



Making a positive difference
for energy consumers

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Dear Mike,

Authority decision to direct that report on CUSC modification proposal 223 'Arrangements for Relevant Distributed Generators under the enduring Generation User Commitment' be revised and resubmitted

On 9 July 2014, the CUSC Panel submitted a Final Modification Report (FMR) for CUSC modification proposal (CMP) 223 'Arrangements for Relevant Distributed Generators under the enduring Generation User Commitment' to the Authority. On 1 September 2014, we published an open letter consultation setting out our understanding of the issues raised by CMP223 and provided stakeholders with an opportunity to comment.¹ At the same time, we asked Distribution Network Operators (DNOs) to provide additional information to inform our decision on CMP223.²

Following our consultation and request for information, we have decided that we cannot form an opinion on CMP223 based on the information submitted and we therefore direct that the FMR is revised and resubmitted. We recognise the work carried out through the industry process to date to develop the CMP223 solution. However, we consider that there are areas that can be further addressed through additional industry assessment that are necessary to inform our decision on the modification.

Issues to address

The modification proposes different arrangements under which National Grid Electricity Transmission (NGET) would be able to recover the shortfall between the liability and the amount of security provided through Transmission Network Use of System (TNUoS) charges in the event of a relevant distributed generator terminating a project. The options presented by the modification vary as to whether it would be the DNOs or NGET that would take responsibility for initially attempting to recover the debt. The modification also proposes changes to the levels of security that would apply to a DNO in respect of the liability for works to the transmission system triggered by a distributed generator. The intention is that this level of security can then be passed down by the DNO to the distributed generator.

¹ Our open letter is here: <https://www.ofgem.gov.uk/ofgem-publications/89620/140901cmp223openletter.pdf>

² Our information request is here: <https://www.ofgem.gov.uk/ofgem-publications/89621/140829cmp223informationrequest.pdf>

In our view, it is important that any proposal provides certainty to DNOs that any shortfall can be recovered through TNUoS charges. If this is not the case, then the DNO will not have an incentive to pass the lower security arrangements to the distributed generator. We are of the position that debt collection costs should be minimised as far as possible. We consider that the current proposals lack clarity on the procedures to be followed to collect any outstanding debt. We are therefore unable to form an opinion as to whether the proposed modification will better facilitate the CUSC objectives.

Thus, we direct that additional steps are undertaken (including sending the proposal back to the CMP223 Workgroup for further consideration and/or undertaking further consultation if the CUSC Panel considers this appropriate) to address these concerns.

A revised FMR should:

- Provide a detailed overview of the debt collection process and how this would be implemented for the original and alternative proposals. For instance, the Workgroup may wish to consider what constitutes good practice and determine whether salient elements can be incorporated.
- Set out this process in a clear and easy to understand manner so that stakeholders are clear on what would be required of them.

It would also be helpful to take this opportunity to consider any general changes that could make the FMR easier to read and digest. For instance, providing a summary of the final proposals put forward after the Workgroup discussion would bring more clarity to the options under consideration.

After addressing the issues discussed above, and revising the FMR accordingly, the CUSC Panel should re-submit it to us for decision as soon as practicable.

Yours sincerely

Kersti Berge

Partner, Transmission

Signed on behalf of the Authority and authorised for that purpose