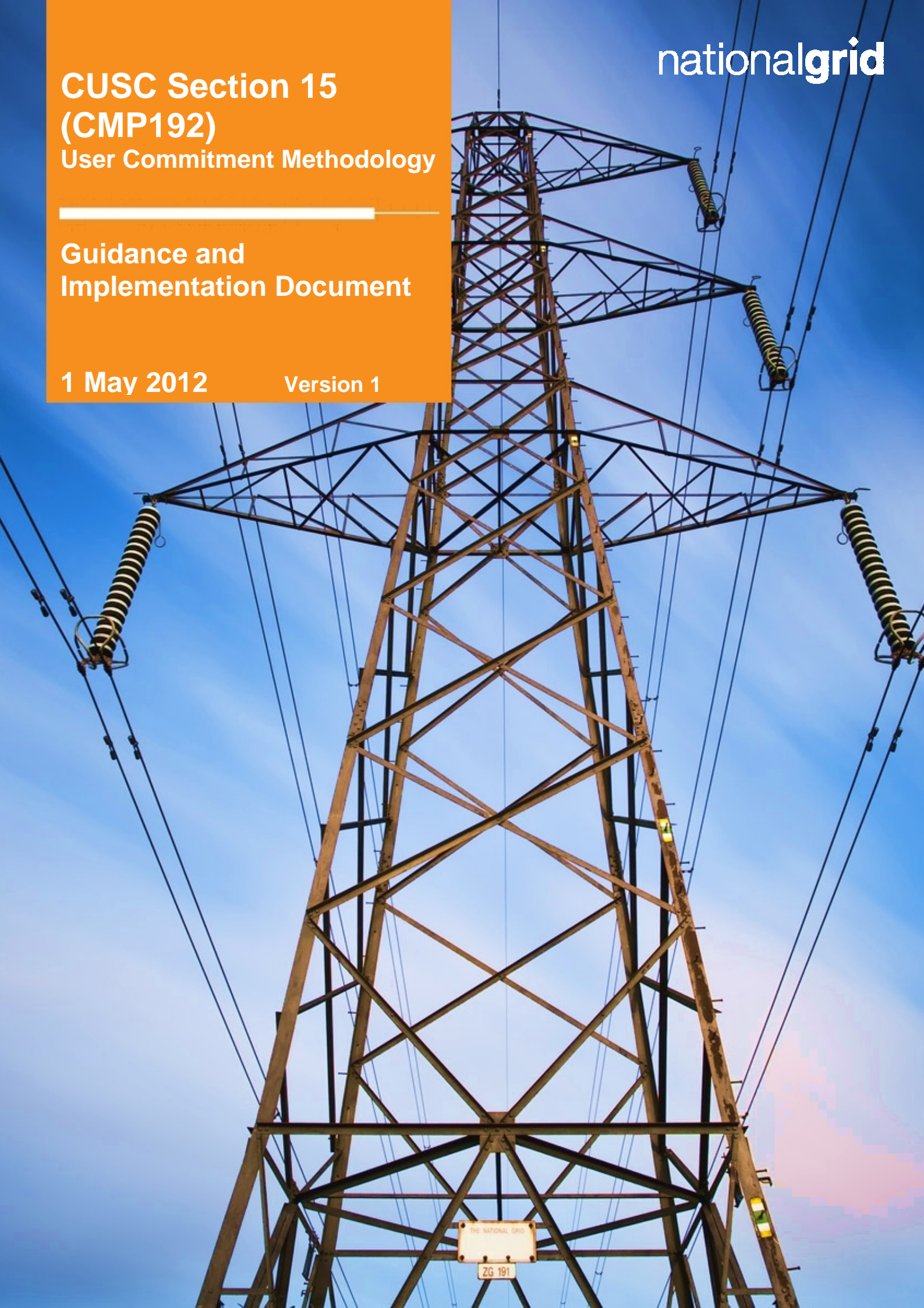


**CUSC Section 15
(CMP192)
User Commitment Methodology**

**Guidance and
Implementation Document**

1 May 2012

Version 1



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1. Summary

New arrangements for generation user commitment have been codified in the Connection Use of System Code (CUSC) as a result of the CUSC modification Proposal (CMP) 192. The proposal was raised by National Grid in February 2011 and approved by Ofgem on 30 March 2012. The new arrangements will replace the current interim Final Sums methodology and the Interim Generic User Commitment Methodology (IGUCM) for generators, and will take effect from 1 April 2013. The proposal was based on incentivising generation projects to provide notice of cancellation, closure and capacity reduction in a timely manner such that inefficient transmission investment by the transmission owners can be minimised, whilst reducing the barrier to new entrants that such arrangements represent.

The new arrangements are formally set out in section 15 of the CUSC and comprise of a generic liability to cover broad system investment (Wider), and a specific liability to cover local generator-driven investment (Attributable). All generation projects would be liable for a proportion of the wider amount, whilst only pre-commissioning generation projects would be liable for their particular attributable amount. In calculating the liabilities, the methodology includes a number of factors to more accurately reflect the risk of inefficient or stranded assets, and avoid over-securitisation of new investments. These factors cover sharing risk with consumers, potential for asset reuse by Transmission Owners (TO's), catch-up investment, etc. Security for this liability will reduce for pre-commissioning generation projects as their project progresses to completion, whilst no security will be required for post-commissioning users (as per current CUSC arrangements).

Impact of the change

The new arrangements take effect on 1 April 2013. Pre commissioning generation will be transitioned to the new arrangements ahead of this date and will be given updated contracts with the choice of fixed or actual liabilities.

2. Purpose of the document

This document has been written to provide guidance to customers about how the new arrangements impact their generation projects and how the new arrangements will be implemented ahead of 1 April 2013. Parts 13 and 14 of this document include an implementation plan describing the key transition milestones.

This document will continue to be updated over the transitional period and will evolve as some of the working level processes required to operate the new user commitment methodology are further developed.

If you have any feedback or questions in respect of any part of this guidance document or any aspect of the new arrangements not covered in the document, we would welcome your engagement and encourage you to discuss this with your Customer Agreement Manager or via the email address below;

transmissionconnections@nationalgrid.com

3. Background

National Grid and the other Transmission Owners (TOs) undertake investment works to accommodate the needs of generators already connected and those expected to connect in the future to the electricity transmission network. However, a generator may decide to cancel its project or reduce its capacity where the associated works have already begun. This may result in unnecessary costs to other network users which are ultimately borne by the end consumer. User commitment arrangements place liabilities on generators triggering particular investment works in order to financially secure the investment being undertaken on their behalf.

User commitment performs a vital function in ensuring adequate information is available to TOs to plan and develop the network in a manner that is economical and efficient and protects the interests of consumers and wider industry. User commitment signals are also financially underwritten to incentivise the provision of accurate and timely information and to ensure that the risk of stranded assets is placed on those parties best placed to mitigate and manage the risk.

Existing arrangements were cited as a barrier to entry, particularly for smaller parties. The arrangements for generators already connected to the transmission system differ significantly from the arrangements for generators that are awaiting connection. The existing arrangements were lacking the required transparency as they were not detailed in Connection and Use of System Code (CUSC), and the existing arrangements had interim amendments which were introduced to accommodate the issues detailed above.

In February 2011 National Grid proposed a modification to the CUSC to introduce enduring User commitment arrangements. The proposal was further developed by the industry, with the final approval¹ being given by Ofgem. The User Commitment methodology introduced by CMP192 was implemented into a new section of the CUSC (Section 15)² on 30 March 2012 with an effective date of 1 April 2013.

The new User Commitment Methodology replaces the existing interim security methodologies from 1 April 2013. This includes both Final Sums³ and the Interim Generic User Commitment Methodology (IGUCM)⁴.

¹ <http://www.nationalgrid.com/NR/rdonlyres/4386A099-44CF-467A-AD2C-882C1AE3DACC/52833/CMP192D.pdf>

² <http://www.nationalgrid.com/NR/rdonlyres/2561685B-659F-4E6C-9CB8-AE74AE582FD/52985/CUSCSection15v1031March2013.pdf>

³ http://www.nationalgrid.com/NR/rdonlyres/6302C1A3-B7B5-42BF-9054-81B4AFA858F5/42130/SecuritiesConsultationReportv1Final_PDF.pdf

⁴ <http://www.nationalgrid.com/NR/rdonlyres/B719C93E-01EC-4CA8-BF52-D3C180C200D5/35852/InterimGenericUserCommitmentMethodologyStatements.pdf>

4. Attributable and Wider transmission works.

The new arrangements comprise of a generic liability to cover broad system investment (Wider), and a specific liability to cover local generator-driven investment (Attributable). All generation projects would be liable for a proportion of the wider amount, whilst only pre-commissioning generation projects would be liable for their particular attributable, or local amount. This part of the guidance document explains the differences between the two categories.

Attributable

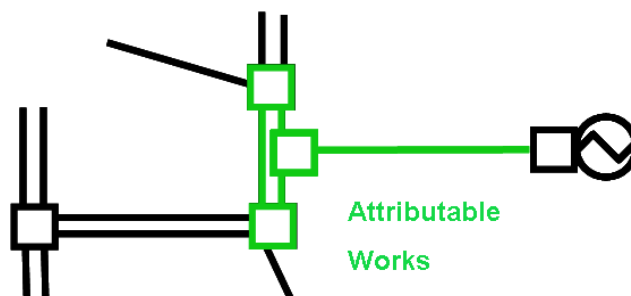
Attributable Investment is driven directly by the connection of new generation and therefore the risk should be placed 100% on generation and not shared with demand.

Attributable works are defined as the works required to connect the generator to an existing MITS (Main Integrated Transmission System) node, as defined in Section 14 of the CUSC. This defines MITS nodes as:

- Grid Supply Point connections with 2 or more transmission circuits connecting at the site; or
- Connections with more than 4 transmission circuits connecting at the site.

CUSC Definition of Attributable works

Those components of the Construction Works which are required (a) to connect a Power Station which is to be connected at a Connection Site to the nearest suitable MITS Node; or (b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node (and in any case above where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation) and which in relation to a particular User are as specified in its Construction Agreement;



Wider

Both generation and demand drive the requirement for wider transmission investment and therefore the risk of any wider investment being inefficiently incurred should be shared 50/50.

Wider works in this context are the works that are not categorised as Attributable, i.e. the works on the MITS.

Sharing of Risk

- The liability for Attributable works is borne 100% by generation.
- The liability for Wider system investment is shared 50/50 between generation and consumers.

	Generation	Consumers
Attributable	100%	0%
Wider	50%	50%

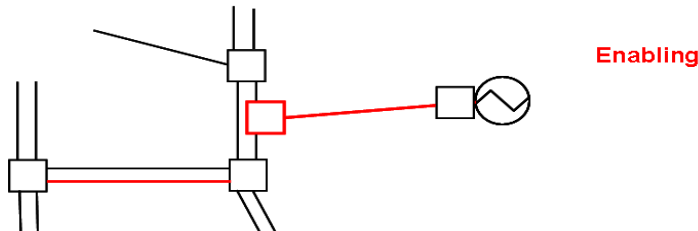
Attributable and Enabling

In discussions with customers regarding Section 15, clarity was sought regarding the differences between Attributable Works and the Enabling Works that form part of Connect and Manage⁵.

Enabling Works are the minimum transmission reinforcement works which need to be completed before a generator can be connected to, and given firm access to, the transmission system. This must include criteria to allow the system to be operated in a safe manner and without incurring excessive costs. Attributable Works do not factor in these criteria.

In some cases it is likely that the Enabling Works will be the same as the Attributable Works, however in some circumstances (e.g. long radial parts of the network), Enabling Works may be required to be greater than the works necessary to connect to the MITS. In other circumstances where there is sufficient diversity of operations, it is possible that Enabling Works will be less than the works necessary to connect to the MITS, and therefore less than the Attributable Works.

For the avoidance of doubt the definitions of works used in the new arrangements do not replace or impact the Enabling Works definition introduced by Connect and Manage.



Pre and Post Commissioning

The aim of the new arrangements is to incentivise future generation projects (pre commissioning) to provide notice of cancellation and for existing generation projects (post commissioning) to provide notice of closure or capacity reduction in a timely manner. This ensures that inefficient transmission investment by the transmission owners can be minimised.

Both pre and post commissioning generation projects may have an affect on decisions on new Transmission investment. The addition of new generation (pre commissioning) to the transmission system and the closure of existing generation (post commissioning) has an equal and opposite effect on the need for network capacity. The cancellation of a pre-commissioning Power Station could affect attributable and wider transmission system investment decisions, the closure of a post-commissioning generation project will only affect new wider transmission system investment decisions. The arrangements focus on information to assist transmission companies to efficiently manage ongoing new investments on the transmission system, and hence avoid under-utilisation of assets.

- The liability for pre-commissioning generation projects takes account of transmission investment for attributable and wider works; and
- The liability for post-commissioning generation projects takes account of the investment for wider works only.

	Pre	Post
Attributable	Yes	No
Wider	Yes	Yes

⁵ <http://www.nationalgrid.com/NR/rdonlyres/01463C70-F178-4930-9A00-780FE5330F2D/47332/CMversion50.pdf>

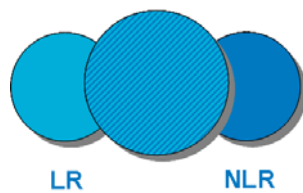
5. Calculating liabilities

The liabilities for both the Wider and Attributable works are calculated differently. The Wider Liability is a generic and covers investment on the wider transmission system. The attributable liability is specific to the local investment driven by the connection of new generation projects. Examples of this are set out below;

Wider Liability

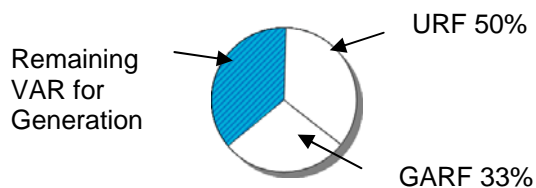
The wider liability is a zonal £/MW charge. The charges are to be published annually and are calculated from the apportionment of wider load related and non load related Capex across system boundaries and then mapped to generation zones. This process is broken down into the following four steps:

Step 1 - Each transmission Owner (TO) provides the load related and non load related Capex for the next four years to give the total wider value at risk (VAR).



Step 2 – The wider VAR is then reduced by two factors

- The User Risk Factor (URF) 50%. This factor accounts for the 50/50 share between generation and consumers described in part 4 of this document.
- The Global Asset Reuse Factor (GARF) 33%. This value is fixed and represents the transmission assets which a TO could potentially reuse on another project.

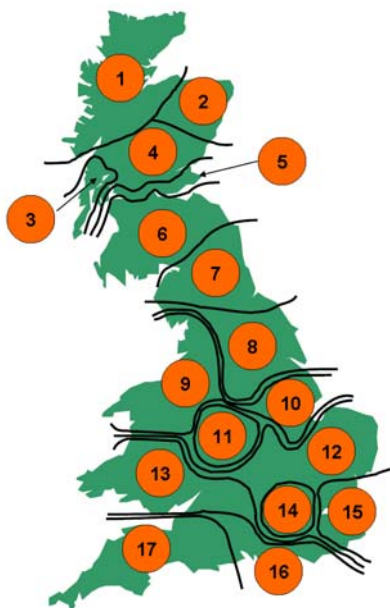


Step 3 – Remaining VAR is then apportioned by boundaries and mapped to Generation Zones by reference to the following table (taken from Table 8.1 of the Seven year statement (SYS)⁶):

⁶ <http://www.nationalgrid.com/NR/rdonlyres/8F8FA914-A61D-4367-BC42-B8C69C1BC113/47009/NETSSYS2011Chapter8.pdf>

Step 4 – An annual statement of zonal wider liabilities is published on the National Grid Website. The table below is for illustration and was calculated from the wider Capex numbers in July 2011.

SYS Zone	Wider Zonal Unit Liability (£/MW)
Z1	£ 21,599.94
Z2	£ 15,691.57
Z3	£ 15,867.72
Z4	£ 11,762.73
Z5	£ 7,093.65
Z6	£ 6,366.92
Z7	£ 4,681.52
Z8	£ 2,785.21
Z9	£ 1,635.31
Z10	£ 1,316.08
Z11	£ 1,774.86
Z12	£ 822.75
Z13	£ 820.76
Z14	£ 822.75
Z15	£ 423.05
Z16	£ 2,447.00
Z17	£ 9,146.01



Attributable Liability

The Attributable liability will be calculated biannually and will be specific to the components that make up the attributable works. Components are considered to be substations or lengths of cable or overhead line between substations (and not the individual assets making up that component). The process is broken down in the steps below;

Step 1 - Each Transmission Owner (TO) provides for each component, the total Capex estimate and the current estimate of expenditure that the TO will incur during the next 6 month security period to give the total Value at Risk (VAR) per component.

Step 2 – The Attributable VAR for each component is then reduced by 3 Factors.

Strategic Investment Factor (SIF)

- This factor applies to limit the attributable liability to the proportion of the investment that the generator has triggered. This factor ensures the generator isn't liable for more than their proportion should the TO build a component with greater capability and removes the volatility of previous sharing arrangements, where the actions of another generator could significantly impact the liability of another generator.

The capability of the component is an estimated maximum capability based on the lowest maximum capability in MW of any individual asset making up the component.

$$SIF = \frac{Generator_Capabilty_ (MW)}{Component_Capabilty_ (MW)}$$

Local Asset Reuse Factor (LARF)

- For each Attributable component listed by a TO, the LARF is an estimate of what percentage of the component could be reused should the attributable generator cancel their project. This percentage is an average representation of the ability to use any part of the component over the whole of the construction period. These factors will be generic to the component type, unless the TO considers that the design of the component is suitably different from the norm.
 - We expect to publish a table of reuse factors for standard components to give further guidance to customers in the near future.
 - The LARF is an approximation of asset reuse and does not vary through the construction programme.

Distance Factor

- Where the nearest suitable MITS is not the connection MITS, the attributable works will be the pro rata share of the transmission capacity to connect the generation project to the nearest suitable MITS on the transmission network.

This factor allows the TO to make design decisions without exposing the attributable generation project to more than the minimum Attributable works.

This factor is only applicable for components where distance is relevant. ie cables and overhead lines. This factor will be determined at the start of the project based on the estimated straight line distances, and will not be updated throughout the construction programme.

$$Dist = \frac{Nearest_MITS_ (km)}{Actual_MITS_ (km)}$$

Attributable component liability example:

$$Component_VAR \times \frac{Generator_Capabilty_ (MW)}{Component_Capabilty_ (MW)} \times LARF \times \frac{Nearest_MITS_ (km)}{Actual_MITS_ (km)} = Component_liability$$

or;

$$£1,000 \times \frac{500}{1000} \times 0.4 \times \frac{2}{5} = £80$$

Where;

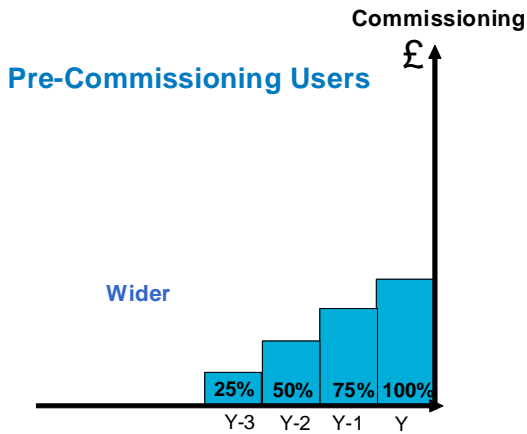
Component VAR	= £1,000
Generator Capability	= 500MW
Component Capability	=1000MW
LARF	= 40%
Nearest MITS	=2km
Actual MITS	=5km

6. Liability profile

This part of the guidance document breaks down how the Wider and Attributable liabilities are profiled from the application of a pre commissioning generation project through to the closure or capacity reduction of a post commissioning generation project.

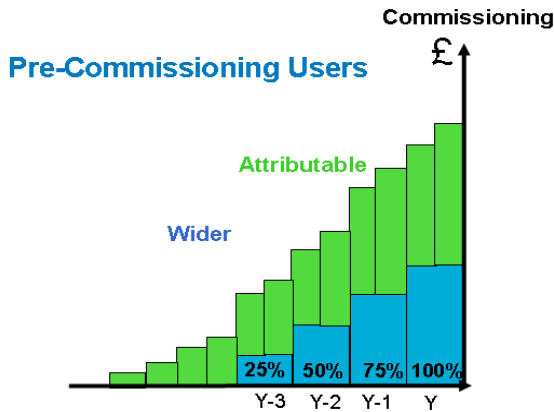
Wider Profile (Pre Commissioning)

For pre commissioning generation, the wider liability begins four years from the contracted completion date, and builds up from 25% of the wider liability to 100% in the year immediately before commissioning, as demonstrated below.



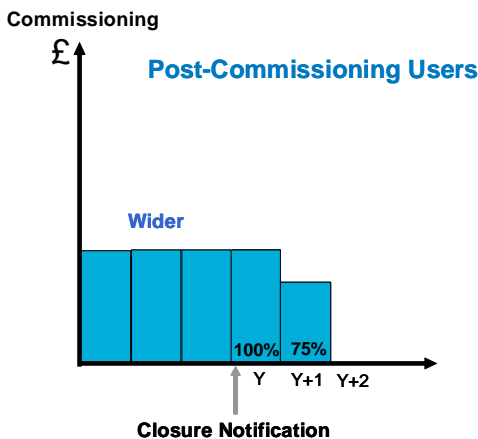
Attributable Profile

The attributable liability begins when the TO commits cost to the attributable assets, this liability will be provided biannually and will give an estimate of the next biannual security period and for the total Attributable Capex for each generation project.



Wider Profile (Post Commissioning)

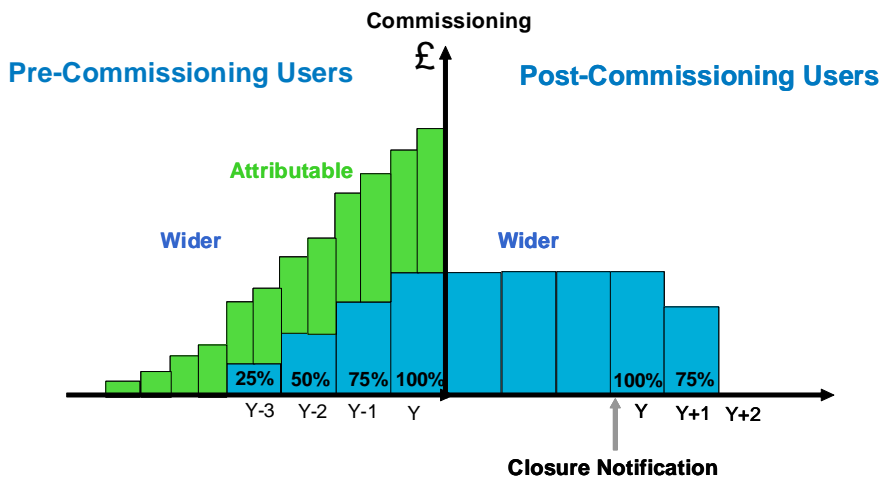
For post commissioning generation, the wider liability profile is driven by notice given of closure. With over two years notice, the liability will be 0% of the wider charge.



Notice Given	% Wider Liability
> 2 years	0
> 1 years	75
> 5 days	100

Total Profile

The table below demonstrates the full user commitment liability.



Actual or Fixed

Pre commissioning generation projects will be given the choice to either fix their liability or to receive a biannual update. This allows generation projects a full and transparent view of liabilities until commissioning.

Pre commissioning generation projects with an existing final sums or IGUCM liability, will be given the fixed or actual option upon transition to the new arrangements.

Actual

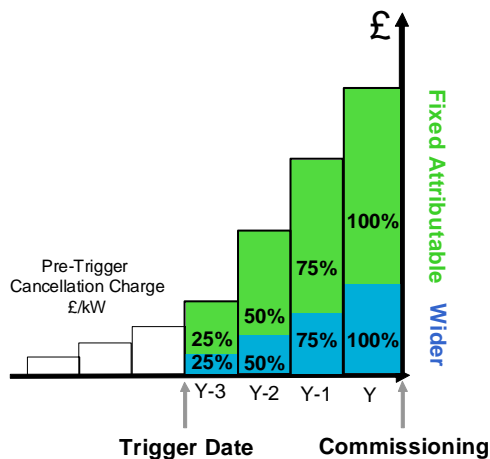
Unless generation projects indicate that they choose the fixed option, they will receive an updated statement biannually which will reflect the total liability as well as the liability for the coming security period based on the TO's expected expenditure up to that period.

Upon termination or capacity reduction, whilst on the actual option, the cancellation charge will be reconciled to reflect the actual TO spend as a result of that generation project.

Fixed

At the time the biannual statement is issued, a notification will also be provided demonstrating the cancellation amounts should the generator opt to fix the liability. Should this option be taken, the total liability will be fixed and then apportioned in 25% stages from the trigger date (four years from the contracted completion 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.

Should the generation project terminate their agreement or reduce the capacity of their agreement, this fixed cancellation charge will not be reconciled (no refund will be given, and no further amounts will be invoiced).



7. Security

A key benefit to generation projects of the new arrangements is that the level of required security does not follow the same profile as the liability.

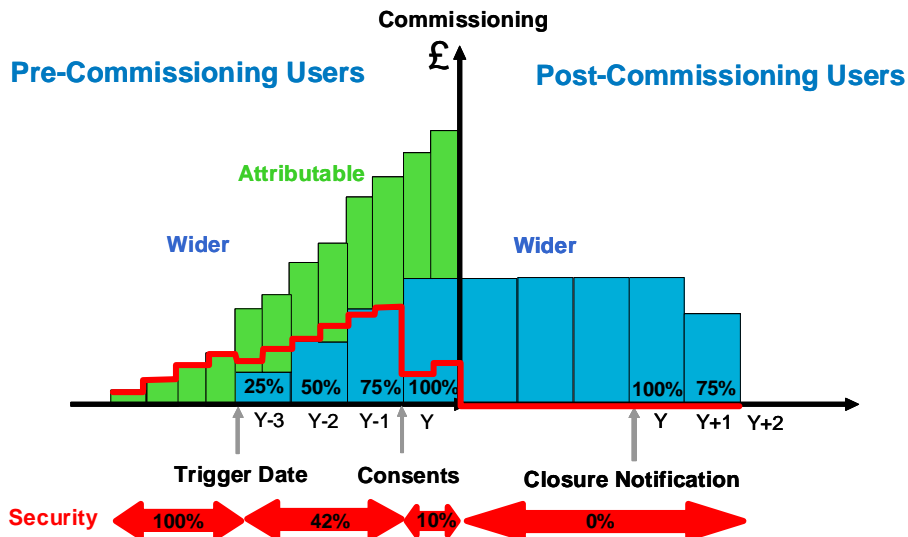
- Post Commissioning generators are not required to secure their wider liability.
- Pre Commissioning generators do secure a percentage of the liability, however this percentage reduces at trigger points as likelihood of completion increases.

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%

These reductions are based on an assessment by the TO of the percentage of new projects which cancel before achieving consents and after achieving consents. The trigger points are fixed, however the percentage reductions at each trigger point will be reviewed periodically. The current assessment is based on data between 2007 and 2011.

For the avoidance of doubt, these reductions only apply within the four year pre-commissioning user commitment period.

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



Key Consents

Key consents which trigger the reduction in security to 10% of liability are the Generators Key consents. This has been used as a milestone as analysis of terminated projects showed minimal risk of generation projects not reaching completion after consents had been achieved.

Consents will be specific to each contract; however they will cover all key consents required for the generation project. We expect to add further clarity to the required consents during the transition period.

8. Termination, closure and capacity reduction

Pre commissioning - Actual

For a generation project that has remained on the Actual liability, should the agreement be terminated, National Grid will invoice for the liability detailed in the MM1 (cancellation charge).

The liability would then be reconciled to actual spend and the difference either invoiced or credited to the generation project.

Should the generation project fail to pay the invoiced cancellation charge, National Grid would draw down on the secured amount detailed in MM2 (Cancellation Charge Secured Amount) and seek to recover any remainder through other channels.

Pre commissioning - Fixed

Once a generation project has chosen to fix their liability, should the agreement be terminated, National Grid will invoice for the liability detailed in the MM1 (cancellation charge). If they reduce capacity (partial termination), National Grid will invoice for the proportion of the liability that the MW reduction reflects.

As the fixed option has been chosen the cancellation charge will not be reconciled to reflect actual spend.

As with Actual, should the generation project fail to pay the invoiced cancellation charge, National Grid would draw down on the secured amount detailed in MM2 (Cancellation Charge Secured Amount) and seek to recover any remainder through other channels.

Post commissioning

The liability for a post commissioning generator is dependant on the notice provided of closure or capacity reduction.

If the notice given is greater than two years, the liability will be 0% of the wider charge and therefore no action will be taken.

If the notice given is less than 2 years (1 year and 5 days) the generator will be invoiced for the percentage of the cancellation charge as described in part 6 of this document. The invoiced amount will be from the wider cancellation charge statement as at the date of notice.

Transitional notice period.

If notice of closure is given by 30 September 2012 such that the post commissioning generation project will close within 4 years of the implementation date of CMP192 (i.e. closure by 30 March 2016) the generation project will not be liable for the wider cancellation charge, but will remain on the previous user commitment arrangements (i.e. Transmission entry capacity (TEC) Reduction Charge - two years transmission network use of system (TNUOS) charges).

For example;

A generator that gives notice on 30 September 2012 that they will close on 30 March 2015 will not have any liability other than the TNUOS that they would pay for the years they are connected (either the new or the previous arrangements).

A generator that gives notice on 30 September 2012 that they will close on 30 March 2013 would have a liability under the previous arrangements (TEC Reduction Charge) but not a liability for the wider cancellation charge.

9. CUSC

CMP192 is now detailed in the CUSC as Section 15 - User Commitment methodology⁷. This part of the guidance document lists the newly implemented and amended CUSC sections.

As well as detailing the arrangements that have been summarised within this guidance document, the key benefits of codifying this within CUSC is the transparency of the arrangements and that any CUSC party can raise a modification on these arrangements using the usual CUSC governance process.

A full list of the amended and new CUSC sections is listed below, these sections will give you a fuller understanding of the revised construction agreements and the associated appendices;

- [Section 10 – Transition Issues](#)
- [Section 11 – Interpretation and definitions](#)
- [Section 15 – User Commitment methodology](#)
- [Schedule 2 Exhibit 3 – Construction Agreement](#)
- [Exhibit MM1 Cancellation Charge Statement](#)
- [Exhibit MM2 Cancellation Charge Secured Amount](#)
- [Exhibit MM3 Notification of Fixed Attributable Works Cancellation Charge](#)

Although the new sections have been added to the CUSC, they are not effective until 1 April 2013. The new form of the construction agreement and the associated appendices will be introduced in line with the transition plan detailed in part 13 of this document.

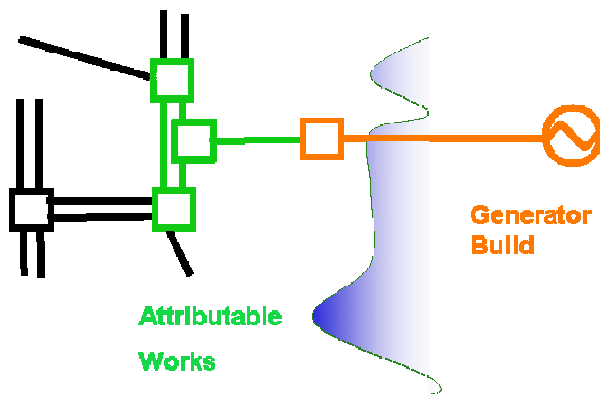
⁷ <http://www.nationalgrid.com/NR/rdonlyres/2561685B-659F-4E6C-9CB8-AE74AEE582FD/52985/CUSCSection15v1031March2013.pdf>

10. Offshore arrangements

The new user commitment arrangements apply to offshore generation in the same way that it does for onshore generation. The transmission owners will provide Capex for attributable and wider investments which will be used as the inputs for the new liabilities to be calculated.

Generator Build

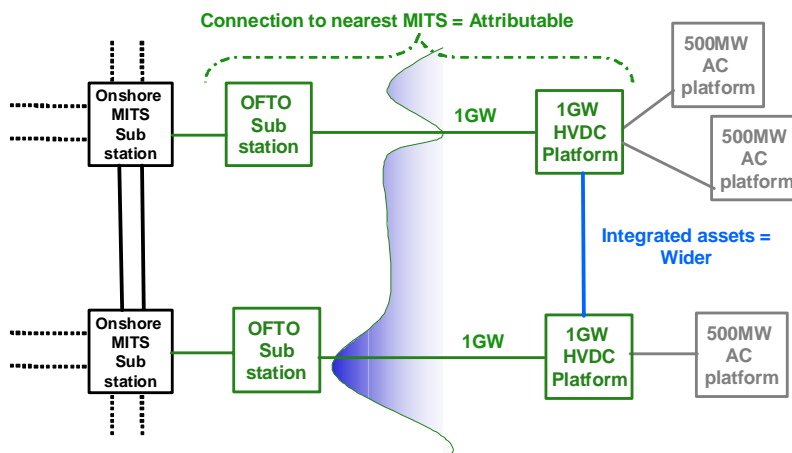
Where the offshore assets are built by the generation project, these assets will be out of scope for new arrangements. National Grid will not require security from the generation project for assets being built by the generation project. Only transmission assets being constructed by a Transmission Owner will be captured by the arrangements in CUSC Section 15.



Integrated Offshore

The arrangements for an Integrated Offshore solution are currently being consulted on by Ofgem and will be developed by the industry. In its current form, the new arrangements will only apply to transmission being developed by TOs; however this does not preclude proposals being made to amend section 15 as integrated offshore is developed further.

In the example below both the links to the onshore transmission and the integrated links between platforms are being constructed by an OFTO, and therefore the new arrangements apply. The attributable works will be the minimum works required to connect the offshore generator to the MITS (shown in green). Any links between offshore platforms (shown in blue) will not be categorised as attributable, and therefore by default be categorised as Wider. In this example, the generation project will only be exposed to specific liabilities for the minimum works to connect to the MITS and the integrated links will be socialised into the wider cancellation charge.



As integrated offshore is developed by the industry, further user commitment arrangements specific to integrated offshore may be proposed and developed through the CUSC governance process.

11. Embedded Generation

Generation projects connected to the distribution networks (referred to as embedded generation) may also have an impact on the transmission system, and therefore may also have a liability for works on the transmission system. This part of the guidance document explains how the new arrangements apply to embedded generation.

In the new arrangements, embedded generation will not carry a user commitment liability post commissioning, either directly through connection agreements with National Grid or through connection agreements with the Distribution Network Operator (DNO).

The pre commissioning user commitment arrangements will apply to embedded generation projects with an impact on the transmission system.

Embedded generation projects with Bilateral Embedded Generation Agreements (BEGAs) have access to the transmission system. In this case National Grid will pass the pre commissioning wider liability to the generation project, and the attributable liability to the DNO.

For embedded generation without transmission access, i.e. Bilateral Embedded Licence Exemptible Large Power Station Agreement (BELLAs) and Statement of Works (SOW) projects, both the wider liability and the attributable liability will be passed to the DNO.

It may be the case that the DNO chooses to pass a liability on to the embedded generation project through their distribution connection agreement. The contractual relationship between the DNO and the embedded generation projects falls outside of the CUSC and therefore the user commitment arrangements under Section 15 may not be passed through to the embedded generation project. During the transitional period we will be engaging with DNOs to understand their position in respect of taking forward similar proposals under the Distribution Connection and Use of System Agreement (DCUSA).

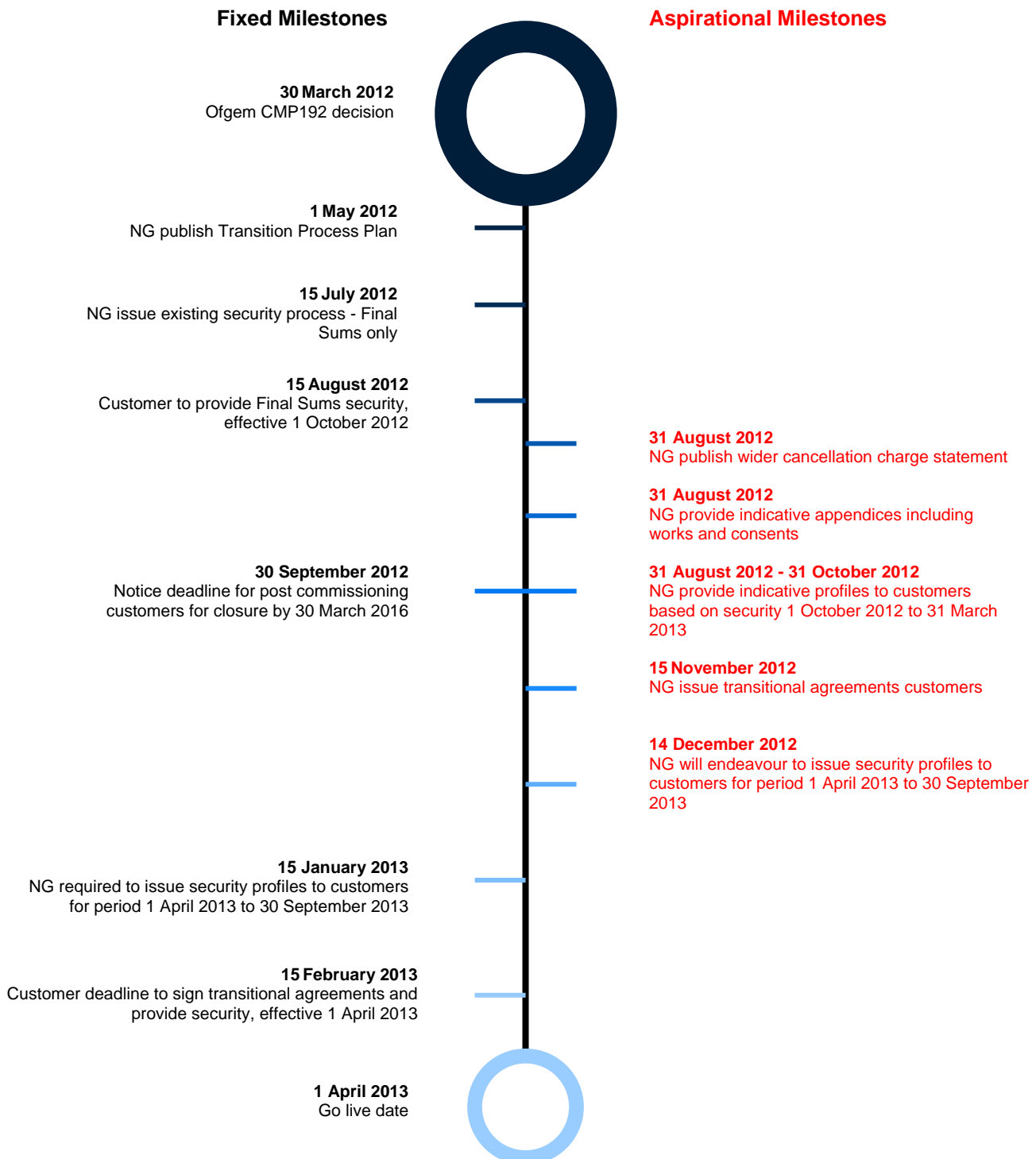
12. Other Connection Types

At this stage the new user commitment methodology is only applicable to generation, and as such demand connections and Interconnectors will remain on the current arrangements (Final Sums). National Grid will continue to keep the CUSC under review, and may propose further developments to the arrangements in Section 15 for these connection types at a future time. This does not preclude any CUSC signatory raising a proposal in this area.

13. Transition of existing pre commissioning generation

CMP192 was implemented on 1 April 2012 with an effective date of 1 April 2013. The year between implementation and effective date was to allow for complete and well developed working level processes to be implemented and to allow an efficient transition of existing agreements. The timeline below details the obligated dates for transition and the dates by which National Grid will look to give customers information in respect of the new arrangements.

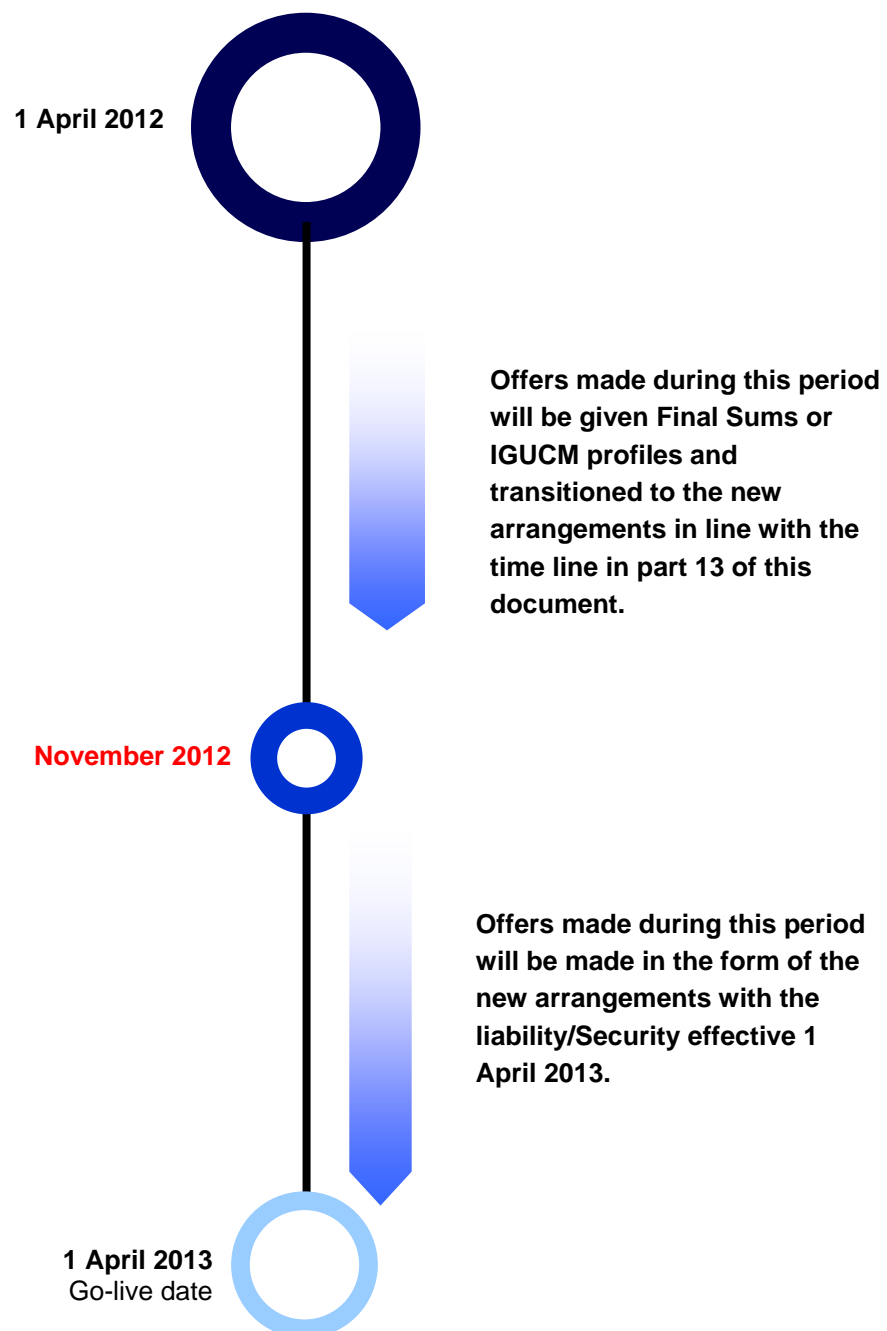
Whilst this timeline is our current expectation and the plan we are working to, some of the new processes have not yet been fully developed from the principles that were implemented by the modification, and as such the dates by which we endeavour to provide this information may be subject to change during the transitional period.



14. New applicants

During the transition period, new applicants will be offered connection agreements in the normal CUSC timescales. Until the full processes are developed and the liabilities for the period beginning 1 April 2013 are calculated, offers will continue to be made under the existing user commitment arrangements.

It is our expectation that the offers made from November 2012 will be in the form of the new arrangements, with security effective 1 April 2013.



15. Frequently asked questions

To add further clarity to the arrangements detailed in this guidance document a collection of questions and answers are detailed below. We expect to add further questions to this section during the transition period.

1. Where can I find more detail about CMP192?

Full CMP192 background and information can be found on our website:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>

Transition

1. Will customers get offers in the form of the new arrangements from this point onwards?

No, the effective date of the new arrangements is 1st April 2013. We do not expect offers made before November 2012 to in the form of the new arrangements.

2. When will customers see first sight of the project specific security information?

The Wider Liability data covering the period from 1st April 2013 to 31st March 2014 for post commissioning generators will be available on the 1st September 2012 and ongoing it will be published annually in October.

It is our expectation that for Pre commissioning generators an indication of the security and liability profile based on the July 2012 security data (not the profile for 1st April 2013) will be provided in September 2012.

For the security period commencing 1st April 2013 we will be issuing project specific information on 15th January 2013, however we are hoping to provide this earlier.

3. Do customers need to sign outstanding offers, or will you reissue a new offer?

Signed agreements will be transitioned to the new arrangements ahead of 1st April 2013; any outstanding offers should be signed and will transition in line with the plan. (Plan will be published 30th April 2012)

4. Is there an option to stay on IGUCM/Final sums?

There are no options to stay on IGUCM/Final Sums (grandfathering). Although grandfathering the existing arrangements was an alternative discussed in the working group, this option was not implemented by Ofgem.

We expect offers made from January 2013 will include new profiles with security effective from 1st April 2013. Customers with existing Construction Agreements will be transitioned to Section 15 with effect from the 1st April 2013.

5. If a generator is currently on IGUCM (i.e. fixed) are they limited to the fixed option of the new arrangements?

All generators will be given the opportunity to choose a fixed or variable option when they are given their transitional offer.

6. What is the trigger date?

For pre commissioning the Trigger Date is always 4 years before the contracted completion date. At this point security is reduced to 42% of the total liability.

7. What constitutes users key consents?

The specific key consents will be defined in Appendix MM when customers receive their transitional offer. These are the generators key consents.

Consents will be specific to each contract; however they will cover all key consents required for the generation project. We expect to add further clarity to the required consents during the transition period.

8. What if a generator only receives partial key consents? (i.e. for only a proportion of their agreement)

If a generator receives partial contents their security will remain at 42% of their liability. In order to receive the security reduction to 10% the customer may consider reducing the capacity of their agreement or splitting it into two separate agreements, via the modification application process.

9. Is the Attributable definition the same as the enabling definition?

No, Attributable and enabling are two different definitions. Attributable is the Works up to the nearest suitable MITS substation, as defined in Section 15 of the CUSC and is only required for security/liability purposes.

Enabling works are the works required prior to connection and may include works beyond the nearest suitable MITS substation, as required for system operation.

10. How will the specific reuse factors be calculated?

For wider works the asset re-use factor will be 33%. This figure is fixed, but will be reviewed periodically. The TO will provide specific re-use factors for each component of the attributable works. Should specific re-use data not be available then the wider re-use factor will be applied as a default, currently 33%.

11. Who picks up the shortfall between security and liability should the user not pay when invoiced?

National Grid will pursue all credit management options to recover any outstanding liabilities from the customer.

Any remaining shortfall would be recoverable from all users through an annual adjustment to the Maximum Allowed Revenue (MAR), as set out in the Licence.

12. Does the 2 year post commissioning liability start before commissioning?

The post commissioning liability will only begin at the commissioning date of the project. i.e. when the generator starts to pay TNUoS.

13. New profiles

Customers may have received examples of Section 15 profiles during the development of the CMP192 proposal. These examples were loosely based on the principles of the new arrangements however they were not split into the Attributable & Wider categories and were intended as indicative numbers to give an understanding of the CUSC modification. The data used for these examples was from January 2011. We will be giving a more up-to-date indication of these profiles using the July 2012 final sums data which will also include correctly categorised works. We are currently hoping to provide these profiles in September 2012.

How do the new arrangements affect customers?

1. How do the new arrangements work for Interconnectors which are currently on IGUCM or Final Sums?

The new arrangements do not apply to Interconnectors.

Interconnectors that are currently on IGUCM or Final Sums will continue to stay on their current security methodology.

2. How will this effect embedded generation?

When the customer has a contract for works with National Grid, i.e. BEGA the liability for wider works are passed to the customer and the attributable works to the DNO. When there is no Construction Agreement with National Grid all of the liability is passed to the DNO.

3. How will this effect Demand Connections?

New and existing Demand Connections e.g. Network Rail projects, will be offered Final Sums security only.

4. Does any security need to be updated i.e. Letter of Credits, Parent Company Guarantees or Escrow accounts?

Security amounts will change under the new arrangements so any existing security valid after 1st April 2013 will need to be updated. Parent Company Guarantees may refer to clauses in the Construction Agreement which under the new arrangements may have changed. These PCG references will need to be updated.