

## CUSC Alternative Form

# CMP376 WACM11:

**Overview:** Changing milestone M6 to “Submit Construction Programme” and detail minimum evidence requirements; Include exception where User is awaiting outcome of commercial negotiations; ‘Dynamic queue management’ – Users are moved down the queue rather than terminated when milestones M5 – M8 are missed. These changes have numerous benefits including facilitating effective competition better than the Original by ensuring all Users know what is required of them to be compliant, by allowing a wide range of viable projects to remain in the queue rather than be terminated, and ensuring efficient use of network capacity.

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## What is the proposed alternative solution?

### 1) Milestone M6 to become “submit construction programme” rather than “agree construction programme” – As per WACM1

This better meets the following CUSC Applicable Objectives when compared to the Original Proposal:

*(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;*

The alternative ensures consistency of what details are provided within construction programmes; all Users know exactly what is required of them prior to approaching the milestone and will be treated the same when assessed against the requirements of the milestone.

*(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.*

The Original wording of “Agreeing” a construction plan will come with additional administrative overheads for the ESO and the User, and may inadvertently cause extended and unnecessary discussions between the two parties. This alternative’s phrasing “submit” a construction plan will mitigate this risk of higher administrative costs. This alternative ensures efficient use of network capacity.

### 2) Include the exception: Where a milestone is missed due to the User awaiting the award of a governmental or regulatory subsidy which provides financial support or incentive to the User’s projects, the User may avoid termination if they can provide evidence that they are actively progressing with such a subsidy.

For example, a User may have an unsuccessful Contracts for Difference bid but has plans to enter a subsequent auction.

The User will be able to utilise this exception at least twice before the normal rules of dynamic queue management apply, or ESO can use discretion to allow use of Exception.

This Exception can only be utilised against Milestone 7, since it is for this milestone that evidence of award of governmental or regulatory subsidy is required.

This alternative will ensure the commercial realities of developing projects will be reflected in the connections/queue management process. Many viable projects have to enter into multiple times before being successful; terminating such projects because of an unsuccessful route to market will ultimately result in lost investment – the costs of which may be passed onto end consumers. The following CUSC Applicable Objectives are therefore better met:

*(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;*

The alternative ensures a wide range of projects will remain in line for completion, providing GB with a range of generation technologies. It will help ensure investors are not deterred from developments in GB, as they will know the Connections Process understands the challenges associated with accessing a route to market.

*(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.*

This alternative ensures efficiency use of network capacity.

- 3) Dynamic queue management: The ESO's right to terminate is removed for milestones M5 – M8 and replaced with the permanent reassignment of queue position. If a User is aware they will not meet a milestone they should submit a Mod App to request a revised Completion Date and Milestone dates, triggering a review of the queue position – As per WACM8**

The following CUSC Applicable Objectives are therefore better met when compared to the Original:

- (a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*

This alternative ensures connection arrangements are facilitated more efficiently and economically; this provides for efficient management of limited connection capacity by allowing the fastest progressing projects to connect.

- (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;*

The Original may have the unintended consequence of increasing barriers to innovation and financing due to the uncertainty of possible termination. This alternative significantly decreases that risk. Competition may be increased as Users who can effectively manage/expedite their project timescales may have an opportunity to advance in queue position.

- (d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

This alternative ensures efficiency use of network capacity.

**N.B. Interaction between points 2) and 3):**

The User would have a chance to submit a modification application up until the end of the milestone remedy period to be repositioned in the queue (as per Dynamic Queue Management), or they can prove the Route to Market Exception applies and they will get a new milestone date for that particular milestone.

## What is the difference between this and the Original Proposal?

- The Original asks Users to “Agree construction programme”, which relies on discussion, negotiation and acceptance from other parties. This may lead to Users being treated differently with inequitable outcomes. By changing the requirement to “Submit construction programme” and by setting out minimum evidence requirements, the obligation on the User is clear, as is the outcome from meeting this milestone. Additionally, the administrative overheads incurred by all parties should be reduced relative to the Original.
- The Original doesn’t allow for an exception to termination in the situation where a project has had an unsuccessful commercial negotiation. This could lead to viable projects being terminated because of the commercial realities of the market that are outside of the User’s control. This alternative introduces such an exception that would mitigate against this.
- Under the Original, projects that have secured significant investment and are well underway may be terminated if milestones M5 – M8 are missed. This isn’t appropriate and it’s believed many viable projects would be terminated. Knowledge of this procedure may also deter investment in low carbon technologies in GB. Allowing Users to mod app to move down the queue rather than face termination will help maintain healthy investment in GB energy market and ensure net zero targets are met.

## What is the impact of this change?

Proposer’s Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	<b>Positive:</b> Dynamic queue management ensures connection arrangements are facilitated more efficiently and economically; this provides for efficient management of limited connection capacity by allowing the fastest progressing projects to connect.
(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;	<b>Positive:</b> “Submit a construction plan” ensures consistency of what details are provided within construction programmes; all Users know exactly what is required of them prior to

	<p>approaching the milestone and will be treated the same when assessed against the requirements of the milestone.</p> <p>Allowing an exception for delays due to commercial negotiations ensures a wide range of projects will remain in line for completion, providing GB with a range of generation technologies. It will help ensure investors are not deterred from developments in GB, as they will know the Connections Process understands the challenges associated with accessing a route to market.</p> <p>The Original may have the unintended consequence of increasing barriers to innovation and financing due to the uncertainty of possible termination. Dynamic queue management significantly decreases that risk. Competition may be increased as Users who can effectively manage/expedite their project timescales may have an opportunity to advance in queue position.</p>
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>None</b>
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<p><b>Positive:</b> The Original wording of “Agreeing” a construction plan will come with additional administrative overheads for the ESO and the User, and may inadvertently cause extended and unnecessary discussions</p>

	<p>between the two parties. This alternative's phrasing "submit" a construction plan will mitigate this risk of higher administrative costs.</p> <p>This alternative ensures efficiency use of network capacity.</p>
<p>*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.</p>	

### When will this change take place?

**Implementation date:**

6 months after Authority Decision to allow implementation of any consequential changes to the STC.

**Implementation approach:**

As per Original CMP376 proposal.

### Acronyms, key terms and reference material

Acronym / key term	Meaning
AtV	Agreement to Vary
ESO	Electricity System Operator
TO	Transmission Owner
WACM	Workgroup Alternative CUSC Modification

**Reference material:**

None