

CAP146 – Third Party Works

Charging Implications

Structure

- ◆ Third Party Works (TPW) today
- ◆ CAP146 Background
- ◆ Working Group Alternatives
- ◆ Future treatment if CAP146 approved

Third Party Works (1)

- *What are they?*

- ◆ Specified in Construction Agreements of Users;
 - ◆ seeking connection
 - ◆ seeking to increase TEC
- ◆ Works that require to be carried out on assets owned by parties other than the connecting party or National Grid

“Enabling”	“Consequential”
e.g. movement of a DNO overhead line to enable extension of a transmission substation	e.g. higher fault levels requiring upgraded breakers because of new generation

- ◆ Currently amount to about £84m in E&W

Third Party Works (2)

- How are they treated today?

“Enabling”

- ◆ Connecting Party responsible for organising and paying for TPW
 - ◆ Working practice, but not clearly defined in CUSC

“Consequential”

- ◆ Connecting Party responsible for organising and paying for TPW
 - ◆ Clearly defined in CUSC Section 6.10.3

CAP146 - Background

- ◆ CUSC should be amended to:
 - ◆ Clarify NG responsible for arranging and paying for TPW listed in App. N of CONSAG
 - ◆ Change provisions in Section 6 of CUSC so that NG responsible for paying costs of Modifications made by Modification Affected Users

Justification

- ◆ Users should not arrange or pay for costs because
 - ◆ Inconsistent with shallow charging
 - ◆ Inconsistent with clustering
 - ◆ Inconsistent with one-stop shop
 - ◆ Inappropriate to expect new entrant to contract with potential competitor to gain entry
 - ◆ Not clear triggering User best for the job
 - ◆ NG responsible for design so should complete

CUSC Working Group Deliberations

- ◆ Some agreed User should not be responsible for arranging and paying for works
- ◆ Some thought whilst NG should be responsible for identifying and arranging works, they should not be socialised
- ◆ NG thinks current system appropriate
 - ◆ Some clarification to process for managing TPW

Two Significant WGAAs

WGAA B - RWE

- ◆ Cost of TPW/MAUW should not necessarily be borne by NG
- ◆ Original would lead to higher TNUoS for all parties
 - ◆ Compensation to First User limited to cost of works to plant and apparatus operating at the Connection Point voltage only
 - ◆ Define TPW in CUSC

WGAA D – National Grid

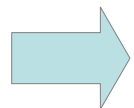
- ◆ Clarification of process for managing TPW – codify current treatment
- ◆ Triggering parties remain responsible for costs
- ◆ NG opposed to CAP146

Funding TWP/ MAUW

- ◆ Most scheme costs classified as infrastructure or connection
 - ◆ Those that aren't – TPW or one-off costs
 - ◆ TPW by definition are not transmission works
- ◆ If greater number of works included in scheme costs, infrastructure costs increase
- ◆ Demonstration of efficiently incurred investment
 - ◆ TPW by definition are not National Grid's core business
 - ◆ NG needs to demonstrate efficient investment
 - ◆ Parties willing to pay for investment clearly believe that it is worthwhile which demonstrates efficiency
 - ◆ Socialisation of TPW/ MAUW would remove this demonstration of efficiency

Recovering TPW/ MAUW through TNUoS

- ◆ NG could finance these additional costs if Ofgem approved them as an “Excluded Service”
 - ◆ works that fall outside the price control
- ◆ Existing Licence Condition Paragraph 2 of “Licence Condition Special Condition D10: Excluded Services” states:
 - ◆ “no service provided by the licensee as part of its transmission business shall be treated as an excluded service in so far as it relates to the provision of services remunerated under use of system charges...”
- ◆ NG has just agreed price control, therefore unable to otherwise fund



Recovering additional costs through TNUoS is not an option

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Conclusion

- ◆ In the event the original CAP146 amendment is approved by Ofgem, National Grid will target TPW/MAUW in User specific connection charges as one-off costs and treat as an excluded service
 - ◆ Retains “efficiency test for investment
 - ◆ Retains consistency with licence