

Code Administrator Consultation Response Proforma**CMP288: Explicit charging arrangements for customer delays and backfeeds**

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 cusc.team@nationalgrideso.com by **5pm on 18 July 2022**. 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 Jennifer Groome Jennifer.Groome@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) Objectives 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*

- e. *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.*

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

Standard Code Administrator Consultation questions								
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe Original solution better facilitates:						
		<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 checked="" type="checkbox"/>E</td> </tr> </table>	Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E
		Original	<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C	<input type="checkbox"/> D	<input checked="" type="checkbox"/> E	
		<p>We believe this modification better facilitates applicable objectives A, B, C, and E (D is neutral).</p> <p>The primary benefit realised by implementing this modification is minimising any risk of end consumers being exposed to additional costs of delays that are User-initiated and cannot be foreseen or controlled by an Onshore TO. Instead the proposal ensures these costs are targeted solely to those parties that cause them.</p> <p>In respect of objectives A, B and C – CMP288 enhances the transmission charging methodology to be much clearer by defining delay and backfeed charges as a subset of existing One-off Works charges. In doing so, the modification sets an improved commercial signal to all CUSC Parties that these charges may be levied where they make requests to delay connection works, compelling Onshore TOs to deviate from a previously agreed economic, efficient, and contracted transmission works plan.</p> <p>In our view, the proposed solution better promotes the merits of proactive project management conversations between Users, ESO and Onshore TOs by trying to minimise the need for these types of charges to be levied at all. The stronger commercial signal mentioned above should incentivise Users to innovate their project delivery strategies, or even consider termination if, for example, a potential delay could result in a material charge.</p> <p>When coupled with the likely reduction in repeated Modification Applications (required when developers wish to recontract connection dates), we would expect that overall, CMP288 will lead to a more efficient utilisation of transmission capacity and deployment of connection delivery resources by all parties. This ultimately represents better value for end consumers and links well with the direction of the Queue Management proposals under development in CUSC mod CMP376.</p> <p>Competition (Objective A) is better facilitated by removing any potential risk of inconsistency of levying these types of charges by Onshore TOs and ESO. The lack of explicit</p>						

	<p>provisions in the current CUSC baseline risks some Users actively finding litigious routes to avoid being exposed to these costs, which un-levels the playing field. Moreover, ensuring these costs are levied on any User who causes them avoids Onshore TOs, TNUoS payers, and therefore end consumers being exposed to unnecessary and unfairly higher costs.</p> <p>Objective B is better facilitated through more explicit acknowledgement in the CUSC that User-initiated project delays can trigger additional costs for the Onshore TOs, and that these additional costs are defined (e.g. financing, re-work etc.) in conjunction with TO-specific detail in Charging Statements.</p> <p>Objective C is better facilitated from an NGET perspective particularly by acknowledging our updated T2 Price Control arrangements. With any over/under spend of connection outputs now adjusted via our TOTEX incentive mechanism, the CMP288 proposal ensures that any incremental inefficient costs resulting solely from a User's request to delay their connection can be categorised as One-off Works (i.e. not Connection or Infrastructure asset costs). This enables these costs to be funded directly by the User and removes any risk of end consumers footing a share via TNUoS charges.</p> <p>Objective E is better facilitated by CMP288 codifying proportionate legal text which sets out sufficient detail to dictate the nature of these charges in CUSC, without needing to include TO-specific cost information which is a more appropriately located in TO Charging Statements.</p> <p>On the point above, we note the concerns shared by the User representatives in the workgroup on the nature of Ofgem's approval of Onshore TO Charging Statements. After the workgroup concluded, we become aware that the updated T2 licence arrangements specify a much more substantial Ofgem approval of TO Charging Statements. This provides a much greater level of oversight on any changes proposed by the TOs, including the power for the Authority to reject changes. We believe that knowledge of this during the workgroup phase could have allayed the bulk of the concerns shared by Users during the consultation and during the workgroup vote. For information, we've provided the relevant text from our licence special conditions (verbatim) below:</p> <p><i>Part B: Revisions to the Statement of Transmission Owner Charges</i></p>
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		<p>9.12.5 <i>The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.</i></p> <p>9.12.6 <i>The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.</i></p> <p>9.12.7 <i>Before revising the Statement of Transmission Owner Charges, under paragraph 9.12.5, the licensee must provide a copy of the proposed revisions to the Authority.</i></p> <p>9.12.8 <i>The Authority will: (a) approve the proposed revisions; (b) reject the proposed revisions; or (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.</i></p> <p>Throughout the workgroup we advocated, along with the proposer, for CUSC text to be proportionate and future-proofed. We believe the proposed legal text achieves this.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If approved, we believe this modification should be implemented as soon as possible.</p>
3	Do you have any other comments?	<p>During the CMP288 workgroup we offered to take further steps to allay workgroup members' concerns that the detail for TOs to identify delay/backfeed costs would be described more substantively in our TO Charging Statements, rather than accommodated in the proposed CUSC legal text which specifies the associated charging methodology. This was despite our confidence that existing practice to annually update Charging Statements in coordination with ESO and Ofgem is robust.</p> <p>In collaboration with our Scottish TO colleagues, we proposed changing the STC to increase User-involvement in the annual update of TO Charging Statements. CMP288 Workgroup members declined this offer. Similarly, no workgroup member was sufficiently concerned to raise a Workgroup Alternative Code Modification (WACM) to address this perceived issue. Consequently, whilst we acknowledge the concerns raised, two readily available remedies have not been pursued which leads us to believe the extent of this issue has been overstated.</p> <p>We also note that One-Off charges – which includes delay and backfeed charges – by their nature already</p>

		<p>allows TOs to pass through non-standard incremental costs to the ESO (who may then pass these on to Users) in relation to User connections. Against this background, the existing commercial framework already allows for charges to Users to be described within a TO Charging Statement. The CMP288 proposal merely reinforces this principle and provides more explicit wording for Users on how charges will be levied by ESO.</p>
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