



| CUSC Modification Proposal Form | | At what stage is this document in the process? |
|--|---|---|
| <h1 style="color: #008000;">CMP301: Clarification on the treatment of project costs associated with HVDC and subsea circuits</h1> | | <div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">01</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; background-color: #008000; color: white;">Proposal Form</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">02</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px;">Workgroup Consultation</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">03</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px;">Workgroup Report</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">04</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px;">Code Administrator Consultation</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">05</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px;">Draft CUSC Modification Report</div> </div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px; margin-right: 5px;">06</div> <div style="border: 1px solid black; border-radius: 5px; padding: 2px 5px;">Final CUSC Modification Report</div> </div> </div> |
| <p>Purpose of Modification: CMP213 introduced specific expansion factors for HVDC and subsea circuits however the existing legal text is open to interpretation – this proposal would cement the interpretation made by The Company to ensure consistency with onshore circuits</p> | | |
|  | <p>The Proposer recommends that this modification should be</p> <ul style="list-style-type: none"> subject to Normal procedures; and proceed to Consultation <p>This modification was raised 21 June 2018 and will be presented by the Proposer to the Panel on 29 June 2018. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p> | |
|  | <p>Low Impact CUSC Parties who are subject to TNUoS charges</p> | |

| Contents | | ? | Any questions? |
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| Timetable | | | |
| <p>The Code Administrator will recommend a timetable to the CUSC Panel on the 29 June 2018 for their approval:</p> | | | |
| Initial consideration by Workgroup | | | dd month year |
| Workgroup Consultation issued to the Industry | | | dd month year |
| Modification concluded by Workgroup | | | dd month year |
| Workgroup Report presented to Panel | | | dd month year |
| Code Administration Consultation Report issued to the Industry | | | dd month year |
| Draft Final Modification Report presented to Panel | | | dd month year |
| Modification Panel decision | | | dd month year |
| Final Modification Report issued the Authority | | | dd month year |
| Decision implemented in CUSC | | | dd month year |

Proposer Details

| | |
|--|--|
| Details of Proposer: (Organisation Name) | National Grid Electricity Transmission Ltd. (in capacity as ESO) |
| Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council") | CUSC Party |
| Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address: | Harriet Harmon National Grid 07970458456 harriet.harmon@nationalgrid.com |
| Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address: | Urmi Mistry National Grid urmi.mistry@nationalgrid.com |
| Attachments: Yes One attachment, one page "HVDCOS.pdf" | |

Impact on Core Industry Documentation.
Please mark the relevant boxes with an "x" and provide any supporting information

| | |
|------------------|--------------------------|
| BSC | <input type="checkbox"/> |
| Grid Code | <input type="checkbox"/> |
| STC | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |

(Please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

1 Summary

Defect

The CUSC currently includes, in its consideration of expansion factors, different elements depending on whether the circuit is subsea, HVDC, onshore or offshore. The differing costs mean that AC subsea and HVDC circuits are not treated consistently with onshore circuits, to which they are most similar.

What

Currently the CUSC states:

- 14.15.75 AC sub-sea cable and HVDC circuit expansion factors are calculated on a case by case basis using actual project costs (Specific Circuit Expansion Factors).
- 14.15.76 For HVDC circuit expansion factors both the cost of the converters and the cost of the cable are included in the calculation.
- 14.15.80 Offshore expansion factors (£/MWkm) are derived from information provided by Offshore Transmission Owners for each offshore circuit. Offshore expansion factors are Offshore Transmission Owner and circuit specific. Each Offshore Transmission Owner will periodically provide, via the STC, information to derive an annual circuit revenue requirement. The offshore circuit revenue shall include revenues associated with the Offshore Transmission Owner's reactive compensation equipment, harmonic filtering equipment, asset spares and HVDC converter stations.

We propose to alter 14.15.76 such that it is clear that the elements listed in 14.15.80 as being included in the offshore circuit revenue are not included in the expansion factors for HVDC or AC subsea circuits.

Why

We believe that the existing wording is open to interpretation and does not provide appropriate clarity to Users in relation to the calculation of expansion factors. We further consider it appropriate to align the treatment of expansion factors for HVDC and AC subsea circuits to that of onshore circuits, on the basis that these circuits connect to onshore rather than offshore assets.

How

A legal text change to S14 to illustrate the limit of the components used in the expansion factor calculation.

2 Governance

Justification for Normal Procedures

Whilst the attendees at multiple TCMFs in 2018 have previously had sight of our interpretation, this modification and the legal text, we do feel that an Ofgem decision is required in order to ensure that the interpretation of The Company and that of The Authority are aligned. We are aware of the potential for this modification to effect parties' charges in future and consider that self-governance is therefore inappropriate. We do not consider that a Workgroup is necessary as industry has been engaged

throughout development of this proposal, and we have agreed at TCMF that proceeding straight to consultation is appropriate.

Requested Next Steps

This modification should:

- be subject to Normal procedures; and
- proceed to Consultation

3 Why Change?

The CUSC currently includes, in its consideration of expansion factors, different elements depending on whether the circuit is subsea, HVDC, onshore or offshore. The differing costs mean that AC subsea and HVDC circuits are not treated consistently with onshore circuits, to which they are most similar. Without a CUSC change, the current potential for ambiguity, and therefore lack of transparency for Users, will remain.

4 Code Specific Matters

Technical Skillsets

N/A

Reference Documents

5 Solution

- | | |
|----------|--|
| 14.15.75 | AC sub-sea cable and HVDC circuit expansion factors are calculated on a case by case basis using actual project costs (Specific Circuit Expansion Factors). |
| 14.15.76 | For HVDC circuit expansion factors both the cost of the converters and the cost of the cable are included in the calculation. |
| 14.15.80 | Offshore expansion factors (£/MWkm) are derived from information provided by Offshore Transmission Owners for each offshore circuit. Offshore expansion factors are Offshore Transmission Owner and circuit specific. Each Offshore Transmission Owner will periodically provide, via the STC, information to derive an annual circuit revenue requirement. The offshore circuit revenue shall include revenues associated with the Offshore Transmission Owner's reactive compensation equipment, harmonic filtering equipment, asset spares and HVDC converter stations. |

We propose to alter 14.15.76 such that it is clear that the elements listed in 14.15.80 as being included in the offshore circuit revenue are not included in the expansion factors for HVDC or AC subsea circuits. Legal text drafting is appended to this Proposal form.

6 Impacts & Other Considerations

No cross-code implications are foreseen by the Proposer, nor do we consider there to be any risks to any existing pieces of work, including the Targeted Charging Review.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Whilst this Proposal relates to the locational signal, which is being considered under the Access & Forward-Looking Charges work stream in Ofgem's TCR, we do not believe that this change directly affects or inhibits any development in that area.

Consumer Impacts

Tariff impact is to the locational element payable by Suppliers – it is not anticipated that this Proposal will have a material effect on that element, or on consumers.

7 Relevant Objectives

| Impact of the modification on the Applicable CUSC Objectives (Charging): | |
|--|--|
| Relevant Objective | Identified impact |
| (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; | Positive – a level playing field in terms of knowledge & understanding of the components of expansion factors supports competition |
| (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); | None |
| (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; | None |
| (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 | None |
| (e) Promoting efficiency in the implementation and administration of the CUSC arrangements. | None |
| *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). | |

8 Implementation

Should be on 1 April 2019

9 Legal Text

Appended

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to

- Agree that Normal governance procedures should apply
- Issue this modification directly to Consultation