

CMP288 & 289:  nationalgrid

**Explicit charging arrangements for
customer delays and backfeeds &
consequential changes.**

Finding a better way

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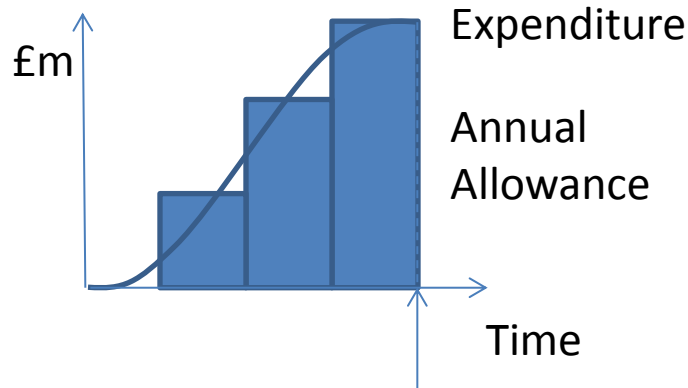
The Issue

***Defect:** “There are currently no explicit charging arrangements to recover additional costs incurred by Transmission Owners and TNUoS liable parties as a result of transmission works undertaken early due to a User requested delay to the Completion Date of the works or backfeed”.*

- There are two types of cost that can occur:
 - Incremental costs as a direct result of the request (e.g. demobilisation/remobilisation for a delay); and
 - Financing of investment undertaken earlier than required.
- Whilst one-off charges can be utilised to recover TO costs, having more explicitly defined charges would aid transparency.
- Additional costs are borne by TNUoS paying parties (which could be passed onto consumers) as a result of a customer delay. No formal mechanism exists enabling these costs to be refunded.

Impact of early investment: Customer delay example

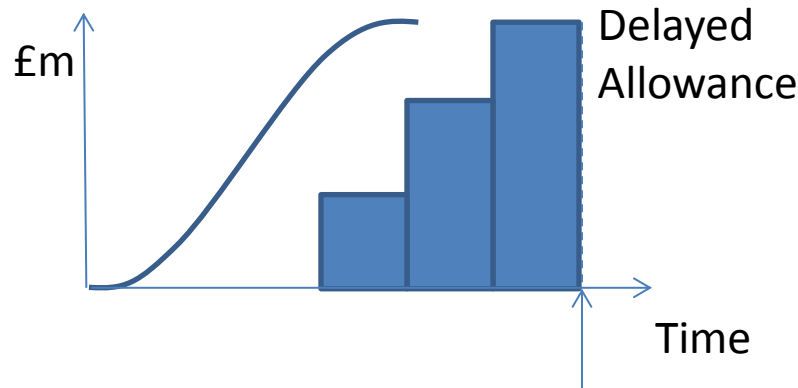
No Delay:



No Delay: Assuming total allowance equals total spend, profiling of allowance ensures TO funding and spend aligns.

Customer connection Date

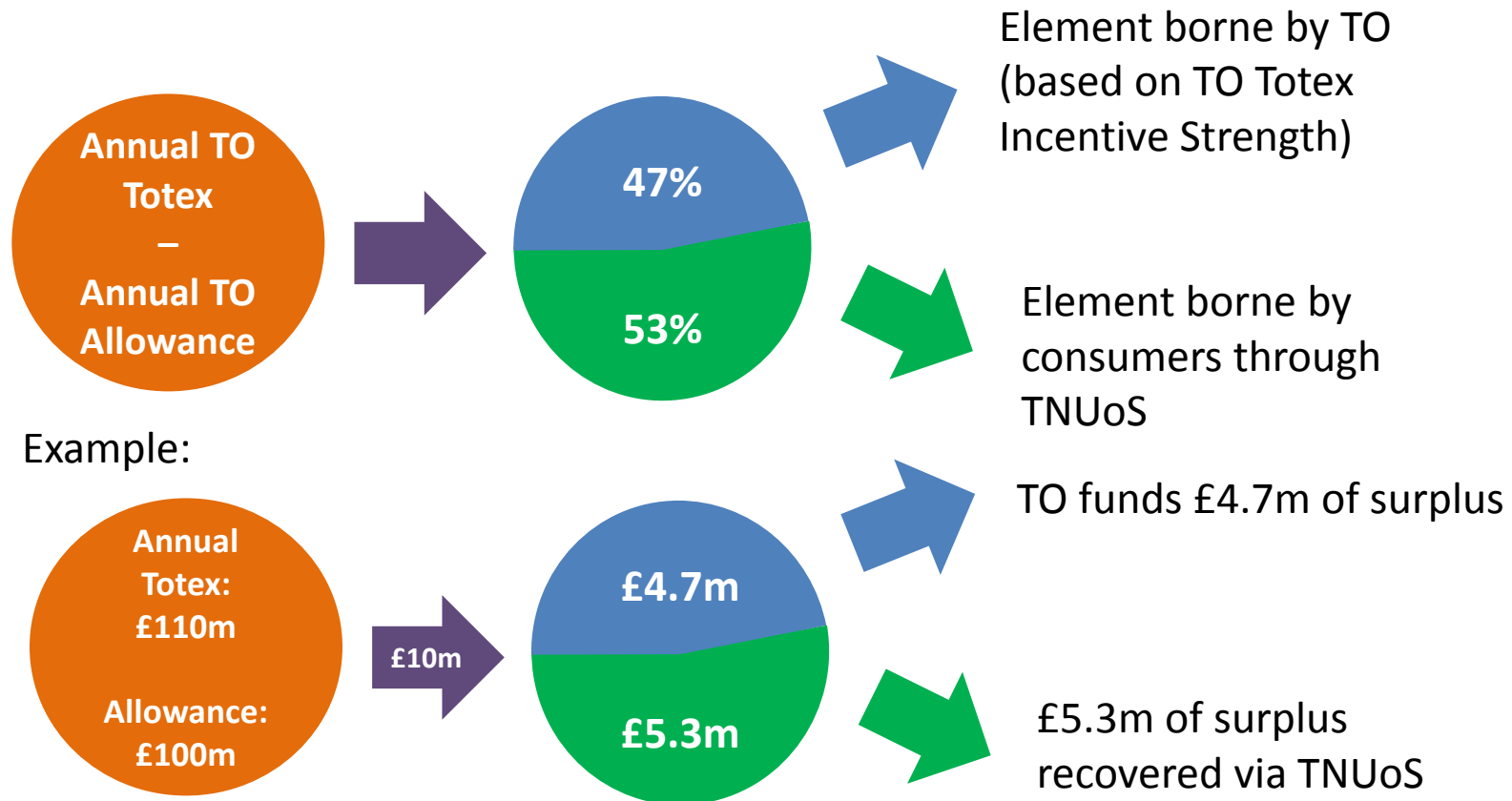
Delay:



Delay: using same assumptions, spend occurs ahead of allowance, introducing a funding requirement in addition to incremental costs.

Delayed Customer Connection Date

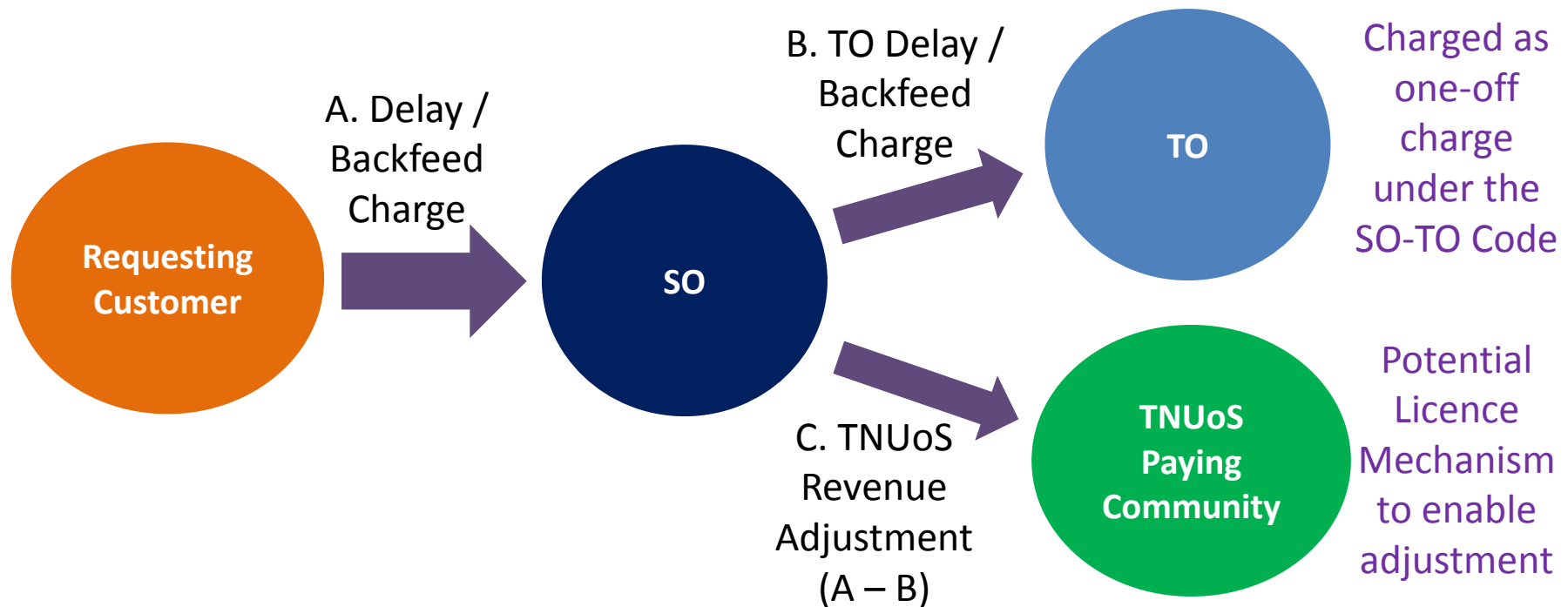
Totex Incentive Mechanism



Financing costs resulting from delays are shared between TOs and TNUoS paying parties (mainly suppliers under the existing arrangements).

Proposed Solution

- **CMP288:** Introduce explicit charges to recover incremental costs incurred by TOs as a result of a User request to delay a Completion Date or request a backfeed;
- **CMP288:** Introduce explicit charges to recover Financing costs incurred by TOs and in turn TNUoS paying parties, as a result of a User request to delay a Completion Date or request a backfeed; and
- **CMP289:** Consequential changes to the CUSC to enable the new charges (e.g. provision of information to aid understanding of potential charges).



CMP288: Assessment vs Applicable CUSC Objectives

- a) The proposal moves additional financing costs related to individual customer delays and backfeeds to the requesting party, removes a potential cross-subsidy between CUSC parties facilitating competition.
- b) The proposal ensures that the cost of delays and provision of backfeeds is reflected in charges made to the party causing the cost, increasing cost reflectivity of charges;
- e) Including explicit charging arrangements for one-off incremental costs improves transparency of the CUSC arrangements.

CMP289: Assessment vs Applicable CUSC Objectives

- a) This proposal facilitates a charging change that providing a cost reflective signal on parties connecting to the Transmission system, and provides transparency to enable Users to assist TOs in undertaking transmission works economically and efficiently.
- b) This proposal facilitates a charging change that ensures that the cost of delays and provision of backfeeds is reflected in charges made to the User making the request
- d) Providing additional transparency to customers of TO expenditure involved in facilitating their connection improves transparency of the CUSC arrangements.

Proposed Timetable: CMP288 & CMP289



CUSC Panel – 26 February 2018
Code Administration

Code Administrator - Proposed Progression

- The Panel is asked to agree:
 - If CMP288 & CMP289 should be progressed using:
 - Standard CUSC Proposal timetable (with Workgroup)

Proposed Indicative timetable for CMP288 & CMP289

The Code Administrator recommends the following indicative timetable:	
Initial consideration by Workgroup	March – August 2018
Workgroup Consultation issued to the Industry	September 2018
Modification concluded by Workgroup	January 2019
Workgroup Report presented to Panel	February 2019
Code Administration Consultation Report issued to the Industry	March 2019
Draft Final Modification Report presented to Panel	April 2019
Modification Panel decision	April 2019
Final Modification Report issued the Authority	May 2019
Decision implemented in CUSC	June 2019