











Stage 04: Draft CUSC Modification Report		At what stage is this document in the process?
<h1 style="color: #00a651;">CMP293 and CMP294:</h1> <h2>National Grid Legal Separation changes to CUSC sections, Exhibits & Schedules</h2>	<div style="display: flex; flex-direction: column; align-items: flex-end; gap: 10px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Proposal Form </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Webinar Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Code Administrator Consultation </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Draft CUSC Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 05 Final CUSC Modification Report </div> </div>	
<p>Purpose of Modifications: CMP293 and CMP294 seek to modify the CUSC to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited (NGET). CMP294 covers CUSC section 14 (charging section) and CMP293 is the Modification for all the other non-charging impacted sections, schedules and exhibits that are being amended by the National Grid Legal separation. The specific CUSC references have been updated in order to ensure the System Operator and Transmission Owner obligations are clear.</p>		
	<p>This Draft Final Modification Report has been prepared in accordance with the terms of the CUSC. An electronic version of this document and all other CMP293 and CMP294 related documentation can be found on the National Grid website via the following links:</p> <p>https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code-cusc/modifications/national-grid-legal</p> <p>https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code-cusc/modifications/national-grid-legal-0</p> <p>The purpose of this document is to assist the CUSC Panel in making its recommendation on whether to implement CMP293 and CMP294.</p>	
	<p>High Impact: National Grid</p>	
	<p>Low Impact: Generators and Suppliers</p>	

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Timetable			
The Code Administrator recommends the following timetable:			
Industry Webinar	09 July 2018		
Code Administration Consultation Report issued to the Industry (16 working days)	02 August 2018		 07794 050359
Draft Final Modification Report presented to Panel	31 August 2018		
Modification Panel decision	31 August 2018		
Final Modification Report issued to the Authority	12 September 2018		
Decision implemented in CUSC	01 April 2019		

1 Format of this Report

This document is the Draft Final CUSC Modification Report that contains the original proposal and a summary of the discussion from the industry webinar which was held on 09 July 2018 to assess the draft legal text for these Modifications.

The Panel reviewed the Webinar Report at their CUSC Panel meeting on 27 July 2018 and agreed that the modifications should proceed to Code Admin Consultation.

This document contains the responses received from the Code Administrator Consultation which closed on 24 August 2018.

CMP293 and CMP294 were proposed by National Grid and were submitted to the CUSC Modifications Panel for consideration on the 27 April 2018. The Panel agreed to the Proposer's recommendation to hold an industry webinar to seek feedback on the legal text. The Panel requested that the modifications return to Panel for agreement to any changes, prior to the modifications being issued out for Code Administrator consultation.

Code Administrator Consultation Responses

One response were received to the Code Administrator Consultation. A summary of the responses can be found in Section 9 of this document. Overall the respondent agreed that the proposals better facilitated the applicable CUSC objectives.

This Draft Final Modification Report has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid Website:

<https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code-cusc/modifications/national-grid-legal>

<https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code-cusc/modifications/national-grid-legal-0>

2 Original Proposals

Section 2 (Original Proposals) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by industry members who called into the webinar.

What

It is proposed to amend the CUSC definition of 'The Company' to reflect the new NGENSO legal entity and create a new 'Onshore Transmission Licensee' definition which encompasses all onshore transmission owners including NGET. There are then additional consequential changes to reflect the separate System Operator role and the onshore Transmission Owner roles.

How

NGET published an open letter on its approach to modifying the relevant Industry Codes on 22 September 2017 stating that NGET intended to raise one Code Modification proposal for each Industry Code, but further work into assessing the

changes required means that for the CUSC, two modifications need to be raised. CMP293 is one of these.

The definition of “The Company” is being retained as the “badge” for NGESO and we are proposing the creation of a new definition ‘Onshore Transmission Licensee’ which covers all onshore transmission owners.

The introduction of the new “NGESO” entity into the CUSC is achieved through a novation agreement novating the code and underlying CUSC contracts to NGESO. The novation agreement will be entered into by NGET on behalf of itself and the other CUSC parties. The authority for NGET to do this is given through the provisions to be introduced into the CUSC (CUSC Section 10) as part of the code modification. The intended form of novation is included within the draft legal text.

3 Proposer’s solution

The Proposer welcomed feedback from the webinar, which has resulted in the following amendments to the proposed solution:

Updated the following defined terms and clauses in section 10:

- Relevant Transmission Licensee – update the definition.
- The Company – Add the references to the company address and registered number.
- Transmission Licenses Assets – in the defined term refer to ‘Relevant Transmission Licensees’.
- Nuclear Site Licence Provisions Agreement – updated NGET and The Company references.

Section 10 Clauses to be amended:

- CUSC 10.3.2 - Include reference to ‘The Company’ registered address.
- CUSC 10.5.3 – Include the following information ‘not less than 75 (seventy five) days (or if such day is not a Business Day the next following Business Day) prior to 31 March 2019’.

We would highlight that the Contents Page is a useful guide to the areas of the CUSC which are changing and will highlight the changes.

The following attachments included in the drafting have now been removed, as there are no proposed changes to them:

- Schedule 3
- Exhibit L
- Exhibit X

Also within Exhibit O, exhibits IA and IIA will be removed from CUSC as the regional variation is no longer required.

We are developing an additional table that highlights only the clauses which have been amended. This table the Panel have agreed should be included in the Code Administrator Consultation.

We support the Code Administrator questions which have been identified in section 4.

4 Webinar Discussions

Format of legal text:

It was suggested attaching legal text which extracted only the Clauses which have been amended; then for completeness include all the amended CUSC exhibits, schedules and sections.

Also based on feedback from the webinar it was suggested to update the following defined terms and clauses in section 10:

- Relevant Transmission Licensee – update the definition.
- The Company – Add the references to the company address and registered number.
- Transmission Licenses Assets – in the defined term refer to ‘Relevant Transmission Licensees’.
- Nuclear Site Licence Provisions Agreement – updated NGET and The Company references.

Section 10 Clauses to be amended:

- CUSC 10.3.2 - Include reference to ‘The Company’ registered address.
- CUSC 10.5.3 – Need an exact figure in the number of days.

Also on the webinar, there was a discussion about potential questions that could be included within the Code Administrator Consultation and based on these discussions the suggested questions are below:

1. Do you believe CMP293&294 better facilitates the Applicable CUSC Objectives? Please include your reasoning
2. Do you support the proposed implementation and transition approach detailed within section 7 of this report which has been drafted in CUSC Section 10 and the associated Novation Agreement? Are there any further transitional implications that need to be identified in CUSC 10.6.1 or contracts under CUSC 10.4.3?
3. Do you support the revised approach of how the ‘Nuclear Site Licence Provisions Agreement’ will be managed in the CUSC, with reference to the Transmission Owners?
4. Is the reference to NGET appropriate in the two CUSC extracts, for the regulatory asset value in the defined term of ‘The Company Prescribed Level’ in CUSC section 10 and the Weighted Average Cost of Capital calculation in CUSC 14.15.65?
5. Within the CUSC, contact details for The Company are provided by references to e-mail boxes, addresses and telephone numbers. Would you prefer these to more generically refer to details on the website or keep these specific references? If specific references are required these will need to be updated following the consultation.
6. Do you have any other comments?

5 Impacts & Other Considerations

All parties to the CUSC will be impacted by the contractual change in the underlying party to their contracts signed under the CUSC changing from NGET to NGESO.

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

N/A

Consumer Impacts

N/A

Costs

Code administration costs	
Resource costs	£0
Total Code Administrator costs	£0

Industry costs (Standard CMP)	
Resource costs	£908.00 – 1 Code Admin Consultation <ul style="list-style-type: none"> • 0 Workgroup meetings • 0 Workgroup members • 1 Industry Webinar • 1.5 man days effort per meeting • 1.5 man days effort per consultation response • 1 consultation respondents
Total Code Administrator costs	£908.00
Total Industry Costs	£908.00

6 Governance

These modifications were raised on the **18 April 2018** by **National Grid** and were presented by the Proposer to the Panel on **27 April 2018**. The Panel agreed to the Proposer's recommendation to hold an industry webinar to seek feedback on the legal text. The Panel requested that the Proposer return to Panel for agreement to any changes prior to the modification being issued out to Code Administrator consultation.

7 Relevant Objectives

Impact of the modification on the Applicable CUSC Objectives (Standard) for CMP293:

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive
(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;	None
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	None

*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).

Impact of the modification on the Applicable CUSC Objectives (Charging) for CMP294:

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;	None
(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;	Positive
(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	None

Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and	
(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).	

The Proposer believes that for both CMP293 and CMP294 this change will better facilitate relevant objective (a), by attributing the appropriate obligations to NGESO as System Operator and the Transmission owners in accordance with the new NGESO Transmission Licence and modified NGET Transmission Licence obligations.

8 Implementation & Transition

Legal text has been drafted using the baseline text of April 2018 and as the modifications progresses through the governance process, the text may need to be revised in light of other ongoing CUSC Modifications. The Code Administrator will ensure that the Proposer is aware of the approval of any of the other CUSC Modifications and the Proposer will take into account any relevant amendments to CMP293 and CMP294 that may need to be made and notify the Modification Panel.

CMP293 together with the other associated CUSC Modification proposal and the associated CUSC novation agreement in respect of National Grid’s legal separation are all interdependent and as such, are all required to be implemented as a single update to the CUSC.

The CUSC changes once approved will be introduced but “suspended”, apart from the “implementation/transitional” provisions in the corresponding provisions within CUSC Section 10, until the transfer of the transmission licence to NGESO. In this way the codes, once amended for separation, can form the baseline for any modifications going forward before the transfer helping to manage the interaction between this forward facing change and the fact that the codes are live documents and subject to ongoing open governance.

9 Code Administrator Consultation Responses

The Code Administrator Consultation was issued on 02 August 2018 for 16 Working Days, with a closing date of 24 August 2018.

One response was received to the Code Administrator Consultation and is detailed in the table below.

Respondent	Do you believe CMP293 & 294 better facilitates the Applicable CUSC Objectives? Please include your reasoning	Do you support the proposed implementation and transition approach detailed within section 8 of this report which has been drafted in CUSC Section 10 and the associated Novation Agreement? Are there any further transitional implications that need to be identified in CUSC 10.6.1 or contracts under CUSC 10.4.3?	Do you support the revised approach of how the 'Nuclear Site Licence Provisions Agreement' will be managed in the CUSC, with reference to the Transmission Owners?
Joshua Logan, Drax	<p>Yes, we believe that CMP293&294 better facilitate the Applicable CUSC Objectives.</p> <p>Standard applicable CUSC Objective (a) – Positive This modification will promote efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence. This is achieved by attributing the appropriate obligations to NGENO as System Operator and the Transmission owners in accordance with the new NGENO Transmission Licence and modified NGET Transmission Licence obligations.</p> <p>Charging applicable CUSC Objective (c) – Positive This modification will properly take account of the developments in transmission licensees' transmission businesses by facilitating the legal separation of NG transmission owner and the system operator.</p>	<p>We support the proposed implementation approach whereby once this modification is approved; some changes will be introduced but "suspended" until the transfer of the transmission licence to NGENO.</p> <p>We support the novation agreement and do not foresee any further transitional implications.</p>	No comment.

Respondent	Is the reference to NGET appropriate in the two CUSC extracts, for the regulatory asset value in the defined term of 'The Company Prescribed Level' in CUSC section 10 and the Weighted Average Cost of Capital calculation in CUSC 14.15.65?	Within the CUSC, contact details for The Company are provided by references to email boxes, addresses and telephone numbers. Would you prefer these to more generically to refer to details on the website or keep these specific references? If specific references are required these will need to be updated following the consultation.	Do you have any other comments?
Joshua Logan, Drax	No comment.	No comment.	No.

10 Legal Text

The amended legal text is included within the 47 files which can be accessed using the link below and have tracked changes throughout the documents. There is also an additional table that highlights only the clauses which have been amended.

<https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code-cusc/modifications/national-grid-legal>

Annex 1 Code Admin Consultation Responses

CUSC Code Administrator Consultation Response Proforma

CMP293 - National Grid Legal Separation changes to CUSC Exhibits & Schedules (non-charging)

&

CMP294 - National Grid Legal Separation changes to CUSC Section 14

Industry parties are invited to respond to this Code Administrator 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 **5:00pm** on **24 August 2018** to cusc.team@nationalgrid.com. Please note that any responses received after the deadline or sent to a different email address may not be included within the Final Workgroup Report to the Authority.

Any queries on the content of the consultation should be addressed to Shazia Akhtar at Shazia.Akhtar2@nationalgrid.com

These responses will be included within the Draft CUSC Modification Report to the CUSC Panel and within the Final CUSC Modification Report to the Authority.

Respondent:	<i>Joshua Logan</i> Joshua.logan@drax.com 01757 612736
Company Name:	<i>Drax Power Ltd</i>
Please express your views regarding the Code Administrator Consultation, including rationale. (Please include any issues, suggestions or queries)	<i>For reference, the Applicable CUSC (non-Charging) objectives are:</i> (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; (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; (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and (d) Promoting efficiency in the implementation and administration of the CUSC arrangements

*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><i>For reference, the Applicable CUSC (Charging) objectives are:</i></p> <ul style="list-style-type: none"> (a) 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 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); (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 *; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.
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*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).

Code Administrator Consultation questions

Q	Question	Response
1	<p>Do you believe CMP293&294 better facilitates the Applicable CUSC Objectives? Please include your reasoning</p>	<p>Yes, we believe that CMP293&294 better facilitate the Applicable CUSC Objectives.</p> <p>Standard applicable CUSC Objective (a) – Positive</p> <p>This modification will promote efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence. This is achieved by attributing the appropriate obligations to NGENSO as System Operator and the Transmission owners in accordance with the new NGENSO Transmission Licence and modified NGET Transmission Licence obligations.</p> <p>Charging applicable CUSC Objective (c) – Positive</p> <p>This modification will properly take account of the developments in transmission licensees’ transmission businesses by facilitating the legal separation of NG transmission owner and the system operator.</p>
2	<p>Do you support the proposed implementation and transition approach detailed within section 7 of this report which has been drafted in CUSC Section 10 and the associated Novation Agreement? Are there any further transitional implications that need to be identified in CUSC 10.6.1 or contracts under CUSC 10.4.3?</p>	<p>We support the proposed implementation approach whereby once this modification is approved, some changes will be introduced but “suspended” until the transfer of the transmission licence to NGENSO.</p> <p>We support the novation agreement and do not foresee any further transitional implications.</p>
3	<p>Do you support the revised approach of how the ‘Nuclear Site Licence Provisions Agreement’ will be managed in the CUSC, with reference to the Transmission Owners?</p>	<p>No comment.</p>

Q	Question	Response
4	<p>Is the reference to NGET appropriate in the two CUSC extracts, for the regulatory asset value in the defined term of 'The Company Prescribed Level' in CUSC section 10 and the Weighted Average Cost of Capital calculation in CUSC 14.15.65?</p>	<p>No comment.</p>
5	<p>Within the CUSC, contact details for The Company are provided by references to e-mail boxes, addresses and telephone numbers. Would you prefer these to more generically to refer to details on the website or keep these specific references? If specific references are required these will need to be updated following the consultation.</p>	<p>No comment.</p>
6	<p>Do you have any other comments?</p>	<p>No.</p>