

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>Joshua Logan</i> Joshua.logan@drax.com 01757 612736
Company Name:	<i>Drax 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, we do not believe this modification is necessary or beneficial. TOs are incentivised to spend efficiently and to engage in a transparent manner with all of their customers to avoid inefficient spend, it's not appropriate for delaying customers to pick up any of the TOs financing costs.</p> <p>Due to the nature of the price control, we recognise that the Transmission Owner (TO) can recover financing costs arising because of a delay through TNUoS, but do not believe it is appropriate to target this at the delaying party. If TOs have identified an issue with current arrangements then they should seek changes to the price control, this CUSC modification is not the appropriate route to correct the alleged defect.</p> <p>We note the report gives a detailed explanation of how the price control and TOTEX incentive mechanism work and this is appreciated. However, it's still not clear:</p> <ul style="list-style-type: none"> • How this financing cost arises • What such cost is meant to represent • How a user delay causes a loss to the TOs that can be quantified • Why overspend attributed to a generator delay is treated differently to overspend due to other causes <p>Drax are not convinced that placing this charge on developers is cost reflective. TOs should be managing their risk appropriately and the actual financial impact of inefficient spend should be very small.</p> <p>Another concern we have is that this process would only work one way, it's not proposed that any TO initiated delay would result the in the developer being paid to cover their financing costs. This treatment is discriminatory.</p> <p>Whist the proposals around transparency and quarterly meetings are welcomed, we believe the TOs should be doing this anyway (although if the only way to make this happen is through codifying requirements then we would support that approach). A robust process, accompanied by effective project management from TOs, should ensure that inefficient spend does not occur and provide</p>

		<p>developers with the information they require. Annulling the need for financing charges.</p> <p>We do, however, see merit the making the charging arrangements regarding the recovery of one-off costs (e.g. remobilisation and demobilisation) more explicit.</p> <p>Overall, we do not believe that CMP288 and CMP289 Original proposals, better facilitates the Applicable CUSC Objectives.</p>
2	Do you support the proposed implementation approach?	<p>No, should this mod be implemented is it critical there is no retrospective application. It should only apply to new offers going forward where charges are transparent, and risk can be accounted for. Applying to existing applications would introduce additional risk which wasn't transparent when the contract was signed and could cause significant financial difficulties for long standing projects. Given part of this modification is about increased transparency and discussions, it's not appropriate to apply such charges to any connections currently in development.</p>
3	Do you have any other comments?	No.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<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 on next page.

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

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.	Yes.
6	Do you agree with the scope of the works which are proposed to be used to calculate the charge?	To a certain extent, proposing to include wider enabling works presents challenges and is covered in Q11.
7	Do you agree with the proposed level of granularity, timing of the proposed information exchange and the period it covers?	TOs should be having open discussions with developers and be as transparent as possible to minimise any inefficient spend. We support the proposals around transparency and quarterly meetings.
8	Do you agree with the proposed quarterly reporting of/provision of milestones?	Yes.
9	Do you believe the report has captured all the cross code/licence issues relevant to these modifications?	Yes
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?	Since TOs already collect money form developers as a result of one-off costs, there is merit in clarifying the CUSC wording. A list of examples would be helpful.

Q	Question	Response
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?	This is a complex issue and both solutions have disadvantages. Should wider enabling works be included, our preference would be for Option 2 which prevents the “last man standing” scenario.
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)?	Should such charge be introduced, it seems sensible they start being paid once they have incurred.
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?	Our preference would be for a longer lead time, one month is often not long enough when businesses are faced with important decisions such as this. We believe 2 or 3 months would be more appropriate.
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?	We are not convinced the WACC is truly reflective of the cost of capital and can just be applied to charge developers in this way.