

**Workgroup Consultation Response Proforma****CM094: Amendment to Bi-annual estimate provisions**

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 [stcteam@nationalgrideso.com](mailto:stcteam@nationalgrideso.com) by **5pm on 14 February 2024**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Milly Lewis [milly.lewis@nationalgrideso.com](mailto:milly.lewis@nationalgrideso.com) or [stcteam@nationalgrideso.com](mailto:stcteam@nationalgrideso.com)

Respondent details		Please enter your details	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network <input type="checkbox"/> Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other	

**I wish my response to be:**

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

**For reference the Applicable STC Objectives are:**

- efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act
- development, maintenance and operation of an efficient, economical and coordinated system of electricity transmission
- facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity
- 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
- promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.
- facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system;
- compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

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

Standard Workgroup Consultation questions										
1	Do you believe that the Original Proposal better facilitate the Applicable Objectives?	<p>Mark the Objectives which you believe the solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input checked="" type="checkbox"/>A</td> <td><input checked="" type="checkbox"/>B</td> <td><input checked="" type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> <td><input checked="" type="checkbox"/>F</td> <td><input type="checkbox"/>G</td> </tr> </table> <p>Please see comments below this table.</p>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E	<input checked="" type="checkbox"/> F	<input type="checkbox"/> G
Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E	<input checked="" type="checkbox"/> F	<input type="checkbox"/> G			
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>We do not support the implementation ASAP. There is a need to consider cross-code impacts, the potential scale of this proposal and any other impacts.</p>								
3	Do you have any other comments?	Please see comments below this table.								
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/>Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section) <input checked="" type="checkbox"/>No</p> <p>The framework for the cancellation charges and securities for generators are included in CUSC Section 15 – User Commitment Methodology. CM094 is seeking to make amendments to the cancellation charges and securities regime without amending the CUSC code.</p> <p>We believe that changes to the regime should progress through the CUSC.</p>								

Specific Workgroup Consultation questions		
5	Do you agree that the Construction Approval should be based on the needs case approval rather than funding approval?	<p><input type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>No view at this stage</p>
6	Do you agree that it's non material when customers contract?	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>In principle, where the Authority has approved the need for strategic transmission reinforcement works via the price control regulatory framework, we support the removal of cancellation charges and securities for those specific works. However, known and projected Customer liabilities should continue to be made clear to the Customer, from pre-application to Completion Date. The</p>

		<p>Customer can then make informed decisions about their application and connection contract.</p> <p>The benefits of this modification should apply to <b>all</b> Customers regardless of when they contract(ed). There is a risk that CM094 if implemented, may introduce a market distortion.</p>
7	Do you agree that the next security period is a reasonable time for the change?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Only if the benefits will be applied to all Customers at that time.</p>
8	Is it clear that prior to Construction Approval (needs case) that customers will still need to provide securities for construction works?	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>No view at this stage</p>
9	Does the legal text satisfy the intent of the modification in improving the security process in a transparent way?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The STC defines the relationship between the transmission system owners and the system operator whereas the CUSC is the contractual framework for connecting to and using the National Electricity Transmission System (NETS). CUSC Section 15 – User Commitment Methodology sets out the framework for cancellation charges and securities for generators.</p> <p>CM094 seeks to amend how cancellation charges and securities are treated without making any changes to the Customers' contractual framework and/or their agreements. Therefore, this modification on its own cannot improve the cancellation charges and securities process in a transparent way because it does not address how the ESO will apply the modified cancellation liabilities correctly to Customers or recover cancellation costs correctly from Customers.</p>

**Example: 200MW Customer connecting via a subsea link (real MM costs)**

Under CUSC Section 15, the ESO imposes cancellation liabilities upon Customers and requires them to secure against those liabilities. If the STC now includes a mechanism whereby the TO does not recover some cancellation costs from the ESO, CUSC Section 15 should not continue to allow the ESO to recover those costs.

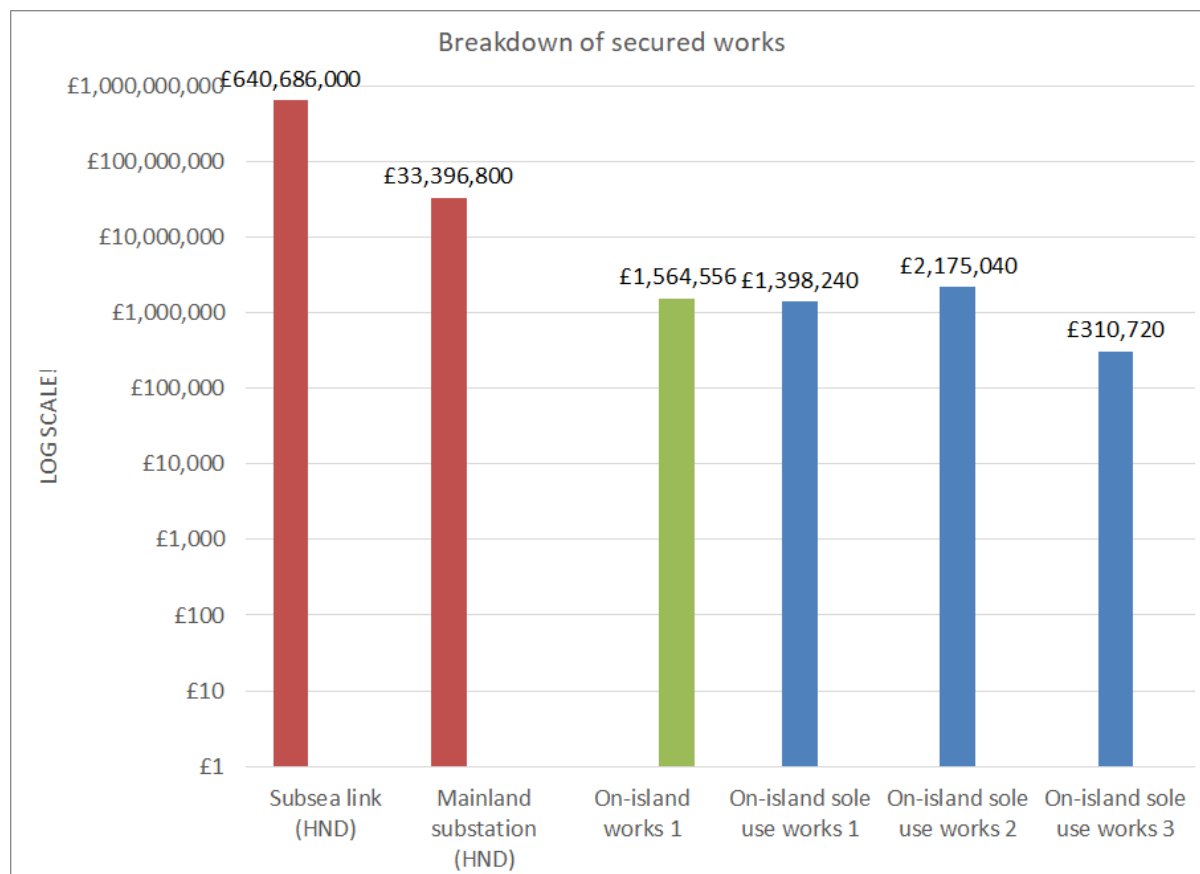
This modification does not appear to acknowledge the link between the STC and the CUSC.

In this example, a 200MW Customer which had opted for Fixed cancellation liabilities would end up with cancellation liabilities of £45.5m - £182m in the years after the Trigger Date and prior to connection.

Currently it would reasonably be expected that a similar 200MW Customer who had remained on Actual liabilities would be liable for cancellation amounts of the same order of magnitude, which would be variable depending on actual TO spend, updated annually.

Both Customers would be likely to be securing against 10% of the liability (£4.5m-£18m), and either providing cash securities or paying for bank guarantees for that amount.

If CM094 were to be approved on its own, the majority of the works costs informing these liabilities would be removed from the Actual values but not the Fixed values.



Without an accompanying modification to CUSC Section 15 to allow the Fixed liabilities to be updated accordingly, the Fixed Customer would see no change in their liabilities or secured amounts, but the Customer which had remained on Actual liabilities could see a reduction in liabilities to as little as 1.6% of the pre-CM094 value. This is shown in the indicative plot below.

This would not represent “effective competition in the generation ...of electricity” because it would provide a new major commercial benefit to some Customers which would not be available to all.

