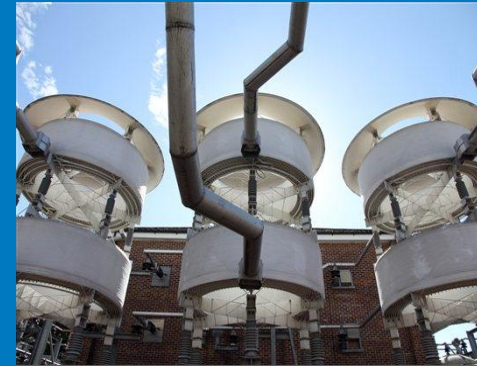
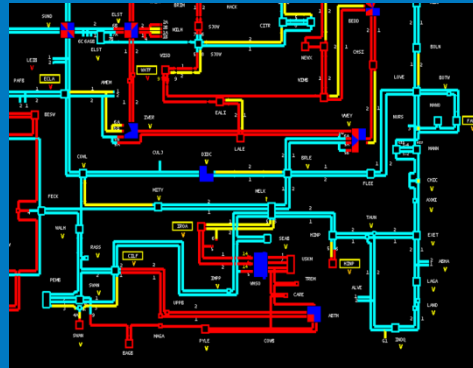


Queue Management Workshop Feedback (22/06/2017)



Summary of discussions

Thank you for your valued feedback on the queue management proposals in the recent workshop. The following slides summarise all the comments from the workshop which are currently being reviewed to help us refine the proposals further.

Principles and your comments

Milestones

1. All contracts contain QM(Queue Management) milestones and dates

- Dates should be agreed on a project specific basis and not standard
- How are the milestones going to be set?
- Need a clear plan/timescales of when the appendix J will be updated in contracts with the QM principles
- Detail on timeline for milestones
- Retrospective application to existing contracts

2. Milestones to be actively tracked and reminders issued 6 months prior to a project reaching its milestone deadline

- Fine, but this cannot be considered as good customer management on its own. Meetings/regular calls and good relationship management is most important

Milestones

- In a reminder, also include other milestone deadlines
- Are milestones in public domain?
- 6 months may be tight for a Mod app
- Do we need 6 months for all milestones?

3. SO maintains a database that holds contract signed dates for all GB pre-connection customers which gives them a queue position

- Providing SO updates clients immediately if there is any change
- Advancing projects would/may need notice to accelerate projects
- SO must commit to informing customers of change within a timely manner (KPI – 10 days)
- SO track record on TWR, TEC Register, CMP 192 is pretty bad, can SO manage?

Stalling

1. SO checks evidence against milestones that informs the status of a project as stalled or progressing.

- Do SO and TO have resources to check complex agreements and do all this work?
- Stalling process is too slow to allow a project to progress when it is ready to build

2. QM rules applied as soon as a project stalls.

- QM should have some exceptions if stalling is not directly client's fault, i.e., government (planning consents), etc.
- Customer may take advantage if stalling means no longer liable for attributable
- More consideration to termination provisions

Stalling

3. Stalled project swaps positions and works with a progressing project that meets the criteria to come forward.

- In any event if potential liabilities are changed, the developer must have the right to review the choice between fixed and attributable liabilities.
- What are the contractual grounds on which NGET can issue such notices and what can be revised. What clauses allow NGET to change dates and to change infrastructure works?
- If project is stalled, it is unreasonable that it be forced to take on additional liabilities. Developer must have alternative to terminate the contract without any penalties.
- Connection date order is not the same as queue date order

Stalling

- 4. Each stalled project will be subject to the QM rules irrespective of their queue position.**
- 5. A stalled project loses the ability to Mod app and any changes will be done by SO through a revised contract notice.**
 - The revised contract notice process needs to be defined in the CUSC
 - Would make sense to limit how far in future a project can postpone its agreement before being stalled
 - Timing must be streamlined
- 6. A project is considered stalled if it applied for a Mod app but did not sign the offer before the next milestone due date.**
 - Mod app may take too long if only few months between applying
 - What if the 'Agreement to Vary' terms are not agreeable?

Stalling

7. When a project applies for a mod app to move connection date back on the same milestone 3rd time, it will be classed as stalled and subject to QM rules.

- The largest and the most material projects are the most likely to experience commissioning delays (milestone 6)
- Impact on securities and liabilities

8. If a project stalls on the same milestone 3rd time, it is moved to the back of the queue.

- Backstop period?
- Could we terminate instead?
- If there is no queue issue, why does a stalled project need to be moved to the end of the queue?

Stalling

9. If a delay to the TO program of works causes a project to stall, the project will not be subject to the QM rules.

- Expected programme of works for TO, SO and customers should be shared and kept up to date(every 6 months?)
- SO and TO need to communicate with each other and customers through all of these to ensure developer is informed and has opportunity to engage and take appropriate action. One reminder email 6 months ahead of milestone is not achieving this. Frequent communication essential.
- Interaction with Distribution queue and DNO milestones
- Can only move a milestone by a certain timescale

Progression

1. Progression is possible on achieving milestones 1, 2 and 3 with a condition to achieve milestone 4 within a year

- What if a progressing project is ready to advance but stalled project is no longer stalled
- Only milestone 4 is really relevant
- Progressing with 3 milestones achieved may be too late to change the developer programme
- Is one year correct (project size!)? Subject to certain considerations or subject to agreement?

2. If a project moves ahead in the queue but consequently fails to fulfil the above criteria, it will be considered stalled

- Too black & white (like, but not sure on criteria)
- Drop dead date for financial close/FID is problematic

Progression

3. If a progressing project is not willing to advance, the next progressing project will be offered the opportunity to advance and so on.

- Providing the party not wanting to advance does not lose its place in the queue, it has done nothing wrong

4. When capacity becomes available, TO carries out design studies to confirm the GSPs that are impacted and can possibly move forward within the transmission and distribution network.

- Version of this report available publicly or for those projects in the area to explain why or why not them?
- Process behind reallocating capacity to distribution needs to be clear and consistent in applying queue management rules
- Clarifying rationale, what triggers are, etc?
- Full transparency must be available to all queue participants

Progression

- 5. Progression of projects is possible for changing connection dates and not for the purpose of moving enabling works on its own.**
 - Timescales from notifying progression opportunity to other projects when one is stalled

Charges

Any changes done by the SO through a contract notice will attract a fee similar to the current mod app fee

- Consider fixed charges
- Visibility of methodology
- Cost reflectivity
- Needs to be in CUSC
- Capped at price of Mod app
- Costs should not be as per a mod app
- Fees to stalled projects Vs. fees to advancing projects
- All studies are initially completed to allow all 'queue' on via TORIs, swapping two clients has no effect on final studies

Milestones and your comments

QM Milestones

	Milestone
1	Initiate Planning Permission
2	Planning permission received
3	Land Rights
4	Achieve FID or EPC contract
5	Instruction to proceed with TO works
6	Commencement of User Works

1. Initiate Planning Permission

Evidence required and your comments

**Submission of a valid planning application, or
Development consent order, or
Consent under the Town & Country Planning Act.**

- Local authority may never state a planning application is “valid” (but should acknowledge receipt)
- “Valid” is different under different local authorities, timescales vary and can be unpredictable
- Should read as ‘Application for consent under T&C Planning Act’ or ‘Initiate planning application’ or ‘Submit planning application’
- Requires heads of terms of Land Rights to apply

2. Planning permission received

Evidence required and your comments

(a) Planning Decision Notice without conditions

- Planning conditions will not always be discharged at outset of project
- Align planning permission with CMP 192
- Key consents same as CMP 192

(b) Planning Decision Notice subject to conditions followed by confirmation from relevant authority that the conditions have been met

- Text “followed by” to end of para to be removed. SO can check this prior to energisation but this is not a milestone for pre connection works
- Not all conditions can be met

(c) Partial planning permission for reduced TEC

- Need to consider release of capacity in CUSC mod
- Should be clearer linked to intent of CAP 148 – project not progressing in line with planning

3. Land rights

Evidence required and your comments

(a) Proof provided to demonstrate that land rights obtained

- Generation substation? Make it explicit that this is it
- Definition of 'station' needs to be clarified for offshore windfarms
- Compulsory powers are available

(b) Ground conditions of the land

- Remove this as CONSAG covers TO platform, land is client's responsibility
- Delete this

(c) If land rights expire, the customer has re-obtained land rights for the site.]

- Amend wording to read 'Completed legal right in place for purchase of Land Rights
- Customer to notify SO/TO if land right is to expire
- Delete this

4. Achieve FID or EPC contract

Evidence required and your comments

Letter from customer confirming unconditional FID or EPC contract with a committed and realistic date of spend for the project

- Can not reach FID without achieving milestone 5

5. Instruction to proceed with TO works

Evidence required and your comments

Letter from customer to confirm that TO can proceed with contract award

- Should it be confirmation to proceed rather than instruction to proceed?
- Is this milestone required? Group consensus is 'No' for group 1
- Is there an alternative milestone to replace this milestone to ensure progression between milestones 4 and 6
- This is part of NGET/DNO contract, not a queue matter
- Define level of works
- This milestone is just a formality but should be there as opportunity for both TO and developer

6. Commencement of user works

Evidence required and your comments

Confirmation that user has purchased equipment and can demonstrate construction plan is being followed.

- Evidence of works commencement/procurement
- Could be 'Commencement of user works on site' or 'Confirmation of user works'
- Copy of client committed programme to TO/SO including date of start on site
- Copy of construction plan
- This is not a queue matter
- This milestone is just a formality but should be there as opportunity for both TO and developer
- What evidence is needed for this?
- Need to link back to user works in agreement (CONSAG)
- Or 'EPC notice to proceed is issued'

Comments about the process

- Provide perspective offer to progressing customers as early as possible (timescales and costs)
- Other projects' milestones are in public domain
- Identification of progressing projects should not need to rely on customer contract managers
- 6 months to take action – Need to appreciate time for developer to gain internal approval to sign onto new securities and liabilities
- How are other projects notified of stalled project and opportunity to progress? Formal process
- Process for stalled project to be un-stalled. How long is it stalled for?
- Mod app acceptance for progressing project needs to stay at 3 months to allow developer to assess opportunity and costs/risks
- Mod app offer process should be very short (less than 3 months) as the work is already done
- Level of communication (how, when) for a project being classed as stalled in systems
- Performance against process - KPIs

Car park comments

- Transmission works register
- Faster Mod app – to change milestones
- Dispute resolution
- Programme of works from National grid
- TEC reduction is dis-incentivised because of CMP 192 which causes the queue issue