

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal
Enabling capital contributions for transmission connection assets during commercial operation
Submission Date
23/07/2015
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address
<p>Currently connecting parties can choose at commissioning whether they wish to make a contribution towards the capital component of the transmission connection assets, outright or in part, or to effectively lease the asset on the basis of RPI indexation and straight line depreciation over 40 years.</p> <p>In the CUSC 14.3.10, it states that “a capital contribution based on the allocated GAV [Gross Asset Value] at the time of commissioning will reduce capital”.</p> <p>Clause 14.3.22 sets out the user choice of making 100% capital contribution towards its allocation of a connection asset in which no capital charge will be payable (and the residual connection charge is then based on the site specific running costs); and Clause 14.3.23 sets out the arrangements for a partial contribution.</p> <p>There are currently no arrangements in the CUSC that would enable users to make decisions with regard to capital contributions during the operational phase, not just at commissioning of a power station.</p> <p>This means that users have a lack of choice in respect of their financing arrangements for the connection assets and that the current arrangements do not reflect that company and project circumstances can change over time. Companies entering into annual charge arrangements do experience changing financial and other circumstances and may at some point in the life of the asset wish to alter the existing financial arrangement.</p> <p>This proposal therefore seeks that users should have the ability to make capital contributions towards transmission connection assets at any time and not only at commissioning.</p> <p>One area that may need to be considered is whether there is a change to revenue streams from the proposal that could impact other parties. In particular in the instance of transmission charges in Scotland, charges are collected from the customer by National Grid and paid back to the Scottish transmission owners (TOs). It may be that an indirect consequence could be that such a capital contribution could change the financing arrangements.</p>

Description of the CUSC Modification Proposal

This modification seeks to introduce arrangements into the CUSC that would enable users that have existing arrangements to pay annual charges for transmission connection assets the opportunity to make capital contributions against the transmission connection assets.

This would enable them to reduce ongoing annual charges and related post operational securities.

The modification would facilitate effective competition by removing a barrier to responding appropriately to changing circumstances. It would enable users to have greater choice and flexibility concerning how they manage these costs effectively which would be a benefit to competition between generators.

Impact on the CUSC

The relevant CUSC paragraphs are in section 14.3 of Part 1 *The Statement of the Connection Charging Methodology*.

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other
(please specify)

There is an expected impact on the STC. The modification would allow capital to be paid by the user to NGET in respect of making a capital contribution against transmission connection assets. These assets are owned and operated by the transmission owner (TO) and so the monies paid to National Grid would need to be paid back to the TO. It is for the TO to confirm that there is no reason why it should not accept the capital and that there is no impact on their financing arrangement for the assets in question.

Urgency Recommended: Yes / No

No

Justification for Urgency Recommendation

N/A

Self-Governance Recommended: Yes / No

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

N/A - no ongoing SCRs.

Impact on Computer Systems and Processes used by CUSC Parties:

None identified at this stage

Details of any Related Modification to Other Industry Codes

None

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives for Charging:

Please tick the relevant boxes and provide justification for each of the Charging Methodologies affected.

Use of System Charging Methodology

- (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;
- (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 in accordance with the STC)

incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);

- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.
- (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.

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).

Full justification:

Connection Charging Methodology

- (a) that compliance with the connection 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;
- (b) that compliance with the connection 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 in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection);
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the connection charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- (d) in addition, the objective, in so far as consistent with sub-paragraphs (a) above, of facilitating competition in the carrying out of works for connection to the national electricity transmission system.
- (e) 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.

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).

Full justification:

The proposal would facilitate objective a) by removing a barrier to the ability of users to make capital contributions to the cost of connection assets during the operational phase of the power station. This would facilitate competition by enabling users to have greater choice and flexibility concerning how they manage these costs effectively.

It would also facilitate objective b) by ensuring that the charges faced by the user remain reflective of the costs faced by the transmission owner. The new arrangements introduced by this modification would introduce more choice into the arrangements but do not to change the basis on which they are derived.

Additional details

Details of Proposer: (Organisation Name)	LZN Ltd
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	Party to the CUSC
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Nigel McManus Eneco UK 01926-331224/07990-517775 Nigel.mcmanus@eneco.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Frankie Karki Eneco UK 07896-604280 Frankie.karki@eneco.com
Attachments (Yes/No): No	

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 653606

For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/Current/>

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to jade.clarke@nationalgrid.com and copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.