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Dear Donald

Changes to Statements of the Basis for Transmission Owner Charges 2015/16

Thank you for the opportunity to provide our views on the proposed changes to Scottish Hydro-Electric Transmission plc and SP Transmission plc's Statements of the Basis for Transmission Owner Charges. This response is provided on behalf of National Grid Electricity Transmission plc (NGET) and is not confidential.

The Statements of the Basis for Transmission Owner Charges (referred to as 'Statements') form an important part of the relationship between the Scottish TOs and NGET. A customer, wishing to connect to the GB network, would refer to the CUSC¹ to determine how much they will be charged for works carried out by a Transmission Owner (TO). The Statements and the STC² then detail how the Scottish TOs will charge NGET for these works. This two part process means there is a risk that the CUSC and STC, subject to industry governance, and the Statements, subject to annual revision, are not aligned potentially exposing NGET to risk as the party in the middle.

We recognise that the Statements are produced based on the current version of industry codes; however, we should like to take the opportunity to highlight a number of ongoing modifications to the CUSC, which may have a consequential impact on the Statements of the Basis for Transmission Owner Charges. The relevant CUSC modifications are as follows:

1. CMP245/246 - 'Introduction of a new 'category 5 Intertripping Scheme' to include System to System intertrips in relation to one-off charges'

This modification is considering the interpretation of the wording in the CUSC in relation to one-off charges. The proposer has suggested that a particular one-off charge should not apply and is seeking to change the CUSC accordingly.

As currently drafted, the text in the Statements relating to one-off charges is the same as that in the CUSC (14.4.2). However, if the CUSC modification process proposes, and the Authority directs, to adjust the definition of one-off charges, then there is a need to

¹ Connection and Use of System Code.

² System Operator Transmission Owner Code.

ensure that the Statements are updated to ensure consistency with the CUSC, resulting in consistent treatment by transmission licensees.

This modification is currently at the workgroup stage, and is expected to report to the CUSC Panel in October 2015.

2. CMP248 - 'Enabling capital contributions for transmission connection assets during commercial operation'

CMP248 seeks to offer generators the option to pay a capital contribution for their connection assets during operation. This will be a modification to the CUSC enabling customers to choose pay NGET in a different way for their connection assets. As currently written the CUSC allows only a full or partial capital contribution at the time of commissioning and not during operation.

The Statements as currently drafted allow capital contributions to be paid in advance of commencement of connection works or during construction in line with the current CUSC requirements. If the CUSC is modified to allow customers to make additional capital contributions during operation, the Statements will need to be updated to reflect this; otherwise, there is a risk that NGET are left with a liability for a certain type of charge to the Scottish TOs.

This modification is currently at the workgroup stage having been considered as Self-Governance by the CUSC Panel, and is expected to report to the CUSC Panel in November 2015.

3. CMP249 – 'Clarification of Other Charges (CUSC 14.4) - Charging arrangements for customer requested delay and backfeed'

CMP249 seeks to include the principles underpinning the CEC before TEC³ policy within section 14 of the CUSC, state the methodology for calculation and clarify in which situations this will be applied. This will improve the overall transparency of charging arrangements.

In order to facilitate this policy being applied across GB we believe that it would be advantageous to align the Statements with any directed changes to the CUSC arising from CMP249.

This modification is currently at the early stages of a workgroup being set up and is expected to report to the Panel in January 2016.

Overall, we are keen to see that the CUSC and the Statements remain aligned to ensure that the Customer / NETSO and NETSO / TO arrangements are consistent; otherwise, there is a risk that parties may be left financially exposed. In addition, as the processes by which the charges in the Statements are managed between the NETSO and the TOs are detailed in the STC and STCPs; potential changes to these may also need to be considered.

³ Connection Entry Capacity (CEC); Transmission Entry Capacity (TEC)

If you have any queries on this response please contact Paul Wakeley on 01926 655582 or paul.wakeley@nationalgrid.com

Yours sincerely

[by email]

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