

<b>CUSC Amendment Proposal Form</b>	<b>CAP:131</b>
<p><b>Title of Amendment Proposal:</b></p> <p>User Commitment for New and Existing Generators</p>	
<p><b>Description of the Proposed Amendment</b> (<i>mandatory by proposer</i>):</p> <p>This Amendment Proposal adds a new section to the CUSC defining the principles of User Commitment. By “User Commitment”, we mean;</p> <ol style="list-style-type: none"> <li>1. defining the monies to be secured by generators for incremental TEC; and</li> <li>2. defining the ongoing liabilities of existing generators to incentivise TEC reduction information.</li> </ol> <p><b>1. Security for Incremental Capacity</b></p> <p>This aspect of the proposal aims to de-link the project-specific costs of transmission investment currently secured by generators through “final sums” and replace the required securities for incremental transmission with a generic methodology based on a non-refundable termination charge equal to a multiple of the prevailing generation TNUoS tariff (subject to a minimum of £3/kW) in the year before connection. The multiple will be calculated in accordance with any relevant transmission licence obligation or provision (if appropriate), but otherwise it will be 6. The proposal is akin to the spirit of the “Interim Generic Methodology Statement” which can be found on National Grid’s website at the following url:  <a href="http://www.nationalgrid.com/NR/rdonlyres/7D3600A1-5149-479C-A4D1-33448D37682C/10282/InterimGenericUserCommitmentMethodologyStatementv1.pdf">http://www.nationalgrid.com/NR/rdonlyres/7D3600A1-5149-479C-A4D1-33448D37682C/10282/InterimGenericUserCommitmentMethodologyStatementv1.pdf</a></p> <p><b>2. Ongoing Liabilities</b></p> <p>This aspect of the proposal aims to provide a financial incentive to generators to provide National Grid with a number of years notice of reductions in required transmission capacity. The number of years will be derived in accordance with any relevant transmission licence obligation or provision (if appropriate), but otherwise it will be 2. In the event a generator reduces TEC without providing National Grid with 2 years notice, the generator would be liable to pay 2 times the generation TNUoS tariff (or modulus of the tariff in negative charging zones) multiplied by the reduction in capacity.</p> <p>If approved, the arrangements would apply to new applications for generation capacity, those applications currently being processed, generators with existing construction agreements and existing generators.</p>	
<p><b>Description of Issue or Defect that Proposed Amendment seeks to Address</b> (<i>mandatory by proposer</i>):</p> <p>Recent industry feedback<sup>1</sup> has raised important arguments relating to the appropriateness of the current transmission access regime. The current regime has worked well when primarily accommodating occasional applications for large power stations in dispersed locations. However, BETTA reforms and government incentives to encourage renewable generation has led to a significant queue for transmission capacity clustered in specific areas and for power station granularities that are considerably smaller than those that have been previously observed. A number of defects have been highlighted:</p> <ol style="list-style-type: none"> <li>1. Final sums arrangements are not defined in existing commercial frameworks</li> <li>2. The level and volatility of final sums are perceived as a barrier to entry</li> <li>3. There are difficulties in network planning given the volume of connection applications and uncertainty in power station closures</li> </ol> <p>The proposer believes that the above issues are addressed through a defined “user commitment” which would provide clearer investment signals. The absence of such a definition may inhibit competition and could lead to inefficient investment signals.</p>	

<sup>1</sup> National Grid’s “Managing the GB Queue Consultation”, Ofgem’s “Access Reform Options Development Group” and arguments made in the Transmission Price Control Review.

In addressing the first and second defects, this modification proposal suggests replacing the current “final sums” with a generic methodology to promote transparency and certainty. This addresses the perceived barriers to entry and provides more confidence in the firmness of capacity applications.

In addressing the third defect, this modification proposal formally defines the level of liability for existing generators such that financial incentives exist to notify National Grid of an intention to reduce TEC two years ahead.

Additionally the “Interim Generic Methodology” is presently a voluntary arrangement sitting alongside the “Final Sums” method. Formalising the framework in the CUSC would enshrine only the generic methodology which would then become the mandatory arrangement for all parties.

**Impact on the CUSC** (*this should be given where possible*):

The proposal suggests the inclusion of a new section or schedule to be added to the CUSC entitled “User Commitment”. The new section will bring together in one place the calculation and processes applying to the derivation of what has been previously referred to as “final sums” for those seeking incremental capacity, and will define the ongoing liabilities of existing generators to incentivise early notification of reductions in capacity.

In addition to the new section of the CUSC, changes may be applicable in the following areas:

- Removal of references to “Final Sums” and new definitions as required
- CUSC Section 2.14 – Connection Charges
- CUSC Section 3.9.1 – Use of System Charges
- CUSC Section 6.6 - Payment
- CUSC Section 6.30.1 – Decrease in Transmission Entry Capacity
- CUSC Section 6.30.2 – Increase in Transmission Entry Capacity
- CUSC Schedule 2 Exhibit 1 – Bilateral Connection Agreement
- CUSC Schedule 2 Exhibit 3 – Construction Agreement

**Impact on Core Industry Documentation** (*this should be given where possible*):

None anticipated

**Impact on Computer Systems and Processes used by CUSC Parties** (*this should be given where possible*):

- Models of financial viability of incremental capacity applications to incorporate non-refundable nature of securities.
- Awareness of 2 years notice of transmission capacity reductions to avoid liability for 2 times the Generation TNUoS tariff.

**Details of any Related Modifications to Other Industry Codes** (*where known*):

N/A

**Justification for Proposed Amendment with Reference to Applicable CUSC Objectives\*\****(mandatory by proposer):*

National Grid believes that the proposed amendment better facilitates Applicable CUSC Objective (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)** by:

1. Lowering barriers to entry;
2. Reducing speculative connection applications facilitating economic investment;
3. Providing transparency in the Commercial Frameworks of required user commitments;
4. Providing better signals to enable more efficient planning of the transmission system;

In addition, we believe that at this stage, the CUSC is the most appropriate location for this commercial framework to enable maximum transparency.

<b>Details of Proposer:</b> Organisation's Name:	National Grid
<b>Capacity in which the Amendment is being proposed:</b> (i.e. CUSC Party, BSC Party or "energywatch")	CUSC
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Nick Pittarello National Grid 01926-656261 Nick.pittarello@uk.ngrid.com
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Adam Brown National Grid 01926-655839 <a href="mailto:adam.brown@uk.ngrid.com">adam.brown@uk.ngrid.com</a>
<b>Attachments (Yes/No): No</b> <b>If Yes, Title and No. of pages of each Attachment:</b> No	

**Notes:**

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.
2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which 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, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Beverley Viney  
Panel Secretary  
Commercial Frameworks  
National Grid

National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Or via e-mail to: [beverley.viney@uk.ngrid.com](mailto:beverley.viney@uk.ngrid.com)

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives\*\* - These are defined within the National Grid Company Transmission Licence under Section C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.