

Workgroup Consultation Response Proforma**CMP328: Connections Triggering Distribution Impact Assessment**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@nationalgrideso.com by **5pm** on 19 March 2021. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation, please contact Rob Pears Rob.Pears@nationalgrideso.com or cusc.team@nationalgrideso.com

| Respondent details | Please enter your details |
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For reference the Applicable CUSC (non-charging) Objectives are:

- The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- 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).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions

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| 1 | Do you believe that the CMP328 Original Proposal better facilitates the Applicable Objectives? | <p>Whilst we believe the proposal has the potential to better meet objectives A, B and D, the proposal needs further development by the Working Group to realise these benefits. This leads us to assess the proposal as Negative in respect of Objectives A, B and D at this time. We believe Objective C is neutral.</p> <p><u>Objective B - Negative</u></p> <p><u>Access curtailment concern</u></p> <p>A potential adverse outcome of the proposed amendment is the curtailment (for free) of transmission applicants' use of explicit TEC access rights, to minimise impact on embedded DNO users who do not have TEC transmission access. Curtailment of the transmission applicants' TEC access to "protect" non-TEC embedded user access would be a distortion of competition in generations' use of the transmission system. The proposal appears to go further in intending to codify and legitimise such outcomes from the Distribution Impact Assessment (DIA).</p> <p>We strongly advocate that non-build constraint solutions that constrain transmission access in favour of non-TEC access, should be explicitly excluded as part of any implementation until the outcomes of the Access and Forward-Looking Charges Significant Code Review (SCR) and any consequent changes are known.</p> <p>We hope that the SCR will in due course address embedded user's transmission access rights and that their standing relative to explicit transmission TEC access is made clear, so that any future proposed basis of non-build constraint requirements is valid.</p> <p>We also hope, for the same reason, that the basis of DNO's transmission connection access rights is further clarified by the SCR to help frame, drive and organise DNO investment and decision making.</p> <p>In these respects, with these uncertainties outstanding, at this time, we view the proposal as Negative against objective B.</p> <p><u>Objectives A and D - Negative</u></p> <p><u>Thresholds for DIA referral concerns</u></p> <p>The proposed referral threshold (1MW is suggested) would mean all transmission applications would be referred for a DIA, compared to very few applications that are currently referred for TPW assessment. We consider this a considerable Negative and further work on the basis and trigger for DIA referral, to present a viable and efficient process, is required. We have provided more comments in Q3.</p> <p><u>Administrative scrutiny / Whole System concerns</u></p> <p>Whilst the proposal addresses a number of matters through the ESO liaising with the DNO, the proposal does not yet explain whether the ESO, TO or User will be entitled and have the necessary knowledge, skills, and data to scrutinise and challenge proposed solutions. Against this background, how the proposal will ensure investment efficiency, minimise administrative risk, protect the transmission user and facilitate fair economic whole system outcomes remains unclear at this time.</p> <p>Without further improvement, these gaps in detail remain a considerable Negative.</p> |
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Standard Workgroup Consultation questions

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| 2 | Do you support the proposed implementation approach? | Implementing 12 months from approval with respect to any new applications is reasonable. Any relevant STC changes should be progressed and approved concurrently with this proposal (or any alternate). |
| 3 | Do you have any other comments? | <p><u>Timescales and rework risks</u></p> <p>The proposal is based on a sequential process of ESO offer followed by a DIA then a DNO offer. The ESO (and TO) are licence-bound to issue transmission offers in the mandatory timescales. The two aspects taken together do not readily support complex cross-system circumstances and there are two main flaws as we see it;</p> <ol style="list-style-type: none"> 1. The DNO offer may entail a TO redesign and re-offer to integrate the impact of any DNO works or any non-build requirements, adding time and cost, although this may be unavoidable given current ESO/TO offer timescale obligations is insufficient to absorb DIA time. 2. Given the interaction of TO and DNO works and operational solutions, the potential dynamic interplay between two networks requires a Whole System solution, whilst the proposal's sequential ESO and DNO offer approach acts to prevent an administratively efficient Whole System outcome. <p>We suggest the Working Group could consider how the ESO could work concurrently with TO and DNO to deliver a fully defined Whole System offer for the user, on first attempt and without requiring iterative rework or time delays that the proposal's sequential approach produces.</p> <p>More broadly there is scope within the existing STC Joint System Development Liaison group (JSDL) for improved sharing of network awareness and co-ordination as these STC process arrangements include relevant users, which can include DNOs. The agenda for JSDLs are currently flexible and capable of amendment to support discussion on relevant cross-system development and co-ordination topics for example. This seems to provide opportunities for both application specific issues and more general co-ordination, subject to confidentiality aspects.</p> <p><u>Administrative inefficiency of the proposed solution</u></p> <p><u>Thresholds</u></p> <p>Not all transmission applications need to be referred for a DIA. A proposed 1MW size threshold for DIA referral would mean ALL transmission applications being referred when most will not cause a third-party impact. Such an outcome would be onerous and inefficient for the ESO and for the network licensees. A properly assessed basis for referral, based on credible material impact on a DNO and based on up to date DNO network and utilisation data, will save considerable administration, cost and time for all concerned.</p> <p>The Working Group should consider what alternative arrangements, cognisant of likely transmission impacts, may be more effective in respect of determining DIA referrals than the simple user size threshold proposed. For example, the nature of Statement of Works (SoW) and trial "Appendix G" process that focusses on transmission network capability and headroom may provide some learning points but also indicate deficiencies observed in SoW that could be avoided.</p> |

Standard Workgroup Consultation questions

DNO Network Data Requirements

Further consideration is also needed around what standing Grid Code data a DNO should be obliged to maintain with respect to DNO network capabilities and capability headroom in order to provide the ESO visibility and support of DIA referral decision making to help reduce the number of unnecessary DIA referrals. We suggest this should be more dynamically updated, as compared to the current annual Week 24 Grid Code data provision where data is rapidly out of date, as well as potentially being more extensive to meet assessment and modelling needs. DIA referrals should not be triggered merely through the ESO (or TO) not having sufficient visibility of the relevant DNO system information and utilisation.

Transmission Network Data and User Data Requirements

Clarity is also required from the ESO around the data it requires in the TO offer and from the User, to enable a DIA. This is to ensure consistency of information requirement and just as importantly avoid the provision of information from TO or User that is unnecessary or excessive in facilitating DIA evaluation. We would expect this to be worked on by the Working Group and set out in CUSC and STC arrangements as an integral part of a finalised proposal.

High-utilisation, Cost reflectivity and User cost liability Risks

We note that DNOs need investment and financing arrangements that drive and supports investment efficiently ahead of need to avoid excessively high asset utilisation and better avoid constraints and delays in connecting both distribution or transmission users.

The current RIIO ED mechanisms strongly incentivise DNOs to avoid or delay investment until the last possible moment, and arguably to an excessive extent when delayed works then delay connection of more efficient and low carbon plant more than might have been the case. We recognise this requires a broader solution for ensuring sufficient network capability and this may be beyond the scope of this proposal to address.

Currently DNO investment drivers lead to perverse outcomes, when the transmission applicant is disadvantageously exposed to DNO works that in some cases could have arguably already occurred or that the applicant should have no liability for. We believe the appropriateness of DNO charges must be considered as part of this proposal and transparently set out within any changed process. We have commented further on this in Q10.

Non-build curtailment concern

In addition to the Q10 compensation question we have non-financial aspects to flag.

Firstly, there should be no bilateral constraint of transmission access outside of the CUSC. The constraint of a transmission user's access relates to CUSC access rights and the only place where this should be codified is in the ESO's CUSC agreement with the relevant transmission user.

Secondly, and just as important, such transmission user constraints should be temporary and should be actively removed following later upgrades of the DNO

Standard Workgroup Consultation questions

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| | | system. This ensures that transmission users benefit from easing of DNO system utilisation as would be the case for curtailed DNO connected users. |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No – not at this stage. |

Modification Specific Workgroup Consultation questions

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| 5 | For DNO respondents, please describe your process and timescales associated with current Third-Party Works applications. | n/a |
| 6 | For Third Party Works users, please describe your experience of using the Third-Party Works process, specifically awareness of and timescales associated with the process; are there any defects in the TPW process that the DIA process does not address? | n/a |
| 7 | Annex 6 provides a summary of the WG's view of the pros/cons of both the Third-Party Works and proposed Distribution Impact Assessment process. | |
| 7a | Do you agree with this? | <p>In the main yes.</p> <p>However, the counterfactual has not been set out in Annex 6. The table does not test whether the existing Third-Party Works offer process deficiencies are resolvable with improvements.</p> |
| 7b | Do you have any additional pros or cons you wish to add? | <p>Yes</p> <p><u>Evaluation of Whole System and Non-Build Solutions/Restrictions</u></p> <p>A potential advantage of the DIA process proposed is that the ESO, as the contractual counterparty to TOs, DNOs and to all Users with transmission access rights, has the necessary information to understand the impacts on parties, and challenge the proposed DIA offer.</p> <p>We wish to emphasize that the DIA process only holds the potential for more complete scrutiny at this time. The proposed process does not yet set out the level of detail on the ESO or other parties' roles in providing oversight and challenge that are needed to provide this potentially significant additional benefit of the DIA process.</p> |
| 8 | Applicability - Do you agree with the applicability criteria proposed? Please provide your rationale. | No. We refer to our responses to Q1 and Q3. |
| 9 | Contractual milestones - Do you foresee a better way of updating contractual milestones to reflect the result of a Distribution Impact Assessment? | <p>Yes.</p> <p>The need to change contractual milestones stems from operating a sequential process with the ESO offer process followed by a DIA process. This proposed sequential approach has in-built scope for forcing rework and change of offered timescales from every DIA referral, depending on the DIA outcome and required work or actions.</p> <p>As set out in Q3, a basis of joint concurrent TO and DNO working, perhaps over a longer agreed offer period, would enable a single 'whole system' offer based on a complete TO+DNO design. This would markedly reduce the likelihood of revisions of milestones, because the</p> |

Modification Specific Workgroup Consultation questions

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| | | <p>effects of any DIA outcome will have been embedded in the original ESO offer.</p> <p>However, such an option will likely be conditional on discussions with the Authority over what amendments to standard licence conditions governing connection offer timescales might be required to support more efficient working, as well as consequential changes to the CUSC and STC</p> |
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Modification Specific Workgroup Consultation questions

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| 10 | <p>Fees and Costs - Do you agree with the Proposal that any costs as a result of the DIA should be passed from the DNO to the Transmission applicant via the ESO?</p> | <p>In general, yes, but we have some concerns over the necessity for fees and around the matter of costs borne by the transmission applicant.</p> <p><u>Fees</u></p> <p>We agree that the DIA transactional costs of impact evaluation, where an impact on a DNO is believed to be likely, should be born through the ESO by the transmission applicant but only charged where a DIA is appropriately triggered.</p> <p><u>Costs</u></p> <p>In general we agree that there should be a route for appropriate DNO costs to be passed from the DNO to the transmission applicant via the ESO. However, there are a number of factors and circumstances where the liability for costs needs to be conditional and needs to be subject to scrutiny, challenge and ultimately dispute.</p> <p>It should be noted that there is higher utilisation of distribution systems than in the past, particularly in respect of embedded generation. Whilst DNO works or constraint conditions may be required, there are circumstances where the transmission applicant should either not be liable or should only be partially liable for the cost of DNO works.</p> <p>In cases where the applicant should be liable for the cost of DNO works, this should be proportional to the transmission applicants impact on the DNO's network, as is the case with Cost Apportionment Factor rules and Electricity Connection Charge Regulation refunds applied to DNO connected users. The cost of network capability not required by the transmission application should be supported by DNO allowed revenue funding of shared infrastructure investment as it is with DNO user connection driven reinforcement.</p> <p>We note that a DCUSA change proposal (DCP 384) has been raised to remove the DNO charging distortions that exist for an impacting transmission user, with the aim of providing fair and cost reflective signals.</p> <p>With the ESO acting as intermediary for anticipated works charges, we would expect that sufficient scrutiny of these matters will form part of the further necessary elaboration of the DIA process to ensure the transmission applicant is suitably protected from inappropriate charges.</p> |
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Modification Specific Workgroup Consultation questions

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| 11 | Clean Energy Package (CEP) - Currently CUSC Section 4 documents the payments that will be made by the ESO for Mandatory Services with the site-specific details captured in the Bilateral Connection Agreement. In your view, how/where should any compensational arrangements be documented for DNOs curtailing Transmission connected generators. | <p>The DNO should be liable for compensating the ESO for payments the ESO makes for such DNO driven curtailment.</p> <p>We believe this should be defined in the DNO's BCA for the specific DNO connection site for which the third-party transmission user curtailment was being requested. This would link transmission constraint request to the necessity of a specific DNO constraint location. We would expect the transmission applicants BCA to cross-reference the relevant DNO BCA for clarity.</p> <p>The curtailment conditions should be reflected in the ESO's CUSC commercial agreements applicable to the transmission user's connection, even where this curtailment may be driven from the third party DNO.</p> <p>There should be no constraint of transmission access bilaterally outside of the vires of the CUSC. For legal and governance reasons the ESO must be in control of CUSC constraint of transmission access of its Users.</p> |
| 12 | Which of the following do you believe should be included when assessing options/impacts under the proposed DIA process; | |
| 12a | impact upon distribution connected generators/storage with transmission export capacity (TEC) | Embedded TEC users, i.e. generators with BEGAs, should be assessed, but only in so far as they have transmission rights that are meant to be protected. |
| 12b | impact upon distribution connected generators/storage without transmission export capacity (TEC) | <p>Embedded users without TEC should not be assessed for impacts on access to the transmission as they do not have transmission entry rights. We note that most embedded users do not have explicit transmission entry rights.</p> <p>We believe this matter requires further industry discussion but needs to await the outcome of the SCR.</p> |
| 13 | Should the DIA process be triggered upon receipt, or acceptance of an application from the transmission customer and please provide your reasoning. | <p>Under the proposed sequential process the DIA is after the ESO offer. In that sequence we believe the DIA process has to wait for transmission offer acceptance as the transmission applicant may decline the ESO offer and a DIA would not be required.</p> <p>If the DIA was triggered on transmission application receipt, then the DIA and its outcome could be an integral part of the ESO offer formulation process. However, we have noted that the TO and SO offer timescales would likely need to be extended to enable this arrangement.</p> <p>In either case the DIA process can only be triggered once the proposed TO connection design, including any augmentation of the transmission system, is known for the basis of DIA impact to be capable of evaluation.</p> |