

Workstream 2 Product 5 CUSC 15 issues-Next steps

October 2021



Background

- There has been an informal consultation that has run over 2 months requesting feedback on the 30 issues which the WS2 product 5 working group raised
- Feedback was requested on whether the issues were:
 - Definitive
 - Any that are priorities
 - Any that shouldn't be progressed
- There has been 3 responses, although of those 3, 2 were from Energy Associations which represents multiple parties and therefore these responses will be made up of more parties which are unidentified.

Feedback

- Of the 30 issues raised there were 7 issues which feedback was unanimous that should be progressed
- Only 3 of these were deemed as requiring CUSC modification. The other 4 were based on lack of transparency and provision of additional information
- Of the 3 requiring CUSC modification, one was associated with the incorporating CUSC 15 into the new Appendix G/TIA process, one was on the disparity of security percentage between T and D customers and the other was enabling the ability to moved to variable from fixed.
- The respondents agreed that the issues raised were all reasonable issues to be considered for rectifying.

Table of Security/Liability issues

<u>Affected area</u>	<u>No.</u>	<u>Detail of Issue</u>	<u>What needs revising?</u>	<u>Summary</u>
<u>Trigger Date- The date when security percentages reduce from 100% and when wider works liability is applicable</u>	1	Currently, the trigger date is the 1 st April, 3 financial years prior to the financial year of the connection date. Where Transmission Owners incur significant expenditure prior to the trigger date, Developers would incur a higher security percentage.	CUSC 15	Review trigger period
	2	The trigger date can be delayed where a scheme delays their connection date. If the TO proceeds with the construction, however, expenditure would continue to increase but as the customer has not breached the trigger date, this means security would be 100% of the expenditure. Should this still be 100%?	CUSC 15	Review pre-trigger date percentage
	3	The April 1 st trigger date, doesn't reflect the timing of most connection schemes which occur around Oct-Dec following summer outage periods.	CUSC 15	Review of when pre trigger commences
<u>Security Percentage</u>	4	Consented schemes reduce percentage of security only when they have breached the trigger date. Consented schemes reduce the risk of termination irrespective of when consenting has been achieved.	CUSC 15	Review security percentage reduction for consented scheme

	5	The reduction of security percentage once trigger has been achieved is 45%(non consented) and 26% (consented) for Distribution and 42%(non consented) and 10%(consented) for Transmission. Firstly, the disparity between Distribution and Transmission should be reviewed but also whether these percentages overall reflect a reasonable reduction.	CUSC 15	Review percentage disparity between Distribution and Transmission as well as overall percentages
Wider Cancellation Charge	6	Wider works cancellation charge commences when a scheme reaches the trigger date. Generally, schemes which aren't ready to connect, delay their connection date just prior to this commencing due to the fact that wider works cancellation is a mandatory termination charge. Delaying the commencement of the wider works cancellation charge may have a positive effect of reduced modification applications.	CUSC 15	Review commencement of wider cancellation charge
	7	The wider cancellation charge increases in 25% increments once trigger date has been reached but a review of these should be undertaken to ensure these percentages are relevant. Eg a customer is more likely to proceed to connection within 2 years of connection so perhaps high level of percentage closer to the connection (eg 90% and 100%) but further out from the connection date, lower the percentage (eg 10% and 30%).	CUSC 15	Review wider cancellation charge percentages
	8	A wider cancellation charge is applicable irrespective of its commencement and so a wider fee does not always seem reflective of existing works and therefore is the £/MW level reasonable.	CUSC 15	Review £/Mw level
	9	There is a wider works cancellation charge post connection but clarity is required on whether this is applicable to DNOs as well as Transmission connected schemes. If it isn't applicable to DNOs, what is the cause of this and is this potentially discriminatory?	Guidance note	Clarify requirement for post connection wider cancellation charge
	10	More transparency is required on the calculation of wider works. There has been extreme variations in forecast accuracy in recent years and a review should be held to improve accuracy or improve communication in how its calculated.	NGESO processes and communication	Clarify wider works calculation process

<u>Fixed Liability</u>	11	Once a scheme has chosen a fixed liability, there is no option to become variable again but there are circumstances where the TO drastically change the scope of works.	CUSC 15	Review when a scheme can change from fixed to variable
	12	The £/KW rates when a scheme is on a fixed liability prior to the trigger date- Does the evidence show these are reasonable amounts?	CUSC 15	Review £/kw rates
<u>Transmission Impact Assessment/APP G</u>	13	Considerations required on how to implement securities into TIA for example will there be a cooling off period where, after a customer is allocated onto appendix G, they can terminate without incurring termination fees?	CUSC 15	Assess potential for cooling off period for securities/liabilities in Appendix G
	14	Where there are multiple schemes allocated to Appendix G which has a single reinforcement required for a GSP, how are termination fees determined where schemes have terminated? Should it be a last man standing principle? Affected area for revision.	CUSC 15	Assess termination principles on Appendix G
	15	Forecasts for liabilities for Attributable Works for App G GSPs where there is known works required- Affected area for revision- NGESO process and communication.	NGESO process and communication	Assess viability for attributable works forecasting for Appendix G
<u>Embedded specific</u>	16	Explicit clarification that DNOs are not liable for the balance of cancellation (ie total liabilities less any recovered from security) if they have followed appropriate recovery steps with the developer. – Affected area for revision- NGESO process and communication.	NGESO process and communication.	Investigate DNO recovery rights where liabilities are not fully acquired post-termination
	17	Feedback from Solar Energy UK is that there is a general lack of transparency from the network companies with regards to what the securities/liabilities are made up of. Solar Energy UK Members have suggested that the preferred approach would be based on UKPN's provision of information with the added inclusion of National Grid's 4-year prediction of charges, and for all DNOs to adopt a similar approach and provide the same information.	New guidance note/fact sheet	Review the potential for a new guidance note or fact sheet.

<u>Security provision</u>	18	Security provisions occur bi-annually. Could this be moved to annual to provide more stability for the customer? STC(BI annual estimate)/CUSC 15/TO process improvement Affected area for revision- NGESO and TO process. Also CUSC and STC amendments.	NGESO and TO process. Also various CUSC and STC amendments	Investigate whether amending security provisions to annual would be appropriate
	19	Are there any alternatives for security provision (ie the ways of providing security eg letter of credit) and can the current Triple A rating option be lowered in order to allow more companies to be able to use credit rating as an option.	Guidance note and CUSC 15	Assess whether there are any alternative ways to provide security
	20	At present, securities that are not provided in cash form must be in place 45 days or more in advance but could this be reviewed to see if non cash security provision can be aligned with cash?	CUSC 15	Assess period for security provision
<u>Security calculation</u>	21	Is there a consistent treatment of component capability by the Transmission Owners (TO's) eg where a component does not have an MVA value, are these allocated a value consistently as it will affect the SIF value of the liability. Affected area for revision.	STC and TO processes	Assess component capability treatment by the TO's
	22	MITS node/Attributable- Securities for attributable works are only for works up to and including the MITS node. Where there are GSPs that are only single circuit and Transformer, these will not be classed as MITS nodes and the MITS nodes can be far beyond the GSPs for Developers to securitise.	CUSC 11	Assess definition of MITS node and attributable
<u>Accessibility/Clarifications</u>	23	Is the NGESO guidance note up to date and still relevant?	Guidance note	Assess relevance of NGESO's guidance note
	24	Can the current MM(security/liability) statement layout be improved for increased User-friendliness?	MM statements	Assess relevance of NGESO's guidance note
	25	Where the TO delays reinforcement of the network is it fair to enforce cancellation charges to the developers if that delay makes their project unviable?	CUSC 15 and guidance note	Assess cancellation charge requirements following TO initiated delays

<u>Miscellaneous</u>	26	There are occasions where wider transmission enabling works have completed prior to the connection of the scheme but as they works are attributable the scheme would still incur a liability due to the potential of stranded assets. Many wider assets have multiple customers connecting to them and would therefore not cause stranded assets so can there be a way of reducing/removing liability for these customers?	CUSC 15	Assess liability of schemes that connect after infrastructure is constructed
	27	Demand Users are still not subject to CUSC 15 and are still on the old securities system.	CUSC 15	Assess incorporating Demand Users into CUSC 15

DNO specific concerns

These are separated from the above as they deal with DNO issues that would need to be assessed separately from Code/ESO concerns and would need to be agreed upon by all DNOs in order to be implemented.

	28	Although NGESO allow security provision in a wide variety of forms (letter of credit, escrow etc) not all DNOs support these and some only allow either cash or triple A security ratings. This can cause cash flow issues for the majority of companies that do not have sufficient rating.	DNOs processes	Review aligning DNO's forms of security provision
	29	There are some inconsistencies with regards to how long it takes for the DNO to pass through securities to the end customer which can cause cash flow issues for the customer.	DNOs processes	Review aligning DNO's forms of security provision
	30	There is a lack of transparency regarding when a customer provides their key consents and how long this takes to pass through to the ESO and when it will amend the security percentage.	DNOs processes/ Fact sheet	Review provision of guidance on key consents

Next Steps

- Following the consultation results there are a few options that can be considered
 - 1- Raise a CUSC mod to progress all CUSC issues identified
 - 2- Raise 2 separate CUSC mods-1 for the priority issues and 1 for the remaining
 - 3- Raise 2 separate CUSCC mods- 1 for the “quick wins” and 1 for the remaining
 - 4- Group the issues into specific areas eg wider cancellation charge issues, trigger date issues etc

Pros and Cons

- 1- Raise a CUSC mod to progress all CUSC issues identified

Pros-

- Single mod which will not require any interdependencies
- Single working group could see whole picture of issues
- Less administration and working groups

Cons-

- Will likely be long period for conclusion of mod
- Some of the easier sections will not be implemented in a quicker timeframe than they would in a separate mod for the quick wins

Pros and Cons

- 2- Raise 2 separate CUSC mods-1 for the priority issues and 1 for the remaining
- 3- Raise 2 separate CUSC mods- 1 for the “quick wins” and 1 for the remaining

Pros-

- Priority/quick wins issues will be smaller and therefore potentially quicker to implement
- Small level of working groups

Cons

- Potential interdependencies with the 2 groups
- Main issues will still be of a substantial size to be considerably longer to conclude

Pros and Cons

- 4- Group the issues into specific areas eg wider cancellation charge issues, trigger date issues etc

Pros

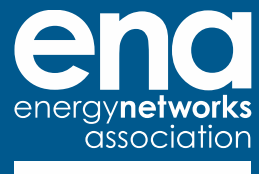
- Easier to manage within each group
- Potentially quicker to progress

Cons

- Multiple working groups
- Potential for interdependencies
- More administration

Next Steps

- Please could you provide feedback on which of the choices should be progressed.
- Any other feedback also welcome on any additional choices not shown above
- Please contact me at Neil.bennett@sse.com



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