

# Government Response to the technical consultation on the model for improving grid access

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### Related Documents

Improving Grid Access: Final Impact Assessment

Available online at:

[http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

Documents from the two consultations and related analysis and papers are available on the same website.

# Executive Summary

## Background

If the UK is to meet its climate change targets for 2020 and beyond and ensure security of supply, large amounts of renewable and other low carbon generation need to be able to connect to our electricity networks. The UK will also need to connect other essential generation needed to replace the existing nuclear and fossil fuel plants that will close within the next decade. Getting the right incentives and environment for investment in generation in the UK is therefore crucial.

Getting access to the transmission network has been a major barrier to new renewable and other generation, and despite detailed consideration by the industry governance process, no timely solution to this issue was achieved. Parliament approved powers in the Energy Act 2008 to enable the Secretary of State to intervene in this area, and a decision to use those powers was announced in July 2009.

Following an initial consultation, 'Improving Grid Access'<sup>1</sup>, from August-November 2009 on potential electricity transmission access reform options, DECC published a technical consultation<sup>2</sup> on 3 March 2010 on the detail of its preferred model for grid access reform. The Government has now decided to implement its preferred model to put in place enduring grid access reform and ensure that new generation is able to secure firm access dates in an appropriate timeframe.

## Enduring Regime for Grid Access

This Response Document sets out the Government's conclusions and decisions following these consultations. In particular, the document sets out:

- a summary of responses to the technical consultation and the Government response to the comments made by respondents (Sections 2-8);
- the main features of the enduring regime for improving grid access (Section 9);
- final versions of the changes to licences (Annex 1) and codes (Annex 2) that will implement the new regime.

The model to be implemented is a Connect and Manage model with socialised costs, under which all new generation will be able to apply for an accelerated connection based on the time taken to complete their 'enabling works', with wider network reinforcement carried out after they have been connected. The amount of 'user commitment' each generator must give to remain on the network will increase by one year.

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<sup>1</sup> DECC (2009): 'Improving Grid Access', [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

<sup>2</sup> DECC (2010): 'Improving Grid Access – technical consultation on the model for improving grid access', [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

Responses to the technical consultation have informed detailed changes to the model, which are summarised in the tables at the beginning of Annexes 1 and 2. We are grateful for the time and thought put into these responses by all concerned, and more generally for the high level of constructive engagement from all interested parties throughout the process.

We are implementing this model by amending industry codes and network companies' licences. We consider that the key features of the Government's intervention amount to a Public Service Obligation (PSO) on transmission licence holders (National Grid and the two Scottish transmission owners) for the purposes of the EU Internal Market in Energy Directive. This is an obligation placed on electricity undertakings by Member States in the public interest, for reasons that can relate to environmental and climate protection or security of supply. As required by the Directive, a PSO must be notified to the European Commission, which we intend to do following implementation. The effect of implementing as a PSO is to create a stable access regime, enshrined in the licence.

This model is being implemented by the Secretary of State following intensive consultation, in order to meet our strategic energy and climate change policy objectives. We expect this intervention will provide an enduring model for grid access which will enable new generation of all types to access the network within reasonable project timescales, effectively removing the barrier of transmission network access in many areas.

## Next Steps

The Secretary of State has now commenced his statutory powers and will shortly be writing to code and licence holders to effect the necessary changes. The industry codes and licences modifications will be effective from 11 August 2010. We will notify the European Commission of changes to industry licences and codes we consider constitute the PSO, as required by EU law.

We expect National Grid, in cooperation with the other transmission licensees, to put in place all the necessary procedures over the next six months to enable the effective operation and communication of the new regime. We have asked Ofgem to lead the monitoring of the new regime's various impacts, with a published report provided to the Secretary of State on a half-yearly basis.

The powers granted to the Secretary of State in the Energy Act 2008 exist for two years from the date they were commenced. Whilst it is, therefore, possible for further changes to be made to the codes and licences as the enduring regime is implemented, we do not anticipate making any further changes. We believe that the usual industry-Ofgem governance procedures should remain the most appropriate focus for decisions on grid regulation, within the context of the stable framework set as a result of the PSO.

# Section 1: Introduction

## The Government's Policy Goals

Improving grid access arrangements on an enduring basis is essential if the UK is to meet its climate change, renewable energy and security of supply targets. Large amounts of renewable and other low carbon generation need to be able to connect to our electricity networks over the next decade. However, grid access has proved a major barrier to new generation in the UK due to the historic 'invest then connect' arrangements, under which prospective new generation has had to wait for all relevant reinforcement of the wider network to be completed before joining the network and starting to generate. This led to a substantial queue of prospective new generation, with some projects offered connection dates as late as 2025.

In the 2008 Transmission Access Review Final Report<sup>3</sup>, DECC and Ofgem set out the need for reform to grid access rules in order to support the connection of new generation. As a response, the industry and Ofgem worked intensively through a series of working groups over a 12 month period to develop a number of models for enduring reform. In May 2009, Ofgem also approved the introduction of Interim Connect and Manage arrangements<sup>4</sup>, which have already proved very successful in enabling new generators to accelerate their connection dates.

However, as the name suggests, Interim Connect and Manage was only ever intended as a temporary measure, and an enduring solution to grid access is needed to provide the certainty to industry that will support future investments. Despite detailed consideration, it became clear that the industry governance process would not be able to agree a timely and long-term solution. Parliament approved powers in the Energy Act 2008 for Government intervention in this area. A decision to consult on an intervention to reform grid access was taken in July 2009, following requests from Ofgem and industry representatives. The aims for an enduring access regime were, set in the context of protecting the interests of consumers, including minimising the cost to consumers, to:

- Provide sustained, commercially viable connection opportunities and firm connection dates reasonably consistent with project development timescales which will ensure the right environment for investment in new generation.
- Deliver security of supply and a clear path to delivering our renewable energy targets.
- Implement in a time-scale consistent with delivery of the Government's aspirations for 2020.

These aims are consistent with the Secretary of State's principal objective in the Electricity Act 1989, as amended by the Energy Act 2010. The amendment clarifies that the interests of consumers (both existing and future) include their interests in the reduction of greenhouse gas emissions caused by the transmission of electricity and a secure supply of electricity.

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<sup>3</sup> Ofgem and BERR (2008): 'Transmission Access Review – Final Report', [http://man270109a.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_supply/network/trans\\_access/trans\\_access.aspx](http://man270109a.decc.gov.uk/en/content/cms/what_we_do/uk_supply/network/trans_access/trans_access.aspx)

<sup>4</sup> Ofgem (2009): 'Derogations to facilitate earlier connection of generation', <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=153&refer=Networks/Trans/ElecTransPolicy/tar>

## Consultation Process

DECC undertook an initial consultation on reform options during autumn 2009<sup>5</sup>. This consultation set out a preliminary view that a Connect and Manage approach was most likely to ensure that new generation would be able to secure firm access dates in an appropriate timeframe. It also sought views on a number of different variations of Connect and Manage. Having considered responses to that consultation and results of economic analysis undertaken for the Department by Redpoint on costs and benefits of the different options (the Redpoint analysis)<sup>6</sup>, DECC published a technical consultation on 3 March 2010 on the detail of a preferred reform option<sup>7</sup>.

This second consultation proposed the introduction of a Connect and Manage model on an enduring basis, with all constraint costs, including those arising from the advanced connection, being socialised equally among all generators and suppliers on a per-MWh basis. We noted that a socialised cost model is consistent with the current treatment of constraint costs, as well as the treatment of constraint costs due to Interim Connect and Manage. This is a simple, already well understood model and would in DECC's view enable the greatest volume of new electricity generation investment. The economic analysis showed that, under this model, UK renewable energy targets would be met and the additional costs would not be expected to be excessive – a net present value for incremental constraint costs of £195 million to 2020 under a central scenario (the equivalent of just over 20 pence per household per year to 2020). Additionally, the consultation noted DECC's view that the benefits to consumers in terms of tackling climate change and ensuring security of supply would outweigh these costs.

This consultation also proposed to increase the amount of 'user commitment' which all existing and new generators would give to remain on the network at their current capacity. This increase – by one year – is intended to provide some additional support for transmission owners to plan new transmission investment more effectively and support the case for the investment in the network, which is the long-term solution to network constraints and constraint costs.

The model would be implemented by amending industry codes and network companies' licences. The consultation sought views on the detail of the preferred approach, as well as draft amendment text to implement it.

## Responses to the second consultation

A list of bodies responding to the 3 March 2010 consultation is at Annex 3. The largest single category was generators/developers, covering a range of generation types and locations, and including both larger energy companies and independent generators. Five representative bodies responded, with other respondents including Consumer Focus, National Grid and Ofgem. No responses from individuals were received.

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<sup>5</sup> DECC (2009): 'Improving Grid Access', [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

<sup>6</sup> Redpoint (2010): 'Improving Grid Access: Modelling the Impacts of the Consultation Options', [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

<sup>7</sup> DECC (2010): 'Improving Grid Access – Technical consultation on the model for improving grid access', [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

A summary of the main points raised by respondents is given in Chapters 2-8 of this document, together with the Government's response to points raised.

## Wider developments

In parallel to our reform of grid access arrangements, progress is being made on a number of wider issues of relevance to electricity networks.

### Grid investment

The ultimate solution to the problem of network constraints and connecting new generation is investment in the transmission network, and we are working closely with Ofgem to ensure that this is delivered in a timely and efficient manner.

Since March 2010, Ofgem has made the necessary licence changes to facilitate additional priority investments identified in the Electricity Networks Strategy Group 2020 vision report<sup>8</sup>, within the current transmission price control period (TPCR4). The April 2010 licence changes confirmed the funding framework to fund costs up to the end of 2011/12. This comprises £78 million of pre-construction funding and £241 million of construction funding on projects planned to commence construction before 1 April 2011.

On 17 March Ofgem issued an open letter setting out its approach and timetable for future work on a further potential £764m of investments planned by the Transmission Owners to the end of 2011/12, building on lessons learnt from the process to date. Ofgem will be considering this further funding within TPCR4 as and when the Transmission Owners provide it with additional information on their planned investments.

### Fundamental Review of the NETS SQSS

The ongoing Fundamental Review of the National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS) is important given the need to maintain adequate levels of security of supply, while also determining how relevant standards might best align with future generation profiles.

The review is being led by the three transmission licensees – National Grid, SHETL and Scottish Power – who have all noted the pressing need to complete this work. On 30 March 2010<sup>9</sup>, a proposed workplan for 2010 was published, which set out a phased approach for taking forward the work. Two consultations have subsequently been published by the Review Group on the most immediate issues, including one relating to efficient network design in the context of large-scale intermittent generation connecting to meet 2020 targets. Following these consultations, the Review Group will submit SQSS modification recommendations to Ofgem in August 2010. Longer-term issues will be addressed from the second half of 2010.

### EU Third Internal Energy Market Package

The EU Third Package came into force on 3 September 2009. The Package furthers the development of an open and fair internal energy market established through previous EU

<sup>8</sup> ENSG (2009): 'Our Electricity Transmission Network: A Vision for 2020', [www.ensg.gov.uk/index](http://www.ensg.gov.uk/index)

<sup>9</sup> Open letter on SQSS: <http://www.nationalgrid.com/NR/rdonlyres/CFF78A12-949C-4D87-B8FD-F51FE156D9E6/40409/SQSSOpenLetter300310.pdf>

legislation. Key intentions are to enhance consumer protection, improve the functioning of the energy markets, and increase security of supply.

One of the main ways in which this is achieved is through the strengthening of requirements to separate, or 'unbundle', activities relating to transmission and distribution from energy supply, electricity generation, or gas production. The aim is to remove conflicts of interest and to ensure that there is no discrimination against third parties regarding network access, commercially sensitive information and network investment.

The Third Package also introduces a number of important standards concerning the independence of National Regulatory Authorities (NRAs). Under these standards, NRAs must be functionally independent and able to make autonomous decisions in relation to their regulatory tasks. This is notwithstanding the ability of the Government to set the national policy framework in relation to aspects such as renewables and security of supply.

The Third Package of measures must be transposed into domestic legislation by 3 March 2011. (Undertakings affected by the transmission network unbundling requirements will have an extra year to comply.) DECC has published a consultation document and impact assessment, outlining the UK's approach for implementation, on 27 July 2010.

### **Transmission Charging**

DECC's Annual Energy Statement, also published on 27 July 2010, notes the following on transmission charging:

"Looking forwards, as the move to low carbon sources of generation accelerates, some stakeholders have expressed concern about the continuing suitability of the transmission charging regime. Historically these arrangements were put in place for sound economic reasons in order to promote efficient use of the network. The Select Committee investigation into Britain's electricity networks heard a range of views about the existing regime while questions have been raised more widely about whether the regime is suited to the timely delivery of a low carbon future, in particular, the changing nature and location of our generation.

Ofgem is responsible for transmission charging arrangements. The Government understands that Ofgem intends to undertake its own independent review of the issue. The Government will provide Ofgem with its view of the overall policy context for transmission charging in Great Britain and the high level outcomes that the regime needs to promote. Ofgem will consult in the normal manner in due course."



## Section 2: Proposed model for reforming grid access

### Consultation Question

- |    |  |
|----|--|
| 1. | <b>Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform?</b> |
|----|--|

The majority of respondents gave their clear support to a Connect and Manage Socialised Cost model. This was regarded as a pragmatic solution which would ensure more timely connections and help create the right climate for investment in new low carbon generation. It was also considered that this model would help to maintain effective competition whilst avoiding a detrimental effect on security of supply, and provide a simple, stable charging methodology.

Several respondents expressed particular concern at the level of additional constraint costs that could arise due to the impact of the reforms. They considered there was a significant risk that constraint costs would be substantially higher than the forecasts set out in the Redpoint analysis, and two respondents believed that the Redpoint analysis in fact pointed to locational BSUoS as the most appropriate cost model to sit alongside Connect and Manage. Those respondents urged DECC to put in place formal arrangements for monitoring and reporting of constraint costs associated with Connect and Manage, with a view to possibly reviewing the decision in future.

Ofgem raised several other concerns about the preferred Connect and Manage model including their view that other models of access reform had not been fully assessed, that DECC's targeted intervention would create uncertainty as it would leave a number of complex issues outstanding, that charges faced by generators could be volatile and unpredictable and that the model might not deliver the achievement of the Government's carbon targets. In particular, Ofgem considered that the proposed approach was unlikely to help offshore wind generation connect earlier given its view that offshore works were unlikely to be completed much more quickly than wider reinforcement works. It also expressed concern that overselling of capacity may mean 'constraining off' some low carbon generation. Both Ofgem and Consumer Focus felt that the proposed model would not provide clear signals for Transmission Owners to identify areas of the network requiring reinforcement.

### Government Response

#### Scope of intervention

We have been clear throughout both consultations that the intention was to provide a targeted, focused intervention in line with better regulation principles, to address the fundamental issue of enabling grid access for new generation. We continue to believe that the industry-Ofgem governance process is the appropriate place to resolve other related and wider issues.

#### Redpoint analysis

Whilst some respondents commented favourably on the Redpoint analysis, others questioned whether it was sufficiently robust. We continue to believe that the Redpoint analysis is thorough and based on robust and realistic assumptions.

## Constraint costs

We note comments about the proposal to socialise constraint costs. DECC considers that socialising all constraint costs is the most appropriate approach to encourage new generation, sending a clear positive signal to all new investment without penalising new investment or investment in constrained parts of the network, particularly in Scotland, where we want to see good renewable energy resource harnessed.

The obligation on National Grid to minimise constraint costs will remain. There are a number of actions that can be taken to address constraint costs and we expect both National Grid and Ofgem to consider the full range of options available to them. We have also set out our commitment to monitor and evaluate the regime as well as our expectation that in the unlikely event that constraint costs are unacceptably high for a sustained period as a result of the Connect and Manage model, and that other actions to tackle them had proved unsuccessful, we would consider amending the regime. However we consider the regime is designed to enable new generation to access the network and our expectation is that constraint costs will be addressed through other measures, not through amendments to the grid access regime.

The consultation and impact assessment set out the conclusions of the Redpoint analysis of the costs and benefits of Connect and Manage models under four different scenarios. The Redpoint analysis was published in instalments in January and February and made available to interested parties through the DECC website.

The impact assessment leads with the central case scenario, which we consider is the most likely as it is based on DECC central assumptions on fuel price, renewable penetration, wind deployment in Scotland and network build. This includes the ENSG base case for transmission investment and central build rates for Scottish renewable generation and central assumptions on the operation of Scottish thermal plant. The other scenarios include stretch assumptions on Scottish wind build and operation of Scottish thermal plant and/or assumptions of significant delays to transmission investment.

DECC also asked Redpoint to consider an extreme case scenario with severe delays to onshore transmission investment in addition to significantly higher levels of Scottish wind representing the top case presented in a number of industry scenarios together with operation of Scottish thermal plant unrestricted by the Industrial Emissions Directive. This scenario resulted in cost impacts of around £1 per household per year to 2020. Both scenarios are based on economic dispatch decisions, which implicitly assumes market power is not exercised anywhere in the network. This assumption is consistent with the successful use of competition measures to address any uncompetitive pricing of bids and uneconomic dispatch.

The impact assessment also compares the cost of alternative models, showing that a Connect and Manage model with locational BSUoS could result in lower overall costs (and that other targeted cost models could result in lower costs in some scenarios). However, as set out in the consultation and impact assessment, we believe that the risks of complexity, and unpredictable and highly volatile charges in specific parts of the network associated with this model, although difficult to quantify, outweigh the relatively small costs associated with the socialised model.

The targeted cost models (Connect and Manage Hybrid and Connect and Manage with locational BSUoS) were shown not to meet our objectives for the intervention – that is a narrow intervention to deliver security of supply and meet renewable energy targets in a timely fashion. They would have been more complex, taken longer to implement and could have risked failing to meet our renewable energy targets. The success of the locational BSUoS

model is highly dependent on the ability to forecast and react to costs. Subsequent to the DECC consultation being published, Ofgem took a separate decision to veto the particular modification proposal on locational BSUoS put forward by National Grid, with their reasoning set out in the decision letter of 1 March 2010<sup>10</sup>.

On 2 July 2010<sup>11</sup>, Ofgem published its derogation decision on the first tranche of projects to advance under the Interim Connect and Manage regime. This took into account analysis of costs and benefits undertaken by National Grid. We have considered the results of this analysis in the context of our enduring grid access reforms, and continue to believe that the Redpoint analysis is thorough and based on robust and realistic assumptions.

One respondent raised the specific issue of the impact of costs on the fuel poor. As set out above, our view is that though the model is expected to increase costs to consumers, these are not excessive, at around 20p per household per year under the central scenario and £1 under the most extreme scenario. We consider that the proposed model will benefit existing and future consumers by enabling new low carbon and other generation to access the network, contributing to renewable energy, carbon reduction and security of supply. The Government has specific policy measures to address fuel poverty<sup>12</sup>.

### **Socialisation of all constraint costs**

The consultation document set out the detail of the proposed model, including the proposal to socialise all constraint costs, and to set this principle on an enduring basis into the transmission licence.

In response to consultation feedback we have considered carefully whether fixing the socialisation of all constraint costs, rather than simply those due to Connect and Manage, is justified, and consider that it is.

Our view is that the decision to fix all constraint costs is the only transparent, workable solution. We have seen no evidence of a clear way to isolate those costs which are due only to a Connect and Manage model in an objective manner, from constraint costs arising from other factors. To attempt to create such a division we consider would be confusing, would lack transparency and would create uncertainty. Our approach mirrors that which is already in place under Interim Connect and Manage.

Constraint costs might arise as a result of any one or a combination of the following reasons (this is not a comprehensive list):

- Transmission outages for system maintenance;
- Reinforcement and replacement work associated with time expired assets;
- Reinforcement and new investment involving works associated with Connect and Manage users;

<sup>10</sup> Ofgem (2010): 'Decision letter in relation to the Use of System Charging Methodology modification proposal on locational BSUoS'. <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=137&refer=Networks/Trans/ElecTransPolicy/Charging>

<sup>11</sup> Ofgem (2010): 'Decision letters on derogations granted to National Grid, SPTL and SHETL.'

<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Pages/Traccrw.aspx>

<sup>12</sup> DECC website: [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/consumers/fuel\\_poverty/fuel\\_poverty.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fuel_poverty.aspx)

- Low transmission capacity relative to generation and demand – a clear illustration of which is non-compliance with SQSS standards (as is currently the case with Scotland);
- Outages required for strategic investments that are not directly attributable to individual users;
- Local transmission related agreements that relate to specific conditions on local connections;
- The exercise of local market power;
- Unplanned outages due to transmission failure.

Whereas identifying costs due to Connect and Manage is relatively straightforward in a modelling exercise assuming economic dispatch (such as the one carried out by Redpoint), real life is inevitably more complicated. It would be possible to identify some costs that were not associated with Connect and Manage but apportioning those costs due to Connect and Manage is a subjective process. A portion of the constraint costs in a given part of the network could, for instance, be caused partially by a network outage, by a Connect and Manage generator and by a non-Connect and Manage generator bidding uneconomically to dispatch and therefore being constrained off. We do not consider that a regime that hardwires only an indefinable portion of constraint costs would facilitate access to or efficient use of the transmission system or would be transparent and verifiable.

The socialisation of constraint costs is to be fixed into the transmission licence and the Government considers that this constitutes a Public Service Obligation (PSO). A PSO is required to be clearly defined, transparent and verifiable. For these conditions to be met, it must be clear how the costs elements are to be treated, operating in a manner that is capable of being verified. Even if it were reasonably practicable to isolate the direct causes of Connect and Manage from other causes of constraint costs (which as we have said we do not consider is the case), this would lead to greater complexity and be more likely to lead to disputes as to the cause of costs, which would increase uncertainty in the charging mechanism.

### **Monitoring and evaluation**

A number of respondents stressed the importance of monitoring the impact of the regime on constraint costs and grid connections, and of setting out a clear process for this. We agree with these comments and have set out the process for monitoring and evaluation in Section 10.

### **Assessment of other reform models**

DECC's first consultation assessed the range of reform models that had been considered under the industry process and set out an initial view that models based on Connect and Manage were most likely to meet DECC's stated objectives for the intervention. That consultation sought views on this initial approach. The overwhelming majority of consultation responses agreed with that assessment and no new points were raised which would have led DECC to reconsider that assessment. We therefore consider that other reform models have been adequately considered.

### **Signal for network investment**

We consider that the model for enduring grid access will provide an effective signal for new network investment. The 'wider works' required to support each project will still be required to be completed and transmission companies will be required to report on progress in completing

these 'wider works', so information will be available to Ofgem and industry so as to monitor progress. We consider that new generation connected to the network and generating provides an effective signal that investment will not be wasted.

### **Potential for renewable generation to be constrained off**

We expect National Grid as System Operator to balance the need for generation to be connected to the network within reasonable project timescales with potential adverse impacts such as constraining off renewable generation to the extent that the volume of constraints would make the additional generation meaningless. It would not be appropriate for DECC to define the precise levels of constraints that would be appropriate in every case, because each project is different. It is for the parties involved in day-to-day operation of the network to decide what this means in operational terms.

### **Offshore wind generation**

Connect and Manage arrangements can benefit those offshore wind generation projects where their offshore construction works can be completed before wider onshore transmission reinforcement works. This has already been the case under the Interim Connect and Manage regime for eight offshore wind projects, representing some 3.8GW of capacity. These projects have advanced their connections by an average of 3.6 years, with dates now ranging between 2013 and 2017.

## Section 3: Definition of ‘enabling works’

### Consultation Question

1a **Do you agree that the proposed model for reforming grid access would best meet the Government’s objectives for this reform? We would particularly welcome comments on the definition of ‘enabling works’**

Many respondents welcomed the overall approach of a flexible definition for ‘enabling works’ and use of a ‘maximum enabling works’ definition. There was general consensus that the arrangement should be operated in a clear and transparent way, and the publication of the ‘Enabling Works’ information note<sup>13</sup> was welcomed. However a range of amendments were proposed to both the approach and detailed operation, with contrasting views on whether the definition might be made more or less strict.

On ‘maximum enabling works’:

- some concern was expressed that the Transmission Owners would have too much scope to set enabling works beyond the ‘maximum enabling works’, and that this should only be done in exceptional circumstances. It was suggested that infrequent use might be encouraged by requiring permission of Ofgem to be sought for any extension beyond this point;
- several respondents considered that the definition within ‘maximum enabling works’ of a ‘MITS substation’ as having more than four main system circuits was unduly restrictive and did not reflect the difference in scale between the network in Scotland and that in England and Wales. It was felt that this would result in the majority of works in Northern Scotland becoming enabling works, and hence diluting the benefits of a Connect and Manage approach. National Grid also raised concerns about application in Scotland, but took the view that radial circuits should be excluded as they did not offer a connection to the remainder of the system and as such were not helpful in terms of accommodating power from new generation connections;
- more generally, a minority of respondents questioned the value of a definition for ‘maximum enabling works’ separate to ‘enabling works’.

A recurring theme amongst respondents was the need for further guidance as to how a Transmission Owner should determine the appropriate level of ‘enabling works’ between the minimum and maximum levels. For example, was the definition intended to be purely technical, about constraint costs or a mixture of both? Most of those who commented on this issue felt that clarification was needed that the minimum works necessary should be set in any particular case, and that a mechanism to keep this under review would be useful. National Grid proposed that the appropriate level be determined by considering both the consequential generation connection date and level of system constraints. For the minority of cases where

<sup>13</sup> DECC (2010): ‘Definition of ‘enabling works’ in the proposed connect and manage grid access reforms’, [http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

an obvious conclusion was not apparent, National Grid suggested that a limit to the acceptable level of system constraints might be required.

Various points of detail were also raised, including the following:

- in relation to the criteria for determining ‘minimum enabling works’, some respondents felt that the requirement to ‘avoid any adverse impact on other Users’ (CUSC, draft para 13.2.4.7) needed clarification as any Connect and Manage connection could be seen to have an adverse on other users, for example through an increase in overall BSUoS charges;
- one respondent proposed changes to the ‘connect and manage derogation criteria’ used to determine the minimum scope of enabling works that would provide the System Operator with greater flexibility to identify appropriate enabling works consistent with a developer’s aspirations.

Two respondents noted that inclusion of the definition for ‘enabling works’ in the CUSC, rather than in a standard licence condition, raised the possibility of changes being made to it through the industry governance process which might not be in line with the Government’s policy objectives.

## Government Response

### Definition of enabling works

We have considered the comments that the definition of enabling works was either too relaxed, enabling too much generation to connect too quickly and therefore risking higher costs, or too strict, preventing generation from accelerating connections. We consider that the definition set out in CUSC Section 13 is appropriate. The definition of enabling works is set out in the CUSC but is not a defined aspect in the transmission licence. Therefore industry parties have the ability to consider and amend the definition in future through the industry process should any issues arise in practice as a result of the definition.

### Guidance on how to apply the definition

We agree with comments that more guidance is needed for the Transmission Owners, in order to ensure they are able to apply the definition of enabling works effectively. We considered suggestions that a set of numerical deterministic standards should be applied to help the Transmission Owners determine the division between enabling works and wider works in all circumstances. However we feel that to give such rigid guidance in the licence and codes would not provide the necessary flexibility to accommodate different project situations. We have sought to give stronger guidance in this document as to how the definition should be applied (see Section 9).

We have considered comments that the definition of ‘maximum enabling works’ is superfluous, and we agree that the terminology is potentially confusing. Our view is that National Grid as System Operator should have diverse constraint management options available to it when connecting new generation to the network. The successful management of the system (both technically and economically) needs a level of diversity to be available to the System Operator, and we consider that the ‘maximum enabling works’ definition is a simplistic way of describing the maximum that could be expected in almost all circumstances.

This is not however intended to be an absolute definition, so in order to provide greater clarity we agree with the suggestion to change the description of ‘maximum enabling works’ to ‘MITS<sup>14</sup> connection works’. The enabling works are only likely to go deeper into the system in exceptional situations.

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<sup>14</sup> Main Interconnected Transmission System



## Section 4: Process for derogation from the SQSS

### Consultation Question

1b	<b>Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform? We would particularly welcome comments on the process for derogation from the SQSS</b>
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Most respondents supported the principle of Transmission Owners being able to derogate themselves from certain aspects of the NETS SQSS to enable users to be connected before completion of their wider works. This was regarded by some respondents as a more efficient process than currently exists under the Interim Connect and Manage arrangements. There were, however, several substantive areas of concern raised in relation to the proposed approach.

Three respondents did not support the proposal for National Grid to exercise a power of veto over derogation requests (in its capacity as System Operator). These respondents considered that National Grid, as a licensee, was not in an appropriate position to exercise veto powers over issues arising under the licence of another transmission licensee. Instead, they suggested that derogation requests should continue to be considered by Ofgem. National Grid proposed that any issues relating to perceived delays and uncertainties from the current derogation could be addressed by clarifying the criteria against which 'enabling works' are determined and setting a clear timetable for the exercise of the veto by Ofgem.

Ofgem considered that the proposed derogation process had not been sufficiently well developed or debated, and that it might result in unanticipated problems. For example, in the event that the System Operator vetoed a derogation request, Ofgem questioned what would happen to the access rights of generators behind the boundary that had not been successful in receiving a derogation.

A number of respondents believed that there remained an important role for Ofgem in this area to monitor the Transmission Owners' use of derogations, oversee the System Operator's proposed veto role and consider any appeals made against veto decisions. This would help to ensure that Connect and Manage applications were undertaken on a non-discriminatory basis, with a robust appeal mechanism considered to be particularly important. One respondent suggested that derogations should be automatic, given that non-compliance with the SQSS is a choice of the Connect and Manage approach and any element of subjectivity over granting derogations introduced time delays and risks for developers.

Two respondents proposed that, instead of derogations from the SQSS as the normal process, the SQSS itself should be amended to allow connection of generation once the 'enabling works' have been carried out, but still leaving in place the obligation to complete the wider works. A further respondent considered that the provisions allowing self-derogation from the SQSS should be time limited to two years. This would allow time for the SQSS fundamental review to take place, and would incorporate a more flexible approach to the trade-off between constraint costs and system build. More generally, respondents noted the importance of concluding the SQSS fundamental review as soon as possible.

One respondent sought clarification on whether the licence derogation in respect of the Cheviot Boundary transmission circuits would remain or whether a new self-derogation would be prepared.

The need for a clear and transparent process for derogation was emphasised by many respondents. This was seen as important both in ensuring effective oversight of the process and assisting users with their investment decisions. Specific proposals to help provide transparency included:

- publication by the System Operator of all derogations granted and reasons for any refusals;
- publication with the Seven Year Statement of opportunities for Connect and Manage in terms of capacities available and enhancements with enabling and wider works;
- provision of clear and unambiguous guidance by the System Operator on how it will undertake the derogation request assessment process;
- using a minor development to the existing Transmission Works Register to highlight what wider works are required in order for the transmission system to be compliant.

Three points were raised on process timing issues. Infinis identified a potential mismatch in the offer acceptance timescales for distributed generation projects and the longer timeframe for a derogation veto from the System Operator, which could deter such projects. Scottish Power Energy Networks noted that the Scottish Transmission Owners would have a period of 70 days in which to prepare and submit a report to the System Operator, but National Grid in its role as Transmission Owner for England and Wales was not subject to the same timescale. Scottish and Southern Energy pointed out that, in their view, this 70 day timescale was not consistent with existing licence condition D4A which requires the offer to be made as soon as practicable.

There was a call for a more stringent obligation to be placed on Transmission Owners to complete wider works in good time so as to keep balancing costs down. Concern was also expressed at the proposed provision which appeared to allow Transmission Owners to avoid prompt investment in wider works if the Connect and Manage generator agreed, given that it would impact on other users through BSUoS payments. It was also suggested that a detailed engineering assessment be required as part of the derogation process to take account of the potential effect of Connect and Manage on the reliability of connection for existing users.

Several respondents suggested that the criteria that would need to be met for a derogation to be granted were not clearly specified. Whilst the definition of enabling works was recognised as a relevant consideration, some thought it was not considered sufficient or appropriate guidance for Transmission Owners.

## Government Response

We note concerns raised in responses about the proposal for Transmission Owners to derogate from the requirements of the SQSS and for National Grid as System Operator to be able to 'veto' derogation requests. We agree that Ofgem's role in the process and the requirement on National Grid to report to Ofgem should be clear. Ofgem as electricity regulator retains its role of ensuring the effective regulation of the industry and that the network companies fulfil requirements on them under the codes and licences. All three transmission

companies should have responsibility to report to Ofgem on derogations. The process for reporting to be implemented is set out in Section 9. In response to comments, we have also clarified the timetable for this process in Section 9.

We considered the suggestion that Ofgem would be a more appropriate organisation to oversee each derogation request. Given that the Connect and Manage derogation report would be submitted by the Transmission Owner as part of the associated TO offer, we continue to believe that it is most appropriate for the System Operator to review the report, alongside other elements of the offer. Where the System Operator raises a dispute with the report, this would be considered under the normal dispute resolution procedures of the System Operator – Transmission Owner Code. The prospective generator would not be able to connect until the dispute had been resolved.

We also note the request for further clarification of the circumstances under which a derogation report might be disputed. We have provided more clarity on this issue in Section 9. However we believe that the System Operator should have flexibility to consider individual cases. Our view remains that a dispute would only be raised in exceptional circumstances on grounds of network efficiency.

Two respondents suggested that the SQSS should be amended rather than derogations sought. However it remains our view that the aim should be to carry out the necessary wider works within a reasonable timescale and aim to restore the network to SQSS compliance. We believe that enabling Connect and Manage connections more quickly by temporarily derogating from the SQSS, preserves the link between connections and network investment and ensures that investment happens in a timely fashion. We note that the three transmission licensees are leading a review of the SQSS.

The existing licence derogation in respect of the Cheviot Boundary transmission circuits expires on 31 March 2012, and it will be a matter for Ofgem and National Grid to determine how best to manage this and other relevant existing derogations in the context of the enduring regime for grid access.

## Section 5: Extension of user commitment

### Consultation Question

1c	<b>Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform? We would particularly welcome comments on the extension of user commitment</b>
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There was consensus amongst most respondents that an extension of user commitment by one year would be manageable for generators and was likely to offer some – albeit moderate – benefits in relation to system planning. Some felt that the extension should go further given that the proposed commitment period would still be considerably lower than the average time to construct transmission reinforcements, and therefore the risk of abortive costs due to Transmission Entry Capacity reductions from existing users would remain. In contrast, others felt that the extension was either at the upper limits of what was appropriate or had potentially gone too far in becoming a driver for closure decisions.

A number of detailed comments were also made on the drafting of the proposed extension, and particularly the possible impact on the efficient use of Transmission Entry Capacity and scope of charges.

### Government Response

A small number of respondents felt the extension to user commitment was too small to make any difference in network companies' planning. Whilst we recognise these concerns, we believe that a one-year increase, which is supported by the majority of respondents, will have a positive impact on network planning by providing further information to the System Operator on generators' intentions. In turn the operation of the extended commitment will provide evidence which could lead to a longer period being agreed through the usual industry governance process.

Various respondents raised questions regarding the drafting of DECC's policy on user commitment and clarification of the policy position. We agree that the drafting of revisions to Section 5 of the CUSC was not consistent with the drafting of revisions to Section 6 and have accordingly amended Section 6. The policy as set out in Chapter 5 of our consultation document has not changed.

## Section 6: Transition arrangements

### Consultation Question

1d	<b>Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform? We would particularly welcome comments on the transition arrangements</b>
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There was general consensus that the proposed transition arrangements appeared satisfactory, although one respondent queried whether a specific implementation condition for Connect and Manage (Condition B[x] in the March 2010 consultation document) was necessary given that there would be no comparable transitional period to that adopted for the BETTA reforms.

It was noted that Interim Connect and Manage users should not be disadvantaged by the introduction of an enduring Connect and Manage regime, and should be offered the chance to either retain their current offer or migrate to the enduring regime at no cost. Where the offer was migrated, it was thought that this should not be used as an opportunity to change other terms.

National Grid indicated that it was generally content with the proposed transition timescales, and as part of the process of on-going liaison with the other Transmission Owners had already initiated discussions in order to establish a more detailed programme for this work. SP Energy Networks and Scottish and Southern Energy noted that the STC<sup>15</sup> Procedures would need to be updated to ensure that all process requirements were captured.

One respondent sought clarification on the application of transition arrangements in relation to current and future offshore connections.

### Government Response

The Connect and Manage implementation condition (Condition B19) provides for several actions to be undertaken within a six month transitional period starting from implementation of the new regime, namely:

- all prospective generators with an Interim Connect and Manage agreed connection will be given an offer to move to the enduring regime. The connection dates already offered to these projects will not be adversely affected by this move and we would expect any fee for the move from interim to enduring arrangements to be waived;
- those prospective generators who had received an Interim Connect and Manage offer but not yet accepted will have the option to accept the offer and to move to the enduring regime. Again, the connection dates already offered to these projects will not be adversely affected;

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<sup>15</sup> System Operator – Transmission Owner Code

- STC Procedures and other supporting documentation will need to be brought up to date to reflect the new enduring regime.

We have decided to retain a specific implementation condition for the above activities given the importance of these actions.

The transitional arrangements will apply to both offshore and onshore projects.

## Section 7: DECC's proposed licence and code changes

### Consultation Question

2. Do the proposed licence and code amendments deliver the policy aim?

Respondents considered that the proposed licence and code amendments, for the most part, delivered the policy aim.

In addition to the issues noted in response to Question 1, a number of suggested changes and queries were raised by respondents, primarily relating to process issues and drafting points. Main issues included the following:

- two respondents queried the precise meaning of the licensee using “all reasonable endeavours” to complete enabling/wider works (Clause 7 of Condition C[x] and elsewhere);
- several respondents considered that the use of the phrase “all parties to whom the relevant use of system charge applies” (Clause 9 of Condition C[x]) was subjective and did not deliver the clear intent that constraint costs should continue to be socialised;
- several respondents felt that the caveat that the connection arrangements of existing users should not be disadvantaged as a result of a Connect and Manage connection “without objective justification” (Clause 10 of Condition C[x] and elsewhere) should be removed as it was considered that existing offers and connection rights should not be detrimentally affected under any circumstances;
- clarification was sought on the applicability of pre-connection securities for different aspects of wider works and possible impacts on other users (CUSC Schedule 2, Exhibit 3 – Construction Agreement).

### Government Response

We have considered carefully the detailed licence and code changes proposed by respondents. The tables at the beginning of Annexes 1 and 2 of this document show where we have updated the licence and code drafting as a result of points raised in consultation responses. Specific responses to main issues raised are given below.

#### Use of the term “all reasonable endeavours”

We have retained the term “all reasonable endeavours” in Condition C26 and elsewhere as we believe this best reflects our intention that the transmission licensees should take all reasonable courses of action open to them in the particular circumstances of their case to complete enabling and wider works within the timeframes described. We would not expect this to require transmission licensees to make wholly uneconomic investments since this would be unlikely to be a reasonable action to take.

### **Socialisation of constraint costs**

A requirement to continue socialising constraint costs is a key aspect of our enduring regime, and we agree that the wording previously proposed for Clause 9 of Condition C[x] was not sufficiently clear. A revised form of words has now been included to better reflect the policy aim.

### **Connection arrangements of existing users**

Our intention is that National Grid should ensure that the introduction of the enduring Connect and Manage regime does not impact the connection arrangements of existing generators or those prospective generators with a pre-existing connection agreement without objective justification. Instances where an impact does arise are expected to be rare, and should be clearly justified.

### **Pre-connection securities**

National Grid is currently reviewing the final sums methodology for pre-connection securities, with the key objectives of improving transparency, ensuring fairness in the allocation of costs and protecting end consumers. Under our enduring reform of grid access arrangements, we are only making those consequential changes to pre-connection securities that are directly related to the introduction of Connect and Manage. Under Connect and Manage, a user's requirement to secure the wider works will fall away on connection, and the user will then begin to pay TNUoS charges. To ensure equal treatment, we would not expect a third party to be assigned the liabilities for wider works previously covered by the newly connecting Connect and Manage party.



## Section 8: Other proposed changes and actions

### Consultation Question

**3. Do you think there are any other changes to industry codes and licences or any other actions needed to implement the model?**

An issue covered in many responses was DECC's intention to impose changes as a Public Service Obligation. Some respondents supported this approach as providing a greater degree of legal certainty to the arrangements. However, others sought further clarification in light of possible concerns. For example, National Grid queried whether the proposals did fall within the notion of a Public Service Obligation and the raising of this issue in the consultation at what they considered to be a late stage in the process.

Several respondents suggested that DECC should provide Ofgem, National Grid and industry parties with the necessary guidance to ensure that the principles behind the chosen solution would not be subject to erosion by the industry code modification process.

Several respondents noted that there were a number of outstanding industry code proposals which potentially overlapped with the grid access reforms. Views were split on what role (if any) DECC should have in relation to these.

A number of other, wider issues were also noted, including:

- further investment in new network infrastructure was considered by a number of respondents to be the ultimate solution to grid access. As such, the principle of enabling strategic investment by Transmission Owners was supported. The Renewables Advisory Board proposed that the ENSG transmission study<sup>16</sup> should be reviewed and revised as necessary to recognise the results from the SQSS Fundamental Review and other developments since its publication;
- the importance of reviewing security arrangements and the application of proposals to distributed generators as soon as possible;
- an urgent review of National Grid's transmission charging methodology was proposed, with some arguing that this should be undertaken in a holistic manner considering TNUoS charges alongside socialised constraint costs;
- encouraging different technologies to share network capacity.

### Government Response

#### Public Service Obligation

The proposal to use a Public Service Obligation (PSO) as the vehicle through which to implement the regime was queried by several respondents. We have considered whether this

<sup>16</sup> ENSG (2009): 'Our Electricity Transmission Network: A Vision for 2020', [www.ensg.gov.uk/index](http://www.ensg.gov.uk/index)

is a necessary and proportionate vehicle for giving effect to the policy aims. DECC intervened to introduce enduring grid access reform and we have made it clear that this has been our aim throughout the project. It is therefore essential for reasons of encouraging new generation and energy security through a diverse mix of generation, that industry is provided with some certainty over key features of the regime. The PSO is being imposed because it is in the general economic interest to ensure that all new electricity generation will be able to connect to the network in line with reasonable project timescales. It will also directly support delivery of the UK's proportion of EU renewable energy targets by enabling new renewables to connect within a reasonable timeframe rather than, as under the Invest then Connect system, in some cases being offered a connection date as late as 2025.

Two respondents suggested that the Government had not considered other policy options which might have the same effect, with one suggesting that for example an increase in the value of Renewables Obligation Certificates or capital grants might meet our objectives. We do not feel that there are more beneficial ways to implement the policy of encouraging new renewable and other low carbon generation and delivering security of supply. This is directly met by providing sustained commercially viable connection opportunities and firm connection dates reasonably consistent with project development timescales. The problem with connection was the long delays and the queue caused by the Invest then Connect and first-come, first-served system, not one of project finance. In addition, the aim of DECC's intervention is to improve connection times for all generation, not just renewables (though helping new renewable generation to connect earlier is of course key to meeting our renewables objectives).

One respondent questioned whether the proposed approach could be discriminatory. Our view is that it is not. All new generation seeking access to the grid, of whatever type, will pay the same per-MWh charge.

The same respondent also questioned whether the proposed approach could impact on competition in the EU electricity market. We do not consider that the model would impact adversely on competition as Connect and Manage will be open to all new generators of whatever type or national origin. We believe this model will be the best for investment and for competition as it is simple, well understood and does not penalise new generation or disadvantage smaller generators. Competition issues will, of course, continue to be considered by Ofgem.

One respondent questioned whether the PSO might infringe on the independence of the regulator, as set out in the EU Second and Third Energy Packages. DECC's intervention is intended to set the strategic policy framework within which Ofgem will regulate the market in accordance with its regulatory tasks. It is necessary to fix the socialisation of constraint costs in order to give investors certainty as to the model for grid access – it is a key feature of the successful achievement of the policy. As a 'general principle', the socialisation of costs will fall to be applied by the regulator when fixing or approving a specific charging methodology. We are not fixing or approving any specific methodology.

We expect the PSO to be in place as long as it is needed to support our climate change, renewable energy and security of supply targets. We will of course need to ensure that our policy continues to operate in a manner compatible with EU law.

One respondent considered that the proposed approach would foreclose or prejudice the regulator's decisions on outstanding CUSC amendment proposals. However, the proposed

regime does not make any changes to the industry process under which CUSC amendment proposals can be brought forward by industry and considered by Ofgem, and the process is not affected by the proposal to notify amendments to the Commission as a PSO. Any outstanding proposals will remain a matter for Ofgem to consider in the light of the applicable regime.

### Consultation process

The Government's decision to implement the model for grid access reform was arrived at following full consultation – a 12-week consultation on the high-level models for reform, followed by a 4-week technical consultation on the detail of the proposed model. This second consultation was subsequently extended to 6 weeks. Throughout the consultation period from August 2009 onwards interested parties were kept updated through regular emails and the DECC website. We also attended industry events and held two consultation events. The high-level decision on the model for consultation was announced in January 2010.

The model outlined in detail in the second consultation is a more detailed explanation of the Connect and Manage Socialised Cost model described in very high-level terms in the first consultation, with some changes made following the initial consultation and subsequent policy development. The first consultation document was clear that it was describing the models at high level (for instance a targeted cost model could take a variety of forms including costs targeted only on new users or locational BSUoS). It was also clear that the intention was to introduce an enduring regime. Key differences from the first consultation are that we are requiring the socialisation of all constraint costs, not just those arising from the advanced connection, and removing the four-year default period before connection. Both consultations were undertaken in line with Cabinet Office guidance on consultation processes, and have provided sufficient opportunity for comment on the elements of the proposed reform model. In response to comments raised in two responses, we have considered whether further time may be needed for consultees to consider the implications of embedding the new regime as a PSO, but we do not consider any more time is necessary, as this is not a new policy or a novel concept. This point was raised by two respondents.

Implementation of the Connect and Manage model through imposing a PSO on licensees is not a new aspect of the policy but is the method by which we will give effect to the policy changes to put in place the new grid access regime. It does not change how the policy affects industry. The model for access to the transmission network remains as consulted upon and the industry governance process remains unchanged.

At the domestic level, the regime will be implemented through code and licence modifications and it is these modifications that will affect industry parties. How the domestic regime fits in with the EU framework is, in the first instance, a matter for the Member State to determine.

### Wider Issues

As noted elsewhere in this document, DECC has been clear in both consultations that this will be a targeted, focused intervention in line with better regulation principles, to address the issue of grid access for new generation only. We continue to believe that the industry-Ofgem governance process is the appropriate place to resolve related and wider issues.

## Section 9: Enduring Regime for Grid Access – Main Features

This section describes the main features of the enduring regime for grid access.

### Connect and Manage

Under the enduring regime, all prospective generators (whether embedded or directly connected) will be offered a Connect and Manage connection where works are required on the transmission system.<sup>17</sup> Under a Connect and Manage offer, prospective generators will be guaranteed connection to the network once their 'enabling works' are complete.

### Definition of 'enabling works'

'Enabling works' and 'wider works' are subsets of the transmission reinforcement works necessary to extend or reinforce the transmission system in relation to the connection of new generation.

Under the old 'Invest then Connect' access arrangements, all transmission reinforcement works had to be completed prior to connection. However, under Connect and Manage, only 'enabling works' need to be completed before a generator can be connected to the transmission network. 'Wider works' are required to be completed to retain compliance with the NETS SQSS, but a generator does not have to wait for their completion before connecting under Connect and Manage. It is this separation that enables connection dates to be accelerated compared to the old 'Invest then Connect' arrangements.

The boundary between 'enabling works' and 'wider works' will vary depending on the individual circumstances of a particular project and, as such, each connection will need to be assessed by National Grid and/or the relevant transmission licensee on its own merits. For the purposes of the Connect and Manage regime, 'enabling works' will, as a minimum, include those transmission reinforcement works required to meet the criteria set out in CUSC Section 13.2.4 (see Annex 2 of this Government Response). These criteria are largely based on a subset of the criteria contained in the NETS SQSS chapter 2 (Design of Generation Connection), and are substantially the criteria used for the Interim Connect and Manage arrangements. Works required to meet NETS SQSS chapter 2 that are not required to meet CUSC Section 13.2.4 will be considered as 'wider works'. For the avoidance of doubt, works required to meet NETS SQSS chapter 4 (Design of the Main Interconnected Transmission System) will be considered as 'wider works'.

In determining the division between 'enabling works' and 'wider works', National Grid as System Operator will want to ensure there are diverse constraint management options when connecting new generation. This level of diversity allows National Grid to manage the system successfully without incurring excessive costs, whilst also taking account of the importance of connecting new generation.

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<sup>17</sup> Developers will be able to increase the level of enabling works, so that the offer equates to 'Invest then Connect', where they consider this best meets the needs of their project.

CUSC Section 13.2.2 notes that this level of diversity should generally be defined at a point no deeper in the system than the 'MITS Connection Works' (i.e. those transmission reinforcement works required from the connection site to a MITS substation, which is defined as having more than four main system circuits connecting to it). This is not an absolute requirement, but instead indicates the diversity expected to be available to the System Operator to enable it to effectively manage the system. It is expected that in many cases sufficient diversity of operations could be provided at a substation with other features and a lower number of main transmission circuits.

The aim of the enduring regime is to ensure that new generation can connect to the network within reasonable project timescales. We therefore expect that enabling works will be set as close to the minimum definition as possible. However, every project is different and the System Operator needs to be able to consider questions of system security and adverse impact on other network users – therefore there is flexibility to determine an increased scope of enabling works, with the 'MITS Connection Works' definition given as an example of the maximum that could be expected in almost all circumstances. Setting enabling works at the 'MITS Connection Works' point is not expected to be the default option.

As under the Interim Connect and Manage arrangements, connection design variation options will continue to be considered as part of the offer process to facilitate earlier connections.

### Derogation from the SQSS

Unlike under the Interim Connect and Manage arrangements, Transmission Owners will be able to derogate themselves from certain aspects of the NETS SQSS to enable prospective generators to be connected before 'wider works' have been completed.

If the developer is connecting in Scotland, the appropriate Scottish Transmission Owner will work with National Grid as System Operator to develop the offer. Where the Transmission Owner considers connection on completion of enabling works when assessed against the NETS SQSS means that a Connect and Manage derogation is necessary, it will submit a Connect and Manage derogation report to the System Operator as part of the associated TO offer. As currently, the System Operator will check the contents of the offer, including the derogation report. In reviewing the derogation report, the System Operator must take into account the criteria set out in CUSC Section 13.2.4.

As set out above, the aim of the enduring regime is to ensure that new generation can connect to the network within reasonable project timescales. We envisage that as a matter of routine the relevant derogations will be agreed. However National Grid as System Operator needs to be able to consider questions of system security, running an economic and efficient network and adverse impact on other network users so, for example, may dispute a derogation request where the volume of constraints would make the additional generation meaningless. It would not be appropriate for DECC to define the precise levels of constraints that would be appropriate in every case, because each project is different. It is for the parties involved in day-to-day operation of the network to decide what this means in operational terms.

Where the System Operator disputes the derogation report, the dispute will be considered under the normal dispute resolution procedures of the System Operator – Transmission Owner Code. If the developer is connecting in a region served by National Grid as Transmission Owner, National Grid will prepare a similar derogation report setting out its decision to apply a derogation from the NETS SQSS. We expect National Grid to apply the same standards in

these cases as in cases where the connection is in Scotland, through its wider role as System Operator.

The derogation report is expected to include the following as a minimum:

- a description of the derogation;
- the expected consequences including costs and benefits;
- any mitigating measures to be taken; and
- how long the derogation will last.

To ensure transparency, the System Operator will publish the derogation report within two months of the applicant accepting the Connect and Manage offer. A copy of the report will also be sent to Ofgem for information. We would also expect National Grid, in conjunction with the other transmission licensees as appropriate, to publish sufficient explanatory information to allow developers to understand how the derogation assessment process is undertaken.

An obligation is being placed on the transmission licensees to use all reasonable endeavours to complete the relevant 'wider works' as soon as reasonably practicable. This is consistent with their existing duty to develop an economically efficient network, and recognises the importance of investment in the transmission network as the ultimate solution to connecting new generation.

### Securities for wider works

National Grid is currently reviewing the Final Sums methodology for pre-connection securities, with the key objectives of improving transparency, ensuring fairness in the allocation of costs and protecting end consumers. Under our enduring reform of grid access arrangements, a user's requirement to secure the wider works will fall away on connection, and the user will then begin to pay TNUoS charges. To ensure equal treatment, we would not expect a third party to be assigned the liabilities for wider works previously covered by the newly connecting Connect and Manage party.

### Offer Process

From the applicant's perspective, the connection offer process will remain generally unaltered. Users seeking a connection to the transmission system submit a connection application, with National Grid required to respond by providing a connection offer within 90 days. The connection offer is open for acceptance by the user for a further three months. It includes details of all the transmission reinforcement works that are required to accommodate the user. Some of these works will be identified as 'enabling works', and the user will be required to wait until these works are completed prior to exporting power onto the transmission system. Any other identified works will be classed as 'wider works', and while the user may be required to provide pre-connection securities against the cost of these works, the user's connection date will not be contingent upon those wider works having been completed before they can connect to the grid.

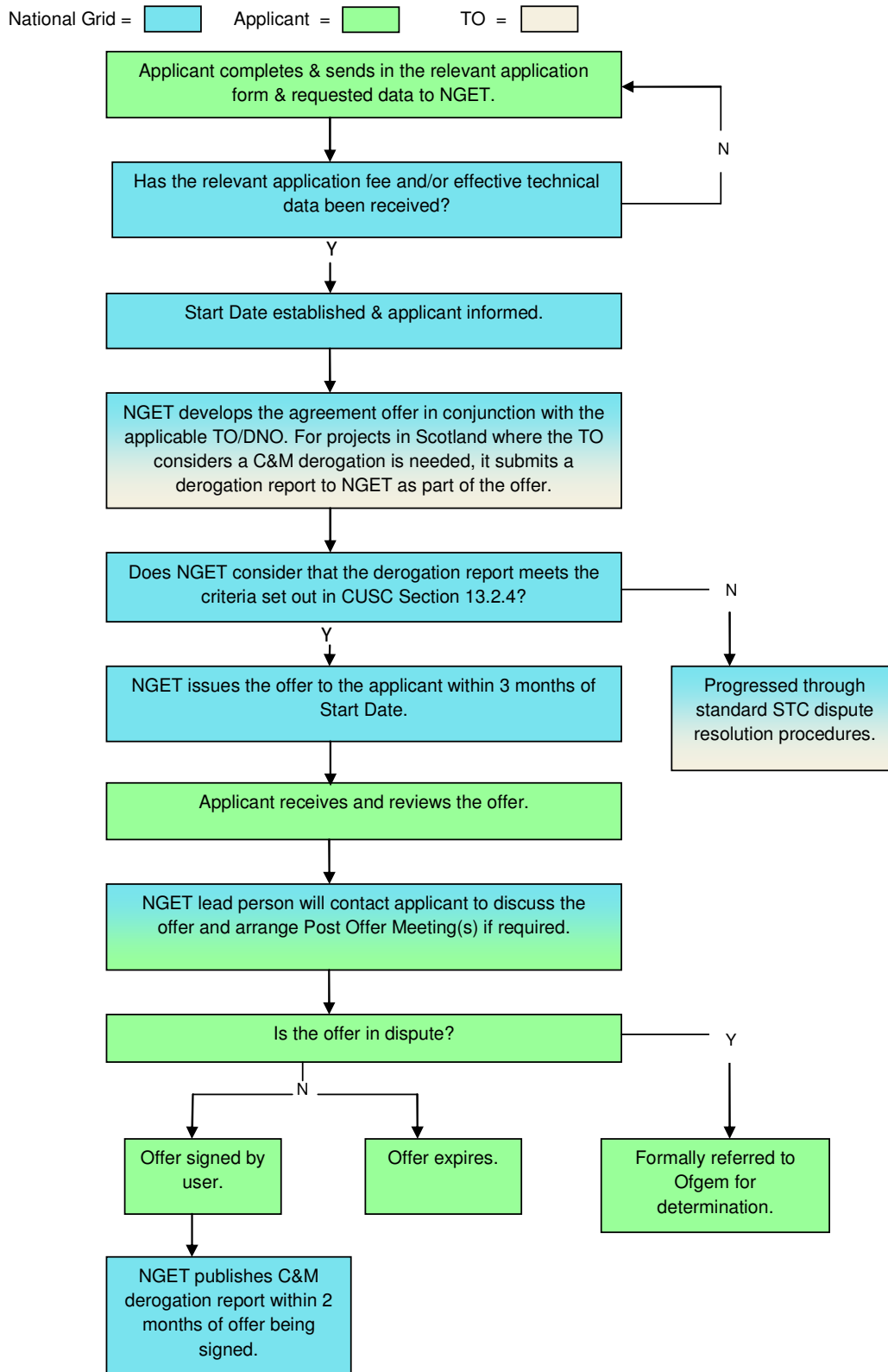
If there are a number of new connections which are contingent upon the same 'enabling works', they will be treated on a first-come-first-served basis, as now. If multiple applications of

this type are received within the same three month period, they will become interactive and the current process for dealing with this situation will be applied. Interactive offers are made on the same day by National Grid, and this is followed by a five day dead-band during which offers cannot be accepted. On the sixth day, users can accept by fax at any time, with priority given to the user that applied for connection first.

Following offer acceptance, the connection moves into construction phase. If a generation project is delayed, then the relevant user can apply to defer the connection date by submitting a Modification Application.

A flow chart of the connection offer process is shown in Figure 1.

**Figure 1: Overview of the Connect & Manage Application Process**





## Socialisation of Costs

All constraint costs, including those arising from advanced connection, will be socialised across all generators and suppliers on a per-MWh basis, as they are at present under the Interim Connect and Manage arrangements. Standard condition C26 of the transmission licence sets the principle of socialising constraint costs on an enduring basis.

## User Commitment

Currently, all connected generators are considered to have one year of commitment to the network. This means they must give notice before the end of the current financial year if they intend to reduce the amount of Transmission Entry Capacity (TEC) they will require in the forthcoming financial year. The final date to give notice is five business days before the end of the financial year. In practice, this means that the minimum period that a generator can give to reduce its capacity is five working days at the end of the financial year.

These arrangements will change from 1 April 2011 under the new model. We intend to extend the period of commitment by one year. Generators will continue to be able to give a minimum notice of five working days ahead of reducing TEC – known as the Minimum TEC Reduction Notice Period – with failure to do so constituting, as now, a breach of the CUSC. However, a TEC Reduction Charge will be incurred if the generator does not give notice for the remainder of the current financial year and the next financial year (i.e. a minimum notice period of one year and five days). This is known as the Full TEC Reduction Notice Period.

The TEC Reduction Charge will comprise Transmission Network Use of System (TNUoS) charges for the following year (i.e. for the next commitment period). The liability for the remainder of the current financial year will remain unaltered. Where a plant is closing completely, this will mean invoices continuing as usual for the remainder of the current financial year, and payment of a lump sum for the future year, with the rate for the future year being set at the same level as the current year.

Where a plant is reducing TEC but not closing, invoices will again continue as usual for the remainder of the current financial year, and the lump sum for the future year will be equivalent to the difference between the TEC they have now and the TEC they had originally, set at the same rate as the current year. In both instances, the invoice for the lump sum is triggered when the notification is given to National Grid.

The current approach will be adopted for generators in negative TNUoS charging zones (i.e. those generators who are normally paid, rather than charged, a TNUoS tariff). Where such generators give less notice than the Full TEC Reduction Period, they would not receive a payment for either the first or second years.

The requirement that currently exists to give six months notice for full closure will still apply. If a generator does not give the Full TEC Reduction Period notice it is liable for charges irrespective of whether a notice of disconnection is given within that period.

## Distributed Generation

Distributed generators which are large enough to have, or are deemed to have a significant impact on the transmission system, will be eligible for a connection offer in accordance with the Connect and Manage model. This covers:

- Distributed generation directly contracted with National Grid for transmission access;
- Medium-sized distributed generation as defined by the Grid Code (namely generation of between 100 MW and 50 MW in NGET's area); and
- Small distributed generation as defined in the Grid Code<sup>18</sup>, where the Distribution Network Operator (DNO) believes the connection may have a significant impact on the transmission system, and a request for a Statement of Works is therefore made to National Grid by the DNO.

As is currently the case, any prospective generator wishing to connect to a distribution system should initially contact the DNO to discuss the proposed connection. The DNO will be able to advise whether a particular project is likely to have to be assessed for its impact on transmission.

### Transition Issues

All prospective generators with an Interim Connect and Manage agreed connection will automatically be given an offer to move to the enduring regime. The connection dates already offered to these projects will not be adversely affected and we would expect any fee for the move from interim to enduring arrangements to be waived. We have asked the transmission licensees to work through the necessary arrangements with Ofgem.

Those prospective generators who had received an Interim Connect and Manage offer but not yet accepted will have the option to accept the offer and to move to the enduring regime. Again, the connection dates already offered to these projects will not be adversely affected, and we would expect any fee beyond that for the original application/modification application to be waived.

Those prospective generators with an Invest then Connect offer will be able to apply for accelerated connection under enduring Connect and Manage, as under the interim arrangements.

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<sup>18</sup> The Grid Code defines such generators as less than 50 MW in NGET's area, less than 30 MW in SPT's area and less than 10 MW in SHETL's area.

## Section 10: Next Steps

### Modification of codes and licences

The Secretary of State has now commenced his statutory powers and will shortly be writing to code and licence holders to effect the necessary changes. The new regime will be implemented on 11 August 2010.

### Operation of the new regime

We expect National Grid, in cooperation with the other transmission licensees, to put in place all the necessary procedures over the next six months to enable the effective operation and communication of the new regime.

### Monitoring and evaluation

We believe that these reforms to the grid access regime will best facilitate our overall objectives for energy policy. However, we need to effectively monitor and evaluate the reforms' impacts to ensure they deliver the outcomes we are seeking.

Monitoring activities will be focused on providing the information needed to evaluate impacts and outcomes. The Government has asked Ofgem, with support from National Grid and others where appropriate, to lead the monitoring process. This will involve providing a published report to the Secretary of State on a half-yearly basis on the following:

- impact on connections by generation type and region. This might consider a number of aspects including, for example, average connection times, the extent of earlier connection dates, total projects connected and those seeking connection;
- developers' confidence in the new arrangements to provide connections;
- costs and benefits to consumers of the new arrangements. We would expect this category to include an analysis of the levels of constraints and constraint costs which, given the variability of constraint cost forecasts, should focus on outturn costs. It should also consider the different drivers for constraints and the actions being taken to address them;
- progress and costs of delivering the necessary wider grid investments.

In evaluating these reforms, the Government will use the framework provided by the progress report that the UK must submit every two years to the European Commission towards meeting the renewable energy targets. The first report is due by the end of 2012. The evaluation process will, of course, consider the impacts on all generation types, not just renewable projects.

It would be possible to amend the regime within the process provided for by section 11A of the Electricity Act 1989, if costs directly as a result of the Connect and Manage model were considerably higher than expected for an intolerable period. We do not believe it would be appropriate to determine now an upper limit or timeframe for unacceptable constraint costs,

and we expect that all other appropriate options for reducing those costs should be implemented first before any amendment to the Connect and Manage model was considered.

## Annex 1 – Finalised Additional Standard Licence Conditions and Licence Changes

This annex contains the finalised set of changes to the licences held by National Grid, SHETL and SPT. The Secretary of State is writing to Ofgem to instruct that these changes are made from 11 August 2010.

These are:

- Changes to A1: Definitions and interpretations
- Changes to C1: Interpretation of Section C
- Changes to D1: Interpretation of Section D
- New Standard Licence Condition B19: Connect and Manage implementation
- New Standard Licence Condition C26: Requirements of a Connect and Manage connection
- New Standard Licence Condition D16: Requirements of a Connect and Manage connection
- Changes to B12: System Operator-Transmission Owner code
- Changes to C5: Use of system charging methodology
- Changes to C17: Transmission system security standard and quality of service
- Changes to D3: Transmission system security standard and quality of service

The following table summarises the changes made to our licence modification proposals following our consultation on improving grid access published on 3 March 2010. The proposed Standard Licence Condition B[X] has been finalised as Condition B19; proposed Standard Licence Condition C[X] has been finalised as Condition C26; and proposed Standard Licence Condition D[X] has been finalised as Condition D16.

<b>Licence reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
SLC A1	Amended definition of "TO offer" adding "standard condition D[X] (Requirements of a connect and manage connection)" to (a).	Consequential amendment following addition of new SLC D[X].
SLC C1	Amended definition of "affected STC party" adding "or standard condition C[X] (Requirements of a connect and manage connection)" at end.	Consequential amendment following addition of new SLC C[X].
SLC C1	Amended definition of "associated TO offer" by adding "standard condition C[X] (Requirements of a connect and manage connection)" twice after references to standard condition C8 (Requirement to offer terms).	Consequential amendment following addition of new SLC C[X].

<b>Licence reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
SLC B[X] Paragraph 1	“or distribution system “ added.	Adding distribution system makes it clear that those connections to distribution systems which are dependent upon completion on the national electricity transmission system of enabling works are included as they are under the interim arrangements.
SLC B[X] Paragraph 2	Deleted.	The original paragraph 2 (which required licensees to treat modifications made by the Secretary of State as being fully effective) was considered unnecessary for the nature of the transition proposed for Grid Access.
SLC B[X] New paragraph 2	New wording added at end of paragraph: “The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).”	Ensures this information provision is consistent with information provisions in C[X] and D[X].
All definitions in C[X] moved to either A1 where definition used in Sections B and/or D or C1 (and referenced in A1)where definition only used in Section C		
SLC C [X] Definitions	Added wording to end of definition of “connection date” “connected to or able to use the national electricity transmission system or distribution system in accordance with a connect and manage offer;”	Extends scope of “connection date” to include connection to a distribution system and clarifies that date is effective regardless of whether generation sets are in fact generating.
SLC C[X] Definitions	Added “to the national electricity transmission system or distribution system” to definitions of “connect and manage applicant” and “connect and manage application”.	Adds clarity and consistency.
SLC C[X] Definitions	In definition of “connect and manage implementation date” replaced “indicates in a direction” with “determines”.	More accurate description of process.
SLC C[X] Definitions	In definition of “connect and manage derogation” replaced “shall” between “connection date” and “render” with “would otherwise”.	Adds clarity.
SLC C [X] Definitions	Amended “connect and manage derogation criteria” to “means the criteria defined as such in the CUSC”.	For the purposes of interpretation of the obligations in this SLC the relevant criteria are as set out in the CUSC.
SLC C [X] Definitions	Amended “connect and manage derogation report” to “means the report prepared by the licensee in respect of a connect and manage derogation”.	This refers to the report prepared by NGET when acting as the England & Wales TO.
SLC C [X] Definitions	In definition of “connect and manage transferee” inserted “received or have” between “have and “accepted an interim connect and manage offer”; “or distribution system” after “transmission system” and added “pursuant to that connect and manage offer” at end of definition.	This extends the scope of “connect and manage transferee” to explicitly include those persons who have received but not yet accepted an interim connect and manage offer and those who are to be connected to the distribution system.
SLC C [X] Definitions	Added definition of “relevant connect and manage derogation report” “means either the connect and manage derogation report produced by the licensee or the connect and manage derogation report produced by a Scottish licensee”.	Definition is necessary for interpretation of obligations in paragraphs 2 and 3 on NGET to determine whether a derogation is appropriate and to publish each derogation report.

<b>Licence reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
SLC C [X] Definitions	Added definition of “transmission reinforcement works” as follows: “means those works defined in the construction agreement which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard conditions C17 (Transmission system security standard and quality of service if no connect and manage derogation were in place;”	This is based on the definition in the CUSC and is necessary for the interpretation of the definitions of “enabling works” and “wider works”.
SLC C[X]	Minor changes to correct typos and maintain consistency.	
SLC C[X] Paragraph 1	Deleted “in the specific context of a connect and manage connection”.	Wording was unnecessary and possibly unhelpful. Obligation clearly relates to receipt of a connect and manage application.
SLC C[X] Paragraph 2	In (a) replaced “other transmission licensee” with “a Scottish licensee” (b) redrafted to say: “determine by reference to the connect and manage derogation criteria and the relevant connect and manage derogation report whether: (i) a connect and manage derogation is appropriate; or (ii) a dispute should be raised under the STC in respect of the connect and manage derogation report;”	Provides clarity.  Better reflects the policy intention.
SLC C[X] New paragraph 3	Inserted new text as paragraph 3 as follows: “The licensee shall publish the relevant connect and manage derogation report within 2 months of the date on which the connect and manage applicant accepts the connect and manage offer and shall provide a copy of each such report to the Authority.” Subsequent paragraphs renumbered.	Reflects the policy intention that the derogation process is transparent to Users of the Transmission System. The provision of a copy of the report to the Authority is for information only.
SLC C [X] Paragraph 6	Deleted “unless otherwise agreed with the connect and manage applicant”.	This change is to reflect consultation respondents’ view that it is not appropriate for a generator to agree a delay to the completion of wider works.
SLC C[X] Paragraph 6	Deleted “equally” before “shared” and inserted “an equal” before “per MWh basis”. Changed “to whom the relevant use of system charge applies” to “liable for use of system charges”.	Both amendments more accurately reflect the policy intent.
SLC C[X] Paragraph 7	Deleted “offer of connection made to”; “the connection arrangements of”, and “pursuant to terms offered”.	Extends the category of eligible persons at the implementation date from those already connected to include those who have been offered terms and clarifies that the obligation to ensure that certain categories of persons are not disadvantaged is an obligation to the persons and not the offer.
SLC C[X] Paragraph 8	“connection agreement” changed to “construction agreement” and “or offer” added throughout.	Term ‘construction agreement’ is a defined term in Section C and is consistent with terms used in CUSC. The addition of “or offer” explicitly extends the scope of those eligible to seek a C&M offer to include those who have an ICM offer.

Licence reference	Summary of change	Reason for change
SLC C[X] Paragraph 9	New text inserted as paragraph 9 “The licensee shall furnish to the Authority in such manner and at such times as the Authority may reasonably require such information and shall procure and furnish to it such reports as the Authority may reasonably require or as may be necessary for the purpose of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).”	New paragraph requiring licensee to provide information to the Authority to reflect the policy intent that the Authority monitors the effectiveness of the implementation of this new policy.
All definitions in D[X] moved to either A1 where definition used in Sections C and/or D or D1 (and referenced in A1) where definition only used in Section D		
SLC D[X] Definitions	In definition of “connect and manage derogation” replaced “shall” between “connection date” and “render” with “would otherwise”.	Adds clarity.
SLC D[X] Definitions	Amended “connect and manage derogation criteria” to “means the criteria defined as such in the STC”.	For the purposes of the obligations in this SLC the relevant criteria are as set out in the STC.
SLC D[X] Definitions	Amended “connect and manage derogation report” to “means the report submitted by the licensee to the system operator in respect of a connect and manage derogation”.	This refers to the report prepared by a Scottish TO and submitted to NGET as part of the TO offer.
SLC D[X] Definitions	In definition of “connect and manage implementation date” replaced “indicates in a direction” with “determines”.	More accurate description of process.
SLC D[X] Definitions	In definition of “connect and manage transferee” inserted “received or have” between “have and “accepted an interim connect and manage offer”; “or distribution system” after “transmission system” and added “in respect of that connect and manage offer” at end of definition.	This extends the scope of “connect and manage transferee” to include those persons who have received but not yet accepted an interim connect and manage offer and those who are to be connected to the distribution system.
SLC D[X] Definitions	Added at the end of the definition of “enabling works” the wording “and identified in the connect and manage offer”.	Clarifies where the scope of the enabling works will be found.
SLC D[X] Definitions	Added definition of “transmission reinforcement works” as follows: “means those works defined in the TO offer which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard conditions D3 (Transmission system security standard and quality of service if no connect and manage derogation were in place;”	This is based on the definition in the CUSC suitably amended and necessary for the interpretation of the definitions of “enabling works” and “wider works”.
SLC D[X] Definitions	Added at the end of the definition of “wider works” the wording “and identified in the connect and manage offer”.	Clarifies where the scope of the wider works will be found.
SLC D[X] Definitions	Minor changes made throughout to maintain consistency with style used in rest of Licence or deal with typos.	
SLC D[X] Paragraph 1	Deleted “in the specific context of a connect and manage connection”.	Wording is unnecessary and possibly unhelpful. Obligation clearly relates to receipt of a connect and manage application.



<b>Licence reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
SLC D[X] Paragraph 2(b)	Replaced "together with" with "as part of".	Making the derogation report part of the TO offer makes the process and timetable clearer and means that disputes can use the established STC procedures.
SLC D[X] Paragraph 4	Delete "(unless otherwise agreed with the system operator)".	Wording unnecessary.
SLC D[X] Paragraph 5	Deleted "to vary their connection agreements" and added "within the specified timescale".	Clarifies the fact that the TO is only obliged to provide support to the system operator in its obligations under para 8 of C[X] with regard to amending terms for connect and manage transferees.
SLC D[X] Paragraph 6	Deleted "offer of connection made to"; "the connection arrangements of", and "pursuant to terms offered".	Extends the category of eligible persons at the implementation date from those already connected to include those who have been offered terms and clarifies that the obligation to ensure that certain categories of persons are not disadvantaged is an obligation to the persons and not the offer.
SLC D [X] Paragraph 7	New text inserted as paragraph 9 as follows: "The licensee shall furnish to the Authority in such manner and at such times as the Authority may reasonably require such information and shall procure and furnish to it such reports as the Authority may reasonably require or as may be necessary for the purpose of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority)."	New paragraph requiring licensee to provide information to the Authority to reflect the policy intent that the Authority monitors the effectiveness of the implementation of this new policy.
SLC B12 Paragraph 3(f)	Added "or distribution system" to end of paragraph.	Required to add those connecting to the distribution system which have an effect on the transmission system ie relevant embedded generators.
SLC C5 Paragraph 5(b)	Deleted "and where appropriate not such as to be incompatible with standard condition C[X] (Requirements of a connect and manage connection)" and inserted at the end of the sub-paragraph "and which are compatible with standard condition C[x] (Requirements of a connect and manage connection)".	Drafting more consistent with style of licence conditions generally. "Where appropriate" is unnecessary and possibly unhelpful.
SLC C17 Paragraph 1	Inserted "any connect and manage derogation made pursuant to" between "Subject to" and "paragraphs".	Aids interpretation of when the obligation to comply with paragraph 1 may be temporarily removed for the purposes of a connect and manage connection differentiating this form of derogation from that made by the Authority under paragraph 7.
SLC C17 Paragraph 2	Inserted between "whether" and "connect and manage derogation" the wording "and to what extent a".	Better reflects policy intent.

Licence reference	Summary of change	Reason for change
SLC C17 Paragraph 3	<p>Replaced “in respect of” with “as part of”.</p> <p>Deleted “within 90 days of receiving the connect and manage derogation report” and replaced with “as soon as reasonably practicable following receipt of the associated TO offer”.</p> <p>Replaced further reference to “connect and manage derogation report” with “associated TO offer”.</p> <p>Deleted “expiry of this 90 day period” and replaced with “acceptance of the TO offer”.</p> <p>Replaced “or” with “and” between sub-paragraphs (a) and (b) and inserted “if it does not satisfy such criteria” at the beginning of (b). The wording at end of (b) in ( ) is now a separate sentence.</p>	<p>Making the derogation report part of the TO offer makes the process and timetable clearer and means that disputes can use the established STC procedures.</p> <p>Aids clarity.</p>
SLC C17 Paragraph 4	<p>Inserted after “paragraph 1 of this condition” “to the extent of that connect and manage derogation”.</p>	<p>Better reflects the policy intent that the derogation from the requirements of the SQSS relates only to that which is set out in the relevant derogation report.</p>
SLC C17	<p>Minor changes made throughout to maintain consistency with style used in rest of Licence or deal with typos.</p>	
SLC D3 Paragraph 1	<p>Inserted “any connect and manage derogation made pursuant to” between “Subject to” and “paragraphs”.</p>	<p>Aids interpretation of when the obligation to comply with paragraph 1 may be temporarily removed for the purposes of a connect and manage connection differentiating this form of derogation from that made by the Authority under paragraph 7.</p>
SLC D3 Paragraph 2(b)	<p>Inserted after “derogation criteria” “and to what extent a” and deleted “and appropriate” at the end of the sub-paragraph.</p>	<p>Better reflects the policy intent that the TO identifies whether a derogation is required and the SO considers its appropriateness.</p>
SLC D3 Paragraph 2(c)	<p>Amended paragraph to: “where the licensee has identified the need for a connect and manage derogation, submit a connect and manage derogation report to the system operator as part of the TO offer in accordance with the timetable under the STC.”</p>	<p>Making the derogation report part of the TO offer makes the process and timetable clearer and means that disputes can use the established STC procedures.</p>
SLC D3 Paragraph 3	<p>Deleted “not responded to reject it within 90 days of submission of the connect and manage derogation report” and replaced with “accepted the TO offer”.</p> <p>Inserted after “paragraph 1 of this condition” the wording “to the extent of that connect and manage derogation”.</p>	<p>Making the derogation report part of the TO offer makes the process and timetable clearer and means that disputes can use the established STC procedures.</p> <p>Better reflects the policy intent that the derogation from the requirements of the SQSS related only to that which is set out in the relevant derogation report.</p>
SLC D3	<p>Minor changes made throughout to maintain consistency with style used in rest of Licence or deal with typos.</p>	

**INSERT THE NEW DEFINITIONS IN ALPHABETICAL ORDER:****Condition A1: Definitions and interpretation**

“connect and manage applicant”	means a person seeking a connect and manage connection to the national electricity transmission system or distribution system by submitting a connect and manage application to the licensee;
“connect and manage application”	means an application from a connect and manage applicant for connection to the national electricity transmission system or distribution system or for modification to an existing connection to the national electricity transmission system or distribution system after the connect and manage implementation date;
“connect and manage connection”	means the connection or modification of an existing connection to the national electricity transmission system or distribution system of a connect and manage applicant, that is dependent upon completion of enabling works but not on completion of wider works on the national electricity transmission system;
“connect and manage derogation”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage derogation criteria”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage derogation report”	for the purposes of Sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage implementation date”	means the date which the Secretary of State determines shall be the connect and manage implementation date;
“connect and manage offer”	for the purposes of sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“connect and manage transferee”	means persons who have received or have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system or distribution system as at the connect and manage implementation date pursuant to that interim

	connect and manage offer;
“connect and manage transition period”	means the period ending 6 months after the connect and manage implementation date;
“connection date”	means the date on which a connect and manage applicant is connected to or able to use the national electricity transmission system or distribution system in accordance with a connect and manage offer;
“enabling works”	for the purposes of standard condition B19 and Section C has the meaning given in standard condition C1 (Interpretation of Section C) and for the purposes of Section D has the meaning given in standard condition D1 (Interpretation of Section D)
“interim connect and manage offer”	for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
“relevant connect and manage derogation report”	for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
“transmission constraint costs”	for the purpose of Section C only has the meaning given in standard condition C1 (Interpretation of Section C)
“transmission reinforcement works”	for the purposes of sections C and D has the meanings given in each of standard conditions C1 (Interpretation of Section C) and D1 (Interpretation of Section D)
“wider works”	for the purposes of standard condition B19 and Section C has the meaning given in standard condition C1 (Interpretation of Section C) and for the purposes of Section D has the meaning given in standard condition D1 (Interpretation of Section D)

**AMEND THE FOLLOWING DEFINITION AS CHANGE MARKED BELOW:**

“TO offer”	<p>means an offer made by a STC party to enter into an agreement with the system operator;</p> <p>(a) pursuant to standard condition D4A (Obligations in relation to offers for connection etc), <a href="#">standard condition D16 (Requirements of a connect and manage connection)</a> or standard condition D15</p>
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	<p>(Obligations relating to the preparation of TO offers during the transition period); or</p> <p>(b) pursuant to standard condition E17(Obligations in relation to offers for connection etc); or</p> <p>(c) pursuant to the STC.”</p>
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**INSERT THE FOLLOWING NEW DEFINITIONS IN ALPHABETICAL ORDER:****Condition C1: Interpretation of Section C**

“connect and manage derogation”	means a temporary derogation, by reference to the connect and manage derogation criteria, from paragraph 1 of standard condition C17 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 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) which is necessary to make a connect and manage offer where failure to complete wider works before the connection date would otherwise render the national electricity transmission system non-compliant with such planning and operation standards (the connect and manage derogation to be applicable only until completion of the wider works in relation to which the derogation relates);
“connect and manage derogation criteria”	means the criteria defined as such in the CUSC;
“connect and manage derogation report”	means the report prepared by the licensee in respect of a connect and manage derogation;
“connect and manage offer”	means an offer from the licensee to a connect and manage applicant for a connect and manage connection pursuant to this condition;
“enabling works”	means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system or distribution system, where such works are defined in the manner provided for in the CUSC and identified in the construction agreement;
“interim connect and manage offer”	means an offer for connection from the licensee pursuant to the interim connect and manage framework in place between May 2009 and the connect and manage implementation date;
“relevant connect and manage derogation report”	means either the connect and manage derogation report produced by the licensee or the connect and manage derogation report produced by a Scottish

	licensee
“transmission constraint costs”	means those costs resulting from the licensee’s management of transmission constraints, as that term is defined in standard condition C16 (Procurement and use of balancing services);
“transmission reinforcement works”	means those works defined in the construction agreement which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard condition C17 (Transmission System security standard and quality of service) if no connect and manage derogation were in place;
“wider works”	means those transmission reinforcement works which are not required to be completed prior to the connection date 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;

**AMEND THE FOLLOWING DEFINITIONS AS CHANGE MARKED BELOW:**

“affected STC party”	means a STC party where that STC party’s transmission system will or may be affected by the implementation of the matters contained in a TO offer or an offer made or to be made by the system operator pursuant to standard condition C8 (Requirement to offer terms) <u>or standard condition C26 (Requirements of a connect and manage connection)</u> .
“associated TO offer”	means a TO offer which relates either (1) to an offer made by the system operator pursuant to standard condition C8 (Requirement to offer terms), <u>standard condition C26 (Requirements of a connect and manage connection)</u> or standard condition C18 (Requirement to offer terms for connection or use of the national electricity transmission system during the transition period) (as appropriate) or (2) to another TO offer which relates to an offer made by the system operator pursuant to standard condition C8 (Requirement to offer terms), <u>standard condition C26 (Requirements of a connect and manage connection)</u> or standard condition C18 (Requirement to offer terms for connection or use of the national electricity transmission system during the

	transition period) (as appropriate).
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**INSERT THE FOLLOWING NEW DEFINITIONS:****Condition D1: Interpretation of Section D. ~~Not used.~~**

1. In the standard conditions in this Section unless the context so requires:

“connect and manage derogation”	means a temporary derogation, by reference to the connect and manage derogation criteria, from paragraph 1 of standard condition D3 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 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) which is necessary to enable the system operator to make a connect and manage offer where failure to complete wider works before the connection date would otherwise render the national electricity transmission system non-compliant with such planning and operation standards (the connect and manage derogation to be applicable only until completion of the wider works in relation to which the derogation relates);
“connect and manage derogation criteria”	means the criteria defined as such in the STC;
“connect and manage derogation report”	means the report submitted by the licensee to the system operator in respect of a connect and manage derogation;
“connect and manage offer”	means an offer from the system operator to a connect and manage applicant for a connect and manage connection;
“enabling works”	means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system or distribution system, where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;
“transmission reinforcement works”	means those works defined in the TO offer which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard condition D3 (Transmission System security standard and quality of service) if no connect and manage derogation were in place;

<p>“wider works”</p>	<p>means the transmission reinforcement works which are not required to be completed prior to the connection date 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 D3 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;</p>

**Condition B19: Connect and manage implementation**

1. The licensee shall take such steps and do such things as are within its power and as are necessary or appropriate in order to give full and timely effect to all modifications made by the Secretary of State pursuant to sections 84 to 86 of the Energy Act 2008 to:
  - (a) this licence;
  - (b) the CUSC;
  - (c) the STC,

which shall be for the purpose of facilitating connect and manage connections to the national electricity transmission system or distribution system, which are dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works.
2. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).
3. This condition shall cease to have affect at the end of the connect and manage transition period.

## Condition C26: Requirements of a connect and manage connection

1. On receipt of a connect and manage application on or after the connect and manage implementation date from a connect and manage applicant the licensee shall comply with standard condition C8 (Requirement to offer terms) and in so doing shall also comply with the requirements of this condition.
2. In making a connect and manage offer to a connect and manage applicant on or after the connect and manage implementation date, the licensee shall:
  - (a) provide that the connection date shall be on completion of the enabling works identified by it or a Scottish licensee in accordance with any associated TO offer;
  - (b) determine by reference to the connect and manage derogation criteria and the relevant connect and manage derogation report whether:
    - (i) a connect and manage derogation is appropriate; or
    - (ii) a dispute should be raised under the STC in respect of the connect and manage derogation report;
  - (c) ensure that any use of system charges to be imposed on a connect and manage applicant pursuant to standard condition C5 (Use of system charging methodology) shall not be payable until the connection date and shall be levied, as applicable, in accordance with paragraph 6 below;
3. The licensee shall publish the relevant connect and manage derogation report within 2 months of the date on which the connect and manage applicant accepts the connect and manage offer and shall provide a copy of each such report to the Authority.
4. The licensee shall use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for a connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date.
5. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable. On completion of the wider works, any applicable connect and manage derogation shall cease to have effect.
6. The licensee shall use all reasonable endeavours to ensure that in its application of the use of system charging methodology in accordance with standard condition C5 (Use of system charging

methodology), use of system charges resulting from transmission constraints costs are treated by the licensee such that the effect of their recovery is shared on an equal per MWh basis by all parties liable for use of system charges.

7. The licensee shall use all reasonable endeavours to ensure that:
  - (a) persons seeking connection other than through a connect and manage application; or
  - (b) persons already connected 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.
8. The licensee shall automatically make an offer to vary the construction agreement or the offer of connect and manage transferees from their existing terms so that the relevant construction agreement or offer is consistent with the terms of a connect and manage offer, as soon as reasonably practicable from the connect and manage implementation date and in any event by the end of the connect and manage transition period. The terms of such offers to vary the construction agreement or offer shall be no less advantageous to the connect and manage transferee than those contained in the existing offer the licensee has made or agreement the licensee has entered into with the connect and manage transferee.
9. The licensee shall furnish to the Authority in such manner and at such times as the Authority may reasonably require such information and shall procure and furnish to it such reports as the Authority may reasonably require or as may be necessary for the purpose of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).

### **Condition D16: Requirements of a connect and manage connection**

1. On notification by the system operator of receipt by it on or after the connect and manage implementation date of a connect and manage application in accordance with paragraph 1 of standard condition C26 (Requirements of a connect and manage connection), the licensee shall comply with standard condition D4A (Obligations in relation to offers for connection etc) and in so doing shall also comply with the requirements of this condition.
2. When offering to enter into an agreement with the system operator (in accordance with paragraph 1 of standard condition D4A (Obligations in relation to offers for connection etc)) in respect of a connect and manage application on or after the connect and manage implementation date, the licensee shall:
  - (a) determine by reference to the connect and manage derogation criteria whether a connect and manage derogation is required for the connect and manage connection; and
  - (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), as part of the TO offer.
3. The licensee shall use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date, as notified to the licensee by the system operator.
4. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable. On completion of the wider works, any applicable connect and manage derogation shall cease to have effect;
5. The licensee shall cooperate and coordinate with the system operator and other STC parties as necessary in order to facilitate the system operator's obligation to make offers to connect and manage transferees within the specified timescale so that their terms are consistent with a connect and manage offer.
6. The licensee shall use all reasonable endeavours to ensure that:

- (a) persons seeking connection other than through a connect and manage application; or
- (b) persons already connected or offered terms for connection prior to the connect and manage implementation date,

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

7. The licensee shall cooperate and coordinate with the system operator and other STC parties as necessary in order to facilitate the system operator's obligation to furnish to the Authority such information and reports as the Authority may reasonably require or as may be necessary for the purposes of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).

## Condition B12: System Operator – Transmission Owner Code

1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:
  - (a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;
  - (b) is designed to facilitate achievement of the objectives set out in paragraph 3;
  - (c) includes the amendment procedures required by paragraph 6; and
  - (d) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC.

The licensee shall be taken to comply with this paragraph by:

- (i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and
  - (ii) amending such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6 and 7 below.
2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:
  - (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under any relevant licences codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and
  - (b) provide for matters which include:
    - the provision of transmission services,
    - the operation, including the configuration, of the national electricity transmission system,



- the co-ordination of the planning of STC parties' transmission systems,
- the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
- planning for, and co-ordination of, transmission outages,
- procedures for developing, agreeing and implementing party entry processes,
- the resolution of disputes,
- the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
- procedures to enable the system operator to produce information about the national electricity transmission system in accordance with standard condition C11 (Production of information about the national electricity transmission system), and
- procedures established in pursuance of paragraph 6.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(b) are the:
- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
  - (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
  - (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
  - (d) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees; ~~and~~
  - (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC-; ~~and~~

(f) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system.

4. The STC shall provide for:
  - (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC; and
  - (b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.
5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.
6. The STC shall include procedures for its own amendment (including procedures for the amendment of the amendment procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:
  - (a) for proposals for amendment of the STC to be made by any of the STC parties or such other persons or bodies as the STC may provide;
  - (b) where such a proposal is made:
    - (i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;
    - (ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;
    - (iii) for the preparation by the STC Committee of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the STC Committee's proper assessment (which that STC Committee shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;
    - (iv) for properly evaluating whether the proposed amendment would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the STC Committee requires information which is not generally available concerning

another any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the STC Committee's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed amendment on the matters referred to in paragraph 3;

- (v) for development of any alternative amendment which may, as compared with the proposed amendment, better facilitate achieving the applicable STC objectives;
- (vi) for the preparation of a report on behalf of the STC parties which includes the following:
  - the proposed amendment and any alternative;
  - an evaluation of the proposed amendment and any alternative;
  - an assessment of the extent to which the proposed amendment or any alternative would better facilitate achieving the applicable STC objectives;
  - to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed amendment;
  - an assessment of the impact of the amendment on the core industry documents and the changes expected to be required to such documents as a consequence of the amendment;
  - to the extent practicable, the inclusion in the report of a recommendation or recommendations being the combined views of the STC parties concerning the amendment and any alternative and, where a combined view is not practicable, setting out the views of each STC party;
  - a timetable for implementation of the amendment and any alternative, including the date with effect from which such amendment (if made) is to take effect; and
- (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the amendment) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);

- (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any amendment to be such as will enable the amendment to take effect as soon as practicable after the Authority has directed such amendment to be made, account being taken of the complexity, importance and urgency of the amendment, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted; and
- (d) for separate processes for the amendment of STC procedures and the schedule listing the STC procedures in force from time to time and which otherwise forms a part of the STC to those for the amendment of other parts of the STC set out in sub-paragraphs (a) to (c) above and paragraph 7.

7.

- (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vii), and the Authority is of the opinion that an amendment set out in such report would, as compared with the then existing provisions of the STC and any alternative amendments set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that amendment on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.
- (b) The system operator, on behalf of the STC parties, shall only amend the STC:
  - (i) in order to comply with any direction of the Authority pursuant to sub-paragraph (a); or
  - (ii) in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or
  - (iii) with the consent of the Authority,

and it shall not have the power to amend the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any amendment made.

- (c) Only the system operator shall have the power to amend the STC.
- (d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.

- (e) The system operator shall ensure that the other STC parties are furnished with a copy of any amendment so made.
8. The system operator shall prepare and publish a summary of the STC as amended or changed from time to time in such form and manner as the Authority may from time to time direct.
9. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
10. The STC Framework Agreement shall contain provisions:
- (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and
  - (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.
11. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any amendment which has been made to the STC.
12. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for amendment set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).
13. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
15. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the

licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.

16. In this condition:

"applicable STC objectives" means:

- (a) in relation to a proposed amendment of the amendment procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 3); and
- (b) in relation to any other proposed amendment, the objectives set out in paragraph 3.

"party entry processes" means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

"STC Committee" means the committee established by STC parties in accordance with the provisions of the STC.

"STC procedures" means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition modification provisions" means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

**Condition C5: Use of system charging methodology**

1. The licensee shall, for the purpose of ensuring that the use of system charging methodology achieves the relevant objectives, keep the use of system charging methodology at all times under review.
2. The licensee shall, subject to paragraph 3, make such modifications of the use of system charging methodology as may be requisite for the purpose of better achieving the relevant objectives.
3. Except with the consent of the Authority, before making a modification to the use of system charging methodology, the licensee shall:
  - (a) consult the CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
  - (b) send a copy of the terms of the proposed modification to any person who asks for them;
  - (c) furnish the Authority with a report setting out:
    - (i) the terms originally proposed for the modification;
    - (ii) the representations (if any) made to the licensee;
    - (iii) any change in the terms of the modification intended in consequence of such representations;
    - (iv) how the intended modification better achieves the relevant objectives; and
    - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 4 expires; and
  - (d) where the Authority has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.
4. The licensee will not make any modification to the use of system charging methodology if, within 28 days of the report being furnished to it under paragraph 3 (for the avoidance of doubt, including any report furnished from 10 June 2009), the Authority has either:
  - (a) directed the licensee that the modification shall not be made; or

- (b) notified the licensee that it intends to undertake an impact assessment and then, within three months of giving that notification, has directed the licensee not to make the modification.
5. In paragraphs 1, 2 and 3 "the relevant objectives" shall mean the following objectives:
- (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
  - (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard condition C26 (Requirements of a connect and manage connection); and
  - (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses.
6. The licensee shall send a copy of any report furnished under paragraph 3 to any person who asks for any such report.
7. The licensee may make a charge for any report sent pursuant to paragraph 6 of an amount reflecting the licensee's reasonable costs of providing such report which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.
8. Nothing in this condition shall impact on the application of special conditions AA5A to AA5E (Revenue restriction provisions).



**Condition C17: Transmission system security standard and quality of service**

1. Subject to any connect and manage derogation made pursuant to paragraphs 2, 3 and 4 of this condition, t The licensee shall at all times:
  - (a) plan, develop and operate the licensee's transmission system; and
  - (b) co-ordinate and direct the flow of electricity onto and over the national electricity transmission system,

in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2, together with the STC, the Grid Code 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 (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby).
2. Before making a connect and manage offer in accordance with standard condition C26 (Requirement of a connect and manage connection), the licensee shall determine whether, if it were to make that connect and manage offer, it would comply with paragraph 1 of this condition at the connection date. If the licensee determines that making that connect and manage offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required and appropriate and produce a connect and manage derogation report thereon.
3. Where a connect and manage derogation report is submitted to the licensee by another transmission licensee as part of an associated TO offer, the licensee shall:
  - (a) determine whether the connect and manage derogation detailed in the connect and manage derogation report satisfies the connect and manage derogation criteria; and
  - (b) if it does not satisfy such criteria advise the relevant transmission licensee as soon as reasonably practicable following receipt of the associated TO offer that it proposes to raise a dispute under the STC in respect of the connect and manage derogation. The licensee shall be deemed to have approved the connect and manage derogation on acceptance of the TO offer.
4. 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 to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.
- ~~2-5.~~ The licensee shall at all times have in force a statement approved by the Authority following consultation with any relevant authorised electricity operator setting out criteria by which system availability, security and service quality of the national electricity transmission system may be measured and where such measurement is dependent on information provided to the licensee by a transmission owner, the statement shall specify the information to be so provided.
- ~~3-6.~~ The licensee shall within 4 months after the end of each financial year submit to the Authority a report providing details of system availability, security and service quality of the national electricity transmission system during the previous financial year against the criteria referred to in paragraph ~~2-5~~ of this condition and shall publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.

- | 4.7. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system or the national electricity transmission system and to such extent as may be specified in the directions.
- | 5.8. The licensee shall give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
- | 6.9. The licensee shall (subject to paragraph [107](#)) give or send a copy of the documents (as from time to time revised) referred to in paragraph [5-8](#) to any person requesting the same.
- | 7.10. The licensee may make a charge for any copy given or sent pursuant to paragraph [6-9](#) of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

**Condition D3: Transmission system security standard and quality of service**

1. Subject to any connect and manage derogation made pursuant to paragraphs 2 and 3 of this condition, The licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2, together with the STC 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 (following consultation (where appropriate) with any authorized electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system.
2. Before making a TO offer to the system operator in accordance with standard condition D16 (Requirements of a connect and manage connection), the licensee shall
  - (a) determine whether, if it were to make that TO offer, it would comply with paragraph 1 of this condition at the connection date;
  - (b) if the licensee determines that making that TO offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required;
  - (c) where the licensee has identified the need for a connect and manage derogation, submit a connect and manage derogation report to the system operator as part of the TO offer in accordance with the timetable under the STC.
3. Where the licensee determines that a connect and manage derogation is required to enable it to make a TO offer in respect of a connect and manage application and the system operator has accepted the TO offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.
- ~~2.4.~~ The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph ~~3-6~~ of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.
- ~~3.5.~~ (*Omitted*)
- ~~4.6.~~ The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
- ~~5.7.~~ The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
- ~~6.8.~~ The licensee shall (subject to paragraph ~~97~~) give or send a copy of the documents (as from time to time revised) referred to in paragraph ~~5-7~~ to any person requesting the same.

- | ~~7.9.~~\_\_\_\_\_ The licensee may make a charge for any copy given or sent pursuant to paragraph ~~6-8~~ of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

## Annex 2 – Finalised Code Changes

This annex contains the finalised set of changes to the Connection and Use of System Code (CUSC) and the System Operator – Transmission Owner Code (STC). Changes are marked either in track changes or in red. The Secretary of State is writing to the code owners to instruct that these changes are made from 11 August 2010.

These changes are to the following Sections, Exhibits and Schedules:

- CUSC Section 1
- CUSC Section 5
- CUSC Section 6
- CUSC Section 11
- CUSC Section 13
- Exhibits to the CUSC (B, C, D, E, I, J, Q, R and V)
- Schedule 2 Exhibit 1 (Bilateral Connection Agreement) and Exhibit 2 (Bilateral Embedded Generator Agreement)
- Schedule 2 Exhibit 5 (BELLA)
- Schedule 2 Exhibit 3 (Construction Agreement) [*Published as a separate document, available from the DECC website*]
- Schedule 2 Exhibit 3A (Offshore Construction Agreement)
- STC Section J (Definitions)
- STC Schedule 5
- STC Schedule 6
- STC Schedule 7
- STC Schedule 8
- STC Schedule 9
- STC Schedule 13

The following table summarises the changes made to our code modification proposals following our consultation on improving grid access published on 3 March 2010.

<b>Code reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
CUSC Section 1.4.1	Deletion of text stating that an Applicant could request that an Offer could be made other than in accordance with the Connect and Manage arrangements. We have also clarified that the new section 1.4 shall be inserted in what we consider to be the most natural place in Section 1 and that subsequent paragraphs will be consequently re numbered.	Better reflects the policy intent that all offers will be made under the Connect and Manage arrangements, but that Applicants can request that NGET produce an Invest then Connect type arrangement through, for example, requesting that the Enabling Works exceed those envisaged in CUSC Section 13.
CUSC Section 1.4.2	Expansion of documents which could be amended to deal with the transition from the interim to the enduring Connect and Manage regime. This could be an offer, a construction agreement or a bilateral agreement depending on the circumstances.	Consultation responses indicated that, although the construction agreement would be the main source of change to move from Interim to enduring Connect and Manage, other documents may require modification. Intention is that any documents requiring modification in order to give effect to the policy should be included.
CUSC Section 5.3.4	Addition of BEGA Users to the liability to pay the TEC Reduction Charge.	Reflects the policy intent that Users with TEC should be covered by the increased user commitment in Sections 5 and 6.
CUSC Sections 5.3.4, 5.4.7 5.5.5 and 5.7.2	Reference has been made to a defined TEC Reduction Charge rather than define it in the body of the code	Consistency with changes made to Section 6 below.
CUSC Section 5.7.2	Reference to noticed being given after 30 March has been amended to refer to notices taking effect by 1 April.	Consistency with Section 6 drafting
CUSC Section 6.30	The minimum notice period has been returned to 5 Business Days but changes have been made to introduce a liability to pay the TEC Reduction Charge (see Section 11 below) if notice of 1 year and 5 days is not given. The payment terms are consistent with the liability to pay termination amounts under Section 5.	Changes to Section 6 make it consistent with Section 5 and clarify that it is the policy intention that failure to give longer notice results in a liability to pay the TEC Reduction Charge and that failure to give the minimum notice will constitute a breach of the CUSC.
CUSC Section 11	Amended definition of “Connect and Manage arrangements”	Consistency with definition in the STC and to avoid confusion with the definition of the offer itself in the licence.
CUSC Section 11	Amended definition of “Connect and Manage Implementation Date”	Consistency with licence drafting and the process to be followed by the Secretary of State.
CUSC Section 11	New definition of “Connect and Manage Transition Period”	This term was already used in section 1.4.2 and was defined in the licence. Definition clarifies existing drafting of 1.4.2.
CUSC Section 11	New definitions of “Full TEC Reduction Notice Period”, “Minimum TEC Reduction Notice Period” and “TEC Reduction Charge”	Consequential additions reflecting amended drafting for user commitment in Sections 5 and 6 above. The definition of TEC Reduction Charge relates to the second year of the user commitment given that there is a pre-existing liability for the first year.
CUSC Section 11, Construction Agreement and STC Section J	References to “self-derogation” changed to “derogation” in definitions of “Connect and Manage Derogation”, “Connect and Manage Derogation Report”	Consistency with licence drafting.

<b>Code reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
CUSC Section 11	Reference to Modification Offer added to definition of "Enabling Works"	Consistency with drafting of 1.4.1.
CUSC Sections 11, 13.2.2 and 13.2.5	Reference to Maximum Enabling Works changed to "MITS Connection Works" and relevance of MITS Connection Works as an indication of the anticipated maximum enabling works inserted.	Better reflects that there are various circumstances in which the previously defined "Maximum Enabling Works" could be exceeded.
CUSC Section 11	New definitions of Offshore and Onshore Construction Works inserted.	Inclusion of definitions helps to ensure clarity as to the works covered by the Connect and Manage arrangements for offshore projects.
CUSC Section 13.1, 13.2.3 and 13.2.4	Additional text to clarify that Section 13 is also relevant for consideration of the derogation and how the criteria should be used in this assessment.	Clarifies the interaction between the derogation and definition of enabling works.
CUSC Section 13.2.1	Reference in paragraph (b) changed from "Offshore" to "Onshore". Additional text to clarify the scope of the Connect and Manage arrangements in the context of offshore projects	Corrects error in previous drafting and clarification of the scope of Connect and Manage arrangements as regards offshore projects.
CUSC Construction Agreement	In the definition of "Charging Date" repetitive text has been replaced with "and/or"	Corrects error in previous draft.
CUSC Construction Agreement	In the definition of "Capacity Reduction Charge" we have included a reference to the Final Sums which would otherwise have been payable.	Clarifies the interaction between Final Sums liability and connection on completion of Enabling Works.
CUSC Construction Agreement	Definition of Seven Year Statement Works reinserted and reinstated in the body of the agreement.	Clarifies that the category of works in which the SYS works are placed will not change from the Invest then Connect position.
CUSC Construction Agreement 2.17.1	Deletion	No longer required since the derogation report will now form part of the TO offer process in the STC.
CUSC Construction Agreement 2.17.3 (now 2.17.2)	Exclusion of Part 2.2 Wider Transmission Reinforcement Works from Final Sums liability.	Better reflects the policy intent not to change security arrangements.
CUSC Offshore Construction Agreement	Various changes proposed to make it consistent with the onshore construction agreements as regards Onshore Transmission Reinforcement Works.	Consistency with onshore agreement and clarification of the scope of Connect and Manage arrangements for offshore projects to ensure that connection will still be possible on completion of Enabling Works onshore. The changes have been implemented slightly differently in this agreement than in the onshore agreement. Wider Transmission Reinforcement Works have been expressly excluded where appropriate rather than expressly included in order to ensure that only onshore provisions have been amended where appropriate.
STC Section J	New definition of "Connect and Manage Derogation Criteria" added and reference to that defined term added to the definition of "Connect and Manage Derogation" and "Enabling Works"	Clarification for TOs. As TOs are not parties to the CUSC it was important for there to be clarity in the STC on the criteria to be applied when compiling derogation reports.

<b>Code reference</b>	<b>Summary of change</b>	<b>Reason for change</b>
STC Section J	Reference to Schedule 13 changed to Section 13 in definition of Enabling Works	Corrects previous drafting error
STC Section J	New definitions of “Connect and Manage Power Station”, “NETS SQSS” and “Nuclear Site Licence Provisions Agreement” added.	Consequential changes from the addition of the Connect and Manage Derogation Criteria into the STC.
STC Section J	Minor text changes to the definition of “Transmission Derogation”.	Consistency with CUSC definition.
STC Schedule 8	Cross reference amended in 1.3.2	Corrects previous drafting error.
STC Schedule 8	Merged paragraphs 1.3.3 and 1.3.4	Clarifies how the Connect and Manage Derogation fits within the TO Offer under the STC.
STC Schedule 8	Additional text in paragraphs 1.3.4 and 1.3.5 regarding the assessment to be carried out by TOs both as regards the Enabling Works and the Connect and Manage Derogation.	Clarifies how the Connect and Manage Derogation fits within the TO Offer under the STC.
STC Schedule 9	New paragraph 2.17 in Part A and 2.13 in Part B relating to the reporting of progress on Wider Transmission Reinforcement Works.	Clarifies how the CUSC Construction Agreement provisions on the Wider Transmission Reinforcement Works are mirrored in the TO Offer under the STC.



## Amendments to Connection and Use of System Code (CUSC)

### SECTION 1 (APPLICABILITY OF SECTIONS AND RELATED AGREEMENTS STRUCTURE)

Add the following at Section 1 as Paragraph 1.4 and amend the contents page to Section 1 accordingly. Renumber current paragraphs 1.4-1.6 as 1.5-1.7 respectively.

“

#### 1.4 CONNECT AND MANAGE ARRANGEMENTS

1.4.1 Any **Offer** or **Modification Offer** made to an **Applicant** or **User** in the category of:

(a) a **Power Station** directly connected to the **National Electricity Transmission System**; or

(b) an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement** or a **Bilateral Embedded Licence Exemptable Large Power Station Agreement**;  
or

(c) where such **Offer** or **Modification Offer** is associated with **Distributed Generation**, a **Distribution System** directly connected to the **National Electricity Transmission System**,  
  
shall be offered on the basis of the **Connect and Manage Arrangements**.

#### 1.4.2 Transitional Arrangements

**The Company** shall as soon as reasonably practical after the **Connect and Manage Implementation Date** and in any event by the end of the **Connect and Manage Transition Period** issue:

(a) a revised **Offer** on the basis of the **Connect and Manage Arrangements** as regards any **Offer** issued but not accepted pursuant to the **Interim Connect and Management Arrangements**;

(b) an offer to vary each **Existing ICM Construction Agreement** such that it is in a form and on terms consistent with a **Construction Agreement** entered into on the basis of the **Connect and Manage Arrangements**; and/or

(c) a **Modification Offer** as regards any **Bilateral Agreement** entered into on the basis of the **Interim Connect and Manage Arrangements** which would require amendment in order to comply with the **Connect and Manage Arrangements**,

in each case on terms no less advantageous than those contained in offers made or agreements entered into **pursuant** to the **Interim Connect and Manage Arrangements**. The **Applicant** or **User** (as appropriate) shall be entitled to accept such proposal or continue with its existing arrangements. “

## Amendments to Connection and Use of System Code (CUSC)

### SECTION 5 (EVENTS OF DEFAULT, DEENERGISATION, DISCONNECTION)

1. Amend Paragraph 5.3.4 (Generic Disconnection) as follows.

“(c) the **User** shall pay to **The Company** forthwith all **Termination Amounts** and, in the case of a **User** in the category of a **Power Station** directly connected to the **National Electricity Transmission System** or with a **Bilateral Embedded Generation Agreement** the **TEC Reduction Charge**; and

(d) the **User** if unlicensed shall cease to be a **CUSC Party** or if licensed shall become a **Dormant CUSC Party**, as the case may be, and Paragraph 5.1 shall apply.

2. At Paragraph 5.4.7 (Specific Event of Default Disconnection) amend the last Paragraph in 5.4.7(a) as follows.

“Such **User** shall (notwithstanding any longer time for payment which but for such termination the **User** may have for payment pursuant to the **CUSC** or the relevant **Bilateral Agreement**) within 14 days from the date of termination pay to **The Company** all amounts due and owing on the date of such termination and be liable to pay to **The Company Termination Amounts** applicable to the **Connection Site** and, in the case of a **User** in the category of a **Power Station** directly connected to the **National Electricity Transmission System** the **TEC Reduction Charge**, such payments to be made within 14 days of the date of **The Company's** invoice(s) in respect thereof;”

3. At Paragraph 5.4.7 (Specific Event of Default Disconnection) amend the last Paragraph in 5.4.7(b) as follows.

“the **User** shall be obliged to pay to **The Company** forthwith the **Use of System Charges** due under the **CUSC** or the relevant **Bilateral Agreement** up to the end of the **Financial Year** in which **Termination** occurs and, in the case of a **User** with a **Bilateral Embedded Generation Agreement** the **TEC Reduction Charge**.”

4. In Paragraph 5.5.5 (BSUoS Event of Default) amend Paragraph 5.5.5. 1 as follows.

“5.5.5.1 **The Company** may terminate the relevant **Bilateral Agreement** and all others to which the **User** is a party and revoke the **Use of System Supply Confirmation Notice** and **Use of System Interconnector Confirmation Notice** forthwith by notice to the **User** if:-

- (a) **The Company** has given a valid notice of default pursuant 5.5.2; and
- (b) such event of default remains unremedied at the expiry of the later of:-
  - (i) the period of 6 months from the date of such notice; and
  - (ii) where the **User** disputes bona fide the event of default and has promptly brought and is actively pursuing proceedings against **The Company** to determine the dispute, the date on which the dispute is resolved or determined.

Upon termination pursuant to this Paragraph the **User** shall pay to **The Company** the **Termination Amounts** calculated in accordance with the **Charging Statements** and, in the case of a **User** in the category of a **Power Station** directly connected to the **National Electricity Transmission System** or with a **Bilateral Embedded Generation**

Agreement, the TEC Reduction Charge and shall disconnect all the **User's Equipment** at the **Connection Site** and:"

5 Amend Paragraph 5.7.2 as follows.

**5.7.2 The User shall be liable forthwith on the date the relevant Bilateral Agreement so terminates to pay to The Company:-**

~~(a)~~ **Connection Charges** and/or **Use of System Charges** to the end of the **Financial Year** in which termination occurs all such charges becoming immediately due and payable upon the termination of the relevant **Bilateral Agreement**; and

~~(b)~~ **Termination Amounts** applicable to the **Connection Site**; and

~~(c)~~ (i) where the **Disconnection** is to take effect on or after 1 April 2012; (ii) the notice period given in the notice to **Disconnect** is less than the **Full TEC Reduction Notice Period**; and (iii) the **User** is in the category of a **Power Station** directly connected to the **National Electricity Transmission System** or with a **Bilateral Embedded Generation Agreement** then, unless such **User** has already given notice of a reduction in **Transmission Entry Capacity** to zero under **CUSC Paragraph 6.30.1.1**, the **TEC Reduction Charge**,

such payments to be made within 28 (twenty eight) days of the date of **The Company's** invoice in respect thereof.

## Amendments to Connection and Use of System Code (CUSC)

### SECTION 6 (GENERAL PROVISIONS)

Amend paragraph 6.30.1 (Decrease in **Transmission Entry Capacity**) as follows:

- 6.30.1.1 Subject to payment of the **TEC Reduction Charge** where less than the **Full TEC Reduction Notice Period** is given in accordance with 6.30.1.4 below, ~~e~~Each **User** shall be entitled to decrease the **Transmission Entry Capacity** for the **Connection Site** once the **Power Station** to which it relates has been **Commissioned** upon giving **The Company** not less than ~~5 **Business Days** notice in writing prior to 30 March in any **Financial Year**~~ the **Minimum TEC Reduction Notice Period**.
- 6.30.1.2 **The Company** shall as soon as practicable after receipt of such notice issue a revised Appendix C for the purposes of the relevant **Bilateral Agreement** reflecting the decrease in the **Transmission Entry Capacity**.
- 6.30.1.3 The decrease in the **Transmission Entry Capacity** shall take effect on the first of April following ~~receipt of the expiry of the notice period stated in the notice from the **User**~~.
- 6.30.1.4 Where a reduction in **Transmission Entry Capacity** is to take effect on or after 1 April 2012 and the period of notice given is less than the **Full TEC Reduction Notice Period**, in addition to its obligation to pay the **Use of System Charges** until the reduction in **Transmission Entry Capacity** takes effect, the **User** shall be liable to pay to **The Company** the **TEC Reduction Charge**. **The Company** shall calculate any **TEC Reduction Charge** due from the **User** on receipt of the notice of reduction of **Transmission Entry Capacity** from the **User** and shall invoice the **User** as soon as possible thereafter. The **TEC Reduction Charge** shall be payable within 28 days of the date of **The Company's** invoice in respect thereof.

## Amendments to Connection and Use of System Code (CUSC)

### SECTION 11 (INTERPRETATION AND DEFINITIONS)

1. Insert the following new definitions in alphabetical order:

“Connect and Manage Arrangements”	the arrangements whereby pursuant to Standard Condition C26 of the <b>Transmission Licence</b> and Standard Condition D16 of a <b>Relevant Transmission Licensee’s</b> transmission licence connection to and or use of the <b>National Electricity Transmission System</b> is permitted by virtue of a <b>Connect and Manage Derogation</b> on completion of the <b>Enabling Works</b> but prior to completion of the <b>Wider Transmission Reinforcement Works</b> ;
“Connect and Manage Derogation Criteria”	the criteria detailed as such in <b>CUSC</b> Section 13.2.4;
“Connect and Manage Implementation Date”	means the date which the Secretary of State determines shall be the connect and manage implementation date;
“Connect and Manage Power Station”	means a <b>Power Station</b> which is directly connected to the <b>National Electricity Transmission System</b> or which is <b>Distributed Generation</b> ;
“Connect and Manage Transition Period”	means the period ending 6 months after the Connect and Manage Implementation Date
“Connect and Manage Derogation”	means the temporary derogation from the <b>NETS SQSS</b> available to <b>The Company</b> pursuant to Standard Condition C17 of the <b>Transmission Licence</b> and/or a <b>Relevant Transmission Licensee</b> pursuant to Standard Condition D3 of its transmission licence;
“Connect and Manage Derogation Report”	the report required to be prepared by <b>The Company</b> and/or a <b>Relevant Transmission Licensee</b> in respect of a <b>Connect and Manage Derogation</b> ;

“Distributed Generation”	<p>means for the purposes of the <b>Connect and Manage Arrangements</b>:</p> <p>(a) an <b>Embedded Power Station</b> which is the subject of a <b>Bilateral Embedded Generation Agreement</b>;</p> <p>(b) an <b>Embedded Power Station</b> which is the subject of a <b>Bilateral Embedded Licence Exemptable Large Power Station Agreement</b>;</p> <p>(c) a <b>Relevant Embedded Medium Power Station</b>;</p> <p>(d) a <b>Relevant Embedded Small Power Station</b>.</p>
“Enabling Works”	<p>those elements of the <b>Transmission Reinforcement Works</b> identified as such in accordance with <b>CUSC</b> Section 13 and which in relation to a particular <b>User</b> are as specified and by its acceptance of the <b>Offer</b> or <b>Modification Offer</b>, agreed by the <b>User</b> in the relevant <b>Construction Agreement</b>;</p>
“Existing ICM Construction Agreement”	<p>a <b>Construction Agreement</b> entered into between <b>The Company</b> and a <b>User</b> prior to the <b>Connect and Manage Implementation Date</b> and which is on the basis of the <b>Interim Connect and Manage Arrangements</b>;</p>
“Full TEC Reduction Notice Period”	<p>means one <b>Financial Year</b> and 5 <b>Business Days</b> prior to the beginning of the <b>Financial Year</b> from which the decrease in <b>Transmission Entry Capacity</b> or <b>Disconnection</b> (as appropriate) is to take effect;</p>
“Interim Connect and Manage Arrangements”	<p>the arrangements in place between 8 May 2009 and the <b>Connect and Manage Implementation Date</b> whereby <b>Offers</b> were made by <b>The Company</b> on the basis that a <b>Derogation</b> would be obtained from the <b>Authority</b> such that identified <b>Transmission Reinforcement Works</b> did not need to be completed prior to connection and/or use of system;</p>
“Main System Circuits”	<p>means <b>Transmission Circuits</b> but excluding a <b>Grid Supply Point</b></p>

	transformer;
“Minimum TEC Reduction Notice Period”	means 5 <b>Business Days</b> prior to 31 March in any <b>Financial Year</b> ;
“MITS Connection Works”	means those <b>Transmission Reinforcement Works</b> (inclusive of substation works) that are required from the <b>Connection Site</b> to connect to a <b>MITS Substation</b> (and in the context of an <b>Embedded Power Station</b> , “connection site” shall mean the associated <b>Grid Supply Point</b> identified as such in the relevant <b>Bilateral Agreement</b> );
“MITS Substation”	means (in the context of the definition of <b>MITS Connection Works</b> , a <b>Transmission</b> substation with more than 4 <b>Main System Circuits</b> connecting at that substation;
“Offshore Transmission Reinforcement Works”	in relation to a particular User, as defined in its Construction Agreement
“Onshore Transmission Reinforcement Works”	in relation to a particular User, as defined in its Construction Agreement
“TEC Reduction Charge”	means  (a) in relation to positive zones, a sum equal to the difference between the <b>Transmission Network Use of System Charges</b> due for the <b>Financial Year</b> in which reduction in <b>Transmission Entry Capacity</b> takes effect or termination occurs (as appropriate) and the <b>Transmission Network Use of System Charges</b> due for the <b>Financial Year</b> preceding the <b>Financial Year</b> in which the reduction in <b>Transmission Entry Capacity</b> takes effect or termination occurs (as appropriate); and  (b) in relation to negative zones, zero.
“Transmission Circuits”	as defined in the NETS SQSS;
“Wider Transmission Reinforcement Works”	in relation to a particular User means those Transmission Reinforcement Works other than the Enabling Works and which are specified in the relevant Construction Agreement;



2. Amend the following definitions as change marked below:

<p>“Derogation”</p>	<p><u>means (a)</u> a direction issued by the <b>Authority</b> relieving a <b>CUSC Party</b> from the obligation under its <b>Licence</b> to comply with such parts of the <b>Grid Code</b> or any <b>Distribution Code</b> or in the case of <b>The Company</b> the <b>Transmission Licence</b> as may be specified in such direction <u>and/or (b) a <b>Connect and Manage Derogation</b> as the context requires</u> and “Derogated” shall be construed accordingly;</p>
<p>“Transmission Works”</p>	<p>in relation to a particular <b>User</b> those works which are specified in Appendix H to the relevant <b>Construction Agreement</b> <del>where Part 1 is works required for the User and Part 2 is works required for wider system reasons;</del></p>

**Amendments to Connection and Use of System Code (CUSC)**

Insert new Section 13 as follows:

**“CUSC - SECTION 13**

**ENABLING WORKS**

**CONTENTS**

- 13.1 Introduction**
- 13.2 Enabling Works**
- 13.3 MITS Map**
- 13.4 Report**

## 13.1 INTRODUCTION

13.1. This Section 13 deals with the identification and assessment of the **Enabling Works** to be included in an **Offer** made under the **Connect and Manage Arrangements** and the assessment of the need for and scope of a **Connect and Manage Derogation**.

## 13.2 ENABLING WORKS

13.2.1 In making an **Offer**, the **Construction Works** (if any) which are required to be completed prior to connection and/or use of system are identified and set out in a **Construction Agreement**. Under the **Connect and Manage Arrangements** the **Construction Agreement** will identify:

- (a) in the case of an **Onshore Connection Site** or **Onshore** site of connection, which of the **Transmission Reinforcement Works** are the **Enabling Works** relevant to that **Applicant**; and
- (b) in the case of an **Offshore Connection Site**, which of the **Onshore Transmission Reinforcement Works** are the **Enabling Works** relevant to that **Applicant**. For the avoidance of doubt, any **Offshore Transmission Reinforcement Works** shall be in addition to and will not be affected by the **Enabling Works** identified pursuant to the **Connect and Manage Arrangements**.

13.2.2 The **Connect and Manage Derogation Criteria** shall be used to identify the extent and nature of the **Enabling Works** required in each offer of a **Construction Agreement**. Subject to Paragraph 13.2.5, it is anticipated that the **Enabling Works** shall not generally be greater than the **MITS Connection Works**. The **Enabling Works** shall not be less than those works required to satisfy the criteria set out in Paragraph 13.2.4.

13.2.3 Where the **Enabling Works** in any case as assessed in accordance with 13.2.2 above are such that connection and/or use of system on completion of such works but in advance of any identified **Wider Transmission Reinforcement Works** does not comply with the requirements of the **NETS SQSS** a **Connect and Manage Derogation** will be required. The **Connect and Manage Derogation Criteria** will be used to justify the need for and scope of such a **Connect and Manage Derogation** in the **Connect and Manage Derogation Report**.

13.2.4 The **Enabling Works** will as a minimum include (and, subject to 13.2.5.1 shall not exceed) those **Transmission Reinforcement Works** (in the case of an **Onshore Connection Site** or **Onshore** site of connection) or **Onshore Transmission Reinforcement Works** (in the case of an **Offshore Connection Site**) required to meet the following criteria (the **Connect and Manage Derogation Criteria**):

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 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**;

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

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

13.2.4.7 avoid any adverse impact on other **Users**.

13.2.5 The **Enabling Works** set out in a **Construction Agreement** may only be greater than:

13.2.5.1 the works assessed as being required under 13.2.4 above where and to the extent that the **Applicant** or **User** has requested that this be the case (in its application or otherwise); and/or

13.2.5.2 the **MIT S Connection Works** where and to the extent that

13.2.5.2.1 the **Applicant** or **User** has requested that this be the case (in its application or otherwise); or

13.2.5.2.2 The Company and/or the Relevant Transmission Licensee consider it necessary in order to satisfy the criteria set out in Paragraph 13.2.4.

### 13.3 MITS MAP

The Company will include within the **Seven Year Statement** a map of the **National Electricity Transmission System** identifying the relevant **MIT S Substations** for the purposes of the **MIT S Connection Works**.

### 13.4 REPORT

On or before the end of each **Financial Year** The Company shall publish a report showing:

(a) by reference to the number of **Offers** made under the **Connect and Manage Arrangements** during that **Financial Year**, the percentage of **Offers** where the **Enabling Works** were above the **MIT S Connection Works** and the percentage of **Offers** where the **Enabling Works** were below the **MIT S Connection Works**; and

(b) by reference to each **Construction Agreement** where the **Enabling Works** were completed during that **Financial Year**, the period of time that it took to complete those **Enabling Works** and the transmission owner that undertook them.

END OF SECTION 13

## Amendments to Connection and Use of System Code (CUSC)

### CUSC EXHIBITS B, C, D, E, I, J, Q, R AND V

#### Amends to CUSC Exhibit B (Connection Application)

1. Add new section E as follows

“E Enabling Works *[Directly Connected Power Station or Distribution System where associated with Distributed Generation only]*

1. We confirm we do not/do want the **Enabling Works** to be greater in scope than the **MITC Connection Works**.
2. If you want the **Enabling Works** to be greater in scope than the **MITC Connection Works** specify the concerns, reasons or technical requirements that you are seeking to address by this.”

#### Amends to CUSC Exhibit C (Connection Offer)

- 1 Add new paragraph 11.

“11. This **Offer** is made on the basis of the **Connect and Manage Arrangements** [except that as requested the **Enabling Works** are greater in scope than the **MITC Connection Works**] *[Directly Connected Power Station or Distribution System where associated with Distributed Generation only]*“

#### Amends to CUSC Exhibit D (Use of System Application)

1. Add new section E as follows

“E Enabling Works *[except Distribution Interconnector Owner]*

1. We confirm we do not/do want the **Enabling Works** to be greater in scope than the **MITC Connection Works**.
2. If you want the **Enabling Works** to be greater in scope than the **MITC Connection Works** specify the concerns, reasons or technical requirements that you are seeking to address by this.”

#### Amends to CUSC Exhibit E (Use of System Offer)

- 1 Add new paragraph 8.

“8. This **Offer** is made on the basis of the **Connect and Manage Arrangements** [except that as requested the **Enabling Works** are greater in scope than the **MITC Connection Works**] *[except Distribution Interconnector Owner]*“

#### Amends to CUSC Exhibit I (Modification Application)

1. Add new section D as follows

“D Enabling Works *[Connect and Manage Power Station only]*

1. We confirm we do not/do want the **Enabling Works** to be greater in scope than the **MITS Connection Works**.
2. If you want the **Enabling Works** to be greater in scope than the **MITS Connection Works** specify the concerns, reasons or technical requirements that you are seeking to address by this.”

#### Amends to CUSC Exhibit J (Modification Offer)

- 1 Add new paragraph 9.

“9. This **Offer** is made on the basis of the **Connect and Manage Arrangements** [except that as requested the **Enabling Works** are greater in scope than the **MITS Connection Works**] [*Connect and Manage Power Station only*]”

#### Amends to CUSC Exhibit Q (BELLA Application)

1. Add new section D as follows

“D Enabling Works

1. We confirm we do not/do want the **Enabling Works** to be greater in scope than the **MITS Connection Works**.
2. If you want the **Enabling Works** to be greater in scope than the **MITS Connection Works** specify the concerns, reasons or technical requirements that you are seeking to address by this.”

#### Amends to CUSC Exhibit R (BELLA Offer)

- 1 Add new paragraph 7 and renumber existing paragraph as 8

“7. This **Offer** is made on the basis of the **Connect and Manage Arrangements** [except that as requested the **Enabling Works** are greater in scope than the **MITS Connection Works**]”

#### Amends to CUSC Exhibit V (Statement of Works)

1. Add new paragraph at end of form of “Confirmation of project Progression”

“E Enabling Works

We confirm we do not/do want the **Enabling Works** to be greater in scope than the **MITS Connection Works**. [*If you want the **Enabling Works** to be greater in scope than the **MITS Connection Works** specify the concerns, reasons or technical requirements that you are seeking to address by this*]”

## Amendments to Connection and Use of System Code (CUSC)

### SCHEDULE 2 EXHIBIT 1 (BILATERAL CONNECTION AGREEMENT) AND EXHIBIT 2 (BILATERAL EMBEDDED GENERATION AGREEMENT)

#### Bilateral Connection Agreement

1. Add recital (G)
- [(G) This **Bilateral Connection Agreement** is entered into on the basis of the **Connect and Manage Arrangements**. *[Directly Connected power Station and Distribution System where associated with Connect and Manage Power Station]*]

#### Bilateral Embedded Generation Agreement

1. Add recital (E)
- [(E) This **Bilateral Embedded Generation Agreement** is entered into on the basis of the **Connect and Manage Arrangements**. *[Except Distribution Interconnector Owner]*]

**Amendments to Connection and Use of System Code (CUSC)**

**SCHEDULE 2 EXHIBIT 5 BELLA**

1. Add new recital (D)

“(D) This **Offer** has been made on the basis of the **Connect and Manage Arrangements**.”

2. Amend definition of “**Transmission Reinforcement Works**” as change marked below.

<b>Transmission Reinforcement Works</b>	those works which in the reasonable opinion of <b>The Company</b> are necessary to extend or reinforce the <b>National Electricity Transmission System</b> <del>in relation to and prior to as a consequence of</del> —the <b>User’s Equipment</b> being <b>Energised</b> and specified in Appendix H.
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3. Add new definition of “**Enabling Works**” and “**Wider Transmission Reinforcement Works**” as follows:

<b>Enabling Works</b>	those elements of the <b>Transmission Reinforcement Works</b> which are required to be completed prior to the <b>User’s Equipment</b> being <b>Energised</b> and specified in Appendix H Part 1.
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<b>Wider Transmission Reinforcement Works</b>	those elements of the <b>Transmission Reinforcement Works</b> which are not required to be completed prior to the <b>User’s Equipment</b> being <b>Energised</b> and specified in Appendix H Part 2.
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4. At Clause 6 the reference to “**Transmission Reinforcement Works**” shall be replaced with reference to “**Enabling Works**”.

5. Add new Clause 12 and amend Contents Page

“12 **Wider Transmission Reinforcement Works**

**The Company** shall keep the **User** informed as to its progress on the **Wider Transmission Reinforcement Works**.”



**Amendments to Connection and Use of System Code (CUSC)**

**SCHEDULE 2 EXHIBIT 3**

**CONSTRUCTION AGREEMENT**

*This is published as a separate document, available from the DECC website*

**Amendments to Connection and Use of System Code (CUSC)**

**SCHEDULE 2 EXHIBIT 3A (OFFSHORE CONSTRUCTION AGREEMENT)**

1. Insert the following new definitions in Clause 1.1 (Definitions, Interpretation and Construction)
 

“Connect and Manage Derogation”	the temporary derogation from the <b>NETS SQSS</b> available to <b>The Company</b> under Standard Condition C17 of the <b>Transmission Licence</b> and/or the <b>Relevant Transmission Licensee</b> under Standard Condition D3 of its transmission licence;
“Enabling Works”	those <b>Onshore Transmission Reinforcement Works</b> which are specified in Appendix H1 Part 1 to this <b>Construction Agreement</b> .
“Wider Transmission Reinforcement Works”	those <b>Onshore Transmission Reinforcement Works</b> which are specified in Appendix H1 Part 2 to this <b>Construction Agreement</b> where Part 2.1 is works required for the <b>User</b> and Part 2.2 is works required for wider system reasons.
  
2. All references to Part 2 of Appendix H1/Appendix H should be replaced with a reference to Part 2.2 of Appendix H1
  
3. Amend the following definitions in Clause 1.1 (Definitions, Interpretation and Construction) as change marked below:
 

“Seven Year Statement Works”	the works set out in Table B7 of the statement prepared by <b>The Company</b> pursuant to Standard Condition C11 of the <b>Transmission Licence</b> and issued by <b>The Company</b> in [ ] which in <b>The Company’s</b> reasonable opinion <u>(and in the absence of the <b>Connect and Manage Derogation</b>)</u> are required to be completed before the <b>Completion Date</b> to ensure that the <b>National Electricity Transmission System</b> complies with the requirements of Standard Condition C17 of the <b>Transmission Licence</b> and Standard Condition D3 of any <b>Relevant Transmission Licensee’s</b> transmission licence prior to the <b>Connection</b> of the <b>User’s Equipment</b> in terms of Clause 7.1 [or 7.2] of this <b>Construction Agreement</b> .
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"Charging Date"

the date upon which the **Construction Works** (excluding the Wider Transmission Reinforcement Works) are first **Commissioned** and available for use by the User or if the **Independent Engineer** before, on or after the **Commissioning Programme Commencement Date** shall have certified in writing that the **Transmission Connection Assets**, are completed to a stage where The Company could commence commissioning and by such date the **User's Works** shall not have been so certified then the date falling [ ] days after the date of such certification, provided that the Offshore Transmission Reinforcement Works and the Enabling Works are **Commissioned** and **Seven Year Statement Works** are completed as at that date. In the event that the Offshore Transmission Reinforcement Works and the Enabling Works are not so **Commissioned** and/or the **Seven Year Statement Works** are not so completed the **Charging Date** shall be the date on which they are **Commissioned** and/or completed as appropriate.

"Construction Programme"

the agreed programme for the **Works** (excluding the Wider Transmission Reinforcement Works) to be carried out by **The Company** and the **User** set out in detail in Appendix [J] to this **Construction Agreement** or as amended from time to time pursuant to Clauses 2.3 and 3.2 of this **Construction Agreement**.

"Onshore Transmission Reinforcement Works"

those works other than the **Transmission Connection Asset Works**, **Offshore Transmission Reinforcement Works**, **Seven Year Statement Works** and **One Off Works**, which in the reasonable opinion of **The Company** (and in the absence of the Connect and Manage Derogation) are necessary to extend or reinforce the **National Electricity Transmission System** ~~in relation to and prior to the connection of the User's Equipment at the Connection Site to~~ ensure that the National Electricity Transmission System complies with the requirements of Standard Condition C17 of the Transmission Licence and Standard Condition D3 of any Relevant Transmission Licensee's transmission

system and which are specified in Appendix H1 to this **Construction Agreement**. where Part 1 ~~is works required for the User the~~ **Enabling Works** and Part 2 is ~~the works required for wider system reasons~~ **the Wider Transmission Reinforcement Works**.

4. In Paragraph 2.13 replace the reference to “**Transmission Reinforcement Works**” with “**Enabling Works**”.
5. In paragraphs 2.2, 2.7, 2.17, 3.1, 4.3 and 5.5 after each reference to “**Works**” add “excluding the **Wider Transmission Reinforcement Works**”.
6. In paragraphs 2.2, 2.3 (including 2.3.1 and 2.3.2), 2.7, 2.16.4, 2.18, 4.5 after each reference to “**Construction Works**” add " excluding the **Wider Transmission Reinforcement Works** "
7. Insert a new paragraph 2.19 as follows:

**[2.19 Wider Transmission Reinforcement**

- 2.19.1 **The Company** shall keep the **User** advised as to progress on the **Wider Transmission Reinforcement Works** and shall include information on these in the reports produced pursuant to Clause 2.8.
  - 2.19.2 To the extent that the **Wider Transmission Reinforcement Works** are undertaken prior to the **Completion Date** sums associated with them shall form part of any **Final Sums** due on termination of this **Construction Agreement** on or before the **Completion Date** [and so will be included in the **Bi-annual Estimate** and **Secured Amount Statement** (as defined in Clause 9B.2)].
8. In paragraph 7.1 after the reference to “**Construction Works** excluding the add “the **Wider Transmission Reinforcement Works** and”
  9. In Appendix H1 insert the following:

**“Part 1            Enabling Works**

**Part 2            Wider Transmission Reinforcement Works”**

**Amendments to System Operator Transmission Owner Code (STC)**

**SECTION J (INTERPRETATION AND DEFINITIONS)**

1. Insert the following new definitions:

<p>“Connect and Manage Arrangements”</p>	<p>the arrangements whereby pursuant to Standard Condition C26 and D16 of the transmission licences connection to and/or use of the National Electricity Transmission System is permitted by virtue of a Connect and Manage Derogation on completion of the Enabling Works but prior to completion of the Wider Transmission Reinforcement Works;</p>
<p>“Connect and Manage Derogation”</p>	<p>means the temporary derogation from the NETS SQSS available to NGET pursuant to Standard Condition C17 of its Transmission Licence or an Onshore Transmission Owner pursuant to Standard Condition D3 of its Transmission Licence,</p>
<p>“Connect and Manage Derogation Criteria”</p>	<p>means</p> <ul style="list-style-type: none"> <li>(a) 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;</li> <li>(b) 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;</li> <li>(c) enable NGET to operate the National Electricity Transmission System in a safe manner;</li> <li>(d) resolve any fault level issues associated with the connection and/or use of system by the Connect and Manage Power Station;</li> <li>(e) comply with the minimum technical, design and operational criteria and performance requirements under the Grid</li> </ul>

	<p>Code;</p> <p>(f) meet other statutory obligations including but not limited to obligations under any Nuclear Site Licence Provisions Agreement; and</p> <p>(g) avoid any adverse impact on other Users.</p>
“Connect and Manage Derogation Report”	the report required to be prepared by NGET and/or an Onshore Transmission Owner in respect of a Connect and Manage Derogation;
“Connect and Manage Power Station”	As defined in the CUSC
“Enabling Works”	those elements of the Transmission Reinforcement Works which in relation to a particular Construction Project are defined as enabling works in the Onshore Transmission Owner’s TO Construction Agreement and which have been identified by the Onshore Transmission Owner as those Transmission Reinforcement Works required to meet the Connect and Manage Derogation Criteria and the principles set out in CUSC Section 13;
“MITS Connection Works”	As defined in the CUSC
“NETS SQSS”	The National Electricity Transmission System Security and Quality of Supply Standard issued under Standard Condition C17 of NGET’s Transmission Licence (as amended, varied or replaced from time to time)
“Nuclear Site Licence Provisions Agreement”	As defined in the CUSC
“Wider Transmission Reinforcement Works”	those elements of the Transmission Reinforcement Works other than the Enabling Works which in relation to a particular Construction Project are defined as such by the Onshore Transmission Owner in its TO Construction Agreement;

## 2. Amend the following definition as change marked below:

"Transmission Derogation"	<p><u>means (a) a direction issued by the Authority relieving a Transmission Owner from the obligation under its Transmission Licence to comply with standards or requirements in accordance with which it is otherwise required to plan and develop its Transmission System (including any conditions which may apply in respect of such derogation) and/or (b) a Connect and Manage Derogation as the context requires</u> (and "Derogated" shall be construed accordingly);</p>
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## Amendments to System Operator Transmission Owner Code (STC)

### SCHEDULE 5 (NGET CONNECTION APPLICATIONS)

#### At Section 1 – Requirements for a NGET Connection Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.1:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 1.1.20 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 1.1.21 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 1.1.22 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

#### At Section 2 – Requirements for a NGET Connection Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.2:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 2.1.5 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 2.1.6 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 2.1.7 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

#### At Section 3 – Requirements for a NGET Connection Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.3:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 3.1.8 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 3.1.9 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.



3.1.10 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

**At Section 5 – Requirements for a NGET Connection Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.5:**

1. Add new section as follows

“Connect and Manage Arrangements

5.1.3 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.

5.1.4 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.

5.1.5 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

## Amendments to System Operator Transmission Owner Code (STC)

### SCHEDULE 6 (NGET MODIFICATION APPLICATIONS)

#### At Section 1 – Requirements for a NGET Modification Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.1:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 1.1.12 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 1.1.13 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 1.1.14 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

#### At Section 2 – Requirements for a NGET Modification Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.2:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 2.1.5 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 2.1.6 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 2.1.7 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

#### At Section 3 – Requirements for a NGET Modification Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.3:

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 3.1.12 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 3.1.13 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.

- 3.1.14 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

**At Section 5 – Requirements for a NGET Modification Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.5:**

1. Add new section as follows

“Connect and Manage Arrangements

- 5.1.3 Confirmation that the application is/is not made on the basis of the Connect and Manage Arrangements.
- 5.1.4 If to be on the Connect and Manage arrangements confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 5.1.5 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

## **Amendments to System Operator Transmission Owner Code (STC)**

### **STC SCHEDULE 7 (SYSTEM CONSTRUCTION APPLICATIONS)**

#### **At Section 1 – Requirements for a System Construction Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.2:**

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 1.1.7 Confirmation whether the user has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 1.1.8 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

#### **At Section 2 – Requirements for a System Construction Application submitted by NGET to a Transmission Owner pursuant to Section D, Part Two, sub-paragraph 2.2.5:**

1. Add new section as follows

##### **“Connect and Manage Arrangements**

- 2.1.3 Confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.
- 2.1.4 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

## **Amendments to System Operator Transmission Owner Code (STC)**

### **SCHEDULE 8 (TO CONSTRUCTION OFFER)**

#### **At Section 1 – Requirements of a TO Construction Offer**

1. Add new section as follows and renumber existing 1.3 as 1.4

#### **“1.3 Connect and Manage Arrangements**

Where NGET has applied to the Onshore Transmission Owner on the basis of the Connect and Manage Arrangements the following is also required.

- 1.3.1 confirmation that the TO Construction Offer is made on the basis of the Connect and Manage Arrangements;
- 1.3.2 the Transmission Reinforcement Works referred to at paragraph 1.1.3.2(b) shall be divided and categorised into those works which are the Enabling Works and those works which are the Wider Transmission Reinforcement Works;
- 1.3.3 the references to Transmission Construction Works in the terms and conditions at Schedule 9 and for the purposes of the Commissioning Programme referred to at paragraph 1.1.3.6 and the Construction Programme referred to at paragraph 1.1.3.4 shall all be by reference to the Transmission Construction Works excluding the Wider Transmission Reinforcement Works and Seven Year Statement Works;
- 1.3.4 confirmation that a Connect and Manage Derogation is or is not required in respect of any Wider Transmission Reinforcement Works based on whether or not connection and/or use of system on completion of the Enabling Works but in advance of any identified Wider Transmission Reinforcement Works does not comply with the NETS SQSS,
- 1.3.5 if a Connect and Manage Derogation is required, the TO Construction Offer shall also include as part of it the Connect and Manage Derogation Report which will justify the need for and scope of any Connect and Manage Derogation by reference to the Connect and Manage Derogation Criteria.”

**Amendments to System Operator Transmission Owner Code (STC)**

**SCHEDULE 9 (TO CONSTRUCTION TERMS)**

**A. PROFORMA TERMS FOR TO CONSTRUCTION AGREEMENT BETWEEN NGET AND A TRANSMISSION OWNER UNDERTAKING WORKS WHICH INCLUDE WORKS AT A RELEVANT CONNECTION SITE**

1. Amend Paragraph 2.8 as follows

“2.8 NGET may by written notice to the Transmission Owner terminate this TO Construction Agreement at any time ~~whereupon~~ and upon termination prior to the date at which the Transmission Construction Works other than the Wider Transmission Reinforcement Works are completed NGET shall in addition to the sums for which it is liable under paragraph 2.6 be liable to pay to the Transmission Owner a sum equal to the Transmission Owner’s estimate or if applicable revised estimate of TO Final Sums. NGET shall pay.....”

2. Add the following as a new clause 2.17

“[2.17 Connect And Manage Arrangements. [*connect and manage arrangements only*]. The Transmission Owner shall keep NGET advised as to progress on the Wider Transmission Reinforcement Works.]”

**B. PROFORMA TERMS FOR TO CONSTRUCTION AGREEMENT BETWEEN NGET AND A TRANSMISSION OWNER ONLY UNDERTAKING WORKS WHICH ARE NOT AT A RELEVANT CONNECTION SITE**

1. Amend Paragraph 2.6 as follows

“2.6 NGET may by written notice to the Transmission Owner terminate this TO Construction Agreement at any time ~~whereupon~~ and upon termination prior to the date at which the Transmission Construction Works other than the Wider Transmission Reinforcement Works are completed NGET shall in addition to the sums for which it is liable under paragraph 2.4 be liable to pay to the Transmission Owner a sum equal to the Transmission Owner’s estimate or if applicable revised estimate of TO Final Sums. NGET shall pay.....”

2. Add the following as a new clause 2.13

“[2.13 Connect And Manage Arrangements. [*connect and manage arrangements only*]. The Transmission Owner shall keep NGET advised as to progress on the Wider Transmission Reinforcement Works.]”

**Amendments to System Operator Transmission Owner Code (STC)****SCHEDULE 13 (NGET REQUESTS FOR STATEMENTS OF WORKS)****At Section 1 – Requirements for a NGET Request for a Statement of Works submitted by NGET to a Transmission Owner pursuant to Section D, Part Four, sub-paragraph 1.1.1:**

1. Add new paragraphs as follows

**“Connect and Manage Arrangements**

1.1.6 Confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.

1.1.7 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

**At Section 2 – Requirements for a NGET Request for a Statement of Works submitted by NGET to a Transmission Owner pursuant to Section D, Part Four, sub-paragraph 1.1.2:**

1. Add new paragraphs as follows

**“Connect and Manage Arrangements**

2.1.5 Confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.

2.1.6 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

**At Section 3 – Requirements for a NGET Request for a Statement of Works submitted by NGET to a Transmission Owner pursuant to Section D, Part Four, sub-paragraph 1.1.3:**

1. Add new paragraphs as follows

**“Connect and Manage Arrangements**

3.1.3 Confirmation whether the User has requested that the Enabling Works are to be greater in scope than the MITS Connection Works.

3.1.4 If the Enabling Works are to be greater in scope than the MITS Connection Works, details (to the extent available to NGET) of the concerns, reasons or technical requirements that this is seeking to address.”

## Annex 3 – List of Bodies who Responded to the Consultation

Responses from the following bodies can be accessed at:

[http://www.decc.gov.uk/en/content/cms/consultations/improving\\_grid/improving\\_grid.aspx](http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx)

Association of Electricity Producers  
Centrica  
Community Energy Scotland  
Consumer Focus  
Drax  
EDF Energy  
Energy Technical and Renewables Services  
E.ON UK  
ESB International  
Fred.Olsen Renewables  
Infinis  
Intergen UK  
International Power  
Mainstream Renewable Power  
National Grid  
Ofgem  
Renewable Energy Association  
Renewables Advisory Board  
RenewableUK  
Scottish & Southern Energy  
Scottish Power Energy Wholesale  
SP Energy Networks  
Statoil  
Wind Energy

We also received one confidential response to the consultation.





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