

Code Administrator Consultation Response Proforma**CMP376: Inclusion of Queue Management process within the CUSC**

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 to cusc.team@nationalgrideso.com by **5pm on 4 May 2023**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Paul Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Kate Livesey
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I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential

☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (non-charging) Objectives are:

- The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions						
1	Do you believe that the CMP376 Original proposal and/or WACMs 1-11 inclusive better facilitate the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates:				
		Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM1	<input type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM2	<input type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM3	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM4	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM5	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM6	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM7	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM8	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input checked="" type="checkbox"/> D
		WACM9	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM10	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D
		WACM11	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input type="checkbox"/> C	<input checked="" type="checkbox"/> D
<p>Overall, there's insufficient evidence presented to establish whether queue management is required and whether any of the solutions would mitigate the proposer's stated issue. There has been no transparency as to how many projects are stalling and holding-up capacity, nor any indication of how many projects would be terminated under the new arrangements. Additionally, there has been no cost:benefit analysis as to how this might impact consumer bills.</p> <p>However, should such a queue management scheme be implemented, WACM 11 would best meet the Applicable CUSC Objectives (a), (b) and (d) as it ensures efficient processes, lower barriers to innovation and/or improved competition, and ensures efficient allocation of network capacity. We believe WACM 11 is the only option that accounts for the commercial realities of the connections process through inclusion of the additional Exception that ensures projects are not prematurely terminated simply because of an unsuccessful first attempt at securing funding through mechanisms such as Contracts for Difference. Indeed, many important generation projects have had to go through multiple rounds of funding</p>						

	<p>mechanisms in recent years before becoming commercially viable, and without these projects Great Britain's energy mix would not be as diverse nor as secure as it is. WACM 11 also includes the ability for Users to be moved down the queue, rather than face termination. In our view this active management of the queue would better enable delivery of Net Zero targets compared to the Original. The Original risks terminating viable 'green' projects and potentially deterring investors from building in Great Britain.</p> <p>Further comments on each of the options is given below:</p> <p><i>Original - neutral or negative against objectives:</i> We cannot ascertain any positive outcome against objectives due to the absence of evidence of a needs case or resulting benefits from this change. We anticipate the change may have a potentially detrimental impact on current and future projects due to the risk of termination, and we deem other approaches set out in WACMs 8, 9 and 11 to in part mitigate this risk due to Dynamic Queue Management.</p> <p><i>WACMs 1 & 2 – positive against objective (b):</i> May better facilitate effective competition by ensuring a consistent approach is taken between Users for meeting Milestone 6; it's vital that any evidence requirements are clear and consistent across Users to avoid unfairness, and the change under this WACM presents a significant improvement on the Original. However, WACM 2 risks inefficient implementation as per our reasoning below under WACM 7.</p> <p><i>WACMs 3 & 4 – negative against objective (b):</i> May result in unreasonably difficult targets for securing Land Rights and risks reducing competition, limiting the Connections process to those that can secure Land Rights quickly. Indeed, we view the requirements under this alternative to be completely unmanageable and out of touch with the realities of the process for securing Land Rights. WACM 4 also risks inefficient implementation as per our reasoning below under WACM 7.</p> <p><i>WACMs 5 & 6 – negative against objectives (a), (b) & (d):</i> Bilaterally agreed milestones may result in inefficient and uncompetitive arrangements for ESO, TOs or Users – it has the potential to initiate delays due to administrative burdens and risks inappropriately treating Users</p>
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		<p>differently. <i>WACM 6</i> also risks inefficient implementation as per our reasoning below under <i>WACM 7</i>.</p> <p><i>WACM 7 – negative against objective (d):</i> Risks inefficient implementation of CUSC arrangements, bringing administration and efficiency challenges due to requiring the majority of Users to transition to Queue Management arrangements. We also view this option as amounting to retrospective application, requiring changes to User's contractual agreements without consent, which is wholly inappropriate.</p> <p><i>WACMs 8 & 9 – positive against objectives (a), (b) & (d):</i> May ensure connection arrangements are facilitated more efficiently and economically, allowing the fastest progressing projects to connect, without the risk of terminating viable projects. This may minimise any barriers to innovation and may ensure efficient use of network capacity. However, <i>WACM 9</i> risks inefficient implementation as per our reasoning above in <i>WACM 7</i>.</p> <p><i>WACM 10 – negative against objective (d):</i> May bring inefficiencies in application due to the granular milestone timetable it would introduce.</p> <p><i>WACM 11 – positive against objectives (a), (b) & (d):</i> As per <i>WACMs 1 & 8</i>. And: The additional Exception within this <i>WACM</i> should better facilitate competition as it will help a wider range of projects remain in line for completion, and investors are less likely to be deterred from operating in GB as the process will better reflect commercial realities and challenges associated with accessing a route to market.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If evidence shows there is a need for CMP376, we support the proposed implementation approach in the Original and in <i>WACM 11</i>, whereby milestones are applicable to connection agreements offered after the implementation date, and to any modification application made post-implementation. <i>WACM 11</i> also brings the added benefit of a six-month implementation window which will allow the ESO, TOs and industry to prepare fully for such arrangements, ensuring changes are not made at haste.</p>

		<p>We do not support the implementation approach taken in WACMs 2, 4, 6, 7 or 9, whereby all Users with a connection date 2+ years away are brought into queue management arrangements. Such an implementation approach would amount to retrospective application through the alteration of contracts without User consent.</p>
3	Do you have any other comments?	<p>There is a lack of evidence that this modification will meet the outcomes stated by the proposer in the consultation document:</p> <p><i>“Network capacity allocated to Users is fully utilised as quickly as possible, particularly with the transition to net zero in mind”</i></p> <ul style="list-style-type: none"> • We don’t believe sufficient evidence has been provided to show that any backlog of projects would be reduced by introducing Queue Management. • With regard to Net Zero, we hold concerns that by introducing this proposal, some projects would be terminated that would be highly beneficial for meeting Net Zero commitments. Additionally, some low carbon projects may be dissuaded from coming forward in future, perceiving Queue Management as a barrier to entry. <p><i>“Network investment to facilitate User connections remains economic and efficient, minimising the impact of connections investment on end consumer bills”</i></p> <ul style="list-style-type: none"> • No evidence has been provided regarding the impact on investment or on end consumer bills. <p><i>“An additional commercial driver is introduced to motivate Users to keep their projects on track”</i></p> <ul style="list-style-type: none"> • It is our view that there are already sufficient commercial drivers in place to ensure projects progress at pace, and these drivers are more significant and effective than that being introduced through this modification. <p>We also note that the proposal introduces no obligations on the ESO or networks, such as required performance standards corresponding to each milestone. In fact,</p>

		<p>CMP376 Original and it's WACMs as currently drafted would absolve the ESO or networks from any responsibility for delays on their part, whilst maintaining the threat of termination on developers. Additionally, the modification could create a perverse financial incentive for the ESO to terminate viable projects that have experienced slight delays, due to the ESO then being eligible for a termination fee payment from the User.</p>
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