

Modification proposal:	<b>Connection and Use of System Code (CUSC) CMP301: 'Clarification on the treatment of project costs associated with HVDC and subsea circuits'</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator Limited, Parties to the CUSC, the CUSC Panel and other interested parties		
Date of publication:	11 June 2019	Implementation date:	1 April 2020

## Background

Generators and demand users pay for the ongoing costs of the transmission network via Transmission Network Use of System (TNUoS) charges. TNUoS charges take account of costs for different types of circuits. These include onshore circuits, offshore circuits, HVDC circuits and AC subsea circuits.

Circuits are "stretched" by the 'expansion factor' to account for different types and costs of circuits. Onshore circuits use a table of standard expansion factors. A previous CUSC modification proposal<sup>3</sup> introduced specific expansion factors for HVDC circuits and AC subsea circuits to recognise their significantly different costs compared with other onshore circuits.

## The modification proposal

On 29 June 2018, National Grid Electricity System Operator (NGESO) raised CUSC modification proposal CMP301. This proposal seeks to clarify the treatment of HVDC and AC subsea circuits in the CUSC in line with NGESO's interpretation of the existing text, and to ensure consistency with onshore circuits. The Panel decided to send the Proposal to Code Administrator Consultation without the need for an industry working group.

We received the original Final Modification Report ('FMR') on 10 August 2018. We issued a send-back letter to the CUSC Panel on 5 November 2018, setting out our decision to direct that the CMP301 FMR be revised and resubmitted. The send-back letter identified two specific issues that needed to be addressed by the CUSC Panel, namely:

1. more clearly articulate the basis for the proposed modification; and
2. review the legal text to ensure it is consistent with the intent of the proposed modification.

Following our send-back letter of 5 November 2018, the Panel revised the FMR and resubmitted it to us on 18 April 2019 for decision.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

<sup>2</sup>This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> CMP213: 'Project TransmiT TNUoS Developments' <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp213-project-transmit-tnuos-developments>

The revised FMR states that the proposed legal text has been drafted to provide clarity and avoid possible ambiguity with the treatment of offshore circuits. It clarifies that HVDC and AC subsea circuit expansion factors are calculated consistently with other onshore circuits. It does not represent a change in how the calculations are undertaken, but simply confirms the interpretation of the CUSC that the NGESO has been applying to date.

### **CUSC Panel<sup>4</sup> recommendation**

At the CUSC Special Panel meeting on 4 April 2019, the Panel members unanimously voted that CMP301 would facilitate better the applicable CUSC charging objectives. The Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and, following our send-back decision letter, the revised FMR dated 18 April 2019. We have also considered and taken into account the responses to the Code Administrator consultations on the modification proposal which are attached to the FMR.<sup>5</sup> We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant charging objectives of the CUSC;<sup>6</sup> and
2. directing that the modification be made is consistent with our principal objective and statutory duties.<sup>7</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate CUSC charging objective (e) and has a neutral impact on the other charging objectives.

### ***(e) Promoting efficiency in the implementation and administration of the CUSC arrangements***

The Proposer did not identify this objective to support CMP301, but two of the consultation respondents and all members of the CUSC Panel agreed that CMP301 better facilitates objective (e).

#### Our position on CUSC charging objective (e)

We consider CMP301 will better facilitate objective (e). We agree with NGESO, CUSC Panel and consultation respondents that CMP301 will remove existing ambiguity relating to the treatment of AC subsea and HVDC circuits. It will clarify that such circuits should be treated on a consistent basis with other onshore circuits rather than offshore circuits, facilitating better the efficiency of the CUSC.

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<sup>4</sup> The CUSC Panel is established and constituted from time to time pursuant to and in accordance with the section 8 of the CUSC.

<sup>5</sup> CUSC modification proposals, modification reports and representations can be viewed on the ESO's website at <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc?mods>

<sup>6</sup> As set out in Standard Condition C5(5) of NGESO's Transmission Licence.

<sup>7</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

CMP301 does not represent a change in how the calculations are undertaken, but simply confirms the interpretation of the CUSC that NGENSO has been applying to date. Indeed, no such circuits exist on the system yet. Implementation of this modification will result in no impact on network charges for any parties.

We note that NGENSO, some consultation respondents and some Panel members have argued that CMP301 better facilitates other charging objectives, in particular objective (a) relating to facilitating effective competition.<sup>8</sup> Given the modification is simply clarifying the existing practice, we do not consider there to be material competition effects of this modification. We consider that objective (e) is the most appropriate objective against which to assess this modification.

### **Decision notice**

In accordance with Standard Condition C10 of NGENSO's Transmission Licence, the Authority hereby directs that modification proposal CMP301: "Clarification on the treatment of project costs associated with HVDC and subsea circuits" be made.

**Andrew Burgess**  
**Deputy Director, Charging and Access**  
**Duly authorised on behalf of the Authority**

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<sup>8</sup> CUSC charging objective (a): 'That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity.'