

## CUSC Alternative and Workgroup Vote

### CMP288: Explicit charging arrangements for customer delays and backfeeds

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

#### Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

#### Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

#### Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

#### The Applicable CUSC Objectives (Charging) are:

- That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);
- That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and
- Promoting efficiency in the implementation and administration of the system charging methodology.

\*The Electricity Regulation referred to in objective (d) 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.

## Workgroup Vote

### Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

*The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.*

*Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.*

“Y” = Yes

“N” = No

“-“ = Neutral (Stage 2 only)

“Abstain”

Workgroup Member	Alternative request 1
Kenneth Doyle	N
James Jackson	Y
Joshua Logan	Y
Richard Woodward	N
Robert Longden	N
Ryan Ward	N
Andrew Vaudin	N
Andy Colley	Y
WACM?	N

## Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

“Y” = Yes

“N” = No

“-“ = Neutral

“Abstain”

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Kenneth Doyle – National Grid ESO					
Original	Y	Y	-	-	Y	Y
WACM 1	-	-	-	-	-	-
<p>Voting Statement: The proposal removes additional financing costs related to the individual customer delays and backfeeds which removes a potential cross-subsidy between CUSC parties.</p> <p>The Proposal also ensures that the cost of delays and provision of backfeeds is reflected in charges made to the party causing the cost.</p> <p>Including explicit charging arrangements for one-off incremental costs improves transparency of the CUSC arrangements.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	James Jackson - Orsted					
Original	N	N	N	-	-	N
WACM 1	N	N	N	-	-	N
<p>Voting Statement: Ørsted agrees with the principle behind charging for delays and appreciates the need for the TOs to recover appropriate costs. However, transparency regarding the charging methodology used is required. In our view, neither the original proposal, nor the alternative, adequately address the defect. The charges and associated methodology should instead be clearly defined within the CUSC.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Joshua Logan - Drax					

Original	N	N	N	-	N	N
<p>Voting Statement:</p> <p><b>Lack of Transparency</b></p> <p>Any methodology for calculating delay charges should be set out in the CUSC Section 14. It is not appropriate for the delay charge methodology to be set out in the TO charging statements. The Charging Statements are not subject to the Industry Code Governance arrangements and can be changed by the TO's with no industry consultation.</p> <p>Furthermore, each TO has their own charging statement and they are inconsistent on their treatment and methodology for calculating delay charges. This introduces an additional complexity and lack of clarity for developers.</p> <p>Without a clear methodology, developers are unable to appropriately assess the cost of delaying their connection date and will continue to receive unforecastable costs. The lack of transparency is concerning for developers and has a negative impact on competition.</p> <p><b>Lack of Evidence</b></p> <p>Many developers have been subject to delay charges already. Such charges are not transparent and are often unknown to the developer until they mod app.</p> <p>We remain unconvinced on how and what charges a TO actually incurs when a user delays. The TO's have not presented sufficient evidence of the charges that are incurred.</p> <p>We have seen no evidence highlighting what the materiality of delay costs are across the network and by how much this modification would reduce TNUoS.</p> <p>Misalignment with market arrangements and net zero ambitions</p> <p>Due to the timescales associated with getting connected to the network, a developer often has to start the connections process prior to successfully obtaining a CM or CfD agreement. Since a Final Investment Decision is usually dependent on securing an agreement, projects have no choice but to delay their connection if they are unsuccessful in the CM/CfD auctions.</p> <p>Therefore, to a certain extent, delay charges are unavoidable and do not send a useful signal to generators. This is negative against CUSC Objective (b).</p> <p>This additional risk could act as another barrier to investment in renewable generation and could lead to higher bids in CfD auctions which increases the cost for end consumers.</p> <p><b>Risk Asymmetry</b></p> <p>CMP288 places all the delay risk with the developer and removes any delay risk from the TO's. The risk should be shared more appropriately. TO's should be focusing on liaising more closely with developers to manage developments.</p> <p>Disincentives communication between TO and Developer</p> <p>We believe this modification disincentives co-ordination and communication, it gives the TO's an automatic right to recover any delay costs. Focus should instead be on encouraging open and transparent communication.</p> <p><b>Implementation</b></p> <p>We are deeply concerned that delay charges are already being included in contracts and levied prior to the approval of this modification. This undermines the CUSC governance arrangements and falls below our expectations of the TO's and ESO. We do not believe delay charges should have been levied prior to this modification receiving an Ofgem decision.</p> <p>Should CMP288 be approved, we believe it should only apply to new contracts entered into after the implementation date and it should not be applied to current contracts which Mod App.</p> <p>Developers may have chosen a different connection date in their original application should they have been aware of this commercial risk. This has a negative impact on competition.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Richard Woodward – National Grid Electricity Transmission					
Original	Y	Y	Y	-	-	Y
WACM 1	N	N	N	-	N	N
<p>Voting Statement: The original proposal ensures that the charging methodology more explicitly defines the full extent of charges that could arise in relation to connecting Users to the transmission system (as compared to the baseline). It clarifies how additional costs are identified and charged to Users who make supplementary requests (for their benefit) for an Onshore TO to deviate from a previously agreed economic and efficient transmission works plan.</p> <p>In doing so, the original ensures these incremental costs are recovered solely from the Users who cause them, rather than be incurred by an Onshore TO (which would likely be subjected to Price Control penalties as a result) and eventually end consumers via TNUoS charges. Finally, the original proposal helps better facilitate competition by removing any potential risk of inconsistency of cost pass-through in the situation outlined above - ensuring a more level-playing field for all Users/project developers.</p> <p>The WACM1 proposal is contrary in each of these respects. It would erode cost reflectivity by ring-fencing legitimate costs away from the Users who cause them via an undefined regulatory mechanism (outside the influence of CUSC) which would lead directly to higher end consumer bills.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Robert Longden – Cornwall Energy (nominated by Eneco Energy Trade BV)					
Original	N	N	-	-	N	N
<p>Voting Statement:</p> <p>The ESO and TO members have put considerable effort into the development of the modification. The issue is not with what is there, but what is not. This is a CUSC Modification which should provide assurances for users regarding the treatment of delay and backfeed charges. The “original” incarnation of the modification sought to do this. It was replaced with a version which “handed over” the completion of the process to the regulatory framework governing the TO charging statements and associated processes. Whilst this solution <i>may</i> be better than the current Baseline (which is silent on any arrangements), it is not a robust solution as the CUSC cannot specify actions/processes to be followed under another Code/regulatory framework. It is for this reason that it cannot provide the required degree of certainty that stakeholders need from a CUSC Modification.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Ryan Ward – Scottish Power Renewables					
Original	N	N	-	-	N	N
<p>Voting Statement: The original &amp; WACM 1 does not better achieve the CUSC objectives in comparison to the baseline:</p>						

- ACO A) Both the original & WACM 1 negatively impact competition on the grounds of potential discrimination to users. In addition to this, the change would involve material transfer of risk and alter the current risk allocation under the CUSC as practically the TO does not compensate generators for delays regardless of cause.
- ACO B) Both the original & WACM 1 do not improve on the current baseline. Throughout there has been no quantifiable data provided which would demonstrate the cost reflectivity of the proposed costs incurred. Furthermore, the inconsistency between each of the three TO charging statement offers little assurance to users and poses the risk of variation in the application of the charges.
- ACO C) Neutral
- ACO D) Neutral
- ACO E) We believe all charges should be clearly captured within the CUSC to avoid any disparity. Concerns have been raised over the charges being set out within the TO's charging statements as Ofgem do not approve the content, only the form. Again, the inconsistency across the three TO charging statements raises concerns on how each of the TOs are applying charges to their users – if at all. In our experience (which we believe is reflective across the piece), Scottish TO's have not been applying such charges and have been resolving issues via best practise, transparency, and optionality discussion. No data was provided to state otherwise.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Andrew Vaudin – EDF Energy					
Original	N	N	N	-	N	N
<p>Voting Statement: The Original proposal does not provide an adequately detailed methodology to be included in the CUSC, which has been reviewed by workgroup and has been open to consultation.</p> <p>Instead, the Original proposal leaves it for each of the TO's to develop a separate methodology in their individual Charging Statements. This would leave project developers with a lack of transparency and no clear certainty of charging risks going forward.</p>						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Andy Colley - SSE					
Original	N	N	-	-	N	N
<p>Voting Statement:</p> <p>No statement provided</p>						

**Stage 2b – Workgroup Vote**

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1 or WACM2)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Kenneth Doyle	National Grid ESO	Original	A, B, E
James Jackson	Orsted	Baseline	N/A
Joshua Logan	Drax Power	Baseline	N/A
Richard Woodward	National Grid (TO)	Original	A, B, C
Robert Longden	Cornwall Energy	Baseline	N/A
Ryan Ward	Scottish Power Renewables	Baseline	N/A
Andrew Vaudin	EDF Energy	Baseline	N/A
Andy Colley	SSE	Baseline	N/A

Of the 8 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	2