nationalgrid

Stage 01: Workgroup Consultation

Connection and Use of System Code (CUSC)

CMP249

Clarification of Other Charges (CUSC 14.4) - Charging arrangements for customer requested delay and backfeed

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

CMP249 aims to include the principles underpinning the CEC before TEC policy within Section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied.

This document contains the discussion of the Workgroup which formed in July 2015 to develop and assess the proposal. Any interested party is able to respond to this Consultation in line with the guidance set out in Section 6 of this document.

Published on: **26th February 2016**
Length of Consultation: **15 Working days**
Responses by: **18th March 2016**

High Impact:
Users requesting; delay to their connection, or provision of backfeed in advance of the connection date.

Low Impact:
All other Users.

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About this document

This document is a Workgroup consultation which seeks the views of CUSC Parties and other interested parties in relation to the issues raised by the CMP249 CUSC Modification Proposal which was raised by National Grid Electricity Transmission Ltd. Parties are requested to respond by **5pm** on **18th March 2016** to CUSC.team@nationalgrid.com using the Workgroup Consultation Response Proforma which can be found on the following link:

http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP249/

Document Control

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0.2	05/01/2016	Code Administrator	Final Draft Workgroup Consultation to Workgroup
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1 Summary

1.1 This document describes the Original CMP249 CUSC Modification Proposal (the Proposal), summarises the discussions of the Workgroup and sets out the current thoughts of the Workgroup around options for potential Workgroup Alternative CUSC Modifications (WACMs). Prior to confirming any alternative proposals the Workgroup are seeking views on the issues discussed in this report as well as views and evidence to support any other options for dealing with the defect identified in the Proposal.

1.2 The identified defect is a lack transparency which prevents Users from identifying those charges which might be applied within Bilateral Connection Agreement(s) (BCAs) under CUSC Section 14.4 in the cases where a User requests (i) a delay and/or (ii) a back-feed; the lack of transparency particularly affects the User's understanding of when charges will apply and the method of calculation of these charges.

1.3 CMP249 was proposed by National Grid Electricity Transmission Ltd and was submitted to the CUSC Modifications Panel for their consideration on 23rd July 2015. A copy of this Proposal is provided within Annex 1. The Panel decided to send the Proposal to a Workgroup to be developed and assessed against the CUSC Applicable Objectives. Following this Consultation, the Workgroup will consider any responses, vote on the Original and any agreed Workgroup Alternate CUSC Modifications (WACMs) to the defect and report back to the CUSC Panel.

1.4 CMP249 aims to include the principles underpinning the CEC before TEC policy within Section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied.

1.5 This Workgroup Consultation contains the discussions of the Workgroup on the topics outlined within Section 2 of the Report. It should be noted that the Workgroup aim to discuss some of these issues in further detail in future Workgroup meetings, however they wish to seek views from the Industry on specific issues in order to aid this further discussion.

1.6 This Workgroup Consultation has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid Website:

http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP249/

2 Workgroup Discussions

Defect

2.1 Within the Workgroup, the Proposer stated the defect the proposal seeks to address as being insufficient detail within the CUSC Section 14.4 and Bilateral Connection Agreements (BCA) to allow Users to determine the level of charges that may be incurred as a result of a request for (i) delay and/or (ii) back-feed; particularly in understanding when the charges will apply and the method of the calculation of the charges.

2.2 The impact of this defect is that a User is unable to anticipate charges that may be applied where a request for (i) delay and/or (ii) back-feed is made. This means that a User cannot independently estimate or forecast the charges likely to be incurred when making decisions about its project.

2.3 Other Workgroup members expressed the view that National Grid did not have the ability within the current CUSC Section 14.4 to apply these charges and so the defect was greater than the identified one of only transparency.

Background

2.4 When a User requests a connection to the Transmission system the relevant Transmission Owner will plan to deliver the works necessary to facilitate that User's connection. This plan will aim to economically and efficiently meet the contracted connection date for the User's development in line with a TO's overall delivery programme (accounting for other connections) and subject to trilateral discussions and information exchange between TO, User and SO. The completion date for such transmission works is generally the date of connection to the Transmission system, at which stage (a) Connection Asset Charges and (b) Transmission Network Use of System charges (TNUoS) would be payable by the User. TNUoS charges are the mechanism by which the costs of investment in the Transmission system (other than those assets classed as Connection assets) are recovered. TNUoS consists of two main elements, one locational, which reflects a User's usage of the Transmission system, the other residual element provides for full revenue recovery.

2.5 When a User requests a delay to the date of connection to the Transmission system, the TO may determine that some or all of the works necessary to facilitate the User's connection could have taken place earlier than may otherwise have been required for the requested later connection date. Dependent on the specific circumstances, NGET's current process is to apply an "other charge" under CUSC Section 14.4, on the basis it is a non-standard incremental cost incurred in relation to a customer's connection.

2.6 This is broadly in line with the principles of Connection Entry Capacity (CEC) before Transmission Entry Capacity (TEC) which were communicated through an open letter to Ofgem and the wider industry in 2008[1]. This letter defined CEC as the local connection design limit and TEC as the long-term right to export onto the transmission system.

2.7 The letter then set out National Grid's intention and key principle "to treat capital expenditure on works listed in H1 Part 1 of the Construction Agreement as if they are connection assets where Users request CEC ahead of TEC." With a One-off charge considered appropriate for the costs associated with these connections, "…since they are non-standard incremental costs caused by the User." This approach was considered "…consistent with NGET's cost reflective charging principles by ensuring the costs of individual users' connections that are

[1] http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=13631

not providing transmission services are charged accordingly while retaining the ability of individual users to connect quickly".

2.8 Since the adoption of this policy User delays to projects have continued to be observed. In some circumstances the notification of delay is received when expenditure on the assets which deliver CEC has been either fully or partly incurred. This resulted in TOs delivering, either fully or partially and as a direct result of the User's delay request, CEC with the associated TEC now pushed back. The CEC before TEC policy was applied in these circumstances as the impact on revenue recover and cost reflectivity are the same as that policy addresses. Applications of this manner became known colloquially as Delay Charges.

2.9 In June 2014, National Grid published an open letter[2] seeking views on this charging policy, the next steps in communicating the policy and the reasons behind it. Ten responses were received by National Grid in response to this open letter. Agreement to publish these responses has been gained from six of the respondents and are included within Annex 6 of this Report. National Grid also discussed the issues raised in response to the letter with Users at customer seminars held in 2014 and 2015. National Grid believed that this feedback received from customers indicated that there was a need to improve the transparency of the charges it applies under CUSC Section 14.4 when parties delay their date of connection to the Transmission system.

2.10 A number of Workgroup members believed that CUSC Section 14.4 did not allow for a charge of this type to be applied as it is not wholly either a connection or incremental charge but related to the revenue recovery of Infrastructure assets. These members' interpretation of the Ofgem determination is that these charges are currently not appropriate until after the CUSC is changed.

2.11 On 4 February 2015 Ofgem determined a dispute[3] concerning National Grid's application of a transmission charge and one-off charge in response to a request to delay a connection date. The determination stated that; "we [Ofgem] consider that levying the transmission charge in the manner that NGET is seeking to do in this case, is inconsistent with its obligations under SLC C6.4, which sets out that users must be able to determine the charges they will be liable for by reference to the connection charging methodology provided for under section 14 of the CUSC. Accordingly we consider that the transmission charge that NGET is seeking to levy on the customer is not valid and, as a result, have concluded that the customer is not liable to pay the charge." The determination went on to conclude that such charges were "…broadly in line with the CUSC provisions for one-off and other charges under Section 14.4. However, we [Ofgem] do not consider that the customer had sufficient detail on the transmission charge to enable them to predict that NGET would levy the charge in the manner that it did." An extract of the GEMA determination is provided in Annex 5.

2.12 To address this, National Grid produced a guidance document in June 2015[4] that details how they apply charges in Bilateral Connection Agreements (BCAs) to those parties who make a request that results in the works to provide connections being made earlier than would otherwise have been the case. The Proposer has further identified a need to modify the CUSC in line with the guidance document. This would explicitly include the methodology and outline to circumstance in which these charges may be applied.

2.13 A number of Workgroup members expressed the view that the key point of transparency revolves around the visibility and estimated value of those assets that will form the basis of a charge and not only the methodology for calculating such a charge.

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[2] http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=34056

[3] https://epr.ofgem.gov.uk//document/Download/37233

[4] http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=41583

Analysis of Project delays

2.14 Within the CMP249 Workgroup the Proposer presented the number and length of delays where charges have been included in modification to connection offers to date. Figure 1 below illustrates how many projects were delayed for how many years.

2.15 Of the 13 projects shown all have been signed onto as part of Construction Agreements and/or Bilateral Connection Agreements, they were/are all in England and Wales. Three were as a result of a request for a backfeed, and ten were as a result of a delay to the connection date only. The data covers requests and variation proposals made between 1st April 2009.and 30th June 2015.

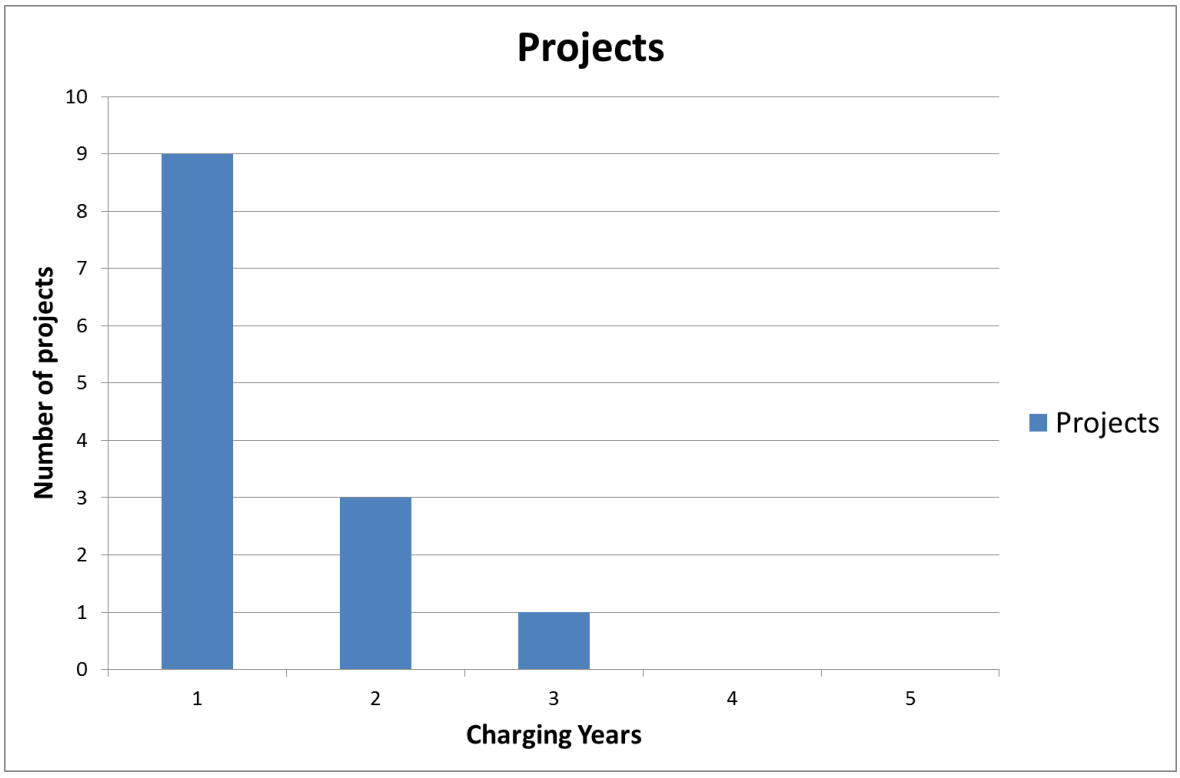


Figure 1: Delayed projects with charges included in the Connection Agreement.

2.16 Across the projects shown in Figure 1, the highest total charge applied over the whole period of a backfeed was £6.2m and for a delay £4.6m. The lowest overall charge applied for a backfeed being £1.9m and for a delay £22k. The average of backfeed charges is £3.3m and the average for delay charges is £1.0m

Initial Proposal

2.17 CMP249 aims to provide greater visibility of potential costs related to User's connections. This aims to aid decision making, in relation to project delays, for the connecting party and should encourage earlier flow of information to the Transmission Owners.

2.18 The Proposers view is that having such information earlier will allow the Transmission Owner to develop the Transmission System economically and efficiently. The Workgroup agreed that this point is only one of a number of Transmission Owner driven factors that contribute to the overall economic and efficient investment in the Transmission System which were not in the scope of this Modification.

2.19 The workgroup discussed information flow and what publications and data are available, noting that areas such as quarterly reports and project spend profiles have not been

available for some time. It was unanimously agreed that such information would be essential for the success of CMP249 in the area of greater visibility.

2.20 The workgroup discussed and noted a difference between the methods used in Scotland and E&W. In Scotland, the TOs were thought to be more proactive in deferring work through discussion with Users on best view completion dates therefore reducing potential spend ahead of that required.

2.21 Overall, when a User delays the connection date there is no loss of overall recovery of revenue for the TO. Additional costs could in theory be incurred in financing if the TO was unable to reconfigure its overall portfolio of work to manage such risks or changes to its business plan.

2.22 The workgroup discussed the nature of the proposal and the proposer concluded that additional cost, which is over and above the economic solution, is not the basis of CMP249. The proposal is to codify National Grid's existing practice of treating the value of those Enabling Works, which have taken place earlier than may otherwise have been required for the requested later connection date, under the same methodology as applied to Connection assets for the period of the delay. This achieves cost reflectivity by preventing the value of these works from contributing to TNUoS charges until the point when the project which requires the works is itself liable for TNUoS charges. The workgroup discussed how an increase to TNUoS as a result of a customer delay could be quantified to provide cost reflectivity; the proposer concluded that this is not easily identifiable hence the requirement to utilise a proxy.

2.23 An example of an additional cost would be if a TO has to demobilise, this would carry an additional cost which Users are already liable for as a one-off incremental charge.

2.24 It was noted that there has been an instance of a User referring a modification agreement to Ofgem as the User could not reach an agreement with National Grid on charges applied under CUSC 14.4. The end result of this instance was that the Transmission Charge was not enforceable due to a lack of transparency to the User of the possibility of a charge and wrong application of the current Charging Methodology, in that particular case. CMP249 aims to ensure that the calculation of charges is clear within the CUSC and seeks to codify the informal policy/ guidance note published on NGET's website.

2.25 The Workgroup agreed that there would definitely be a concern if Users were not to have advance visibility of the level of the charges and the calculation methodology of those charges that may be applied under CUSC 14.4. It is essential that Users are aware from the project commencement which charges may be incurred and as the project progresses what could be the extent of these liabilities.

2.26 The Proposer described the key principles of CMP249 as being

(a) ;Back-feed and delay will be charged on the same basis.

(b) The assets are treated as if they are Connection assets for the period of the delay or back-feed and charges calculated accordingly.

(c) Charges are applied to the User who is causing the theoretical additional costs to be incurred by the TO as a direct result of their (User) decision.

(d) A User will not be charged if the period of delay or back-feed is within a charging year where TNUoS is paid by the User.

(e) Assets will only be charged for when the TO would otherwise have built them to a later programme had it not been for the User's request, and only for the period of delay/back-feed where information exchange has been insufficient to allow

consideration of a modified programme of works and the TO determines a charge is applicable.

(f) Assets will only be charged for if they cannot be utilised by the TO or other Users.

(g) The charge is an annuitised one-off as detailed by CUSC 14.4.6.

(h) Separately identifiable additional costs will be charged to the User requesting a delay or back-feed in line with existing CUSC arrangements for one-off charges. These may include; demobilisation and remobilisation of teams and sites, re-consenting activities, additional project management expenditure, rework and redesign.

Consultation Question: Do you believe that delay charges should or should not be applied in the same manner as a backfeed? Please state your reasons why.

2.27 Within the CMP249 Workgroup, it was noted that there are two main areas where further improvements could be codified;

(a) Users should have advanced notice of the costs being associated with a request to delay or seek a back-feed and the timing of when those costs will be allocated. This information should be shared by the SO/TO with the User and updated periodically.

(b) Users should also be involved in the decision to commit to significant investment in key Transmission system assets as this will directly impact the size of a potential future charge they could pay.

Consultation Question: Do you believe advance notice is appropriate? If so, how much advance notice do you believe is appropriate? Please state your reasons.

Consultation Question: What would you consider to be an appropriate mechanism for a User to be involved in the decision making?

2.28 The Workgroup felt that the methodology should be clear on what charges would be applied in order to achieve the improvement of increasing transparency

2.29 The Workgroup discussed how there would be a specific cost associated with each stage of a Transmission Works project plan which contributes to the final Gross Asset Value (GAV). It was accepted that it would be necessary for the TO to provide information on how much money had been and would be spent for the connecting party at each stage of the project from current to completion. It was noted by the National Grid representative that until the point when a charge is required to be calculated this would be difficult to show in detail and that a TO could probably only provide high level costs for what had been ordered / spent in terms of assets. The Workgroup suggested that a User needed to clearly understand the costs that made up the charges. To support this there needs to be a clear methodology and flow of information so that Users can estimate these charges.

Consultation Question: What level of information and detail do you believe is required to sufficiently provide transparency in this area? Please state your reasons

2.30 Charges are treated as excluded services that were defined by the Proposer as;

(a) Connection services, including diversions and upgrading, but excluding those services remunerated under Transmission Network Charges, Balancing Services Charges or the Network Innovation Competition;

(b) Diversionary Works under a statutory obligation other than the Electricity Act where the Act makes provision for reimbursement of the costs; and

(c) Works required for the alteration of premises.

2.31 In line with current arrangements for managing 1) delay charges and 2) back-feed charges revenue recovered from charges implemented by CMP249 would be treated as an excluded service under Special Condition 8B of National Grid's Transmission Licence and is similarly treated for other Transmission Owners. As stated under that condition is such revenue excluded from being remunerated as a Transmission Network Charge.

Delay and Backfeed

2.32 Where a User seeks to delay the connection date from that defined in the connection agreement (BCA), the User is required to submit a modification application to the SO. Any charges associated with accommodating the delay will be outlined within the resulting modification offer sent from the SO to the User.

2.33 'Back-feed' is the term used by generators where a demand supply is required, commonly to allow for either construction or commissioning of a power station, before the generator wishes to exercise its right to export on to the transmission system. Charges to provide those transmission assets to enable early connection for the sole purpose of back-feed will be detailed in the connection offer. In most cases, the GAV of those assets required to provide the requested level of back-feed will have reached 100%; that is works will be complete.

2.34 One Workgroup member raised the concern that a generator who, once being provided with back-feed, would be paying demand TNUoS chrges. The Workgroup member went on to question whether these TNUoS charges would be taken into account when calculating the Backfeed charge.

2.35 The Workgroup enquired whether it was not already normal practice to have a connection available some period of time prior to the commissioning of the power station. In such cases there may be justification for a "grace period" prior to this commissioning. The Workgroup is seeking wider views on what, if any, length of time this may be and any supporting evidence. In line with paragraph 2.26(d), National Grid noted the charge would only apply where the User specifically requested a back-feed connection and that a charge would not apply if the Customer's commissioning ahead of first export was within the same charging year.

Consultation Question: How far in advance do you think it is reasonable to apply a charge for Back-feed? Do you think it should only be before the first charging year (in which a generator exports)? Please provide your reasons.

2.36 The Workgroup felt that definitions of delay and back-feed should be clear. The Proposer presented these two definitions to the Workgroup and following discussion these were finalised and are included within the following section. The Workgroup agreed that a definition of 'delay charge applicability' would be more useful than 'delay' and also felt that there was a requirement for a definition of applicable GAV (Gross Asset Value).

Definitions

Delay Charge Applicability

A delay charge will be deemed to be applicable when a User submits a modification application which will result in a connection date that will be later than the current contracted date and which will result in works having being undertaken unnecessarily early by the relevant Transmission Owner.

Back-feed

Where physical connection to the Transmission System is requested by the User ahead of the provision of the contracted Transmission Entry Capacity to provide site supplies for such activities as construction or commissioning. A request for early physical connection will only be treated as back-feed for charging purposes when such works are completed ahead of what would otherwise be required solely for the provision of TEC.

Applicable GAV

The applicable GAV will be the value of those transmission investments which the Transmission Owner has made, or is committed to make, at the time the User requests delay and which would otherwise not be required as a result of and for the period of delay. Transmission investment will include any investment made which would form part of the final capital value of the scheme; it will include for example such items as design, consents, project management, and engineering costs.

2.37 Within the definition of 'Applicable GAV' the meaning of the term 'committed' was questioned. The Proposer clarified that it would be the commitment by the TO of signing a commercial contract (e.g. for a transformer or circuit) and that once signed commercial options for the TO to cancel the contract would be limited. However, the TO has an overriding licence requirement to act economically and efficiently in the way it develops the Transmission system. Notwithstanding an implicit requirement to best align with developer timescales it was noted that there is currently no explicit incentive for the TO to behave in this way. Some members of the Workgroup felt that generally the amount spent would already have been approved as the most economic and efficient option, although it was accepted that at any price control review Ofgem may seek to apply an efficiency test. The Proposer noted that with this in mind and given that a User request to delay the connection date could be considered a significant change the TO should seek to minimise the overall cost.

Consultation Question: Do you agree with the proposed definitions of (i) Delay Charge Applicability, (ii) Back-feed and (iii) Applicable GAV? If not, please suggest alternate wording and provide your reasons.

Works

2.38 The Workgroup discussed that the Applicable GAV should be limited to a specific set of the Transmission Works as listed within each User's Construction Agreement. This would set the maximum depth of the works or associated assets that would be considered for inclusion in a charge. This recognised that at some point, in most cases, an individual generator would

have limited impact on Wider Works. Although the Proposer noted that in some cases significant Wider Works could be triggered by a single large generator. It was noted that connection assets are already charged for separately either by full capital contribution or by annuitized charges which are equally recovered as an excluded service.

2.39 Three possible definitions were explored that range from Sole Enabling through the much deeper "triggered" works (Enabling). The main options are;

(i) Sole Enabling,

(ii) Attributable, and

(iii) Enabling; are presented below with the relative pros and cons.

Sole Enabling

A non CUSC defined subset of enabling works that consists of those infrastructure works which will only be solely utilised by the relevant connecting User but are not Connection assets as defined in CUSC Section 14 for identifying the connection boundary of a connection.

Attributable

Those components of the Construction Works which are required;

(a) to connect a Power Station or Interconnector which is to be connected at a Connection Site to the nearest suitable MITS (Main Interconnected Transmission System) Node; or

(b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node

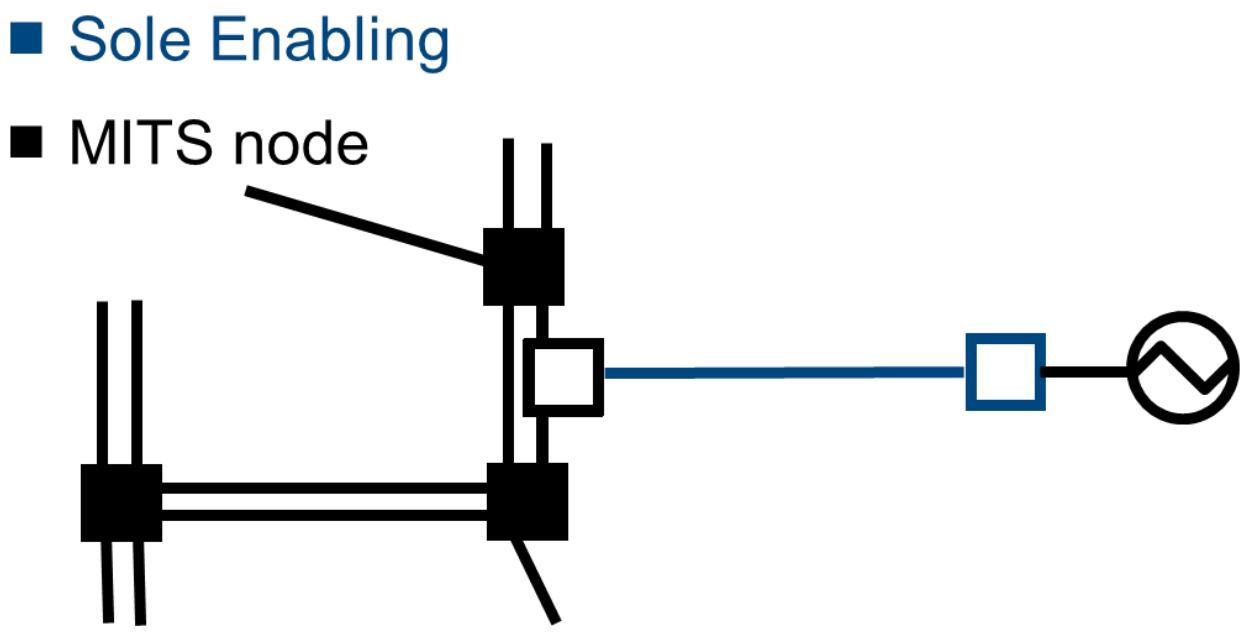
Where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation.

Enabling

- achieve compliance with the "Pre-fault Criteria" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the NETS SQSS (National Electricity Transmission System Security and Quality of Supply Standards);
- achieve compliance with the "Limits to Loss of Power Infeed Risks" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the NETS SQSS;
- enable The Company to operate the National Electricity Transmission System in a safe manner;
- resolve any fault level issues associated with the connection and/or use of system by the Connect and Manage Power Station;
- comply with the minimum technical, design and operational criteria and performance requirements under the Grid Code;
- meet other statutory obligations including but not limited to obligations under any Nuclear Site Licence Provisions Agreement; and avoid any adverse impact on other Users.

2.40 The following table captures a number of views expressed by Workgroup members on the pros and cons of using each Works definition as the basis of identifying the relevant GAV.

Works	Pros	Cons
Sole Enabling	• Only used by one User. • Easier to allocate than Attributable and Enabling.	• Potentially does not include all the assets that might be affected by the Users decision to delay.
Attributable	• Consistency with CMP192. • Easier to allocate than Enabling.	• Slightly more complex to allocate if shared.
Enabling	• Covers all the assets that might be affected by the Users decision to delay.	• Any works beyond attributable would not be consistent with risk attribution under CMP192. • Includes work to MITS which may have wider system benefit (too deep). • Includes work beyond the MITS which could have wider system benefit (too deep).



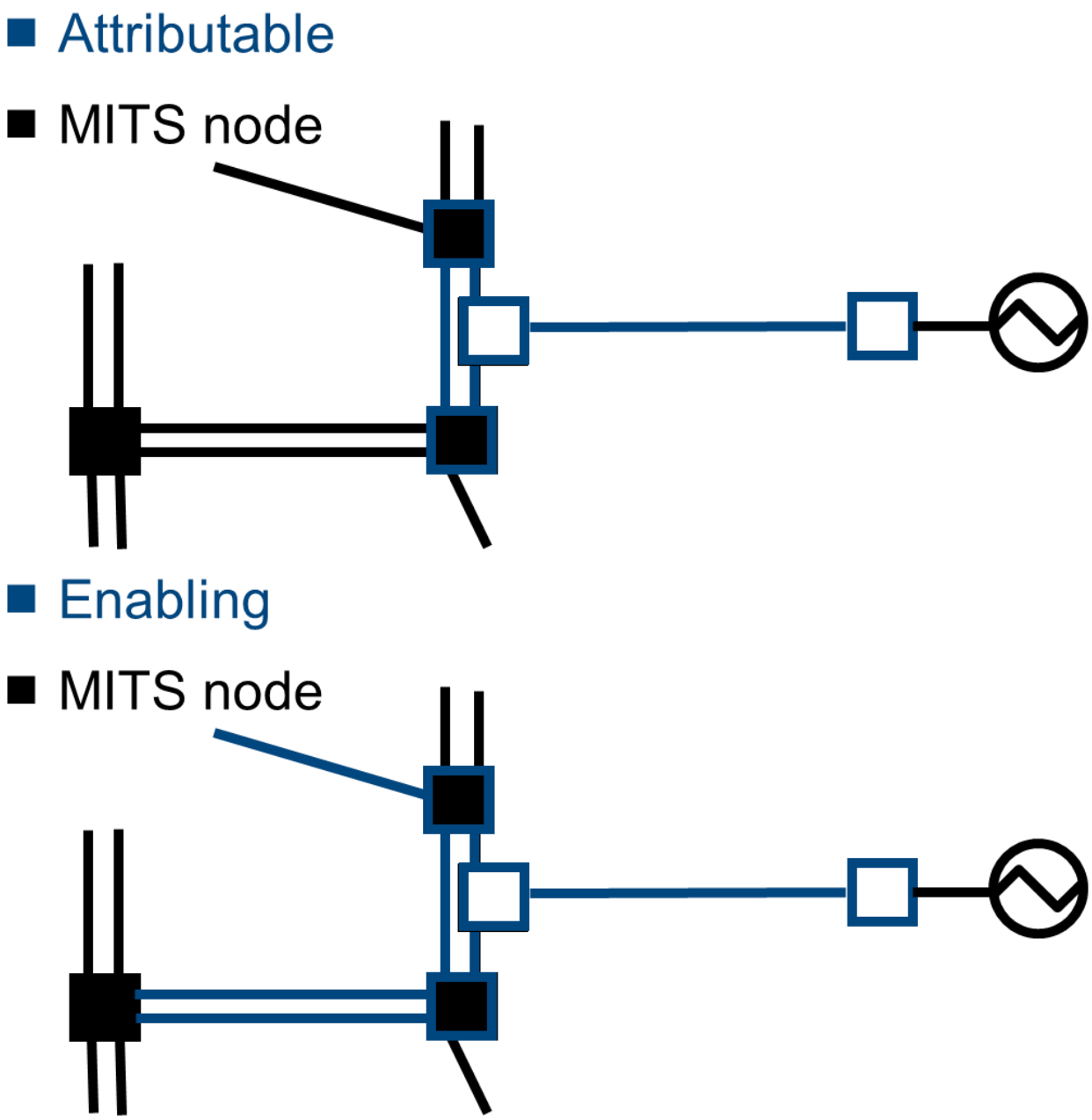


Figure 2: Diagrams outlining common Transmission Works definitions

2.41 The Proposer confirmed that the Original Proposal assumed Enabling Works as being the appropriate set of works to consider.

2.42 The Workgroup are seeking wider Industry views on the pros and cons above along with any other options not highlighted and the justification for their consideration.

Consultation Question: Which works do you think should be considered to define the scope of the Applicable GAV? Do you agree with the proposer that Enabling Works should be used? Please provide your reasons.

Consultation Question: What is the appropriate depth of charging for CMP249?

Information Provision

2.43 The Workgroup discussed that provision of information by the TO is important for the User to ensure that the transparency improvements proposed by CMP249 are achieved in practice. Such information will vary from what is available on a regular basis through to when a customer is paying a charge.

2.44 Ahead of a formal request to delay the User, the System Operator and the relevant TO will generally be communicating on what the impact may be. This should typically include exchange of information of when contracts are likely to be placed by the TO as part of trilateral customer meetings, reporting information and other similar means of managing this responsibility.

2.45 The Workgroup noted that the User would need time to consider the TO works which the charge would be based on. The National Grid representative noted that the usual offer acceptance period would allow time to review liabilities and for the TO to respond to any queries about these.

2.46 Members of the Workgroup expressed the view that information on the assets and how their GAV would grow over time, such as used to be provided under Final Sums liabilities, would be required to deliver complete transparency. Other members also recognised that a simple approach to information provision linked to a more generic methodology would be more useful in the long term.

2.47 It was suggested that where a TO asset is subject to a charge payable by a User that the User should know exactly what and where that TO asset is (together with the Applicable GAV) and whether it could reasonably be utilised elsewhere. It was noted that a principle of the proposal is that a User would not be charged if the TO asset could be utilised elsewhere. Transparency of what the TO asset is and where it is being built are important to the User so that the basis of the charges can be understood. It was noted that a User may want evidence that the TO asset has been put aside for that User's sole use if charges are levied for it.

2.48 The Workgroup discussed whether information about the TO contracts relating to those TO works which form the basis of a charge paid by the User should be shared with Ofgem. This would be to ensure that the liabilities applicable to the User are being allocated correctly. Some Workgroup members felt that these TO contracts could be checked by either Ofgem or an (Ofgem) appointed third party. The Proposer felt that not every TO contract would need checking and this could perhaps be done on a referral basis by request of the User along the lines of the process being developed under the arrangements of the EU Requirements for Generators (RfG) Guideline. Other Workgroup members disagreed with this and thought that even a random selection of TO contracts would be more appropriate than a referral process. The Workgroup generally agreed that where a User requested this further verification it is appropriate that the User would bear the additional cost of that verification; however, where as a result of this verification a charge payable by the User was found to be erroneously applied to the User and is outside the materiality threshold then the TO would pay the associated verification costs.

2.49 The Ofgem representative clarified there understanding of the RfG process for exchange of contract information as;

- Information is provided by generators to the TSO. Here, it would be the other way round, hence not entirely analogous.

- Under the RfG process, contract information is high-level. Ofgem does not get involved in checking this information unless a dispute is being raised.

2.50 The Workgroup is seeking views on whether TO's commercial contracts should be regularly checked, by Ofgem or an independent auditor, or whether they should be checked only on a one off basis by referral of the User. The Workgroup noted that depending on the outcome of the Ofgem action and the Code Administrator Consultation, there may be an alternative solution.

Consultation Question: Do you agree that the TO's commercial contracts should be routinely checked to support CMP249's implementation? Do you have suggestions for any alternatives? Who do you consider should bear the cost of such a process? Please provide your reasons.

2.51 The Workgroup agreed that it is essential that Users notify the TO of a potential delay as soon as Users are aware of it. This is because with early notice the TO may be able to limit the overall cost of a delay by re-planning the TO works. Equally, it was agreed (in line with Paragraph 2.27(b)), that TOs should as early as possible notify Users of the TO's proposed levels of commitment in relation to, for example, large contracts being considered to be placed to allow Users to assess the potential impact of a subsequent delay charge being applied to the User and therefore being able to be part of this decision.

2.52 The Workgroup considered that there would be a certain amount of time before a connection date where the TO had not spent any money on building assets and therefore suggested that there be a cut-off date put in place such as four years before the planned connection date. The Proposer agreed that this was most often the case, however, for some large projects significant preconstruction works and possibly early construction works are required.

2.53 It was also noted that as part of CMP192 (Enduring User Commitment) that the incentive for developers already existed in relation to the 4 year "trigger period". The Proposer expressed his view that delay to a contracted connection date was outside of those arrangements and so the incentive created by Enduring User Commitment is primarily in relation to termination of a connection agreement.

2.54 A straw man for the potential verification and inspection was proposed by one of the Workgroup members; this is outlined below. It is based on the approach set out in Paragraph 2.48 above;

<u>Verification</u>

1) A manifest of the main assets (transformer(s), pylons, OHL, cable(s), consumables, etc.,) needed for the job is produced by the TO and provided to the User and Ofgem (or its appointed third party).
2) The associated contract(s) for each of the main asset items listed on the manifest (1) is shown to Ofgem (or an independent party appointed by Ofgem) to verify those component parts of the Applicable GAV to be recovered from the User.
3) The contractual delivery schedule for each of the main assets in the manifest (1) is provided to the User and Ofgem (or its appointed third party) by the TO.
4) The location of those main assets listed in the manifest (1) is provided to the User by the TO.
5) Once items (1)-(4) are completed then the User becomes liable for the CMP249 based charges. The TO and Ofgem (or its appointed third party) costs of any verification will be paid by the User for each verification they request. Where the verification indicates a discrepancy with the Applicable GAV then the verification costs shall be paid by the TO.

Inspection

6) Based on the locational information of the main assets provided to the User (4), the User may request an inspection of those main asset items on the manifest (1) by giving a minimum of one Working Days' notice to the TO.
7) These main asset items are identified on site by the TO staff from the manifest (1) – the User is able to attached its own seals to each of the associated items if they so wish.
8) The TO costs of any inspection(s) request by the User (6) - which is likely to be in the region of up to one Working day of a junior member of staff, based on the published schedule of charges - will be paid by the User for each inspection they request.

Example of an Indicative 'Pro Forma' for the Verification Process

Item [a]		Paid in Full [b]	Part Paid [c]	Not Paid	
				One off [d]	Payment Schedule [e]
Pre Works	Environmental Studies				
	Land / Wayleave(s) Purchased				
	Planning permission / approvals				
	Design / Engineering				
	[x] [y] [z]				
Assets	Transformers				
	Pylons				
	OHL				
	Cable				
	Consumables				
	[X] [Y] [Z]				
Manpower	To date				
	'De' / 'Re' mobilisation'				

2.55 The Workgroup considered how disputes would be managed for the charges applicable under CMP249. It was noted that a charging dispute process already exists in the CUSC and would be an appropriate route for more substantial disputes.

2.56 The Workgroup is seeking views on the information provision requirements discussed above including the proposed verification and inspection regime and any other suggestions together with justification for how information provision can be fulfilled.

Consultation Question: What level of information provision do you believe is required under CMP249? What are your views on the proposed verification and inspection regime? Please provide your reasons.

2.57 This Modification Proposal results in an incentive for the User to notify the TO as soon as the User is aware of a delay or otherwise incur additional charges. It was suggested that a similar incentive be placed on the TO to ensure they are acting in an efficient manner. However, the majority of the Workgroup agreed that, as a significant portion of TO costs are recovered from the end consumer, it would not be appropriate to penalise TOs. However, one member of the Workgroup remained concerned about TO delays. The Workgroup agreed that this is out of scope of CMP249 and therefore wouldn't be considered further.

Application

Methodology

2.58 A principle of the CMP249 proposal is that a cost reflective method of calculating the annual cost of assets is to use the Connection Charging methodology during the period of delay or whilst backfeed is being provided. As such the methodology for calculating the charge uses the capital elements of the post-vesting connection asset charging methodology to ensure consistent application of this principle. That methodology uses the GAV of the assets and amortizes them over a 40 year asset life as outlined below.

Annual Charge = D_n (GAV_{dn}) + R_n (NAV_{dn})

Where:

n = year to which charge relates within the Depreciation Period
GAV_{dn} = GAV_d for year n re-valued by RPI
NAV_{dn} = Net Asset Value and is the mid-year value for year n based on re-valued GAV_{dn}
D_n = Depreciation rate 2.5% (equal to 1/40 of GAV)
R_n = real rate of return (6%)

2.59 One Workgroup member expressed the view that this methodology is not necessarily cost reflective. However, the National Grid representative considered it to be reasonable to reflect actual costs incurred and felt that the CUSC should not reflect a specific price control arrangements which may change in the future. The revenue allowance formulas included in the price control are partially removed from the cost of specific assets when calculation allowed revenue.

2.60 The Proposer's view is that using an asset's value and the Connection Charging methodology is the simplest way to reflect the annual cost of the asset. It is also the most appropriate way to facilitate transparency in applying a delay or backfeed charge.

Consultation Question: Do you agree with the Proposer's methodology for calculating charges? Do you have any other views? Please provide your reasons.

Short delays

2.61 There was some concern within the Workgroup around short term delays (such as days) and whether the User would be charged an annual fee for this short delay. A Workgroup member explained that if a User delayed its connection from March until April, then this would move the connection into the following Charging Year and therefore questioned whether the User would incur an annual fee for this delay.

2.62 The Proposer noted that this was not considered in the Original Proposal for CMP249 and if the Workgroup wanted to include a more granular time period for charges then an Alternative Proposal would need to be proposed, however to codify such an approach may itself create inefficient incentives.

2.63 The Proposer highlighted the principles of the proposal which would be relevant in this situation; a charge will only apply where the TO would otherwise have built assets to a later programme had it not been for the User's request, and only for the period of delay/back-feed. Therefore in the situation described above it is most likely that the TO would have built to the

same programme even for the later date, meaning that the Customer would not incur a charge. Workgroup members expressed concern that this was arbitrary, as whether a user would face a charge would be based entirely on the TO's view over whether their work programme would have changed..

2.64 One workgroup member raised an additional concern as to how a TO would demonstrate whether they could have delivered their programme to different dates if the the delay had been known about.

TNUoS Interaction

2.65 Given that the application, under CUSC Section 14.4, of such charges for delay or back-feed reflect that TNUoS liabilities are being avoided the Workgroup considered the interaction with other charges under the CUSC that Users face and whether this created inappropriate or unjustified arbitrage opportunities. The possibility of a User taking TEC on the original date of connection and paying TNUoS rather than delay and incur a charge for that was explored. A number of issues and considerations were discussed.

2.66 TNUoS liabilities where delays occur were discussed and clarified. When a User delays out of a Charging Year where it would have been liable for TNUoS (e.g. planned to connect in October 2017 and delays to June 2018), the TNUoS liability would be removed. It was agreed that it is appropriate then for a delay charge to apply in this case. If a User delayed within a Charging Year (e.g. planned to connect in July 2017 and delays to January 2018) the TNUoS liability would not change and the User should not be subject to a delay charge.

2.67 Some members of the Workgroup suggested that TEC could be taken and TNUoS paid before the User's generation assets were commissioned. It was noted that the current trigger for charging TNUoS is the Interim Operational Notification (ION) which is issued as part of the compliance testing stage for new generating units and so this would not be possible.

2.68 If a User could meet the requirements to receive TEC on the original connection date the Workgroup considered that the User, rather than delay, could opt to receive TEC and pay TNUoS, then at some point after this set TEC to zero. However, it was noted that there could be some risk involved in this option for the User as if they give five Working Days' notice during this first year of holding TEC, so as to avoid further TNUoS liabilities applying, the User will have to pay for the TEC initially held for that first year and it is not guaranteed that the User would be able to recover the TEC given up. Also if the User requests zero TEC the User would be subject to a wider cancellation charge if the notice period was less than a year and five days.

2.69 The Workgroup also considered whether paying TNUoS rather than the proposed charge was appropriate in negative TNUoS zones. It was noted that TNUoS assumes an exporting generator is both having an impact on and providing a benefit to the transmission system, the resulting tariff is a net calculation of these effects. It was accepted then that TNUoS is not a reasonable basis for a delay charge because the positive element assumed in TNUoS is not there.

2.70 A further scenario discussed concerned the phasing of a User's project; the User could receive TEC for part of the project and pay TNUoS. The Workgroup considered an example of a Windfarm commissioning a project with a TEC of 1,000MW, where in order to avoid paying a delay charge, they phase the project is phased in three parts and the User receives TEC on the first phase of, for example 200MW. It was noted that if a contracted party requests phasing in the original application then it is for the relevant TO to assess the economic and efficient way to deliver this. If a User delays a phased connection or delays from a single connection date to a phased arrangement then the principles of CMP249 will apply if any of the works to facilitate the connection have incurred cost earlier then would be required for the new connection date(s).

2.71 Some members of the Workgroup were concerned that a contracted party would be weighing different options to minimise or avoid paying a delay charge. However, other Workgroup members felt that this was acceptable as long as the charges were cost reflective. The Workgroup is seeking views on how these other options could be used in practice.

Consultation Question: Do you believe that generators should be given the option to pay the cost of TNUoS in place of a potentially higher delay charge regardless of the ION trigger? Please provide your reasons.

Consultation Question: Do you agree with the principle that a delay charge should apply where a user is avoiding paying TNUoS?

Multiple Customer interactions

2.72 Within the Workgroup, there were some concerns around two or more Users requiring the same infrastructure works to facilitate connections to the Transmission system. Several scenarios were discussed by the Workgroup in reference to this concern.

2.73 The Proposer stated the key principle of multiple customer interactions is that the impact of the delay is assessed based on the prevailing situation at the time the application to delay is made by one or more of the Users. It will consider the actual period during which assets would otherwise have not been required taking into account any other Users that may require them in the future.

2.74 The workgroup noted that this application could result in different charges being applied to Users who require the same Transmission Works depending on the order in which the Users notify the SO of a delay.

2.75 The first issue addressed was whether one User delaying could result in charges for another User. The Proposer confirmed that a delay charge would only ever be applied to a User as a result of choices made by that User and, therefore, no delay charge would be applied to a User who did not seek to delay connection. The Workgroup stressed the importance of making this clear.

2.76 Given the discussions of the Workgroup the Proposer stated that the Original would now be based on a TEC share of those assets which are shared by two or more Users. This is because of the potentially inconsistent charge between Users as a consequence of when a delay is notified and the perverse incentive on a User to delay at a certain time compared to other users with who they share assets.

2.77 The Workgroup considered, and is seeking views on when two or more connecting parties require the same Transmission works, if one User delays, should the other Users be given the choice to delay, in line with the delaying User, should they wish (in order to avoid the risk of a liability for a charge in the future)?

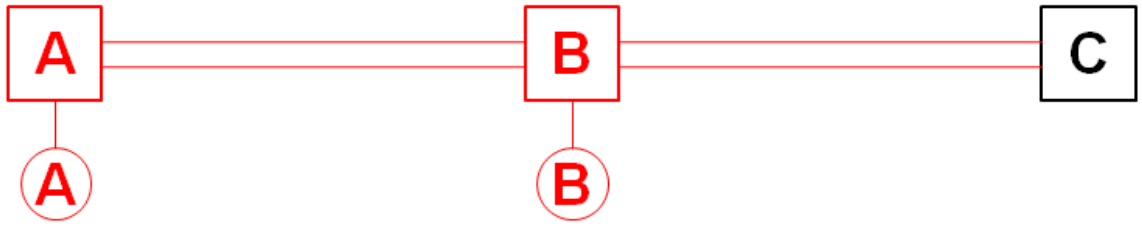
2.78 The Workgroup is seeking views on the principle presented around multiple Users and any alternative proposals together with justification for a different approach.

Consultation Question: Do you agree that a User's share of TEC at any applicable works should determine their charge? Do you have any other views? Please provide your reasons.

Consultation Question: Do you believe that where there are a number of connecting parties that require the same Transmission works, and one delays connection, the others should be given the choice to delay concurrently to avoid the risk of liability for a charge in the future.

2.79 The Workgroup discussed an example of how shared TO works would be charged for under CMP249 when a User delays their connection date. The Proposer presented the diagram below explaining that;

- Generator A has requested TEC of 1,000MW for 01/04/2020.
- Generator B has requested TEC of 1,00MW for 01/04/2019.
- Works shown in red will be built to facilitate these connections.
- Substation A and line A-B are solely required for generator A.
- Substation B and the line B-C will be shared between both generators.



2.80 The Proposer explained the costs associated with the connection of both generators as outlined within the table below; and noted that for the purposes of this example it is assumed that investment is linear and RPI has been ignored.

Enabling work	Description	GAV £m	Construction period
1	Construction of New Substation A at point of connection	12	1/4/2017-1/4/2020
2	Construction of New Overhead line from Substation A to Substation B	120	1/4/2017-1/4/2020
3	Construction of New Substation B and Overhead Line to Substation C	150	1/4/2016-1/4/2019

2.81 In terms of explaining how the costs are allocated under CMP249, the following points were made;

- Generator A makes an application in autumn 2017 to delay connection by one year to 01/04/2021.

- In conjunction with the Transmission Owner, an assessment is made which demonstrates that work can be suspended on Enabling Works[5] 1 and 2 at the end of 2017/2018 for one year and then recommence at the start of 2019/2020.

- Additional costs for de-mobilisation and re-mobilisation of £0.5m to be paid as a one-off charge.

- The TO will continue with Enabling Works 3 as it is required for Generator B and would have constructed to the same programme even if the TO had known of Generator A's new date at the start, therefore, there is no additional cost (or charge) associated with these works.

- As Enabling Works 1 and 2 can be suspended at the end of 2018; meaning that these works are a third complete; then the following GAVs are applicable;

  Enabling Work 1: GAV = £12m x 1/3 = £4m

  Enabling Work 2: GAV = £120m x 1/3 = £40m

  Enabling Work 3: GAV = £0

  Total GAV = £44m

  The mid-year NAV for the first year of delay is 44(1-(0.025/2)) = £43.45m

  The charge is calculated as = D(GAV) + R(NAV)

  = 0.025*44 + 0.06*43.45

  = £3.707m charged monthly at £309k

2.82 A subsequent delay by the second generator was also presented as an example;

- Generator B makes an application in Autumn 2018 to delay connection by three years to 1/4/2022.

- Enabling Works 3 are substantially complete at the end of 2018/19 and so there is no scope for suspension.

- No incremental costs are incurred.

- This is a three year delay for Generator B, however there will be only two years where Enabling Works are un-utilised due to Generator A requiring these works for connection on 1/4/2021.

- Generator B will therefore incur a delay charge for those two years only.

  Enabling Work 3: GAV = £150m

  TEC share = 1000/(1000+1000) = 0.5

  Applicable GAV = £150m * 0.5 = £75m

[5] As per Paragraph 2.41, the Original is based on Enabling Works rather than one of the other approaches set out in Paragraphs 2.39.

The mid-year NAV for the first year of delay is 75(1-(0.025/2)) = £74.06m

The charge is calculated as = D(GAV) + R(NAV)

= 0.025*75 + 0.06*74.06

= £6.319m charged monthly at £527k

Retrospectivity

2.83 There was a clear concern from the Workgroup that the System Operator may look back through existing signed BCAs to see if there had been any items in the past which would have incurred costs under the CMP249 approach but had not been included in those BCAs. The Proposer believed that any User liable for the proposed CMP249 delay charge(s) should have already been covered by a charge under the current CUSC provisions; however there was concern that there may be existing BCAs were charges are not currently included.

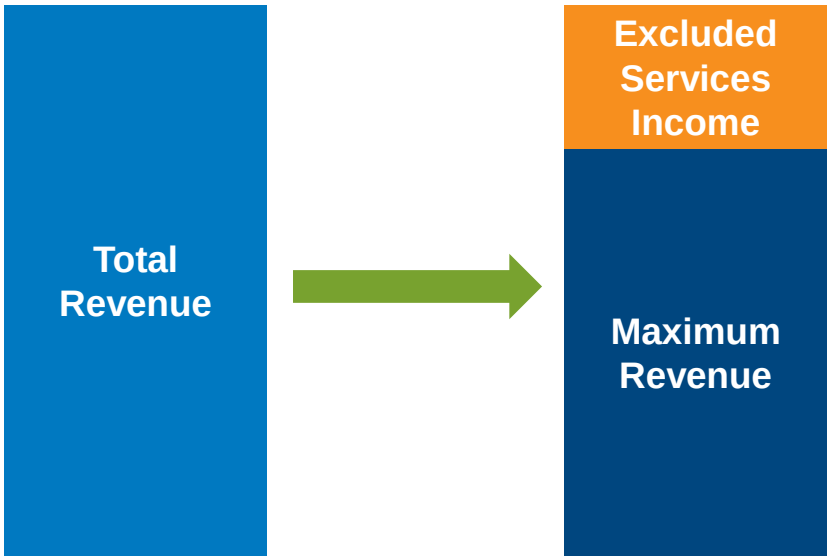
2.84 The Proposer confirmed that existing signed BCAs would not be changed; there would be no retrospective application of CMP249 in this sense. A point of disagreement related to contemporary mod-apps applied or finalised before the mod or any variant is passed, but after Ofgem's determination; a majority of workgroup members feel that the charges cannot currently be levied, in the light of the determination, until the mod is passed, and that if that were done it would amount to retrospectivity. National Grid as Proposer argues, to the contrary, that the charges can currently be levied before this mod is passed, and that if that were done it would not amount to retrospectivity.

2.85 If a new BCA or a modification application to an existing BCA arises after the CMP249 implementation date then all agree that it will be covered by CMP249. Furthermore only those modification applications that facilitate delay and/or provision of backfeed can include charges under CMP249. That is to say that a modification application, arising after the CMP249 implementation date, which does not provide for delay or provision of backfeed will not seek to apply a charge under CMP249 for delay or backfeed provided in a previous BCA.

Consultation Question: Do you agree that there should be no retrospective application of CMP249? Please provide your reasons.

Revenue

2.86 Currently, such charges within CUSC section 14.4 are collected as a one-off charge and are treated as excluded services income. No change is proposed for charges implemented by CMP249. According to National Grid this will make no difference to the Total Revenue recovered by a TO as both Excluded Services Income and Maximum Revenue contribute to Total Revenue as illustrated in the diagram below:



Total Revenue – revenue derived from the relevant licence in relation to all regulated assets.
Maximum Revenue – revenue recovered through TNUoS
Excluded Services Income – revenue recovered by other methods, i.e. post-vesting connection charges, one-offs, Application fees.

2.87 The Workgroup discussed how a delay or back-feed actually impacts a TO in relation to revenue recovery. It was clarified that, whatever the timing of the eventual connection being made, a TO would eventually recover, from the wider Transmission Charge paying community only the capital costs over the economic lifetime of the asset associated with the User's connection.

2.88 The Workgroup considered the interaction with the TO Price Control and the Proposer noted that an anticipated value of excluded service costs across the RIIO-T1 period was included by NGET in the submitted RIIO-T1 business plan. The RIIO-T1 price control framework does not make automatic adjustments to take account of deviations from the anticipated Excluded Services Income but will adjust allowances in advance of the next (RIIO-T2) price control period ('true-ups') to account for costs in excess/below of NGET's original expectations in the areas of customer contributions and excluded services. The Proposer clarified that neither the 'true up' process (reconciliation of allowances to reflect actual expenditure) nor the CMP249 proposal imply that the TO specifically changes, during the current price control period, the level of recovery required from the SO which is passed through to TNUoS as this is dictated by the parameters of the Price Control allowed revenue formulas.

Consultation Question: Do you agree with the current treatment of TO revenue? Do you have any other views? Please provide your reasons.

Depreciation

2.89 The Workgroup considered how depreciation would be dealt with in charges under CMP249. Following the discussion around TO revenue and the implied speed of adjustment to Transmission Network Charges the Proposer suggested a change to the Original Proposal regarding the treatment of the depreciation element. Within the Original the depreciation element of the charge would now be treated as a capital contribution. This would reduce the value that is included in the TO asset base upfront and would ensure transparency of cash flows.

2.90 As an example if a User delays connection by two years, then within this two year period the User would incur a (CMP249) delay charge. An element of that delay charge would be for the depreciation of the TO asset that had already been built, charged as a fortieth of the Applicable GAV. Once the User is granted TEC any amount charged for depreciation during the two year delay would be deducted from the total asset value and this reduced amount will begin depreciating over 40 years. In this example the value of the TO asset is recovered over a 42 year period. This example is illustrated below;

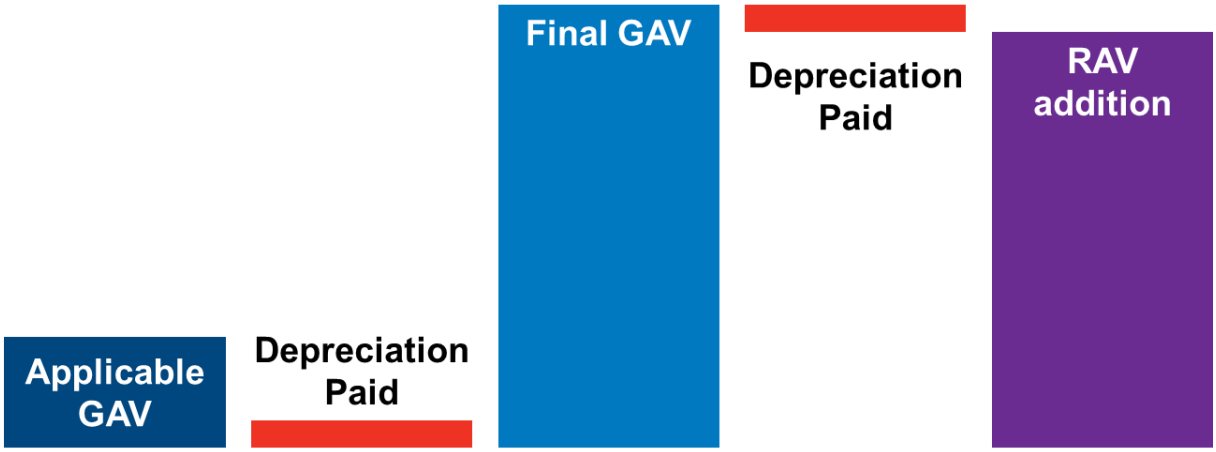


Figure 3: Illustrating that a TO never recovers more than the Final GAV value

2.91 It was further clarified how depreciation would be applied in respect of the back-feed charge. The Proposer noted that the formula would be the same as that used under delay and used the example of a User requesting back-feed two years in advance of the connection date. The User would be benefitting from those built TO assets for two years before the User started paying TNUoS so would be charged for depreciation of the TO assets associated with that back-feed for the two years. The value recovered by the charge would then be deducted from the total asset value which goes into the asset base and is recovered through TNUoS. This reduces the amount recoverable through TNUoS compared to a situation where a User does not request back-feed. Workgroup members agreed that it was appropriate for a user to be charged where they were provided with backfeed that would not have been a standard TO service.

2.92 It was queried why 'R' (Rate of Return) would be included within the charging formula for back-feed. It was noted that, as with a delay situation, the TO has financed the capital required to build the assets associated with that back-feed and therefore 'R' should be included.

Consultation Question: Do you agree with the proposed treatment of depreciation? Do you have any other views? Please provide your reasons.

Interaction with User Commitment

2.93 The Workgroup considered how the CMP249 arrangements would interact with cancellation charges as it seemed a reasonable scenario that a delaying User may ultimately cancel its project. A paper was produced by a Workgroup member that fully considered the interactions between User Commitment and the CMP249 proposals, and this paper is included in its entirety in Annex 4.

2.94 The Workgroup discussed a scenario in which a User cancelled its project, but however had already paid 10% under the proposed CMP249 Original arrangements. It was clarified that User Commitment is for the cost of the TO asset incurred to date, so if the User cancelled its project the depreciation element of a charge already paid under the CMP249 arrangements would be taken into account.

Consultation Question: Are there any interactions between User Commitment and CMP249 which are not covered in annex 4?"

Factors which lead to Delays

2.95 The Workgroup discussed the factors which may lead a User to delay. Those raised by several Workgroup members are captured within the table below;

Delay Trigger	Contract variation by TO/User	What is driving Change?	Notes
Energy Policy (change to funding arrangements)	User	Uncertainty/ inability to cover/ meet costs	Investment decisions and associated agreements have been cut under different arrangements.
Planning consent/ land rights not complete	Both	Unable to proceed	
CMP192 Signal	User	Increase in commitment	Year in advance of trigger period securities ramp up
Changes to required enabling or wider works or their costs	User	Increase in commitment	A change in User background or change to costs associated with enabling or wider assets
Changes to Charging arrangements (market/ connection)	User	Uncertainty/ inability to cover/ meet costs	Examples being the Capacity Market, Project TransmiT or associated generation €2.5 cap

2.96 The Proposer expressed his view that such factors as currently identified would not be valid justification for a User not to pay a charge under the CMP249 proposals.

2.97 The Workgroup is seeking views on whether it is appropriate to have exclusions from requiring the User to pay either (i) the delay and/or (ii) the back-feed charges and what the exclusions may be.

Consultation Question: Do you believe that there should be any exclusions from the charges proposed by CMP249? If so, is the list presented appropriate? Who, if not the generator, should be liable for the costs of any delays which arise from such factors?

3 Workgroup Alternatives

3.1 Based on the discussions taken place to date within the Workgroup meetings, the Workgroup have not yet formally agreed any alternative solutions to the Original Proposal. However, they have identified a number of potential options which could potentially be formalised into Workgroup Alternative CUSC Modifications (WACMs) if not adopted into the Original Proposal by the Proposer following the Workgroup Consultation.

3.2 It was noted, for example, that the straw man on the verification and inspection regime set out in Paragraph 2.54 could be a potential alternative, if not adopted by the Proposer.

3.3 It was also suggested that there could be an alternative based around the way information is reported to be more explicit in the way information is reported under CMP249.

3.4 Any alternatives to CMP249 will be formally proposed and agreed by the Workgroup after considering responses to the Workgroup Consultation.

4 Impact and Assessment

Impact on the CUSC

4.1 Section 14 Charging Methodologies Part I - The Statement of the Connection Charging Methodology. New text is proposed within 14.4 (Other Charges).

Impact on Greenhouse Gas Emissions

4.2 None identified.

Impact on Core Industry Documents

4.3 None identified.

Impact on other Industry Documents

4.4 The Workgroup considered whether there would be any impacts outside the CUSC from CMP249. It was noted that the TO Charging Methodology may need updating and National Grid will take forward work with the TOs to achieve this if required.

Consultation Question: Are you aware of any other changes required to licences or codes as a result of CMP249?

5 Proposed Implementation and Transition

5.1 The Workgroup considered what implementation timescales should be suggested for CMP249. The Proposer felt there were no reasons why the Modification could not be implemented as soon as possible following an Authority decision and recommended it be implemented 10 Working Days following a decision. This would mean that all BCAs signed following this implementation date would be subject to the CMP249 charge(s) if, subsequently, Users either (i) delayed or (ii) sought a back-feed under that BCA. . The Workgroup will consider this further after the consultation and would welcome views on the suggested Implementation approach set out above.

Consultation Question: Do you agree with the proposed implementation approach?

6 Responses

6.1 This Workgroup is seeking the views of CUSC Parties and other interested parties in relation to the issues noted in this document and specifically in response to the questions highlighted in the report and below; if you do not have any views on a question asked, do not feel obliged to answer that specific question.

Standard Workgroup Consultation questions;

Q1: Do you believe that CMP249 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?

Q2: Do you support the proposed implementation approach?

Q3: Do you have any other comments?

Q4: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider? Please see 8.3.

Specific Workgroup Consultation questions for CMP249;

Q5: Do you believe that delay charges should or should not be applied in the same manner as backfeed? If not please state your reasons why.

Q6: Do you believe advanced notice (of costs being associated with a Customer's project) is appropriate? If so, how much advance notice do you believe is appropriate? Please state your reasons

Q7: What would you consider to be an appropriate mechanism for a User to be involved in the decision making?

Q8: What level of information and detail do you believe is required to sufficiently provide transparency in this area? Please state the reasons for your answer.

Q9: How far in advance do you think is reasonable to apply a charge for Backfeed. Do you think it should only be before the first charging year (in line with a generator exports)? Please provide your reasons

Q10: Do you agree with the proposed definitions of (i)Delay charge applicability, (ii) Backfeed and (iii) Applicable GAV? If not, please suggest alternate wording and provide your reasons.

Q11: Which works do you think should be considered to define the scope of the Applicable GAV? Do you agree with the Proposer that Enabling Works should be used? Please provide your reasons.

Q12: What is the appropriate depth of charging for CMP249?

Q13: Do you agree that the TO's commercial contracts should be routinely checked to support CMP249's implementation? Do you have suggestions for any alternatives? Who do you consider should bear the cost of such a process? Please provide your reasons.

Q14: What level of information provision do you believe is required under the CMP249 proposal? What are your views on the proposed verification and inspection regime? Please provide your reasons.

Q15: Do you agree with the Proposer's methodology for calculating charges? Do you have any other views? Please provide your reasons.

Q16: Do you believe that generators should be given the option to pay the cost of TNUoS in place of a potentially higher delay charge regardless of the ION trigger? Please provide your reasons.

Q17: Do you agree with the principle that a delay charge should apply where a User is avoiding paying TNUoS?

Q18: Do you agree that a User's share of TEC at any applicable works should determine their charge? Do you have any other views? Please provide your reasons.

Q19: Do you believe that where there are a number of connecting parties that require the same Transmission works, and one delays connection, the others should be given the choice to delay concurrently to avoid the risk of liability for a charge in the future?

Q20: Do you agree that there should be no retrospective application of CMP249? Please provide your reasons.

Q21: Do you agree with the current treatment of TO revenue? Do you have any other views? Please provide your reasons.

Q22: Do you agree with the proposed treatment of depreciation? Do you have any other views? Please provide your reasons.

Q23: Are there any interactions between User Commitment and CMP249 which are not covered in Annex 4?

Q24: Do you believe that there should be any exclusion from the charges proposed by CMP249? If so, is the list presented appropriate? Who, if not the generator, should be liable for the costs of any delays which arise from such factors?

Q25: Are you aware of any other changes required to licences or codes as a result of CMP249?

6.2 Please send your response using the response proforma which can be found on the National Grid website via the following link: http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP249/

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

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

6.4 Views are invited upon the proposals outlined in this report, which should be received by **5pm** on **18th March 2016**. Your formal responses may be emailed to: cusc.team@nationalgrid.com

6.5 If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response market "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC

Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

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

Annex 1 – CMP249 CUSC Modification Proposal Form

Title of the CUSC Modification Proposal

Clarification of Other Charges (CUSC 14.4) - Charging arrangements for customer requested delay and backfeed.

Submission Date

23rd July 2015

Description of the Issue or Defect that the CUSC Modification Proposal seeks to address

National Grid applies charges (through the "Other Charges" mechanism in CUSC section 14.4) for assets, which because of a User's decision (particularly to delay its connection), are or will be built earlier than they would otherwise be required. This is in line with the principles within National Grids "CEC before TEC" policy published in 2008.

One Off Charges are also used to recover any incremental costs as a result of a User's decision. Such cost could be for demobilisation and remobilisation at a construction site.

CUSC Section 14.4 (Other Charges) provides for the payment of other costs related to a connection. The application of the CEC before TEC policy is one example of such a charge.

The principle behind CEC before TEC is that costs have been incurred in respect of transmission assets which in normal course would be recovered through TNuOS. However the User only becomes liable for TNUoS when it takes its TEC; and TNUoS is a socialised charge; it is not considered an appropriate reflection of the costs for other parties liable for TNUoS to bear costs associated with individual User decisions.

This general principle has been applied to recover the cost of TO investment other than through TNUoS in situations where a User decides to defer taking TEC or to request investment in advance of taking TEC.

Description of the CUSC Modification Proposal

To include the principles underpinning the CEC before TEC policy within section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied.

This will benefit users by improving the transparency of these types of charges and the circumstances in which they are applied. Improved transparency will allow users to make decisions about their connection with the knowledge that they may become liable for these charges.

Impact on the CUSC

Section 14 Charging Methodologies Part I – The Statement of the Connection Charging Methodology

New text is proposed within 14.4 (Other Charges) as attached to this Proposal form.

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.

Justification for Urgency Recommendation

N/A

Self-Governance Recommended: Yes / No

No.

Justification for Self-Governance Recommendation

N/A

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

We believe that this proposal does not have any interaction with an ongoing SCR.

Impact on Computer Systems and Processes used by CUSC Parties:

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

None

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

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

☐ (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

☐ (b) that compliance with the use of system charging methodology results in charges which

reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

☐ (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.

☐ (d) 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 (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Connection Charging Methodology

☒ (a) that compliance with the connection charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

☒ (b) that compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

☒ (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;

☐ (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.

☐ (e) 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 (e) refers specifically to European Regulation 2009/714/EC. Reference to

the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

Implementing this modification will ensure cost reflective charging by targeting the costs incurred by a transmission licensee to those customers that cause them.

There may be secondary benefits to effective competition as cost reflective charging is often seen as creating signals which promote economic decision making.

The modification will also address the development that Transmission licensees are seeing where assets, which because of a User's decision (particularly to delay its connection), are or will be built earlier than they would otherwise be required.

Annex 2 – CMP249 Terms of Reference

CMP249 aims to include the principles underpinning the CEC before TEC policy within Section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied.

Responsibilities

1. **The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal** CMP249 'Clarification of Other Charges (CUSC 14.4) – Charging arrangements for customer requested delay and backfeed' **tabled by National Grid Electricity Transmission Plc at the CUSC Modifications Panel meeting on 31st July 2015.**

2. **The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:**

   Connection Charging Methodology

   (a) that compliance with the connection charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

   (b) that compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

   (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;

   (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.

   (e) 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) *Implementation*
   b) *Review draft legal text*
   c) *Retrospective application*

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 19th November 2015 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 27th November 2015.

Membership

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

Role	Name	Representing
Chairman	Patrick Hynes	Code Administrator
*National Grid Representative**	John Brookes	National Grid
*Industry Representatives**	Garth Graham	SSE
	Paul Mott	EDF
	Aled Moses	Dong Energy
	John Norbury	RWE
	Joseph Dunn	ScottishPower Renewables
	Lin Gao	EON
Transmission Owner Representation	Deborah McPherson	SP Energy Networks
	Ian Fothergill	SHE Transmission
Authority Representatives	Edda Dirks	Ofgem
Technical secretary	Jade Clarke	National Grid
Observers	Dominic Green	Ofgem

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 CMP249 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 1 – Indicative Workgroup Timetable

The following timetable is indicative for CMP249

7th August 2015	Deadline for comments on Terms of Reference / nominations for Workgroup membership
22nd September 2015	Workgroup meeting 1
25th September 2015	Workgroup Consultation issued for 1 week Workgroup comment
2nd October 2015	Deadline for comment
9th October 2015	Workgroup Consultation published
30th October 2015	Deadline for responses
w/c 2nd November 2015	Workgroup meeting 2
6th November 2015	Circulate draft Workgroup Report
13th November 2015	Deadline for comment
17th November 2015	Submit final Workgroup Report to Panel
27th November 2015	Present Workgroup Report at CUSC Modifications Panel

Post Workgroup modification process

2nd December 2015	Code-Administrator Consultation published
23rd December 2015	Deadline for responses
5th January 2016	Draft FMR published
12th January 2016	Deadline for comments
21st January 2016	Draft FMR issued to CUSC Panel
29th January 2016	CUSC Panel Recommendation vote
11th February 2016	Final CUSC Modification Report submitted to Authority

This timetable was indicative at the time of proposal, the Workgroup are now due to report to the CUSC Panel in April 2016.

Annex 3 – Workgroup attendance register

A – Attended
X – Absent
O – Alternate
D – Dial-in

Name	Organisation	Role	22/09/15	06/10/15	04/11/15	24/11/2015	04/02/2016
Patrick Hynes	National Grid	Chair	A	A	A	A	A
John Brookes	National Grid	Proposer	A	A	A	A	A
Garth Graham	SSE	Workgroup member	O	A	D	D	A
John Tindal	SSE	Alternate Workgroup member	D	X	D	X	A
Paul Mott	EDF	Workgroup member	A	A	A	A	A
Aled Moses	Dong Energy	Workgroup member	A	X	A	X	A
Lewis Elder	RWE	Alternate Workgroup member	A	A	A	X	A
Joseph Dunn	ScottishPower Renewables	Workgroup member	A	A	A	A	A
Lin Gao	EON	Workgroup member	X	A	A	A	A
Deborah McPherson	SP Energy Networks	Workgroup member	X	X	X	X	X
Ian Fothergill	SHE Transmission	Workgroup member	A	A	A	A	A
Edda Dirks	Ofgem	Observer	O	A	A	A	A
Dominic Green	Ofgem	Observer	A	X	X	X	X
Jade Clarke	National Grid	Technical Secretary	O	O	A	A	A

Annex 4 – Interaction with User Commitment

Scottish Power Renewables Action for CMP249 Workgroup
Interaction between trigger period and securities relative to CMP249 proposal

This Annex describes how User liabilities and securities are profiled from application through to completion and the consequential interaction with the proposed CMP249 proposal.

*p.n. **Note**: CMP192 deals through to closure or capacity reduction; neither of which is covered in CMP249. It should also be noted that CMP249 does not propose to deal with Wider works, however, CMP192 liabilities and securities includes the wider element of the works.*

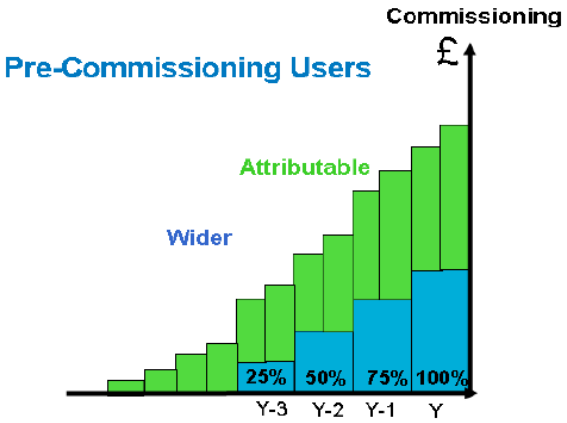
The illustrative profiles shown below work on the basis of a 'trigger date' which is three financial years prior to the financial year of connection as set out in the User's BCA; this will be 1 April of that financial year (as shown in the examples in the table below).

Trigger Date	Completion Date
1 April 2014	31 October 2017
1 April 2015	20 April 2018

Changes to the 'trigger date'
In order for the trigger date and associated profiling to act as a signal to Users to provide early notification of contractual delay the following terms apply to any changes:

- *Where the completion date is changed by the User applying to delay completion, the Trigger date will not be amended in respect to the new completion date.*
- *Where the Completion date is changed by the TO delaying the completion date, the Trigger date will be amended in line with the new completion date.*

The graph below illustrates the profile that Users are liable for, relative to the trigger date.



Attributable works and Liabilities
For Attributable investment CMP192 assumes that the risk should be placed 100% on generation and not shared with demand. Attributable works are those works in a construction agreement that directly relate to a generator being connected to the Transmission network. This includes the works up to and including those at an existing Main Integrated Transmission System (MITS[6]).

The attributable liability starts when a TO commits cost to the attributable assets.

This liability is provided bi-annually to give an estimate of the next bi-annual security period and the total Attributable Capex for each generation project.

Wider Works and Liabilities
Wider works in this context are the works that are not categorised as Attributable (i.e. the works on the wider MITS).

The wider liability commences from the trigger date.

The wider liability is a zonal £/MW charge. The charges are published annually and are calculated from the apportionment of wider load related and non-load related Capex across system boundaries, which are then mapped to generation zones.

Actual or Fixed Attributable (Projects can opt to either fix their liability, or to receive a bi-annual updates.)

- **Actual Security Profile:** Projects who remain on the actual option receive updated statements biannually which reflect the total liability, as well as the liability for the coming security period based on the TO expected expenditure up to that period. *Upon termination or capacity reduction whilst on the actual option, the attributable cancellation charge will be reconciled to reflect the actual TO spend as a result of that generation project.*

- **Fixed Security Profile:** Projects who opt for a fixed profile[7], attributable liability will be fixed and apportioned in increments of 25% from the trigger date. If the fixed option is taken prior to the trigger date, the generation project will have a £/kW liability until the trigger point is reached, starting at £1/kW building up to a maximum of £3/kW. This liability will be capped at 25% should the £/kW value be higher than 25% of the liability. *Only attributable liability can be fixed, wider liability cannot.*

Completion year	100% of estimate of total cost
Completion year -1	75% of estimate of total cost
Completion year -2	50% of estimate of total cost
Completion year -3	25% of estimate of total cost
Completion year -4	£3/kW
Completion year -5	£2/kW
Completion year -6	£1/kW

Should a project be terminated, or reduce the capacity within their agreement, this fixed cancellation charge will not be reconciled; no refund will be given, and no further amounts will be invoiced.

[6] The MITS definition in relation to CMP192 is an existing node, as defined in Section 11 of the CUSC, as: 1) Grid Supply Point (GSP) connections with 2 or more transmission circuits connecting at the site; or, 2) Connections with more than 4 transmission circuits connecting at the site.

[7] Once the Fixed Cancellation Charge has been selected, there is no option to revert back to an Actual Attributable Works cancellation profile.

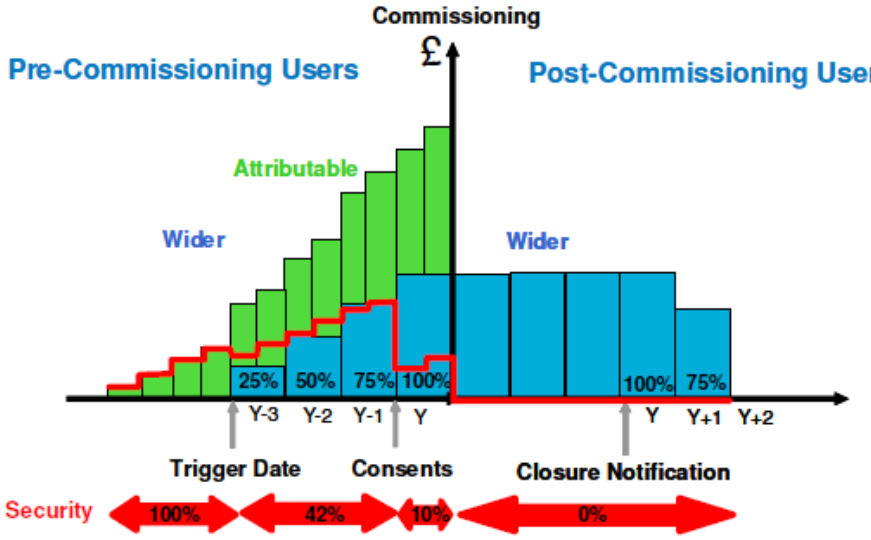
Securities

Generators secure a percentage of the liability which reduces at trigger points as the likelihood of completion increases.

Stage of generation project	Security as a percentage of annual liability
> 4 years from completion (Before trigger point)	100%
Pre consents (between trigger point and consents)	42%
Post consents	10%
Post commissioning	0%

The reductions are based from an assessment by the TOs of the percentage of new projects which cancel, before or after achieving consents. Note that, before the trigger date, the security will always be 100% of the liability, regardless of consent.

The red line on the graph below shows the required security over the liability.



Date Changes by User

Where a change is initiated by the User, the principles below will apply:

1. If the change in date occurs pre-trigger date, the trigger date will be revised to the default position in respect of the revised commissioning date,
2. If the date change occurs post-trigger date, the trigger date will not be revised in respect of the revised commissioning date. The fixed attributable and wider profile will be held at the current level and will increase from that level in line with the revised construction programme.

Where a change is initiated by the Transmission Owner, the trigger date will be revised to the default position in respect of the revised commissioning date.

Interaction with CMP249/ observations and considerations

- Attributable costs are already covered in total both in terms of liability and security.
- Attributable security reduces within trigger period and also once consents are achieved
- The trigger period and associated securities and liabilities under CMP192 already provide a signal to prevent date changes within 4 years.
- Q. Consideration of will the CMP249 Applicable GAV be the same as the CMP192 attributable GAV?

Annex 5 – Extract from GEMA determination

DETERMINATION

6.1 Based on the evidence provided by the customer and NGET as well as our assessment of the case, we determine that the customer is not liable for the transmission charge but is liable for the one-off charge when this charge arises.

6.2 In summary, our decision is that both charges are broadly in line with the CUSC provisions for one-off and other charges under section 14.4. However, we do not consider that the customer had sufficient detail on the transmission charge to enable them to predict that NGET would levy the charge in the manner that it did in this case because:

- The customer did not request CEC before TEC i.e. its CEC and TEC were aligned;
- The CEC before TEC methodology was designed for a different purpose,
- There is no reference to CEC before TEC in the CUSC Section 14.4 or in related contracts.

6.3 As a result, we consider that levying the transmission charge in the manner that NGET is seeking to do so in this case is inconsistent with its obligations under SLC C6.4 which sets out that users must be able to determine the charges they will be liable for by reference to the connection charging methodology provided for under section 14 of the CUSC. Therefore, we consider that the transmission charge that NGET is seeking to levy on the customer is not valid and, as a result, have concluded that the customer is not liable to pay the charge.

6.4 It is not unusual for users to delay connection dates and we consider that it is fair for users to face cost reflective charges when they impose costs on NGET, or the other transmission companies, as a result of their choices and decisions. However, users should be able to predict the charges they are likely to incur. For example, there could be reference to the potential for any delay charges to be levied in the user's Bilateral or Construction Agreements as per section 14.4.1 or 14.4.8 of the CUSC.

6.5 We note that NGET has already begun to improve the clarity and awareness of any charges levied for delaying connection dates. We consider that NGET should progress this with its proposed guidance document as soon as possible.

6.6 Our view differs with regards to the one-off charge. The customer could have been reasonably able to predict that some charge would apply for any additional works carried out by NGET as a result of its decision to delay its connection date.

6.7 We are disappointed with the difficulty that the customer has had in obtaining more detailed information on the charges and a breakdown of the charges. We encourage NGET to engage openly with its customers and again emphasise the importance of clarity and awareness to connection charges.

Response from SPR

Hi Charon - Once I got round to looking at your letter I realised I probably don’t have too much to add at this point.

SPR are supportive of more transparency in any area particularly around what would only potentially be charges in addition to what is already known.

I would however argue that, depending on the complexity of the affected schemes or reinforcements, it is difficult to ascertain whether a delay “actually” incurs additional cost. In other words, it may be beneficial (unbeknown to the wider population) for a TO to delay and therefore a uniform approach may not “Fit All.” Therefore, what is additional spend if it’s not incremental one-off or CEC before TEC for example? I suppose my questions only reinforce the requirement to continue as proposed in your letter.

Are you able to confirm at this time if you are proposing only to make reference to indicative charges which would become actual following reconciliation or are they likely to be fixed or will this depend on the commercial terms of the contract?

Specifically, in relation to your following actions:
a) Encouraged by the publication of a guidance document and for CAMs to be conversant with this and to facilitate roll out. I imagine that you would coincide with User Seminars?
b) Encouraged by proposal to include a statement and would add if possible to include consideration of milestone dates in the information provisions, e.g. if a developer’s decision to delay was made beyond date X, then £Y would be incurred, else, £Z or “…are there other options available...?”

Finally, it would be sensible to have consistency between E&W and Scotland although consideration of the detail behind a charge for delay would require to be made. In other words, do all three TOs operate in the same manner that would allow such consistency?

If you have any questions in relation to the note above please don’t hesitate to contact me by e-mail or on the number below.

Best regards, Joe

Response from Future electric

Charon,

Thanks for your open letter as below. I'm replying in our capacity as a developer but copying Zoltan and Nik so they are aware. I perhaps should know but don't if RUK is replying to this as a trade body.

I appreciate and welcome the additional two steps you suggest in the open letter. I would also like to comment however on the CEC before TEC (or CEC without TEC) point. The cost of connection assets can be paid up front or amortised and most generators take the latter option as Grid's cost of funds is lower than ours. In the case of CEC before TEC or indeed just CEC I would suggest there should be no difference – generators should be offered to spread the cost of those assets over time. Maybe that possibility does already exist but if it does, I'm not aware of it.

Best wishes,

Mike

Response from SMart Wind

Dear Charon

Open letter: charges associated with requests to delay connections to the National Electricity Transmission System

Thank you for the opportunity to respond to this open letter.

SMartWind (SMW) is very concerned by the assumption in National Grid's open letter that the current industry framework allows National Grid to levy a delay charge. Any discussion on whether a charge should be applied and how such a charge should be applied should be undertaken through the proper CUSC charging Modification process. SMW refute National Grid's view that the CUSC currently provides for a delay charge.

SMW believe that the above noted issue is fundamental and that therefore an open letter is an inappropriate vehicle for having detailed discussion on the application of a delay charge.

SMW also believes that there is room for improvement in existing processes, one of which is the system of Quarterly reporting which is intended to keep parties informed of each other's plans. SMW would be pleased to engage in an open letter process that looked at existing processes and charges that are already provided for in the industry framework.

If you wish to discuss this any further please do not hesitate to contact us.

Kind Regards,
Tilman Schwencke, Andy Bown

Appendix H Response from RWE

Dear Charon,

RWE Innogy UK welcome the intention to increase transparency of the charges that apply when customers delay their date for connection.

A guidance document would be helpful for customers to understand delay charges.
Within this document we suggest that National Grid include a number of example costs and scenarios to help customers understand charges. Transparency of the rules would we hope lead to consistent application of these by National Grid.

In regard to the second action proposed by National Grid, to include a reference to a customer's liability to charges within each customer's 'original' connection offer, we agree but suggest that in itself this would not be effective.

Two further suggestions for improvements:

1. We believe that if National Grid wanted to ensure customers were fully aware of delay charges then it would be sensible to include an estimate of any delay charges within each Connection Offer. Whilst National Grid should not be expected to provide an exact quote at the time of the connection offer, it should be reasonable to expect an estimate within a judicious range of the actual figure.
This early understanding would provide a better signal and such transparency may encourage developers to avoid potential delay charges by being more conservative with their requested connection date. (Other factors such as user commitment will also remain important considerations).

2. Additionally, we would welcome an opportunity to meet with National Grid to discuss delay charges if a customer is considering a delay. This would help with the understanding of the charges and would provide an opportunity to mitigate any costs.

Once again thank you for the opportunity to comment on this Open letter. Please do not hesitate to contact myself should you have any questions.

Kind regards,
Lewis Elder

Response from EDF Energy

Dear Charon,

Open letter: charges associated with requests to delay connections to the National Electricity Transmission System

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

Our response is set out below. I confirm that this letter may be published.

We agree that the basis of the connection delay charge could beneficially be clearer, to ensure that the connecting community have as much clarity as possible as to its make-up. We agree that this does not need a CUSC modification. EDF Energy believes that the industry should be consulted regarding the contents of the Guidance document once it has been drafted.

Given the asymmetry of this charge, i.e. it only applies in the instance of a developer delay, EDF Energy would like to see and expect more transparency in sharing respective construction programmes. Developers should know much better (currently they often will not know at all) the degree of "float" in the construction programme for transmission works that are critical to their connection; if they know this better, and understand the risks in this area better, then this avoids the creation of any artificial incentive to contract for an earlier connection than would otherwise be needed.

We agree that the charges are likely to amount to demobilisation and remobilisation of teams and sites, re-consenting activities, maintenance activities ahead of the connection date, additional project management expenditure and rework & redesign. An appeal route where charges are disputed, would be useful.

We agree that charges are levied in a non-discriminatory manner and therefore we do consider that any charges for delay should be consistently applied across all transmission areas, including Scotland.

We look forward to hearing of your proposed way forward at the next Customer Seminar.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Paul Mott on 0203 126 2314.

Yours sincerely,
Mark Cox

Response from DONG Energy

Thank you for the opportunity to respond to this open letter. DONG Energy is one of the leading energy groups in Northern Europe. Headquartered in Denmark, we have an interest in several European markets and cover a wide range of energy sector activities. In the UK, we are the market leading developer and operator of offshore wind farms. Together with our partners we have a current portfolio of 1.1 GW of operational projects, 700 MW of projects under construction, and a strong pipeline of future projects.

The ability to amend contracted connection dates is important in order to be able to react to changes and optimise the development plan. We welcome the recognition that more clarity on charges associated with delaying connections is needed. The current methodology used by National Grid could be improved to increase clarity, and the methodology should be described in more detail so that developers can make a good assessment of the potential impact of delaying its connection timing. For example, we do not believe that National Grid's CEC before TEC letter from 2008 contains sufficient detail. The opportunity to engage with National Grid in advance of making a modification application would also be useful as well as discussing with users while an offer is prepared on the implications of a delay of the completion date.

We also note that the CUSC only covers one-off charges, and that section 14.4 does not mention anything about CEC before TEC charges or monthly payments for delayed connections. We believe it would be useful for the CUSC to be updated to reflect National Grid's intentions to levy delay charges on developers as set out in this open letter.

Yours sincerely

DONG Energy
Ebba Phillips John
Senior Regulatory Affairs Advisor