

Trisha McAuley OBE
Independent Chair
CUSC & Grid Code Panel

Nadir Hafeez
Ofgem
By email

23 March 2020

Dear Nadir

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for CMP337 (Impact of DNO Contributions on Actual Project Costs and Expansion Factors) and CMP338 (Impact of DNO Contributions on Actual Project Costs and Expansion Factors – New Definition of Cost Adjustment)

On 16 January 2020, SHEPD raised CMP337 and CMP338. CMP337 seeks to allow Distribution Network Operators to contribute to the cost of new Transmission assets and allow this contribution to be netted off from the Transmission Owner's actual project costs in a way which maintains the exact pro-rating of costs between local and wider TNUoS charge elements as is currently in place. CMP338 introduces a new definition of "Cost Adjustment" to give effect to CMP337.

All documentation for these Modifications can be located via the following links:

<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp337-impact-dno-contributions-actual>

<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp338-impact-dno-contributions-actual>

This was presented at the CUSC Modification Panel ("the Panel") on 31 January 2020 with the Proposer arguing that this goes straight to Code Administrator Consultation as they believed the changes were simple and they need to secure developer commitment by May 2020 and needs case approval by early summer 2020 to meet the Implementation Date of 1 April 2024. Panel asked for clarity on a number of issues (notably the impact on wider TNUoS) before determining whether this should proceed to Workgroup or Code Administrator Consultation.

At Panel on 27 February 2020, the Proposer addressed the points made at the 31 January Panel. However, a Panel member highlighted the concern that if one of the alternatives for CMP320 is approved the MITS Node on the island would be part of the wider network and therefore not part of the local circuit charges. Therefore, this could impact the zonal wider tariff. Panel agreed that CMP337/338 should be assessed by a Workgroup.

Given the timescales for a typical process incorporating Workgroup, coupled with the Tranche 1 prioritisation for various existing CUSC Modification Proposals (predominantly related to TCR), it was the Proposer's understanding that neither CMP337 or CMP338 will be with the Authority for a decision in the timescales required for a decision in mid-May 2020, in line with the Proposer's requested implementation steps. Therefore, on 9 March 2020, the Proposer sought that this Modification should be treated as an Urgent Modification and articulated in their supporting letter why they believe this meets each of Ofgem's Urgency Criteria. This rationale is set out in full in Appendix 1 of this Letter.

A Special CUSC Modifications Panel on 18 March 2020 considered this request for urgency. This letter sets out the views of the Panel on the request for the Modification to be treated as an Urgent CUSC Modification Proposal and the procedure and timetable that the Panel recommends.

Request for Urgency

The Panel considered this request with reference to Ofgem's Guidance on Code Modification Urgency Criteria. The unanimous view of the Panel is that **CMP337/CMP338 does meet** these criteria and **SHOULD** be treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

- To address Ofgem's Urgency Criteria (a), Panel recognised that without urgent progression the licensee will not be able to meet the contract and thus the summer season build program necessary to achieve the benefits to consumers that Ofgem has identified. This would have a significant commercial impact on parties (such as generators seeking to connect), consumers (on Shetland) and other stakeholders (wider industry parties) as set out on pages 2-4 of the Proposer's letter;
- To address Ofgem's Urgency Criteria (b), some Panel members noted that if a delay in the 2020 schedule occurs due to a delay in the decision on CMP337/CMP338, then there is a possible risk to the security of supply situation given the weather dependency of installing cables on the sea bed.

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether CMP337/CMP338 is an Urgent CUSC Modification Proposal.

Procedure and Timetable

Having decided to **recommend Urgency** to Ofgem, the Panel discussed an appropriate timetable for CMP337/338.

Panel recognised that to meet the Proposer's requirement for a 12 May 2020 decision date from Ofgem to meet the expected Implementation Date, the Modification would need to be progressed on an urgent timeline.

However, Panel agreed that 12 May 2020 decision date was not achievable because:

- 2 Workgroups rather than 1 Workgroup would be needed prior to this being issued for Workgroup Consultation and;
- The Workgroup Consultation should be at least 5 working days.

The Code Administrator re-drafted the timeline accordingly and shared this with both the Proposer and the Panel. The Panel agreed that CMP337/338, subject to Ofgem's decision on Urgency, should follow this revised Code Administrator's proposed timetable as set out in Appendix 2 of this letter.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response.

Yours sincerely



Trisha McAuley OBE
Independent Chair of the CUSC and Grid Code Panel

Appendix 1 – Proposer's rationale for Urgent Treatment of CMP337/CMP338

This is the letter that the Proposer issued on 9 March 2020 requesting Urgent Treatment of CMP337/CMP338.

Appendix 2 – Urgent Timeline

Modification Stage	Date
Request for Urgency Received	9 March 2020
Panel consideration of Urgency	18 March 2020
Ofgem decision on Urgency	30 March 2020
Workgroup 1	6 April 2020
Workgroup 2 (allowing 5 clear working days between Workgroup 1 and 2)	16 April 2020
Workgroup Consultation (5 working days)	22 to 29 April 2020
Workgroup 3 (to discuss Workgroup Consultation Responses and hold Workgroup Vote)	7 May 2020
Workgroup Report issued to Panel (3 working days)	13 May 2020
Workgroup Report presented to Panel	19 May 2020
Code Administrator Consultation (3 Working Days)	20 May 2020 to 22 May 2020
Draft Final Modification Report issued to Panel and Industry (3 Working Days ahead of Panel)	26 May 2020

Draft Final Modification Report presented to Panel / Panel Recommendation Vote	29 May 2020
Final Modification Report issued to Panel (to check Votes recorded correctly) (1 working day)	1 June 2020
Submit Final Modification Report to Authority	2 June 2020
Authority Decision	9 June 2020
Date of Implementation	1 April 2024