











CUSC Modification Proposal Form		At what stage is this document in the process?												
<h1 style="color: #00a651;">CMP289:</h1> <p>Consequential change to support the introduction of explicit charging arrangements for customer delays and backfeeds via CMP288.</p>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="background-color: #00a651; color: white; border-radius: 5px;">01</td> <td style="background-color: #00a651; color: white; border-radius: 5px;">Proposal Form</td> </tr> <tr> <td style="border-radius: 5px;">02</td> <td style="border-radius: 5px;">Workgroup Consultation</td> </tr> <tr> <td style="border-radius: 5px;">03</td> <td style="border-radius: 5px;">Workgroup Report</td> </tr> <tr> <td style="border-radius: 5px;">04</td> <td style="border-radius: 5px;">Code Administrator Consultation</td> </tr> <tr> <td style="border-radius: 5px;">05</td> <td style="border-radius: 5px;">Draft CUSC Modification Report</td> </tr> <tr> <td style="border-radius: 5px;">06</td> <td style="border-radius: 5px;">Final CUSC Modification Report</td> </tr> </table>		01	Proposal Form	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
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<p>Purpose of Modification: To introduce changes to non-charging sections of the CUSC to support the introduction of 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 initiated delay to the Completion Date of the works, or to facilitate a backfeed. The changes to the charging element of the CUSC are covered under CMP288.</p>														
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup and determined by the Authority <p>This modification was raised 12 February 2018 and will be presented by the Proposer to the Panel on 23 February 2018. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>													
	<p>High Impact: Electricity Transmission Owners; Developers requiring new generation, interconnector or demand connections.</p>													
	<p>Medium Impact</p>													
	<p>Low Impact Parties paying TNUoS</p>													

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Timetable		
The Code Administrator recommends the following 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	

Proposer Details

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission plc
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Wayne Mullins National Grid Electricity Transmission plc 01926 653999 wayne.mullins@nationalgrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Richard Woodward National Grid Electricity Transmission plc 01926 656596 richard.woodward@nationalgrid.com
Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:	

Impact on Core Industry Documentation.
Please mark the relevant boxes with an "x" and provide any supporting information

BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
STC	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>

(Please specify)

Consequential changes may be required to the STC and associated documents to reflect proposed changes to CUSC Construction agreements.

1 Summary

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 initiated delay to the Completion Date of the works, or to facilitate a backfeed. Parts of the CUSC framework outside of Section 14 are required to rectify this.

What

To support changes to Section 14 to implement proposed delay and backfeed charge arrangements, there is need to modify other areas of the CUSC, e.g. to reflect charges and provide supporting information within construction agreements (Schedule 2 Exhibit 3 – Construction Agreement).

Why

When a User requests a backfeed or delays their Completion Date within a construction agreement the TO may incur additional costs. These take two forms: incremental one-off costs (e.g. demobilisation and remobilisation costs); and additional financing of costs incurred due to a delay in its allowances. Due to the Totex Incentive Mechanism within the RIIO Price Control framework, a proportion of the financing costs are shared through TNUoS.

The existing CUSC wording does not explicitly state how the TO costs are to be recovered from the delaying party, and does not adequately target the recovery of financing costs at the delaying party.

How

Schedule 2 Exhibit 3 of the CUSC should be updates to reflect the charges proposed and provide supporting information within construction agreements. Other changes may be required, if identified as the proposal is developed.

2 Governance

The proposal should follow the normal CUSC governance process as it is a material change to CUSC parties.

Requested Next Steps

This modification should:

- be assessed by a Workgroup

This will allow the development of the solution and appropriate legal text and allow any associated issues to be explored.

3 Why Change?

There are two types of cost a TO may incur upon a delay in a customer's Completion Date or provision of a backfeed:

- i) Incremental costs – additional one-off costs that occur as a direct result of the customer request (e.g. demobilisation and remobilisation costs); and
- ii) Financing costs – additional costs required in financing spend for additional years due for works being undertaken earlier than they would should the request not be made. TNUoS paying parties also face additional financing costs as a result of the Totex Incentive Mechanism (TIM).

The CUSC already allows for the SO to recover non-standard incremental costs incurred by TOs as a result of a customer's request via a One-Off Charge. However, the CUSC wording does not explicitly state that this includes the recovery of the above TO costs.

Under the RIIO price control, TOs receive allowances based upon providing defined outputs. For non-boundary infrastructure required to facilitate both demand and generation customer connections, these are set in the year of the customer connecting and transmission charges commencing (the "output year"). The resulting allowances are profiled leading up to the output year to match that of typical expenditure. Assuming total expenditure and allowance are equal, this ensures for a typical investment that the TO costs and allowance are approximately aligned.

To incentivise a TO to minimise expenditure on its investments, its total expenditure (Totex) is subject to a post-tax Totex Incentive Mechanism (TIM), in which the TO shares a proportion of the difference between its expenditure and allowances. NGET benefits from 47% of the savings it realises, but bears 47% of the cost. In each case the remaining 53% is passed to consumers through TNUoS.

In the case of a customer delay or work being undertaken early to provide a backfeed, the difference between allowance and expenditure is introduced by costs being incurred earlier than they would have otherwise been. This difference is output is subject to TIM, resulting in the associated financing costs being shared between the TO and TNUoS paying parties. Whilst one-off charges provide TOs with a route to recover its costs from the party whose request triggered the cost, no mechanism exists to ensure the resulting TO allowed revenue resulting from TIM is recovered cost reflectively.

To support the implementation of the new charging arrangements, supporting changes will be required to non-charging areas of the CUSC in order to allow for charges within Construction Agreements, and provide Users with additional transparency of potential value of charges. The need for other changes may also be identified as the proposed charging mechanism is developed by the Workgroup.

4 Code Specific Matters

Technical Skillsets

The Working Group should consist of members with an appreciation of the TNUoS Charging Methodology in Section 14 of the CUSC and preferably some understanding of the RIIO price control framework and CUSC Construction Agreements.

Reference Documents

- Schedule 2 Exhibit 3 of the CUSC
- The Electricity Transmission Licence

5 Solution

To support the implementation of the new charging arrangements to recover costs associated with a delay in a Completion Date or backfeed, supporting changes will be required to non-charging areas of the CUSC.

In order to allow for charges within Construction Agreements, it is proposed that the terms of Schedule 2 Exhibit 3 are updated, and an additional appendix added to specify the value of the proposed charges. To provide additional transparency of potential value of charges, it is also proposed to modify Schedule 2 Exhibit 3 to provide periodic reports of incurred and forecast expenditure to Users in facilitating their connection.

6 Impacts & Other Considerations

We do not believe that there are any cross-code impacts from this Proposal.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No, whilst the change will adjust the total amount to be recovered via TNUoS, it does not affect how the resulting amount is recovered from CUSC parties.

Consumer Impacts

By facilitating the direction of financing costs away from TNUoS paying parties (which are in turn funded by consumers) to the delaying parties, should result in a slight reduction in consumer bills.

7 Relevant Objectives

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact

<p>(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;</p>	<p>Positive. This proposal facilitates a charging change that providing a 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.</p>
<p>(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;</p>	<p>Positive. This proposal facilitates a charging change that ensures that the cost of delays and provision of backfeeds is reflected in charges made to the party causing the cost</p>
<p>(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and</p>	<p>None</p>
<p>(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p>	<p>Positive. Providing additional transparency of TO expenditure improves transparency of the CUSC arrangements.</p>
<p>*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</p>	

8 Implementation

The Proposal should be implemented 10 Business Days following a decision by the Authority, as the supported proposal to modify the charging arrangements relate to one-off charges, and adjustments to TNUoS Recovery Requirements in subsequent years' charges.

9 Legal Text

Text Commentary

To be developed by the Working Group.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal governance procedures should apply
- Refer this proposal to a Workgroup for assessment.