

Modification proposal:	Connection and Use of System Code (CUSC) CMP200: Generator Led Due Diligence Review (CMP200)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission PLC (NGET), Parties to the CUSC and other interested parties		
Date of publication:	30 April 2012	Implementation Date:	10 business days after Authority decision

Background to the modification proposal

In December 2010, changes were made to the Connection and Use of System Code (CUSC) and the Grid Code, using Secretary of State Powers, to introduce a generator build option as part of the enduring offshore transmission regime³. These changes place obligations on generators wishing to undertake activities otherwise undertaken by the offshore transmission owner (OFTO) to design and build offshore transmission assets that meet the minimum standard of offshore transmission system performance and design.

Ofgem recognised that the original CUSC and Grid Code changes to introduce a generator build option were developed and implemented in a short timeframe and proposed that National Grid Electricity Transmission PLC (NGET) undertake a due diligence review of the CUSC and Grid Code against the original high level principles for generator build.

NGET, with Ofgem's assistance, has since undertaken a consistency check of the CUSC and Grid Code (conducted between July and August 2011) and has identified some minor changes to be made to both codes.

The modification proposal

NGET raised CMP200 in November 2011. The proposal seeks to implement changes to the CUSC arising from the due diligence review of the offshore generator build options referred to above. Whilst the review did not identify any unintentional interactions as a result of the changes which were made in December 2010, it did highlight a small number of suggested amendments to improve the clarity of the arrangements and the consistency between the changes which were made. The proposed changes do not introduce new arrangements but provide clarity for generators undertaking generator build in respect of the following sections of the CUSC:

- Section 2 – Connection
- Section 6 – General Provisions
- Section 11 – Definitions
- Exhibit C – Connection Offer
- Schedule 2, Exhibit 3A – Offshore Construction Agreement

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ Details of these changes and the background to the enduring offshore transmission regime are set out in the DECC/Ofgem joint document 'Government response to offshore transmission consultations' (ref 157/10) published on 15 December 2010 and available on the Ofgem website:

<http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/Cons2010/Documents1/Government%20response%20to%20offshore%20transmission%20consultations.pdf>

NGET has also progressed a change to the Grid Code (F/11) to implement changes to that code arising from the due diligence review. NGET has used its experience from the transitional offshore tender rounds to develop the changes needed for the enduring regime as is reflected in the proposal.

The code administrator consulted on this proposal between 30 November 2011 and 21 December 2011. There were no responses to the consultation.

NGET's recommendation

NGET supports the implementation of the proposal as, in its view, it better facilitates the achievement of Applicable CUSC Objectives (a) and (b)⁴ by providing additional clarity around the requirements for offshore generators that have opted for the generator build option.

As the due diligence review examined the original changes made to both the CUSC and Grid Code, NGET considers that the further proposed changes to both codes be implemented in parallel.

CUSC Panel⁵ recommendation

The CUSC Panel considered the draft Final Modification Report (FMR) for CMP200 at its meeting on 24 February 2012. The Panel members unanimously voted that CMP200 better facilitates the applicable CUSC objectives and should therefore be implemented. The views of Panel members are set out in full in the FMR.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 22 March 2012⁶. The Authority notes that no responses were received to the Code Administrator consultation on the modification proposal.

The Authority has concluded that:

- 1. implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the CUSC⁷; and**
- 2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁸.**

Reasons for the Authority's decision

We note that the changes which were made to the CUSC (and Grid Code) in order to implement generator build provisions in December 2010 were made in a relatively short period of time and acknowledge the value of conducting the further due diligence review

⁴ As set out in Standard Licence Condition (SLC) C10 (1) of NGET's Electricity Transmission Licence.

⁵ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

⁶ The FMR is published on National Grid's website: <http://www.nationalgrid.com/NR/rdonlyres/FB2D3BC9-C01A-4BB4-BB61-A604603E42AD/52413/CMP200FinalModReport10.pdf>

⁷ As set out in Standard Condition C10(1) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=5327

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

previously referred to so as to identify any further refinements required to these provisions of the codes.

We also note that the changes included in the proposal do not introduce new arrangements, but are intended to clarify the obligations placed on generators undertaking generator build.

In our view, the proposal better facilitates achievement of Applicable CUSC objectives (a) and (b). The impact of the proposal on CUSC objective (c) is neutral.

We note that NGET has not identified any adverse impact resulting from the proposed changes to the CUSC.

Applicable CUSC Objective (a) 'the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence'

We note the comments included in the FMR and agree with those that this proposal will clarify the generator build arrangements. The implementation of these code changes should remove any existing ambiguity and clarify the requirements to be met by generators, which in turn should make the development of the offshore transmission network more efficient. This is consistent with the obligation in the Electricity Act 1989 on NGET to ensure that an economic and efficient transmission system is developed.

For this reason, we agree that the proposal better facilitates this Applicable Objective.

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'

We note the comments included in the FMR and agree that the additional clarity these changes intend to introduce regarding the build choices available to users should enable users to better consider their options. This would facilitate increased participation in the market and should therefore improve competition.

For this reason, we agree that the proposal better facilitates this Applicable Objective.

In conclusion, in addition to contributing to the fulfilment of the relevant CUSC objectives, we consider the proposal to be consistent with our principal objective to protect the interests of consumers and with our statutory duties.

Decision notice

In accordance with Standard Condition C10 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal CMP200 'Generator Led Due Diligence Review' be made.

Paul O'Donovan

Head of Regulatory and Support Services, Offshore Transmission

Signed on behalf of the Authority and authorised for that purpose