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12 April 2010

Improving Grid Access – technical consultation on the model for improving grid access

Scottish and Southern Energy (SSE) welcomes and supports the Government's proposals to implement a connect and manage socialised cost model for grid access. Subject to our comments below and in the annex to this letter, we agree that the key features of this access model – timely connection, temporary derogations from the planning standard, user commitment for two years after connection and socialised constraint costs – will best facilitate the Government's overall objectives for energy policy. We support the Government's aim to implement the new regime by June 2010.

However, we do not believe that the licence and code changes, as set out in draft form in this consultation, will deliver the Government's policy objectives. As drafted, these changes have the potential to introduce uncertainty in existing users' access rights and yet result in very little (and, subject to interpretation, possibly no) generation being connected sooner than would be the case under the prevailing access arrangements. Hence, in our view, this policy intervention will be a failure without the following changes to the drafting:

- paragraph 10 of draft Condition C[x] (and paragraph 13 of draft Condition D[x]) should be re-drafted to ensure that existing users' access rights are not potentially eroded as a consequence of this reform;
- paragraphs 7 and 8 of draft Condition C[x] (and paragraphs 14 and 15 of draft Condition D[x]) should be revised to "reasonable endeavours" to ensure consistency with licensees' general duties under statute, and
- draft CUSC 13.2.4 should be revised to ensure that an overly-prescriptive definition of the minimum enabling works is not a barrier to the effectiveness of this reform.

We comment further on these key issues below; and set out our detailed comments on the draft licence and code modifications in the annex to this letter.

Potential for diminution of existing access rights

We agree with the Government's conclusion that National Grid should "ensure that the introduction of enduring Connect and Manage does not impact the connection arrangements of existing generators or those prospective generators with a pre-existing connection agreement"[1]. This is an important principle of such a targeted intervention, not least because it does not introduce unnecessary uncertainty that might destabilise investment in existing and/or new generation.

However, paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]) is not consistent with this principle. This clause is drafted (our underlining):

> 10. The licensee shall use all reasonable endeavours to ensure that:
>
> (a) the offer of connection made to persons seeking connection other than through a connect and manage application; or
>
> (b) the connection arrangements of persons already connected pursuant to terms offered prior to the connect and manage implementation date,
>
> are not disadvantaged <u>without objective justification</u> as a result of a connect and manage connection.

As drafted, this introduces the potential for the system operator to modify the access rights of existing users where there is "objective justification". No quantification of what might constitute objective justification is included in the draft licence and code modifications. In our view, without such qualification, this draft provision introduces new and unnecessary uncertainty over existing users' access rights by allowing for possible diminution of those access rights at, in effect, the system operator's discretion. This caveat should, therefore, be deleted from the licence condition.

In addition, it is not clear that draft 10(b) would apply to those users offered terms for connection prior to the connect and manage implementation date but who have not yet connected; that is users in the so-called 'GB Queue'. In contrast, as described above, the Government's policy intent is clear: to ensure that "enduring Connect and Manage does not impact the connection arrangements of … those prospective generators with a pre-existing connection agreement"[2]. Consequently, this paragraph 10 should be revised to explicitly include this group of users.

To summarise, we do not believe that it is the Government's intention to allow for the potential revision of access rights associated with existing connection agreements (either connected or to be connected) as part of this targeted intervention. Alternative drafting of paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]), which is consistent with the Government's policy statement, might be:

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[1] Paragraph 3.45, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.
[2] Ibid.

10. The licensee shall use all reasonable endeavours to ensure that:

(a) the offer of connection made after the connect and manage implementation date to persons seeking connection other than through a connect and manage application; or

(b) the connection arrangements of persons already connected ~~pursuant to terms~~ or offered terms for connection prior to the connect and manage implementation date,

are not disadvantaged ~~without objective justification~~ as a result of a connect and manage connection.

Potential for inefficient development of the transmission system

Transmission licensees are obliged, as a general duty under the Electricity Act 1989, to "develop and maintain an efficient, co-ordinated and economical system of electricity transmission"[3]. In practice, in the context of facilitating new connections to the network, this means seeking an efficient balance between the timeliness of delivery and the cost that must be borne by the generality of customers. For example, construction would be completed more quickly with 24-hour working, but this would be of significantly greater cost to customers – the transmission licensee must decide which represents the efficient system development.

The transmission licence is currently drafted in such a way as to support the licensees' general duties. However, paragraphs 7 and 8 of draft Condition C[x] (and paragraphs 14 and 15 of draft Condition D[x]) introduce a potential contradiction. These paragraphs begin:

14. The licensee shall use all reasonable endeavours to complete the enabling works …

15. The licensee shall use all reasonable endeavours to complete the wider works …

Case law demonstrates that an obligation to use "all reasonable endeavours" could be interpreted as being regardless of cost. Under the current transmission charging methodology, the costs of both enabling works and wider works associated with a connect and manage connection would be shared by all generation and demand users. Arguably, to use all reasonable endeavours would be to discount the consequential cost to the wider customer base and, hence, might result in inefficient system development.

Alternative drafting of these paragraphs, which is consistent with the general duties of transmission licensees, might be to delete "all":

14. The licensee shall use ~~all~~ reasonable endeavours to complete the enabling works …

15. The licensee shall use ~~all~~ reasonable endeavours to complete the wider works …

[3] Section 9(2)(a), Electricity Act 1989.

Definition of 'enabling works'

The approach adopted for the definition of enabling works in this consultation is to set criteria for both the minimum and maximum works that might be required to be completed prior to connection (the enabling works). These criteria are set out in draft Connection and Use of System Code (CUSC) section 13. We support this approach as an effective way to provide some certainty to new developers over the scope of works that might need to be undertaken prior to connection. However, we believe that the criteria set out in draft CUSC 13.2.4 for the minimum enabling works are overly-prescriptive and, hence, will inhibit the system operator's flexibility to identify appropriate enabling works that are consistent with the developer's aspirations.

For example, draft CUSC 13.2.4.1 would mean enabling works must include those works required to achieve compliance with the "Pre-fault Criteria" set out in Chapter 2 of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS). This is the most onerous provision of the standard in respect of new generation connections and means, in layman's terms, that each MW of generation capacity must have an equivalent MW of transmission capacity on the local radial network. The consequence of draft CUSC 13.2.4.1 is that the principles of connect and manage would not, through this intervention, include radial transmission circuits. Hence, transmission licensees would not have the flexibility to opt to manage, through connect and manage self-derogation, network constraints on the local radial network arising from a new connection (even where it was economic to do so).

Local radial networks can be extensive; for example, the 150 miles of network from Fort Augustus to Skye and the Western Isles. Consequently, this proposed definition of enabling works has the potential to severely restrict the number of new generation projects that might benefit from the Government's reform and will particularly affect northwest Scotland, Kintyre, Lochaber, Perthshire, southwest Scotland and north Wales – all key areas for renewable developments. In the north of Scotland, we estimate that this would mean (at best) connect and manage would not be available to around two-thirds of prospective distributed generation and around one-half of prospective transmission connected generation.

The Government's policy is to strike "the right balance between providing generators with certainty by setting a sensible 'backstop' and flexibility to deal with individual circumstances"[4]. We support this principle but, to achieve this, believe that the criteria set out in CUSC 13.2.4 – and, in particular, those criteria that relate to compliance with the NETS SQSS – need to be less prescriptive. Alternative drafting of CUSC 13.2.4 that, in our view, provides this flexibility while still giving certainty to generators might be:

[4] Paragraph 3.7, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.

13.2.4. The **Enabling Works** will as a minimum include those **Transmission Reinforcement Works** or **Onshore Transmission Reinforcement Works** required to:

13.2.4.1 comply with the **NETS SQSS** in so far as is required to enable **The Company** to operate the **National Electricity Transmission System** in a safe manner;

13.2.4.2 comply with the minimum technical, design and operational criteria and performance requirements under the **Grid Code**;

13.2.4.3 meet other statutory obligations including but not limited to obligations under any **Nuclear Site Licence Provisions Agreement**; and

13.2.4.4 avoid any adverse impact on the connection arrangements of other **Users**.[5]

This proposed revision to the last criteria is intended to qualify the definition of "adverse impact" in a manner consistent with the Government's policy intent to: "ensure that the introduction of enduring Connect and Manage does not impact the connection arrangements of existing generators or those prospective generators with a pre-existing connection agreement"[6]. As described above, a revision to paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]), is also required to ensure consistency in the transmission licence with this policy objective.

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[5] Change-marked version:

13.2.4. The **Enabling Works** will as a minimum include those **Transmission Reinforcement Works** or **Onshore Transmission Reinforcement Works** required to:

13.2.4.1 ~~achieve compliance with the "Pre-fault Criteria" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the **NETS SQSS**;~~

~~13.2.4.2 achieve compliance with the "Limits to Loss of Power Infeed Risks" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the **NETS SQSS**;~~

~~13.2.4.3~~ comply with the **NETS SQSS** in so far as is required to enable **The Company** to operate the **National Electricity Transmission System** in a safe manner;

~~13.2.4.4 resolve any fault level issues associated with the connection and/or use of system by the **Connect and Manage Power Station**;~~

13.2.4.2~~5~~ comply with the minimum technical, design and operational criteria and performance requirements under the **Grid Code**;

13.2.4.3~~6~~ meet other statutory obligations including but not limited to obligations under any **Nuclear Site Licence Provisions Agreement**; and

13.2.4.4~~7~~ avoid any adverse impact on the connection arrangements of other **Users**.

[6] Paragraph 3.45, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.

Transitional issues

The Government foresees a 'smooth' transition to enduring connect and manage following implementation of this reform. In general, although subject to addressing the points raised above, we agree that one of the key benefits of this access model is the ease of implementation.

However, we note that the proposed amendments to the System Operator – Transmission Owner Code (STC) are not comprehensive, and in particular do not include the connect and manage derogation criteria. If further necessary amendments are to be progressed through normal industry governance procedures, then we suggest that the proposed six month transitional period should be used to put in place these amendments. This might be achieved through extension of the provisions in draft Condition B[x] (Connect and manage implementation).

During the six month transitional period, the transmission licensees could be required to put in place further necessary amendments to the STC and, in parallel, develop other policies and procedures required for enduring connect and manage. Any connect and manage applications received during the transitional period would receive an offer, taking into account the new policy framework, at the end of the transition period. This period would also provide an opportunity to contact existing users in the GB Queue, that did not 'come forward' under Interim Connect and Manage, and advise those users of the new access arrangements.

Finally, we understand from this consultation that the Government intends to introduce these changes as a Public Service Obligation on transmission licence holders. We are not clear as to the reason for this approach, particularly given the broad enabling powers in the Energy Act 2008 that have previously been cited as the mechanism that allows Government intervention.

Please do not hesitate to get in touch if you would like to discuss our comments further.

Yours sincerely,

Rob McDonald
Director of Regulation

Please note that, while the paragraph numbering in the consultation document is inaccurate, for consistency the comments in this response refer to that numbering.

Transmission licence

Our comments on the proposed amendments to the transmission licence are set out below under the headings:

- Potential for diminution of existing access rights;
- Potential for inefficient development of the transmission system;
- Process for derogation from the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS);
- Transitional issues, and
- Definitions in the transmission licence.

Potential for diminution of existing access rights

We agree with the Government's conclusion that National Grid should "ensure that the introduction of enduring Connect and Manage does not impact the connection arrangements of existing generators or those prospective generators with a pre-existing connection agreement"[7]. This is an important principle of such a targeted intervention, not least because it does not introduce unnecessary uncertainty that might destabilise investment in existing and/or new generation.

However, paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]) is not consistent with this principle. This clause is drafted (our underlining):

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> (a) the offer of connection made to persons seeking connection other than through a connect and manage application; or
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> (b) the connection arrangements of persons already connected pursuant to terms offered prior to the connect and manage implementation date,
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> are not disadvantaged <u>without objective justification</u> as a result of a connect and manage connection.

As drafted, this introduces the potential for the system operator to modify the access rights of existing users where there is "objective justification". No quantification of what might constitute objective justification is included in the draft licence and code modifications. In our view, without

[7] Paragraph 3.45, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.

such qualification, this draft provision introduces new and unnecessary uncertainty over existing users' access rights by allowing for possible diminution of those access rights at, in effect, the system operator's discretion. This caveat should, therefore, be deleted from the licence condition.

In addition, it is not clear that draft 10(b) would apply to those users offered terms for connection prior to the connect and manage implementation date but who have not yet connected; that is users in the so-called 'GB Queue'. In contrast, as described above, the Government's policy intent is clear: to ensure that "enduring Connect and Manage does not impact the connection arrangements of … those prospective generators with a pre-existing connection agreement"[8]. Consequently, this paragraph 10 should be revised to explicitly include this group of users.

To summarise, we do not believe that it is the Government's intention to allow for the potential revision of access rights associated with existing connection agreements (either connected or to be connected) as part of this targeted intervention. Alternative drafting of paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]), which is consistent with the Government's policy statement, might be:

10. The licensee shall use all reasonable endeavours to ensure that:

(a) the offer of connection made after the connect and manage implementation date to persons seeking connection other than through a connect and manage application; or

(b) the connection arrangements of persons already connected ~~pursuant to terms~~ or offered terms for connection prior to the connect and manage implementation date,

are not disadvantaged ~~without objective justification~~ as a result of a connect and manage connection.

Potential for inefficient development of the transmission system

Transmission licensees are obliged, as a general duty under the Electricity Act 1989, to "develop and maintain an efficient, co-ordinated and economical system of electricity transmission"[9]. In practice, in the context of facilitating new connections to the network, this means seeking an efficient balance between the timeliness of delivery and the cost that must be borne by the generality of customers. For example, construction would be completed more quickly with 24-hour working, but this would be of significantly greater cost to customers – the transmission licensee must decide which represents the efficient system development.

The transmission licence is currently drafted in such a way as to support the licensees' general duties. However, paragraphs 7 and 8 of draft Condition C[x] (and paragraphs 14 and 15 of draft Condition D[x]) introduce a potential contradiction. These paragraphs begin:

14. The licensee shall use all reasonable endeavours to complete the enabling works …

15. The licensee shall use all reasonable endeavours to complete the wider works …

[8] Ibid.
[9] Section 9(2)(a), Electricity Act 1989.

Case law demonstrates that an obligation to use "all reasonable endeavours" could be interpreted as being regardless of cost. Under the current transmission charging methodology, the costs of both enabling works and wider works associated with a connect and manage connection would be shared by all generation and demand users. Arguably, to use all reasonable endeavours would be to discount the consequential cost to the wider customer base and, hence, might result in inefficient system development.

Alternative drafting of these paragraphs, which is consistent with the general duties of transmission licensees, might be to delete "all":

14. The licensee shall use ~~all~~ reasonable endeavours to complete the enabling works …

15. The licensee shall use ~~all~~ reasonable endeavours to complete the wider works …

Process for derogation from the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS)

We support the principle of 'self-derogation' from the NETS SQSS as set out in the consultation document. However, the process for this is not clearly defined in the draft licence and code modifications and, as a consequence, it is not clear how effective self-derogation will be. There are three key areas which, in our view, require additional technical changes: (i) the connect and manage derogation criteria; (ii) the transparency and accountability of connect and manage derogations, and (iii) the timeline and process for connection offers.

Connect and manage derogation criteria

The draft changes to both condition C17 and D3 refer to "connect and manage derogation criteria" to be set out in the CUSC and STC. These criteria are required for the preparation of the connect and manage derogation report and for the system operator to decide whether to accept such a report. Consequently, these criteria are critical to the effective implementation of the Government's access reforms.

However, the draft changes to the CUSC and STC do not include the derogation criteria. The draft changes to the CUSC include a cross-reference to the definition of minimum enabling works, and the draft changes to the STC are silent on criteria. While the definition of enabling works is obviously a relevant consideration, it is not sufficient or appropriate guidance for transmission licensees. In particular, the Scottish transmission licensees have no access to system operation information and are not signatories to the Grid Code. Hence, specific criteria that are appropriate to both transmission owners and the system operator need to be determined. Such criteria need to be established before connect and manage applications can be assessed. We comment on this further under the STC (below).

In addition, paragraph 8 of draft Condition C[x] (and paragraph 15 of draft Condition D[x]) would allow for a delay in the completion of wider works where this is agreed with the connect and manage applicant (or, in draft Condition D[x], system operator). Two circumstances are

envisaged where wider works may be delayed: (i) where the Authority has agreed to a derogation from the NETS SQSS; or (ii) where the customer requests a customer choice design variation from Chapter 2 of the NETS SQSS. It is assumed that this drafting relates to the second of these circumstances only, but as a consequence this drafting appears to remove the first circumstance. This unnecessary qualification should be deleted from paragraph 8 of draft Condition C[x] (and paragraph 15 of draft Condition D[x]).

Transparency and accountability

The draft changes to both condition C17 and D3 do not include an obligation to either submit to the Authority or publish the connect and manage derogation report. This means that derogation reports would not necessarily be available to users to assess, for example, connection opportunities, possible future constraint costs, or planned construction works.

Standard condition C17 might be amended to require the report to be published by the system operator as follows:

> 21. Where the licensee determines that a connect and manage derogation is required to enable it to make a connect and manage offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition until the wider works relevant to that connect and manage connection have been completed. The licensee shall publish the relevant connect and manage derogation report within 2 months of the connect and manage applicant accepting the connect and manage offer.

In addition, there does not appear to be a route for determining disputes that might arise from connect and manage derogation reports. If the transmission owner and system operator were to disagree over, for example, the requirement for such a report, it is not clear whose view would prevail.

Draft condition D[x] might be modified such that the derogation report is part of the TO offer and, hence, subject to the TO offer dispute resolution process:

> 13. …
>
> (b) where the licensee concludes a connect and manage derogation is required, submit a connect and manage derogation report to the system operator in accordance with standard condition D3 (Transmission system security standard and quality of service), ~~together with~~ as part of the TO offer.

Note this is consistent with the proposed amendments to STC Schedule 8, where the connect and manage derogation report is referred to as part of the TO offer.

Timeline and process

The draft changes to condition D3 requires the submission of a connect and manage derogation report and associated TO offer “within 70 days”. This is not consistent with existing condition D4A which requires the TO offer to be made “as soon as practicable and (except where the Authority consents to a longer period) in accordance with the time periods specified for this

purpose in the STC". To avoid contrary obligations, it is suggested that draft changes to condition D3 are revised as follows:

29. …

(c) where a connect and manage derogation is identified, submit a connect and manage derogation report to the system operator ~~within 70 days of the date of receipt by the system operator of the relevant connect and manage application, together with the associated TO offer~~ as part of the TO offer as soon as practicable and (expect where the Authority consents to a longer period) in accordance with the time periods specified for this purpose in the STC.

Transitional issues

The Government foresees a 'smooth' transition to enduring connect and manage following implementation of this reform. In general, although subject to addressing the points raised above, we agree that one of the key benefits of this access model is the ease of implementation.

However, we note that the proposed amendments to the System Operator – Transmission Owner Code (STC) are not comprehensive, and in particular do not include the connect and manage derogation criteria. If further necessary amendments are to be progressed through normal industry governance procedures, then we suggest that the proposed six month transitional period should be used to put in place these amendments. This might be achieved through extension of the provisions in draft Condition B[x] (Connect and manage implementation).

During the six month transitional period, the transmission licensees could be required to put in place further necessary amendments to the STC and, in parallel, develop other policies and procedures required for enduring connect and manage. Any connect and manage applications received during the transitional period would receive an offer, taking into account the new policy framework, at the end of the transition period. This period would also provide an opportunity to contact existing users in the GB Queue, that did not 'come forward' under Interim Connect and Manage, and advise those users of the new access arrangements.

Definitions in the transmission licence

A number of the terms common to draft Condition C[x] and draft Condition D[x] have slightly different definitions:

- "connect and manage applicant";
- "connect and manage offer";
- "connect and manage derogation";
- "connect and manage derogation criteria";

- “connect and manage derogation report”;
- “enabling works”, and
- “wider works”.

A common definition that applies to the standard conditions of the transmission licence will be required for inclusion in standard condition A1.

For consistency, the definition of “connect and manage application” might refer to “connect and manage connection” as follows:

“connect and manage application”	means an application from a connect and manage applicant for ~~connection or for modification to an existing connection~~ a connect and manage connection on or after the connect and manage implementation date;

The definition of “connect and manage derogation criteria” refers to criteria detailed in the CUSC and STC. Such criteria are not included in the CUSC and STC drafting in the consultation document.

The definition of “connect and manage derogation report” currently does not recognise that National Grid would also be required to prepare such a report. An alternative might be to reference the relevant standard condition:

“connect and manage derogation report”	means the report prepared by the licensee in accordance with standard condition C17 or D4A (as appropriate);

The definitions of “connection date” and “connect and manage transferee” might refer to users that have already connected, but where the interim connect and manage offer refers to additional capacity:

“connection date”	means the date on which a connect and manage applicant is connected in accordance with a connect and manage offer to the national electricity transmission system;
“connect and manage transferee”	means persons who have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system as at the connect and manage implementation date in respect of that interim connect and manage offer;

The definition of “transmission constraint costs” includes a cross-reference to the definition in standard condition C16 – there is no apparently common terminology.

The definition of “wider works” refers to criteria detailed in the CUSC and STC. Such criteria are not included in the CUSC and STC drafting in the consultation document. Alternatively, the definition might refer to “enabling works” as follows:

"wider works"	means those transmission reinforcement works which are not ~~required to be completed prior to the connection date~~enabling works but are necessary to reinforce or extend the national electricity transmission system to make it compliant with the terms of the National Electricity Transmission System Security and Quality of Supply Standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with standard condition C17 (Transmission system security standard and quality of service)), where such works ~~are defined in the manner provided for in the CUSC and~~ identified in the construction agreement;

Connection and Use of System Code (CUSC)

Our comments on the proposed amendments to the CUSC are set out below under the heading:

- Definition of 'enabling works'.

Definition of 'enabling works'

The approach adopted for the definition of enabling works in this consultation is to set criteria for both the minimum and maximum works that might be required to be completed prior to connection (the enabling works). These criteria are set out in draft Connection and Use of System Code (CUSC) section 13. We support this approach as an effective way to provide some certainty to new developers over the scope of works that might need to be undertaken prior to connection. However, we believe that the criteria set out in draft CUSC 13.2.4 for the minimum enabling works are overly-prescriptive and, hence, will inhibit the system operator's flexibility to identify appropriate enabling works that are consistent with the developer's aspirations.

For example, draft CUSC 13.2.4.1 would mean enabling works must include those works required to achieve compliance with the "Pre-fault Criteria" set out in Chapter 2 of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS). This is the most onerous provision of the standard in respect of new generation connections and means, in layman's terms, that each MW of generation capacity must have an equivalent MW of transmission capacity on the local radial network. The consequence of draft CUSC 13.2.4.1 is that the principles of connect and manage would not, through this intervention, include radial transmission circuits. Hence, transmission licensees would not have the flexibility to opt to manage, through connect and manage self-derogation, network constraints on the local radial network arising from a new connection (even where it was economic to do so).

Local radial networks can be extensive; for example, the 150 miles of network from Fort Augustus to Skye and the Western Isles. Consequently, this proposed definition of enabling works has the potential to severely restrict the number of new generation projects that might benefit from the Government's reform and will particularly affect northwest Scotland, Kintyre, Lochaber, Perthshire, southwest Scotland and north Wales – all key areas for renewable developments. In the north of Scotland, we estimate that this would mean (at best) connect and manage would not be available to around two-thirds of prospective distributed generation and around one-half of prospective transmission connected generation.

The Government's policy is to strike "the right balance between providing generators with certainty by setting a sensible 'backstop' and flexibility to deal with individual circumstances"[10]. We support this principle but, to achieve this, believe that the criteria set out in CUSC 13.2.4 –

[10] Paragraph 3.7, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.

and, in particular, those criteria that relate to compliance with the NETS SQSS – need to be less prescriptive. Alternative drafting of CUSC 13.2.4 that, in our view, provides this flexibility while still giving certainty to generators might be:

13.2.4. The **Enabling Works** will as a minimum include those **Transmission Reinforcement Works** or **Onshore Transmission Reinforcement Works** required to:

13.2.4.1 comply with the **NETS SQSS** in so far as is required to enable **The Company** to operate the **National Electricity Transmission System** in a safe manner;

13.2.4.2 comply with the minimum technical, design and operational criteria and performance requirements under the **Grid Code**;

13.2.4.3 meet other statutory obligations including but not limited to obligations under any **Nuclear Site Licence Provisions Agreement**; and

13.2.4.4 avoid any adverse impact on the connection arrangements of other **Users**. [11]

This proposed revision to the last criteria is intended to qualify the definition of "adverse impact" in a manner consistent with the Government's policy intent to: "ensure that the introduction of enduring Connect and Manage does not impact the connection arrangements of existing generators or those prospective generators with a pre-existing connection agreement"[12]. As described above, a revision to paragraph 10 of draft Condition C[x] (and paragraph 17 of draft Condition D[x]), is also required to ensure consistency in the transmission licence with this policy objective.

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[11] Change-marked version:

13.2.4. The **Enabling Works** will as a minimum include those **Transmission Reinforcement Works** or **Onshore Transmission Reinforcement Works** required to:

13.2.4.1 ~~achieve compliance with the "Pre-fault Criteria" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the **NETS SQSS**;~~

~~13.2.4.2 achieve compliance with the "Limits to Loss of Power Infeed Risks" set out in Chapter 2 (Generation Connection Criteria Applicable to the Onshore Transmission System) of the **NETS SQSS**;~~

~~13.2.4.3~~ comply with the **NETS SQSS** in so far as is required to enable **The Company** to operate the **National Electricity Transmission System** in a safe manner;

~~13.2.4.4 resolve any fault level issues associated with the connection and/or use of system by the **Connect and Manage Power Station**;~~

13.2.4.2~~5~~ comply with the minimum technical, design and operational criteria and performance requirements under the **Grid Code**;

13.2.4.3~~6~~ meet other statutory obligations including but not limited to obligations under any **Nuclear Site Licence Provisions Agreement**; and

13.2.4.4~~7~~ avoid any adverse impact on the connection arrangements of other **Users**.

[12] Paragraph 3.45, Improving grid access – technical consultation on the model for improving grid access. DECC, 3 March 2010.

System Operator – Transmission Owner Code (STC)

Our comments on the proposed amendments to the STC are set out below under the headings:

- Process for connect and manage derogation;
- Proposed amendments to Schedule 9;
- Required amendments to STC Procedures, and
- Definitions in the STC.

Process for connect and manage derogation

A key aspect of this reform is the introduction of connect and manage derogation to facilitate earlier access to the transmission system. Under the draft amendments to the transmission licence, the responsibility for connect and manage derogation will be with the relevant transmission licensee supported by the system operator. We support this approach.

However, the proposed amendments to the licence and codes are silent on:

- The criteria for connect and manage derogation;
- The content of a connect and manage derogation report;
- The process by which the system operator will reject a connect and manage derogation report, and
- The timetable for issuing a revised report and revised TO offer in the event that the system operator rejects a connect and manage derogation report.

Clarity on these issues is critical to the successful implementation of this reform. Without these issues being covered in the STC, it will be very difficult to ensure consistency in approach and timeliness in the provision of connect and manage offers.

We recognise that these factors are probably best set out in an STC procedure, rather than the main text of the STC. Consequently, we believe that the transition period should be used to develop this STC procedure (or amend existing STC procedures) and put in place a transparent framework for connect and manage derogations. Once the process has been established, then connect and manage offers can be made on a consistent basis.

To achieve this, we support the extension of the provisions in draft Condition B[x] (Connect and manage implementation) to require the transmission licensees to put in place further necessary amendments to the STC during the six month transitional period. Any connect and manage applications received during the transitional period would receive an offer, taking into account the new policy framework, at the end of the transition period. This period would also provide an opportunity to contact existing users in the GB Queue, that did not ‘come forward’ under Interim Connect and Manage, and advise those users of the new access arrangements.

Proposed amendments to Schedule 9

The proposed changes to paragraph 2.8 of section A and paragraph 2.6 of section B remove National Grid's liability for Final Sums payments after the connect and manage applicant has connected, i.e. in relation to wider works that are not yet complete.

This is not consistent with the proposed revisions to the CUSC where the requirement for post-connection underwriting of wider works is retained (see the amendments to the definition of "Final Sums" in the Construction Agreement). Hence, we believe the proposed changes to paragraph 2.8 of section A and paragraph 2.6 of section B are not necessary and should be deleted.

In addition, no changes are proposed to section C of Schedule 9 – the pro forma Transmission Owner Connection Agreement (TOCA). Changes will be required to include for enabling works, wider works and the revised Final Sums arrangements referred to above. As described above, we support the use of the transition period to put in place further necessary amendments to the STC.

Required amendments to STC Procedures

The '18 series' of STC Procedures describe in detail the process for receiving and responding to connection applications. These procedures will need to be revised to incorporate the additional / revised arrangements associated with connect and manage applications. In particular, the process for connect and manage derogations will need to be set out. As described above, we support the use of the transition period to put in place further necessary amendments to the STC.

Definitions in the STC

The definitions of "connect and manage self-derogation" and "connect and manage self-derogation report" refer to "self-derogation" whereas the equivalent licence definitions are "connect and manage derogation" and "connect and manage derogation report". It is suggested that the STC definitions are amended to match the terms in the licence.

As described above, the licence refers to "connect and manage derogation criteria" as defined in the STC; but no such definition is included.