

CUSC Modification Proposal Form		At what stage is this document in the process?												
<h1>CMP288:</h1> <h2>Explicit charging arrangements for customer delays and backfeeds.</h2>		<table border="1"> <tr> <td>01</td> <td>Proposal Form</td> </tr> <tr> <td>02</td> <td>Workgroup Consultation</td> </tr> <tr> <td>03</td> <td>Workgroup Report</td> </tr> <tr> <td>04</td> <td>Code Administrator Consultation</td> </tr> <tr> <td>05</td> <td>Draft CUSC Modification Report</td> </tr> <tr> <td>06</td> <td>Final CUSC Modification Report</td> </tr> </table>	01	Proposal Form	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
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06	Final CUSC Modification Report													
<p>Purpose of Modification: To introduce explicit charging arrangements to recover additional costs incurred by Transmission Owners and TNUoS liable parties as a result of transmission works undertaken early due to a User initiated delay to the Completion Date of the works, or to facilitate a backfeed.</p>														
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup and determined by the Authority <p>This modification was raised 12 February 2018 and will be presented by the Proposer to the Panel on 23 February 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>													
	<p>High Impact: Electricity Transmission Owners; Developers requiring new generation, interconnector or demand connections.</p>													
	<p>Medium Impact:</p>													
	<p>Low Impact: Parties paying TNUoS.</p>													

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Timetable		
The Code Administrator recommends the following timetable:		
Initial consideration by Workgroup		
Workgroup Consultation issued to the Industry		
Modification concluded by Workgroup		
Workgroup Report presented to Panel		
Code Administration Consultation Report issued to the Industry		
Draft Final Modification Report presented to Panel		
Modification Panel decision		
Final Modification Report issued the Authority		
Decision implemented in CUSC		<u>10 working days after authority decision</u>

Proposer Details

Details of Proposer: (Organisation Name)	National Grid ESO
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Ken Doyle National Grid ESO 07814 062030 Kenneth.Doyle@nationalgrideso.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Grahame Neale National Grid ESO 07787 261 242 Grahame.Neale@nationalgrideso.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment: n/a	

Impact on Core Industry Documentation.
Please mark the relevant boxes with an "x" and provide any supporting information

BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
STC	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>

National Grid's Electricity Transmission plc's Transmission Licence may need to be amended to enable the charges resulting from the proposal and adjustments to TNUoS revenue requirements to be appropriately accounted for.

1 Summary

Defect

There are currently no explicit charging arrangements to recover additional costs incurred by Transmission Owners and TNUoS liable parties as a result of transmission works undertaken early due to a User requested delay to the Completion Date of the works or backfeed.

What

Section 14.4 of the CUSC provides for one-off charges to be recovered by the SO where the transmission licensee is required to carry out one-off works. The charging methodologies do not explicitly state that costs incurred as a result of a delay to a contracted Completion Date or a backfeed requested by a customer are included in these charges.

Section 14.15 (e.g. 14.15.130) states the total amount to be recovered through TNUoS. Additional TO costs resulting from delays or backfeed provision are recovered through TNUoS. No mechanism currently exists within the CUSC to ensure these costs are funded by the requesting party instead of being recovered through TNUoS.

Why

When a User requests a backfeed or delays their Completion Date within a construction agreement the TO may incur additional costs. These take two forms: incremental one-off costs (e.g. demobilisation and remobilisation costs); and additional financing of costs incurred due to a delay in its allowances. ~~Due to the Totex Incentive Mechanism within the RII Price Control framework, a proportion of the financing costs are shared through TNUoS.~~

The existing CUSC wording does not explicitly state ~~how the TO costs are to be recovered from the delaying party and does not adequately target the recovery of financing costs at the delaying party that these costs can be recovered.~~

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How

It is proposed that Section 14.4 of the CUSC is amended to ~~explicitly include clarify that~~ incremental costs and financing costs incurred by a TO as a result of a delay can be recovered via a one-off charge ~~(as per each TO's charging statement) which is passed through to the User by the ESO.~~

~~Additionally, Section 14.4 should be amended to enable costs resulting from a delay which a TO is allowed to recover through its Price Control to be targeted at the delaying party instead of being recovered through TNUoS. To account for this, the TNUoS Revenue Recovery target should be adjusted to account for this.~~

2 Governance

Justification for Normal Procedures

The proposal should follow the normal CUSC governance process as it is a material change to CUSC parties.

Requested Next Steps

This modification should:

- be assessed by a Workgroup

This will allow the development of the solution and appropriate legal text and allow any associated issues to be explored.

3 Why Change?

There are two types of cost a TO may incur upon a delay in a customer's Completion Date or provision of a backfeed:

- i) Incremental costs – additional one-off costs that occur as a direct result of the customer request (e.g. site demobilisation and remobilisation costs); and
- ii) Financing costs – additional costs required in financing spend for additional years due to works being undertaken earlier than they would, should the request not be made. TNUoS paying parties also face additional financing costs as a result of the Totex Incentive Mechanism (TIM).

The CUSC already allows for the SO to recover non-standard incremental costs incurred by TOs as a result of a customer's request via a One-Off Charge. However, the CUSC wording does not explicitly state that this includes the recovery of the above TO costs.

~~Under the RIIO price control, TOs receive allowances based upon providing defined outputs. For non-boundary infrastructure required to facilitate both demand and generation customer connections, these are set in the year of the customer connecting and transmission charges commencing (the "output year"). The resulting allowances are profiled leading up to the output year to match that of typical expenditure. Assuming total expenditure and allowance are equal, this ensures for a typical investment that the TO costs and allowance are approximately aligned.~~

~~To incentivise a TO to minimise expenditure on its investments, its total expenditure (Totex) is subject to a post-tax Totex Incentive Mechanism (TIM), in which the TO shares a proportion of the difference between its expenditure and allowances. NGET benefits from 47% of the savings it realises, but bears 47% of the cost. In each case the remaining 53% is passed to consumers through TNUoS.~~

~~In the case of a customer delay or work being undertaken early to provide a backfeed, the difference between allowance and expenditure is introduced by costs being incurred earlier than they would have otherwise been. This difference is output is subject to TIM, resulting in the associated financing costs being shared between the TO and TNUoS paying parties. Whilst one-off charges provide TOs with a route to recover its costs from the party whose request triggered the cost, no mechanism exists to ensure the resulting TO allowed revenue resulting from TIM is recovered cost reflectively.~~

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4 Code Specific Matters

Technical Skillsets

The Working Group should consist of members with an appreciation of the TNUoS Charging Methodology in Section 14 of the CUSC and preferably some understanding of the RIIO price control framework and CUSC Construction Agreements. Ideally, the working group should include a mixture of developers and suppliers (who are most affected by the TNUoS impact).

Reference Documents

The CUSC Section 14.

The Electricity Transmission Licence

5 Solution

It is proposed that Section 14.4 of the CUSC is amended to explicitly ~~include state that~~ incremental costs and financing costs incurred by a TO as a result of a delay can be recovered via a one-off charge. This would add transparency to the existing arrangements, helping Users understand any potential liabilities.

~~This will result in a relatively simple change to section 14 which clarifies that this is a cost pass through as per each TO's Charging Statement (i.e. NGESO will not alter or change these values calculated by TOs).~~

~~ESO will not decide the methodology nor do the calculation but will facilitate discussions regarding calculation errors on a case by case basis (including use of existing charging dispute provisions if required).~~

~~In the case of financing costs, following a request for backfeed or to delay, a charge would be calculated by the SO using standard formulae to be added to Section 14.4 to calculate a charge to recover the cost incurred based upon the weighted average cost of capital of the relevant TO(s) and TO provided cost information. This would reflect the full incremental financing cost associated with the request (including that which would currently recovered via TNUoS).~~

~~The TNUoS Revenue Recovery target (described in section 14.15) shall be adjusted in the calculation of annual TNUoS tariffs to reflect the difference between the full financing charge and the financing cost incurred by the TO recovered in the previous~~

~~charging year, effectively redirecting financing costs from TNUoS to the party requesting the delay or backfeed charge.~~

6 Impacts & Other Considerations

We do not believe that there are any cross-code impacts from this Proposal.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No, whilst the change will adjust the total amount to be recovered via TNUoS, it does not affect how the resulting amount is recovered from CUSC parties.

Consumer Impacts

By directing financing costs away from TNUoS paying parties (which are in turn funded by consumers) to the delaying parties, should result in a slight reduction in consumer bills.

7 Relevant Objectives

Impact of the modification on the Applicable CUSC Objectives (Charging):

Relevant Objective	Identified impact
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	Positive. The proposal removes additional financing costs related to individual customer delays and backfeeds, which removes a potential cross-subsidy between CUSC parties.
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	Positive. The proposal ensures that the cost of delays and provision of backfeeds is reflected in charges made to the party causing the cost.

(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	None
(d) 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 *; and	None
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive. Including explicit charging arrangements for one-off incremental costs improves transparency of the CUSC arrangements.
*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

8 Implementation

The Proposal should be implemented 10 Business Days following a decision by the Authority, as the charging arrangements proposed relate to one-off charges, and adjustments to TNUoS Recovery Requirements in subsequent years' charges.

9 Legal Text

Text Commentary

To be developed by the Working Group.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal governance procedures should apply; and
- Refer this proposal to a Workgroup for assessment.