Public

CUSC Alternative Form - Charging
CMP460 Alternative Request 1: ## Removal of Capital Contribution Refunds for Reclassified Assets
Overview: This Alternative Request proposes the removal of the Capital Contribution Refund mechanism. In the event a connection asset is reclassified as an infrastructure asset then the affected Transmission User will not receive a refund of any capital contributions paid for commissioned assets. The Original proposes refunding the remaining depreciated value of relevant Capital Contributions where a Connection Asset is reclassified as an Infrastructure Asset. This Alternative would remove that refund for commissioned assets/projects that have already energised, while retaining refunds for qualifying assets/projects that have not yet been commissioned or energised. It is proposed the Charging Date or Completion Date is used as the measure, beyond which the project would not be eligible for a refund.
Proposer: Philip Bale, Roadnight Taylor (sponsored by Statkraft)
☒ I/We confirm that this Alternative Request proposes to modify the charging section of the CUSC only

What is the proposed alternative solution?

This Alternative Request proposes the removal of the Capital Contribution Refund mechanism for assets which have been commissioned and projects which have already been energised. In the event a commissioned connection asset is reclassified as an infrastructure asset, then the affected Transmission User (or for the avoidance of doubt, embedded customers of that transmission user, in the event of it being a DNO or IDNO) which have already been connected will not receive a refund of any capital contributions paid

Where a connection asset is not yet commissioned and is reclassified as an infrastructure asset due to this Code Modification, any Capital Contributions which have been paid towards an asset being installed, by a Transmission Users or embedded demand or generation project which are not yet energised, all previous payments will be refunded to the Transmission User, to be passed back to the customer which made the initial payment.

Given there are numerous dates used in the connections process it is proposed that the Charging Date or Completion Date (whichever is earliest) is used. Given a later project Stage could be the element associated with the Capital Contribution, using the Charging Date or Completion Date associated with that stage is proposed.

What is the difference between this and the Original Proposal?

The Original would allow the remaining depreciated value of the relevant Capital Contributions associated with a given project being refunded, even if it was already connected had therefore built in the cost to its business case. A refund in this scenario is therefore not delivering optimum value to the consumer.

The proposed Alternative would reduce the complexity of implementing and administering the modification (Objective h), as Transmission Owners (TOs) would not be required to refund Users for capital contributions paid up to 40 years ago

(the typical period a Transmission Asset is funded over). The refund mechanism proposed in the Original solution may have required the reopening of the RIIO-T3 business plans (2026-2031) to provide the funding to TOs to then pay back the Capital Contributions. Currently the published TO business plans do not account for such refunds of capital contributions, hence if the Original proposal triggers a route for refunds there is a question as to how this would be funded and through which mechanism.

This Alternative would not change the ownership of assets and would allow TOs to recover costs for assets triggered by Distribution Networks through TNUoS, which better reflects the social benefits these assets provide.

The Legal Text changes proposed are to be provided as a mark up to those proposed by the Original in Section 14.6 of the CUSC.

What is the impact of this change?

This will change the impact of the modification for TOs, transmission-connected generators and consumers. TOs will not be required to refund previous capital contributions where asset classification is changed. This reduces the cash flow impact of this modification on the TOs. The Alternative would also result in Users not being refunded for a project or project stage which has already been connected. Users would still be eligible for a refund where the asset classification is changed ahead of the project or project stage Completion Date or Charging Date, whichever comes first). This also applies to an embedded customer of that transmission User, in the event of it being a DNO or IDNO.

This Alternative means that TOs will assign a reduced asset value to new infrastructure assets, subtracting any capital contributions already paid for the assets, and this will reduce the Net Asset Value base used to calculate TNUoS, compared to the Original where connected Users are refunded and the full Net Asset Value passed onto TNUoS. Alternative 1 will reduce the impact on consumers and transmission-connected generators' use of system charges.

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(d) 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;	**Positive** The proposal enables more equitable access to the grid when compared with the Original. It removes the refund mechanism for Capital Contributions where the project is already connected. This improves competition given the connected projects have already built in the Capital Contribution into their Business Case.
(e) 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 C11 requirements of a connect and manage connection);	**Neutral** TOs can recover the full cost of owning and operating Connection Assets and Infrastructure Assets, and this proposal does not seek to change that.
(f) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable,	**Positive** The proposal helps reduce the risk of

properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business*;	inefficient investment by TOs, removing the mechanism which refunds Users who are already connected.
(g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	**Neutral** The proposal does not have an impact or dependency on the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.
(h) Promoting efficiency in the implementation and administration of the system charging methodology.	**Positive** The proposal provides clarity on the framework for transmission reinforcement cost recovery and ensures Distribution Users are treated fairly. Reduced ambiguity should reduce administrative complexity and improve the efficiency of the CUSC.

** See Electricity System Operator Licence*

***The Electricity Regulation referred to in objective (g) 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: 01 April 2028 (same as Original Proposal which Alternative 1 does not propose to change)

Implementation approach:

The same as the Original CMP460 solution.

Acronyms, key terms and reference material

Acronym / key term	Meaning
TO	Transmission Owner
DNO	Distribution Network Operator
TNUoS	Transmission Network Use of System
CUSC	Connection and Use of System Code
Net Asset Value	the Gross Asset Value of the Transmission Connection Asset in question less depreciation over the Replacement Period calculated in accordance with recognised accounting principles and procedures
Connection Assets	Single-user assets required solely to connect an individual user (such as a generator or Distribution Network Operator) to the National Electricity Transmission System, which are not normally shared with other parties.

Infrastructure Assets	Shared or shareable transmission system assets that serve the broader network or multiple users rather than a single dedicated connection.