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CUSC Alternative Form – Non Charging

CMP448 Alternative Request 6: Embedded exempted

Overview: This alternative exempts embedded projects from the mechanism.

Proposer: Brian Hoy, Electricity North West

☒ I/We confirm that this Alternative Request proposes to modify the non -
charging section of the CUSC only

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What is the proposed alternative solution?

This solution would exempt all embedded projects from the mechanism.

What is the difference between this and the Original Proposal?

This solution recognises the inherent differences between Distribution and Transmission milestones. The defect identified by the Proposer is the risk of inactivity between a project accepting and the first milestone M1, submission of planning.

For Transmission projects, this period can be two years and therefore does pose a risk of lack of progress in this period.

For Distribution projects, there are two situations but both require almost immediate action:

- For projects where no Environmental Impact Assessment (EIA) is needed, the planning application must be made within **two months** of acceptance
- For projects where an EIA is needed then the project must demonstrate they have engaged third parties to undertake the EIA within **two months** and in addition submit the planning application within 14 months of offer acceptance.

Therefore, all Distribution projects have to take action within a two-month period of offer acceptance. There is dispensation for projects that require a "TSO assessment" which is how the guidance describe projects that have a would now be referred to as Transmission Impact Assessment. This would be deemed to have been completed when a project accepts its Gate 2 and therefore action needs to be initiated within two months from this.

The Distribution mechanism does allow a degree of tolerance, but this is cumulative delay across a number of milestones:

- milestone M1 – Initiated statutory consents including Planning Permission
- milestone M2 – Secured statutory consents including Planning Permission
- milestone M3 – Land Rights
- milestone M4 – TSO Interface
- milestone M6 – Provision and agreement of Construction Plan

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The amount of tolerance is set at 65 working days (about 3 months) for LV and HV projects and 130 working days (about 6 months) for 33kV and 132kV projects. This tolerance period defines the amount of extra time that is allowed across **all** of these milestones.

For example, assume a 132kV project with no EIA

- it needs to submit planning with 2 months to meet milestone M1
- if the planning submission was delayed and submitted after 8 months, all 6 months of the tolerance would have been used
- there would be no tolerance left for completion of any of the other milestones
- the securing planning consent would need still need to be met 12 months after acceptance
- This would therefore only give 4 months for that process to be completed otherwise the project would be terminated

So, whilst on the face of it, the tolerance period looks like it could extend milestone completion up to 6 months this does pose a greater risk to the project being terminated, particularly for getting planning consent, the timing of which the developer has less control over.

This alternative is more efficient than the Proposer's solution as it only applies the mechanism where there are no other incentives to progress prior to M1 and therefore better meets objective (a).

This alternative is significantly simpler as it does impose the PCF requirements on projects where other incentives already exist to progress and therefore better meets objective (d) than the Proposer's solution.

What is the impact of this change?

This change focuses the PCF on larger Transmission projects where there are no other incentives to progress between acceptance and meeting M1. It removes the commercial complexity of NESO imposing obligations on DNOs who then have to reflect them in multiple small offers to embedded connections.

This change avoids the PCF being applied to very small projects, currently 1MW for England and Wales which have marginal impact of meeting CP30 targets if they drop out.



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Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Positive This introduces a mechanism that focuses on the larger Transmission projects which are the source of the defect identified.
(ii) 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;	Positive As per proposers solution.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral Please provide your rationale
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive This avoids the complexity of the commercial arrangements with DNOs in the middle and apply extra administration to a large number of small projects.

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (c) 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.

When will this change take place?

Implementation date:

As the Proposer's solution.

Implementation approach:

As the Proposer's solution.

Acronyms, key terms and reference material

Acronym / key term	Meaning

Reference material:

1.

