WORKING GROUP REPORT

CUSC Amendment Proposal CAP094

Limited Duration Transmission Entry Capacity

Prepared by the CAP094 Working Group
for submission to the Amendments Panel

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1.0 SUMMARY AND RECOMMENDATIONS

Executive Summary

1.1 Amendment proposal CAP094 Limited Duration Transmission Entry Capacity (LDTEC). (See Annex 3) was proposed by FHC on 24/06/05. The CUSC Amendments Panel determined that a working group should be established to consider the proposal, prior to industry consultation. The Terms of Reference were determined (see Annex 1) with a requirement to report back to the September 2005 Panel meeting.

1.2 The Working Group (WG) has evaluated the proposal against the Applicable CUSC objectives in accordance with its Terms of Reference.

1.3 The WG focussed assessment onto i) identification of the defect, ii) initial consideration of the LDTEC option identified in the CAP094 document and its interaction with NG operational processes, iii) characterisation of possible LDTEC product options, iv) consideration of candidate Working Group Alternative Amendment LDTEC product options in terms of the Applicable Objectives, and iv) Implementation Dates.

1.4 The WG decided that 6 Working Group Alternative Amendments (WGAA) would be recommended by the WG for inclusion in the consultation report. Of these, 4 were single product options and 2 were combined product options.

1.5 The whole of the WG did not support the original amendment, on grounds of not being practicable. The degree of support for the WGAAs varied between 2 and 4 members.

1.6 A number of members of the working group did not accept that CAP094 did identify a defect in the CUSC.

Working Group Recommendation

1.7 The WG proposes that the original CAP094 proposal and the Working Group Alternatives should be taken forward for wider consultation. The Working Group Alternatives are:

<u>Single LDTEC Products</u>

- Simple Block Access (SB)
- Profiled Block Access (PB)
- Indicative Profiled Block with Short-Term Firm Access (IPB)
- Multiple Contiguous Blocks of STTEC with Priority Access (MCBSTTEC)

<u>Combined LDTEC Products</u>

- PB + IPB
- MCBSTTEC + IPB

1.8 The WG records that in its unanimous view, the original amendment proposal is not practicable, because of inadequate time allowed for National Grid assessment.

1.9 Under the rules of the CUSC, parties who respond to the consultation are free to propose consultation alternatives.

2.0 INTRODUCTION

2.1 Subsequent to the implementation of CAP070 introducing the short-term access products for the transmission system, First Hydro Company considered the available access products did not meet the requirements of Users a) Where transmission capacity is available for the remainder of the financial year but National Grid is not able to grant enduring TEC rights either because of the time taken to analyse a proposal or because future rights are not yet available on full planning assessment basis; and/or b) Where the generator only requires access for the remainder of the financial year and does not require enduring TEC rights. Therefore they introduced CAP094.

3.0 PURPOSE AND SCOPE OF WORKING GROUP

3.1 The WG adopted a process of consideration of the identification of the defect, followed by an initial consideration of the LDTEC option identified in the CAP094 document and its interaction with National Grid operational processes. This led to an exploration of the product's attributes and other variants of the access product in the light of National Grid's operational processes. From this process a number of potentially practicable products were derived and these were assessed against the defect as described in the CAP094 proposal and then the Applicable Objectives of the CUSC. Finally, the WG considered the interaction with other industry codes and documents, in particular the Use of System Charging Methodology, with a view to pointing towards any consequential changes that may be required. The Working Group did not consider any changes to the Use of System Charging Methodology, as this would be outside its terms of reference.

4.0 IDENTIFICATION OF DEFECT

4.1 Proposer's View: The proposer's view is set out in Annex 3 which includes a description of the defect, as well as some illustrations of the remedial uses of an LDTEC product. He believes that LDTEC would better provide the kind of access that he is seeking than either of the current access products: STTEC or TEC. Whilst in principle contiguous blocks of STTEC could also provide the same access, the proposer is of the view that their use is unnecessarily complicated by the limitation on certainty of access to the next 6 weeks. Use of LDTEC would not confer on the User any access options in the succeeding year, unlike TEC; therefore it was addressing a differing need from TEC. Equally, use of LDTEC in any given year would not prevent a party from applying for TEC later. The proposer believed that the creation of additional short-term access products would enhance competition in balancing services and hence reduce BSUoS charges. This view was shared by a number of other WG members.

4.2 Counter- View: Other members disagreed. These members were of the view that users not requiring access beyond the end of the financial year could use the existing STTEC product; therefore although LDTEC was addressing a different need to TEC, it was not addressing a different need to STTEC. Additionally, the STTEC timescales were necessarily limited to facilitate analysis and hence ensure that additional BSUoS costs would not be incurred as a result of granting short-term access. The current two-product access system delivers an appropriate balance between flexibility in access

rights whilst avoiding unnecessary operational costs and potential perverse interactions between several competing access products

4.3 Access Products: The different access products currently available and the proposed new products are summarised in a tabular format in Annex 7.

5.0 INTERACTION BETWEEN THE SIMPLE BLOCK LDTEC AND NATIONAL GRID'S OPERATIONAL PLANNING PROCESS:

5.1 Constraints, Access and Incentives on National Grid: Members sought clarity from National Grid about the way in which short term access products are assessed at the moment and in particular the effect of constraints on the Transmission System and other balancing costs that may be imposed on the system and recovered via BSUoS. Members also sought clarity on the commercial drivers acting on National Grid when they assess and provide short term access. National Grid provided details of their processes (see Annex 8).

5.2 Access Assessment Resources: Resource requirements need to be considered as part of the charging arrangements consultation. Nevertheless, National Grid commented that the resource associated with the assessment of any application will be larger for longer periods of LDTEC, larger for a wider MW range of LDTEC applied for, and would be greater if a rolling assessment of access is required. Also, the greater the number of applications for LDTEC, the greater the National Grid assessment resource that would be required.

5.3 Initial Assessment of the Original Proposal: The CAP094 proposal considered a simple single block of access from the start date to the end of the financial year. The allotted National Grid analysis time was 2 weeks (see Annex 3). National Grid responded that such a timescale would be too short to allow adequate analysis to the end of the financial year. Therefore the original proposal as described in CAP094 would not be practicable. The WG went on to consider a variety of alternative proposals that would be practicable. Also, WG members recognised that a restriction to a simple firm block would result in National Grid offering a block that was limited by the access at the time of minimum access availability during the rest of the year. Some of the WG members proposed that more complex access products could be valid alternatives to the simple block originally proposed and therefore the WG explored these options prior to assessing them against the Applicable Objectives and gauging support for such candidates to be put forward as Working Group Alternative Amendments.

6.0 LDTEC OPTIONS

6.1 Simple Block (SB): Members began by considering a simple single block of access at a given MW level lasting from a given date sometime in the financial year to a date falling on or before the end of the financial year. The applicant would specify a minimum and maximum capacity sought; the minimum could be zero. National Grid would perform an assessment taking into account the factors outlined in Annex 8. If National Grid could not offer anything in the period and range requested they would reject the request. If National Grid could offer access within the timescale and range requested, they would offer the Generator a uniform block of access over the period. The capacity offered would be limited by minimum access that National Grid

could offer at any point during the period requested. The WG proposed that the Generator could respond in one of two ways: i) reject the offer, or ii) accept the offer. The application, assessment, offer and acceptance timescales would be consistent with National Grid's operational timescales (see Annexes 5 and 7). Having accepted the National Grid offer, the access purchased under this product would have the same commercial firmness as TEC, although no end-of-year option to renew access at this level was conferred.

6.2 Profiled Block (PB): Members considered a firm profiled block of access. The generator would make a request for an access product of duration such that it would start and end in one financial year. The applicant would specify a minimum and maximum capacity; the minimum could be zero. National Grid would perform an assessment taking into account the factors outlined in Annex 8. If National Grid could not offer anything in the period and range requested they would reject the request. If National Grid could offer access within the timescale and range requested, they would provide the Generator with a profile of access over the period. The WG proposed that the Generator could respond in one of three ways: i) reject the offer, ii) accept the offer in its entirety, or iii) accept the offer up to some capped maximum that was less than the maximum of the offer. In the case of acceptance option iii), the Generator would gain access up to the level of either the National Grid profiled access or and the acceptance capped maximum access, whichever is the lower at any given time. The alternatives are illustrated in Annex 6. Having accepted the National Grid offer with alternative ii) or iii), the access purchased under this product would have the same commercial firmness as TEC, although no end-of-year option to renew access at this level was conferred.

6.3 Indicative Profiled Block with Short Term Firm Access (IPB): WG Members considered a further type of access product. As before, the Generator would request a period and a minimum and maximum capacity. National Grid would offer additional access on a reasonable endeavours basis. In order to assess it, as well as the factors outlined in Annex 8, they would additionally take account of known short-term short-notice maintenance programmes on the transmission system and would also take account of known generator outages. (The effect of taking these two additional factors into consideration may increase or decrease the access available to the user depending, in part, on the location of the outage.) These two additional factors would not be taken account of in assessing the Simple Block and Firm Profiled Block. (As mentioned above SB and PB would be assessed as per Annex 8). National Grid would offer a non-firm maximum access with anticipated reductions in the access carved out. National Grid would offer the first 7 weeks of the access firmed up at the point of offer. If the generator accepted the offer, National Grid would thereafter firm up the profile once per week on a rolling basis, so that the generator's firm prospective profile would fluctuate between 8 weeks ahead at the point of the next announcement from NGC, to 7weeks ahead immediately prior to the next announcement. When National Grid firmed up the additional access, they would provide resolution of additional access to a daily MW level e.g. week-day and weekend. At this point the additional access would become commercially firm. This process is illustrated in Annex 6. The generator would have two alternative responses at the point of offer from National Grid: i) rejection of the offer, ii) acceptance up to a capped maximum. This capped maximum must be less than or equal to the maximum level originally applied for. In the case of acceptance option ii), the Generator would gain access up to the minimum of the National Grid firmed up profile access and the capped maximum access at any given time.

It should be noted that as the offered profile is only indicative (albeit that National Grid will provide maximum access consistent with reasonable endeavours) beyond the first seven weeks at the point of Generator acceptance, the firmed up access may be lower or higher than the profile.

6.4 Multiple Contiguous Blocks of STTEC (MCBSTTEC): WG Members considered another type of access product. This would use the existing product STTEC[1] in a new way with a changed priority of assessment. A Generator would apply for a number of contiguous blocks of STTEC. National Grid would assess the blocks in their normal timescales (see annex 7) taking into account the factors identified in Annex 8. They would then firm up each block of STTEC in the normal STTEC timescales (4 weeks before the start of the next STTEC period or 1 week for SNSTF). In the event of an interaction between the MCBSTTEC applications and a single STTEC application, the MCBSTTEC applications would be assessed first. It was confirmed that such an approach would require changes to the CUSC and therefore must be considered as a candidate alternative. (Please also note section 6.6 which considers a multiple application for STTEC blocks that does not require a CUSC amendment).

6.5 Summary of Candidate Products: These four types of product were considered by the WG. Under the terms of the CUSC there is an opportunity for other CUSC Parties to propose additional or alternative products during the consultation phase.

6.6 Use of Current STTEC Product: The following is not a candidate product. Nevertheless, it is placed in juxtaposition to the candidate products, in order to aid consideration by readers. Some of the WG Members did not accept that there was a defect. Therefore, they suggested that the access that the proposer sought could be achieved by an application for a number of contiguous blocks of STTEC. Unlike MCBSTTEC above, this would not require change to the priority of assessment of STTEC. They argued that such an application would be no more (and arguably less) complex than the Indicative Profiled Block described above. Such an application might lead to economies of resource in National Grid's assessment of the applications. However, such considerations were beyond the scope of the CUSC and would form part of any use of system charging modification.

7.0 ADDITIONAL LDTEC PRODUCT ATTRIBUTES

7.1 For products above, the WG also considered a number of attributes that would be needed to fully define the products. These are considered in the remainder of the next section of the report.

7.2 Duration of Period of Access: The original amendment proposal anticipates Generators seeking access to the end of the financial year. During assessment members considered a more general approach to the access in which the generator sought access to a specified end date that fell on or before the end of the current financial year. Some members suggested that such an approach would minimize the cost of application and make the application assessment and re-assessment more efficient. Such an

[1] The introduction of short-term access products via CAP070 led to two types of product which were called STTEC and SNSTF during the assessment process. Once implemented in the CUSC they are both now called STTEC. Therefore, their differentiation here is only to aid understanding of the new product options.

approach would also provide for a more flexible use of the product whilst still allowing applicants to seek access to the end of the financial year. This would mean that generators who only wanted access for part of the year would not be forced to acquire rights to the end of the year. This could free up capacity for use by others. Members considered the minimum duration for an LDTEC product. Given the weekly resolution of National Grid's assessment, the minimum period of access could be as low as one week. Members noted that applications for periods of access less than or equal to those available under one STTEC application would cause an overlap between the products. Therefore, pragmatically WG members proposed that the minimum duration for an LDTEC product should be seven weeks so as to avoid this overlap.

7.3 Start Date: Members discussed the earliest possible start date for LDTEC. LDTEC must start and finish within the same financial year. Earliest start date for LDTEC will be consistent with the time for processing the LDTEC application (which will vary with the duration applied for) and the fact that National Grid cannot begin processing an LDTEC application until after the closing date for establishing the baseline TEC for the forthcoming year. After advice from NGC, the WG agreed that the earliest application date would be on 1st April of the relevant year, as the TEC for the coming year might not be finalised until 31st March.

7.4 Financial Year 2006/07: Members noted the particular circumstances arising from BETTA go live and the current queue for access and sought clarity from National Grid if this would produce a one-off effect for the start of year 2006. National Grid responded that it does not anticipate there will be a one-off effect due to the current queue for access since applications for TEC that are presently in the queue do not seek access in 2006/07 and therefore any offers made for TEC will not interact with applications for LDTEC received in 2006/07 since the start date of the TEC offers will be in a later financial year. Furthermore, those users seeking TEC starting within 2006/07 have now signed offers and will therefore be in the background against which any future LDTEC applications are considered.

7.5 End Date: The end of the financial year will not always coincide with the end of a week. Pragmatically, members agreed the following approach to the end of the LDTEC period: i) if the duration is to the end of the financial year, the end date for the period of LDTEC is the day of the end of the financial year, and ii) if the duration of the product is to any other fixed date, the end date for the period of LDTEC is the end of that week. LDTEC periods cannot extend across the end of year boundary.

7.6 Access Assessment Timescales: The assessment process and timescales for MCBSTTEC would be as per current STTEC blocks. Each block of STTEC would be assessed separately as each new period was approached. For the other products: (SB, PB & IPB), in general, National Grid need longer to assess requests for LDTEC, the nearer the start of the planning year that the request covers. Typical assessment timescale requirements are included in Annex 7. Note these assessment timescales vary by the total duration of the LDTEC applied for and would be the same, regardless of which of the LDTEC products (SB, PB or IPB) is being considered. For the whole of the year, they would need ~6 weeks for assessment. Further through the year or for shorter periods of requested access they would need less for each succeeding quarter. Variation in assessment time per quarter is consistent with National Grid's current approach to assessment and so would only require marginal additional resource if the expected volumes of application were low. Any significant reduction in assessment times from those quoted

in Annex 5 would require substantial specific resource and hence increased cost. Only one specific assessment is required ahead of the National Grid offer being made in order to provide the Simple Block or Profiled Block products. For the 'Indicative Profiled Block with Short Term Firm Access' product, National Grid would make an initial assessment and then extend the firm profile on a weekly basis following a weekly reassessment.

7.7 Liability Issues: Although probably an issue for National Grid's Charging Methodology, WG Members proposed that the liability for charges for LDTEC should be determined by the maximum access that the acceptance of the offer confers. Members noted that in the case of the IPB access this could mean that the Generator has a charging liability for an access that may not be available when it is firmed up by NGC.

7.8 Capping Access: Members considered the cap on access. In the same way as TEC and STTEC are capped by CEC, members considered that the sum of a Generator's acceptances for access products at any particular time should be capped by CEC.

$$\sum (\text{TEC} + \text{STTEC} + \text{LDTEC}) \text{ acceptances} \leq \text{CEC}$$ {summed over the connectionsite}

7.9 Interaction between Products – Commercial Firmness: Members agreed that once any of the products had been provided to a generator they would all have the same commercial firmness. For the indicative profile with short-term firmness product this would mean that at the point when National Grid issued the next week's firmed up access, it would become commercially firm. Similarly, when each block of contiguous STTEC was confirmed by National Grid and accepted by the generator, it would become firm. For the other products, they would become firm at the point of first acceptance by the generator.

7.10 Priority of Assessment and Offer: WG Members agreed that prior to any assessment of STTEC or LDTEC, National Grid must establish the baseline TEC for the given year. Therefore next year's TEC will always take priority. WG Members considered, but were unable to agree on a rationale for prioritising assessment and offer between the various access products within the financial year. Within product type members agreed that first come first served should generally be used as the deciding factor.

7.10.1 Current Practise: National Grid has a licence obligation to provide an offer of capacity and a start date within 28 days of TEC application if there are no associated works and within 3 months if there are associated works. For the next financial year TEC applications always take precedence. National Grid assesses STTEC applications on the basis of their start dates and with a secondary ordering by first-come first-served by date of application. Members judged that the timescales for assessment of STTEC and TEC and the nature of the products are such that any interaction between them is unlikely to produce any problems. The rapid assessment of STTEC applications makes it unlikely that two STTEC applications could interact with each other.

7.10.2 The Effect of Additional Access Products: The longer period of assessment for LDTEC, combined with its longer duration make interaction with TEC, STTEC and other LDTEC applications more likely.

7.10.3 Prioritisation Options: Members devised two different approaches to prioritising interactive applications. Both would work mechanically.

7.10.4 Prioritisation by Access Product Type: The rationale for this option is that larger blocks of access should be settled first, as this is more likely to result in efficient access usage. In case there needs to be a prioritisation of assessment and offer of access, the order of precedence is TEC> LDTEC>STTEC. It should be noted that this would mean MCBSTTEC would take precedence over single STTEC. Also, this would mean that if an interactive TEC application arrived the day before an LDTEC assessment was finished, the LDTEC offer would wait until the TEC application was processed (LDTEC assessment period plus up to 118 days for the TEC process). This approach would apply to the MCBSTTEC product.

7.10.5 Prioritisation by Date of Application: Under this option if a TEC application arrives after an interactive LDTEC application, the following happens. The LDTEC applicant is informed they are interactive with a TEC offer. The TEC application is processed and two conditional offers are made: i) an offer of TEC on the assumption that the LDTEC offer is accepted, and ii) an offer on the basis that the LDTEC offer is declined. In parallel the LDTEC offer is made to the LDTEC applicant and the TEC applicant is advised of the outcome. If the LDTEC application arrives after the TEC application , the applicant is informed they are in a queue and given the option to withdraw their application. Assessment of the LDTEC application would commence after the TEC process has been completed. (The TEC process can last up to 118 days and hence the LDTEC application could time out.) This approach would apply to the SB, PB and IPB products.

7.11 Queuing: Because LDTEC applications can be interactive with other LDTEC applications and TEC offers, WG Members agreed that the applicants should be informed they are in a queue when this happens. Further, they should have the option of withdrawing or varying the start date of their application. Members were very aware of the possibility of spoiling applications for LDTEC, or more likely TEC and hence were not in favour of a more public dissemination of queue information.

7.12 Trading: Members considered whether or not access conferred via LDTEC should be tradable, as per TEC. They decided that such an issue was sufficiently far away from the core of the proposal as not to be relevant to its considerations. Nevertheless, should the Regulator decide to implement any of the alternatives proposed, then tradability may be the subject of a further CUSC Amendment Proposal.

7.13 Combined Applications: Members discussed how Generators might use the products. It was suggested that typically a Generator might put in a combined application seeking to find out, for example, what profiles of access are available under the firm profiled block and the indicative profile block short term firm products and then choose between the two products having assessed the best commercial outcome. Therefore, members suggested that the charging methodology consultation should include such a possibility in defining the charges for application.

8.0 ASSESSMENT AGAINST APPLICABLE OBJECTIVES AND WG PREFERRED CANDIDATES

8.1 WG members discussed the possible variants of the above candidate options. The WG unanimously accepted that the original product option, as described in the proposal was unworkable, because it allowed insufficient time for National Grid to make an appropriate assessment. WG Members considered the candidate product types in trying to establish WGAAs. Then WG Members discussed whether the preferred candidates should be proposed in isolation or together as combinations. In proposing the WGAAs, members considered each in terms of the Applicable Objectives and the current CUSC as a baseline. In proposing combinations members considered what was achieved in addition to the single product options. Specifically, if using a single product option a number of times in one year gave the same outcome as a combination of products then the application of Occam's razor would mean the combination option was discarded.

8.2 General Arguments:

8.2.1 A number of arguments are general across all the products identified. They are set out first.

8.3 Efficient Provision of the Transmission Network: '*the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;'*

8.3.1 Pro: Those WG Members who were in favour of the amendment proposed that it allows greater use of available transmission capacity, thereby allowing it to be used more efficiently. They believed that TEC remained the superior product and did not believe that it would be undermined by the introduction of LDTEC, which was designed to provide access to spare capacity which was only available under operational conditions. They also suggested that, if required, National Grid could take account of LDTEC in the charging base, although this would necessarily be a forecast or based on data one year behind.

8.3.2 Anti: Those WG Members who did not support the amendment suggested that the potential undermining of the usage of TEC, particularly in positive charging zones would lead to National Grid having inadequate information on which to determine TNUoS charges and to operate the network efficiently in the operational twelve month cycle. This would in turn lead to greater inefficiency in long term development of the transmission network.[2] The greater the use of short-term products, the more pronounced the risk of undermining TEC. Therefore the availability of combinations of products arguably exacerbated this risk of undermining TEC, even compared with single LDTEC products.

8.4 Facilitation of Competition: '*Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.'*

[2] *Chairman's note:* In discussion National Grid had commented that TEC numbers are pre-eminent in National Grid's strategic development of the network, whilst TEC plus information supplied under the Grid Code (OC2) informs the within-year assessment of the network and access

8.4.1 Pro: Those WG Members who were in favour of the amendment proposed that it allows available transmission capacity to be more fully used, increasing the generation capacity available to the market and thus promotes greater competition in generation in general as well as for balancing services.

8.4.2 Anti: Those WG Members who did not support the amendment argued that the introduction of a further access product would undermine the primacy of TEC. This would impact the basis of the access charging model and hence distort locational signals for access. This would thereby distort competition in generation rather than facilitating it.

8.5 Product Specific Considerations

8.5.1 Simple Block: The general arguments pro and anti apply and additionally the specific arguments are as follows:

8.5.1.1 Pro: WG members in favour of this product option believed that the merits of simplicity made this product superior. With a simple block of access, charging liability and the access delivered match exactly. The simplicity of the product would enhance understanding, by other parties in the market, of the state of short-term access across the market. This would enhance transparency and hence facilitate competition. The simple nature of the product should make administration by National Grid easier, hence facilitating efficient provision of the network.

8.5.1.2 Anti: WG members who were not in favour of this product argued that the simple block outcome is achievable using the profiled block anyway and is therefore not necessary as a separate product. The simple block approach would mean that all the peaks would be sterilised as they were unable to be offered under this product. In the extreme case, one week when zero access was available would preclude offering any access for the rest of the year. This would not facilitate competition, as available short-term access would not offered and therefore usage of the network would be unnecessarily limited. This would also be administratively inefficient for National Grid.

8.5.2 Profiled Block

8.5.2.1 Pro: WG members who were in favour of this product argued that its flexibility helped to ensure that all the access that was potentially available could be offered to applicants. This was likely to facilitate competition by ensuring that the maximum amount of generation access was utilised. In this way they argued it was superior to the simple block. Additionally, they argued that it gave greater certainty of access than the Indicative Profiled Block (IPB) product. This would enhance efficiency of usage.

8.5.2.2 Anti: WG members who were not in favour of this product argued that its greater complexity would require more National Grid resource with the greater risk of inefficient provision of the transmission network. The longer firm duration of access provided by this product compared to STTEC or IPB would increase the risk of greater BSUoS costs arising because of unforeseen (by National Grid) events increasing constraints and other system operational costs, particularly later in the period. This would both reduce efficient provision of the network and damage competition by the greater risk of higher BSUoS for all users. Additionally, WG members believed that the complexity of the product would require greater complexity of monitoring of usage which would act against efficient delivery of the transmission system.

8.5.3 Indicative Profiled Block (IPB):

8.5.3.1 Pro: Those WG members who argued in favour of IPB believed that the nature of the product and the additional issues considered by National Grid in assessing available access would result in greater access being made available than under the PB product, whilst still giving the advantages of the PB over the SB product. Because National Grid are only required to firm up the product 7/8 weeks in advance, the risk of additional BSUoS costs arising from events in the future unforeseen at the time of assessment would be minimised. Therefore competition and efficient delivery of the network was facilitated by maximising the usage of available access, whilst avoiding the additional risks that might arise with PB.

8.5.3.2 Anti: Those WG members who were not in favour of IPB argued that the reduced certainty associated with the profile made it less likely for generators to be able to plan and utilise the access efficiently. The necessity for repeated assessment of access by National Grid on a weekly basis could impact its ability to efficiently deliver the transmission network as a product such as this, if it became popular, would make such assessment much more complex and likely to result in error.

8.5.4 Multiple Contiguous Blocks of STTEC (MCBSTTEC):

8.5.4.1 Pro: Those WG Members who were in favour of this product believed that the familiarity of the existing STTEC product gave confidence that multiple blocks would be only a small extension and hence a lower risk option for delivering additional access. This would therefore be more likely to be taken up by generators and therefore enhance competition, than the more complex product proposals. The assessment process is close enough to operational timescales so as to minimise the risk of additional BSUoS costs arising from unforeseen events. Additionally, there would be a small administrative gain for National Grid in being able to plan their assessment timetable.

8.5.4.2 Anti: Those WG members who were not in favour of MCBSTTEC argued that the CAP094 proposal was predicated on the lack of certainty arising from use of STTEC and that this extension of the existing product did nothing to mitigate this. As the STTEC blocks are of durations 4-6 weeks, they would not give the weekly resolution of access provided by PB and IPB. This would be less effective in ensuring all available access was offered. Additionally, they argued that the benefit arising from the MCBSTTEC product is small, but the costs of a full CUSC amendment would be required to achieve it.

8.5.5 Multiple Product Combinations: The decision to be taken by the Regulator is to accept one or reject all of those WGAAs offered. The Regulator has no discretion to pick and mix from amongst the products. Therefore the WG considered the full range of combinations of products so as to determine which combinations of products would be offered to the Regulator for acceptance or rejection. It should be noted that during the consultation phase, those who respond are free to propose their own consultation phase alternatives, should they wish. Some combinations had no support amongst WG members. Some combinations had no additional benefit over that achieved by multiple applications of the single products in a given year. Following this process of challenge, two multiple product options were identified that were supported by WG members and could be considered as offering something more than the single product options. No triple product options are proposed.

8.5.6 Profiled Block and Indicative Profiled Block:

8.5.6.1 Pro: Those WG members who were in favour of this combination of products argued that the difference in product attributes made them complementary and thereby gave National Grid enough options to manage the spare access during the year in an efficient way, whilst ensuring that applicants could choose how much firmness and how much risk of lack of firmness they wanted in seeking limited duration access. This is because an applicant would be able compare the firm and indicative profiled offers from National Grid and make a more informed decision about which one to choose. The availability of both products also mitigated the perceived disadvantages of the single products.

8.5.6.2 Anti: Those WG members who were not in favour of the combination of products being available argued that having two products available would only enhance the risk of undermining the primacy of TEC and hence doubling the dis-benefits they set out in the general arguments as well doing nothing to reduce the issues set out against the single products. This is because the availability of the two products means an applicant can elect to apply for one of the products only.

8.5.7 Indicative Profiled Block and Multiple Contiguous Blocks of STTEC:

8.5.7.1 Pro: Those WG Members who were in favour of this combination argued that these two products would allow applicants to use access that each on its own is unlikely to allow. Specifically, in the case when an application for IPB is made, the applicant's access is capped by their acceptance. In the event that National Grid are subsequently able to release further access as the weekly assessment process rolls forward, then MCBSTTEC may be used to give priority access to such access.

8.5.7.2 Anti: Those WG Members who were not in favour of this combination were, in general, not in favour of MCBSTTEC as a stand-alone product (see anti arguments above). They argued that everything that the combination gave could be achieved by use of multiple IPB applications and that such applications would give a finer (weekly) resolution of access anyway.

9.0 PROPOSED IMPLEMENTATION AND TIMESCALES

9.1 WG Members were unable to agree on implementation timescales.

9.2 Those members who supported the amendment believed that as the defect currently exists, it should be solved as soon as possible, subject only to charging methodology changes. All participants would start on an equal footing in determining their access product strategy. Thus, if capacity was available for use, participants should be provided access to it as soon as possible. To define an arbitrary implementation date at some point further into the future would be both inefficient and contrary to the promotion of competition.

9.3 Those members who did not support the amendment believed that the implementation should be not before the start of the next financial year and subject to adequate notice following the charging modification. This would allow parties to make informed decisions about the optimum mix of access products simultaneously at the start of the year.

10.0 IMPACT ON INDUSTRY DOCUMENTS

10.1 The WG did not identify any impact on Core Industry Documents or on the BSC.

10.2 Although not a Core Industry Document, the WG recommends that the impact on the National Grid's Use of System Charging Methodology should be considered. The consideration should include two aspects: i) how National Grid would charge for the provision of LDTEC and ii) how National Grid would charge for dealing with LDTEC assessment applications. This latter issue might require differing charges for assessments that require other than the normally quoted timescales.

Annex 1 – Working Group Terms of Reference and Membership

RESPONSIBILITIES

1. The Working Group is responsible for assisting the CUSC Amendments Panel in the evaluation of CUSC Amendment Proposal CAP's 092 and 094 tabled by E.On (CAP092) and First Hydro (CAP094), at the Amendments Panel meeting on 24th June 2005.

2. The proposal must be evaluated to consider whether it better facilitates achievement of the applicable CUSC objectives. These can be summarised as follows:

   (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and

   (b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC amendment provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

SCOPE OF WORK

4. The Working Group must consider the issues raised by the Amendment Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.

5. In addition to the overriding requirement of paragraph 4, the Working Group shall consider and report on the following specific issues:

   - Billing and Reconciliation aspects of the new product and existing products

6. The Working Group is responsible for the formulation and evaluation of any Working Group Alternative Amendments (WGAAs) arising from Group discussions which would, as compared with the Amendment Proposal, better facilitate achieving the applicable CUSC objectives in relation to the issue or defect identified.

7. The Working Group should become conversant with the definition of Working Group Alternative Amendments which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual Member of the Working Group to put forward a Working Group Alternative Amendment if the Member(s) genuinely believes the Alternative would better facilitate the achievement of the Applicable CUSC Objectives. The extent of the support for the Amendment Proposal or any Working Group Alternative Amendment arising from the Working Group's discussions should be clearly described in the final Working Group Report to the CUSC Amendments Panel.

8. The Working Group is to submit their final report to the CUSC Panel Secretary on 15 September 2005 for circulation to Panel Members. The

conclusions will be presented to the CUSC Panel meeting on 23rd September 2005.

MEMBERSHIP

9. It is recommended that the Working Group has the following members:

Chair	Malcolm Taylor
National Grid	Adam Brown
Industry Representatives	Gayle Cairns (British Energy) Paul Jones (E.ON) Simon Lord (First Hydro Company) Steve Moore (EDF Energy) Sarah Owen (Centrica) Frank Prashad (RWE-Npower) Russell Reading (Gaz De France) Shona Watt (RWE-Npower)
Authority Representative	Mariusz Hubski/Dipen Ghadia
Technical Secretary	Lindsey Paradine/Lilian MacLeod

10. The membership can be amended from time to time by the CUSC Amendments Panel.

RELATIONSHIP WITH AMENDMENTS PANEL

11. The Working Group shall seek the views of the Amendments Panel before taking on any significant amount of work. In this event the Working Group Chairman should contact the CUSC Panel Secretary.

12. Where the Working Group requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Working Group Chairman should contact the CUSC Panel Secretary.

MEETINGS

13. The Working Group shall, unless determined otherwise by the Amendments Panel, develop and adopt its own internal working procedures and provide a copy to the Panel Secretary for each of its Amendment Proposals.

REPORTING

14. The Working Group Chairman shall prepare a final report to the September 2005 Amendments Panel responding to the matter set out in the Terms of Reference.

15. A draft Working Group Report must be circulated to Working Group members with not less than five business days given for comments.

16. Any unresolved comments within the Working Group must be reflected in the final Working Group Report.

17. The Chairman (or another member nominated by him) will present the Working Group report to the Amendments Panel as required.

Annex 2 – Proposed Text to modify CUSC

To be circulated under separate cover

Draft text to give effect to the Proposed Working Group Alternative Amendments

Note: the draft text to be provided in this Annex is for each of the single access products. NGT expects to modify this text in the light of any comments received by Working Group members. Additional legal text will be required for the two WGAAs that are based on combinations of two single products. This text will be broadly based on that prepared for the single products.

Annex 3 – Amendment Proposal Form

CUSC Amendment Proposal Form	**CAP:094**

Title of Amendment Proposal:

Limited Duration Transmission Entry Capacity

Description of the Proposed Amendment *(mandatory by proposer)*:

This modification proposes a new product - Limited Duration TEC (LDTEC) - that will supplement TEC and the Short Term Firm Access products. The product definition is as shown below

LDTEC

Duration of Capacity Period
Balance of financial year

Latest application date
3 weeks before use

Notification to User
4 days before

User Accept/Reject
1 day before

NGC Analysis time
2 weeks

It will, subject to release of LDTEC by the Transmission Company, allow a generating station to procure additional access rights to the system for the balance of the Financial Year, over and above any contracted TEC. These additional within year rights will expire at the end of the financial/charging year. The technical availability of this product would be based on NGC's operational criteria as opposed to a full planning assessment.

Description of Issue or Defect that Proposed Amendment seeks to Address *(mandatory by proposer)*:

There are currently 'blindspots' in the access regime which restrict the efficient operation of the market in the following circumstances:

a) Where transmission capacity is available for the remainder of the financial year but NGC is not able to grant enduring TEC rights either because of the time taken to analyse a proposal or because future rights are not yet available on full planning assessment basis.

b) Where the generator only requires access for the remainder of the financial year and does not require enduring TEC rights.

In both of these circumstances the currently available access products are unsuitable – for instance Short Term TEC facilitates access for a short period of a few weeks or months, and its structure was designed accordingly.

Impact on the CUSC *(this should be given where possible)*: It is anticipated that changes will be required to section 6 of the CUSC
Impact on Core Industry Documentation *(this should be given where possible)*: None foreseen
Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*: None foreseen
Details of any Related Modifications to Other Industry Codes *(where known)*: A Transmission charging proposal will be required to charge for LDTEC
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** *(mandatory by proposer)*: Promoting more efficient use of the transmission system enables National Grid to more easily and efficiently discharge its obligations under the Act and the Transmission Licence, and fulfill its obligations to facilitate competition in the generation and supply of electricity.

Details of Proposer: Organisation's Name:	First Hydro Company
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Simon Lord First Hydro Company 0870 238 5501 **SLORD@FHC.CO.UK**
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Kevin Dibble First Hydro Company 0870 238 5523 KDIBBLE@FHC.CO.UK
Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

Notes:

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the

Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

   The completed form should be returned to:

   Richard Dunn
   Panel Secretary
   Commercial Frameworks
   National Grid Company plc
   NGC House
   Warwick Technology Park
   Gallows Hill
   Warwick, CV34 6DA
   Or via e-mail to: CUSC.Team@uk.ngrid.com

   (Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives** - These are defined within the National Grid Company Transmission Licence under Section C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.

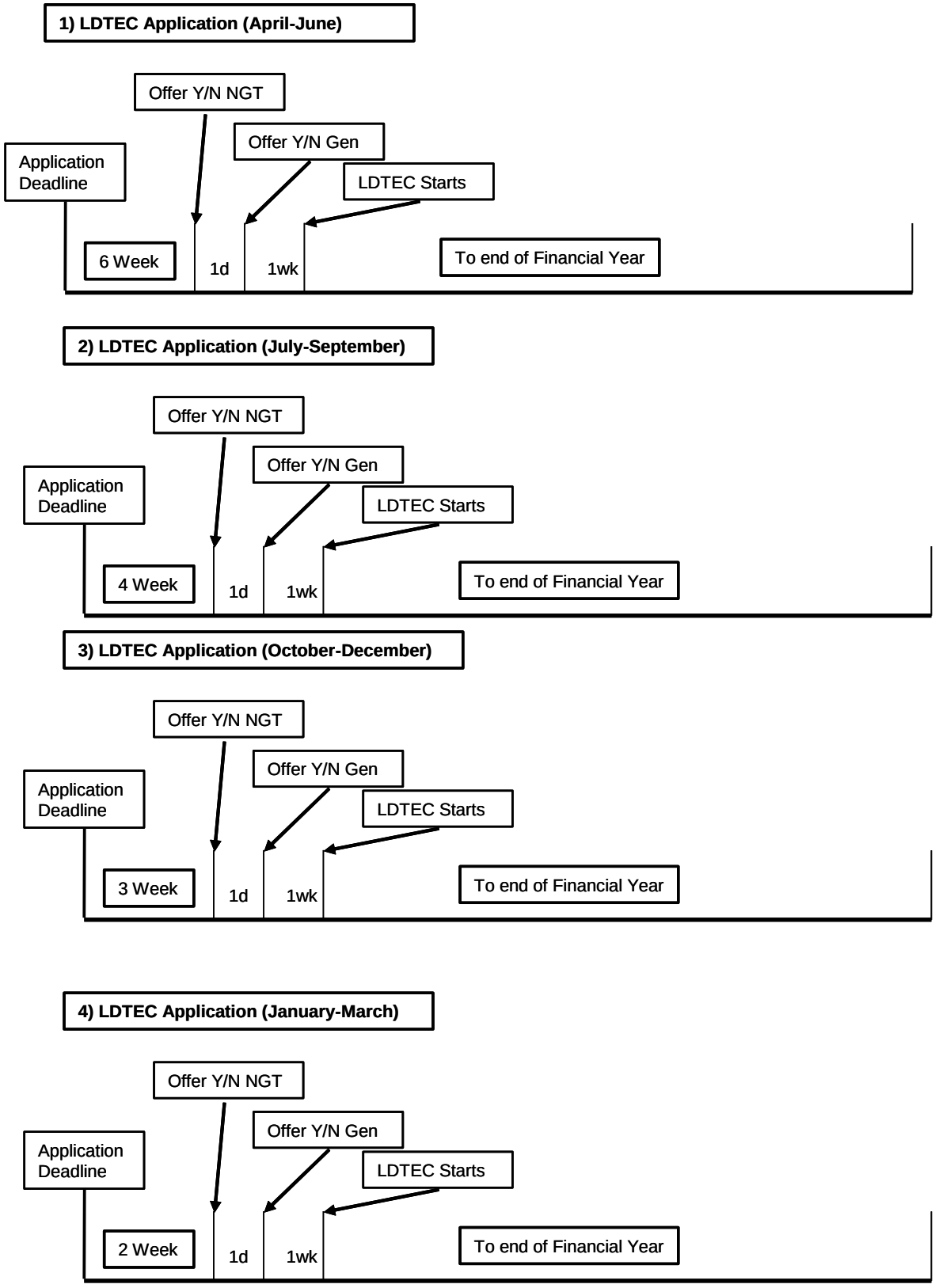
Annex 4 – Internal Working Group Procedure

Consistent Generation Use of System Charge Liability Provisions for Transmission Access Products
&
Limited Duration Transmission Entry Capacity

INTERNAL WORKING PROCEDURES

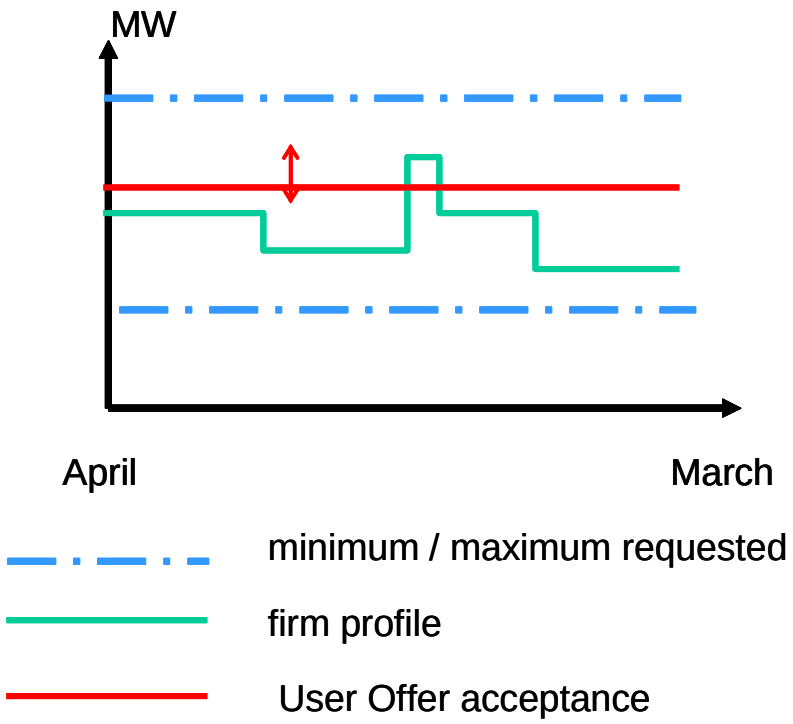
1. Notes and actions from each meeting will be produced by the Technical Secretary (provided by National Grid) and circulated to the Chairman and Working Group members for review.
2. The Meeting notes and actions will be published on the National Grid CUSC Website after they have been agreed at the next meeting or sooner on agreement by Working Group members.
3. The Chairman of the Working Group will provide an update of progress and issues to the Amendments Panel each month as appropriate.
4. Working Group meetings will be arranged for a date acceptable to the majority of members and will be held as often as required as agreed by the Working Group in order to respond to the requirements of the Terms of Reference set by the Amendments Panel.
5. If within half an hour after the time for which the Working Group meeting has been convened the Chairman of the group is not in attendance, the meeting will take place with those present.
6. A meeting of the Working Group shall not be invalidated by any member(s) of the group not being present at the meeting.

ANNEX 5 – TYPICAL NATIONAL GRID ASSESSMENT TIMELINES FOR LDTEC

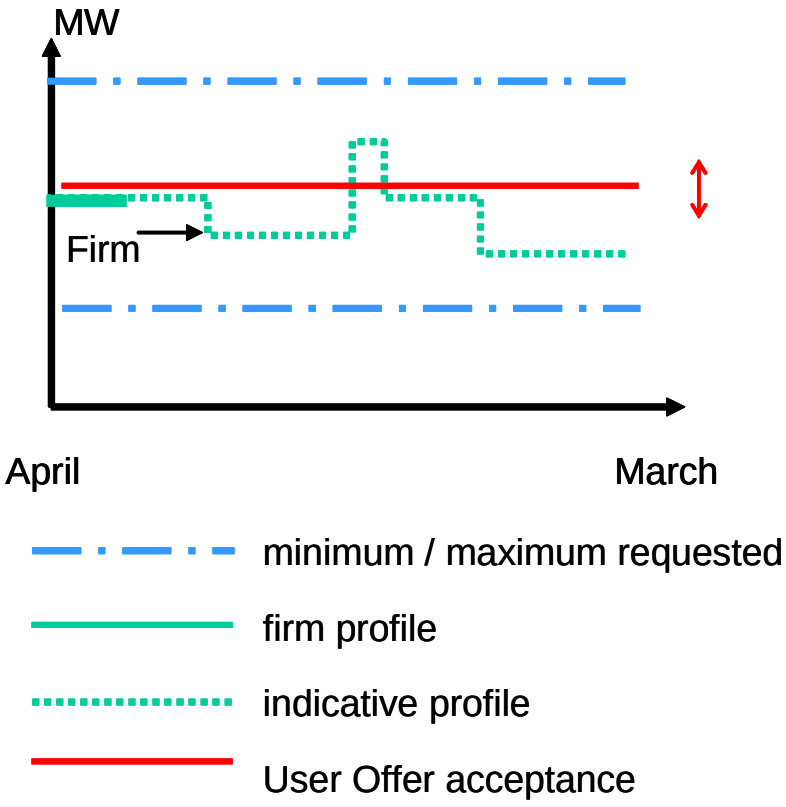


ANNEX 6 – LDTEC ILLUSTRATIVE PRODUCT OPTIONS AND ACCEPTANCE PROCEDURE

a) Simple Single Block & Profiled Block



b) Profiled Block with Short-Term Non-Firm Access



ANNEX 7 – COMPARISON OF ACCESS PRODUCTS

	TEC	**STTEC**	**STTEC** [3](SNSTF)	**CAP094 Original**	**Simple Block**	**Profiled Block**	**Indicative Profiled Block with Short Term Firm Access**	**MCBSTTEC**
Application date	Any time of year	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)	Any time in year (but period applied for can not cross financial years)
Time for Assessment & Offer	Up to 3 months	2 week	1 week	2 weeks **Not Practicable!**	Depends on Duration T>9m 6 weeks 9m.T>6m 4 weeks 6m>T>3m 3 weeks T<3m 2 weeks			As per STTEC or SNSTF for each block separately
Decision by Gen	Within 3 months	N/A	1d	3d	1d	1d	1d	As per STTEC or SNSTF
Time till start	Anytime from date of acceptance (determined	4 weeks after Offer	1 week after acceptance	1d after acceptance	1 week after acceptance	1 week after acceptance	1 week after acceptance	As per each block of STTEC or SNSTF

[3] The introduction of short term access products led to two types of product which were called STTEC and SNSTF during the assessment process. Once implemented in the CUSC they are both called STTEC. Their differentiation here is only to aid understanding of the new product options.

	by Offer)							
Duration	Enduring subject to CUSC compliance	4 weeks	4,5 or 6 weeks (generators discretion at application)	Rest of Financial Year	From start date to end date on or before end of financial year. Minimum duration 7 weeks.			As per each block of STTEC or SNSTF
Minimum Value MW	N/A	1	1	1	1	1	1	1
Notice of firmed up access	On acceptance	On Offer	On acceptance	N/A	N/A	N/A	Rolling 7/8 weeks	As per each block

Annex 8 - National Grid's Current Operational Planning Processes

Constraints: National Grid confirmed that currently identification of STTEC opportunities included assessment and avoidance of constraints (as far as possible) so that once purchased, STTEC had the same financial firmness as TEC. Therefore they would assume that LDTEC, once purchased, would have similar rights and have to be assessed and identified consistent with the requirement to avoid constraints. Members noted that National Grid could never guarantee that a short-term access product would not be subject to constraints and that therefore there was some risk that additional access could enhance the risk of constraint.

Drivers on NGC: At the moment, National Grid had an asymmetric commercial risk associated with constraints. If National Grid provided short-term access, they would not receive any additional funds overall, because the access price would fold back into the TNUoS charges via the K_t factor in the following year. (In the event that the total additional monies were greater than the K_t factor allowance, National Grid might be penalised). In the event that there is a constraint and actions have to be taken via the Balancing Mechanism, National Grid's System Operator Incentive would encourage National Grid to minimise balancing costs (including constraint costs). Hence, in most circumstances National Grid would either be neutral to the cash effects of sale of short-term access, or would be incentivised to ensure no additional constraints arose as a result of its sale.

National Grid's SO Incentive acts over a financial year and so their response to it would doubtless take account of their anticipated position at year end. For example, if it were anticipated by National Grid that they would receive no incentive payments by the end of year, there would be no commercial incentive on them to limit the possibility of constraints arising. However, to date National Grid have never reached this point; quite the opposite, in fact. In assessing the likelihood of this being an issue, WG members also noted the reputational issues that could arise for National Grid and the obligation arising through the Electricity Act 1989 that requires National Grid to operate a co-ordinate, efficient and economic systems as well as facilitating competition thereby ensuring that access should be released where possible.

Elements of Assessment Process: Typically National Grid would be assessing major outages and construction programmes, and major maintenance programmes on the transmission system, in order to determine the operational headroom within which they could provide short-term access. They would always seek to ensure that the access would not cause or exacerbate constraints and would leave space for short-term short-notice maintenance. In determining access over the rest of the year they would not make any allowance for additional access arising from generator outage programmes.