

## STC Modification Proposal Form

# CM075

## Clarification on TO Final Sums definition

**Overview:** The definition of TO Final Sums in Section J appears to contradict the provisions for calculating TO Final Sums amounts in Schedule 9. This change tidies up the definition to remove any ambiguity.

### Modification process & timetable

1	• <b>Proposal form</b> • 01 December 2020
2	• <b>Workgroup Consultation</b> • XX Month Year - XX Month Year
3	• <b>Workgroup Report</b> • XX Month Year
4	• <b>Code Administrator Consultation</b> • XX Month Year - XX Month Year
5	• <b>Draft Modification Report</b> • XX Month Year
6	• <b>Final Modification Report</b> • XX Month Year
7	• <b>Implementation</b> • XX Month Year

**Status summary:** The Proposer is seeking approval from the Panel for the modification to be raised, and a decision on the governance route to be taken

**This modification is expected to have a:**

**Low impact on Onshore Transmission Owners and NGENSO**

#### Proposer's recommendation of governance route

This modification will proceed straight to Code Administrator Consultation and the Panel/ will make the decision on whether it should be implemented.

#### Who can I talk to about the change?

**Proposer:** Richard Woodward;  
NGET

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## What is the issue?

The current definition for TO Final Sums is ambiguous as to whether interest or financing of Construction and Engineering Costs is applicable for TO Final Sums claims. However, it is envisaged elsewhere in the code (e.g. Section 9 Clause 7.2), and accepted practice that all reasonable costs should be recovered from Users seeking to terminate Connection Agreements. The risk otherwise is that some User-specific costs for termination are socialised or incurred unreasonably by the Onshore TO.

### Why change?

Avoid ambiguity in the code and ensure that the Onshore Transmission Owners can recover their full costs from the ESO for making connections investment for the benefit of a single User, but where the User terminates their agreement prematurely (and works cannot be re-used for another customer).

## What is the proposer's solution?

Amend the STC legal text such that the TO Final Sums definition in Section J Clause 3 is clear about including interest during construction in Final Sums charges to the ESO.

## Draft legal text

### *Changes shown in red*

*"TO Final Sums" the amount payable by NGENSO on termination of a TO Construction Agreement being the aggregate from time to time and for the time being of:*

*(a) all Engineering Charges arisen prior to the date of termination, **as well as any associated financing costs (e.g. Interest During Construction)**;*

*(b) **Any other** fees, expenses and costs (excluding costs on account of interest charges incurred by the Transmission Owner) of whatever nature reasonably and properly incurred or due by the Transmission Owner in respect of any part of the Transmission Construction Works;*

## What is the impact of this change?

### Proposer's Assessment against STC Objectives

Relevant Objective	Identified impact
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(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act	<b>None</b>
(b) development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission	<b>Positive</b> – Ensures the Onshore TO's investments in sole-use connections are recovered from the Users triggering them, specifically in the event of that User initiating termination with the ESO.
(c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity	<b>Positive</b> – Sets signals that Users triggering works are liable for all the resulting costs, including in the event of termination.
(d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees	<b>None</b>
(e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.	<b>Positive</b> – Ensures that STC definitions line up with associated processes elsewhere in the code.
(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;	<b>None</b>
(g) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.	<b>None</b>

### Impact of the modification on the stakeholder / consumer benefit categories

#### Proposer's assessment:

Stakeholder / consumer benefit categories	Identified impact
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Improved safety and reliability of the system	<b>None</b>
Lower bills than would otherwise be the case	<b>Positive</b> – Ensure costs triggered by specific Users are recovered from them, rather than potentially socialised.
Benefits for society as a whole	<b>None</b>
Reduced environmental damage	<b>None</b>
Improved quality of service	<b>None</b>

### When will this change take place?

**Implementation date:** ASAP

**Implementation approach:**

Legal text changes should be made immediately, subject to Panel approval.

### Interactions

There is a counterpart definition of Final Sums in the CUSC, which borrows the same wording. Whilst it would be advantageous to have aligning definitions, the processes between ESO and Transmission Owners vs ESO and Users are codified separately.

### Acronyms, key terms and reference material

Acronym / key term	Meaning
ESO	Electricity System Operator
TO	Transmission Owner
CUSC	Connection User of System Code
NGET	National Grid Electricity Transmission
NGESO	National Grid Electricity System Operator