CUSC Modification Proposal Form

CMP376: Inclusion of Queue Management process within the CUSC

Overview: This CUSC modification is to implement the queue management process in to CUSC including introducing a right for the Electricity System Operator (ESO) to terminate contracted projects which are not progressing against agreed milestones.

Modification process & timetable

1. **Proposal Form**
   22 July 2021
2. **Workgroup Consultation**
   n/a
3. **Workgroup Report**
   n/a
4. **Code Administrator Consultation**
   4 August 2021 to 2 September 2021
5. **Draft Final Modification Report**
   16 September 2021
6. **Final Modification Report**
   06 October 2021
7. **Implementation**
   10 working days after Authority Decision

Status summary: The Proposer has raised a modification and is seeking a decision from Panel on the governance route to be taken.

This modification is expected to have a: High impact

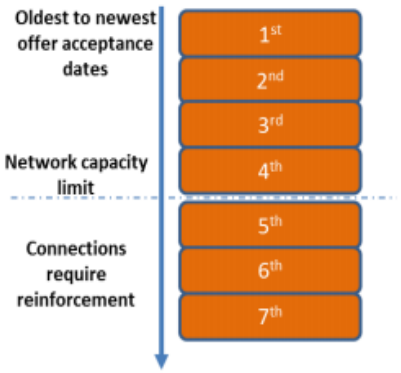
The ESO; Onshore/Offshore Transmission Owners; Distribution Network Operators and all Users wanting to utilise or connect to the National Electricity Transmission System (NETS)

Proposer's recommendation of governance route	Standard Governance modification to proceed to Code Administrator Consultation	
Who can I talk to about the change?	**Proposer:** Keren Kelly Keren.kelly@nationalgrideso.com 07866 050930	**Code Administrator Contact:** Paul Mullen Paul.j.mullen@nationalgrideso.com 07794537028

Contents

What is the issue?

Queue management is a process to manage contracted connections (Transmission and Distribution) against limited network capacity to enable fair and effective use of available network capacity. To date network companies have managed contracted connections, both generation and demand, against limited network capacity and largely on a 'first to contract, first to connect' principle. This is illustrated below.



In this illustration, Projects 1-7 are placed in a queue based on the date they accept their connection offer. Once a certain number has been accepted, which is 4 in this example, the network capacity reaches its limit, meaning that Projects 5 -7 cannot connect until the National Electricity Transmission System (NETS) has been reinforced.

Considering the illustration above, in the event of Project 5 progressing quickly with its project and Project 2 delaying, there is currently no mechanism to manage their queue position to reflect this and so optimise the earliest use of available network capacity. Therefore, work has been done by the industry to improve the network connections processes to enable better use of available network capacity and so facilitate the continuing transition to a low carbon economy.

It is important to have a process as to how actions are taken on projects that are not reasonably progressing and one that is consistently applied across all connections to the NETS and Distribution System. A Queue Management User Guide has been developed collaboratively with industry through the ENA Open Networks Project and is the basis for the changes proposed by this Modification. The current version of the Queue Management User Guide was published in December 2020. The ENA Queue Management User Guide covers all network connections (Transmission and Distribution), but the scope of this modification is limited to projects connecting to the NETS or projects connecting to the Distribution System with a transmission impact. The approach is to manage projects against agreed contractual milestones between the ESO and the User. The ESO can identify delayed projects and effectively manage them if they do not progress against agreed milestones within an allowed tolerance. This also means that, where possible, connection capacity is released/made available for projects that are progressing in line with agreed milestones.

It is important that there are consequences for persistent delay and currently the CUSC does not contain this process of Queue Management or an explicit provision to terminate CUSC parties' contracts where the project fails to meet the User Progression Milestones and the cumulative delay exceeds the allocated tolerance period. This is explained further in the "Why change?" section of this Modification proposal.

Why change?

This modification seeks to introduce a Queue Management Process to manage projects against User Progression Milestone dates and allow the ESO to take measures to terminate the contract if Users are not reasonably progressing as per their contractual agreement. It helps remove stalled or slow-moving projects to release capacity onto the NETS and so better utilise the available capacity. It will:

- Better facilitate competition by ensuring that queues do not develop behind a project that is not progressing, where network capacity could be more efficiently allocated.
- Ensure that network capacity can be freed up where Users who are not progressing against defined milestones and breach the tolerance given can be removed from the queue. This will potentially allow schemes further down the queue to progress more swiftly.
- Ensure efficiency for ESO and Transmission Owners managing contracts, avoiding excessive time management of projects which are not fulfilling their contract milestones within a reasonable tolerance period.
- Deliver greater certainty over network requirements and solutions for ESO and Transmission Owners.
- Through enabling projects who are ready to progress, ultimately support the transformation to a sustainable energy system and the UK's commitment to net zero emission by 2050.

This approach builds on/reflects the approach developed through the ENA Open Networks Project which worked in collaboration with Ofgem, BEIS, 10 of UK and Ireland's electricity network operators and other key stakeholders. The outcome of the ENA Open Networks solution to the Queue Management process is described in the section below.

Queue Management Process

As per the ENA Queue Management User Guide, all connection offers will contain a set of User Progression Milestones. Once a user accepts the agreement, the network companies will start monitoring the user's progress against the agreed milestones. Users will have to provide network companies with suitable evidence to demonstrate that they have met the relevant milestones within the timescales. Failure to provide this evidence on time in advance of the milestone may lead to the project status (described below) changing and may contribute to the project's cumulative delay. Any delays against milestones are compared to the documented tolerances, for the purposes of determining the project status.

If a user fails to meet one or more milestones but the cumulative delay is still within the allowed tolerance level, the project status is considered as within tolerance. However, if the tolerance is exceeded and the milestone is not achieved, then the network companies will intervene which will result in contract termination, subject to any exceptional issues (for more details see proposed solution section).

The main components to the framework in the new ENA Queue Management User Guide and which are to be introduced in to the CUSC through this proposal are:

a) User Progression Milestones – these form the agreed benchmarks by which network companies and their customers can measure and track the progress of a

project towards a contracted connection date. They were developed with wider consultation with stakeholders.

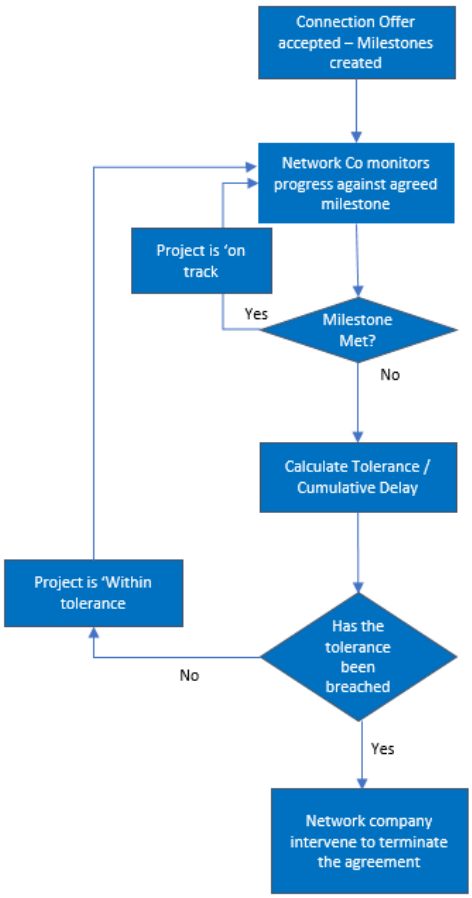
b) Tolerance Period – Tolerance allows customers to manage reasonable delays without the risk of having their contract terminated if they fail to meet an agreed milestone.
c) Cumulative delay – Any delays against milestones are added together to give a cumulative delay. If a customer project is delayed against more than one milestone at the same time, i.e. the milestones involved can be considered as concurrent as opposed to cumulative, then only one of these delays would add to the cumulative delay. It allows the tolerance period to be utilised to manage a delay for a single milestone, or it could be divided to manage multiple delays across milestones.

Based on the above a project is given the following project status

- 'On Track' – the project is proceeding within the relevant milestone periods; or
- 'Within Tolerance' – the project has exceeded one or more of its required milestones but the cumulative delay (for earlier milestones), or individual milestone delays (for later milestones) do not exceed the Tolerance; or
- 'Termination'- the project has not met a milestone(s) and the cumulative delay or individual milestone delay has exceeded the tolerance resulting in the termination of the contract.

Details and links to ENA publications and consultations since 2016 can be found in the 'Reference Material' section below.

The diagram below shows an overview of the Queue Management Process:



Customer Engagement:

The ENA carried out extensive stakeholder engagement and consultations to seek views across the wider industry on how electricity network companies should manage connection applications and what process should be used when dealing with connections queues. All network companies wanted to ensure that available resource is allocated in a way that is transparent and fair, while enabling network companies to more actively manage connection queues. To give customers more clarity and awareness, the ENA held webinars and engaged industry through an Open letter published through the ENA and ESO.

Links to the ENA webinars, implementation plan, and open letter to the industry are included in the "Reference Material" section.

What is the proposer's solution?

The proposed solution is to codify the Queue Management Process described in the Queue Management User Guide within the CUSC subsidiary documents.

It is proposed that the Construction Agreement template, contained within CUSC Schedule 2 Exhibit 3 part 1 and 2 and Schedule 2 Exhibit 3A, is updated to outline a process for management of User progress against milestones. The Construction Agreement template will include:

- a new Appendix Q Queue Management; and
- a new clause titled 'Queue Management Process' and new defined terms **Queue Management Process** and **User Progression Milestones**

Appendix Q Queue Management will set out the User Progression Milestones (agreed milestones 1 to 6). It will also describe the concepts of cumulative delay, tolerance period and exceptional issues. These concepts are used to measure progress against each milestone to give the project a status. Appendix Q lists the three different project statuses with a description of each.

The new clause 'Queue Management Process' states that the Queue Management Process will be used to measure a User's project against User Progression Milestones. If, by following the Queue Management Process, it is determined that a User's project is at 'Termination' status, the ESO will have a right to terminate the Construction Agreement with the User.

Draft legal text

The draft legal text can be found in separate documents. The proposed changes are shown in red text against the latest baseline of CUSC Schedule 2 Exhibit 3 part 1 and 2, and Schedule 2 Exhibit 3A.

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	**Identified impact**
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	**Positive** This modification will provide clarity to all parties on the correct process to efficiently manage stalled projects.
(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;	**Positive** This change will better support effective competition, by making it potentially easier for parties to connect to the NETS swiftly and economically where they are able to progress.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral**
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** This modification will clarify a consistent process for

	proactively managing connection offers thereby reducing ambiguity and promoting efficiency in contract management.
*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).	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	**Neutral**
Lower bills than would otherwise be the case	**Positive** Application of the Queue Management principles ensures consistent treatment of Users across the Whole System. A cheaper connection may be offered to users when queue management rules are applied. It should allow Network Owners to give more efficient network solutions as they will no longer have a contracted queue/background which may ultimately never materialise. This approach should deliver greater certainty over network requirements and solutions.
Benefits for society as a whole	**Positive** Queue management always enables the fair and effective use of available network capacity and ensures that those at the front of capacity queues are incentivised to deliver their projects in a timely manner, rather than stifle opportunities for other adjacent schemes to proceed.
Reduced environmental damage	**Positive** This helps network companies to manage the network capacity effectively by reducing the need for new network reinforcement, supporting transition to net zero.
Improved quality of service	**Neutral**

When will this change take place?

Implementation date

The process management framework in the ENA Queue Management User Guide is planned to be applied from 1 July 2021. This will be included in all new applications and modification applications clock-started[1] from this date. This ensures a fair and consistent approach, as any projects with a submission date prior to 1 July 2021 that experience unreasonable delays and submit a modification application, will then reflect the new Queue Management Process.

From an ESO perspective, this means that contracts issued from 01 October 2021 (assuming a clock start date on or after 1 July 2021) will include the new Queue Management process.

Date decision required by

As soon as possible

Implementation approach

Open letters have been sent to industry parties by the ESO to raise awareness about the implementation of Queue Management principles, and the ESO will be engaging with customers throughout the connections process to ensure that impacts and expectations are understood.

The ESO is also undertaking changes to customer relationship management systems and contract management processes to incorporate the new ENA developed Queue Management principles.

Proposer's justification for governance route

Governance route: Standard Governance modification to proceed to Code Administrator Consultation

The Proposer believes that this modification should proceed straight to Code Administrator Consultation. The need for, and concept of, queue management and the solution has been developed collaboratively with industry through the Energy Networks Association (ENA) Open Network Projects. The proposal reflects the solution identified as a result of wider industry engagement and is intended to provide a consistent process so that customers have similar experience whichever network they connect to. Stakeholders involved in the ENA development include the ESO, CUSC Users, the Transmission Owners, Distribution Network Operators, Ofgem and BEIS.

[1] Clock start signifies the start of the 3-month period in which the ESO has to issue an offer in respect of the customer application under CUSC. In order to clock start, the application must have been declared competent and the application fee paid. The clock start date will be the latter of competency declaration or receipt of the application fee.

Interactions

☐Grid Code	☐BSC	☒STC	☐SQSS
☐European Network Codes	☐ EBGL Article 18 T&Cs[2]	☐Other modifications	☐Other

Work has been undertaken with the TOs and discussions are ongoing to ensure a coordinated approach to any required industry code changes. The TOs are planning to raise an STC change following this CUSC modification proposal.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DG	Distributed Generator
DNO	Distribution Network Operator
EBGL	Electricity Balancing Guideline
ENA	Energy Networks Association
ESO	Electricity System Operator
NETS	National Electricity Transmission System
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TO	Transmission Owners

Reference material

ENA Development

- **2016 Project Progression Milestones** - ENA published the project progression milestones best practise guide
- **2018 consultation** – providing stakeholders with a review of network companies' approach to Queue Management and seeking views on the approach for 2019.
- **2019 consultation** – set out a Queue Management policy framework.
- **2020 consultation** - sought stakeholder comments on the Queue Management User Guide based previous consultations and the ENA's 'minded to' policy.

Customer Engagement

- 2019 - Open Networks | Interactivity & Queue Management Webinar - YouTube
- 2020 - Open Networks | 2020 Queue Management Consultation Webinar - YouTube
- 2021 - Open Networks Queue Management Webinar (May 2021) - YouTube

[2] If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the European Electricity Balancing Guideline (EBGL – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

- 2021 - Implementation plan for the published Queue Management process – ENA publication
- March 2021 Open letter to the industry through the ENA
- March 2021 Open letter shared with CUSC parties by the ESO