the most appropriate course of action on a case by case basis. Each course of action has different risks and benefits, and NGET will make the decision based on a number of factors, including the likelihood, speed and level of cost recovery. These are standard options available to any company such as issuing a winding-up petition, drawing down on security, pursuing litigation, etc., but these depend to some extent on the terms of the contract between NGET and the defaulting party.

6.8 The Workgroup considered that smaller relevant distributed generators may present a larger risk of non-recovery than large relevant distributed generators as large projects are more likely to be sold on to another company. However, the Workgroup also recognised that the overall risk of asset stranding as a result of an individual smaller project terminating could be lower because the termination may not change the works required on the transmission system due to other projects requiring the same investment. The Workgroup explored whether a Letter of Comfort from Ofgem would be still required by the DNOs, but it was assumed that there would be no grounds for the DNOs to pass through different security profiles without this.

6.9 The Workgroup considered timelines for the approaches, shown in Figure 4.

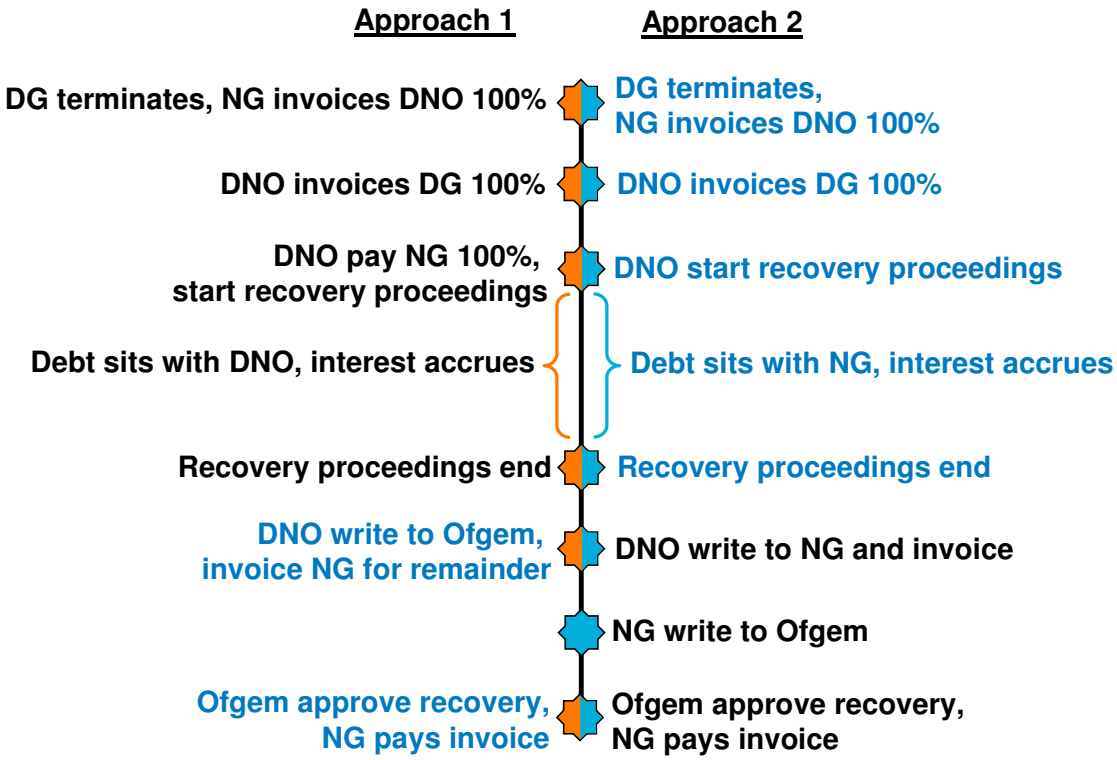


Figure 6

6.10 The Workgroup agreed that the DNO was unlikely to pay the invoice to NGET whilst it was still in the process of recovering the debt from the relevant distributed generator, and therefore the debt would still sit with NGET. It was also agreed that NGET provided no benefit from acting as an intermediary between Ofgem and the DNO when justifying cost recovery. It was agreed by the Workgroup that aspects of both these approaches should be combined to create a single alternative approach, Option 2. The aspects that will be included in Option 2 are shown in blue text on the timeline in Figure 4.

6.11 It was questioned whether a downside to this option would be that Ofgem would get involved in the process, and whether there were any other processes where this would happen. NGET confirmed that this would happen for transmission connected generators under Special Licence Condition 6F, so this would not be different. It was also noted that SLC6F would need to be updated to allow recovery of bad debts from relevant distributed generators.

6.12 It was questioned whether DNOs and NGET would accrue the same interest as is outlined in the CUSC, and it was understood that this is likely to be the case.

6.13 Some of the workgroup identified additional issues for relevant distributed generators who were connecting to an embedded generation hub in which a

single construction agreement exists between NGET and a DNO for transmission works to facilitate multiple relevant distributed generators.

6.14 In this situation there was a concern that NGET may not have visibility of the individual generators driving the transmission investment, and therefore be unable to identify when a relevant distributed generator terminated unless the DNO informed NGET.

6.15 In addition, NGET would be unable to associate a liability and security amount with individual generation projects, leaving the allocation of these up to the discretion of the DNO. The Proposer has indicated that under the current arrangements a policy has been adopted by at least one DNO whereby some cancellation charge liabilities are not discretely assigned to individual generators. This means that a (non-terminating) relevant distributed generator project may incur a charge following the termination of other projects, a risk that parties with a direct agreement with NGET would not face.

6.16 Some members felt that the risk posed to relevant distributed generators would not be mitigated under Option 2 unless separate agreements were in place for each relevant distributed generator project. However some members did not agree, and considered that there would be no incentive for the DNO to cover the whole liability from other relevant distributed generators once it was insulated from the risk of incurring a bad debt. To mitigate the perceived risk, it was proposed that Option 2 include a change to the DNO construction agreement template such that the DNO had to list out the distributed generation it was connecting through the hub and the associated securities and liabilities.

6.17 It was further noted that in the event that NGET were not made aware of the termination of a relevant distributed generator by the DNO concerned, the information concerned would quickly be publicised anyway, and that market intelligence would be fed into discussions between NGET and the DNO as it would directly impact the DNO's needs case for its works.

6.18 Some members voiced concerns that there would be a risk that the available credit terms that NGET offer would not be passed on by the DNO; e.g. parent company guarantee, credit rating, etc. The Workgroup noted that NGET's credit terms were publicly available in the CUSC, and were likely to be similar to DNOs due to their similar approach to risk.

6.19 It was noted that most of the developers with generation projects connecting via the generation hub provided as an example have decided to opt for a fixed liability profile. The reason for this is so they do not incur any further liability if any other developers connecting via the hub decide to terminate. It was questioned if these developers would be given the opportunity to move back to an actual profile if the risk was mitigated as a result of this proposal. The Workgroup agreed that that this will be further discussed as part of the implementation and transition process.

Option 3

6.20 The Workgroup considered a further approach where, in the event of termination and non-payment of invoice by the relevant distributed generator, the DNO would outsource the debt recovery to NGET. Under this approach, NGET would be pursuing debts on behalf of each DNO, based on the terms in their contracts. It was noted that this would require DNO contracts to have the ability for them to be 'factored'; i.e. that the enforcement of the contract can be transferred to another party. The following, Figure 5 shows the timeline of events upon the DG terminating under this approach:

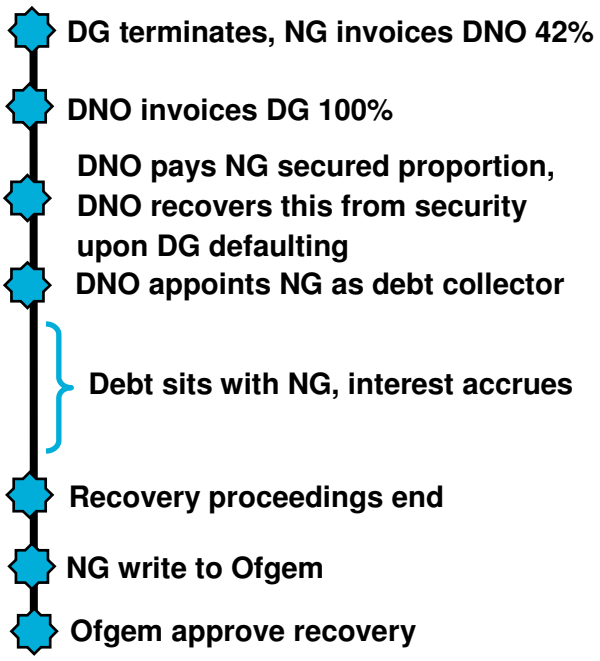


Figure 7

6.21 It was noted that all DNOs have different contracts with relevant distributed generators, so this approach would necessitate NGET having a clear understanding of each DNOs contract structure and terms. It may also be possible that NGET would need to see some contracts prior to them being sent for signature, to ensure that the required terms are included.

6.22 A member clarified that although NGET would be attempting to recover the debt, the relevant distributed generator would retain the liability to the DNO, and contractually would have to pay the DNO rather than NGET anyway.

6.23 It was questioned whether, if the DNO was to outsource debt-recovery, NGET was the best party to undertake this. It was noted that there are many debt-recovery companies available, all of which have greater skills and experience in this area than NGET. One member noted that that DNOs may already outsource the recovery of unpaid debts, and therefore this option could be normal practice.

6.24 NGET stated that it is not resourced to chase large numbers of unpaid invoices, and noted that in the 2013/14 charging year (to date) there has been no unpaid debt associated with the User Commitment arrangements. NGET's customers are companies who are unlikely to default on the payment of an invoice, or if they do it is more likely to be an administrative error than a cash flow issue. The CUSC itself provides measures to assess companies' credit risk, and hence gives good visibility of risk. Additionally, for Use of System charges, NGET has the right to disconnect sites for non-payment. Typically, the main area where invoices are not paid by generators on time is application fees for connection to the transmission system. In the 2013/14 charging year so far there have been approximately 40 invoices that have not been paid on time, of these 11 are for application fees (which are for payments in advance of work being undertaken to process an application, so bear no risk). To date this charging year only one of the 40 required bad debt procedures to be invoked, with the others either having been paid or awaiting payment.

Summary of Potential Solutions:

6.25 The Workgroup discussed three potential solutions for the Workgroup consultation, the principles of these are provided in Table 4, below. A summary of the pros and cons for these options are included in Annex 4.

	Option 1 (original)	**Option 2**	**Option 3**
Main changes proposed to the CUSC	Section 1: modification to imply that relevant DG have the option of becoming 'Users' in relation to Section 15, upon an agreement to do this has been signed. Section 15: potential changes to reflect new agreement types and optionality of terms.	Section 15: modification to facilitate the recovery of any shortfall in liabilities related to a relevant DG terminating from NGET once DNOs have demonstrated to Ofgem's satisfaction that they have exhausted all options of recovering the debt from the relevant DG.	Section 15: modification to facilitate the recovery of any shortfall in liabilities related to a relevant DG terminating from NGET once DNOs have demonstrated to Ofgem's satisfaction that they have exhausted all options of recovering the debt from the relevant DG.
Contractual arrangements	Inclusion of new optional terms within BELLAs & BEGAs and the introduction of a new optional user commitment contract for other 'relevant DGs'. Relevant DGs will have the option of having a direct relationship with NGET in relation to liabilities and securities for transmission works, or retaining the DNO as the party who passes these through.	Construction Agreements between NGET and DNOs would recognise individual DG projects to clarify security amounts and potential liabilities for each.	Construction Agreements between NGET and DNOs would recognise individual DG projects to clarify security amounts and potential liabilities for each.
Licence changes required	Changes required to Special Condition 6F of NGET's Transmission Licence to allow passthrough of liabilities relating to relevant DG projects.	Changes required to Special Condition 6F of NGET's Transmission Licence to allow passthrough of liabilities relating to relevant DG projects. Changes required to Distribution Licences to allow passthrough of transmission liabilities relating to relevant DG projects back to NGET.	Changes required to Special Condition 6F of NGET's Transmission Licence to allow passthrough of liabilities relating to relevant DG projects. Changes required to Distribution Licences to allow passthrough of transmission liabilities relating to relevant DG projects back to NGET.
Profile of levels of security	Relevant DG taking up the option of becoming 'Users' receive CMP192 profiles (same as directly connected parties).	Remain at DNO's discretion, but removal of risk from DNO should enable replication of profiles under Section 15 of the CUSC in DNO-DG agreements.	Remain at DNO's discretion, but removal of risk from DNO should enable replication of profiles under Section 15 of the CUSC in DNO-DG agreements.

	Option 1 (original)	Option 2	Option 3
Arrangements to recover debt in case of default	NGET best endeavours. NGET deals directly with defaulting customer. If not possible NGET recovers shortfall through licence. (For relevant DG opting to manage via DNO, DNO policies continue to apply.)	DNO best endeavours. Reliant upon DNO notifying NGET of termination, upon which: - NGET invoices the DNO for full liability - DNO tries to recover bad debt and justifies cost recovery to Ofgem. - DNO pays NGET the security cover provided by DG (e.g. 42%) and passes remaining debt back to NGET. - NGET recovers shortfall through licence.	NGET best endeavours. Reliant upon DNO notifying NGET of termination, upon which: - NGET invoices the DNO for the security cover provided by DG (e.g. 42%), DNO invoices relevant DG for full liability (100%). DNO pays NGET and transfers bad debt (58%) to NGET. - NGET tries to recover bad debt NGET justifies cost recovery to Ofgem. - NGET recovers shortfall through licence.
De minimis arrangements: **a) Is there one?** **b) At what level is this set?**	Optional addition (with views sought on an appropriate level as part of this consultation).	N/A	N/A
Treatment of cluster applications	All parties choosing direct NGET contract would be treated in the same way as other CMP192 users. (Those opting to go via DNO receive DNO's T&Cs.	Remains at DNO's discretion, but removal of risk from DNO along with individual projects being recognised under NGET-DNO construction agreements should enable replication of profiles under Section 15 of the CUSC in DNO-DG agreements.	Remains at DNO's discretion, but removal of risk from DNO along with individual projects being recognised under NGET-DNO construction agreements should enable replication of profiles under Section 15 of the CUSC in DNO-DG agreements.
Post commissioning liabilities	Original as per existing arrangements with no post-commissioning liability being introduced under BELLAs or the new User Comment agreement. However, post-commissioning liability could be introduced as an alternative or future change.	As per existing arrangements as no contractual arrangement would exist between NGET and some DGs.	As per existing arrangements as no contractual arrangement would exist between NGET and some DGs.
Sign-up to new process – mandatory or optional?	Optional	Mandatory, subject to any transitional arrangements.	Mandatory, subject to any transitional arrangements.

Table 4

Workgroup Alternative CUSC Modifications (WACMs)

6.26 The workgroup discussed the responses to the consultation and finalised the formal Workgroup Alternative CUSC Modifications. One Workgroup member proposed a WACM based on Option 2 from the Workgroup consultation, with the following aspects:

WACM1

- Applies security percentages of 45% pre-consent and 26% post-consent to DG liabilities
- NGET would reconcile the DNO for unrecoverable debt arising from the Section 15 liability of a terminating DG user upon application by the affected DNO.
- The DNO would apply to NGET once it had exhausted all appropriate bad debt recovery procedures, and demonstrate what monies it had recovered, including any securities.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and recover the agreed amount through the following year's TNUoS charges (April).
- The DNO consag template would require all DG with a transmission impact to be listed individually and have individual Appendix MMs (including SIF and LARFs).
- Any DNO modification application must specify which DG it is in relation to, and only those users' Appendix MMs will have their liabilities invoiced through the DNO.
- Obligation on the DNO to inform NGET within a reasonable timescale of a change to a DG project
- DNOs to provide annual figures to NGET on number of DG terminations, and at what stage they terminated (before or after key consents granted)

6.27 The Workgroup agreed unanimously that this option should go forward as WACM1 for the Workgroup vote.

6.28 One Workgroup member raised a potential alternative which would include the aspects of WACM1 (above), but rather than the DNO paying the invoiced liability to NGET and then having that invoice reconciled, the DNO would not pay the invoice until after it had pursued the debt from the generator.

WACM2

- Applies security percentages of 45% pre-consent and 26% post-consent to DG liabilities
- The DNO would pay a proportion of the NGET invoice arising from the Section 15 liability of a terminating DG user, and that proportion would be as per the security percentage that applied to that user at the time they terminated.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and recover the remaining amount through the following year's TNUoS charges (April).
- DNO exhausts all appropriate bad debt recovery procedures.
- In the event that the DNO recovered additional monies from the terminating DG user at a future time, the DNO would pay these to NGET.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and reimburse users through the following year's TNUoS charges for additional recovered monies.
- The DNO consag template would require all DG with a transmission impact to be listed individually and have individual Appendix MMs (including SIF and LARFs).
- Any DNO modification application must specify which DG it is in relation to, and only those users' Appendix MMs will have their liabilities invoiced through the DNO.

- Obligation on the DNO to inform NGET within a reasonable timescale of a change to a DG project
- DNOs to provide annual figures to NGET on number of DG terminations, and at what stage they terminated (before or after key consents granted)

6.29 The Workgroup agreed unanimously that this option should go forward as WACM2 for the Workgroup vote.

6.30 One Workgroup member questioned the mechanism that ensures NGET are notified by the DNO in a timely manner if a relevant DG terminates, and if there was an obligation on the DNO to inform NGET of this within a certain timeframe. NGET stated that there was no reason why a DNO would delay sending this information, but that an obligation could be included within the legal text drafting.

6.31 The Workgroup agreed that these two WACMs would be voted upon against the Applicable CUSC Objectives.

6.32 Another Workgroup Alternative CUSC Modification was proposed which would have some attributes of the original proposal and some of WACM2. The proposed WACM allowed DG with a BELLA or BEGA contract to secure directly with NGET (as per the Original), with the DNOs' financial exposure to the remaining SoW users covered by NGET through it's licence (as per WACM2).

6.33 The member considered that the benefits of this approach would be that it minimised administrative work, and made use of existing contractual arrangements, as a DG with a BEGA will already have a ConsAg with an Appendix MM covering wider cancellation charges and secured amounts only. Under this possible WACM, the form of the agreement would remain the same but NGET would add attributable works cancellation charges and secured amounts to Appendix MM. At the same time, the attributable works cancellation charges would be removed from the relevant DNOs ConsAg.

6.34 A DG with a BELLA will not currently have a ConsAg or associated Appendix MM. In order to implement this WACM, a new Appendix would be required to define the wider attributable cancellation charges.

6.35 Another Workgroup member proposed a WACM that would be the same as the above, although would use the same elements of WACM1 rather than WACM2.

6.36 The Workgroup agreed by majority vote that both of these WACMs should be classed as formal WACMs and voted on against the Applicable CUSC Objectives. WACM3 proposes changes to the BELLA and BEGA contracts using aspects of WACM2 and WACM4 proposes to do the same but using aspects of WACM1. These WACMs would contain the following aspects:

WACM3

- Applies security percentages of 45% pre-consent and 26% post-consent
- BEGA contracts changed to include Attributable works and the relevant factors in the Appendix MM
- BELLA contracts changed to include Appendix MM for Attributable and Wider for the purposes of receiving Section 15 user commitment security and liability arrangements directly from NGET
- Mandatory through BEGA/BELLA application
- All existing pre-commissioning BELLA and BEGA users with Section 15 liabilities to have their contract with the DNO reopened such that they are

moved to the modified NGET agreements, and are allowed the choice of Fixed or Actual liability

- For DG who have a transmission impact identified under the Statement of Works (SoW) process("SoW DG"), the DNO would pay a proportion of the NGET invoice arising from the Section 15 liability of a terminating DG user, and that proportion would be as per the security percentage that applied to that user at the time they terminated.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and recover the remaining amount through the following year's TNUoS charges (April).
- DNO exhausts all appropriate bad debt recovery procedures.
- In the event that the DNO recovered additional monies from the terminating SoW DG user at a future time, the DNO would pay these to NGET.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and reimburse users through the following year's TNUoS charges for additional recovered monies.
- The DNO Consag template would require all SoW DG with a transmission impact to be listed individually and have individual Appendix MMs (including SIFs and LARFs).
- Any DNO modification application must specify which SoW DG it is in relation to, and only those users' Appendix MMs will have their liabilities invoiced through the DNO.
- Obligation on the DNO to inform NGET within a reasonable timescale of a change to a SoW DG project
- DNOs to provide annual figures to NGET on number of DG terminations, and at what stage they terminated (before or after key consents granted)

WACM4

- Applies security percentages of 45% pre-consent and 26% post-consent
- BEGA contracts changed to include Attributable works and the relevant factors in the Appendix MM
- BELLA contracts changed to include a consag and Appendix MM for Attributable and Wider, BELLA users accede to the CUSC for the purposes of receiving Section 15 user commitment security and liability arrangements directly from NGET
- Mandatory through BEGA/BELLA application
- All exisiting pre-commissioning BELLA and BEGA users with Section 15 liabilities to have their contract with the DNO reopened such that they are moved to the modified NGET agreements, and are allowed the choice of Fixed or Actual liability.
- For DG who have a transmission impact identified under the Statement of Works (SoW) process, NGET would reconcile the DNO for unrecoverable debt arising from the Section 15 liability of a terminating SoW DG user upon application by the affected DNO.
- The DNO would apply to NGET once it had exhausted all appropriate bad debt recovery procedures, and demonstrate what monies it had recovered, including any securities.
- NGET would use the existing annual Ofgem review process of the inputs to the Price Control Financial Model, and recover the agreed amount through the following year's TNUoS charges (April).

- The DNO Consag template would require all SoW DG with a transmission impact to be listed individually and have individual Appendix MMs (including SIFs and LARFs).
- Any DNO modification application must specify which SoW DG it is in relation to, and only those users' Appendix MMs will have their liabilities invoiced through the DNO.
- Obligation on the DNO to inform NGET within a reasonable timescale of a change to a SoW DG project
- DNOs to provide annual figures to NGET on number of DG terminations, and at what stage they terminated (before or after key consents granted).

7 Impacts

Impact on the CUSC

7.1 CMP223 proposes changes to the following sections of the CUSC;

- Section 10
- Section 11
- Section 15
- Schedule 2 Exhibit 3 (Construction Agreement)

7.2 Depending on the proposed solution (Original or any WACM) there may also be changes to the following section of the CUSC;

- Section 1
- Section 5
- Section 6
- Exhibit J (Modification Offer)
- Exhibit Q (BELLA Application)
- Exhibit R (BELLA Offer)
- Exhibit U (Request for a Statement of Works)
- Schedule 2 Exhibit 2 (BEGA)
- Schedule 2 Exhibit 5 (BELLA)
- Introduce a new Exhibit to Schedule 2 – Exhibit 7 (Bilateral Cancellation Charge Agreement)

7.3 The proposed legal text in Volume 2 of this document details the changes that would be made under the Original and each WACM.

Impact on Greenhouse Gas Emissions

7.4 Neither the proposer nor the Workgroup identified any material impact on Greenhouse Gas emissions.

Impact on Core Industry Documents

7.5 A potential change to the System Operator – Transmission Owner Code (STC) for data provisions from TO's to the SO.

Impact on other Industry Documents

7.6 Depending on the proposed solution (Original or any WACM) CMP223 could have a number of consequential impacts on DNO contractual arrangements. Changes would potentially be required to DNO distribution licences.

7.7 Depending on the proposed solution (Original or any WACM) CMP223 may require a change to the DCUSA to ensure that all DNOs apply securities and liabilities in a consistent manner.

7.8 CMP223 would create the need for a consequential modification to the Special Licence Condition 6F[2] to allow NGET to recover distribution connected generation liabilities, either directly under the original proposal or on behalf of DNOs under the alternatives. Special Licence Condition: 6F currently enables the recovery of liabilities from a transmission connected generator in the event NGET is unable to recover 100% of the generator's liability following termination of its connection agreement.

7.9 NGET proposed the following list of changes and clarifications to 6F that would be required should CMP223 be implemented, although noted that this list was not intended to be comprehensive and would require discussion with the Authority and further consultation in due course:

a. Change the definition of Relevant Generator Capacity to include embedded generation in any zone (currently it specifically only covers zones 2 and 22)

b. Change 6F.1(a) such that the "works to connect new generating stations to the licensee's Transmission System" may include generating stations that are connecting to the Distribution System, but which have a material effect on investment requirements on the Transmission System as identified through the Statement of Works process or a BEGA/BELLA contract

c. Clarify that where TPGn refers to "terminations", that includes users who reduce TEC or developer capacity (based on the equivalence principle as set out in CMP192 and enshrined in CUSC Section 15)

d. Clarify that "users" in TPGn includes embedded generation with a user commitment contract with NGET, and DNOs that are connecting embedded generation that has a material effect on investment requirements on the Transmission System

e. Clarify for TPGn that embedded generation user commitment contracts and DNO construction agreements both count as "relevant bilateral agreements"

f. Clarify that the definition of TPRGn includes the money that National Grid receives from users, as defined in TPGn, as payment towards their invoiced liabilities under CUSC section 15

[2] Electricity Transmission Licence – Special Conditions.
https://epr.ofgem.gov.uk//Content/Documents/National%20Grid%20Electricity%20Transmission%20Plc%20-%20Special%20Conditions%20-%20Current%20Version.pdf

8 Proposed Implementation

8.1 The Workgroup considered that CMP223 could be implemented 10 Working Days after an Authority Decision, however consideration should be given to the timing with regards to the six-monthly securities process. In accordance with 8.22.10 (b) of the CUSC, views were invited on this proposed implementation date, with respondents considering that go-live should tie in with the securities process, but also allow users sufficient time to understand the impact of any change and potentially renegotiate existing connection agreements with the DNOs.

8.2 The Workgroup considered whether existing relevant distributed generators who have chosen a fixed liability under the current arrangements should be allowed the opportunity to reopen their choice, should CMP223 be implemented, as they may have chosen a different option under these new arrangements. It was considered that the issue of retrospective changes such as this should be discussed as each potential solution is developed. The majority of respondents to the Workgroup consultation believed that existing connection agreements should be reopened if CMP223 were to be implemented.

8.3 Views are invited on the proposed implementation approach, for more details on how to respond to the Code Administrator Consultation please see Section 11.

9 Workgroup Consultation Responses

9.1 Nine responses were received to the Workgroup Consultation. These responses are contained within Annex 5 of this report. The following table provides and overview of the representations received;

Company name	Do you support the proposed implementation approach?	Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?	Additional comments;
E.ON	• Yes	• Option 2 better facilitates ACO's. • Believe there are technical issues to be addressed regarding privity of contract in that third parties cannot seek a benefit under the CUSC.	• Do not support Option 1 approach. • Deminimis level should be linked to SoW. • Don't believe NG is the appropriate party to pursue debts on behalf of the DNO. • Application should be mandatory
Renewable Energy Systems Ltd	• n/a	• All solutions being considered may better facilitate the ACO's	• Option 1 requires more development. • No deminimis level • Option 2 requires more development. • Application should be madatory
RWE Innogy UK	• Yes	• Yes – Option 1 or Option 2.	• No need for defined deminimis threshold as there is a defacto deminimis threshold in place. • Optionality would help small generators
Scottish Power Renewables	• Should be implemented as soon as possible (atleast 4 months prior to the new security period)	• Yes – Option 2 best facilitates ACO's	• Deminimis level under Option 1. • Application should be optional
Scottish Renewables	• n/a	• Yes – Option 2 is best solution	• Would like to see how changes to DNO construction agreement will offer effective mitigation.
SP Distribution & SP Manweb plc	• Yes	• Yes – Option 2	• Deminimis level would have some merit • Application should be optional

SSE	• Adoption of any option should be completed as early as possible.	• Any options can be considered beneficial • Option 1 will achieve the required result.	• Large number of embedded generation projects dependent on current reinforcement works in SSE area. • Don't consider post-commissioning liabilities appropriate.
The Greenspan Agency	• Yes	• Yes	• n/a
Western Power Distribution	• Yes	• Option 1 better facilitates objective b.	• No post-commissioning liabilities

Table 5

9.2 The Workgroup discussed the Workgroup Consultation Responses in some detail in order to agree on the best options for WACMs to be provided to the Authority alongside the finalised Original Proposal.

10 Views and Workgroup Vote

10.1 The Workgroup believes that the Terms of Reference have been fulfilled and CMP223 has been fully considered.

10.2 For reference the CUSC Objectives are;

a) The effective discharge by The Company of the obligations imposed upon 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.

National Grid Initial View

10.3 National Grid considered that CMP223 WACM1 best facilitates the Applicable CUSC Objectives as it improves the efficient discharge of obligations under the CUSC and maintains an incentive on the DNO to chase its debt to NGET and increases ease of access to the generation market which facilitates competition.

Workgroup Vote

10.4 The Workgroup met on 24th March 2014 and voted on the Original Proposal and the four Workgroup Alternative CUSC Modifications. Seven out of the nine Workgroup members voted that WACM3 best facilitates the applicable CUSC Objectives. The votes received are as follows;

Vote 1: Whether each proposal better facilitates the Applicable CUSC Objectives;

Original

WG Member	(a)	(b)	(c)	Overall
Adam Sims	No – it is not efficient to introduce new contracts between DNO customers and NGET	Yes – for pre-commissioning DG, increasing ease of access to the generation market	Neutral	No
Fruzsina Kemenes	Neutral	Yes – increases competition between generators. Removes the discrimination between direct transmission connectees and relevant DG.	Neutral	Yes
Leonida Bandura	No – don't think it improves efficiency, it could be discriminatory	No – it could potentially be detrimental to competition by exposing Users to additional costs	Neutral	No
Garth Graham	No – concur with others' comments, adds further complexity and not efficient, but this is outweighed by benefits under (b)	Yes – current situation in CUSC does not facilitate effective competition	Neutral	Yes
Ane Landaluze	No – not efficient to introduce new contracts that introduce admin burden	Yes – removes barriers for EG that CMP192 has triggered. Removes discrimination and provides more competition	Neutral	Yes
Deborah MacPherson	No – Adds further layer of complexity with contractual arrangements	No – believe it would potentially be barrier to some parties	Neutral	No
Kyle Martin	Neutral	Yes – it facilitates competition by allowing DG access to the security provisions mechanism available to directly connected generators.	Neutral	Yes
Kenny Stott	No – it introduces an additional burden which is inefficient	Yes – it provide more effective competition	Neutral	Yes
Andrew Causebrook	Neutral	Yes – It facilitates DG access by aligning securities principles for DG and direct-connected generators leading to lower security payments and no mutual liabilities.	Neutral	Yes

WACM 1

WG Member	(a)	(b)	(c)	Overall
Adam Sims	Yes – improves efficient discharge of obligations and maintains incentive on DNO to chase its debt to NGET	Yes – for pre commissioning DG, increasing ease of access to the generation market facilitates competition.	Neutral	Yes
Fruzsina Kemenes	Neutral	Yes – removes barriers to competition between generators.	Neutral	Yes
Leonida Bandura	Neutral	Yes – provides mechanism for reduction of costs associated in providing security, increasing competition	Neutral	Yes
Garth Graham	Yes – improves efficient discharge of obligations	Yes – for pre-commissioning DG, increasing ease of access to the generation market facilitates competition	Neutral	Yes
Ane Landaluze	Yes – Improves efficient discharge of obligations	Yes – removes those barriers for EG that CMP192 has triggered. Removes discrimination and provides more competition	Neutral	Yes
Deborah MacPherson	Yes – improves efficient discharge of NGETs obligations under CUSC	Yes – provides assist obligation to provide affective competition.	Neutral	Yes
Kyle Martin	Yes - improves efficient discharge of National Grid's obligations under the CUSC	Yes – it facilitates competition by allowing DG access to the security provisions mechanism available to directly connected generators.	Neutral	Yes
Kenny Stott	Neutral	Yes – reduces costs for market entry of embedded generation	Neutral	Yes
Andrew Causebrook	Neutral	Yes – subject to DNO's facilitation[3], it facilitates DG access by aligning securities principles for DG and direct-connected generators, leading to lower security payments and no mutual liabilities	Neutral	Yes

[3] "Subject to DNO facilitation" means that the WACM is dependent on "voluntary" passing-on of the intended benefits that would be facilitated by the proposed CUSC changes. This footnote applies to all WACMs.

WACM 2

WG Member	(a)	(b)	(c)	Overall
Adam Sims	Yes – improves efficient discharge of obligations, although increases aged debt risk by removing incentive on DNO to chase its debt	Yes – for pre-commissioning DG, increasing ease of access to the generation market facilitates competition	Neutral	Yes
Fruzsina Kemenes	Neutral	Yes - – removes barriers to competition between generators.	Neutral	Yes
Leonida Bandura	Neutral	Yes – provides mechanism for reduction of costs associated in providing security, increasing competition	Neutral	Yes
Garth Graham	Yes - Improves efficient discharge of obligations	Yes - increases ease of access to the generation market which facilitates competition	Neutral	Yes
Ane Landaluze	Yes – Improves efficient discharge of obligations	Yes – removes those barriers for EG that CMP192 has triggered. Removes discrimination and provides more competition	Neutral	Yes
Deborah MacPherson	Yes – improves efficient discharge of NGETs obligations under CUSC	Yes – provides assist obligation to provide effective competition	Neutral	Yes
Kyle Martin	Yes - improves efficient discharge of National Grid's obligations under the CUSC	Yes – it facilitates competition by allowing DG access to the security provisions mechanism available to directly connected generators.	Neutral	Yes
Kenny Stott	Neutral	Yes – reduces costs for market entry of embedded generation	Neutral	Yes
Andrew Causebrook	Neutral	Yes – subject to DNOs facilitation, it facilitates DG access by aligning securities principles for DG and direct-connected generators, leading to lower security payments and no mutual liabilities.	Neutral	Yes

WACM 3

WG Member	(a)	(b)	(c)	Overall
Adam Sims	No – different treatment between DG users is not justified; BELLAs are forced into a contract with NGET whilst similar DG in England & Wales are not. Also increases aged debt risk by removing incentive on DNO to chase its debt	Yes – for pre-commissioning DG, increasing ease of access to the generation market facilitates competition	Neutral	No
Fruzsina Kemenes	Neutral	Yes – removes barriers to competition between generators.	Neutral	Yes
Leonida Bandura	Yes – Users and non-users are treated appropriately. Non-users are not conferred a benefit from a contract to which they are not party.	Yes – facilitates competition by introducing appropriate mechanisms for Users and non-Users to reduce the cost of providing security.	Neutral	
Garth Graham	Yes – treats users and non users similarly	Yes - increases ease of access to the generation market which facilitates competition	Neutral	Yes
Ane Landaluze	Yes – Improves efficient discharge of obligations	Yes – removes those barriers for EG that CMP192 has triggered. Removes discrimination and provides more competition	Neutral	Yes
Deborah MacPherson	Yes – improves efficient discharge of NGETs obligations under CUSC	Yes – provides assist obligation to provide effective competition	Neutral	Yes
Kyle Martin	Yes - improves efficient discharge of National Grid's obligations under the CUSC	Yes – it facilitates competition by allowing DG access to the security provisions mechanism available to directly connected generators.	Neutral	Yes
Kenny Stott	No – would introduce different treatment between embedded generation based solely on size	Yes – reduces costs for market entry of embedded generation	Neutral	Yes
Andrew Causebrook	Neutral	Yes – subject to DNOs facilitation, it facilitates DG access by aligning securities principles for DG and direct-connected generators, leading to lower security payments and no mutual liabilities.	Neutral	Yes

WACM 4

WG Member	(a)	(b)	(c)	Overall
Adam Sims	No – different treatment between DG users is not justified; BELLAs are forced into a contract with NGET whilst similar DG in England & Wales are not	Yes – for pre-commissioning DG, increasing ease of access to the generation market facilitates competition	Neutral	No
Fruzsina Kemenes	Neutral	Yes – removes barriers to competition between generators.	Neutral	Yes
Leonida Bandura	Yes – Users and non-users are treated appropriately. Non-Users are not conferred a benefit from a contract to which they are not party	Yes – facilitates competition by introducing appropriate mechanisms for Users and non-Users to reduce the cost of providing security	Neutral	Yes
Garth Graham	Yes - Improves efficient discharge of obligations	Yes - increases ease of access to the generation market which facilitates competition	Neutral	Yes
Ane Landaluze	Yes – Improves efficient discharge of obligations	Yes – removes those barriers for EG that CMP192 has triggered. Removes discrimination and provides more competition.	Neutral	Yes
Deborah MacPherson	Yes – Improves efficient discharge of NGETs obligations under CUSC	Yes – provides assist obligation to provide effective competition	Neutral	Yes
Kyle Martin	Yes - improves efficient discharge of National Grid's obligations under the CUSC	Yes – it facilitates competition by allowing DG access to the security provisions mechanism available to directly connected generators.	Neutral	Yes
Kenny Stott	No – would introduce different treatment between embedded generation based solely on size	Yes – reduces cost of market entry	Neutral	Yes
Andrew Causebrook	Neutral	Yes – subject to DNO's facilitation, it facilitates DG access by aligning securities principles for DG and direct-connected generators, leading to lower security payments and no mutual liabilities.	Neutral	Yes

Vote 2: Where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the Original Modification proposal;

WG Member	WACM1	WACM2	WACM3	WACM4	Comments
Adam Sims	Yes	Yes	No	No	
Fruzsina Kemenes	No	No	Yes	No	
Leonida Bandura	Yes	Yes	Yes	Yes	All WACMS reduce the cost of providing security by having a mechanism in place for recovery that should allow DNOs to pass through the benefit of a reduced security profile.
Garth Graham	Yes	Yes	Yes	Yes	All WACMs are beneficial in terms of facilitating competition in generation and three of the four are better in terms the efficient discharge of the obligations on the Company.
Ane Landaluze	Yes	Yes	Yes	Yes	
Deborah MacPherson	Yes	Yes	Yes	Yes	
Kyle Martin	Yes	Yes	Yes	Yes	All WACMs better facilitate the CUSC objectives by providing access to the security provisions mechanism for DG and directly connected generators.
Kenny Stott	Yes	Yes	Yes	Yes	
Andrew Causebrook	Yes	Yes	Yes	Yes	WACM1 avoids the potential hurdle for small generators entering into a contract with NGET associated with the Original.

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	Comments
Adam Sims	WACM1	WACM1 is simple to implement, transparent, ensures equal treatment for all DG, and maintains the incentive to chase debt with the party who holds that debt, i.e. the DNO.
Fruzsina Kemenes	WACM3	WACM 3 – is an improvement on the Original developed through the wider expertise of the working group. WACM 3 combines the advantages of the Original and WACM2 and overcomes the perceived issues associated with the Original.
Leonida Bandura	WACM3	Users and non-Users are treated appropriately. No privity of contract issues in relation to non-Users as there are separate mechanisms for providing less onerous security profiles.
Garth Graham	WACM3	Of the six options (Baseline, Original and WACMs1-4) this is the Best option overall against the three applicable objectives but, in particular, objective (b).
Ane Landaluze	WACM3	

Deborah MacPherson	WACM3	
Kyle Martin	WACM3	WACM3 best facilitates the Applicable CUSC objectives. WACM3 allows DG access to the security provisions mechanism available to directly connected generators and doesn't impose contractual obligations on DG.
Kenny Stott	WACM2	
Andrew Causebrook	WACM3	Achieves the benefit of the Original (direct treatment under CMP192) for large DG, who already have contractual relationship with NGET, without imposing new contractual relationships and associated administration on small DG. This leads to following: 1. Facilitation of PCGs and LoC on CUSC terms. 2. Direct communication of security statements and payments between primary parties, without DNO "middleman" and associated process delays that result in shorter time for DG to respond and query. I also believe that the differential treatment of small and large DG under WACM3 is not discriminatory because small DG can optionally apply for a BEGA and receive the same treatment as large DG.

11 How to Respond

11.1 If you wish to respond to this Code Administrator Consultation, please use the response proforma which can be found under 'Industry Consultation' at the following link;

11.2 Please note that that consultation has been extended from the original deadline of 3rd June 2014 to 10th June 2014 to take account of updated legal text.

http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP223

11.3 Responses are invited to the following questions;

1. **Do you believe that CMP223 (or any of the WACMs) better facilitates the Applicable CUSC Objectives? Please include your reasoning.**

2. **Do you support the proposed implementation approach as set out in Section 8? If not, please state why and provide alternative suggestions where possible.**

3. **Do you have any other comments?**

11.4 Views are invited on the proposals outlined in this consultation, which should be received by **5pm** on **10th June 2014**. Please email your formal response to;

Cusc.team@nationalgrid.com

11.5 If you wish to submit a confidential response, please note the following:

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

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

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP223 WORKGROUP

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP223 Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment tabled by Carnedd Wen Onshore Wind Farm Ltd at the 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) Implications on the National Grid Electricity Transmission Licence.
   b) Obligations under Section 15 of the CUSC – whether terms in Section 15 could be mandatory or optional for relevant Distributed Generation users.
   c) Impact of change on liabilities for directly connected users.
   d) Cost implications of administering additional contracts on National Grid and embedded users.
   e) Check that there are no wider implications of the application of section 15 to DG users.
   f) Consider progression of the DCuSA proposal.
   g) Review illustrative legal text.

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
Chairman	Patrick Hynes	National Grid
National Grid Representative*	Adam Sims	National Grid
Industry Representatives*	Fruzsina Kemenes	Carnedd Wen Onshore Wind Farm (Proposer)
	Leonida Bandura	E.ON
	Garth Graham	SSE
	Ane Landaluze	Scottish Power
	Deborah Macpherson	SP Distribution
	Kyle Martin	Energy UK
	Kenny Stott	SHE Transmission
	Andrew Causebrook	Vattenfall Wind Power Ltd
Authority Representatives	Edda Dirks	Ofgem
Technical secretary	Louise McGoldrick	Code Administrator
Observers		

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 CMP223 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 CMP223 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
21 November	Issue draft Workgroup Consultation for Workgroup comment (5 working days)
28 November	Deadline for comments on draft Workgroup Consultation
2 December	Publish Workgroup consultation (for 3 weeks)
23 December	Deadline for responses to Workgroup consultation
W/C 6 January 2014	Post-consultation Workgroup meeting
15 January 2014	Circulate draft Workgroup Report
22 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

CUSC Modification Proposal Form CMP223

Connection and Use of System Code (CUSC)

nationalgrid

Title of the CUSC Modification Proposal
Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment
Submission Date
16.09.2013
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address

This CUSC modification seeks to address an unintended consequence of the application of CMP192 and related terms under Section 15 of the CUSC. As a consequence of the rules described below, distribution connected generators deemed to have an impact on the transmission network are faced with undue discrimination in the way that liability and security terms and conditions are set and how the sums are calculated and passed on.

The CMP192 methodology separates the liability ("termination amount") from the associated security amount (to take into account the reduced likelihood of termination – and therefore stranded assets – as project certainty increases). Once developers have reached pre-determined stages of project development their securities reduce relative to the liability in recognition of the reduced risk of termination as a project nears completion.

Overall, the new methodology for setting liabilities and securities under CMP192 has been a welcome improvement for renewable energy projects. However, the rules for the application of CMP192 in CUSC Section 15 'User Commitment Methodology' appear to have created new issues for Distribution Network Operators (DNOs) and their generation customers. The resulting treatment of generators that are directly transmission connected is contrasted to the treatment of distribution connected generators below:

CMP192 treatment of generators which are directly transmission connected

Generators seeking to directly connect to the transmission network only have to provide security to National Grid for the reduced security amount (although they remain liable for 100% of the termination amount). Generally, a pre-consented project secures 42% of its CMP192 liability from the "Trigger Date" until the point that it achieves consent, then after consent until energisation, it secures only 10% of its CMP192 liability.

- Recovery mechanism for stranded assets:

NGET has an adjustment mechanism in its licence (Special Licence Condition: 6F) which permits it to recover the value of stranded generation connections spend, subject to satisfying certain conditions, in the event that it is unable to recover 100% of a generator's liability following a termination of its connection agreement.

CMP192 arrangements – impact on distribution connected generators

For clarification, currently most distribution connected generators in the majority of DNO areas are not deemed to have an impact on the reinforcement needs for the transmission network. In instances where they are considered to have an impact, DNOs will enter a Construction Agreement with NGET in respect of any

construction works required as a result of their connection. Where this occurs these generators - referred to henceforth as 'relevant distributed generators' - are indirect recipients of NGET's security and liability requirements as described below.

DNOs are defined as 'Users' under S15 of the CUSC and have a direct contractual relationship with NGET. Thereby DNOs are liable to NGET for the full costs of the "attributable" (and in some cases the "wider") transmission works required for relevant distributed generators, in the same way that transmission connected generators are liable for the cost of those transmission works. (I.e. The relevant distributed generators have no direct relationship with NGET in relation to the reinforcement works).

- Recovery mechanism for stranded assets:

If a relevant distributed generator fails to proceed and terminates its contract with the DNO (the contracted 'user'), the DNO will terminate its agreement with NGET, who would in turn seek to recover the full liability amount from the DNO rather than from the relevant distributed generator. In the absence of a suitable recovery mechanism (such as NGET has), some DNOs are seeking to cover the risk that they will have to pay termination charges to NGET by seeking security from the relevant distributed generator for the entire CMP192 liability amount at all times and passing on much more onerous contractual terms and conditions compared to NGET's.

The treatment of embedded generation projects with Bilateral Embedded Generation Agreements (BEGAs) is slightly different. An embedded generator with a BEGA would be exposed directly to NGET under CMP192 for liability and security requirements associated with *wider* works. In this case the generator would benefit from the milestone-related reduced security requirements under CMP192 for the wider works costs *but not for the attributable works costs*, as the DNO would require them to secure their full liability (as again, this would be the amount that the DNO would have to pay to NGET in the event of an agreement being partially or fully terminated).

Undue discrimination

DNOs are undoubtedly left exposed under the arrangements and some are managing the risk by requesting 100% securities throughout the development period and insisting on more onerous terms and conditions – while this is rational it unfortunately creates a large barrier to the connection of relevant distributed generators. Providing cash security, letters of credit or parent company guarantees to secure 100% of the liability sum has cash-flow implications and is not a viable option for many companies and communities, threatening the ability to sustain their distributed generation projects.

The relevant distributed generators would be treated differently directly under NGET's terms and conditions. The DNO methodologies for liability and security apportionment are not always transparent, the forecast period for the liabilities can be shorter than that provided by NGET exposing relevant distributed generators to volatility. We also note that because different DNOs are taking different approaches to how their liability and security exposures are passed through and there is a lack of consistency in terms of market access for distribution connected generators from one part of the country to the next.

CMP192 original objectives not being met

Treating generators that are connected to the distribution system in a less beneficial manner to those connected directly to the transmission system - with respect to pre-commissioning security requirements - creates a barrier to market entry for relevant distributed generators. This is contrary to the original objectives of CMP192[1] which sought to address the following defects in the User Commitment regime:

1. The methodology for calculating user commitment requirements is not defined in the existing commercial framework, and as such is non-transparent to users.
2. The level and volatility of liabilities, and hence the level of security, determined through the existing

methodology can represent a barrier to entry for new power stations.
3. Any difference in treatment of pre- and post-commissioning users should be objectively justified.
4. The existing arrangements do not take into account the perceived risk profile associated with cancellation and closure that changes throughout a power station's lifetime

Without NGET and the DNOs addressing the issues highlighted, relevant distributed generators will continue to face undue discrimination and the development of competition in the UK energy market will be impeded.

Description of the CUSC Modification Proposal

Key Objectives

This CUSC modification proposal seeks to achieve a fair and transparent treatment of relevant distributed generators in terms of transmission system securities and liabilities. At the same time, the solution must not lead to distributed generators becoming party to/ needing to become compliant with the wider terms of the CUSC – after all the primary relationship for connection and use of the network for distributed customers is with a DNO.

Issue to be resolved

As set out above, the application of CMP192 via CUSC section 15, the 'User Commitment Methodology' effectively compromises Applicable CUSC Objective 4(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. Although the relevant distributed generators have the same type of impact on the transmission network as generators that are directly transmission connected, there is a stark difference in the way that liability and security terms & conditions are set, how charges are calculated and passed on. Currently, under CUSC S15 DNOs have been defined as 'Users' in relation to the cancellation charge and the pass-through of the payment profiles to the relevant distributed generators is at their discretion. The fact that the DNO has been elected as a middle man without having been provided with an allowance for the recovery of stranded assets in the Electricity Distribution Licence is the root cause of the problems experienced by relevant distributed generators.

Suggested Approach

One way of resolving the problem would be to cut out the DNO acting as middle man. This modification proposes to create a direct relationship between the relevant distributed generators and NGET so that the terms and conditions for securities and liabilities can be passed on in the same way as they are to other 'users' specified in CUSC S15.

This modification suggests defining 'relevant distributed generators', distributed generation that would normally be associated with a Construction Agreement between NGET and a DNO as a class of 'User' exclusively under CUSC Section 15 'User Commitment Methodology'. These relevant distributed generators must not be named as parties to other sections of the CUSC (in section 1).

Thereby this CUSC modification could remove the risks that a DNO is forced to take on, on behalf relevant distributed generators. Relevant distributed generators would thus be apportioned cancellation charges and security requirements directly by NGET in the same way as if they were transmission connected. In order to work some form of simple agreement specifically covering security and liability arrangements may have to be in place between NGET and the relevant distributed generators. In the event of a relevant distributed generator terminating NGET would pursue this party directly for the cancellation charge. In the event of stranded assets NGET would be able to make use of the recovery mechanism set out under Special License Condition 6F.

Finally, we request that a deminimis threshold for passing through securities should be considered. Smaller parties are affected by the arrangements disproportionately as they are usually the most cash constrained investors. We suggest that Sub 1MW generators should be exempt from security downpayments.

Impact on the CUSC
The proposal suggests changes to CUSC Sections 1 'Applicability Section' and/or 15 'User Commitment Methodology'.
Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No
No.
Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information
BSC ☐ **Grid Code** ☐ **STC** ☐ **Other** ☐ *(please specify)* *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.*
Urgency Recommended: Yes / No
No – Due to the complexity of how the defined issue could be resolved a working group will be needed. However, the impacts are being acutely felt by relevant distributed generators today and projects at risk of falling through and therefore a solution is required ASAP.
Justification for Urgency Recommendation
N/A
Self-Governance Recommended: / No?
No. *This is an optional section. You should state whether you believe this Proposal should be treated as Self-Governance.*
Justification for Self-Governance Recommendation
If you have answered yes above, please describe why this Modification should be treated as Self-Governance. *A Modification Proposal may be considered Self-governance where it is unlikely to have a material effect on:* • *Existing or future electricity customers;* • *Competition in generation or supply;* • *The operation of the transmission system;* • *Security of Supply;*

- *Governance of the CUSC*
- *And it is unlikely to discriminate against different classes of CUSC Parties.*

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

Yes, there is no interaction with the Electricity Balancing SCR.

Impact on Computer Systems and Processes used by CUSC Parties:

Possible..

If the solution favoured by the working group is to define relevant distributed generators (Distributed Generation that would normally be associated with a Construction Agreement between NGNET and a DNO) as a class of 'User' then a simple new contract covering solely the cancellation charge and the security amounts between NGNET and the DG user may be necessary.

This is an optional section. Include a list of any relevant Computer Systems and Computer Processes which may be affected by this Proposal, and where possible, how they will be affected.

Details of any Related Modification to Other Industry Codes

This is an optional section. You should list any other simultaneous modifications being proposed to other Industry Documents and Codes that you are either aware of or have raised.

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:

Please tick the relevant boxes and provide justification:

☐ (a) the efficient discharge by The Company of the obligations imposed upon 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.

The current situation with CMP192 compromises Applicable CUSC Objective ('B'): facilitating effective competition in the generation of electricity by unintentionally, unduly discriminating against generators that are directly distribution system connected and deemed to have an impact on the National Electricity Transmission System. These generators have the same impact on the security of the transmission network as generators that are directly transmission connected – as such, there appears to be no justification for the difference in the way that liability and security charges are calculated and passed on to these users.

☐ (c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1.

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). *This section is mandatory. You should detail why this Proposal better facilitates the Applicable CUSC Objectives compared to the current baseline. Please note that one or more Objective must be justified.*

Additional details

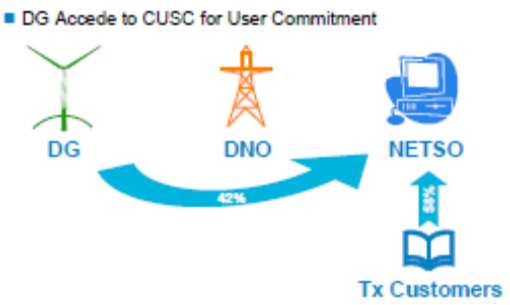
Details of Proposer: (Organisation Name)	Carnedd Wen Onshore Wind Farm Ltd
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Fruzsina Kemenes Carnedd Wen Onshore Wind Farm Ltd 01793 474463 Fruzsina.kemenes@rwe.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Diana Chklar Carnedd Wen Onshore Wind Farm Ltd +44 7584580327 **diana.chklar@rwe.com**
Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

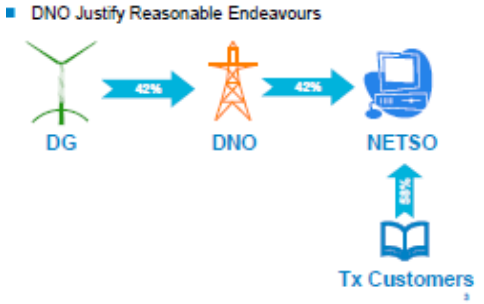
Annex 3 - Workgroup Attendance Register

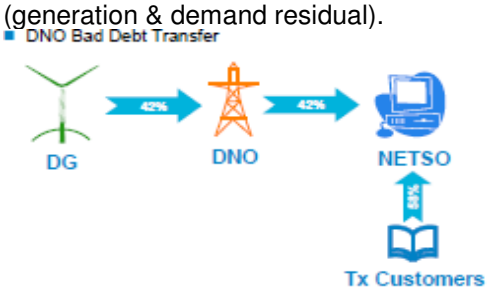
Name	Organisation	Role	1	2	3	4	5	6	7
Patrick Hynes	National Grid	Chairman	O	O	O	O	O	O	D
Louise Mcgoldrick / Jade Clarke	NGET	Technical Secretary	O	O	O	O	O	O	D
Adam Sims / Wayne Mullins	NGET	National Grid representative	O	O	O	O	O	O	D
Edda Dirks / Angelita Bradney	Ofgem	Authority Representative	O	O	D	D	D	A	X
Fruzsina Kemenes	Carnedd Wen Onshore Wind Farm Ltd	Proposer	O	O	O	D	O	D	D
Leonida Bandura	EON	Workgroup Member	A	O	O	D	O	O	D
Garth Graham	SSE	Workgroup Member	D	O	D	D	D	D	D
Ane Landaluze	ScottishPower	Workgroup Member	A	O	D	X	D	D	D
Deborah MacPherson	SP Distribution/SP Manweb	Workgroup Member	A	O	X	D	D	O	D
Kyle Martin	Energy UK	Workgroup Member	D	O	D	D	X	X	D
Kenny Stott	SHE Transmission	Workgroup Member	X	O	D	D	D	O	D
Andrew Causebrook	Vattenfall Wind Power Ltd	Workgroup Member	X	O	O	X	D	D	D

Attended O; alternate A; dial-in D; non-attendance X

Annex 4 – Potential solutions to the defect

Proposal	Pros	Cons	'Risk Attribution' – In the event of project cancellation which party carries final risk?
OPTION 1: **CUSC Modification** **Section 1: define relevant distributed generators deemed to have an impact on transmission reinforcement as a possible S-15 'user'.** CUSC applicability will be limited to relevant clauses of Sections 1, 5,6,7,8,11 and 15. (same as BELLAs) Retain DNO acting as broker (status quo) as an option for relevant DG. **Further refinement:** Introduce a de-minimis capacity level for application of securities and liabilities. Alternatives: -exempt projects too small for SOW	Perceived discrimination issue resolved. As a 'user' under Section 15 relevant DG will be treated in the same way as other 'users' in terms of securities and cancellation charges. Transparent, clear statement on how DG will be treated UK-wide as soon as The Authority passes its decision. Retaining the option for the relevant DG to choose the DNO to act as 'broker' gives DG a choice to avoid becoming involved with the CUSC (but clearly then it remains at DNO's discretion how such DG are treated). For DNOs: Resolves the risk of having to bear the difference between relevant DG security and the liability. A de-minimis capacity level for application should avoid retaining a cash-flow barrier for very small projects and avoid the hassle of dealing with multiple contracts for small parties. Should also ease the administrative burden on NGET.	Requires new NGET contracts for relevant DG (setting up is relatively easy). Key issue is time needed to administer and enforcement. The proposal is intended to be a time limited agreement (either up until connection or shortly after completion of connection contract) – meaning that there should be no implications for operation. However, as the CUSC can be changed there is a risk that the solution could unintentionally lead to onerous technical requirements on signatories at a future date. Risk of mission creep- e.g. new commitments for distribution connected parties or DNOs developing constraints management tool via contract. Lengthy implementation process, continuing to leave live projects exposed. Who pays for cancellation if any DG are exempt? The risk profiles of DG cancellations need to be understood. Risk to GDUoS customers' needs to be evaluated by Ofgem (data to be supplied	**TNUoS customers** Ultimately GB TNUoS customers (generation & demand residual). 

- exempt 1MW+ 'arbitrary' threshold (Note that this coincides with proposed EU regulation related limit: encompasses 'Type A' and 'Type B' generators)		by DNOs). Introducing a deminimis threshold could lead to gaming behaviour on part of DG customers	
OPTION 2: **CUSC Modification** **Amend Section 15 so that:** **A shortfall in liabilities related to a relevant DG terminating is recovered by NGET once the DNOs demonstrate they have exhausted all options.** Amend Construction Agreements so that all relevant DG parties are named. NGET invoices the DNO for full liability DNO tries to recover bad debt and justifies cost recovery to Ofgem, DNO pays NGET 42% min. NGET recovers shortfall through licence.	For DNOs: Resolves the risk of having to bear the difference between relevant DG security and the liability. No new contracts for relevant distributed generators Small SOW connectees continue to have a single interface – the DNO - for their connections Amending Connection Agreements to name all relevant DG parties helps resolve 'DG hub mutual liability issue'. (DG Hub scenario – cancellation charge recovery terms and conditions will be governed by DNO. Here multiple DGs are covered by a single Construction Agreement between the DNO and NGET and rules on how termination by a single party should be dealt with sit with DNO – not transparent or fair. (Worse case: remaining parties carry liability of terminating DG)).	The terms and conditions and charges for securities and cancellations that relevant distributed users face will remain at the discretion of the DNO. It can be assumed that there would be no grounds then for the DNOs to pass through different security profiles- but there is no regulatory guarantee. Lengthy implementation process, continuing to leave live projects exposed.	**TNUoS customers** Ultimately GB TNUoS customers. (Generation & demand residual). 

OPTION 3: **Amend Section 15 so that: A shortfall in liabilities related to a relevant DG terminating can as a last resort be recovered by NGET on behalf of DNOs.** Amend Construction Agreements so that all relevant DG parties are named. NGET invoices the DNO for 42% liability (=security cover provided by DG) DNO pays NGET and transfers bad debt (58%) to NGET NGET tries to recover bad debt NGET justifies cost recovery to Ofgem NGET recovers shortfall through licence	For DNOs: Resolves the risk of having to bare the difference between relevant DG security and the liability No new contracts for relevant distributed generators Small SOW connectees continue to have a single interface – the DNO - for their connections but would face NGET if they terminate. DG Hub scenario – cancellation charge recovery terms and conditions will be governed directly by NGET – apportionment and method of recovering liabilities no longer sits with DNOs. (Relevant DG needs to be named in construction agreements to provide visibility for NGET).	The terms and conditions and charges for securities that relevant distributed users face will remain at the discretion of the DNO. It can be assumed that there would be no grounds then for the DNOs to pass through different security profiles- but there is no regulatory guarantee. Debt collector role for NGET – not a natural fit. A new clause would have to be introduced to DNO-DG contracts, introducing NGET as a third party. NGET has no authority to request this and would also seek to review every DNO-relevant DG contract. NG would be enforcing contracts on behalf of the DNOs; such contracts will differ between DNOs, NG does not have any expertise in these contracts, nor any guarantee that they will have the appropriate requirements for enforcement. Lengthy implementation process, continuing to leave live projects exposed.	**TNUoS customers** ultimately GB TNUoS customers. (generation & demand residual). 
Optional CONSEQUENTIAL CHANGE **Related to 2, 3: DCUSA Mod/ Connection Charging Methodology Mod: to include Statement of the methodology on the DCUSA adapted from S-15 of**	Clarity on exactly how DG will be treated once both the The Authority passes its decision. Perceived Discrimination issue resolved. Relevant distributed generators will be treated in the same way as 'users' in terms of securities and cancellation charges if DNOs adopt the terms and	Complicated. Would be dependent on both change proposals progressing at the same speed and going through. Both codes subject to different governance procedures could end up changing separately over time. Very lengthy process, continuing to leave projects exposed.	**TNUoS customers** Ultimately GB TNUoS customers. (Generation & demand residual).

the CUSC.	conditions for cancellation charges and securities via a common regulatory document. Resolves the risk issue for the DNOs by directing DNOs to recover from cancelling party.		

Annex 5 – Workgroup Consultation Responses

CUSC Workgroup Consultation Response Proforma

CMP223 – Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

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 **17:00 on 14 February** 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 Jade Clarke at jade.clarke@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:	*Leonida Bandura* *Leonida.Bandura@eon-uk.com*
Company Name:	*E.ON UK*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We have no comments other than those below.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	For reference, the Applicable CUSC objectives are: (a) the efficient discharge by The Company of the obligations imposed upon 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. Onerous security arrangements currently represent an entry barrier to some distributed generation projects. By introducing a mechanism for the recovery in any shortfall between the security and liabilities for DNOs, this should allow DNOs to pass on

	security requirements in line with CUSC Section 15. This would therefore facilitate effective competition in the generation and supply of electricity. (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. 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)

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	YES
2	**Do you have any other comments?**	NO
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	NO

Specific questions for CMP223

Q	Question	Response

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	We believe that option 2 better facilitates the Applicable CUSC Objectives. We believe that there are technical issues to be addressed regarding privity of contract in that third parties cannot seek a benefit under the CUSC.
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	We do not support the approach presented in Option 1. We do not believe that embedded generators should directly contract with National Grid and potentially accede to the CUSC. This would introduce another time and cost-consuming administration process for developing and managing new contracts. By acceding to the CUSC this could potentially expose relevant distributed generators to more onerous requirements at a future date as the CUSC is changed. Giving relevant distributed generators the choice of whether to contract with NGET directly or receive liabilities indirectly via the DNO, also introduces ambiguity and adds a further complication to the administrative process. There should be one defined process. Any new contract terms introduced should not be optional as uniformity is needed.
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	If a de minimis level were to be introduced we believe that it should be linked to a Statement of Works as this is in turn linked to the requirement for transmission investment. Setting a flat 1MW de minimis level would mean that generators below this level that have a Statement of Works impact and therefore an impact on the transmission system would not be required to provide security.

Q	Question	Response
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	This option resolves the risk of the DNO having to bear the difference between relevant distributed generation security and liability. As such, the DNOs should be able to pass on the security profiles as per Section 15 of the CUSC. We would support the approach in Option 2 but have a technical concern in that we cannot see how a relevant DG would be able to benefit from the liability profiles in Section 15 as they are not parties to the CUSC and a third party cannot benefit from a contract to which they are not privy. Therefore, although a mechanism for recovery will be in place that ought to give the DNO enough comfort to pass through the s.15 liability profile, this will still be left to the discretion of the DNO and the relevant DG will not have any contractual rights to enforce this.
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	We do not believe that National Grid is the appropriate party to pursue debts on behalf of the DNO. This option introduces additional complications to the debt recovery process.
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	Mandatory
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	Post commissioning liabilities are in effect a TEC reduction charge. Embedded generators do not have TEC therefore there is no justification for a TEC reduction charge i.e. post commissioning liabilities. Users with a BEGA have post commissioning liabilities as they have TEC and a right to use the transmission system.
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	Individual parties forming clusters, together with the associated securities and liabilities, should be listed individually in the DNO Construction Agreement. This would give NGET visibility of the individual generators and allow them to associate a liability and security amount with those generators. Liabilities could then be discretely assigned to an individual generator upon termination. This would remove the need for those generators to have a direct agreement with NGET.

Q	Question	Response
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	We believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators.
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	Under the original proposal new distributed generators requiring a BEGA/ BELLA, and given 'optional' contract terms, would be in a more favourable position regarding the security required of them. Therefore to not allow existing distributed generators with BEGAs/BELLAs the option to amend their contract terms could be seen as discriminating between new and existing users. The introduction of a 'new optional user commitment contract' for other relevant DGs could also been seen as discriminatory if existing DGs are not given the option to contract in this way. Uniformity is required. Any proposal needs to be implemented prospectively as was the case for CMP192 Users with a BEGA would have the liability profile set out in the Construction Agreement, so there would be no issue with implementation. Where Users have a BELLA this could be used as a vehicle for credit security for the DNO works, but arrangements need to protect against NGET securing works twice. Where the User is providing credit security, the DNO should have no liability if the works are the same. Construction related works and liability need to be included in the terms of the BELLA.

CUSC Workgroup Consultation Response Proforma

CMP223 – Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

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 **17:00 on 14 February** 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 Jade Clarke at jade.clarke@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:	*Patrick Smart, UK & I Grid Manager* *0191 3000452* *Patrick.smart@res-ltd.com*
Company Name:	*Renewable Energy Systems Ltd*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	The work that supported the development and agreement of the CMP192 solution established some clear principles for the derivation of a cost / risk reflective pre-commissioning transmission user commitment for new generators. In particular, RES would emphasise that the CMP192 workgroup considered historical instances of TO stranded spend arising from termination or capacity variation of generator connection agreements. It seems to RES that the question that needs to be answered in order to arrive at the correct outcome for CMP223 is "*what is it that is different about Distributed Generation that means that they should be subject to a set of transmission user commitment arrangements that deviate from those set down in CUSC Section 15?*". The current absence of any framework or guidance has created an environment that discriminates against distributed generation. RES therefore considers that "do nothing" cannot be an acceptable option.

Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*For reference, the Applicable CUSC objectives are:* *(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence.* The proposals would result in a single set of arrangements for pass through of NGET User Commitment Amounts by DNOs and should permit the pass through of some of the carefully considered features of the NGET User Commitment methodology. Whilst there will be costs and administration associated with the establishment of these new arrangements, RES would expect these costs to be outweighed by the efficiency benefits accruing through standardisation and transparency of process. *(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.* There is currently no standard process for DNO pass through of CMP192 liabilities, giving rise to differing treatment of distributed generation in different authorised areas. The establishment of industry wide arrangements would remove this discriminatory outcome. *(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.* RES considers the proposal to be neutral in respect of this objective.

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	RES supports the principles of the proposal and is clearly of the view that a single set of industry rules to effect pass through of CMP192 amounts is required in order to remove discriminatory treatment of distributed generation. At this stage, RES would reserve judgement on the proposed implementation approach until drafting of necessary contractual arrangements is available. RES' preference would be for a solution that did not require the entering into of a new type of agreement, however it also understands that this may prove to be the most efficient means of realising the necessary outcome.
2	**Do you have any other comments?**	No.
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No.*

Specific questions for CMP223

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	At this stage, RES considers that all of the solutions being considered may better facilitate the CUSC objectives and as such, the proposals should be the subject of further consideration and development.

Q	Question	Response
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	RES considers that Option 1 merits further development. The devil will be in the detail of Option 1, particularly in relation to the form and drafting of the new contract to cover transmission liability and security arrangements. The detail of how relevant distributed generators could be established as "Users" under the CUSC without requiring them to become parties to the CUSC nor be subject to wider CUSC duties also needs to be further developed. RES considers that these are challenges that can be overcome. RES can't add to the cons that are outlined in the Workgroup Consultation, namely the additional cost of administering and entering into of a new form of agreement. However, assuming that an acceptable new form of bilateral agreement can be established, RES remains of the view that these cons can be outweighed by the efficiency and effective competition benefits that would be derived from establishing a clear set of industry wide set of arrangements to give investor clarity and certainty.
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	RES does not support the establishment of a de minimis threshold because such a threshold does not exist for the identification of "significant impact on the transmission system" within the Statement of Works process. RES considers that, in the best interest of cost reflectivity, these processes should be aligned.

Q	Question	Response
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	RES considers that Option 2 merits further consideration and development both as an enduring solution and also as an interim workaround. RES considers that, if a debt accrues relating to stranded spend on the GB transmission system then it is right that that debt should sit with the National Transmission System Operator. This approach would ensure that the effect of any pass through to licensee allowable revenues would be shared around all users of the GB transmission system and not be the users of one DNO distribution system. Relative to the original proposal, RES considers that Option 2 carries the benefits of avoidance of cost and administration associated with a new standard form of bilateral agreement, whilst affording the opportunity to deliver some of the key principles of CMP192 to distributed generation. The con with Option 2 is that it establishes no clear framework for pass through of CMP192 arrangements by the DNOs however it should be possible to establish some clear principles that should be adopted by DNOs via an alternative regulatory framework such as the DCUSA.
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	In light of their similarity, RES would make the same observations against option 3 as those raised against option 2 but would add that it agrees with some of the observations made on the appropriateness of NGET being allocated debt collection duties in relation to liabilities arising from a DNO agreement. RES considers that this factor makes it less favourable than option 2.
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	RES considers that provisions of Section 15, to the extent that they are revised to apply to distributed generation, should be mandatory. What is unclear at this stage is whether it would be appropriate for Section 15 to afford flexibility in the means by which distributed generation provides user commitment signals to NGET. RES considers that this requires further consideration.

Q	Question	Response
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	RES' understanding of the defect that the proposer seeks to address focuses solely on pre-commissioning liabilities. To that extent, RES considers that CMP223 should focus solely on the pre-commissioning aspects of CMP192. RES considers that the question of post-commissioning liabilities for distributed generators aligns more closely with the issues being considered as part of the NGET review embedded benefits / embedded charging and should be picked up as part of that group's deliberations.
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	RES is clearly of the view that the absence of a clear process for pass through of CMP192 securities and liabilities has given rise to the current approach to management of distributed generation hubs, in which DNOs may seek to establish mutual and several liability between distributed generation. This is the clearest example of how the current situation has given rise to discrimination against distributed generation. RES considers that any of the options currently being considered would help to mitigate risk such that mutual and several liability is not justified, although is not yet of a clear view as to which is the best way forward. RES looks forward to contributing to further investigation and debate on the matter. Regarding the proposal to allow those generator parties currently involved in generator clusters who have opted for Fixed methodology CMP192 liabilities in order to avoid the risks associated with mutual and several liability, RES would support the proposal to allow such generators the option to revert to the Actual methodology as part of the transition and implementation arrangements for CMP223.

Q	Question	Response
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	The work of CMP192 considered a large body of evidence in relation to the true risk of stranded TO spend associated with terminations of connection offers and reductions in transmission entry capacity. This included consideration of probability of power stations terminating grid agreements pre and post planning consent taking into account a review of historical information available to NGET. Provided similar data is available in relation to distributed generators, RES considers that a similar exercise could be performed as that undertaken in respect of CMP192 in order to sense check whether the levels of security scaling set out in Section 15 are appropriate for application to distributed generators. If, as the workgroup report suggests, there is insufficient data available to permit the completion of such an exercise, RES would support use of the 42% and 10% scaling factors currently set out in CUSC Section 15 for distributed generators.
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	RES considers that the proposals require further development before the impact on existing contracts of distributed generators can be meaningfully considered.

CMP223 Stage 02: Workgroup Consultation
RWE Innogy UK response

Standard Workgroup consultation questions;

Q1: Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.

Yes.

Q2: Do you have any other comments?

The summary description of this proposal should state security and liability requirements for relevant DG will be affected by the CMP223 Mod, not just security requirements.

Impact on Core Industry Documents (7.4, p24): it should be noted that all three Options proposed necessitate a modification of SLC 6.

During the review of associated documents, I have noticed that there are two versions of the CMP192 Guidance and Implementation Document: version 1 and version 01. I would recommend removing the outdated Guidance from public access (the numbering is quite confusing in any case).

Further background data would be useful:

- Is there further accompanying data to provide an illustration of the statement that the volume of SOW projects is increasing more widely across the UK? Point 5.12 shows trends in Scotland but it would be useful background information to map the geographical spread and trends more widely. (Note: the meaning of point 5.13 could do with some clarification).
- Evidence from NGET is needed to make the case that CMP192 security profile can justifiably be applied to BEGA parties for attributable works and BELLA parties' wider and attributable works.
- Data from DNOs in order to determine the appropriate profile to be applied to other relevant distributed generators (non-BEGA/BELLA). E.g. General historical data on the incidence and proportion of 1MW+ DG projects with connection agreements terminating before their contracted commissioning date.
- For the consideration of a de-minimis threshold: information on the incidence of sub-1MW generators triggering SOW would be welcomed from NGET/DNOs

Is there a potential quick win available for BEGA parties – why is it necessary for enabling works to be specified in the DNO contract with NGET rather than directly between NGET and the generator? The termination rates and characteristics of these users are well understood by NGET (included in CMP192 analysis) so direct pass-through of attributable securities and liabilities should be straightforward.

Q3: Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? If so then please refer to paragraph 9.3 below.

No.

Specific questions for CMP223

Q4: Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?

Yes, the defect could be addressed by either Option 1 or Option 2. Relevant DG should be treated in the same way as directly connected parties in terms of the pass-through of pre-commissioning securities and liabilities. Pros and cons to be considered in deciding between these Options are listed out under the questions below.

Q5: What are your views on the Option 1, including pros and cons?
Please provide evidence where possible.

Pros

- Transparent, clear treatment of relevant DG for both liabilities as well as securities as set out in CUSC S15. Thereby resolves issues in relation to the treatment of relevant DG involved in generator hubs (see Q11) as well as the issues faced by other relevant DG.
- For DNOs: Resolves the risk of having to bear the difference between relevant DG security and the liability.
- Provides the option for the relevant DG to choose the DNO to act as 'broker' – this gives DG a choice to avoid becoming involved with the CUSC.

Cons

- A subsequent change has been identified by NGET in relation to the application of post-commissioning liabilities. This may be problematic for small relevant DG and fuelled stations – see Q10 for a full discussion.

Q6: Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?

There is no necessity for a defined de minimis threshold as there is a defacto de minimis threshold already in place – projects below a certain size are not economically worth the while of NGET pursuing for liabilities and therefore securities are not applied. (This is eluded to in point 5.22 of the consultation paper).

The Embedded generation register available on NGET's website shows the capacity range of relevant distributed generator projects that trigger transmission reinforcement works. To date projects below 1MW have not triggered the SOW process and therefore should not need to be concerned about the impacts of CMP192 or indeed CMP223.

With this in mind – setting a fixed deminimis threshold may be overcomplicating matters. Any further information on the incidence of sub-1MW generators triggering SOW would be welcomed from NGET/DNOs.

Q7: What are your views on Option 2, including pros and cons.
Please provide evidence where possible.

Pros

- For DNOs: Resolves the risk of having to bear the difference between relevant DG security and the liability.

- Least noticeable transition from relevant DG perspective. No new contracts for relevant distributed generators. Relevant DG (without BEGAs or BELLAs) continue to have a single interface – the DNO - for their connections.

Cons

- The terms and conditions and charges for securities and cancellations that relevant distributed users face will remain at the discretion of the DNO. It can be assumed that there would be no grounds then for the DNOs to pass through different security profiles- but there is no regulatory guarantee.
- There is an assumption that the DNO will provide instant notification to NGET upon the termination of a relevant DG party. What exactly is in place to ensure that this happens?
- DNO remains acting as a middle-man removing direct (and therefore instant) pass-through of information between NGET and the relevant DG.
- Variable interpretation on part of the 7 DNOs cannot be ruled out – there may therefore be varied implementation from one region of the UK to the next.
- Uncertain as to whether proposal really resolves generator 'hub' issues. See Q11.
- There is some ambiguity as to the definition of "good industry practice" with regards to debt recovery procedures. This needs to be agreed on by DNOs and NGET for this solution to work effectively.

Q8: What are your views on Option 3, including pros and cons.
Please provide evidence where possible.

Pros

- For DNOs: Resolves the risk of having to bear the difference between relevant DG security and the liability.
- Consistent enforcement of liability request and debt collection across the UK.

Cons

- Unclear how this can be contractually enforceable.
  A new clause would have to be introduced to DNO-DG contracts, introducing NGET as a third party. My understanding is that NGET has no authority to request this. NGET would also have to review every DNO-relevant DG contract as it would be enforcing contracts on behalf of the DNOs. Aside from the administrative burden, such contracts will differ between DNOs, NG does not have any expertise in these contracts, nor any guarantees that they will have the appropriate requirements for enforcement.
- Seems to be overcomplicating matters – why appoint NGET as a debt collector rather than an actual debt collection company?
- The terms and conditions and charges for securities and cancellations that relevant distributed users face will remain at the discretion of the DNO. It can be assumed that there would be no grounds then for the DNOs to pass through different security profiles- but there is no regulatory guarantee.
- There is an assumption that the DNO will provide instant notification to NGET upon the termination of a relevant DG party. What exactly is in place to ensure that this happens?
- Uncertain as to whether proposal really resolves generator 'hub' issues. See Q11.

Q9: Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?

Retaining optionality would help small generators avoid the administrative burden of contracting with NGET. For some parties having to deal with two network operators may seem overwhelming. They can opt to retain the DNO as their 'administrator' in relation to transmission related arrangements.

Q10: Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?

There is an absence of information regarding the rationale for DECC directing NGET to exempt embedded generators from post-commissioning liabilities. Without understanding the full justification for this it is not possible to answer this question in a considered way. Presumably the post-commissioning liability terms and conditions are not practical for embedded projects. While some embedded generators should be able to notify 2 years ahead of decommissioning with relative ease, this would be very difficult for smaller projects or CHP and fuelled stations whose fate will be heavily subjected to the heat-customers viability and fuel prices respectively. I don't understand the full picture - is the decommissioning of a single relevant distributed generator likely to actually trigger a change to the wider network arrangements between the DNO and NGET? Please can we discuss this as a working group.

Clearly under Option 1 – the contractual mechanism for post-commissioning liabilities could be established. It should be noted that this is true only in the case where the relevant distributed generator chooses to directly contract rather than opting for the DNO pass-through. As set out in the paragraph above, it would be important to understand why DECC have advised against post-commissioning liabilities for embedded generator liabilities and whether this rationale would still persist were a contractual route of enforcement available.

Q11: What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?

- Option 1 – provides a clear cut solution, ensuring that liability (as well as security) terms and conditions are passed through directly from NGET to the individual relevant DG in question.

- Option 2 - While Option 2 provides a solution in the case where a single relevant DG triggers the transmission reinforcement need; the scenario where a 'hub' of multiple DG parties trigger reinforcement is more complex. We only support Option 2 if it provides an effective solution to the mutual liability issue being experienced by generators involved in 'hubs'. A fuller explanation is needed to reassure us of how changes to the DNO construction agreement to incorporate a list of all distributed generation connecting through a hub and the associated liabilities and securities will offer effective mitigation. We are concerned that without actual construction agreements (between NGET and the DNO) covering off each DG individually, the allocation of liabilities will remain uncertain for DG. We request that the workgroup fully explore this alternative arrangement.

Q12: Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?

Given the nature of BEGA and BELLA sites in our experience these projects have a different risk profile to directly connected generators. As such the same security profile should be applied.

The ‘behaviour’ of other relevant DG is less well understood.

As noted under question 2 it would be desirable to see:

- Evidence from NGET to confirm whether the same security profile can justifiably be applied to BEGA parties for local works and BELLA parties wider and local.
- DNO data to determine the appropriate profile to be applied to other relevant distributed generators (non-BEGA/BELLAs). E.g.: General historical data on the incidence of 1MW+ DG projects with connection agreements terminating before connecting.

Q13: What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAS? Could there be a case for contract re-openers?

In a hub scenario – existing arrangements stemming from CMP192 in the SP Manweb area provide a push for parties to contract as fixed in order to avoid shared liabilities. Directly contracted parties do not have to take this into consideration when making the decision regarding fixed vs attributable. Therefore, the question of having a reopener seems valid.

CUSC Workgroup Consultation Response Proforma

CMP223 – Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

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 **17:00 on 14 February** 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 Jade Clarke at jade.clarke@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:	*Ane Landaluze*
Company Name:	*ScottishPower Renewables*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	ScottishPower Renewables (SPR) welcomes this workgroup consultation which aims to clarify aspects of the recently introduced CMP192 User Commitment Arrangements for embedded generators and avoids discrimination in the way security requirements under the CUSC Section 15 are passed on to developers. SPR also welcomes the aim of this proposal to resolve the embedded generator hub problems. SPR believes that there are further areas of the CMP192 User Commitment where the arrangements need clarification and could be developed further and we will be happy to contribute to this work.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	*For reference, the Applicable CUSC objectives are:* *(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence.* The proposed amendment seeks to remove risks from the DNO which will at the same time remove current inefficiency of over securitisation by relevant distributed generators (DGs) to the DNO.

	(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. By removing the risk from the DNO the proposed amendment should also reduce the current barriers to entry that the current CMP192 User Commitment Arrangements for embedded generators have triggered and sustain and encourage the development of relevant DGs. It will also remove discrimination compared to those generators with direct contractual arrangements with NGET and bring consistency to the way different DNOs are passing through their liability and security exposures to the relevant DGs. We believe that the proposed amendment will remove uncertainty, volatility and improve transparency to the current arrangements which will help in facilitating effective competition in the generation of electricity.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	SPR considers that the approved amendment should be implemented as soon as possible but this should always fit the 6 monthly security process. Any amendment should be implemented at least 4 month prior to the new security period in order to give sufficient notice to the DNOs and the DGs.
2	**Do you have any other comments?**	No
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No

Specific questions for CMP223

Q	Question	Response

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	SPR believes that Option 2 is the option that best facilitates the CUSC objectives and offers the best solution with the least disruption for all parties
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	SPR believes that Option 1 would resolve the issues that triggered this CUSC Modification Proposal. However, if this option is implemented it would result in the need for new contracts between the relevant DG and NGET which will be difficult to manage and administer for NGET and relevant DGs. We also believe that the implementation process will be longer than for any of the other options.
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	SPR considers that under Option 1 a de minimis level should be determined however further consideration would be required by the Working Group in order to explore the options of how this level should be determined.
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	SPR believes that Option 2 is the option that best facilitates the CUSC objectives and offers the best solution with the least disruption for all parties. This option would resolve the issues that trigged this CUSC Modification Proposal. We believe that the DNO should demonstrate directly to Ofgem that it had pursued a bad debt. We consider that NGET provides no benefit from acting as an intermediary between Ofgem and the DNO when justifying cost recovery. However, there is no guarantee that the DNO will not reflect these changes in the security profile to the relevant DG. Therefore, we consider that a DCUSA Mod will be required in order to align the DCUSA to Section 15 of the CUSC and make sure that a common policy will be put in place by all the DNOs. Amending the contractual arrangements to name the relevant DG parties will help resolve the embedded generator hub problem but we believe that a change to the contract terms will also be required to include a specific clause in the Construction Agreement that clarifies how securities should be allocated for parties in embedded generator hubs.

Q	Question	Response
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	SPR considers that Option 3 would resolve the issues that triggered this CUSC Modification Proposal. However, we believe that NGET provides no benefit from acting as an intermediate between Ofgem and the DNO when justifying cost recovery. This approach would also necessitate NGET having a clear understanding of each DNOs contract structure and terms. NGET will need to be involved in the contract process which would be difficult to manage and administer for the DNOs, relevant DGs and NGET. As stated for Option 2, we believe that there is no guarantee that the DNO will reflect the revised CUSC arrangements in the security profile it passesto the relevant DG. Therefore, we consider that a DCUSA Mod will be required in order to align the DCUSA to Section 15 of the CUSC and make sure that a common policy will be put in place by all the DNOs. Amending the contractual arrangements to name the relevant DG parties will help resolve the embedded generator hub problem. However, we believe that a change to the contract terms will also be required to include an specific clause in the Construction Agreement that clarifies how securities should be addressed for embedded generator hubs.
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	We believe that application of Section 15 of the CUSC should be optional.
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	SPR believes that an embedded generator should not have post-commissioning liabilities

Q	Question	Response
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	Under Option 1 all the parties will contract directly with NGET and therefore this will resolve the generator hub problem. However, we consider that increasing the number of contracts that NGET has with new parties will be difficult to manage and administer for NGET and relevant DGs. As stated for Option 2 and 3 above, amending the contractual arrangements to name the relevant DG parties will help resolve the embedded generator hub problem. However, we believe that a change to the contract terms will also be required to include specific clause in the Construction Agreement that clarifies how securities should be addressed for embedded generator hubs. SPR considers that those developers that are part of an embedded generator hub and that have opted in the past for a fixed profile should be given the opportunity to move back to an actual profile as part of the implementation period. These developers may have opted for a fixed profile to avoid any further liability should any of the other members of the hub decide to terminate. If as part of this proposal this risk will be mitigated we consider that the contracts should be re-opened to give the members of the hub the ability to move back to an actual option.
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	When the current security profiles were defined as part of CMP192 Working Group all transmission works were included in the analysis, including those wider works triggered by a relevant DG. Therefore, we consider that this same security profiles should be applied to all the generators.Consequently, if a separate risk profile is created for relevant DGs the risk profile of the directly connected generators would also need to be re-visited.
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	Under Option 1 if the relevant distributed opts to have a direct relationship with NGET, the agreement between the DNO and this relevant DG will need to be reopened in order to amend the way securities and liabilities will be treated. SPR considers that the existing embedded generator hub developers should also be given the opportunity to re-open their contracts for the reason provided in Question 11 above.

CUSC Team
National Grid
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

13 February 2014

Dear CUSC team

CMP223 Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

RenewableUK represents 575 organisations in the fields of wind, wave and tidal stream energy. Scottish Renewables is the representative body of the renewables industry in Scotland, with more than 330 member organisations spanning the full range of renewable energy technologies. We are encouraged by the progress that has been made by the work group to address this important issue.

The proposal submitted to the CUSC modification panel is particularly pertinent to the industry in Scotland given the volume of generators that are connecting to the distribution grid and the required upgrades to the electricity transmission network. However, we are also aware that the current arrangements are also creating problems for distributed generators in Mid-Wales and that, while the interaction between the distribution and transmission systems is currently rare/non-existent in DNO patches in other parts of Great Britain, this type of scenario may well become more prevalent as the penetration of distributed generation increases.

Overall we have observed that there is indeed a defect as a result of changes to the user commitment methodology introduced by CMP 192, meaning relevant distributed generators are disadvantaged in two ways:

i) The financial burden owing to the need to post security cover for the full cancellation charge is at a level greater than that for those directly contracting with NGET;
ii) The introduction of a third party (DNO) and resulting divergence in the way that terms are passed through the DNO to the embedded generator (for

6th Floor, Tara House, 46 Bath Street,
Glasgow, G2 1HG
0141 353 4980 @ScotRenew
www.scottishrenewables.com

Scottish Renewables Forum Limited.
A company limited by guarantee in Scotland No.200074
Registered office: c/o Harper Macleod,
The Ca'd'oro, 45 Gordon Street, Glasgow G1 3PE

example resulting in time delay and less time to assess options).

Having evaluated the three options discussed by the CUSC, we are encouraged by the solutions proposed.

In our view, Option 2, whereby any shortfall between the security posted and total liability incurred would be recovered by NGET on behalf of the DNO (in the event of cancellation and non-payment), offers the best solution with the least disruption for all parties. However, there is a caveat to this support, as Option 2 must also resolve the differentiation in the pass-through conditions on liabilities.

With this in mind, we would like to see detailed explanation as to how changes to the DNO construction agreement to incorporate a list of all distributed generation connecting through a hub and the associated liabilities and securities will offer effective mitigation. We are concerned that, without actual construction agreements covering off each distributed generator individually, the allocation of liabilities will remain uncertain for such generators.

In addition to the above, we can also see some merit in the solution outlined in Option 1 which adopts existing arrangements or creates a direct contractual relationship between NGET and relevant distributed generators. However, we do have concerns for the resultant impact of the wider network development and we would like to see further background information to better understand the need for post-commissioning liabilities,

We hope that our comments will help to modify the CUSC to ensure that embedded generators deemed to have an impact on the electricity transmission network are not faced with undue discrimination in the way that security requirements under CUSC section 15 are passed on while minimising any administrative burden on NGET, DNOs and Ofgem.

We would be happy to contribute to any additional work arising from this consultation.

Yours sincerely

Michael Rieley
Senior Policy Manager: Grid & Markets
Scottish Renewables

Zoltan Zavody
Head of Grid
Renewable UK

CUSC Workgroup Consultation Response Proforma

CMP223 – Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

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 **17:00 on 14 February** 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 Jade Clarke at jade.clarke@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:	*Deborah MacPherson*
Company Name:	*SP Distribution plc & SP Manweb plc*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	*We fully recognise the defect that CMP192 has introduced when applying the security arrangements to DG parties. The way in which the principles of CMP192 are applied leaves the DNO with an exposure risk to manage, as a consequence of connecting DG parties.* *We fully support of the Workgroup Consultation which seeks to address this defect and alternative options which have been identified for consideration.*
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	For reference, the Applicable CUSC objectives are: (a) the efficient discharge by The Company of the obligations imposed upon 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.

	These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. 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) *We believe Option 2 will better facilitate the Applicable CUSC Objectives. In comparison we believe the application of Option 1 has the potential to lead to the creation of a new barrier to entry whilst we consider Option 3 not to be a workable solution. Our reasons for these views are provided below.*

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	*Yes*
2	**Do you have any other comments?**	*No*
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No*

Specific questions for CMP223

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	*We believe that Option 2 will better facilitate the applicable CUSC objectives. In particular objectives (a) and (b).*

Q	Question	Response
1.1	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	*We believe Option 1 would prove difficult to administer in practice. Whilst we recognise that there are many parties who are already existing CUSC parties with DG projects, there is also a large DG customer base for whom we consider the requirement to become a party to the CUSC would be disproportionate. This customer base is comprised of typically very small/community projects with little/no knowledge or understanding of the CUSC framework. Whilst Option 1 may resolve a perceived discrimination as to how the DNOs pass on the liability from NGET, small DG parties may equally feel they are at a disadvantage compared to larger organisations who operate both at Transmission and Distribution and be perceived as creating a new barrier to entry.*
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	*The introduction of a de-minimus limit does have merit for further consideration. Introducing one would ensure that application is on a consistent basis by all DNOs. However, as has been the case elsewhere with the introduction of a 'de-minimus' limit, there is the risk of 'gaming' by developers in order to circumvent the process to gain an advantage. There is of a potential that a limit could create a new barrier to entry.*

Q	Question	Response
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	*We believe Option 2 offers a pragmatic solution to resolve the current issue with the pass through of liability from NGET to the DNO. Adopting Option 2 requires no change to existing contracualt relationships and small DGs continue to have single interface via the DNO.* *Whilst it is acknowledged that the obligation to recover any debt would sit with the DNO, the "criteria the DNO must meet to satisfy for the Ofgem 'test'" must be clear in its requirements to ensure there is no debate in circumstances where DNO has shortfall in recovery.* *We do not believe that the proposed change by NGET to amend agreements with a hub (i.e. Mid Wales) to include named DG parties and associated liability, will resolve the mutual liability issue unless the terms of the BCA between NGET and DNO are also changed. If the primary terms with the DNO remain unchanged, then the full liability will remain with the DNO in the event that one terminating party fails to pay. If the intent of the change is to enable the DNO the same recourse for recovery should any DG party connecting into the hub terminate, assuming the Ofgem 'test' has been satisfied, then we would support this approach.* *Should this option be supported for implementation, a DCUSA modification will be required to ensure that application of this approach is applied on a consistent basis by all DNOs.*

Q	Question	Response
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	*Whilst Option 3 may seem an obvious solution for the debt to be passed from the DNO onto NGET to manage, we do not consider Option 3 to be a workable solution for all parties as proposed.* *Whilst Option 3 has the benefit of maintaining the existing contractual relationships and maintaining a single interface between the DG with the DNO, we have concerns regarding the suggestion that NGET would seek to modify the contractual arrangements between the DNO and the DG party. In absence of detail, it is difficult to understand how this would work in practice and what rights NGET would seek to have introduced. This would likely prove to be a very lengthy process with all DNOs debating T&Cs with NGET – bearing in mind that no one DNO has the same T&Cs. In appointing NGET as the [DNOs'] debt collector, it could be argued that there is less incentive on them to proactively recover this debt. Whilst the proposal suggests that the DNO would only be invoiced for the lesser amount, they would continue to remain liable for the full amount until the debt recovery process has been exhausted.*
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	*We believe that the application of the provisions of Section 15, as proposed under Option 1 should be optional.*
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	*No, the intent of Option 1 is to allow DG parties the option to become a User simply in order to gain the intended benefit of CMP192 via contracting directly with NGET. It would seem unreasonable as part of CMP223 to widen the scope of the intent.* *We believe the reasons for not applying post commissioning liabilities to DG, as agreed under CMP192, are still relevant.*
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	*Whilst we would support a contractual change whereby it would enable NGET to reflect the security amounts attributable to each individual DG party, the standard contract terms between NGET and the DNO for hub projects would also need to be amended such that the DNO does not remain liable for the full amount in the event an individual party was to terminate. The principles and intent of Option 2 should apply equally to a single connecting DG party and to those connecting via a generation hub to ensure no discrimination.*

Q	Question	Response
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	*In absence of anything else, and to ensure all parties are treated on an equitable basis, the security profile currently applied to CUSC parties should equally apply to DG.*
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	*If Option 1 were to be implemented, we believe that giving DG parties, who are already contracted with the DNO, the option to become a CUSC User, would inevitably lead to contract re-opener/modification to the existing agreement either with the DNO and/or the BEGA/BELLA.* *Such a change may also necessitate a review of the BEGA/BELLA agreements as they may no longer be fit for purpose in their current form.* *The principle of applying a "mutual liability" clause that means any cancellation charges, as defined in the CUSC, payable by the DNO to NGET must be covered in full by the contracted DG parties. This is based upon each individual contracted capacity. In the event a party were to terminate, and that party failed to pay the cancellation charge due to NGET, the remaining contracted parties would be liable to pay any balance in proportion to their contracted capacity.* *The implementation of option 2 would enable the DNO to re-open the contract and to amend in a manner favourable to the individual contracting parties by eliminating the need for the mutual liability clause.*

CUSC Workgroup Consultation Response Proforma

CMP223 – Arrangements for Relevant Distributed Generators under the Enduring Generation User Commitment

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 **17:00 on 14 February** 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 Jade Clarke at jade.clarke@nationalgrid.com

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Respondent:	*Kenny Stott (Kenny.stott@sse.com)*
Company Name:	*SSE*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	We consider that any of the options proposed under CMP223 can be considered beneficial. Under each of these options the DNO's will benefit from a similar mechanism as that enjoyed by the SO under Special License Condition 6F in the event of default by a Generator connected to a Distribution network. Given the actions by the majority of DNO's as a result of CMP192 implementation adoption of one option proposed under CMP223 will assist in meeting the CUSC objective **to *"facilitate 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".***

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	Adoption of any of the options should be completed as early as possible. This will provide the opportunity for all parties to communicate and discuss implementation. In addition, early adoption will provide an opportunity to develop processes and procedures such that everything is in place in advance of the next security period. Given that these proposals are deemed necessary to maintain CUSC objectives we cannot see any reason to support retrospective changes to decisions previously made by Generators with respect to Fixed or Actual liabilities.
2	**Do you have any other comments?**	There are significant constraints on the transmission network in the SSE area whilst we await completion of the many system reinforcements. There are also a large volume of small embedded generation projects which are dependant on those reinforcement works. The UK security requirement for the period April – September is £34.6m, 71% of this total relates to a total of 76 generation projects in the SHEPD area.
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC Inbox at cusc.team@nationalgrid.com* *No*

Specific questions for CMP223

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	We consider that any of the options proposed under CMP223 can be considered beneficial. Under each of these options the DNO's will benefit from a similar mechanism as that enjoyed by the SO under Special License Condition 6F in the event of default by a Generator connected to a Distribution network. Given the actions by the majority of DNO's as a result of CMP192 implementation, adoption of any option proposed under CMP223 will assist in meeting the CUSC objective **to *"facilitate 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".***

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

Q	Question	Response
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	Our view is that this option will achieve the required result. However, it will introduce: a) Code changes b) Amendments to the contractual relationships between TO's, SO, DNO's and Customers c) Additional administration burden on all parties. Many of the small generation projects in the SHEPD area are being developed by individuals, communities and small businesses with little or no recognition of the GB Framework or the individual roles played by National Grid, SHE Transmission and SHEPD. As the existing (local) service provider, the DNO is perhaps best equipped to handle the Customer interface.
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	The geography of the SHEPD area provides the ideal opportunity for small scale wind and 'run of river' type hydro developments to provide socio- economic benefits for rural communities and individuals. The introduction of a de minimis level, exempting those generators below it from user commitment has the potential to remove a financial barrier to realising their ambitions. Each distribution and transmission network presents its own issues such that a single de minimis value across the UK would perhaps not be appropriate. One risk associated with such a de minimis limit is that of cumulative impact were a large volume of schemes within that limit to materialise. The consultation references a perceived risk from 'Developer gaming' by making multiple applications under such a limit. Taking into account the definition of a Power Station within the Grid Code, DNO's could utilise this to provide sufficient safe guards to counter this type of activity.
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	This option provides a workable solution with an equitable split in the resulting workload between the DNO's and SO. Implementation will require cooperation in the definition and creation of the required mechanisms to facilitate the necessary interactions between the parties. The description of the various activities and required staff time in the consultation are perhaps over elaborate and we would anticipate a more streamlined process for debt recovery being developed between the parties including industry agreement on what constitutes a robust process of debt recovery.
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	This option will necessitate a more onerous role for National Grid and the complexities associated with it in relation to debt recovery and interaction with the DNO's cannot be reasonably justified

Q	Question	Response
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	In adopting one of these options it would seem appropriate to review Section 15. Rather than placing the obligations directly on the User in the form of the DNO, changes should be considered. Rather than being wholly liable, the DNO should perhaps retain an obligation under Section 15 to 'back off' its obligations to the Distributed Generator which has given rise to a Construction Agreement between the DNO and National Grid.
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	We do not consider that such actions are necessary or appropriate.
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	It is our view that all parties involved in a cluster should retain a financial liability equal to their size (MW). In the event of termination there should be an obligation on a DNO to notify National Grid within a defined period and we would expect any terminating party to shoulder the burden of any resultant 'over engineered' solution.
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	Yes
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	At the present time we do not consider that there will be any impacts

CUSC Workgroup Consultation Response Proforma

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Any queries on the content of the consultation should be addressed to Jade Clarke at jade.clarke@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:	Martyn Bentley martyn@greenspanenergy.com 0131 514 4445
Company Name:	The Greenspan Agency Ltd
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	This consultation only came to our attention very recently so unfortunately we have not had sufficient time to prepare a more detailed response. However we are pleased that this issue has been formally raised by another embedded generator as we have experienced similar challenges in other DNOs and anticipate the issue worsening. We wish to be kept informed about this consultation and learn of the final approach that is agreed by the Workgroup.
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	For reference, the Applicable CUSC objectives are: (a) the efficient discharge by The Company of the obligations imposed upon 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. 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)

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	Yes
2	**Do you have any other comments?**	No
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC Inbox at cusc.team@nationalgrid.com*

Specific questions for CMP223

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	Yes.

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

Q	Question	Response
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	

Q	Question	Response
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	

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CMP223 – Arrangements for Relevant Distributed Generators Under the Enduring Generation User Commitment

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Any queries on the content of the consultation should be addressed to Jade Clarke at jade.clarke@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:	*Simon Yeo*
Company Name:	*Western Power Distribution*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	Yes, option 1 better facilitates objective b. This is because it is transparent and consistently applies the security arrangements to all regions. For reference, the Applicable CUSC objectives are: (a) the efficient discharge by The Company of the obligations imposed upon 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. 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)

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.**	Yes
2	**Do you have any other comments?**	None
3	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No*

Specific questions for CMP223

Q	Question	Response
4	**Do you believe that any of the potential solutions highlighted under CMP223 better facilitates the Applicable CUSC Objectives?**	Yes option 1 – option 1 better facilitates objective b. This is because it is transparent and consistently applies the security arrangements to all regions.

Q	Question	Response
5	**What are your views on Option 1, including pros and cons? Please provide evidence where possible.**	Option 1 resolves the issue identified in the original modification proposal of perceived discrimination between non transmission connected generation and transmission connected generation. The option provides some clarity to customers of the transmission network.
6	**Should there be a de minimis level, exempting those generators below it from user commitment? On what basis should this level be determined? What are the risks of implementing a de minimis threshold?**	It would seem a sensible idea, however it does provide a non level playing field across the whole generation community. It could possibly be determined on the basis of where the costs of administering a de-minimis level equals the benefits; the de-minimis level could be set at that MW level.
7	**What are your views on Option 2, including pros and cons. Please provide evidence where possible.**	It does not seem to solve the underlying issue of uncertainty facing generation customers of the level of security required; it would still be open to the individual DNO.
8	**What are your views on option 3, including pros and cons. Please provide evidence where possible.**	It does not seem to solve the underlying issue of uncertainty facing generation customers of the level of security required; it would still be open to the individual DNO.
9	**Do you believe that the application of the provisions of Section 15 of the CUSC to relevant distributed generators should be optional or mandatory?**	
10	**Do you consider that an embedded generator should have post-commissioning liabilities, and if so, which?**	No
11	**What do you believe are the implications of the proposed changes on cluster (generation hub) applications, and how do you believe individual parties forming cluster application should be treated?**	Cluster applications should be treated the same way as individual applications

Q	Question	Response
12	**Do you believe that the security profile currently applied to current CUSC parties is appropriate for relevant distributed generators? If different security profiles should be applied, how should these be determined?**	Yes, they are based on empirical evidence. Any changes going forward should occur when more empirical evidence becomes available.
13	**What impacts might there be of the proposed changes on the security arrangements of existing distributed generators both with and without BEGAs/BELLAs? Could there be a case for contract re-openers?**	