

Modification proposal:	Connection and Use of System Code (CUSC) CMP238: Application of Statement of Works process when a modification application is made		
Decision:	The Authority ¹ directs that the CMP238 modification ² be made ³		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the CUSC and other interested parties		
Date of publication:	12 March 2015	Implementation Date:	26 March 2015

Background to the modification proposal

Previously, when a generator wanted to connect to the distribution network ('an embedded generator'), and the relevant Distribution Network Operator (DNO) considered that the embedded generator may have an impact on the transmission system, the DNO was required to make a full Modification Application⁴ to the System Operator, National Grid Electricity Transmission (NGET).

CUSC Amendment Proposal (CAP) 97, approved by the Authority in June 2006⁵, sought to avoid a full Modification Application in every case. The CAP97 solution provided a cheaper and shorter process before the Modification Application process took effect, known as the Statement of Works (SoW) process. As a result, when a DNO receives a request from an embedded generator which it thinks will have a significant impact on the transmission system it can request NGET to perform initial analysis to determine whether there would be an impact. The results are used by developers to decide whether to ask the DNO to submit a Modification Application.

The SoW process was an improvement on the previous mechanism. However, some embedded generators have highlighted a number of areas for further improvement. Principally, under the current regime, even when the DNO is certain that the work will have an impact on the transmission system it still needs to complete all the steps in the SoW process. In this case, it would be more efficient if the DNO were able to proceed directly to the Modification Application stage without the need for the initial assessment. Since it can take up to four months for NGET to complete the initial assessment under the SoW process, embedded generators may face an unnecessary delay to connect to the system. Furthermore, as NGET charges a fee to complete the initial assessment, going through the SoW process has a financial impact on embedded generators.

In May 2014, Ofgem issued a letter of comfort to NGET allowing it to run a trial of how the current process could be improved.⁶ The trial proposed to give DNOs the option to bypass the SoW process where the DNO is certain that connecting the embedded

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁴ Process by which an existing bilateral agreement, in this case between a DNO and NGET, is amended due to a material change. To alter an existing agreement, the DNO needs to complete the application, pay the relevant fee and submit the required technical data to NGET. For more information on the process please see:

<http://www2.nationalgrid.com/UK/Services/Electricity-connections/New-modification/>

⁵ <https://www.ofgem.gov.uk/ofgem-publications/62138/14346-cap097-d.pdf>

⁶ <https://www.ofgem.gov.uk/ofgem-publications/87731/ngetletterofcomfort12may2014.pdf>

generator would have an impact on the transmission system. Embedded generators expect to save time and money as a result.

In addition, we required NGET to submit a report to us on the progress of the trial by 12 November 2014. This information included, but was not limited to, monetary benefits, time savings and customer feedback on the trial. We also required NGET to provide further information on a potential CUSC modification proposal in the event that they deemed the trial successful. We expected NGET to raise a CUSC Modification Proposal, if appropriate, to coincide with the end of the trial period on 11 May 2015, when the final report is to be submitted. NGET’s report on progress, which can be found in the Final Modification Report (FMR)⁷, indicated that they considered the trial was successful.

The diagrams below provide an overview of the current SoW process and the process under trial. The grey boxes in Figure 2 represent the SoW steps that would be bypassed under the trial if the DNO chooses to go straight to a Modification Application.

Figure 1: Current SoW process

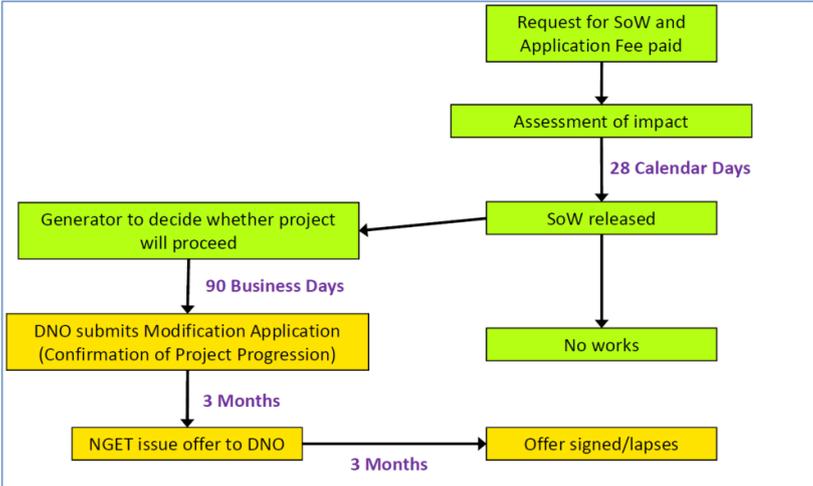
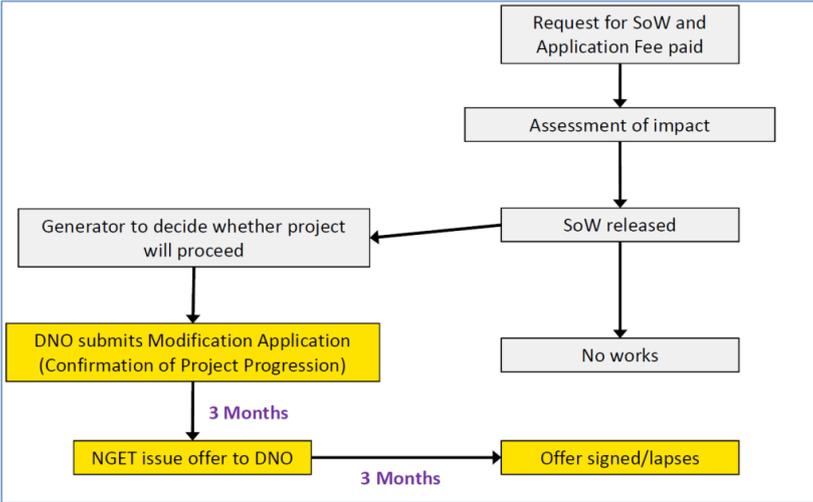


Figure 2: Trial process



⁷ <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP238/>

NGET's report of the trial indicated that there has been a total time saving of 1,008 calendar days as a result of the process under trial. Furthermore, it highlighted that DNOs, and by extension embedded generators, made fee savings of £92,700 by the date the interim report was published.

The modification proposal

NGET raised modification proposal CMP238 in October 2014. CMP238 proposes to make the process introduced in NGET's trial permanent. It will allow DNOs to choose to directly submit a Modification Application without first engaging in the full SoW process.

The proposal states that when a DNO receives a distribution connection application that it knows will impact the transmission system, it may directly submit a Modification Application to NGET. In cases where the DNO is unsure of the impact of a distribution connection application, the DNO retains the option to continue to submit a request through the SoW process. Where the DNO proceeds directly to submit a Modification Application, in the proposer's view, this should reduce the application processing time and costs for the developer.

Code Administrator consultation

NGET received seven responses to the Code Administrator consultation issued on 20 November 2014, all of which were supportive of the proposal. These are published on the NGET website.⁸

CUSC Panel⁹ recommendation

The CUSC Panel considered CMP238 at its meeting on 30 January 2015. The Panel unanimously voted that CMP238 should be implemented as it better facilitates Applicable CUSC Objectives (a) and (b). The Panel members' views are shown in full in the FMR.

Our decision

We have considered the issues raised by the modification proposal and the FMR dated 11 February 2015. We have also taken into account the responses to the Code Administrator consultation on the modification proposal, which are attached to the FMR. We have concluded that¹⁰:

- CMP238 better facilitates the achievement of the applicable objectives of the CUSC¹¹; and
- Directing that the modification be made is consistent with our principal objective and statutory duties.¹²

⁸ <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP238/>

⁹ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

¹⁰ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

¹¹ As set out in Standard Condition C10(1) of NGET's Transmission Licence, see:

<https://epr.ofgem.gov.uk//Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>

¹² The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Reasons for our decision

We agree with the views of Panel members that CMP238 better facilitates the applicable CUSC objectives. In our view, the proposal better facilitates objectives (a) and (b) and is neutral with regards to objective (c). The proposal facilitates more efficient connection and helps remove a barrier to entry.

Objective (a) 'The efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence'

The requirement on DNOs and embedded generators to engage in the full SoW process for all connection requests can lead to unnecessary costs and delays to connection. CMP238 will allow DNOs to exercise flexibility to progress those applications that they are certain will have an impact on the transmission system more quickly and efficiently.

We note that a number of respondents have indicated that following implementation of CMP238 there is significant room to enhance the SoW process itself by improving efficiency, affordability and value for those to whom it should appropriately apply. In particular, respondents were concerned about the lack of visibility and communication between all parties during the SoW process. Furthermore, they consider the process is unnecessarily complex, elongated, and difficult to understand. Moreover, regarding the costs involved, one respondent highlighted that there is further room to improve efficiency regarding an embedded generator's request and ability to consider non-firm access. We agree that further improvements can be made to the SoW process, and are encouraged that NGET is engaging with stakeholders through industry workshops to discuss, understand and respond to these issues.

Objective (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 implementation of CMP238 will reduce the time it takes for embedded generators to connect to the system. Furthermore, it allows the avoidance of costs associated with the first stage of the SoW process in cases where the DNO is certain that the connection will impact the transmission system. This approach should ensure a more streamlined connection process and removes a potential barrier to entry, thereby facilitating more effective competition in generation. It should be noted that, in cases where the DNO is unsure of the impact of a distribution connection application, the DNO will still be able to submit a request through the SoW process.

The Authority's principal objective and statutory duties

We consider that implementing CMP238 better meets our principal objective to protect the interests of consumers. The proposal helps remove unnecessary costs and timescales for developers connecting to the distribution network where the network operator is certain that a transmission system impact exists. The removal of this barrier to connection and competition should reduce overall costs to be passed on for the benefit of consumers.

Decision notice

In accordance with Standard Condition C10 of NGET's Transmission Licence, the Authority hereby consents that proposal CMP238 '*Application of Statement of Works process when a modification application is made*' be made.

Kersti Berge
Partner, Electricity Transmission

Signed on behalf of the Authority and authorised for that purpose