

## Connection and Use of System Code (CUSC)

<b>Title of the CUSC Modification Proposal</b>
User Commitment for Non-Generation Users
<b>Submission Date</b>
18 <sup>th</sup> September 2013
<b>Description of the Issue or Defect that the CUSC Modification Proposal seeks to address</b>
<p>Enduring user commitment arrangements for generators, both pre- and post-commissioning, were developed through modification proposal CMP192, Arrangements for Enduring Generation User Commitment<sup>1</sup>, which created the new Section 15 of the CUSC. Non-generation users currently provide security through either the Final Sums arrangements set out in their Construction Agreement or the Interim Generic User Commitment Methodology (IGUCM)<sup>2</sup>. These were intended to provide short-term solutions whilst enduring arrangements were developed, and Ofgem have provided a letter of comfort to National Grid that requires enduring arrangements to be in place for 1<sup>st</sup> April 2015. With the introduction of the enduring generation user commitment arrangements in April 2013, it is therefore timely to develop an enduring methodology for non-generation users.</p> <p><sup>1</sup> <a href="http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/">http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/151-200/</a> <sup>2</sup> <a href="http://www.nationalgrid.com/uk/Electricity/GettingConnected/PoliciesAndGuidance/">http://www.nationalgrid.com/uk/Electricity/GettingConnected/PoliciesAndGuidance/</a></p>
<b>Description of the CUSC Modification Proposal</b>
<p>This proposal is intended to introduce enduring user commitment arrangements for sites where there is an offtake of electricity from the transmission system (excluding generation site supplies), specifically interconnectors, distribution network Grid Supply Points (GSPs) and directly connected loads. These arrangements should not seek to indemnify sunk costs, but to provide an incentive on users to signal their intentions early and hence allow Transmission Owners (TOs) to avoid inefficient investment. It is also intended that they be proportionate to the number and materiality of the users involved.</p> <p><u>Interconnectors</u> Pre-commissioning interconnector developments pose similar risks to, and impacts on, the transmission system as generators of equivalent size. It is therefore proposed to apply the principles of CUSC Section 15 to pre-commissioning interconnectors, using the higher of their import and export capacities. Although not currently allowed for by National Grid Electricity Transmission's licence, Ofgem's ITPR review (Integrated Transmission Planning &amp; Regulation) is considering whether interconnectors may be identified and developed by a central body such as the System Operator. In this situation the appropriateness of user commitment should be considered, as the System Operator would have control of the risk itself.</p> <p>Post-commissioning interconnectors have a much smaller risk profile than a generator of equivalent</p>

size. Firstly, European legislation considers interconnectors to be extensions of the transmission system, and they are licensed by Ofgem effectively as TOs. As such, they neither use the transmission system nor pay use of system charges (TNUoS or BSUoS). Secondly, unlike generators, interconnectors are unlikely to close unexpectedly at short notice once they are built, as they have limited ongoing operational costs, and no fuel costs. Their licence also includes a requirement to coordinate with other TOs, and hence there is no need to introduce a further financial commitment to incentivise timely information provision. National Grid therefore considers that there is no requirement to introduce any additional user commitment for post-commissioning interconnectors.

#### Distribution Network GSPs

Pre-commissioning DNO GSPs present a low risk profile to transmission investment plans. Where new GSPs are being developed for demand growth, it tends to reduce the load on neighbouring GSPs which feed the same distribution system, and hence the impact on the wider system is minimal. Furthermore, as the demand landscape changes gradually and predictably, the requirement for new GSPs is reasonably stable. The requirement for, and value of, user commitment for wider transmission works from DNO GSPs is therefore considered minimal. It is proposed to continue with Final Sums limited to local works for pre-commissioning DNO GSPs. For the avoidance of doubt, this does not affect the liability passed to the DNO for an embedded generator through the existing Section 15 arrangements.

Post-commissioning DNO GSPs present a very low risk profile, and have strong parallels with TO – TO arrangements. DNOs have regulated investment plans and obligations to coordinate set out in their licences, and historically once a GSP is commissioned it is unlikely to be decommissioned at short notice. National Grid therefore considers that there is no requirement to introduce any additional user commitment for post-commissioning DNO GSPs. A possible exception to this is where the GSP is mainly associated with export onto the Transmission system. The proposal should consider whether the risks are higher in these cases and if there is a justification for adopting post-commissioning user commitment.

#### Directly Connected Demand

Pre-commissioning directly connected demand presents a low risk to transmission investment plans. Sites are small in size and number, and hence have a limited impact on wider investments. It is proposed to continue with Final Sums limited to local works for pre-commissioning directly connected demand.

Post-commissioning directly connected demand similarly present a low risk to transmission investment plans. There are approximately 30 sites on the GB network, the majority of which are supplies to the rail network. As the rail network is also a regulated industry with predictable development over time, it is not expected that these sites will need a financial commitment to incentivise information provision for closures. There are around 5 steelworks and chemical works that present a risk profile that is similar to a generator and hence may require some commitment, however due to their small number, size and their local impact, no security from post-commissioning directly connected demand is proposed.

#### Pumped Storage

Pumped storage sites are considered to be generators and as such provide user commitment through the arrangements set out in CUSC Section 15. However, as they do offtake electricity from the transmission system for purposes other than site supply, the proposal should consider whether this is appropriate for these sites.

## Impact on the CUSC

It is anticipated that this proposal would affect Section 15; Schedule 2 Exhibit 1; Schedule 2 Exhibit 3; Section 11; and require transitional arrangements in Section 10.

## Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No impact has been identified.

## Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other   
(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.*

## Urgency Recommended: Yes / No

Urgency is not requested.

## Justification for Urgency Recommendation

N/A

## Self-Governance Recommended: Yes / No

Self-governance is not requested.

## Justification for Self-Governance Recommendation

N/A

## Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

N/A

**Impact on Computer Systems and Processes used by CUSC Parties:**

None identified.

**Details of any Related Modification to Other Industry Codes**

N/A

**Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:**

**Please tick the relevant boxes and provide justification:**

(a) the efficient discharge by The Company of the obligations imposed upon 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.

Introducing enduring arrangements for user commitment will ensure that users have clarity over their financial liabilities to the System Operator. Particularly for interconnector developers, clarity and transparency over liabilities will ensure that user commitment arrangements do not unduly restrict new developments, and hence limit the arbitrage opportunities between continental Europe and the GB market.

(c) 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.

Objective (c) was added in November 2011. This refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

## Additional details

<b>Details of Proposer:</b> (Organisation Name)	National Grid Electricity Transmission
<b>Capacity in which the CUSC Modification Proposal is being proposed:</b> (i.e. CUSC Party, BSC Party or “National Consumer Council”)	CUSC Party
<b>Details of Proposer’s Representative:</b> Name: Organisation: Telephone Number: Email Address:	Adam Sims National Grid 01926 655292 <a href="mailto:Adam.sims@nationalgrid.com">Adam.sims@nationalgrid.com</a>
<b>Details of Representative’s Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Andy Wainwright National Grid 01926 655944 <a href="mailto:Andy.wainwright@nationalgrid.com">Andy.wainwright@nationalgrid.com</a>
<b>Attachments (No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	