

# CAP146 – Third Party Works

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CISG Discussion Slides for Charging Implications

# Structure

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- ◆ Third Party Works (TPW) today
- ◆ CAP146 Background
- ◆ Working Group Alternatives
- ◆ TPW - to socialise or to exclude?

# Third Party Works (1)

## - *What are they?*

- ◆ Specified in Construction Agreements of Users;
  - ◆ seeking connection
  - ◆ seeking to increase TEC
- ◆ Works that require to be carried out on assets owned by parties other than the connecting party or National Grid

“Enabling”	“Consequential”
e.g. movement of a DNO overhead line to enable extension of a transmission substation	e.g. higher fault levels requiring upgraded breakers because of new generation

- ◆ Currently amount to about £84m in E&W

# Third Party Works (2)

*- How are they treated today?*

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## “Enabling”

- ◆ Connecting Party responsible for organising and paying for TPW
  - ◆ Working practice, but not clearly defined in CUSC

## “Consequential”

- ◆ Connecting Party responsible for organising and paying for TPW
  - ◆ Clearly defined in CUSC Section 6.10.3

# CAP146 - Background

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- ◆ CUSC should be amended to:
  - ◆ Clarify NG responsible for arranging and paying for TPW listed in App. N of CONSAG
  - ◆ Change provisions in Section 6 of CUSC so that NG responsible for paying costs of Modifications made by Modification Affected Users

# Justification

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- ◆ Users should not arrange or pay for costs because
  - ◆ Inconsistent with shallow charging
  - ◆ Inconsistent with clustering
  - ◆ Inconsistent with one-stop shop
  - ◆ Inappropriate to expect new entrant to contract with potential competitor to gain entry
  - ◆ Not clear triggering User best for the job
  - ◆ NG responsible for design so should complete

# Working Group Deliberations

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- ◆ Some agreed User should not be responsible for arranging and paying for works
- ◆ Some thought whilst NG should be responsible for identifying and arranging works, they should not be socialised
- ◆ NG thinks current system appropriate
  - ◆ Some clarification to process for managing TPW

# Two Significant WGAAAs

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## WGAA B - RWE

- ◆ Cost of TPW/MAUW should not necessarily be borne by NG
- ◆ Original would lead to higher TNUoS for all parties
  - ◆ Compensation to First User limited to cost of works to plant and apparatus operating at the Connection Point voltage only
  - ◆ Define TPW in CUSC

## WGAA D – National Grid

- ◆ Clarification of process for managing TPW – codify current treatment
- ◆ Triggering parties remain responsible for costs
- ◆ NG opposed to CAP146
  - ◆ Potential socialisation of costs means that the efficiency of decisions questionable
  - ◆ NG exposed to additional costs not included in Price Control (assume can not be re-opened)

# Funding TWP/ MAUW

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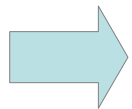
- ◆ Historically, no hard and fast rules about what forms part of NG scheme costs
  - ◆ Those that are: Infrastructure/ Connection
  - ◆ Those that aren't: TPW/ one-off costs
- ◆ If greater number of works included in scheme costs, infrastructure costs increase
- ◆ NG has just agreed price control, therefore unable to fund
- ◆ Alternatively, NG could finance these costs if Ofgem approved them as an “Excluded Service”
  - ◆ works that fall outside the price control
- ◆ Leaves two options:
  - ◆ Recover additional “excluded service” costs through TNUoS
  - ◆ Include in User specific connection charges as one-offs

# Recovering TPW/ MAUW through TNUoS

## - *Two Problems*

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- ◆ Existing Licence Condition Paragraph 2 of “Licence Condition Special Condition D10: Excluded Services” states:
  - ◆ “no service provided by the licensee as part of its transmission business shall be treated as an excluded service in so far as it relates to the provision of services remunerated under use of system charges...”
- ◆ Demonstration of efficiently incurred investment
  - ◆ NG needs to demonstrate efficient investment
  - ◆ Parties willing to pay for investment clearly believe that it is worthwhile which demonstrates efficiency
  - ◆ Socialisation of TPW/ MAUW would remove this demonstration of efficiency



**Drives NG to target TPW/ MAUW as User specific charges which undoes the main purpose of CAP146**

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