



National Grid

AMENDMENT REPORT

CUSC Proposed Amendment CAP068

Competing Requests for TEC

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP068

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Prepared by	National Grid

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1.0		National Grid	Formal version for submission to the Authority

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<http://www.nationalgrid.com/uk/indinfo/cusc>

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Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
CUSC Parties	Various
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1.0 SUMMARY AND RECOMMENDATION

- 1.1 CAP068 was proposed by NGC and submitted to the CUSC Amendments Panel for consideration at their meeting on 21 November 2003. The Amendments Panel determined that CAP068 should be considered by a Working Group. The Working Group provided a final report to the Panel on 27 February 2004. 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.
- 1.2 CAP068 proposes that NGC will develop and provide a bulletin board that publishes all offers for potential new generation and will introduce a Transmission Entry Capacity (TEC) trade facility to administer the trading of TEC between generators. The facilities will allow competing requests for TEC to be managed in an equitable and transparent manner.
- 1.3 National Grid received four responses to the CAP068 consultation. Three of the responses were supportive of the Amendment, and one was not. One of the three supportive respondents (CAP068-CR-02) provided comments on the legal text that constituted a Consultation Alternative Amendment. Revised legal text was developed and a second period of Consultation was undertaken to obtain views on Consultation Alternative Amendment (A).

National Grid Recommendation

- 1.4 National Grid proposed CAP068 and considers that the Amendment proposal better facilitates the Applicable CUSC Objectives. The proposed Amendment would enable NGC to make better informed decisions in respect of multiple applications for TEC thus promoting more efficient use of the transmission systems. The proposed trade facility would further enable the trading of TEC between generators thus furthering the efficient use of the system and better facilitate competition in the generation and supply of electricity.
- 1.5 CAP068 increases transparency regarding available TEC and helps to facilitate trading. This enhanced visibility, will facilitate more efficient use of TEC, by enabling those who wish to either acquire TEC earlier, or to reduce their TEC to see more trading opportunities more clearly. National Grid believes that the Consultation Alternative Amendment provided by CAP068-CR-02, does not better facilitate the Applicable CUSC objectives. The Consultation Alternative Amendment deals with the same form of trade as the original proposal but reduces the transparency of the process when compared to the original by publishing at completion of the trade rather than at the offer stage. We therefore do not believe that the Alternative Amendment offers the same level of transparency and efficiency as the original proposal. Whilst there are elements of the Alternative proposal, which might warrant further consideration in the future, we do not believe that the current Alternative Amendment better facilitates the Applicable CUSC objectives. National Grid therefore supports CAP068 which it believes provides greater transparency and does not support the Consultation Alternative Amendment.

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 dealing with competing requests for new Transmission Capacity during the Offer and Modification process.

- 2.2 Further to the submission of Amendment Proposal CAP068 (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 CAP068 or the Consultation 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 been 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 Amendment Report 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

The Proposed Amendment

- 3.1 CAP068 envisages that, once an offer has been made to the generator, the details of the offer would be published on a web page attached to the Seven Year Statement web site. On trading, both the acquiring and selling generators would be required to submit their enquiries to NGC who would then respond, within timescales specified in the CUSC, and depending on any necessary works to the system represented by the enquiries. An "exchange rate" between the sites concerned would be calculated by NGC and provided to the parties on a chargeable basis.
- 3.2 CAP068 is concerned with raising the transparency of TEC and helping to facilitate trading - CEC will still need to be obtained by the generator as set out in CUSC. It is envisaged that TEC trades will occur between CUSC parties only in the circumstances when the existing transmission system is unable to immediately accept all the TEC from a new entrant for a defined period while system infrastructure work is completed. This could enable new entrants to gain earlier transmission access than would otherwise be the case if they were required to wait until new infrastructure was put in place. The exchange is predicated on the willingness of existing TEC holders to complete a trade.
- 3.3 TEC can be seen as a virtual 'bond' or 'property right', therefore, the maintenance of TEC by annual payment as in the present system is effectively the exercising of an option.
- 3.4 TEC in a negative zone could be seen as an asset as it generates payments, whereas in a positive zone it is a liability, requiring payments to maintain it. This does not affect the principle of trading, merely the arithmetic of valuation.

- 3.5 One option of implementing a TEC trade is to have an agreement by the seller to declare their TEC to zero on a specific date, where the purchaser will be liable for the remainder of the year's TEC and inherits the option for the same TEC next year. After passing TEC on to other parties, the seller would lose all rights to the TEC and would have to try to obtain TEC from other parties should their circumstances change. The case(s) where the "sellers" are left with a non-zero TEC after the transaction were not considered, but either the seller continues to pay for the residual TEC, or releases it back to NGC. It is also the case that when a generator decommissions, their TEC returns to NGC and is then available to all users on a first come first served basis.
- 3.6 In the circumstance that there is more than one user seeking to increase or purchase new TEC, the first come first served principle of the existing connection process will be retained, i.e. the first user to approach NGC and complete an agreement with an approved TEC exchange rate offer will receive the TEC within the agreed timescales. For the avoidance of doubt, this might not be the first user who originally approached NGC for a connection or an increase in TEC.
- 3.7 The timing of the transfer must be contiguous so that there is no under-recovery of charges. In order to ensure that there is no double recovery of charges it is recognised that it is an important requirement for NGC to monitor the status and ownership of TEC for charging and operational purposes. As such some form of tracking process is required.
- 3.8 Embedded generators could also trade TEC in principle, as they have TEC but no connection assets.

Confidentiality

- 3.9 Two issues have been identified with respect to confidentiality:
- Confidentiality in CUSC
 - Confidentiality in the Business Flow Process

CUSC Confidentiality

- 3.10 The applicable references to confidentiality in CUSC are 6.15.1.1 & 6.15.1.2 (c) ii.
- 3.11 The Original Amendment proposal addresses this by suggesting an additional paragraph on the connection application form, suitably re-numbered, giving the applicant's consent to the disclosure of information referred to in CUSC paragraph 6.30.3.
- 3.12 The Original Amendment proposal suggests early transparency at the application stage.

Business Flow Process Confidentiality

- 3.13 The business flow process was discussed in order to determine at what stages in the application process information became public, so that confidentiality issues could be reviewed. See attached Annex 6 - Process Flow Diagram.

Development of a Bulletin Board

- 3.14 It is proposed that all the information to be posted on a bulletin board, is already available within existing sources in the public domain. The Seven Year Statement web site contains details of existing CEC and TEC associated with every CUSC member.
- 3.15 The Web URL for individual BM Units is :
http://www.nationalgrid.com/uk/library/documents/sys_03/dddownloaddisplay.asp?sp=sys_Table3_4. The TEC value is at a site level and not at an individual BM Unit level.
- 3.16 The Web Site URL for **externally** published information on the SYS site is www.nationalgrid.com/uk/library/documents/sys_03/mysys/Update2003October.pdf (This is updated every quarter, **Update2003October** therefore the most complete).

Note that there is an “underscore” in “sys_03” and “Table3_4”

- 3.17 BMU information is also available via the BMRS. It is therefore felt that the potential purchaser has sufficient information at hand to contact those who might be interested in trading TEC without the need to involve NGC in the process, or to develop a new bulletin board. It would still be necessary to apply to NGC for a conversion factor and for the transaction to be recorded for charging purposes.
- 3.18 The frequency at which the Seven Year Statement list of TECs is updated will be determined by the charging methodology used to implement the trading process.

The Worked Example Process

- 3.19 Draft worked examples can be found in Annex 7.

Intra GSP Existing

- 3.20 Competition within the GSP between TEC sellers and/or buyers would be independent of NGC. That is, a buyer or seller is free to find available TEC and then ask NGC for approval and to provide the relevant exchange rate.

Intra GSP Existing, but with multiple selling parties

- 3.21 This is similar to the first example, but potentially provides opportunities for the purchaser to get a better price.
- 3.22 If there is more than one purchasing party and/or more than one Selling Party then it is up to Selling Parties and Purchasing Parties to do the deal and notify NGC.
- 3.23 It is arguable that the Selling party with the most TEC has arguably a better negotiating position than the selling party with less TEC available.

Inter GSP Trades

- 3.24 For inter-GSP trades, TEC has a different conversion value, depending on where the seller is located in relation to the buyer.
- 3.25 A difference in the income recovery of NGC was identified where a large TEC at a remote GSP is traded at a sub unity conversion factor. The converted TEC would generate charges at the new level, but the difference would need to be recovered in the following year in the standard way [kT effect].

Negative zones

- 3.26 As being located in a negative zone, the likelihood is that there will not be a lack of TEC. However, the calculation is the same, except that the SP has a positive income stream from TNUoS.

The assumptions behind the worked examples are:-

- I. That hoarding of TEC in a negative zone would be rare but this was being addressed in the charging forum.
- II. A generator who operates routinely is usually in a similar situation in a positive zone to a negative zone except TNUoS is positive, not negative.
- III. TEC = CEC.
- IV. Where proven TEC is a lot less than Registered TEC, then the generator that has registered that TEC has reserved a free option to operate up to its registered TEC. This is only a problem if the TEC producer will not relinquish to new generator and needs to be considered outside of the working group.

4.0 IMPLEMENTATION AND TIMESCALES

- 4.1 National Grid recommends that CAP068 is implemented from 1st April 2005. This however, would be dependent on a decision from the Authority being received by December 2004. In the event that an Authority decision is after December 2004, implementation would be possible from 1 April 2006, providing an Authority decision was received by December 2005.

5.0 IMPACT ON THE CUSC

- 5.1 CAP068 seeks to amend 6.30 (Revision of Transmission Entry Capacity), and introduce 6 new paragraphs. In addition 5 new definitions are to be proposed for inclusion in Section 11 and the modification of Exhibit B (Connection Application), Exhibit D (Use of System Application) and Exhibit I (Modification Application).
- 5.2 The amended CUSC text to give effect to CAP068 is contained in Annex 2, Part A.

6.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

- 6.1 The Applicable CUSC Objectives are defined in Paragraph 1 of Condition C7F of National Grid's Transmission Licence and can be summarised as follows:
- The efficient discharge by National Grid of the obligations imposed on it by the Act and the Transmission Licence; and
 - Facilitating effective competition in the generation and supply of electricity and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

- 6.2 The Working Group assessed the proposed Amendment against the Applicable CUSC Objectives and it was agreed that the Amendment Proposal would better facilitate the Applicable CUSC Objectives as described.
- 6.3 The proposed Amendment would enable NGC to make better informed decisions in respect of multiple applications for TEC thus promoting more efficient use of the transmission systems.
- 6.4 The proposed trade facility would further enable the trading of TEC between generators thus furthering the efficient use of the system and better facilitate competition in the generation and supply of electricity.
- 6.5 Concerns were raised with respect to confidentiality of Commercial information under CAP068, however, it is believed these have been addressed through the inclusion of a paragraph in the Agreements which confirms the Applicant is aware of the information is to be disclosed and agrees to its usage in this manner.

7.0 IMPACT ON CUSC PARTIES

- 7.1 CUSC Parties would need to be aware of the disclosure of information relating to potential TEC Trades. This would be achieved through the amendment of the Connection Applications, Use of System Applications and Modification Applications and the signature required by applicants to confirm agreement of disclosure.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

Proposed Amendment

- 8.1 No impact on core industry documents was highlighted with the proposed CAP068 Amendment.

Alternative Amendment

- 8.2 No impact on core industry documents was highlighted with the CAP068 Consultation Alternative Amendment.

Changes required to Core Industry Documents to give effect to the Proposed Amendment and Alternative Amendment

- 8.3 Both the Original Amendment and the CAP068 Consultation Alternative will require an amendment to the Statement of Use of System Charges to address charging for the Exchange Rate Calculations.

Changes and/or developments required to central computer systems and processes used for arrangements established under Core Industry Documents

- 8.4 No changes required for either the Original Amendment or the Consultation Alternative Amendment.

9.0 ALTERNATIVE AMENDMENT

Description of Alternative Amendment

- 9.1 CAP068 Consultation Alternative Amendment proposes to post trades on the bulletin board after the completion of the trade as opposed to at the Offer stage. In addition, to setting timescales for revision of agreements and the publishing of the fee payable for the Exchange Rate Request.
- 9.2 Should the existing TEC bulletin board be updated only once every three months (as per current arrangements) and the TEC trade had been processed during this period, as suggested by the Consultation Alternative Amendment, the issue of confidentiality would be less crucial than were it to be at the offer stage as suggested by the Original Amendment proposal.

Impact of Alternative Amendment on CUSC

- 9.3 CAP068 Consultation Alternative Amendment seeks to amend 6.30 (Revision of Transmission Entry Capacity), and introduce 6 new paragraphs. In addition 5 new definitions are to be proposed for inclusion in Section 11 and the modification of Exhibit B (Connection Application), Exhibit D (Use of System Application) and Exhibit I (Modification Application).
- 9.4 The text to give effect to the Consultation Alternative Amendment is given in Annex 2, Part B.

Assessment against Applicable CUSC Objectives

- 9.5 The proposer of CAP068 Consultation Alternative believes that it better facilitates the Applicable CUSC Objectives as it does not compromise Commercial confidentiality.
- 9.6 It is National Grid's view that the key element of transparency of trades proposed by CAP068 promotes more efficient use of the transmission system and also better facilitates competition. The Consultation Alternative Amendment reduces this transparency and it is National Grid's view that this would therefore not better facilitate the Applicable CUSC Objectives.

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 Alternative Amendment.

Views of Panel Members

- 10.2 One panel member responded to the CAP068 Consultation, they were in favour of the Amendment in principle, although they felt that some further clarification would have been useful.

View of Core Industry Document Owners

- 10.3 No responses to the CAP068 Consultation were received from Core Industry Document Owners.

Responses to Consultation

- 10.4 The following table provides an overview of the representations received in response to the CAP068 Consultation. Copies of the representations are attached as Annex 3.

Reference	Company	Supportive	Comments
CAP068-CR-01	PowerGen	Yes	Conditional support. Some issues would have benefited from additional clarification.
CAP068-CR-02	Centrica	Yes	Conditional support. Provided Consultation Alternative for legal text.
CAP068-CR-03	EDF	Yes	Supportive
CAP068-CR-04	British Energy	No	Not supportive

- 10.5 The respondent CAP068-CR-01 was in favour of CAP068 in principle, but considered that due to the absence of information relating to how competing requests would be dealt with by National Grid, that they were unable to make a firm judgement on whether it was beneficial to competition. They also believed that an indicative charge for the Exchange Rate Request should be published, additionally a time-scale should be provided for the time that National Grid has to revise an Offer. As these comments could have constituted a proposal for an Alternative Amendment the respondent was contacted and they requested an Alternative was not raised on this basis, instead they should be taken as points where the Amendment would have benefited from clarification. The respondent did point out a erroneous reference in paragraph 6.30.3.1, which was corrected in the final version of the legal text.
- 10.6 The respondent CAP068-CR-02 was in favour of CAP068 in principle, but expressed a concern that use of the service may be inhibited by the ability for National Grid to charge for the calculation of an Exchange Rate. They also believed that the text should address who was responsible for paying the Exchange Rate Request fee, and submit the application. National Grid's view is that as a joint request these details are likely to form part of the negotiations between the two parties that National Grid is not a party to.
- 10.7 Respondent CAP068-CR-03 was supportive of the Amendment. They acknowledged that whilst an option allowing within year exchanges would present a more flexible approach that the introduction of BETTA and subsequent inclusion of the Scottish generators would create an additional layer of complexity that may result in an inefficient market.
- 10.8 The final respondent CAP068-CR-04 was not supportive of the Amendment on the grounds that they believed it did not better facilitate the Applicable CUSC Objectives. Firstly they believed that due to concerns over posting confidential Offer data on the bulletin board, that this aspect of the Amendment had not been taken forward. Therefore they consider this Amendment is detrimental to competition as it compromises commercial confidentiality. They further believe that under the current CUSC baseline, CEC and TEC are already updated on a quarterly basis and additionally there is nothing that precludes TEC trades from taking place as described therefore the Amendment is not providing anything more than the existing situation. The respondent also considers that the absence of a Working Group

Alternative, despite the view that aspects of the Amendment were not acceptable, undermines the Original Amendment. Overall they are not in support of the Amendment as they consider that a marginal improvement in transparency is more than offset by the additional complexity the Amendment introduces.

Responses to Consultation Alternative Amendment Consultation

- 10.9 The following table provides an overview of the representations received in response to the Consultation Alternative Amendment Consultation. Copies of the representations are attached as Annex 4.

Reference	Company	Supportive	Comments
CAP068-CAAC-01	Centrica	Yes	Proposer of Consultation Alternative Amendment
CAP068-CAAC-02	British Energy	No	
CAP068-CAAC-03	PowerGen	Yes	

- 10.10 The respondent CAP068-CAAC-01 as proposer of the Consultation Alternative Amendment supported the Alternative and believed it better facilitated the Applicable CUSC Objectives.
- 10.11 Respondent CAP068-CAAC-02 believes that CAP068 Alternative Amendment compromises commercial confidentiality and that the CAP068 Alternative Amendment adds no more to the current CUSC baseline than is already available. These comments were also raised as part of their response to the Original CAP068 Consultation.
- 10.12 The respondent CAP068-CAAC-03 believed that the CAP068 Alternative Amendment was an improvement on the Original Amendment as it removes concerns over confidentiality by only publishing details on the completion of transactions, further more they considered that the inclusion of information on the Exchange Rate Request Fee and its publication in the Charging Methodologies was an improvement on the Original Amendment. Overall, the respondent welcomed CAP068 Alternative Amendment and considered it to be an improvement on the Original Amendment, however, the respondent did consider that neither the Original Amendment or the Alternative Amendment adequately addressed the mechanism of how competing requests would be prioritised which they considered to be an important aspect of the Amendment proposal.

11.0 NATIONAL GRID RECOMMENDATION

- 11.1 National Grid recommends that the original CAP068 amendment be implemented in line with the implementation time-scales detailed in paragraph 4.1.

12.0 COMMENTS ON DRAFT AMENDMENT REPORT

12.1 National Grid received 1 response following the publication of the draft Amendment Report. The following table provides an overview of the representation. A copy of the representation is attached as Annex 5.

Reference	Company	Summary of Comments
CAP068-AR-01	British Energy	Not supportive of CAP068 or the Consultation Alternative Amendment.

12.2 The respondent CAP068-AR-01 re-confirmed the view, represented in their submissions to the CAP068 consultations, that neither CAP068 nor the Consultation Alternative Amendment better facilitated the Applicable CUSC Objectives. They raised concerns that neither option provided additional information to National Grid, additionally, they believed both options undermined competition and commercial confidentiality, the respondent further believed that the process did not effectively allow competing requests for TEC to be managed in a more equitable manner. They conclude therefore that the proposed changes create complexity which is not outweighed by the benefits and so the Applicable CUSC Objectives are not better facilitated.

12.3 With regard to the summary of respondents views, respondent CAP068-AR-01 considered that all four of the respondents disagreed with the publication of offers to new connectees (see submissions from: CAP068-CR-01, CAP068-CR-02 and CAP068-CR-04). Additionally, they believed that all four Consultation respondents considered that the amendment did not address the issue of competing requests for TEC, only the availability of TEC for both new and existing connectees (see submissions from: CAP068-CR-01 and CAP068-CAAC-03).

Annex 1 - Amendment Proposal Form

CUSC Amendment Proposal Form	CAP:068
Title of Amendment Proposal:	
Competing Requests for TEC	
Description of the Proposed Amendment (mandatory by proposer):	
<p>NGC will develop and provide a bulletin board that publishes all offers for potential new generation and will introduce a Transmission Entry Capacity (TEC) trade facility to administer the trading of TEC between generators. The facilities will allow competing requests for TEC to be managed in an equitable and transparent manner.</p> <p>Users will be expected to inform NGC of applications for TEC in accordance with existing arrangements described in the CUSC. When an offer for TEC is made by NGC, the details of such offer (e.g generating plant, date, quantity of TEC) will be published on a web page attached to the Seven Year Statement Web-site.</p> <p>The proposal would allow trading of TEC (for example from moth-balled plant to new generators) on a one – one basis at the same GSP or, subject to a satisfactory exchange rate determination by NGC, between relevant GSPs. Both the acquiring and selling generator would submit the enquiry to NGC, who would then be expected to reply within timescales, as set out in CUSC and depending on the extent of any necessary works to the system. The process of determining an exchange rate will be a chargeable service.</p>	
Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer):	
<p>Early publication of information regarding new offers for TEC is not enabled by CUSC at present.</p> <p>Trading of TEC within generating zones is limited thus restricting potential return of moth-balled plant for use by new generators which could be perceived to limit the efficient allocation of resources across the system.</p>	
Impact on the CUSC (this should be given where possible):	
Introduction of new paragraphs within Section 6 of the CUSC to provide for NGC to make applications for TEC published on an external web-site. Changes to be incorporated to the application forms for TEC to allow for disclosure of certain information.	
Impact on Core Industry Documentation (this should be given where possible):	
Although not a core industry document, the above changes will not impact on NGT's Statement of the Use of System Charging Methodology, the calculation of exchange rates and charges for applications for TEC would be via existing charging methodology.	
Impact on Computer Systems and Processes used by CUSC Parties (this should be given where possible):	
<p>Development of bulletin board, via web-based technology.</p> <p>Development of trade facility</p>	
Details of any Related Modifications to Other Industry Codes (where known):	
CUSC Amendment Proposal 043 (CAP043): Transmission Access - Definition	

Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** (mandatory by proposer):

This amendment will enable NGC to make better informed decisions in respect of multiple applications for TEC thus promoting more efficient use of the transmission system.

The proposed trade facility would further enable the trading of TEC between generators thus furthering the efficient use of the system and better 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:	Russel Cooper National Grid Transco 01926 656029 mike.calviou@ngtuk.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Andy Balkwill National Grid Transco 01926 656144 russell.cooper@ngtuk.com
Attachments (Yes/No): Yes If Yes, Title and No. of pages of each Attachment: Legal Text	

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.

CAP 068
DRAFT LEGAL TEXT

Delete the words "Revision of" from the heading to Paragraph 6.30 of **CUSC** and amend the contents page to Section 6 accordingly.

Add the following as Paragraph 6.30.3

- 6.30.3 **Exchange Rate Requests**
- 6.30.3.1 **NGC** shall establish and maintain a **TEC Register** published on the **NGC Website** recording the details set out in 6.10.5.2.
- 6.30.3.2 The **TEC Register** shall set out the name of the **Applicant**, the **Connection Site** (or in the case of an **Embedded Generator** site of connection), the **Transmission Entry Capacity** offered, the year of connection to (or in the case of an **Embedded Generator** the year for use of) the **NGC Transmission System** in respect of any outstanding **Connection Offers**, **Use of System Generation Offers** or any **Modification Offers** in respect of a change in a **User's Transmission Entry Capacity**.
- 6.30.3.3 The details of the **Connection Offers**, **Use of System Generation Offers** and **Modification Offers** shall be recorded on the **TEC Register** within 5 **Business Days** of such offers being made by **NGC**. The **TEC Register** shall also be updated periodically to remove those cases where a **Connection Offer**, **Use of System Generation Offers** or **Modification Offer** has been signed or has lapsed.
- 6.30.3.4 Subject to the payment of its **Reasonable Charges**, **NGC** shall, as soon as reasonably practicable after receipt of an **Exchange Rate Request** calculate the **Exchange Rate**.
- 6.30.3.5 In the event that the parties wish to proceed with a **TEC Trade** on the basis of the **Exchange Rate** then the **Applicant** shall notify **NGC** and

NGC shall revise the **Applicants Connection Offer, Use of System Generation Offer** or **Modification Offer** (as appropriate) to reflect and conditional upon such **TEC Trade**. This revised offer shall remain open for acceptance by the **User** for the remainder of the original offer period.

The following new definitions shall be added to Section 11 of CUSC

Exchange Rate	The Transmission Entry Capacity available to a specific party as a direct result of a specific reduction in the Transmission Entry Capacity available to another party.
Exchange Rate Request	a joint request from an Applicant and another User or Applicant to calculate the Exchange Rate that would apply were they to agree to a TEC Trade
TEC Register	The register set up by NGC pursuant to Paragraph 6.30.3.1
TEC Trade	a trade between parties of their respective Transmission Entry Capacity .
Use of System Generation Offer	A Use of System Offer in substantially the form of Exhibit E to CUSC

The notes within CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 9 In accordance with Paragraph 6.30.3 of **CUSC NGC** will need to disclose certain information contained in the application and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

The notes within CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 10 In accordance with Paragraph 6.30.3 of **CUSC NGC** will need to disclose certain information contained in the application and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

The notes within CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 9 In accordance with Paragraph 6.30.3 of **CUSC NGC** will need to disclose certain information contained in the application and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

Annex 2 – Proposed Text to modify CUSC

Part A - Text to give effect to the Proposed Amendment

For the avoidance of doubt, the proposed changes are indicated with coloured text only. Coloured underlined text will be inserted, and coloured strikethrough text will be deleted.

Change Marked Version

Section 6 – General Provisions

~~REVISION OF~~ TRANSMISSION ENTRY CAPACITY

- 6.30.1 Text unchanged
6.30.2 Text unchanged

6.30.3 Exchange Rate Requests

6.30.3.1 NGC shall establish and maintain a TEC Register published on the NGC Website recording the details set out in 6.30.3.2.

6.30.3.2 The TEC Register shall set out the name of the Applicant, the Connection Site (or in the case of an Embedded Generator site of connection), the Transmission Entry Capacity offered, the year of connection to (or in the case of an Embedded Generator the year for use of) the NGC Transmission System in respect of any outstanding Connection Offers, Use of System Generation Offers or any Modification Offers in respect of a change in a User's Transmission Entry Capacity.

6.30.3.3 The details of the Connection Offers, Use of System Generation Offers and Modification Offers shall be recorded on the TEC Register within 5 Business days of such offers being made by NGC. The TEC Register shall also be updated periodically to remove those cases where a Modification Offer has been signed or has lapsed.

6.30.3.4 Subject to the payment of its Reasonable Charges, NGC shall, as soon as reasonably practicable after receipt of an Exchange Rate Request calculate the Exchange Rate.

6.30.3.5 In the event that parties wish to proceed with a TEC Trade on the basis of the Exchange Rate then the Applicant shall notify NGC and NGC shall revise the Applicants Connection Offer, Use of System Generation Offer or Modification Offer (as appropriate) to reflect and conditional upon such TEC Trade. This revised offer shall remain open for acceptance by the User for the remainder of the original offer period.

Section 11.3 – Definitions

<u>Exchange Rate</u>	<u>The Transmission Entry Capacity available to a specific party as a direct result of a specific reduction in the Transmission Entry Capacity available</u>
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	<u>to another party.</u>
<u>Exchange Rate Request</u>	<u>A joint request from an Applicant and another User or Applicant to calculate the Exchange Rate that would apply were they to agree to a TEC Trade.</u>
<u>TEC Register</u>	<u>The register set up by NGC pursuant to Paragraph 6.30.3.1.</u>
<u>TEC Trade</u>	<u>A trade between parties of their respective Transmission Entry Capacity.</u>
<u>Use of System Generation Offer</u>	<u>A Use of System Offer in substantially the form of Exhibit E to CUSC</u>

The notes within CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

9 In accordance with Paragraph 6.30.3 of CUSC, NGC will need to disclose certain information contained in the application and shall need authorisation from the Applicant in respect of this.

The signature page of CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of CUSC of the information specified in such Paragraph.

The notes within CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

10 In accordance with Paragraph 6.30.3 of CUSC, NGC will need to disclose certain information contained in the application and shall need authorisation from the Applicant in respect of this.

The signature page of CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of CUSC of the information specified in such Paragraph.

The notes within CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

9 In accordance with Paragraph 6.30.3 of CUSC, NGC will need to disclose certain information contained in the application and shall need authorisation from the Applicant in respect of this.

The signature page of CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of CUSC of the information specified in such Paragraph.

Clean Version

Section 6 – General Provisions

6.30 TRANSMISSION ENTRY CAPACITY

6.30.1 Text unchanged

6.30.2 Text unchanged

6.30.3 Exchange Rate Requests

6.30.3.1 **NGC** shall establish and maintain a **TEC Register** published on the **NGC Website** recording the details set out in 6.30.3.2.

6.30.3.2 The **TEC Register** shall set out the name of the **Applicant**, the **Connection Site** (or in the case of an **Embedded Generator** site of connection), the **Transmission Entry Capacity** offered, the year of connection to (or in the case of an **Embedded Generator** the year for use of) the **NGC Transmission System** in respect of any outstanding **Connection Offers**, **Use of System Generation Offers** or any **Modification Offers** in respect of a change in a **User's Transmission Entry Capacity**.

6.30.3.3 The details of the **Connection Offers**, **Use of System Generation Offers** and **Modification Offers** shall be recorded on the **TEC Register** within 5 **Business days** of such offers being made by **NGC**. The **TEC Register** shall also be updated periodically to remove those cases where a **Modification Offer** has been signed or has lapsed.

6.30.3.4 Subject to the payment of its **Reasonable Charges**, **NGC** shall, as soon as reasonably practicable after receipt of an **Exchange Rate Request** calculate the **Exchange Rate**.

6.30.3.5 In the event that parties wish to proceed with a **TEC Trade** on the basis of the **Exchange Rate** then the **Applicant** shall notify **NGC** and **NGC** shall revise the **Applicants Connection Offer**, **Use of System Generation Offer** or **Modification Offer** (as appropriate) to reflect and conditional upon such **TEC Trade**. This revised offer shall remain open for acceptance by the **User** for the remainder of the original offer period.

Section 11.3 – Definitions

Exchange Rate	The Transmission Entry Capacity available to a specific party as a direct result of a specific reduction in the Transmission Entry Capacity available to another party.
Exchange Rate Request	A joint request from an Applicant and another User or Applicant to calculate the Exchange Rate that would apply were they to agree to a TEC Trade .
TEC Register	The register set up by NGC pursuant to Paragraph 6.30.3.1.
TEC Trade	A trade between parties of their respective Transmission Entry Capacity .
Use of System Generation Offer	A Use of System Offer in substantially the form of Exhibit E to CUSC

CUSC Exhibit B – Connection Application

The notes within CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 11 In accordance with Paragraph 6.30.3 of **CUSC**, **NGC** will need to disclose certain information contained in the application and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 6 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

CUSC Exhibit D – Use of System Application

The notes within CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 12 In accordance with Paragraph 6.30.3 of **CUSC**, **NGC** will need to disclose certain information contained in the application and shall need authorisation from the Applicant in respect of this.

The signature page of CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 6 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

CUSC Exhibit I – Modification Application

The notes within CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 10 In accordance with Paragraph 6.30.3 of **CUSC**, **NGC** will need to disclose certain information contained in the application and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

- 5 We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

Part B - Text to give effect to the Proposed Consultation Alternative Amendment

Change Marked Version

Section 6 – General Provisions

6.30 TRANSMISSION ENTRY CAPACITY

- 6.30.1 Text unchanged
6.30.2 Text unchanged

6.30.3 Exchange Rate Requests

6.30.3.1 NGC shall establish and maintain a TEC Register published on the NGC Website recording the details set out in 6.30.3.2.

6.30.3.2 The TEC Register shall set out the name of the User, the Connection Site) or in the case of an Embedded Generator site of connection), the Transmission Entry Capacity, the year of connection to (or in the case of an Embedded Generator the year of use of) the NGC Transmission System in respect of any Bilateral Agreements or agreements to change a User's Transmission Entry Capacity.

6.30.3.3 The details of the Bilateral Agreement or agreements to change a User's Transmission Entry Capacity shall be recorded on the TEC Register within 5 Business Days of the completion of such agreements.

6.30.3.4 Subject to the payment of the fee as outlined in the Charging Methodology Statements, NGC shall, after receipt of an Exchange Rate Request calculate the Exchange Rate as soon as practicable but in any event not more than 3 months after such request is received.

6.30.3.5 In the event that the parties wish to proceed with a TEC Trade on the basis of the Exchange Rate then the User shall notify NGC and effective from the following 1 April, NGC shall revise the Bilateral Agreements (as appropriate) provided.

The following new definitions shall be added to Section 11 of CUSC

<u>Exchange Rate</u>	<u>The Transmission Entry Capacity available to a specific party as a direct result of a specific reduction in the Transmission Entry Capacity available to another party.</u>
<u>Exchange Rate Request</u>	<u>A joint request from a User and another User to calculate the Exchange Rate that would apply were they to agree to a TEC Trade.</u>
<u>TEC Register</u>	<u>The register set up by NGC pursuant to Paragraph 6.30.3.1.</u>
<u>TEC Trade</u>	<u>A trade between parties of their respective Transmission Entry Capacity.</u>

The notes within CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

9 In accordance with Paragraph 6.30.3 of **CUSC NGC** will need to disclose details of **Bilateral Agreements** entered into and shall need authorisation from the **Applicant** in respect of this.

The signature page of CUSC Exhibit B (Connection Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly

We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

The notes within CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

10 In accordance with 6.30.3 of CUSC NGC will need to disclose details of the **Bilateral Embedded Generation Agreement** entered into and shall need authorisation from the **Applicant** in respect of this

The signature page of CUSC Exhibit D (Use of System Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of **CUSC** of the information specified in such Paragraph.

The notes within CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

9 In accordance with Paragraph 6.30.3 of CUSC, NGC will need to disclose details of any agreement to vary Bilateral Agreement and shall need authorisation from the Applicant in respect of this.

The signature page of CUSC Exhibit I (Modification Application) shall be amended by the addition of the paragraph below and the following paragraphs renumbered accordingly;

We confirm our agreement to the disclosure in the manner set out in Paragraph 6.30.3 of CUSC of the information specified in such Paragraph.

Annex 3 – Copies of Representations Received to Consultation

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on 15th March 2004, requesting comments by close of business on 16th April 2004).

Representations were received from the following parties:

No.	Company	File Number
1	PowerGen	CAP068-CR-01
2	Centrica	CAP068-CR-02
3	EDF	CAP068-CR-03
4	British Energy	CAP068-CR-04

Reference	CAP068-CR-01
Company	PowerGen

Please see attached PDF file.

Reference	CAP068-CR-02
Company	Centrica

The Centrica logo features the word "centrica" in a bold, blue, lowercase sans-serif font. A small orange circle is positioned above the letter 'i'.

taking care of the essentials

Lindsey Paradine
Commercial
National Grid Company
NGC House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Centrica Energy
Millstream East,
Maidenhead Road,
Windsor,
Berkshire SL4 5GD

Tel. (01753) 431156
Fax (01753) 431150
www.centrica.com
Our Ref. Cap68 160404
Your Ref.
16 April 2004

Dear Lindsey

CUSC Amendment Proposal CAP068: Competing Requests for TEC

Centrica are pleased to provide comments on the consultation for CAP068. Although this proposal will only be useful to a limited number of parties, we support this amendment being made to the CUSC and agree that this amendment will better facilitate the applicable CUSC objectives. This proposal represents a small step towards a more flexible regime for TEC and transmission charging.

We believe that use of this service will be inhibited by the requirement of NGC to charge for every application for an exchange of TEC. Whilst we recognise that calculating the 'exchange rates' and system implications may constitute work undertaken over and above that which is done now, we are concerned that the cumulative cost of the initial application for connection, the calculation for charging and the cost of the TEC may prove uneconomic. This is particularly true if more than one iteration is required before the right solution is found.

It is also unclear from the amendment proposal, and associated legal text, who would be responsible for payment of the charge and submission of the application: the seller of TEC or the buyer. It would seem most appropriate for the buyer to be responsible for payment of the charge but this must be made distinct, particularly as the application must be submitted jointly by both buyer and seller.

We are disappointed that NGC were unable to come forward with more detail of their alternative at this time, particularly considering almost 6 months has elapsed since this proposal was first considered by the CUSC Panel. Centrica believe it is inevitable that changes to the Charging Methodologies will be required for the true benefits of this proposal to be obtained by those parties involved. In seeking to avoid changes to the Charging Methodologies NGC has introduced inflexibility into the proposal as changes can only take place from 1 April of each year, and must last for a minimum of a year, without causing discrepancies in the charging recovery.

Regarding the legal text provided, we have the following points to make:

- We are surprised that the text has not been amended to include the change of the timing of publication of TEC trade updates to post transaction rather than on application. The Working Group agreed this change, and, as it has not been presented as an Alternative Amendment it must be assumed that NGC agreed that this was a minor amendment to the original proposal. As such the relevant change should have been made to the draft legal text.
- For clarity, the legal text should state that it is the new connectee, or existing TEC holder, who is responsible for payment of the exchange rate charge.
- The text should set a limit on the time that NGC has to provide an exchange rate, e.g. 30 business days, as opposed to 'as soon as reasonably practicable'. This approach is in line with the process for applications for new connections and will improve the efficiency of the process, ensuring NGC cannot unduly frustrate the application.
- If it is accepted that NGC are able to charge for the exchange rate calculations, it is essential that the charges that NGC intend to levy are transparent and published, if not in CUSC, then as part of the Charging Methodology statements. It is not appropriate for these charges to be applied on an *ad hoc* basis. This requirement should be stated in the legal text.

We trust that these comments have been useful. Should you wish to discuss any of the issues raised further please do not hesitate to contact me.

Yours sincerely

Danielle Lane
Contracts Manager

Reference	CAP068-CR-03
Company	EDF

Lindsey Paradine
Commercial
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA



Date 16th April 2004

Dear Lindsey,

**EDF Energy Response to CUSC Amendment Proposal CAP068 –
“Competing Requests for TEC”**

Thank you for giving EDF Energy the opportunity to respond to this CUSC Amendment Proposal 068 “Competing Requests for TEC”.

EDF Energy supports CUSC Amendment Proposal CAP068. EDF Energy agrees that the amendment proposal better facilitates the achievement of the applicable CUSC objectives. By assisting NGC in making more informed decisions with regard to TEC applications and enabling TEC to be traded between parties promotes both efficient use of the transmission system and effective competition.

Since all the information that Users require in order to determine available opportunities to trade TEC with other parties is already in the public domain through various web sites and publications, an additional page on the NGT web site with the required links should assist Users in accessing the data.

The proposals as outlined in this consultation document enables exchanges of TEC to be completed on 1st April each year. Although within year exchanges does have merits and are possibly a more flexible alternative, it would require a pricing consultation and would create additional complexity. With BETTA development going ahead and TEC values being calculated and negotiated for Scottish generators such a change might not presently be efficient for the market.

We hope our comments have been useful in helping Ofgem assess the merits of this proposal but please contact me if you would like to discuss further.

Regards

Russell Hill
Regulation and Market Infrastructure
EDF Energy

Reference	CAP068-CR-04
Company	British Energy



15th April 14, 2004

Lindsey Paradine
Commercial
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Lindsey,

CUSC Consultation Document CAP068:
Competing Requests for TEC

Thank you for the opportunity to comment on the CAP068 amendment proposal.

British Energy does not support this proposal, our comments below set out our rational for this view.

British Energy does not consider that the proposals set out in the CAP068 Amendment Report to improve on the present CUSC baseline to a sufficient extent to better facilitate CUSC objectives (a) or (b).

The amendment proposal required the development of a bulletin board and a TEC trade facility to allow competing requests for TEC to be managed in an equitable and transparent manner. When an offer of TEC was made it was the intention that details of this offer would be published on the Seven Year Statement web-site. It was suggested that this would allow the trading of TEC on a one-to-one basis or facilitated by NGT.

Taking each of these elements in turn:

Firstly a suitable public bulletin already exists on the NGT external Seven Year Statement web site. While the original intention was for offer details to be displayed concerns relating to confidentiality raised by users has resulted in this element being dropped. The updating of TEC and CEC data as now on quarterly basis was considered acceptable. Hence the amendment proposal provides nothing new in respect of this element and this was why the Working Group concluded that this approach would be inappropriate. However, the legal draft of the amendment would still implement the bulletin board of connection applications approach, as there is no

option offered by the provision of an alternative. This approach does not facilitate competition as it compromises the commercial confidentiality required to build projects of this nature and size.

Secondly, while we accept the principle of TEC trades between CUSC members, for example in the situation where it avoids new users waiting a prolonged period for their TEC due to network reinforcement works in circumstances where there are willing sellers of TEC (e.g. mothballed generators). There is nothing, however, to prevent such trading from taking place under the present CUSC baseline now. This would necessarily involve NGT whether the trade was done at the same connection site where a one-to-one TEC transfer could take place or at a more remote site where NGT could determine an exchange rate. Hence, again, the amendment as proposed provides nothing that is not presently available.

In the light of the above we consider that the amendment proposal does not better facilitate CUSC objectives as any marginal improvement in transparency that might be gained is more than offset by the additional complexity and hence overall lack of efficiency inherent to this amendment change.

With regard to the application of the process for Amendments to the CUSC there are several points to be raised.

Firstly the Working Group has not provided any alternative amendments to be considered at this time despite concluding that certain elements of the Amendment as proposed were not required and needed to be removed. This certainly undermines the original amendment.

Also NGT has stated in this consultation that it is considering some alternatives to this amendment but they have not yet been brought to the industry. If NGT themselves think that there is a requirement for an alternative perhaps it should have been included with this consultation in order to provide industry participants with an opportunity to comment. This could have been done at the Working Group stage of which NGT was a part to allow proper consideration by industry of any alternatives. It would certainly be unfortunate if such an amendment only came to light now during this late stage of assessment.

Overall British Energy does not support this amendment, as it does not better facilitate the applicable CUSC objectives as it does not raise transparency nor does it better facilitate competition in the generation and transmission of electricity.

Regards

Gayle



Gayle Cairns

**Trading Consultant
British Energy Power and Energy Trading**

☎ 01452 653860

☎ 07709 458951

✉ gayle.cairns@british-energy.com

Annex 4 – Copies of Representations Received to Consultation Alternative Amendment Consultation

This Annex includes copies of any representations received following circulation of the Consultation Alternative Amendment Consultation Document (circulated on 30 April 2004, requesting comments by close of business on 14 May 2004).

Representations were received from the following parties:

No.	Company	File Number
1	Centrica	CAP068-CAAC-01
2	British Energy	CAP068-CAAC-02
3	PowerGen	CAP068-CAAC-03

Reference	CAP068-CAAC-01
Company	Centrica

From: Lane, Danielle [Danielle.Lane@centrica.co.uk]
Sent: 12 May 2004 15:01
To: Paradine, Lindsey
Subject: CAP068 - Competing Requests for TEC - Consultation Alternative Amendment Consultation

Dear Lindsey

Thank you for the opportunity to comment on the Alternative proposal to CAP 68. Centrica support the Alternative Amendment over the original CAP68 proposal, believing it better facilitates the applicable CUSC objectives over the current text and the original proposal.

Regards

Danielle Lane
Contracts Manager
☎ 01753 431156
☎ 07979 563962
✉ danielle.lane@centrica.co.uk
Centrica Energy
2nd Floor
Millstream East
Maidenhead Road
Windsor
Berks SL4 5GD

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The views expressed in this email are not necessarily the views of Centrica plc, and the company, its directors, officers or employees make no representation or accept any liability for its accuracy or completeness unless expressly stated to the contrary.

Reference	CAP068-CAAC-02
Company	British Energy



14th May, 2004

Lindsey Paradine
Commercial
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Lindsey,

Alternative Amendment for CAP068:
Competing Requests for TEC

Thank you for the opportunity to comment on the CAP068 alternative amendment proposal.

British Energy does not support this alternative amendment proposal, our comments below set out our rational for this view.

British Energy does not consider that the proposals set out in the CAP068 Amendment Report or the Alternative Amendment to improve on the present CUSC baseline to a sufficient extent to better facilitate CUSC objectives (a) or (b).

The alternative amendment proposal requires the development of a bulletin board and a TEC trade facility to allow all requests for TEC to be managed in an equitable and transparent manner. This is the same as is required by the original CAP 068 Amendment. When an offer of TEC was made it was the intention that details of this offer would be published on the Seven Year Statement web-site. It was suggested that this would allow the trading of TEC on a one-to-one basis or facilitated by NGT.

Taking each of these elements in turn:

Firstly a suitable public bulletin already exists on the NGT external Seven Year Statement web site. The original intention was for access offer details to be publicly displayed but concerns relating to confidentiality raised by members of the working group resulted in agreement that this aspect ought to be dropped. The updating of TEC and CEC data as now on quarterly basis was considered acceptable. Hence the alternative amendment proposal provides nothing new. However, the legal draft of the amendment would still implement the bulletin board of connection applications

approach. **This approach does not facilitate competition as it compromises the commercial confidentiality required to build projects of this nature and size.**

Secondly, while we accept the principle of TEC trades between CUSC signatories, for example in the situation where it avoids new users waiting a prolonged period for their TEC due to network reinforcement works in circumstances where there are willing sellers of TEC (e.g. mothballed generators). There is nothing, however, to prevent such trading from taking place under the present CUSC baseline. This would necessarily involve NGT whether the trade was done at the same connection site where a one-to-one TEC transfer could take place or at a more remote site where NGT could determine an exchange rate. Hence, again, the amendment as proposed provides nothing that is not presently available.

In the light of the above we consider that the alternative amendment proposal, like the original, does not better facilitate CUSC objectives as any marginal improvement in transparency that might be gained is more than offset by the additional complexity and hence overall lack of efficiency inherent to this amendment change. The proposed amendment and the alternative also have the impact of inhibiting competition in the market contrary to the NGC licence obligations.

With regard to the more general issue of Amendments to the CUSC there are several points to be raised.

Firstly the Working Group did not provide any alternative amendments to be considered despite concluding that certain elements of the Amendment as proposed were not required and needed to be removed. This raises questions over the working group approach.

NGT stated in the initial consultation that it was considering some alternatives to the amendment. NGT have failed to provide an alternative. They have commented that they do not find acceptable the alternative from Powergen. This leads to the conclusion that neither of these proposals is acceptable and they should not be recommended.

Overall British Energy does not support the original amendment or this alternative, as they do not better facilitate the applicable CUSC objectives. Any marginal improvement in transparency is more than offset by the compromising of commercial confidentiality for new entrants and consequential damage to competition.

Regards

Gayle



Gayle Cairns

**Trading Consultant
British Energy Power and Energy Trading**

☎ 01452 653860
☎ 07709 458951
✉ gayle.cairns@british-energy.com

Reference	CAP068-CAAC-03
Company	PowerGen



Lindsey Paradine, Commercial
National Grid Company plc
NGT House, Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Date: 14 May 2004

Dear Lindsey,

CAP068 – Competing requests for TEC

I am responding to the above consultation document on behalf of Powergen. We believe that the alternative amendment proposal suffers from the same deficiency as the original proposal in that it does not address the issue of how competing requests for TEC will be dealt with. However, it does appear to allay some of the other concerns we have with the original amendment and as such we believe that it better meets the applicable CUSC objectives compared with the original.

We noted in our response to the original proposal that the solution proposed did not actually address how competing requests for TEC will be dealt with. It only appeared to provide a bulletin board whereby existing owners of TEC can find users who are likely to be interested in undertaking a trade with them. We felt that it did not explain how two applications, which are made at a similar time will be prioritised when there is insufficient capacity to meet them both. In contrast, this alternative proposal does not appear to even provide any information for such an exchange to be identified. Instead, the alternative solution requires agreements to change TEC to be published only once they are entered into. We feel this provides an improvement in transparency, but it does not address the issue of competing TEC requests any more than the original proposal.

Additionally, in our response to the original amendment we stated that we were concerned that where there were competing applications for TEC, by making offers publicly available the proposal could act to disadvantage the first applicant. The alternative only provides for data to be made available once the increase in TEC has been agreed. Therefore, these concerns would not exist under the alternative proposal. We also felt that the original amendment was too vague in respect of the application fee and should have included at least an indicative fee. We note and welcome the inclusion of a requirement in the alternative proposal to publish the fee in the charging methodology statements.

Therefore, on balance we believe that the alternative amendment is an improvement over the original proposal. However, we feel that neither of them in reality addresses the issue of competing access.

Please call me on the above number should you wish to discuss this further.

Yours sincerely,

Paul Jones
Trading Arrangements

Annex 5 – 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 19th May 2004, requesting comments by close of business on 26th May 2004).

Representations were received from the following parties:

No.	Company	File Number
1	British Energy	CAP068-AR-01

Reference	CAP068-AR-1
Company	British Energy



25th May, 2004

Lindsey Paradine
Commercial
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Lindsey,

Draft Amendment Report for CAP068:
Competing Requests for TEC

Thank you for the opportunity to comment on the CAP068 Draft Amendment Report.

British Energy does not consider that the proposals set out in the CAP068 Amendment Report or the Alternative Amendment to improve on the present CUSC baseline to a sufficient extent to better facilitate CUSC objectives (a) or (b).

British Energy has concerns regarding the summary of respondent's views and the recommendation from National Grid. We also have some observations to make on the interpretation of the amendment and its implications.

Taking each of these elements in turn:

The proposed amendment would not enable National Grid to make better-informed decisions in respect of multiple applications for TEC as it does not appear to give any additional information to National Grid. The trading of TEC may introduce additional efficiency to the use of the system process but such a wide ranging move would require its own amendment in order that it can be properly assessed.

CAP 068 does not generally introduce greater transparency of available TEC as it only puts into the public domain the requirements of new users for TEC which would seem to be discriminatory, to be undermining competition and commercial confidentiality. On this basis neither the original amendment proposal nor the alternative is acceptable.

Under CAP 068 National Grid would develop and maintain a bulletin board that publishes all offers for potential new generation. It would also provide a facility for users to trade TEC. This would not however allow competing requests for TEC to be managed in a more equitable manner. If anything the loss of commercial confidentiality is less reasonable than that afforded by the current system. Overall the proposed changes introduce additional complexity, which are not outweighed by the benefits and hence do not better facilitate the Applicable Objectives.

Finally, having examined the four responses received by National Grid on this amendment proposal we would like to point out that in fact all of the respondents disagreed with the implementation of a bulletin board which would publish details of offers to new connectees. The respondents also agreed that this amendment despite its title did not address the issue of competing requests for TEC. It only addresses the issue of availability of TEC for both new and existing connectees.

If you have any questions regarding these comments please do not hesitate to contact me.

Regards

Gayle



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Annex 6 - Process Flow Diagram.

(For CAP068 only. not applicable to CAP068 Consultation Alternative Amendment)

APPLICATION PROCESS – TRANSPARENCY										
	Initial Discussion from Applicant to NGT						Valid Application to NGT Customer Agreements	Offer made to Applicant	Acceptance	Construction Phase
NGC Activity										
	Confidential						Confidential	Confidential	Public	Public
		On-going discussions								
									Published in SYS update every three months	
							3 Months	3 Months	Published	Typical 2/3-year

									externally	lead time	
	Initial Discussion with NGT	Obtain Land	Contract with Developer	Govt. Consent / (DTI) S14/36 Permission to Generate	Environment Agency	Local Authority Planning Permission	Apply to NGT for Connection to System	OFFER	Acceptance / Rejection of Offer	Construction Phase	
Generator Process											
	Confidential	Confidential	Confidential	Initially confidential until Government approval given.	confidential	Public	Confidential	Offer made	Accepted	Public	
						Public Consultation					
							Plans lodged with Local Authority				
							Letters sent to surrounding premises				
							Environmental Impact Assessment carried out				
							Plans lodged with Local Authority	Notice placed in local newspaper			

					Consultation with affected parties				

Annex 7 - Worked Examples

TEC Trading Scenarios- Amended after Meeting 9/1/04

Following discussion the 4 scenarios sketched before the meeting can be collapsed into 2 scenarios, intra GSP and interGSP, with comments to cover multiple sellers or purchasers. The scenario for new purchasers is very similar to existing seeking to extend or to return to a previously held higher level of TEC.

Also, it must be remembered that these scenarios only come into play in the event that the usual route (request additional TEC from NGT, NGT make an offer, and the offer is consistent with the timescales that suit the requester) has problems, typically delay.

1. Scenario 1-Intra GSP

<u>Purchasing Party (PP)</u>	
Status of party	Existing Plant, or new plant with Connection Agreement Offer
	Upgrade, extension, or reinstatement of mothballed plant
Existing Station CEC	1000 MW
Necessary Pre-requisites	
	Connection Agreement NB NGT obligated to offer, but transmission capacity may be delayed (e.g. planning issues)
	Regulatory consents in place
Existing TEC Capacity	500 MW
Additional TEC Capacity Required	500 MW
Duration Required	Until NGT can deliver additional transmission capacity
<u>Selling Party (SP)</u>	
Status of party	Existing Plant
	Mothballing option, closure under consideration
Existing Station CEC	600 MW
Necessary Pre-requisites	
	Connection Agreement exists
	Regulatory consents in place
	?
Existing TEC Capacity	500 MW
TEC Capacity Available	500 MW
Duration Required	Until NGT can deliver additional transmission capacity
<u>Elements of Deal</u>	
<u>Selling Party agrees</u>	To declare TEC to zero with effect from agreed date
<u>Purchasing Party agrees</u>	To pay a sum to SP
<u>Purchasing Party and Selling Party apply</u>	To NGC for TEC exchange with application fee
<u>NGT confirms</u>	TEC capacities are equivalent
	No other technical impediments, safety or fault issues
	No other prior claims for the TEC
	Minimum period before additional transmission capacity could be delivered

<u>NGT notes</u>	Contracted transfer of 'property right' from SP to PP
<u>Basis of Valuation</u>	Value of the early access, NB TNUoS still to be paid, Plus any residual TNUoS paid to cover till end of financial year, if transfer takes place mid year. Possible issue for NGT charging and effect on Kt factor. This will be subject to a Charging Methodology Change
<u>Other issues</u>	
<u>Timing</u>	SP relinquishing and PP taking up must be contiguous, otherwise TEC goes back into pool This could mean the SP continuing to pay for TEC for longer than they might otherwise in order that they can hand over when the SP is ready to take it.
<u>Multiple Parties</u>	If >1 PPs and/or >1 SPs then up to SPs and PPs to do the deal and notify NGT Enhanced complexity of NGT needing to check equivalence of a greater number of options for each PP
<u>Negative Charging Zones</u>	Because it's a -ve zone, likelihood is that there will not be a lack of TEC The calculation is the same, except that the SP has a positive income stream from TNUoS Issue of alleged hoarding being addressed in charging arena

2. Scenario 2 – Inter GSP

<u>Purchasing Party (PP)</u>	
Status of party	Existing Plant
	Upgrade, extension, or reinstatement of mothballed plant
Existing Station CEC	1000 MW
Necessary Pre-requisites	
	Connection Agreement
	Regulatory consents in place
Existing TEC Capacity	500 MW
Additional TEC Capacity Required	500 MW
Duration Required	Until NGT can deliver additional transmission capacity
<u>Selling Party (SP)</u>	
Status of party	Existing Plant
	Mothballing option, closure under consideration
Existing Station CEC	1050 MW
Necessary Pre-requisites	
	Connection Agreement exists
	Regulatory consents in place
Existing TEC Capacity	1000 MW
TEC Capacity Available	1000 MW equivalent to 600 MW at PP gsp
Duration Required	Until NGT can deliver additional transmission capacity
<u>Elements of Deal</u>	

<u>Selling Party agrees</u>	To declare TEC down to release 500 MW equivalent, at least.
<u>Purchasing Party agrees</u>	To pay a sum to SP
<u>Purchasing Party and Selling Party apply</u>	To NGC for TEC exchange with application fee
<u>NGT confirms</u>	TEC capacities exchange rate
	No other technical impediments
	No other prior claims for the TEC
	Minimum period before additional transmission capacity could be delivered
<u>Basis of Valuation</u>	Value of the early access, NB TNUoS still to be paid
	Plus any residual TNUoS paid to cover till end of financial year? This will be subject to a Charging Methodology Change
<u>Other issues</u>	All other issues in Scenario 1
	Effect on TNUoS model base and rates for other parties? Possibility of zone boundary movement more likely with this type of trade.
	Probably enhanced complexity and cost of doing exchange rate calculations