

DCUSA Issues Form (DIF)

This form should be used by parties to submit matters for consideration to DCUSA Standing Issues Group (SIG).

The completed form should be issued to DCUSA@electralink.co.uk

Document Control	
Date Submitted	17/05/12
Issue Title:	CUSC User Commitment arrangements
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Attachments:	http://www.nationalgrid.com/NR/rdonlyres/16CC2A9D-6732-4C49-A78B-6A9557159AAB/53464/CUSC_15_CMP192_guidance_v1.pdf

**Assigned by DCUSA Secretariat*

Originator details	
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Nature of Issue

New User Commitment arrangements were implemented in the CUSC on 31 March 2012 with an effective date of 01 April 2013. These arrangements will impact both Transmission Connected generation and Distribution connected generation that has an impact on the transmission system.

We are highlighting the potential impacts of CMP192 on distribution networks with the DCUSA Standing Issues Group (SIG) to make DNO's aware of the new arrangements and highlight the concerns raised by distributed generation to National Grid about how these arrangements might flow through to their projects.

User commitment performs a vital function in ensuring adequate information is available to Transmission Owners (TOs) to plan and develop the network in a manner that is economical and efficient and protects the interests of consumers and wider industry. National Grid and the other TOs undertake investment works to accommodate the needs of generators already connected and those expected to connect in the future to the electricity transmission network. However, a generator may decide to cancel its project or reduce its capacity where the associated works have already begun. This may result in unnecessary costs to other network users which are ultimately borne by the end consumer. User commitment arrangements place liabilities on generators triggering particular investment works in order to financially secure the investment being undertaken on their behalf. User commitment signals are financially underwritten to incentivise the provision of accurate and timely information and to ensure that the risk of stranded assets is placed on those parties best placed to mitigate and manage the risk.

One of the benefits of CMP 192 is that it separates securities from liabilities. Generators will be required to secure only a percentage of the liabilities that reflects the risk associated with the project and the likelihood of completion.

Pre-commissioning generators are currently required to post security equal to 100% of their liability. CMP192 will reduce the security and better reflect the risk of the liabilities being drawn-down. Less than four years before commissioning a generator would have to post security equal to 42% of their liability. After key consents have been obtained the security requirements would drop to 10%.

In case of early termination of their agreement, generators will be required to pay National Grid liabilities reflecting the notice period profile. Should National Grid be unable to recover the liability, the difference between liability and security would be recovered through National Grid's allowed revenue in future years.

In respect of embedded generation, this liability is passed to the DNO who may then look to pass this liability to the distributed generation project. Without reciprocal arrangements in the DCUSA, it is possible that the DNO may pass the liability to the distributed generation project rather than the reduced security amount. Thus removing some of the benefits of the new CUSC arrangements such as lower barriers to entry as result of reduced securities obligations and, more generally, more affordable arrangements for small generators. Therefore, there is scope for a consistent approach to user commitment across all generators where the level of security reflects different level of risk of securities being drawn-down.

Should the group decide there is appetite to investigate similar arrangements within DCUSA, National Grid would be very happy to discuss how the CUSC modification was developed and support where required.

For more information, National Grid has published a guidance document on its website.

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Solution Overview – if known

Solution description:	
Lead time for Implementation:	01/04/2013