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[www.nationalgrid.com](http://www.nationalgrid.com)

Dear Industry Colleague

## **Open letter: Charges associated with requests to delay connections to the National Electricity Transmission System**

In June 2014 we published an open letter consultation<sup>1</sup> regarding the charges that apply when customers delay their connection date to the transmission system. The issues raised in the letter were also discussed with customers at a number of Customer Seminars held in 2014 and 2015. I would like to thank all of our customers and stakeholders who took the time to submit written responses to our open letter and who shared their views at the Customer Seminars.

This letter is intended to provide a short summary of the comments we received and our proposed next steps.

### **Background**

When customers request a delay to their connection date, depending on the period of notice provided, this can result in transmission owners undertaking investment in assets (or associated activities e.g. consenting) earlier than would otherwise be required. In addition, there is the potential with any delay for additional costs to be incurred by the transmission owner in efficiently delivering the connection project to the revised date. These additional costs may include demobilisation and remobilisation of teams and sites, re-consenting activities, maintenance activities ahead of the connection date, additional project management expenditure and rework and redesign.

Since 2008, charges have been applied for assets which, at the customer's request, have been built ahead of the point in time at which they become liable for transmission charges, (colloquially known as "CEC before TEC") using Section 14.4 ('Other Charges') of the Connection and Use of System Code (CUSC). This includes where customers have asked for assets to enable "backfeed" to be taken. We have also used these CUSC provisions to apply charges where customers have requested a delay to their connection date.

### **Update**

We received 10 responses to our open letter consultation. The majority of customers who responded agreed that there was a need to improve the transparency of the charges that apply when parties delay their date for connection to the transmission system.

There was strong support for the two proposals set out in our open letter, namely: to publish a guidance note setting out how charges for delay are calculated and applied; and to include a statement within each customer's 'original' connection offer to highlight that they may be liable for

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<sup>1</sup> <http://www2.nationalgrid.com/uk/services/electricity-connections/policies-and-guidance/>

additional charges if they delay their connection date. Two customers commented that consideration should be given to incorporating further detail in relation to the delay charging arrangements within the CUSC, although one customer felt that a CUSC modification was not necessary.

One other issue on which we sought views concerned whether delay charges should be applied consistently across all transmission areas. All respondents who expressed an opinion on this matter considered that the same arrangements should apply in England and Wales and Scotland<sup>2</sup>.

In addition to our open letter, we also sought customers' opinions at our Customer Seminars held in September 2014 and February / March 2015. The discussion and feedback we received at these events was in-line with the responses to the open letter.

In parallel to our open letter consultation, in July 2014 one customer disputed our right to impose charges (through a "transmission charge" and a "one off charge") following a request to delay their connection date and referred the matter to the Gas and Electricity Markets Authority ("GEMA") for determination .

GEMA published its determination<sup>3</sup> of this dispute on 4 February 2015. In paragraph 6.2 of its determination, GEMA stated *"that both charges [the Transmission Charge and One-Off Charge] are broadly in line with the CUSC provisions for one-off and other charges under section 14.4. However, we do not consider that the customer had sufficient detail on the Transmission Charge to enable them to predict that NGET would levy the charge in the manner that it did in this case"*. As regards the "one-off charge", in paragraph 6.6 of its determination GEMA stated that *"The customer could have been reasonably able to predict that some charge would apply for any additional works carried out by NGET as a result of its decision to delay its connection date"*. GEMA thus determined that the "Transmission Charge" was not valid in this case and the customer did not need to pay it but found that it was appropriate for the customer to pay the "one-off charge".

## **Next Steps**

Following on from our open letter, the feedback on this and at the seminars and mindful of GEMA's determination, we are taking steps to further improve the transparency and predictability of the charges that are levied when a customer requests a delay to their connection date.

We have today published on our website a copy of a guidance document. This sets out the circumstances in which such charges will be applied and the method of calculation of the charges that will apply (i.e. the Transmission Charge and One-Off charge). For completeness, the guidance document also reconfirms the method of calculation for the charges that apply in circumstances where a customer requests CEC before TEC. The guidance document can be accessed via the following link: <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data/>

As mentioned in our open letter consultation, we will include a statement in all future 'original' connection offers to highlight that the customer may be liable for additional charges if they subsequently delay their connection date.

Finally, to provide additional transparency we intend to raise a modification proposal to the CUSC to incorporate the method of calculation of these charges within the charging methodology.

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<sup>2</sup> This will include offshore connections to those areas.

<sup>3</sup> <https://epr.ofgem.gov.uk/Document> - Determination dated 4th February 2015

These measures will improve the transparency of the charging consequences of a delay to connection date and so allow customers to better predict the likelihood and level of these charges. If you have any queries in relation to this letter or the attached Guidance Note, please contact Richard Smith, Customer Policy Manager at National Grid on 01926 656595 (e-mail: [richard.smith5@nationalgrid.com](mailto:richard.smith5@nationalgrid.com)).

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Golding', written in a cursive style.

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