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30<sup>th</sup> January 2015

Dear Pat,

**Open letter inviting views on the treatment of anticipatory investment**

Thanks for the opportunity to comment on your open letter inviting views on the treatment of anticipatory investment. As a member of the CUSC panel and having formed part of the CMP 213 working group, I have the following observations.

The CMP 213 working group included a work stream that looked at the treatment of HVDC costs. During the work group process National Grid helpfully provided cost for island connection based on the existing methodology including the treatment of the second onshore cable. These costs and calculations were contained in the CMP 213 report that was consulted and subsequently submitted to Ofgem. The option that was ultimately approved by Ofgem included the treatment of HVDC costs based on this methodology.

I believe that the current methodology <sup>1</sup> (as applied in the CMP 213 working group report) of basing the connection charges on the cost of the single circuit is appropriate. Any change to the status quo methodology that results in either increased or reduced charges will increase the uncertainty of charges going forward. Any change should go through industry process via a formal CUSC amendment proposal route to allow users the opportunity to comment on the proposal and Ofgem to ultimately approve such a change. If the formal process is not followed when changes are adopted it will remove

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<sup>1</sup> Option 2 in National Grid Open Letter 15<sup>th</sup> December 2014

the ability of users to challenge the change which was one of the key reasons the charging methodology was included in the CUSC.

Turning to the specific questions.

**Question 1: What are your thoughts on the options presented for treatment of proposed anticipatory investment with respect to the Western Isles link?**

I support the existing methodology<sup>1</sup> used by the CMP 213 working group and included in the report.

**Question 2: Do you believe that such treatment of anticipatory investment should be more explicit within Section 14 of the CUSC?**

I believe that methodology used in CMP 213 is well understood and does not need to be codified as Ofgem has had the opportunity to review this specific approach. As set out above, any change to the current methodology should go through industry process.

**Question 3: Do you have any other thoughts or comments relating to the treatment of anticipatory investment either in the calculation of the local circuit tariff for the Western Isles link or more broadly in the TNUoS charging methodology?**

The implication of installing additional cables in parallel but not connected would need to be considered for both offshore and onshore users if a change to the existing CPM 213 methodology were to be proposed. It may be that the existing offshore methodology could provide some insight in to how this issues could be dealt with and hopefully avoid unintended consequences.

I hope that you find these comments useful.

**Simon Lord**