AMENDMENT REPORT

CUSC Amendment Proposal CAP070

Short Term Firm Access Service

The purpose of this report is to
Assist the Authority in their decision
of whether to implement
Amendment Proposal CAP070

Amendment Ref	CAP070
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Prepared by	National Grid

I DOCUMENT CONTROL

a National Grid Document Control

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0.1	07/07/04	National Grid	Initial Draft for internal comment
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c Distribution

Name	Organisation
CUSC Parties	Various
Panel Members	Various
Interested Parties	Various
Core Industry Document Owners	Various
National Grid Industry Information Website	-

II CONTENTS TABLE

1.0 SUMMARY

1.1 CAP070 was proposed by NGC and submitted to the CUSC Amendments Panel for consideration at their meeting on 23 January 2004. The Amendments Panel determined that CAP070 should be considered by a Working Group. The Working Group provided an initial report to the Panel on 23 April 2004. The Panel advised that the Group should be granted an extension to consider Working Group Alternative Amendments and the final report was provided to the Panel on 21 May 2004.

1.2 The Working Group Report recommended that CAP070 and a Working Group Alternative Amendment should proceed to wider consultation. The Panel agreed that the Working Group had fulfilled its Terms of Reference and it was appropriate to proceed to wider industry consultation by National Grid, subject to minor changes to the final report which were subsequently made. However the Panel asked for it to be noted that the Working Group Alternative Amendment had arisen because one member of the Working Group supported the approach of creating a Working Group Alternative Amendment comprised of the original CAP070 plus a short notice short term firm (SNSTF) option.

1.3 CAP070 proposes that NGC will develop a short term firm access service such that Users can request Short Term Transmission Entry Capacity (STTEC) which would be available for a period of four weeks duration. Users can request the STTEC not less than six weeks prior to the period of use and NGC will confirm at four weeks ahead of use whether the request has been successful. If the request is successful Users can generate against this access right on a firm basis. A Charging methodology will be required to support the proposals and this has been consulted on in charging consultation UoSCM-M-13 which took place at the same time as this CUSC Amendment consultation and this closed on 7th July 2004.

1.4 The Working Group Alternative Amendment comprises CAP070 and a short notice, short-term firm (SNSTF) product. The SNSTF product would be available for a period of four, five or six week duration. Users can request SNSTF not less than two weeks prior to the period of use and NGC will “offer” SNSTF one week ahead of use and the User has one day to accept the offer.

1.5 National Grid consulted on the Amendment Proposal and the Working Group Alternative Proposal on the 28th May 2004 and the consultation closed on 2nd July 2004. Ten responses were received to the consultation. Two of the responses were supportive of the Amendment, and eight were not supportive although two of these indicated support of the principle of introducing shorter term access product.

1.6 Several respondents included comments on the associated charging methodology, consulted on under UoSCM-M-13, and the comments are recorded here for completeness but will be addressed in the response to the charging consultation.

National Grid Recommendation

1.7 National Grid proposed CAP070 and considers that either the Amendment Proposal or the Working Group Alternative Amendment Proposal better facilitates the Applicable CUSC Objectives. It is National Grid’s view that the Proposals would enable National Grid to discharge its obligations to operate an economic and efficient system by reducing any perceived barriers to entry for market participants that are seeking access for a short term finite period thus improving security of supply. Presently, Users obtain TEC on an evergreen basis and pay for any annual right for

access based on the highest TEC during that year. The introduction of a sub-annual product charged at an appropriate rate should enable greater access to the system for short periods whilst not undermining the longer term signals.

1.8 National Grid believes that this will also facilitate the Applicable CUSC Objective to facilitate effective competition. The introduction of a shorter term access product should enable more generation access to the system, particularly at times of system stress, and therefore enhances competition between generators.

1.9 It should be noted that whilst National Grid considers both the Original Amendment and the Working Group Alternative address the defect and better facilitate the applicable CUSC Objectives to the same extent, the Working Group Alternative was only supported by one member of the Working Group, who was the proposer of the Alternative. However, the fact that only one member of the WG supported the Alternative in no way undermines its validity as a valid Working Group Alternative Amendment. The majority of the Working Group preferred the Original Amendment to the Alternative but the Working Group could not agree whether the Amendment Proposals better met the applicable CUSC Objectives and there was only some support for either.

2.0 PURPOSE AND SCOPE OF THE REPORT

2.1 This Amendment Report has been prepared and issued by National Grid under the rules and procedures specified in the Connection and Use of System Code (CUSC) as designated by the Secretary of State. It addresses issues relating to the provision of a Short Term Access Service.

2.2 Further to the submission of Amendment Proposal CAP070 (see Annex 1) and the subsequent wider industry consultation that was undertaken by National Grid, this document is addressed and furnished to the Gas and Electricity Markets Authority ("the Authority") in order to assist them in their decision whether to implement Amendment Proposal CAP070 or the Working Group Alternative Amendment.

2.3 This document outlines the nature of the CUSC changes that are proposed. It incorporates National Grid's recommendations to the Authority concerning the Amendment. Copies of all representations received in response to the consultation have also been included and a "summary" of the representations received is also provided. Copies of each of the responses to the consultation are included as Annex 3 to this document.

2.4 This document has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid website, at http://www.nationalgrid.com/uk/indinfo/cusc.

3.0 THE PROPOSED AMENDMENT

3.1 CAP070 proposes that NGC will develop a short term firm access service such that Users can request Short Term Transmission Entry Capacity (STTEC) which would be available for a period of four weeks duration. Users can request the STTEC not less than six weeks prior to the period of use and NGC will confirm at four weeks ahead of use whether the request has been successful. If the request is successful Users can

generate against this access right on a firm basis. A Charging methodology will be required to support this service.

3.2 The Working Group Alternative Amendment comprises CAP070 and a short notice, short-term firm (SNSTF) product. The SNSTF product would be available for a period of four, five or six week duration. Users can request SNSTF not less than two weeks prior to the period of use and NGC will "offer" SNSTF one week ahead of use and the User has one day to accept the offer.

3.3 Through consideration and development the Amendment Proposal has been clarified and given further definition. NGC's proposals for the charging methodology are subject to a separate consultation (UoSCM-M-13) which closed on the 7th of July.

3.4 CHARACTERISATION OF THE PRODUCT

3.4.1 Timeline for the Product:
The timelines for STTEC and SNSTF are shown schematically in Annex 5 described below:

	STTEC	**"short term short notice firm"**
Duration of Capacity Period	4 weeks	4-6* weeks
Latest application date	6 weeks before	2 weeks before
Notice to User	4 weeks before	4 days
User Accept/Reject	Committed at application	1 day
Analysis time	2 weeks	1 week

*The ability to specify a duration between 4 and 6 weeks, as well as giving the generator additional freedom, will also allow the generator to match the duration of SNSTF product to the EFA contract periods.

3.4.2 Checks and Balances

3.4.2.1 Consideration was given as to whether there should be any particular checks and balances on the availability of STTEC. NGC consider that evergreen TEC should remain the primary product for generators. The suggested associated charging methodology put forward in UoSCM-M-13 could provide a natural check for STTEC in that if the charge were based on a proportion of annual TNUoS then the use of STTEC would naturally be limited. For instance if STTEC were to be charged at 20% of annual TNUoS then the generators would presumably limit the use of STTEC to five times per year. Similarly, there would be another check by limiting the proportional TNUoS charge to generation in positive zones and setting the charge in negative zones to zero. Otherwise, for generators in negative zones they may be in a somewhat perverse position of being able to receive >100% TNUoS payment.

3.4.2.2 It is arguable whether a fixed restriction should be placed on the use of STTEC by a particular User, regardless of the natural incentives placed by the charging methodology. NGC would prefer the charging incentive route because as well as the extra administrative burden NGC is not aware of any obvious process that could derive a sensible limitation. Similarly, there has been discussion on whether there should be a restriction on the number of applications for STTEC. Again, NGC would expect that the application fee could provide a natural check on an excessive number

of applications.

3.4.2.3 It is NGC's view that the framework that is described for the amendment proposal adequately provide checks and balances for use of the products:

- Applicants would be dealt with on a first come first served basis;
- No STTEC application would be granted if NGC anticipated that it would lead to exacerbation of a constraint; &
- The pricing structure would tend to incentivise the number of STTECs purchased.

3.4.3 Firmness of the Product

Annex 6 describes the issues and assumptions with the firmness of STTEC.

3.5 CHARGING METHODOLOGY

NGC's proposals for the charging methodology are subject to a separate consultation (UoSCM-M-13) which closed on 7th July 2004. Details can be found on the NGC Industry Information Framework website.

3.6 BETTA

The implications for BETTA of the amendment are considered below.

3.6.1 GB CUSC and SO/TO Code (STC)

3.6.1.1 CAP070 is an England and Wales CUSC Amendment that is being taken forward against the applicable England and Wales CUSC Objectives. However, clearly at some point, CAP070 will be consulted on as to whether it is appropriate to implement on a GB basis, under BETTA.

3.6.1.2 The intended GB contractual framework is not identical to the existing England and Wales contractual framework. One of the main differences will be the existence of an (STC) under BETTA. If there is a need for any aspects of CAP070 to be covered under the STC, this will be taken forwards as part of the development of the STC under BETTA. As a general point NGC consider that if CAP070 was acceptable for England and Wales it would also be acceptable for GB.

3.6.2 GB Charging methodology Consultation

3.6.2.1 At present there is no formal procedure for charging methodology consultations to take place on a GB-wide basis. CUSC amendments are consulted on in E&W and then Ofgem can consult GB-wide. At this stage, it is difficult to say whether the associated charging methodology for CAP070 would be consulted on stand-alone on a GB basis, or as part of a wider GB charging methodology consultation. This will depend on the timings of the consultation for CAP070 in relation to its expected implementation date and development compared with BETTA timescales.

3.7 EFFECT ON MARKET PARTICIPANTS

3.7.1 Effect on Licensed generators: Licensed generators whether transmission connected or embedded could use this product for additional short-term access. Portfolio generators would probably be able to make better use of the product than single location generators, simply because their geographical diversity may allow them

greater choice over where to seek STTEC. (This is a normal portfolio benefit).

3.7.2 Effect on Licensed exempt embedded generators: Where such generators have elected to join the BSC and sign the CUSC (hence they have an existing annual TEC even if this is zero) they would be treated exactly as per licensed embedded generators. Otherwise they will be treated as negative demand and would not be able to utilise STTEC directly. Any indirect effect on them would arise from the effect on demand.

3.7.3 Effect on Interconnectors: For Interconnector owners TEC is only relevant for imports into E&W when they act in a way analogous to licensed generators. Depending on the balance of trade through the interconnector, the owner could decide to reduce the annual TEC and purchase STTEC for periods of anticipated high import. Such a decision would carry similar commercial risks and benefits to the equivalent decision by a licensed generator. Obviously Interconnector Owners will have their own arrangements and it should be noted that access is currently auctioned by the Interconnector Owner on an annual, monthly and daily basis and the owner might conceivably seek to align any use of STTEC with the shorter term auctions.

3.7.4 Effect on Suppliers: Suppliers would not be able to use STTEC. Nevertheless, they could be affected through the operation of the K_t factor to deal with any revenue variations year on year associated with STTEC. It should be noted that in the absence of an incentive scheme NGC would not offer STTEC if they anticipate it would exacerbate a transmission constraint.

3.8 EFFECTS ON COMPETITION

3.8.1 NGC believe that the implementation of CAP070 would increase competition because it would introduce short term finite access to the system, without impacting on transmission investment, charged at discounted rates to an annual access product. In providing such a service the design of it shall ensure that it complements the longer term access arrangements

3.9 CONSEQUENTIAL EFFECTS OF THE AMENDMENT

The effect of the amendment on NGC's licence and information provision are considered:

3.9.1 Implications in respect of the Transmission Licence

Standard Condition C7D: Requirement to Offer Terms, of NGC's Transmission Licence sets out the provisions for NGC to offer terms for connection and use of system and enter into a bilateral agreement. NGC is not obliged to enter into any agreement that would involve the licensee to be:

a) in breach of its duties under section 9 of the Act i.e. to essentially operate an economic and efficient system;

b) in breach of regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business;

c) in breach of the licensee's Grid Code

d) in breach of the conditions, or

the person making the application does not undertake to be bound by the licensee's Grid Code and/or the CUSC, or the person ceases to be an authorised electricity operator.

NGC is not obliged to enter into an agreement where it would prejudice the safe operation of the system or where the person is not a suitable operator or signatory to the Codes or where it would not be economic or efficient to do so. It is NGC's opinion that this latter provision, i.e. economic and efficient grounds would allow NGC not to grant STTEC applications in all cases. Nevertheless, NGC anticipates that it may be useful to bring forward Transmission Licence modification proposals covering the provision of STTEC. These would make clear that whilst NGC will allocate STTEC in a non-discriminatory way and consistent with economic and efficient operation of the system, NGC will not be obliged to offer STTEC to anyone who applies for it. Preliminary discussions with Ofgem have indicated that they would be happy to consider a Licence amendment to cater for STTEC if necessary. An alternative approach would be to make clear that the requirements of C7D do not apply to applications for short term use of system. In the event that Ofgem agree to the proposed amendment, or an alternative, the detailed means of dealing with this issue will be discussed and agreed with Ofgem.

3.9.2 Requirements for information provision

It is suggested that NGC should provide an annual report of STTEC use and a summary of the reasons where requests for STTEC were not authorised during the previous year. Additionally, NGC will look at means to put allocations of STTEC and relevant data concerning unsuccessful applications into the public domain as soon as practicable after allocation. The purpose of releasing data about unsuccessful applications will be to facilitate market operation. The requirements are covered in the legal text and precise details of formats, web page designs, timing of release etc., will be developed once Ofgem has decided about the proposals.

4.0 ALTERNATIVE AMENDMENT

4.1 NGC has not received any Consultation Alternative Amendments. One Working Group Alternative Amendment was raised, and this has been fully analysed within this Amendment Report.

5.0 IMPLEMENTATION AND TIMESCALES

5.1 National Grid recommends that CAP070 or the Working Group Alternative should, ideally, be implemented from 20 September 2004 for the service to start on 1 November 2004. However, these timescales are dependent on the decision from the Authority being received by the 20th August 2004 given the leadtime for the products. Were the Authority not to have made a decision by 20th August 2004, we would recommend implementation takes place one month after the Authority decision, which would mean the service commenced one month after implementation.

6.0 IMPACT ON THE CUSC

6.1 CAP070 and the Working Group Alternative Amendment seek to introduce changes to the CUSC such that a new section, Section 6.31 (Short Term Transmission Entry Capacity) and new Exhibit, Exhibit P (STTEC Request Form) are introduced. In addition 7 new definitions are to be proposed for inclusion in Section 11 for CAP070

and 11 new definitions would be required for the Working Group Alternative Amendment.

6.2 The amended CUSC text to give effect to CAP070 or the Working Group Alternative is contained in Annex 2.

7.0 CUSC OBJECTIVES

7.1 The Applicable CUSC Objectives are defined in Paragraph of Condition C7F of National Grid's Transmission Licence and can be summarised as follows:

- (a) efficient discharge by National Grid 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 an (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

7.2 The Working Group conducted an initial assessment of the proposed Amendment against the applicable CUSC Objectives

Objective a) NGC that a sub-annual product will lead to more economic use of the system in the short term. Those WG members who disagreed thought that an increase in complexity could lead to a decrease in efficiency. Additionally, those members suggested that unless there was a consistent charging methodology, it could create perverse incentives for parties to behave in a manner which would lead to further inefficiency. Additionally, they were not convinced that there was a barrier to entry.

Objective b) NGC assert that the amendment will lead to enhanced competition, particularly at times of system stress and hence enhanced competition between generators. Those members who disagreed asserted that this was a discriminatory cross-subsidy that would distort cost/price structures for market participants.

7.3 A further, more detailed, assessment of the proposals against the relevant CUSC objectives is included in Section 10. which includes users representations on the objectives and the subsequent National Grid response.

8.0 IMPACT ON CUSC PARTIES

8.1 CUSC Parties would need to be aware that short term access products are available, and of the timescales for application and granting of the capacity. Also, CUSC Parties would need to be aware of the requirements placed on NGC to make information available on the requests for capacity that had been granted and report on the applications that had not been granted.

9.0 IMPACT ON CORE INDUSTRY DOCUMENTS

9.1 An impact has not been identified on Core Industry Documents although it is considered that there will be an impact on National Grid's Use of System Charging Methodology. The proposed accompanying change to the charging methodology was conducted under charging consultation UoSCM-M-13 which closed on 7th July.

10.0 VIEWS AND REPRESENTATIONS

10.1 This section contains a summary of the views and representations made by consultees during the consultation period in respect of the Proposed Amendment and the Working Group Alternative Amendment.

Views of Panel Members

10.2 One Panel Member responded to the Draft Amendment Report in their capacity as a Panel Member and said…

"Page 5 Para 1.9.
The report states *'The majority of the Working Group supported the Original Amendment, ... '*

Page 14 Para 11.3
Above text repeated

I do not believe this is an accurate description of the opinions of the working group. There was minority support for both the original and the alternative amendment proposals. I refer you to my two PowerPoint presentations to the CUSC Panel, during which I joked that I would like to have reported (as did John Greasley in his BSSG report immediately prior to my presentation) a unanimity of view, but could not. I indicated the wide range of issues over which there was not unanimity regarding this amendment. The slide is extracted below:

WG Views

Divided over

- **Merit of product**
- **Support for alternative options**
- **Charging basis for product**
- **Cost recovery for the product**
- **NGT incentivisation**
- **Furthering Applicable Objectives**

Also I refer you to the working group report Para 1.5 'Although the WG cannot agree whether or not the creation of a short-term TEC

would better meet the applicable CUSC objectives, it proposes that the original CAP070 proposal and a Working Group Alternative Amendment comprised of original CAP070 plus a short-notice short-term firm (SNSTF) product should be taken forward for wider consultation.'

This wording was deliberately chosen to indicate that the group's unanimity was only that the proposals should proceed to wider consultation, nothing more.

I believe the relevant text should just be deleted".

Responses to the Consultation

10.3 The following table provides an overview of the representations received in response to the CAP070 Consultation. Copies of the representations are attached as Annex 3 and a summary of the individual responses are included in Section 12.

Reference	Company	Supportive	Comments
CAP070-CR-01	First Hydro	Yes	Supportive of the Working Group Alternative
CAP070-CR-02	Magnox Electric	No	Not supportive
CAP070-CR-03	British Energy	No	Not supportive
CAP070-CR-04	Powergen	No	Not supportive
CAP070-CR-05	EDF Trading / EDF Generation	No	Support for the principle but not for CAP070 or the Alternative
CAP070-CR-06	Scottish & Southern	No	Not supportive
CAP070-CR-07	EDF Energy	No	Not supportive but felt scope for shorter or longer term access products
CAP070-CR-08	Scottish Power UK	No	Not supportive
CAP070-CR-09	Centrica	Yes	Supportive of the CAP070 original amendment
CAP070-CR-10	RWE Innogy	No	Not supportive

10.4 Respondents' views broadly fell into the following categories:

(a) Security of supply
(b) Economic Use of the System
(c) Competition issues
(d) Flexibility of the product
(e) Process
(f) Charging Issues

NGC's responses to the issues raised are described below. NGC has addressed the issues against the Applicable CUSC Objectives and considers that a) Security of Supply and b) Economic Use of System fall under the broader category of the Applicable CUSC Objective for the efficient discharge by National Grid of the obligations imposed on it by the Act and the Transmission Licence. Also that c) Competition Issues fall under the other Applicable CUSC Objective to facilitate competition. The charging issues are presented here but will be addressed as part of the charging methodology consultation.

10.5 ECONOMIC AND EFFICIENT OPERATION OF THE SYSTEM BY NATIONAL GRID

10.5.1 Security of Supply

One Respondent (CAP070-CR-2) considered that implementation of CAP070 would actually have the reverse effect of the primary intention to increase security of supply at system peak. The respondent's argument followed the logic that CAP070 implementation would lead to the booking of less annual TEC and therefore more uncertainty in the levels of plant availability at system peak.

NGC does not expect STTEC to replace the annual TEC as the primary product because the product is designed to be attractive only to marginal and peaking plant. Whilst there may be some increased uncertainty in precise levels of peak margin in April (when annual TECs are submitted), we believe that the STTEC product would help delay the mothballing or withdrawal of generating plant where TNUoS forms a large part of its Short-Run Marginal Costs. This should therefore lead to higher overall system margin.

10.5.2 Economic Use of System

Economic and efficient operation of its system underpins the Applicable CUSC Objective for National Grid to efficiently discharge the obligations imposed on it by the Act and its Licence. One respondent (CAP070-CR-6) noted that CAP070 implementation would increase the potential for market participants to submit non-reflective TECs. Another respondent (CAP070-CR-7) raised the concern that reductions in TEC and using STTEC as top-up would lead to misleading investment signals. A further respondent (CAP070-CR-6) viewed that the system is designed to operate at all times and therefore CAP070 would not lead to a more economic system.

We agree with the concern but NGC believes that the current charging tariffs provide the correct signals to participants to submit reflective TECs, and does not anticipate CAP070 would lead to a change in the potential for non-reflective TECs. The design of STTEC has been to ensure it does not undermine the quality of investment signals. NGC believes that CAP070 would lead to more economic use of the system by providing an additional product for peaking plant.

10.6 FACILITATING COMPETITION

Competition is one of the Applicable CUSC Objectives and respondents raised a number of issues in this regard. One Respondent (CAP070-CR-2) raised concern that increased uncertainty could lead to short term price spikes and regarded the scope for price manipulation by Users applying for multiple blocks of STTEC without using it and voiced concern over the potential for abuse of market power where some participants could block-book STTEC months ahead. In addition, a respondent (CAP070-CR-6) suggested that competition would not be increased at all since NGC cannot be sure that a generator with STTEC would make itself available at times of system stress. One respondent (CAP070-CR-10) believed that the proposal does not facilitate competition because it discriminates against southern-based generation. Other respondents believed that competition would be damaged by cross-subsidy of peaking generation by baseload generation. One respondent (CAP070-CR-10) commented there it did not believe there was a perceived barrier to entry. Also, views were expressed that contrary to NGC's assertion, barriers to entry would not be lowered since no commercial entity would enter a market where it could only

participate for part of the year. Another respondent (CAP070-CR-1) compared the merits of the individual STTEC products proposed and concluded that the STSNF product better facilitated competition by enabling additional generation to be made available at short notice.

National Grid believes that market participants would purchase STTEC with the intention of using it. NGC is not considering "use it or lose it" provisions at this stage but would regard "hoarding" of STTEC as anti-competitive and would monitor the situation closely, with referral to OFGEM if necessary. The "Cross-subsidy" and discrimination issues raised will be considered in charging consultation UoSCM-M-13. National Grid does not agree with the argument that commercial entities would not enter a market where they could only participate for a fraction of the year - there are many examples of seasonal businesses. National Grid notes the point that it could not be sure that a generator would make itself available at system stress but belives that the introduction of the short term products gives generators a more flexibility to access the system which should therefore increase competition. With respect to the merits of the STSNF product compared to the STTEC product, National Grid notes the point, and is prepared to support both products. We note that the Alternative Amendment involves an additional product to CAP070 which was only supported by one Working Group member.

10.7 OTHER

10.7.1 Flexibility of the Product

Some concerns were raised about the flexibility and usefulness of the CAP070 product. One respondent (CAP070-CR-10) claimed that the product would not facilitate the return of mothballed plant and another (CAP070-CR-4) claimed that the product was not useful to the majority of generators as the lead times were too short and the STTEC product too short. Another respondent (CAP070-CR-2) argued that the lead times were too long to be able to respond to market signals. Two respondents (CAP070-CR-1 and CAP070-CR-8) argued STTEC was too restrictive and that the STSNF product provided more flexibility to fit with different operational plant requirements.

NGC recognises that a number of variations to the STTEC product were discussed at Working Group level and the options described in this report are a manifestation of the search for the most suitable product. NGC recognises that STTEC product could evolve to improve its attractiveness to different types of mothballed plant but that the product definition in this proposal would still provide benefits and better meet the Applicable CUSC Objectives.

10.7.2 Process

Some representations were made with regard to general process issues. One respondent (CAP070-CR-8) requested clarity between ordinary TEC and STTEC application processes and suggested STTEC product information to be made available online to participants. The same respondent requested publication of proposed licence modifications to be made available. One respondent (CAP070-CR-10) commented that the process for assessing applications should be based on clear and consistent criteria based on the relevant licence objectives. Another respondent (CAP070-CR-9) commented that it was disappointed with the process whereby it was not possible to comment on all aspects of the amendment i.e. there has not been a

forum where both the CUSC amendment and the associated charging methodology could be discussed in the same forum. One respondent (CAP070-CR-3) reinforced a comment made previously on the governance for developing Working Group Alternative Amendments.

NGC would respond that Section 3.9.2 of this document describes how NGC intends to provide information related to CAP070. It is anticipated that Licence modifications will be part of a separate OFGEM consultation. NGC maintains that the provisions for assessing applications are consistent with its licence objectives. NGC has indicated that it will report fully on the applications that are not granted together with the rationale for its decision. NGC recognises there may be an issue with the governance point of cross-code issues. Although they could not form part of the Terms of Reference extensive discussions on charging issues did take place at the CAP070 Working Group and similar points were made at CUSC Panel in receiving the CAP070 Working Group Report. At the CUSC Panel Ofgem expressed their misgivings in discussing charging issues in a CUSC forum.

10.8 CHARGING ISSUES

The issue of charging for STTEC provoked many responses. One respondent (CAP070-CR-2) regarded that there would be less available capacity because marginal costs are increased under CAP070 and that baseload plant would be subsidising peaking generation, a point also made by another respondent (CAP070-CR-3). Other Respondents (CAP070-CR-4, CAP070-CR-5, CAP070-CR-6) also believed that the proposal is discriminatory and others (CAP070-CR-5, CAP070-CR-6, CAP070-CR-7, CAP070-CR-8) raised the point that they believed that the proposed charging methodology was not cost reflective. One Respondent (CAP070-CR-8) raised concerns about the treatment of the revenues from STTEC and was concerned about excess revenues being reallocated through Kt and thought that refunds should be reallocated as part of a generation reconciliation process. In terms of incentivisation the same respondent was concerned how an incentivisation scheme might work in practice and expressed a wish that any proposals for STTEC incentivisation would be consulted on in due course.

Respondent CAP070-CR-8 believed that TEC and STTEC should not be charged on the same basis and was concerned that different access products should not be derived from the current charge for TEC and a more appropriate basis would be an average annual TNUoS charge prorated to the period of use.

Another Respondent (CAP070-CR-10) believed that the charging methodology would undermine the locational signals provided by annual TNUoS charges. The same Respondent regarded that the exclusion of STTEC from the generation input to the DCLF model would create an incentive on northern generators to reduce TEC to reduce the locational differentials calculated by the ICRP model which would in turn enhance the economics of mothballing plant in the south of the country, thus reducing the available transmission capacity.

NGC accepts that the design of the charging methodology for STTEC should take account of the interactions with the longer term TEC product and that perverse incentives should be avoided.

NGC notes all the issues raised by respondents with respect to charging and will address them in charging consultation UoSCM-M13 which closed on 7th July 2004.

11.0 NATIONAL GRID RECOMMENDATION

11.1 National Grid is of the view that both Amendments better meet the Applicable CUSC Objectives. National Grid also recognises the concerns over the undermining of TEC and long term security of supply of the network but is of the view that the Amendments are designed to mitigate this and provide a positive additional product.

11.2 National Grid recommends that the original CAP070 Amendment Proposal or the Working Group Alternative Amendment be implemented in line with the implementation time-scales detailed in paragraph 5.1.

11.3 It should be noted that whilst National Grid considers both the Original Amendment and the Working Group Alternative address the defect and better facilitate the applicable CUSC Objectives to the same extent, the Working Group Alternative was only supported by one member of the Working Group, who was the proposer of the Alternative. However, the fact that only one member of the WG supported the Alternative in no way undermines its validity as a valid Working Group Alternative Amendment. The majority of the Working Group preferred the Original Amendment to the Alternative but the Working Group could not agree whether the Amendment Proposals better met the applicable CUSC Objectives and there was only some support for either.

12.0 SUMMARY OF USERS RESPONSES

12.1 The respondent CAP070-CR-1 was in favour of the Working Alternative Proposal as it believed it would better facilitate effective competition in the generation and supply of electricity by enabling additional generation to be made available at short notice. The respondent felt that the CAP070 original amendment was too restrictive in terms of its longer notice period and felt that the Alternative allows plant with both long and short technical lead times to return to take advantage of STTEC. Also that increased flexibility in the process should be developed to reflect the range of requirements in relation to different plant types.

12.2 Respondent CAP070-CR-2 does not support CAP070 or the Alternative proposal as it believes that the licensee would not efficiently discharge its obligations under the Act or the licence in that it considers there will be less booked TEC and therefore there is likely to be greater uncertainty over NGC's ability to ensure peak winter demand. Also, the respondent believes there would be less available capacity because the marginal costs of generation are increased under CAP070 then generators may not be able to justify booking STTEC for shoulder months and November and February. The respondent also feels that the leadtime for booking STTEC precludes a generator from responding to short term price signals.

12.3 Respondent CAP070-CR-2 also believes that the proposals do not better meet the CUSC objective to facilitate competition in that it believes that the greater flexibility afforded to generators under CAP070 will increase uncertainty in terms of security of supply at times of unexpected system stress e.g. the summer which could lead to short–term price spikes. The respondent also feels that the cost allocation between peak and non-peak periods is arbitrary and that baseload generators may in effect subsidise peaking plant over the winter period. The respondent suggests that to increase security of supply explicit capacity payments could be made available to encourage the certainty of availability of plant. The respondent also feels that the proposals could allow price manipulation by Users applying for multiple blocks of capacity without using it and there could be abuse of market power if Users book capacity months ahead.

12.4 Respondent CAP070-CR-3 does not support the proposal because it considers that the introduction of STTEC will damage competition by cross subsidizing market entry for a certain class of generators that would no longer be charged for the full costs that they impose on the transmission system. The respondent states that the change may well create commercial incentives on Users to submit non-reflective TEC information and introduce perverse outcomes. The respondent reinforces a comment made previously on the Working Group Report on the governance arrangements for developing Working Group Alternative Amendments. The respondent also outlines an alternative charging methodology.

12.5 Respondent CAP070-CR-4 does not support the proposal or the Alternative as it believes that it is discriminatory and does not form a product that will be useful to a majority of generators. The respondent's response also includes the response to the charging methodology consultation and the comments on charging will be addressed there. The respondent believes that the proposals would be of little use to the majority of generators and would not support the return of a generating plant from mothballing – the leadtimes associated with the original proposal are too short to bring back plant and to be able to get a longer duration STTEC period the generator would have to apply for sequential STTECs. Also the Alternative proposal is less useful and may prove beneficial to a limited specific subset of generating units. The respondent comments that a more usable product was discussed at the CAP070

Working Group but did not pursue it further because of misgivings on discrimination.

12.6 Respondent CAP070-CR-5 was in favour of the principle of short term transmission access and was concerned that parties with long term access will be charged more for their product in order to provide access for mothballed plant and therefore that the proposals are discriminatory. The respondent also states that it believes that the accompanying charging methodology is not cost reflective and will be reflecting this in its response to the charging consultation.

12.7 Respondent CAP070-CR-6 does not support the CAP070 proposal or alternative. In general terms the respondent believes that the proposal is not cost reflective, introduces cross-subsidies between users and is therefore discriminatory – in particular that the proposal would permit certain Users to avoid paying their annual TNUoS costs. The respondent asks where this "shortfall" would be recovered. Also that the proposal would give commercial incentives on certain users not to submit a reflective TEC.

12.8 Respondent CAP070-CR-6 also had some specific comments including that it does not believe that the proposals would reduce barriers to entry in that a commercial organisation is unlikely to enter a market where they are limited to the time of year they can operate. The respondent is also concerned about the impact there could be on TNUoS charging zones due to the pattern of TEC/STTEC/SNSTF booking which could unduly and unfairly impact on other generators costs. Also that it does not believe NGC's assertion that this will lead to more economic use of the system as the system has been developed to operate at all times and that by using it part of the time is inefficient and uneconomic. It also does not agree with NGC's assertion that the amendment will lead to enhanced competition because it cannot be sure that a generator will make themselves available at times of system stress (which could be in summer) and adds the comment that paying annual TNUoS in a positive zone there is no (TNUoS) benefit in only operating for part of the year. The respondent also believes that STTEC and SNSTF should not be part of an incentive scheme because of its nature.

12.9 Respondent CAP070-CR-7 was not supportive of the original amendment or the Alternative amendment. With reference to the applicable CUSC objectives it did not believe that either would better facilitate competition in generation or the efficient operation of the transmission system as they favour generators that might otherwise be uneconomic to run at the expense of generators that have committed to use the system for a full year. The respondent commented that it believed there was scope for greater flexibility for transmission access products such as shorter or longer term products but felt that such developments should take account of the nature of the investment costs associated with transmission infrastructure and that the proposed amendment could undermine the cost reflectivity of the current charging regime. The respondent also believed that there should be an incentive for the majority of users to contract for access on a long term basis and that short term products could lead to participants reducing their annual TEC and top with additional STTEC when market conditions are favourable which could result in misleading investment signals to National Grid.

12.10 Respondent CAP070-CR-8 was not supportive of the proposal as it did not support the associated proposed charging methodology. It also was concerned that the application and acceptance framework was too rigid under the CAP070 original proposal and that the arrangements under the alternative proposal were an improvement in this regard. The respondent also had general concerns about both the original and the alternative proposal including that there should be clarity about

the precedence between TEC and STTEC applications. Also that revenue from STTEC should not be included in Kt as this would redistribute revenue across demand and that a more suitable approach would be to reallocate STTEC revenue uniformly back over users with TEC for that same year. The respondent also has difficulty in seeing how a STTEC incentivisation scheme may work and asks National Grid to elaborate on this further.

12.11 Respondent CAP070-CR-8 also commented that it believed that there should be an obligation on NGC to publish STTEC related information which should include some indication of STTEC availability, the locations of applications that have not been accepted and that NGC produces a report on the reasons for rejecting applications. The respondent also requested that the drafting for any proposed licence modifications should be made available by NGC.

12.12 Respondent CAP070-CR-9 was supportive of the CAP070 original amendment. The respondent commented that it was concerned that Suppliers may be adversely affected by unanticipated constraint costs and suggested that this should be closely monitored and the criteria for offering STTEC updated as necessary going forward. The respondent also commented that it was disappointed with the process whereby it was not possible to comment on all aspects of the amendment i.e. there has not been a forum where both the CUSC amendment and the associated charging methodology could be discussed in the same forum.

12.13 Respondent CAP070-CR-10 was not supportive of the proposals as it believed that the perceived defect (that the Amendment seeks to address) does not exist, it does not facilitate competition as it discriminates against southern-based generation and that the amendment would not facilitate the return of mothballed plant. Also, the respondent believed that applications for the service should be assessed on clear and consistent criteria based on the relevant licence objectives. In terms of the charging methodology the respondent commented that it would undermine the locational signals provided by annual TNUoS charges and that it would create perverse incentives to lower the available TEC on the system thereby reducing system margin.

13.0 SUMMARY OF RESPONSES TO DRAFT AMENDMENT REPORT

13.1 National Grid received 4 responses following the publication of the draft Amendment Report. The following table provides an overview of the representations. Copies of the representations are attached as Annex 4. National Grid had also received a response to the consultation document from Innogy that had not been included in the draft Amendment Report. This has subsequently been included.

Reference	Company	Summary of Comments
CAP070-AR-01	Scottish Power	Included further comments on charging issues information provision and TEC and STTEC interactions
CAP070-AR-02	Malcolm Taylor	Commented on paragraphs 1.9 and 11.3
CAP070-AR-03	E.ON UK	Commented on paragraphs 1.9 and 11.3
CAP070-AR-04	Scottish & Southern	Commented on paragraphs 12.8, 3.2, 3.3, 3.7.4, 3.8.1, 4.9.2, 10.5 and a process point

13.2 Respondent CAP070-AR-01included further comments on charging issues and also that if it had to state a preference between the two amendments it would be for the Alternative Amendment. The respondent remains of the belief that National Grid should publish information on STTEC availability and the location of applications that have not been accepted and that TEC applications should take precedence over interactions with STTEC applications and this should be made clear in the CUSC or National Grid's licence.

13.3 National Grid responds that the comments on the charging issues have been summarised in 10.8 and it reaffirms that it would not be able to publish information on STTEC availability and would analyse requests for short term access on a case by case basis. Also, National Grid believes that the present provisions for publication of information and assessment of applications are appropriate.

13.4 Respondents CAP070-AR-02 and CAP070-AR-03 commented on paragraphs 1.9 and 11.3 which referred to Working Group discussions and believed that the text did not properly reflect the views of the Working Group. It should be noted that Respondent CAP070-AR-02 did so as a Panel member and the text of the response is included in Section 10.2

13.5 National Grid responds that paragraphs 1.9 and 11.3 have subsequently been amended in this final amendment report to reflect those comments.

13.6 Respondent CAP070-AR-04 commented on some phraseology used in paragraph 12.8. The same respondent had some specific comments on why some text in the consultation document (paragraphs 3.2 and 3.3) was excluded from the amendment report and questioned why paragraph 3.7.4 had changed. Also the same respondent believed paragraph 3.8.1 was not grammatically correct and asked why previous paragraph 4.9.2 had been excluded. In respect of paragraph 10.5 the respondent suggested some amended text and believed that NGC had not responded on this

point. The respondent also raised a point of process concerning the differing formats of the Consultation Document and the Amendment Report.

13.7 National Grid responds by stating that the text in paragraphs 12.8, 3.8.1 and 10.5 has been amended to reflect the respondents comments. In terms of the text in paragraphs 3.2 and 4.9.2 National Grid does not believe the text should be included because these were points on charging methodology and are therefore covered in the subsequent charging methodology consultation. Likewise it was felt that in paragraph 3.7.4 the emphasis was too specifically related to charging issues. In terms of why the text in paragraph 3.3 was not included National Grid responds that the text is covered by the content of Section 6.0. With regard to the National Grid response in 10.5 the paragraph has been amended to reflect the respondents comments. National Grid believes that the general comments of respondent CAP070-CR-6 have been effectively summarised in paragraph 12.7 and as these relate to charging issues have been captured in Section 10.8. National Grid notes the comments of the respondent with regard to the formats of the Consultation Documents and the Amendment Reports.

Annex 1: Amendment Proposal Form

CUSC Amendment Proposal Form	CAP:070

Title of Amendment Proposal:

Short Term Firm Access Service

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

It is proposed to introduce amendments to the Transmission Access arrangements for effect beginning the winter of 2004/5. The proposed changes would introduce a short term finite firm access service on the electricity transmission system.

The short-term firm product would be available such that Users can request a short term increased TEC, otherwise known as Short Term Transmission Entry Capacity (STTEC), which would nominally be available for a period of four weeks duration. Users can request the STTEC not less than six weeks prior to the period of use and NGT will confirm at four weeks ahead of use whether the request has been successful. If the request is authorised by NGT the Users can generate against this access right on a firm basis. A charging methodology will be required to support the product which could be based on sub-annual TNUoS. For instance, four weeks STTEC could attract a proportion of the applicable annual TNUoS rate.

A more detailed description of the proposal is attached.

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

nstances may arise where it is considered beneficial, both commercially for the respective parties and to enhance system security, to generate in excess of evergreen (long term) TEC. However, at present generators can only generate in excess of their TEC under emergency instruction. Users can apply to increase their TEC at any time in the year but if the application is granted the additional TEC will confer long term rights and would attract annual TNUoS charges.

er to lower any potential barrier to entry for short term use of capacity and enhance system security it is proposed to introduce a short-term firm finite access product such that generators, subject to NGT authorisation, are able to generate above their existing evergreen TEC on a short-term basis. The product should enable Users to generate for sub-annual periods without necessarily incurring annual TNUoS charges and therefore may provide an incentive for otherwise unavailable plant to generate. The product could also provide a means to utilise capacity which may otherwise have been unavailable under the existing access arrangements whilst using existing transmission assets.

Impact on the CUSC *(this should be given where possible)*:

It is anticipated that the above changes will impact on Sections 2,3,5,6,9,11

Impact on Core Industry Documentation *(this should be given where possible)*: The changes may impact on the Grid Code. Although not a core industry document, the above changes will impact on NGT's Use of System Charging Methodology
Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*: **The Charging & Billing System will be impacted.**
Details of any Related Modifications to Other Industry Codes *(where known)*: **CAP068: Competing Requests for TEC**
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 fulfil its obligations to facilitate competition in the generation and supply of electricity.**

Details of Proposer: Organisation's Name:	National Grid
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:	**Andy Balkwill** **National Grid Transco** **01926 655998** andy.balkwill@ngtuk.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Russell Cooper National Grid Transco 01926 656144 russell.cooper@ngtuk.com
Attachments (Yes/No): Yes **If Yes, Title and No. of pages of each Attachment:** Detailed Description of the Proposal for a Short Term Firm Access Service	

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 Development
   National Grid Company plc
   National Grid House
   Kirby Corner Road
   Coventry, CV4 8JY
   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 C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.

Annex 2 - Proposed Text to Modify CUSC

Part A - Text to give effect to the Proposed Amendment

The draft legal text is included for the amendment and the Working Group Alternative Amendment. 6.31; Section 11 Definitions; CUSC Exhibit P - Request for Short Term Capacity are new entries for the amendment and the Working Group Alternative Amendment. The section on Changes to Other Parts of the CUSC applies to the amendment and the Working Group Alternative Amendment.

6.31 SHORT TERM TRANSMISSION ENTRY CAPACITY

6.31.1 Background

A **User,** who is party to a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** may make a **STTEC Request** to **NGC** in accordance with this Paragraph of the **CUSC**.

6.31.2 Form of STTEC Request

6.31.2.1 A **STTEC Request** must be received by **NGC** by the date specified in Paragraph 6.31.6.2.

6.31.2.2 A **STTEC Request** must be made by email and by fax and must attach the **STTEC Request Form** duly completed and signed on behalf of the **User**.

6.31.2.3 A **STTEC Request** shall not be deemed received by **NGC** until the non-refundable **STTEC Request Fee** has been paid to **NGC** and until the faxed copy of the **STTEC Request** is received in accordance with Paragraph 6.21.2.4 of the **CUSC**.

6.31.2.4 Each **STTEC Request** must state one **STTEC Period** only.

6.31.2.5 A **STTEC Request** must be for a **STTEC Period** within a 12 month period of receipt by **NGC** of the **STTEC Request** and the **STTEC Period** must not include any days within more than one **Financial Year**. The **STTEC Request** must include a minimum and maximum level of MW for the **STTEC Period**.

6.31.2.6 In respect of **Power Stations** directly connected to the **NGC Transmission System**, a **User' s Transmission Entry Capacity** plus the maximum figure requested (plus any **STTEC** previously for any part of the **STTEC Period**) must not exceed its total station **Connection Entry Capacity**.

6.31.3 Assessment by NGC of STTEC Requests

6.31.3.1 **NGC** may reject any **STTEC Request** that is not made in accordance with the provisions of this Paragraph 6.31.

6.31.3.2 **NGC** will assess **STTEC Requests** and whether or not to grant **STTEC Requests** at its absolute discretion.

6.31.3.3 **NGC** will start assessing a **STTEC Request** no later than the date specified in Paragraph 6.31.6.2.

6.31.3.4 If **NGC** has received more than one **STTEC Request** for a **STTEC Period** with the same start date, **NGC** will assess the **STTEC Requests** on a first come-first served basis such that the **STTEC Request** received earliest in time by **NGC** (as recorded by **NGC**) will be assessed first and then the **STTEC Request** received next in time after that, and so on.

6.31.3.5 No priority will be given to any **Users** who have previously made successful **STTEC Requests**.

6.31.4 Notification by NGC

6.31.4.1 Each **User** confirms and agrees that **NGC** shall have no liability to it for any **STTEC Request** which **NGC** does not grant in accordance with this Paragraph 6.31.

6.31.4.2 **NGC** is not obliged to grant any **STTEC Request** submitted.

6.31.4.3 A **STTEC Request** will only be granted at a level within the maximum and minimum range in MW submitted by the **User**.

6.31.4.4 **STTEC Requests** will be granted for a uniform amount of MW for the **STTEC Period**.

6.31.4.5 No **STTEC Request** will be granted if the maximum figure in the **STTEC Request** would together with the **User's Transmission Entry Capacity** (plus any **STTEC** previously granted for any part of the **STTEC Period**) exceeds the total station **Connection Entry Capacity**.

6.31.4.6 **NGC** shall notify a **User** who has made a **STTEC Request** by no later than the date referred to at Paragraph 6.31.6.3, whether or not **NGC** grants the **User's STTEC Request**.

6.31.5 Charging, Invoicing and Payment

6.31.5.1 Each **User** must pay the **STTEC Charge** even if the **User** does not use the corresponding **STTEC**.

6.31.5.2 The provisions of Section 3 shall apply in respect of the **STTEC Charge**.

6.31.5.3 The provisions of Section 6.6 shall apply in respect of payment of the **STTEC Charge**.

6.31.6 General

6.31.6.1 Each **STTEC Request** will constitute an unconditional and irrevocable offer by the **User** to **NGC** to buy **Short Term Capacity** (on a station basis) up to the quantity (in whole MW) stated in the **STTEC Request** for the **STTEC Period** and at the relevant price per MW set out in the **Statement of Use of System Charges** and upon the terms and conditions of **CUSC**. A **STTEC Request** is capable of being accepted by **NGC**. Notification by **NGC** that it has granted the **STTEC Request** in accordance with Paragraph 6.31.4.6 constitutes acceptance by **NGC** of the **STTEC Request.** The notification will:-

(i) state the level in MW (within the maximum and minimum range requested by the **User**) granted for the **STTEC Period**;

(ii) include a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) which will detail the **STTEC** and the **STTEC Period** for which this applies and **NGC** and the **User** agree that Appendix C to the relevant **Bilateral Agreement** will be deemed to be that notified in accordance with Paragraph 6.31.6 for the **STTEC Period**, unless otherwise amended in accordance with such **Bilateral Agreement** or the **CUSC**. Upon expiry of the **STTEC Period** the provisions in Appendix C that relate to such **STTEC** for that **STTEC Period** shall cease to have effect;

(iii) state the **STTEC Charge**.

6.31.6.2 The date referred to at Paragraphs 6.31.2.1 and 6.31.3.3 is six weeks before the start date for the **STTEC Period**.

6.31.6.3 The date referred to at Paragraph 6.31.4.6 is four weeks before the start date for the **STTEC Period**.

6.31.6.4 **NGC** may publish the following information in respect of **STTEC Requests** which are granted:-

1. details of the **STTEC Period**;

2. maximum and minimum amount in MW requested;

3. identity of the **User**;

4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **NGC** from time to time.

6.31.6.5 **NGC** may publish the following information in respect of **STTEC Requests** which are not granted:-

1. details of the **STTEC Period**;

2. maximum and minimum amount in MW requested,

in such form and manner as shall be prescribed by **NGC** from time to time.

6.31.6.6 The **User** consents to the publication by **NGC** of the information referred to above.

New Definitions Required:

"STTEC Request Form" the form set out in Exhibit P to the **CUSC**

"STTEC Period"	a period of 28 days commencing on a Monday at 00.00 hours and finishing at 23.59 on a Sunday.
"STTEC Charge"	being a component of the **Use of System Charges** which is made or levied by **NGC** and to be paid by the **User** for **STTEC** calculated in accordance with the **Charging Statements**.
"STTEC"	the figure in MW (if any) for the **STTEC Period** granted by **NGC** in accordance with Paragraph 6.31 of the **CUSC** and specified as such in Appendix C of the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement**.
"STTEC Request"	a request made by a **User** in accordance with the terms of Paragraph 6.31 for **Short Term Capacity** for a **STTEC Period**.
"Short Term Capacity"	the right to export on to the **NGC Transmission System** power in accordance with the provisions of **CUSC**.
"STTEC Request Fee"	the non-refundable fee to be paid by the **User** to **NGC** as detailed in the **Charging Statements**.

CUSC – EXHIBIT P

THE CONNECTION AND USE OF SYSTEM CODE – STTEC REQUEST FORM

DIRECTLY CONNECTED POWER STATION

EMBEDDED POWER STATION

INTERCONNECTOR OWNER

DISTRIBUTION INTERCONNECTOR

Please study the following notes before completing and signing the STTEC Request Form.

1. National Grid Company plc ("**NGC**") requires the information requested in this form for the purposes of considering and assessing whether or not to grant your **STTEC Request**. It is essential that the **User** supplies all information requested and provides all the confirmations required and that every effort should be made to ensure that such informations and confirmations are accurate.

   Please note the same terms used in this form are defined in the Interpretation in Definitions (contained in Section 11 to the **CUSC**) and when this occurs the expressions have capital letters at the beginning of each word and are in bold.

2. Where **NGC** considers that any information provided by the **User** is incomplete or unclear then **NGC** will reject the **STTEC Request**.

3. The **User** may not make any change to the information provided.

4. **NGC** shall charge the **User**, and the **User** shall pay to **NGC** the non-refundable **STTEC Request Fee**. The fee will be charged by **NGC** in accordance with the **Charging Statements**. No **STTEC Request** will be considered until such payment has been received.

5. **NGC** will consider the **STTEC Request** in accordance with the terms of Paragraph 6.31 of the **CUSC**.

6. **NGC** may publish certain information in relation to **STTEC Requests** as specified in Paragraph 6.31.6 of **CUSC**.

7. Please complete this form and email it to [ ] and fax it to [ ].

NGC – REQUEST FOR SHORT TERM CAPACITY

Please ensure that you have studied the notes before completing and signing this form.

A. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **STTEC Request** for and on behalf of the **User**.

……

B. Bilateral Agreement details

Please detail the **Bilateral Agreement** reference number.

…….

C. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **STTEC Request** relates.

……...

D. STTEC Period

Please provide the dates of the **STTEC Period** commencing on a Monday to which the **STTEC Request** relates.

STTEC Period:	**From** Must be a Monday	**To** 28 days later
28 days	……	……

E. Minimum and Maximum Levels (in whole MW)

Please provide details of the minimum and maximum level (in whole MW) of **Short Term Capacity** requested.

Minimum [ ] MW (Positive only)

Maximum [ ] MW (Positive only)

STTEC + TEC **≤** CEC (on a station basis)

STTEC REQUEST FORM

1. We agree to pay the **STTEC Request Fee** on the terms specified in the **Notes** to this **Request Form**.

2. We confirm that the data submissions in respect of the **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date.

3. We confirm that our **STTEC Request** for the maximum level of **STTEC** requested plus **Transmission Entry Capacity** (plus any **STTEC** previously granted for the **STTEC Period**) shall not exceed the total station **Connection Entry Capacity**.

Signed for and on behalf of the **User**

……..

Part B - Text to give effect to the Working Group Alternative Amendment

6.31 SHORT TERM TRANSMISSION ENTRY CAPACITY

6.31.1 Background

A **User,** who is party to a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** may make a **STTEC Request** to **NGC** in accordance with this Paragraph of the **CUSC**.

6.31.2 Form of STTEC Request

6.31.2.1 A **STTEC Request** must be received by **NGC** by the relevant date specified in Paragraph 6.31.6.5.

6.31.2.2 A **STTEC Request** must be made by email and confirmed by fax and must attach the **STTEC Request Form** duly completed and signed on behalf of the **User**.

6.31.2.3. A **STTEC Request** shall not be deemed received by **NGC** until the non-refundable **STTEC Request Fee** has been paid to **NGC** and until the faxed copy of the **STTEC Request** is received in accordance with Paragraph 6.21.2.4 of the **CUSC**.

6.31.2.4 The **STTEC Request** must specify whether it is a **Request for a STTEC Authorisation** or an **Application for a STTEC Offer**.

6.31.2.5 Each **STTEC Request** must state one **STTEC Period** only.

6.31.2.6. A **STTEC Request** must be for a **STTEC Period** within a 12 month period of receipt by **NGC** of the **STTEC Request** and the **STTEC Period** must not include any days within more than one **Financial Year**. The **STTEC Request** must include the minimum and maximum level of MW for the **STTEC Period**.

6.31.2.7 In respect of **Power Stations** directly connected to the **NGC Transmission System**, a **User' s Transmission Entry Capacity** plus the maximum figure requested (plus any **STTEC** previously granted for any part of the **STTEC Period**) must not exceed its total station **Connection Entry Capacity**.

6.31.3 Assessment by NGC of STTEC Requests

6.31.3.1 **NGC** may reject any **STTEC Request** that is not made in accordance with the provisions of this Paragraph 6.31.

6.31.3.2 **NGC** will assess **STTEC Requests** and whether or not to grant **STTEC Requests** at its absolute discretion.

6.31.3.3 **NGC** will start assessing a **STTEC Request** no later than the relevant date specified in Paragraph 6.31.6.5.

6.31.3.4 If **NGC** has received more than one **STTEC Request** for a **STTEC Period** with the same start date, **NGC** will:

(i) assess any **Requests for a STTEC Authorisation** before assessing any **Applications for a STTEC Offer**;

(ii) assess **Requests for a STTEC Authorisation** on a first come first served basis such that the **Request for a STTEC Authorisation** received earliest in time by **NGC** (as recorded by **NGC**) will be assessed first and then the **Request for a STTEC Authorisation** received next in time after that, and so on;

(iii) assess **Applications for a STTEC Offer** on a first come first served basis such that the **Application for a STTEC Offer** received earliest in time by **NGC** (as recorded by **NGC**) will be assessed first and then the **Application for a STTEC Offer** received next in time after that, and so on.

6.31.3.5. No priority will be given to any **Users** who have previously made successful **STTEC Requests**.

6.31.4 Notification by NGC

6.31.4.1 Each **User** confirms and agrees that **NGC** shall have no liability to it for any **STTEC Request** which **NGC** does not grant in accordance with this Paragraph 6.31.

6.31.4.2 **NGC** is not obliged to grant any **STTEC Request** submitted.

6.31.4.3 A **STTEC Request** will only be granted at a level within the maximum and minimum range in MW submitted by the **User**.

6.31.4.4 **STTEC Requests** will be granted for a uniform amount of MW for the **STTEC Period**.

6.31.4.5 No **STTEC Request** will be granted if the maximum figure in the **STTEC Request** would together with the **User's Transmission Entry Capacity** (plus any **STTEC** previously granted for any part of the **STTEC Period**) exceeds the total station **Connection Entry Capacity**.

6.31.4.6 **NGC** shall notify a **User** who has made a **STTEC Request** by no later than the relevant date referred to at Paragraph 6.31.6.6, whether or not **NGC** grants the **User's STTEC Request**.

6.31.5 Charging, Invoicing and Payment

6.31.5.1 Each **User** must pay the **STTEC Charge** even if the **User** does not use the corresponding **STTEC**.

6.31.5.2 The provisions of Section 3 shall apply in respect of the **STTEC Charge**.

6.31.5.3 The provisions of Section 6.6 shall apply in respect of payment of the **STTEC Charge**.

6.31.6 General

6.31.6.1 Each **Request for a STTEC Authorisation** will constitute an unconditional and irrevocable offer by the **User** to **NGC** to buy **Short Term Capacity** (on a station basis) up to the quantity (in whole MW) stated in the **STTEC Request** for the **STTEC Period** and at the relevant price per MW set out in the **Statement of Use of System Charges** and upon the terms and conditions of **CUSC**. A **Request for a STTEC Authorisation** is capable of being accepted by **NGC**. Notification by **NGC** that it has granted the **Request for a STTEC Authorisation** in accordance with Paragraph 6.31.4.6 constitutes acceptance by **NGC** of the **Request for a STTEC Authorisation**. The notification of **STTEC Authorisation** will:-

(i) state the level in MW (within the maximum and minimum range requested by the **User**) granted for the **STTEC Period**;

(ii) include a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) which will detail the **STTEC** and the **STTEC Period** for which this applies and **NGC** and the **User** agree that Appendix C to the relevant **Bilateral Agreement** will be deemed to be that notified in accordance with this Paragraph 6.31.6 for the **STTEC Period**, unless otherwise amended in accordance with such **Bilateral Agreement** or the **CUSC**. Upon expiry of the **STTEC Period** the provisions in Appendix C that relate to such **STTEC** for that **STTEC Period** shall cease to have effect;

(iii) state the **STTEC Charge**.

6.31.6.2 Each **Application for a STTEC Offer** is an application for the right to buy **Short Term Capacity** (on a station basis) up to the quantity (in whole MW) stated in the **STTEC Request** for the **STTEC Period** at the relevant price per MW set out in the **Statement of Use System Charges** and upon the terms and conditions of **CUSC**. Once an **Application for a STTEC Offer** has been received by **NGC** it cannot be withdrawn without the written consent of **NGC**. Notification by **NGC** that it has granted the **Application for a STTEC Offer** in accordance with Paragraph 6.31.4.5 will constitute a **STTEC Offer**.

6.31.6.3 A **STTEC Offer** shall:

(i) state the level in MW of **STTEC** (within the maximum and minimum range requested by the **User**) offered for the **STTEC Period**;

(ii) include a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) which will detail the **STTEC** and the **STTEC Period** for which this applies and **NGC** and the **User** agree that, if the **User** accepts the **STTEC Offer** in accordance with Paragraph 6.31.6.4, Appendix C to the relevant **Bilateral Agreement** will be deemed to be that notified in accordance with this Paragraph 6.31 for the **STTEC Period**, unless otherwise amended in accordance with such **Bilateral Agreement** or the **CUSC**. Upon expiry of the **STTEC Period** the provisions in Appendix C that relate to such **STTEC** for that **STTEC Period** shall cease to have effect;

(iii) state the **STTEC Charge**.

(iv) be open for acceptance by the **User** within 24 hours of receipt of the faxed copy of the **STTEC Offer**.

6.31.6.4 A **User** may accept a **STTEC Offer** within 24 hours of receipt of the faxed copy of the **STTEC Offer**. Acceptance of a **STTEC Offer** shall be made by the **User** executing and faxing back the Appendix C sent to the **User** as part of the **STTEC Offer.** A **STTEC Offer** lapses if not accepted within such period.

6.31.6.5 The dates referred to at Paragraphs 6.31.2.1 and 6.31.3.3 are:-

(i) in the case of a **Request for a STTEC Authorisation**, six weeks before the start date for the **STTEC Period**; and

(ii) in the case of an **Application for a STTEC Offer**, two weeks before the start date for the **STTEC Period**.

6.31.6.6 The date referred to at Paragraph 6.31.4.6 is:-

(i) in the case of a **Request for a STTEC Authorisation**, four weeks before the start date for the **STTEC Period**;

(ii) in the case of an **Application for a STTEC Offer**, seven days before the start date for the **STTEC Period**.

6.31.6.7 **NGC** may publish the following information in respect of **STTEC Authorisations**, and **STTEC Offers** which are accepted:-

1. details of the **STTEC Period**;

2. maximum and minimum amount in MW requested;

3. identity of the **User**;

4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **NGC** from time to time.

6.31.6.8 **NGC** may publish the following information in respect of **Requests for a STTEC Authorisation** and **Applications for a STTEC Offer** which in either case are not granted and **STTEC Offers** which are not accepted:-

1. details of the **STTEC Period**;

2. maximum and minimum amount in MW requested,

in such form and manner as shall be prescribed by **NGC** from time to time.

6.31.6.9 The **User** consents to the publication by **NGC** of the information referred to above.

New Definitions Required:

"STTEC Request Form" the form set out in Exhibit P to the **CUSC**.

"STTEC Period"	in the case of a **STTEC Authorisation**, a period of 28 days commencing on a Monday at 00.00 hours and finishing at 23.59 on a Sunday. In the case of a **STTEC Offer,** a period of either 28, 35, or 42 days (as specified by the **User** in its **STTEC Request Form**) commencing on a Monday at 0.00 hours and finishing at 23.59 on a Sunday.
"STTEC Charge"	being a component of the **Use of System Charges** which is made or levied by **NGC** and to be paid by the **User** for **STTEC** calculated in accordance with the **Charging Statements**.
"STTEC"	the figure in MW (if any) for the **STTEC Period** granted by **NGC** in accordance with Paragraph 6.31 of the **CUSC** and specified as such in Appendix C of the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement**.
"STTEC Request"	either a **Request for a STTEC Authorisation** or an **Application for a STTEC Offer**.
"Short Term Capacity"	the right to export on to the **NGC Transmission System** power in accordance with the provisions of **CUSC**.
"STTEC Request Fee"	the non-refundable fee to be paid by the **User** to **NGC** as detailed in the **Charging Statements**.
"**Request for a STTEC Authorisation"**	a request made by a **User** in accordance with the terms Paragraph 6.31 for **Short Term Capacity** for a **STTEC** Period
"**STTEC Offer**"	an offer made by **NGC** for **Short Term Capacity** in accordance with the terms of Paragraphs 6.31.6.2 and 6.31.6.3 in response to an **Application for a STTEC Offer**.
"**Application for a STTEC**	an application made by a **User** in accordance with the **Offer**"` Paragraph 6.31 for **Short Term Capacity** for a **STTEC Period.**
"STTEC Authorisation"	the authorisation notified by **NGC** for **Short Term Capacity** in accordance with the terms of Paragraph 6.3.1.6.1 in response to a **Request for a STTEC Authorisation**.

CUSC – EXHIBIT P

THE CONNECTION AND USE OF SYSTEM CODE – STTEC REQUEST FORM

DIRECTLY CONNECTED POWER STATION

EMBEDDED POWER STATION

INTERCONNECTOR OWNER

DISTRIBUTION INTERCONNECTOR

Please study the following notes before completing and signing the STTEC Request Form.

1. National Grid Company plc ("**NGC**") requires the information requested in this form for the purposes of considering and assessing whether or not to grant your **STTEC Request**. It is essential that the **User** supplies all information requested and provides all the confirmations required and that every effort should be made to ensure that such informations and confirmations are accurate.

   Please note the same terms used in this form are defined in the Interpretation in Definitions (contained in Section 11 to the **CUSC**) and when this occurs the expressions have capital letters at the beginning of each word and are in bold.

2. Where **NGC** considers that any information provided by the **User** is incomplete or unclear then **NGC** will reject the **STTEC Request**.

3. The **User** may not make any change to the information provided.

4. **NGC** shall charge the **User**, and the **User** shall pay to **NGC** the non-refundable **STTEC Request Fee**. The fee will be charged by **NGC** in accordance with the **Charging Statements**. No **STTEC Request** will be considered until such payment has been received.

5. **NGC** will consider the **STTEC Request** in accordance with the terms of Paragraph 6.31 of the **CUSC**.

6. **NGC** may publish certain information in relation to **STTEC Requests** as specified in Paragraph 6.31.6 of **CUSC**.

7. Please complete this form and email it to [ ] and fax it to [ ].

NGC – REQUEST FOR SHORT TERM CAPACITY

Please ensure that you have studied the notes before completing and signing this form.

A. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **STTEC Request** for and on behalf of the **User**.

……

B. Bilateral Agreement details

Please detail the **Bilateral Agreement** reference number.

…….

C. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **STTEC Request** relates.

……...

D. Type of STTEC Request

Please indicate whether the **STTEC Request** is a **Request for a STTEC Authorisation** or an **Application for a STTEC Offer**.

……

E. STTEC Period

Please provide the dates of the **STTEC Period** commencing on a Monday to which the **STTEC Request** relates.

For a **Request for a STTEC Authorisation**:

STTEC Period	**From** Must be a Monday	**To** 28 days later
28 days	……	……

For an **Application for a STTEC Offer**:

STTEC Period	**From**	**To**
No. of Days [28/35/42]	Must be a Monday	[28/35/42] days later
……	……	……

F. Minimum and Maximum Levels (in whole MW)

Please provide details of the minimum and maximum level (in whole MW) of **Short Term Capacity** requested.

Minimum [ ] MW (Positive only)

Maximum [ ] MW (Positive only)
STTEC + TEC **≤** CEC (on a station basis)

STTEC REQUEST FORM

1. We agree to pay the **STTEC Request Fee** on the terms specified in the **Notes** to this **Request Form**.

2. We confirm that the data submissions in respect of the **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date.

3. We confirm that our **STTEC Request** for the maximum level of **STTEC** requested plus **Transmission Entry Capacity** (plus any **STTEC** previously granted for any part of the **STTEC Period**) shall not exceed the total station **Connection Entry Capacity**.

Signed for and on behalf of the **User**

……..

Part C - Changes to the Other Parts of the CUSC

For the avoidance of doubt, the proposed changes are shown in colour marked up against the current version of the CUSC. Coloured underlined text will be inserted, and coloured strikethrough text will be deleted

Changes to Section 2 of the **CUSC** are required as follows:-

2.3 EXPORT OF POWER FROM CONNECTION SITE

2.3.1 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code**, **NGC** shall, as between **NGC** and that **User,** accept into the **NGC Transmission System** at each **Connection Site** of a **User** acting in the category of **Power Station** directly connected to the **NGC Transmission System**, power generated by such User up to the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** as set out in **Appendix C** of the **relevant Bilateral Connection Agreement** except to the extent (if any) that **NGC** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **NGC.**

2.3.2 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** a **User** acting in the capacity of a **Power Station** directly connected to the **NGC Transmission System** shall not export on to the **NGC Transmission System** power generated by such **User** in excess of **the Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** as set out in Appendix C of the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted or instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

Changes to Section 3 of the **CUSC** are required as follows:-

3.2.3 Transmission Entry Capacity

Other than as provided in Paragraph 3.2.3(b), each **User,** as between **NGC** and that **User,** shall not operate its **User's Equipment** such that its export of power onto the **NGC Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** set out in **Appendix C** to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

Each **User** in respect of an **Embedded Small Power Station** and a **Distribution Interconnector** and as a **Trading Party** responsible for **Embedded Small Power Stations**, as between **NGC** and that **User,** shall not operate **its User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) such that its export of power onto the **NGC Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** set out in **Appendix C** to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice.**

3.2.4 Subject to the other provisions of the **CUSC** and the **Grid Code** and any **relevant Bilateral Agreement, NGC** shall, as between **NGC** and that **User,** accept into **the NGC Transmission System** power generated by each **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** set out in **Appendix C** of the **relevant Bilateral Connection Agreement** except to the extent (if any) that **NGC** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **NGC.**

3.9.2 Each **User** shall, as between **NGC** and that **User,** in accordance with this Part II and Paragraph 6.6, be liable to pay to **NGC** (or **NGC** shall be so liable to pay to the **User**) the **Transmission Network Use of System Charges** and (if appropriate) the **STTEC** Charge in respect of its use of the **NGC Transmission System** applied and

calculated in accordance with the **Statement of Use of System Charges** and **Statement of the Use of System Charging Methodology**.

Changes to Section 4 of **CUSC** are required as follows:-

4.1.3.7A For the avoidance of doubt a User shall ensure that the **Transmission Entry Capacity**, and if relevant the **STTEC**, for the relevant **Connection Site** shall be sufficient to enable it to comply with its obligations under Paragraph 4.1.3.7 above at all times and in respect of all relevant BM Units.

Changes to Section 6 of **CUSC** are required as follows:-

6.6.1 **NGC** will invoice **Users** for **Connection Charges** and/or **Use of System Charges** due under the **CUSC** and/or each **Bilateral Agreement** and/or as notified to the **User** where there is no **Bilateral Agreement**, in accordance with the **CUSC** and/or the **Charging Statements** in the following manner:

(a) in the case of recurrent monthly charges identified in the relevant **Charging Statements NGC** shall despatch an invoice on or before the 15th day of the month for the charges due in relation to that month;

(b) in the case of the **STTEC Charge NGC** shall invoice the **User** on or before the 15th day of the month for the full **STTEC Charge**;

(c) unless otherwise specified in the **CUSC** where charges are payable other than monthly **NGC** shall despatch an invoice not less than 30 days prior to the due date for payment.

6.6.2 **Users** shall pay **Connection Charges** and/or **Use of System Charges** due to **NGC** under the **CUSC** and/or each **Bilateral Agreement** and/or as otherwise notified to the **User** where there is no **Bilateral Agreement**, in accordance with the **CUSC** and/or the **Charging Statements** in the following manner:

(a) in the case of recurrent monthly charges and the **STTEC Charge** on the 15th day of the month in which **NGC's** invoice therefor was despatched (if despatched on the first day of that month) or, in all other cases, on the 15th day of the month following the month in which **NGC's** invoice therefor was despatched unless, in any such case, the said date is not a **Business Day** in which case payment shall be made on the next **Business Day**;

(b) unless otherwise specified in the **CUSC** where charges are payable other than monthly within 30 days of the date of **NGC's** invoice therefor.

Changes to Section 9 of the **CUSC** are required as follows:-

9.4 EXPORT OF POWER FROM THE INTERCONNECTOR CONNECTION SITE

Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** and any **Operating Agreement**, **NGC** shall accept into the **NGC Transmission System** at the **Connection Site** of an **Interconnector** power up to the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** as specified in Appendix C to the relevant **Bilateral Connection Agreement** except to the extent (if any) that **NGC** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice**.

9.6 The **User** shall not permit the transfer of any amount of electricity onto the **NGC Transmission System** in excess of the **Transmission Entry Capacity** and (if any) **STTEC** for the relevant **Period** specified in Appendix C to the relevant **Bilateral Connection Agreement** or permit the taking of any amounts of electricity off the **NGC Transmission System** in excess of the value as specified in Appendix C to the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted pursuant to any **Operating Agreement** or the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

9.10.1 Subject to the provisions of the **CUSC**, and any relevant **Bilateral Agreement**, together with the relevant **Charging Statements**, the **User** shall with effect from the relevant date set out in the relevant **Bilateral Agreement**, be liable to pay to **NGC** the **Transmission Network Use of System Charges** and (if appropriate) the **STTEC Charge** in accordance with the **CUSC** calculated in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**. **NGC** shall apply and calculate the **Use of System Charges** in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**.

Annex 3 – Copies of Representations Received to Consultation

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on 28th May 2004, requesting comments by close of business on 2nd July 2004).

Representations were received from the following parties:

No.	Company	File Number
1	First Hydro	CAP070-CR-01
2	Magnox Electric	CAP070-CR-02
3	British Energy	CAP070-CR-03
4	Powergen	CAP070-CR-04
5	EDF Trading/EDF Generation	CAP070-CR-05
6	Scottish & Southern	CAP070-CR-06
7	EDF Energy	CAP070-CR-07
8	Scottish Power UK	CAP070-CR-08
9	Centrica	CAP070-CR-09
10	RWE Innogy	CAP070-CR-10

Reference	CAP070-CR-01
Company	First Hydro

Please see attached .pdf document – CAP070-CR01

Reference	CAP070-CR-02
Company	Magnox Electric

2 July 2004

Mark Freeman
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Mark

Consultation on CAP70

This letter is my response on behalf of Magnox Electric plc to the consultation on the CUSC Amendment Proposal CAP070 "Short Term Firm Access Service" which was issued on 28 May. Magnox Electric plc is a part of British Nuclear Group, which is the new name for part of BNFL.

Introduction

BNFL do not support CAP070 and the alternate proposal put forward by NGT. We do not believe that CAP070 or the alternate better meet CUSC objectives than the existing arrangements. The reasons are outlined below.

CUSC objectives:
(a) The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the license

BNFL do not agree that amendment CAP070 better meets CUSC objective (a), as suggested by NGT. Under CAP070, in the run up to a winter period NGT is likely to have less booked TEC (annual plus STTEC) than under the present arrangements – as a number of generators are likely to wait until prices rise before committing to book STTEC to cover some or all of their required capacity. This could lead to greater uncertainty over NGC's ability to ensure that peak winter demand can be met, with a potentially awkward position of NGC having less booked TEC on say 1 October than is required to meet its forecast winter demand.

Additionally, since bringing plant on the system will incur a STTEC charge, market participants would require a higher than present increase in winter prices to bring plant on the system. As the marginal costs of generation are increased under CAP070, there may be less available capacity over shoulder months and November and February than at present, as generators may not be able to justify booking STTEC for these periods. This is not the case at present, since by paying annual TEC, TNUoS costs are essentially sunk, so a decision to make a generator available in October say, rather than December will be based on a requirement to cover the lower variable costs.

The requirement to book STTEC so far in advance precludes a generator without annual TEC from responding to unanticipated short-term price signals. This will be exasperated if short-term price signals are not maintained for sufficient duration to cover the costs of an entire block of STTEC.

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

BNFL do not agree that CAP070 or the alternate further meets CUSC objective (b). The greater flexibility that STTEC entry capacity would give generators over when to return to the system and for how long, could be detrimental. CAP070 could cause greater uncertainty in terms of security of supply, as at times of unexpected system stress, for example Summer 03, under CAP070 generators without annual TEC would not be incentivised return plant to operation. This could leave tightening supply margins and cause short-term price spikes. Additionally, due to the lead times involved in granting STTEC, participants who have available generation, would not be able to respond to these margins nor be able to replace plant on planned outages.

Under CAP070, participants will pay for STTEC dependent upon how long they generate at the peak. NGT have stated that 90% of transmission costs are capacity related (charging modification UoSCM M-11). As the vast bulk of transmission costs are fixed within an annual period, any allocation of costs between annual TEC and STTEC will be purely arbitrary (as there cannot be a purely cost-reflective allocation). We are concerned that the arbitrary use of 120 days (or any other period) over which to allocate capacity costs when calculating STTEC may prove to be inappropriate.

If the allocation period proves too short and generators perceive the cost of STTEC to be too high relative to expected prices, generators will choose to continue to book annual TEC and CAP070 will be ineffective.

However, if the allocation period is too long, such that the price of a block of STTEC looks cheap relative to expected prices and annual TEC, then many generators may choose to book STTEC. In such a situation baseload generators who continue to pay annual TEC may pick up a disproportionate share of transmission costs and may in effect subsidise peaking plant over the winter period. This would be unacceptable – the value to the System Operator of all firm generation during peak periods is the same – irrespective of whether that generator is available just at peak or year-round.

It is BNFL's contention that if winter prices are insufficient to encourage plant to return to the system, that either prices at peak should be permitted to rise to encourage new entry, or, if greater certainty of availability (and stability of price) is sought, then explicit capacity payments should be made available to all generators. It is not appropriate to unduly discriminate against generators that are available year-round, by arbitrarily reallocating transmission costs so as to lower the costs of entry to peaking plant.

Other Issues

Additionally, the ability to book capacity on the transmission system could be open to:

- **Price manipulation:** Since certain participants could apply for multiple blocks of transmission access and decide not to use the capacity (as stated in the alternate proposal) , thus preventing others from accessing the market and hence, artificially, push up market prices; and

- **Uncompetitive market power**: Certain market participants, due to market power, could buy all or a large proportion of available capacity. CAP 070 does not appear to prevent this as capacity is allocated on a first-come first-served basis, hence, participants could book capacity months ahead, and take an unfair advantage of higher prices.

NGC argue that the administration fee is a natural check, however, the potential gains from price manipulation / market power could outweigh the administration costs.

Yours sincerely

Stephen G P Brosnan
Director, Energy Sales and Trading

Reference	CAP070-CR-03
Company	British Energy

Please see attached .pdf file.

Reference	CAP070-CR-04
Company	Powergen

Mark Freeman
Commercial
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick

Date: 2, July 2004

Dear Mark,

CUSC Amendment CAP070 and Use of System Charging Methodology Modification Proposal UoSCM-M-13, Short Term Transmission Entry Capacity

I am responding on behalf of Powergen to the above two consultations regarding the proposal to create a Short Term TEC (STTEC) product. We do not support the proposal as we believe that it will set an inconsistent and discriminatory structure for charging entry capacity and will not form a product which will be useful for the majority of generators.

In considering whether the proposal for a STTEC should be implemented it is essential that the definition of the product and its associated charge are considered together. Therefore, this response covers the consultation regarding CUSC Amendment CAP070 as well as UoS Modification Proposal UoSCM-M-13. A copy has been sent to the appropriate contacts for both consultations.

Consistency of Charging and Discrimination

The present charging basis for Transmission Entry Capacity (TEC) means that generators are charged TNUoS on the maximum output that they expect to achieve during a year regardless of when and for how long this will occur. Therefore, although a generator may only generate at this output for a short period of time, such as for a few days, it will attract the same charge as capacity which is used for a longer period of up to a year. Therefore, TEC

charging is based on an instantaneous maximum output value and is not affected by the duration during the year for which the TEC is required.

The proposed STTEC product breaks away from this charging principle by charging a proportion of the TEC charge in relation to the length of STTEC required. The justification for this is that NGC believes that around 90 percent of system costs are necessary to meet the maximum useage of the system during the winter period of roughly 120 days duration. Therefore, the STTEC charge is calculated as a proportion of this.

The effect of this difference in charging principles means that generators who are generating for a short period under a TEC will pay a higher charge than those who do so under a STTEC. For example a generator generating for one month under a TEC would be exposed to five times the cost that an equivalent generator generating under a STTEC. Clearly this means that the proposed charging methodology discriminates in favour of those generators who wish to generate for short periods under a STTEC. It has been argued that this is justified as TEC allows a generator to generate at any time of the year and provides it with the option to acquire the same level of TEC in the following year (on payment of the relevant TNUoS charge for that year). However, no explanation has been given to explain how much of the charge these benefits represent. The above example would suggest that they are worth four times the STTEC charge itself which appears extraordinarily high for an option premium.

Conversely, if a generator were to generate for any period of 5 months or more under a STTEC, it would be worse off than if it did so under a TEC. Why is STTEC suddenly more, rather than less, valuable than TEC in these circumstances? Again, no clear justification has been given for this. Worked examples illustrating these effects are shown in the appendix to this response.

Clearly, the charging arrangements for TEC and those proposed for STTEC are inconsistent meaning that both cannot be cost reflective. Not only does this lead to discrimination between users who use short term TEC compared with those who cannot make use of the product, it also distorts the cost signals to generators using the transmission system, particularly at peak times. Such inconsistent messages would appear to run contrary to promoting competition in generation or the efficient use of the transmission network.

Usefulness of the STTEC Product

We believe that the STTEC products which have been defined in the original and alternative amendment proposals will be of little use to the majority of generators. It would certainly not provide a product which could support the return of a generating unit from mothballing. The original proposal provides generators with a product of maximum length six weeks with four week's notice of whether the capacity will be made available. Not only does this represent short notice for a generator to bring back a unit, it also does not provide the certainty that capacity will be made available for a sufficiently long period to make it worthwhile to do so. Under the proposal, if a generator wants capacity of longer duration than four to six weeks it will have to apply for sequential STTECs. However, the generator will not know that the second slot of capacity is available until it has started using the first slot of STTEC. It is doubtful a generator will bring back a unit when it does not know it will be able to secure the capacity for the whole period it wished to generate for.

The alternative proposal is actually less useful for the majority of users, although it may prove beneficial for a limited specific subset of generating units. A product which would be more usable by generators wishing to return units from mothballing was proposed as part of the CAP070 working group process. However, our misgivings on the discriminatory nature of the proposal outlined above led us to decide not to pursue it further.

In summary, we believe that the proposals should not be implemented as they would lead to an inconsistent charging regime which would be detrimental to competition in generation and the efficient use of the transmission network. Additionally, we do not believe that the STTEC product will be useable by the majority of generators, exacerbating its discriminatory nature and would therefore not provide a product which effectively improves system security.

Yours sincerely,

Paul Jones
Trading Arrangements

Appendix 1 – Worked examples of effect of TEC and STEC on charges

Shorter periods

Say a generator wishes to generate an additional 100MW for a month. To do so under a TEC would cost an additional amount proportionate to the TNUoS rate in its zone as follows:

TEC Cost = TNUoS rate * 100,000kW

Under a STTEC the cost would be as follows according to the methodology in UoSCM-M-13:

STTEC Cost = TNUoS rate * 100,000kW * 0.9 * 28days/120days

The STTEC cost is the same as the TEC cost multiplied by 0.9*28/120, or 0.21. This means that generating under a STTEC would cost just over a fifth the cost of doing so under a TEC.

Longer periods

Say a generator wishes to generate an additional 100MW for a period of seven months. To do so under a TEC would still cost an additional amount proportionate to the TNUoS rate in its zone as follows:

TEC Cost = TNUoS rate * 100,000kW

Under a STTEC the cost would be as follows according to the methodology in UoSCM-M-13:

STTEC Cost = TNUoS rate * 100,000kW * 0.9 * 196days/120days

The STTEC cost is the same as the TEC cost multiplied by 0.9*196/120, or 1.47. This means that generating under a STTEC would cost just under one and a half times the cost of doing so under a TEC.

Reference	CAP070-CR-05
Company	EDF Trading/EDF Generation

Our Ref
Your

Mark Freeman
National Grid Company
NGT House
Gallows Hill
Warwick
CV34 6DA

Date 2 July 2004

Dear Mark,

CUSC Amendment Proposal CAP070 – Short Term Firm Access Service

EDF Energy are pleased to have the opportunity to comment on the CUSC Amendment Proposal CAP070 - Short Term Firm Access Service.

We note that this is a CUSC consultation but we do not believe it is possible to assess this issue without consideration of the transmission charging implications.

EDF Energy believe that there is scope for greater flexibility in the arrangements for access to the transmission system such as short term or longer term access products. However, any such developments must take into account the nature of the investment costs associated with the transmission infrastructure which are, according to National Grid, at least 90% driven by capacity requirements at system peak conditions and which are undertaken on a long term basis. We are concerned that this proposed amendment could undermine the cost reflectivity of the current charging regime by allowing some users to pay more or less in annual transmission charges for using the same transmission capacity.

We believe that in a shallow connection environment there needs to be the incentive for the majority of transmission users to contract for transmission access on a long term basis (i.e. at least annually) in order to provide clear long term investment signals to NGC. The risk with short term access products is that they could create an incentive on participants to reduce their annual firm TEC and top up with additional STTEC only if the market conditions are favourable. This could result in misleading investment signals to National Grid and higher costs per kW for firm annual TEC.

With reference to the applicable CUSC objectives we do not believe that the proposed amendment or the alternative would better facilitate competition in generation or the efficient and economic operation of the transmission system as

they favour generators that might otherwise be uneconomic to run at the expense of generators that have committed to use the system for a full year.

We do not see a significant difference between the Original Amendment and the Alternative Amendment in terms of the CUSC objectives.

We hope that you will find these comments useful. If you have any queries please contact me on 0207 752 2526

Yours sincerely

Rupert Judson
Transmission Infrastructure
& Development Manager

Reference	CAP070-CR-06
Company	Scottish & Southern

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd., and SSE Energy Supply Ltd.
In relation to the consultation contained within your note of 28th May 2004, and the associated CUSC Amendment Proposal CAP070, we have the following comments, which include our general observations as well as particular comments on specific sections of the document.
GENERAL
We do not believe that either the original CAP070 or the alternative amendment better meet the applicable CUSC objectives as both are none cost reflective and introduce a discriminatory costing regime that favours one class of generator over all other generators. In particular these proposals would permit certain Users to avoid paying their annual TNUoS costs (as at present).
Intuitively it seems to us that this shortfall would have to be recovered from other Users who receive no clear benefit, but who cover this shortfall either directly or indirectly (via the "normal operational limit" 'buffer' referred to in 4.8.5). This introduces cross-subsidies between one class of Users and another class of Users. Such an approach is discriminatory as it favours certain Generators over all other Users and would distort competition. In addition, as noted in section 4.8 of the document, there could be a detrimental impact on Users' BSUoS charges from these proposed changes.
In the light of this we believe that there needs to be a clear statement (in the report to the Authority) of where the shortfall will fall and who will therefore pay it, noting that if some of the "normal operational limit" buffer' is used for paying the shortfall then it is not available for the purpose for which the "normal operational limit" was set up for.
In addition, charging STTEC/SNSTF users 5% of their annual TNUoS charge for one week of operation is clearly not cost reflective. Approval of CAP70 would introduce a principle that TNUoS charges for Users need not be cost reflective. This also would not better meet the applicable CUSC objectives.
Furthermore, we note the comments in UoSCM-M-13 that:-
"... National Grid has additional obligations to consider Users with existing TEC rights and to ensure they are not discriminated against or given commercial incentives not to submit a reflective TEC."
We believe that neither the original CAP070 nor the alternative amendment would permit NGT to meet its additional obligations in respect to Users with existing TEC rights, on the ground that CAP70 (original and alternative) would be discriminatory and would give commercial incentives on certain Users not to submit a reflective TEC.

SPECIFIC
4.9.1

We do not agree with the proposition that CAP70 will reduce barriers to entry into the market. We feel that a commercial organisation is unlikely to enter a market where they are limited to the time of the year they can operate. As noted above, we believe the two proposals (CAP 70 original and alternative) would introduce cross subsidies and that this would distort competition.
4.9.2

We are concerned that the impact CAP 70 (original and alternative) could have on individual TNUoS charging zones (both location and £ charges) due to the pattern of TEC/STTEC/SNSTF usage. This could introduce significant regulatory uncertainty into the market as Generators could be subject to variations in their TNUoS charging depending on how many other Generators chose to utilise STTEC (in which ever form its introduced) in any particular zone. The level of TNUoS charges (and the zones they apply too) could, in this case, vary between those initially provided by NGT (and used by Generators to determine their prices, and indeed if they wish to operate that year) and the final figure paid. This unduly and unfairly impacts on all the other (none STTEC/SNSTF) Generators costs.

4.12 (a)

We do not agree with the NGC assertion that "this will lead to more economic use of the system" as the system has (presumably) been developed to operate (all things being equal) at all times. Only using it for part of the time (i.e. 20%) is, by definition, inefficient and therefore uneconomic and runs counter to better achieving the CUSC applicable objective(s).

4.12 (b)

We do not agree with the NGC assertion that this "will lead to enhanced competition, particularly at times of system stress" as NGT cannot be certain that the Generator will make themselves available (as they are now, for the whole year) at times of system stress* (plant outages excepted, which would apply whether CAP70 were in force or not). Paying an annual TNUoS means in a positive zone there is no (TNUoS) benefit in only operating for part of the year.

*NGT strongly implies that system stress only occurs between November and February. However, anecdotal evidence since NETA Go-Live implies that the system has also experienced stress at other times including during the summer months.

A4.4

We do not agree with the NGC assertion that they "should be incentivised to release STTEC through an incentive scheme". We believe that the nature of STTEC (and SNSTF) is such that it is ineligible to be the subject of an incentive scheme.

Regards

Garth Graham

Scottish & Southern Energy plc

Reference	CAP070-CR-07
Company	EDF Energy

EDF Energy Merchants Limited

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71 High Holborn
London WC1V 6ED

Tel: 44 (0) 207 0614362
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Mark Freeman
National Grid Company
NGT House
Gallows Hill,
Warwick,
CV34 6DA

2nd July 2004

Dear Mark,

CUSC Amendment Proposal CAP070 – Short Term Firm Access Service

Please find herewith, the response made on behalf of EDF Trading Ltd and EDF (Generation) to the CUSC consultation on the Amendment Proposal CAP070 - Short Term Firm Access Service.

In principle, we are in favour of there being some sort of short term transmission access product existing within the general and more long term framework. This would add more flexibility and potential opportunities for parties to operate in the market in timescales other than on a continuous basis. However we are not convinced that the proposals put forward under CAP070 (original or the alternative) provide such benefits, whilst giving the required and adequate protection to existing parties that they won't be unduly supporting such short term access. We are concerned that the parties with long term access will be charged more for their product in order to provide access for 'moth-balled' plant. It could also provide perverse incentives that lead some parties moving away from the longer term product; again impacting on those that are left.

As a consequence we believe the product being offered, together with the charging regime proposed under UoSCM-M-13, would be unduly discriminatory, both in favour of those parties who take up such an offer and against those who have to bear the full costs of the transmission system. Therefore we do not believe that CAP070 (the original proposal or the alternative) within the current charging environment would better meet the CUSC objectives.

In due course we shall be responding to the UoSCM-M-13 consultation, with the comments that the proposal is not in our view cost-reflective and hence should not be accepted. We also believe that the problem of finding a suitable product and charging regime within the existing framework is a further symptom of the continuing insistence on using anything other than a 'deep-entry' charging model, which would deliver the correct cost messages at the time of connection and investment decision making.

Yours sincerely

Steve Drummond, UK Market Adviser to EDF Trading Ltd

Reference	CAP070-CR-08
Company	Scottish Power UK

Mark Freeman
Commercial
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

02 July 2004

0141 568 4469

Dear Mark

CUSC Amendment Proposal CAP070 - Short Term Firm Access Service
Consultation document
May 2004

Thank you for the opportunity to respond to this consultation. This response is submitted on behalf of ScottishPower UK Division, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

We believe it is important to consider alternative forms of transmission access products, however in considering the proposals set out in this consultation it is impossible to divorce the definition of the product itself from its associated charging arrangements. Therefore please consider this response on CAP070 alongside our forthcoming comments on the associated charging modification proposal UoSCM-M-13, to which we will respond separately. Suffice to say here that we do not support the proposals in UoSCM-M-13, and as such, we are unable to support CAP070 if the associated charging arrangements are to be those currently set out in UoSCM-M-13.

However, in addition to our concerns with the proposed charging arrangements, we have various issues with CAP070 as currently drafted.

Firstly, under CAP070 Original, STTEC applications must be submitted at least 6 weeks before intended use, and are “unconditional and irrevocable”, with NGC giving the application 4 weeks notice of its decision in the form of a confirmation of acceptance (or not), with the applicant having no opportunity to change their mind. We believe that this arrangement is too rigid and uncertain to be of value to users,

particularly for a request made so far in advance. It would be preferable if applications could be made at shorter notice and NGC's decision took the form of an offer to the applicant to either accept or reject, as this more dynamic arrangement would give users more opportunity to respond to events. In that respect we believe that CAP070 Alternative is an improvement on CAP070 Original.

However, we are unable to support either Amendment proposal as currently drafted, due to further concerns with the proposed arrangements for the short term access product, which are common to both Amendment proposals. These concerns are as follows:

Need to establish TEC precedence

The current drafting sets a precedence between STTEC applications on a "first come, first served" basis. It will also be important to clarify any precedence between TEC applications and STTEC applications, ensuring that TEC applications take priority in the event of interactions with STTEC applications.

Cost recovery

We do not believe it would be appropriate to incorporate revenue from STTEC in the Kt factor, since this would result in revenue recovered entirely from generation being redistributed predominantly over demand. We believe that a more suitable approach would be to reallocate STTEC revenue for a given year uniformly back over users with TEC for that same year, in the form of refunds given as part of the annual generation reconciliation process. We believe that this approach would be fairly simple to implement, ensure all STTEC revenue is reallocated to generation rather than demand, and provide an incentive on generators to use TEC rather than STTEC in order to be eligible for the refund.

Information provision

We believe that transparency in NGC's actions is important, and that NGC should have an obligation to publish specified STTEC-related information. The information to be published should be extended to include some indication of STTEC availability to inform prospective applicants and avoid wasted application fees, and some indication of the location of applications which have not been accepted. It will also be important that NGC produces a report on the reasons for rejecting applications.

Incentivisation

We note that NGC believe that incentive arrangements should be introduced on NGC in relation to STTEC. However, we have difficulty in seeing how this might work or why it might be appropriate under the proposals in CAP070, and ask NGC to elaborate on this in the Draft Amendment Report.

Transmission Licence conditions

We agree that if CAP070 is implemented then modifications may be required to Standard Condition C7D: Requirement to Offer Terms, in order to clarify NGC's obligations in relation to STTEC applications. It will be helpful if indicative drafting of the proposed licence modifications is made available to users before their final opportunity to comment on CAP070.

I hope you find these comments helpful. Please contact me if you wish to discuss any of the issues raised in this response.

Yours sincerely,

MIKE HARRISON
Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited

Reference	CAP070-CR-09
Company	Centrica

Mark Freeman
Commercial
National Grid Company plc
NGT House
Warwick Technology Park
Warwick, CV34 6DA

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Fax (01753) 431150
www.centrica.com
Our Ref. CAP070
Your Ref.
5th July 2004

Dear Mark,

CUSC Amendment Proposal CAP070 Short Term Firm Access Service

Centrica welcomes the opportunity to comment to National Grid on the above CUSC amendment.

We support the implementation of the original amendment, however we have several concerns detailed below.

It is disappointing that the current procedure does not permit a thorough consultation on all aspects of the amendment. In the case of CAP070, a major part of the resulting product is the charge and the administration fee. We have been unable to comment or discuss in any forum both the CUSC amendment and the associated charging methodology consultation. This we suggest is a failing in the process. We believe the charge base for the product should be an integral part of the discussion process, as this is, in this circumstance, the main priority on whether the product is of commercial use.

We are concerned that Suppliers may be adversely affected by unanticipated constraint costs if this amendment is implemented. We appreciate that NGC will not make an offer of STTEC if they anticipate constraint issues, however, this will not preclude any increase in BSUoS charges to Suppliers in unforeseen circumstances. We suggest this area should be closely monitored, and the criteria for offering STTEC updated as necessary to

ensure that Suppliers are not significantly affected by this proposal going forward.

Please contact me if you have any queries regarding these comments.

Yours sincerely,

Sarah Owen
Commercial Manager
Centrica Energy

Reference	CAP070-CR-10
Company	RWE Innogy

Richard Lavender
Commercial Frameworks
National Grid Transco
NGT House
Warwick Technology Park
Gallows Hill

Warwick
CV34 6DA

2nd July 2004

CUSC Amendment Proposal CAP070: Short-Term Firm Access Service

Dear Richard,

The following comments are made on behalf of RWE Innogy plc, Innogy Cogen Ltd., Innogy Cogen Trading Ltd., npower Ltd., npower Northern Supply Ltd., npower Yorkshire Supply Ltd, npower Northern Ltd, npower Yorkshire Ltd, npower Direct Ltd, npower Renewables Ltd.

RWE Innogy welcomes the opportunity to comment on the issues contained within the consultation for CAP070. As an assessment of whether CAP070 better facilitates the relevant objectives is highly dependent on the charging methodology imposed by UoSCM-M-13, we refer herein to both sets of proposals.

In Summary

RWE Innogy does not support CAP070 for the following reasons

- We do not believe that the perceived defect (barrier to entry) actually exists.
- The amendment frustrates the CUSC objective of facilitating competition as it discriminates against southern-based generation.
- The amendment would not facilitate the return of mothballed plant.
- The proposed drafting allows applications to be assessed at the 'absolute discretion' of NGC, rather than according to clear and consistent criteria based on the relevant licence objectives.
- The associated charging methodology modification (UoSCM-M-13) would undermine the locational signals provided by annual TNUoS charges.
- UoSCM-M-13 creates pervese incentives to lower the available TEC on the system, thereby reducing rather than improving system margin.

NGC states in the consultation document that the primary gain from the amendment is a reduction in the barriers to entry. However, all existing Users of the transmission system have the option to secure transmission access rights on an annual basis by payment of the appropriate TNUoS charges and NGC is obliged to offer access rights to new entrants on the same basis as existing Users. Therefore the proposal simply creates a new tier of short-term rights for all users and does not in fact remove any barriers to entry.

RWE Innogy therefore believes that the only problem addressed by the amendment is that users are not allowed to operate their plant at a level above their TEC, even where it may be possible to do so for short-term periods at no additional cost to system operation. There may therefore be merit in developing an access product to facilitate the release of this 'spare' capacity where its use would result in lower overall cost in the production and transportation of electricity.

The current drafting of 6.31.3.2, relating to assessment and granting of applications for STTEC, is wholly inappropriate. Applications should be assessed according to clear and consistent criteria based on the relevant licence objectives, rather at the 'absolute discretion' of NGC. The consultation document states that STTEC is to be granted only where it would result in no increase in costs to the System Operator. This criterion must be set out explicitly in 6.31.3.2.

The STTEC product was originally conceived as a tool to facilitate the return of mothballed plant due to concerns over winter plant margin. However, the forecast electricity plant margin for winter 2004-2005 currently stands at 20 per cent, significantly higher than the margin of 17 per cent forecast for last winter in last October's report.

Moreover, we would expect the STTEC capacity available at winter peak to be extremely limited. Significant quantities of surplus TEC at the time of the winter peak would suggest that the transmission system may be over engineered and that inefficient investment has been allowed. However, if the transmission system is not designed to meet TEC (as is persistently claimed), but is in reality designed the system to reflect a merit-order reflective probability distribution of use of TEC, one would expect this to produce surplus TEC related to changes in the assumptions underpinning the merit-order. The reality of the system planning process must be reflected by appropriate scaling of the generation data used as an input to the DCLF model.

For CAP070 to be approved, the associated modification to the charging methodology must be deliver a consistent methodology for STTEC and annual TEC. UoSCM-M-13 does not deliver this requirement. Moreover, it could seriously undermine the current locational signals provided by TNUoS charges. Firstly, the methodology for the calculation of tariffs is not consistent between negative and positive zones. This could cause great instability in charges with the potential for Users to move between negative and positive zones (particularly given the implementation of BETTA).

Secondly, the consequences of the exclusion of STTEC from the generation input to the DCLF model has not been properly assessed. It would result in an incentive on northern generators to reduce TEC to reduce the locational differentials calculated by the DCLF model and consequently reduce their TNUoS charges at the expense of the overall economic efficiency of the system. This would in turn enhance the economics of mothballing plant in the south of the country, thus reducing the available transmission capacity. CAP070 could therefore achieve the oppositite of its stated aim, by lowering the overall available TEC on the system.

Yours Sincerely

Terry Ballard
Economic Regulation

Annex 4 – Copies of Comments received on the Draft Amendment Report

This Annex includes copies of any representations received following circulation of the Draft Amendment Report (circulated on 9th July 2004, requesting comments by close of business on 16th July 2004).

Representations were received from the following parties:

No.	Company	File Number
1	Scottish Power	CAP070-AR-01
2	Malcolm Taylor	CAP070-AR-02
3	E.ON UK	CAP070-AR-03
4	Scottish & Southern	CAP070-AR-04

Reference	CAP070-AR-1
Company	Scottish Power

Please see attached .pdf document – CAP070-AR01

Reference	CAP070-AR-2
Company	Malcolm Taylor

Comments on the Draft amendment report for CAP 70

I provide these comments as a Panel Member

Page 5 Para 1.9.
The report states *'The majority of the Working Group supported the Original Amendment, ... '*

Page 14 Para 11.3
Above text repeated

I do not believe this is an accurate description of the opinions of the working group. There was minority support for both the original and the alternative amendment proposals. I refer you to my two PowerPoint presentations to the CUSC Panel, during which I joked that I would like to have reported (as did John Greasley in his BSSG report immediately prior to my presentation) a unanimity of view, but could not. I indicated the wide range of issues over which there was not unanimity regarding this amendment. The slide is extracted below:

WG Views

Divided over

- **Merit of product**
- **Support for alternative options**
- **Charging basis for product**
- **Cost recovery for the product**
- **NGT incentivisation**
- **Furthering Applicable Objectives**

Also I refer you to the working group report Para 1.5 'Although the WG cannot agree whether or not the creation of a short-term TEC

would better meet the applicable CUSC objectives, it proposes that the original CAP070 proposal and a Working Group Alternative Amendment comprised of original CAP070 plus a short-notice short-term firm (SNSTF) product should be taken forward for wider consultation.'

This wording was deliberately chosen to indicate that the group's unanimity was only that the proposals should proceed to wider consultation, nothing more.

I believe the relevant text should just be deleted.

Kind Regards

Malcolm Taylor

Reference	CAP070-AR-3
Company	E.ON UK

Please see attached .pdf document – CAP070-AR03

Reference	CAP070-AR-4
Company	Scottish & Southern

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd., and SSE Energy Supply Ltd.

In relation to the consultation concerning the draft report associated CUSC Amendment Proposal CAP070 (contained within your note of 9th July 2004), we have the following comments to make.

Firstly, in respect of section 12.8, on page 16:-

"The respondent is also concerned on the impact there could be on"

should read

"The respondent is also concerned about the impact there could be on"

and

"It also does not agree with BGC's assertion"

should read

"It also does not agree with NGC's assertion"

Furthermore we note that unlike some of the other respondents* that you have not summarised our 'general' comments. We believe that your final report would not faithfully reflect our views if our general comments were not included. We would be happy to comment on any draft (of a summary of our general comments) that you care to provide.

* See, for example the comment "Respondent CAP070-CR-6 does not support the CAP070 proposal or alternative. In GENERAL [emphasis added] terms the respondent believes that....."

Secondly, in respect of:-

3.2 why has "which could be based on sub-annual TNUoS" been excluded?

3.3 why has the reference to "amended CUSC Text" been excluded?

3.7.4 why has the reference to "they would be affected....on TNUoS charges and through any effect on BSUoS via constraint costs" been changed (with the emphasis reversed) to "they could be affected....to deal with any revenue variations year on year associated with STTEC" as 'revenue' is income whilst TNUoS and BSUoS are a 'cost'? It seems appropriate to inform the Authority of the cost being imposed on Suppliers, and thus onto customers. To do otherwise might give a false impression. Augmenting it (the reference to the cost on suppliers) with a reference to "revenue variation" seems superfluous.

3.8.1 It is inappropriate to state "It is considered that the implementation of CAP070 increase competition...." as a number of respondents, including ourselves, do not agree that it will. Saying that "NGC considers that the implementation of CAP070 increase competition...."

would be grammatically correct. Why has the reference to 'Regional Effects', in the previous 4.9.2, been excluded?

Thirdly, in respect of section 10.5, on pages 12-13 :-

"In addition, a respondent (CAP070-CR-6) suggested that competition would not be increased at all since NGC cannot be sure that a generator with STTEC would make itself available."

should read

"In addition, a respondent (CAP070-CR-6) suggested that competition would not be increased at all since NGC cannot be sure that a generator with STTEC would make itself available at times of system stress."

We note that NGT has chosen not to respond to this point in its comments in the second paragraph of 10.5.

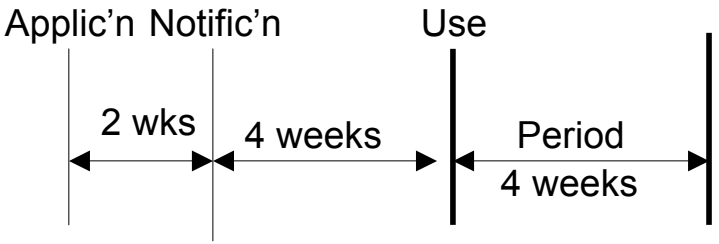
Fourthly, on a point of process, we do not believe that NGC is acting in a helpful manner for either the Authority, or market participants, in so significantly altering the format and content of the consultation document and the final report. The different format/structure makes it difficult for the Authority and market participants to compare the original consultation documents (and market participants comments) with the final document. We see no reason, for example, why "3.0 The Amendment Proposal" should become "The Proposed Amendment"?. Why cannot a revision marked version (showing all changes between the initial consultation document and the draft Authority report) not be provided in future?

Regards

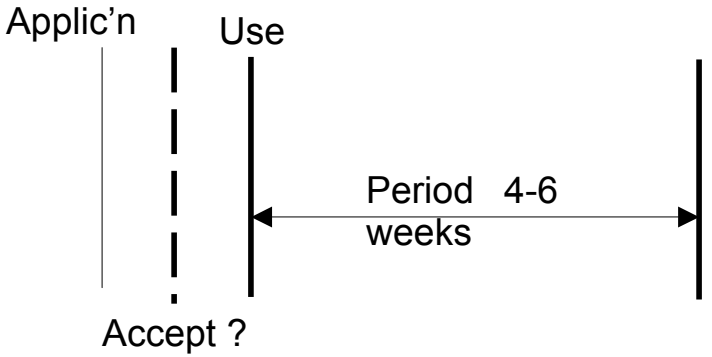
Garth Graham
Scottish and Southern Energy plc

Annex 5 - STTEC and SNSTF Timeline

CAP 070 (STTEC)



SNSTF



Annex 6 – Firmness issues with STTEC

Assumptions

1. 2 weeks required to carry out analysis (this is a generic timescales and it is accepted that for some generators that this timescale can be reduced)
2. Analysis needs to be on a known baseline to achieve above

Worked Example

Offer Firm on Generator

	Application 1	Application 2	Application 3
Week 6	Applies / Analysis commences	Applies / Analysis commences (baseline including Application 1)	
Week 5	Analysis Completed	Analysis Completed	Applies / Analysis commences (baseline including Application 1 and 2)
Week 4	**Accepted by NGT**	Rejected by NGC as Application 1 takes precedence	Analysis Completed
Week 3			**Accepted by NGT**

In this example Application 1 and 3 are accepted.

Offer can be Accepted Rejected by Generator

	Application 1	Application 2	Application 3
Week 6	Applies / Analysis commences	Applies / Analysis commences (baseline including Application 1)	
Week 5	Analysis Completed	Analysis Completed	Applies / Analysis commences (baseline including Application 1 and 2)
Week 4	Accepted by NGC	Rejected by NGC as Application 1 takes precedence	Analysis Completed
Week 3	Rejected by Generator		Accepted by NGC
Week 2			**Accepted by Generator**

In this example only Application 3 are accepted, however application 2 may be able to be accommodated but analysis timescales precluded this option due to assumption 2.

Issues

If the 2 week turnaround is to be met for all generators the baseline needs to be known. If the STTEC process allows the option of an acceptance / rejection by the generator, then assumptions will have to be made (usual a default of acceptance) to allow the analysis to be carried out. It is expected that most applications will be accepted and the above example will be unusual, therefore this may be accepted by the working group as a possible scenario but the risk of blocking applications needs to be noted.

Any alternative is to allow for some form of interactive offers to generators. This may involve significantly more analysis to determine the nature of the interaction and is likely to add a further 1-2 weeks to the process, requiring applications to be submitted approximately 8 weeks ahead.