

Connection and Use of System Code (CUSC)

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| Title of the CUSC Modification Proposal |
| Amending the Cancellation Charge liability within a CMP213 judicial review period |
| Submission Date |
| 20 th November 2014 |
| Description of the Issue or Defect that the CUSC Modification Proposal seeks to address |
| <p>Paragraph 3.11 of Section 15 of the CUSC describes the structure of Cancellation Charges that a generator wishing to reduce a Transmission Entry Capacity (TEC) or submit a Notice of Disconnection at a power station on or after that station's Charging Date is liable for. This structure incentivises generation users to provide a minimum of a year's notice to avoid paying a Cancellation Charge.</p> <p>It is understood that generators in making this commercial decision to reduce TEC/disconnect will factor in a forecast of their future costs. This will include a forecast of future transmission charges. Changes to a charging methodology will result in changes to a generator's transmission charges and Ofgem will therefore account for this impact when considering implementation dates for changes to a charging methodology. In the case of CMP213 'Project TransmiT TNUoS Developments', approved by Ofgem on 25th July 2014, the implementation date for the changes to TNUoS charges is 1st April 2016 but the Ofgem determination is subject to judicial review. If the judicial review is allowed and found against Ofgem, the status of the decision (and so the changes) could be put on hold/undone and this uncertainty as to whether/when TNUoS Charges will change makes it difficult for users to accurately factor future costs into any decision to disconnect/reduce TEC in time to give the minimum year's notice to avoid a Cancellation Charge.</p> <p>In summary, Section 15 of the CUSC assumes that generators have a reasonable idea of charges when required to notify of TEC reduction or Notice of Disconnection. Under the scenario of a judicial review of CMP213 this assumption is no longer true. Hence the defect is that Section 15 of the CUSC does not take account of the potential implications of a judicial review of CMP213.</p> |
| Description of the CUSC Modification Proposal |
| This proposal is to amend the Cancellation Charge liability where notice is given within one Financial Year to disconnect/reduce TEC effective at the start of the following Financial Year where that notice is given within a "CMP 213 judicial review period". That period being the |

period of 20 business days (inclusive) from the day on which (having exhausted all appeals) the judicial review proceedings against the Authority's decision to approve CMP213 are concluded. During these 20 business days generators are permitted to reduce their TEC or submit a Notice of Disconnection for a power station on or after that station's Charging Date with no Cancellation Charge in respect of Section 15 of the CUSC.

This requires a change to Section 15 of the CUSC. Draft legal text for paragraph 3.11 has been attached.

The Proposer suggests that the proposal needs to be in place by the end of March 2015 to allow it to be of benefit to customers and therefore seeks the CUSC Panel's agreement that the proposal can progress direct to Code Administrator Consultation.

Impact on the CUSC

Paragraph 3.11 of Section 15 only. Draft legal text attached.

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

BSC

Grid Code

STC

Other
(please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

Urgency Recommended: Yes / No

The proposal is required to be in place before the end of March 2015. The proposer believes that if the proposal proceeds direct to Code Administrator Consultation it can meet this timescale and therefore is not required to be treated as urgent. However, should it be decided that a workgroup is required to discuss the proposal, the proposer suggests that the proposal should then be treated as urgent.

Justification for Urgency Recommendation

Noting the reasoning laid out above, if the proposal is required to be treated as urgent the proposer gives the following reasons for urgent status as;

- A requirement for this proposal to be in place prior to the end of March 2015.
- The likelihood of a commercial impact on generators through potential exposure to Cancellation Charges.

Self-Governance Recommended: Yes / No

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

N/A

Impact on Computer Systems and Processes used by CUSC Parties:

No impact

Details of any Related Modification to Other Industry Codes

N/A

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:

This section is mandatory. You should detail why this Proposal better facilitates the Applicable CUSC Objectives compared to the current baseline. Please note that one or more Objective must be justified.

Please tick the relevant boxes and provide justification:

(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence

(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.

(c) 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.

Objective (c) was added in November 2011. This refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Full justification:

The proposer believes that the proposal better meets applicable CUSC objective a. The Authority approval of CMP213 requires National Grid to implement the proposal from 1st April 2016. The proposer believes that, due to the current judicial review, generators could face uncertainty in their future transmission charges making it difficult for them to make efficient closure and/or TEC reduction decisions. Whilst this proposal temporarily removes this incentive, holistically forcing parties ahead of a confirmed position on CMP213 may lead to inefficient decisions and / or lead to customers later seeking to unwind decisions made. This is consistent with our view previously articulated in response to Ofgem's impact assessment on CMP213.

The proposer believes that the proposal better meets applicable CUSC objective b. It recognises that due to uncertainty created by a CMP213 judicial review generators may not be able to make efficient closure or TEC reduction decisions in the timely manner underpinned by the arrangements laid out in Section 15 of the CUSC. This proposal seeks to help facilitate generators making informed decisions in an appropriate timescale recognising this uncertainty. As a result, uncertainty in the market will reduce, leading to reduced risk premiums and hence improved competition.

Additional details

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| Details of Proposer: (Organisation Name) | National Grid Electricity Transmission plc |
| 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: | Andrew Wainwright National Grid Electricity Transmission plc 01926 655944 Andy.wainwright@nationalgrid.com |

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| Details of Representative's Alternate: | |
| Name: | Wayne Mullins |
| Organisation: | National Grid Electricity Transmission plc |
| Telephone Number: | 01926 653999 |
| Email Address: | Wayne.mullins@nationalgrid.com |
| Attachments (Yes/No): | |
| Yes. Draft legal text (one page) | |

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 653606

For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/Current/>

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to jade.clarke@nationalgrid.com and copied to cusc.team@nationalgrid.com, or by post to:

Jade Clarke
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.

3.11 Where the Transmission Entry Capacity is reduced or Notice of Disconnection is given on or after the Charging Date

The **Cancellation Charge** payable on notice of **Disconnection** and/or a reduction in **Transmission Entry Capacity** on or after the **Charging Date** is calculated on a £/MW basis as follows by reference to the **Zonal Unit Amount** for the **Financial Year** in which the notice is given:

Cancellation Charge = Wider Cancellation Charge

Where:

- *Disconnection equates to reduction in Transmission Entry Capacity to zero*
- *Wider Cancellation Charge = Zonal Unit Amount for year in which notice of disconnection or reduction is given x reduction in Transmission Entry Capacity x Cancellation Charge Profile_t.*
- *Cancellation Charge Profile_t, which varies according to the number of Financial Years notice given from the date of notification to Disconnection or reduction in Transmission Entry Capacity:*
 - *where notice is given in the Financial Year in which such notice is to take effect (t=0) Cancellation Charge Profile = 1,*
 - *except as provided below where notice is given in the Financial Year prior to the Financial Year in which such notice is to take effect (t=1), Cancellation Charge Profile = 0.75,*
 - *where notice of reduction of Transmission Entry Capacity is given in the CMP 213 Judicial Review Period which is within a Financial Year prior to the Financial Year in which such notice is to take effect (t=1), for the purposes of the Cancellation Charge such notice shall be deemed to have been given in timescales such that the Cancellation Charge Profile = zero (where the “CMP213 Judicial Review Period” means the period of 20 Business Days (inclusive) from the day on which (having exhausted all appeals) the Judicial Review proceedings against the Authority’s decision to approve Approved CUSC Modification 213 are concluded).*
 - *where notice is given in the Financial Year which is two Financial Years prior to the Financial Year in which such notice is to take effect (t=2), Wider Cancellation Charge = zero.*