

CMP288 'Explicit charging arrangements for customer delays and backfeeds'

and

CMP289 'Consequential change to support the introduction of explicit Charging arrangements for customer delays and backfeeds via CMP288'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **31 January 2019** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Shazia Akhtar at Shazia.akhtar2@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Michael Benson – Development Director</i> mbenson@carltonpower.co.uk 07825368390
Company Name:	<i>Carlton Power Limited</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC Objectives for the Use of System Charging Methodology are:</p> <p>(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;</p> <p>(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);</p> <p>(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably</p>

	<p>practicable, properly takes account of the developments in transmission licensees' transmission businesses;</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission Plc Licence under Standard Condition C10, paragraph 1*; and</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</p> <p>The Applicable Standard CUSC objectives are:</p> <p>(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;</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>(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency*; and</p> <p>(d) Promoting efficiency in the implementation and administration 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>
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Standard Workgroup consultation questions

Q	Question	Response
1	<p>Do you believe that CMP288 and CMP289 Original proposals, better facilitates the Applicable CUSC Objectives?</p>	<p>No</p> <p>We believe that the proposed changes will reduce competition in electricity generation.</p> <p>The proposed approach significantly increases the financial risk to developers if a project is delayed compared to the current mechanisms which have been in place since privatisation of the electricity market.</p> <p>This disadvantages independent companies who need to secure project financing to proceed with construction of the generating asset and therefore have more uncertainty in project timing.</p> <p>The exclusion of independent companies from the market will reduce competition not support it.</p>

Q	Question	Response
2	Do you support the proposed implementation approach?	<p data-bbox="754 163 794 197">No</p> <p data-bbox="754 241 1525 439">It is unreasonable to unilaterally impose significant additional and unforeseen costs onto companies who have entered into commercial connection arrangements many years previously as part of developing much needed generation projects.</p> <p data-bbox="754 483 1525 636">If approved the implementation of any changes should only apply to new electricity connections which are requested after the date of any implementation. Any changes should not apply to existing connection agreements.</p> <p data-bbox="754 680 1390 757">In addition any changes should also not apply to modifications to existing connection agreements.</p> <p data-bbox="754 801 1520 913">These agreements were entered into on the basis of the financial charging information supplied by the transmission operator at that time.</p> <p data-bbox="754 958 1493 1155">Whilst the timing and technical details may need to be updated to ensure that NG are aware of the project requirements, the commercial terms of these existing agreements should not be simply be adjusted to suit one party.</p> <p data-bbox="754 1200 1517 1352">If NG is allowed to claim financing charges from the User for being delayed they should also be liable to the User for the financing cost incurred by the project if the connection is not delivered on time.</p>
3	Do you have any other comments?	<p data-bbox="754 1364 1517 1675">The proposed changes will severely limit the ability of companies to secure grid connections in advance of financing as the inherent uncertainty of timing associated with developing and financing generation assets risks triggering significant additional NG related costs prior to certainty that the project will proceed. Conversely it will be almost impossible to raise finance for projects without subsisting connection agreements.</p> <p data-bbox="754 1720 1528 1917">This situation will also limit the ability of large new build projects companies to participate in the T-4 Capacity Market auctions as the prequalification process requires bidders to hold Connections for the delivery year applicable to the relevant auction.</p>

Q	Question	Response
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p>It should be clear that a user requested delay to the connection date is not really a user decision to slow down the project but rather an inability to proceed as planned.</p> <p>Historically there has been a tendency for NG to programme works on the basis of it's own operational and strategic requirements which may not take sufficient account of the actual project status.</p> <p>Going forward we believe it would be better to create more transparency and communication in the NG process of planning for new connections so that the works can be optimised and delivered on a just in time basis.</p> <p><i>If yes, please complete a WG Consultation Alternative Request form, available on National Grid's ESO website¹, and return to the CUSC inbox at cusc.team@nationalgrid.com</i></p>

Specific questions for CMP288 and CMP289

Q	Question	Response
5	Do you believe this consultation covers all the relevant interactions between other liability/charging mechanism currently in place in addition to cancelation and connection charge? If not, please can you provide further information.	
6	Do you agree with the scope of the works which are proposed to be used to calculate the charge?	

¹<https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/cusc-modifications>

Q	Question	Response
7	Do you agree with the proposed level of granularity, timing of the proposed information exchange and the period it covers?	
8	Do you agree with the proposed quarterly reporting of/provision of milestones?	
9	Do you believe the report has captured all the cross code/licence issues relevant to these modifications?	
10	Do you agree that the wording of the CUSC should be amended to clarify that one-off charges will be issued to recover additional incremental costs incurred to facilitate a User requested delay or backfeed? If so, do you think this should include a list of example such one off costs that can be incurred for delays and backfeeds?	<p>No</p> <p>For the reasons explained above these costs are a significant increase in development risk and will reduce competition.</p>
11	Do you support either of the solutions proposed for calculating financing charges in relation to shared and wider enabling works? Do you have another solution which may be better?	
12	Do you agree with the proposed approach that the delay/backfeed charges should be paid as the costs are incurred? Or do you feel they should be paid in an alternative timeframe (e.g. the point of connection)?	<p>If approved any delay/backfeed charges should be paid at connection.</p>

Q	Question	Response
13	Do you agree with the one month deadline to notify the TO of an intention to delay, to allow the TO to reassess its investment strategy?	
14	Do you agree that individual TOs' regulated Weighted Average Cost of Capital (WACC) should be used as the financing rate to calculate the proposed financing charges?	