



CONSULTATION DOCUMENT

CUSC Amendment Proposal CAP156 Reactive Power Default Payment Rate

*The purpose of this document is to
consult on Amendment Proposal CAP156
with CUSC Parties and other interested
Industry members*

Amendment Ref	CAP156
Issue	1.0
Date of Issue	9 August 2007
Prepared by	National Grid

I DOCUMENT CONTROL**a National Grid Document Control**

Version	Date	Author	Change Reference
1.0	9/8/07	National Grid	Formal version for release

b Document Location

National Grid website:

www.nationalgrid.com/uk/electricity/codes/

c Distribution

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

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1.0 SUMMARY AND VIEWS

Executive Summary

- 1.1 CAP156 Reactive Power Default Payment Rate – Use of Spectron Power Index was proposed by National Grid and submitted to the Amendment Panel on 27 July 2007. CAP156 proposes to address the fact Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive default payment rate as specified in Schedule 3 of the CUSC.
- 1.2 CAP156 will therefore ensure the reactive default payment rate is calculated using published information which is currently available.

National Grid's View

- 1.3 National Grid, as the proposer of CAP156 is supportive of the Amendment Proposal, believing that it would better facilitate achievement of the Applicable CUSC Objective (a).

Amendment Panels View

- 1.4 The Amendments Panel agreed that CAP156 should proceed to wider consultation by National Grid, for a period of 4 weeks.

2.0 PURPOSE AND INTRODUCTION

- 2.1 This is a consultation document 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.
- 2.2 Further to the submission of Amendment Proposal CAP156, this document seeks views from industry members relating to the Amendment Proposal.
- 2.3 CAP156 was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 27 July 2007. The Amendments Panel determined that CAP156 was appropriate to proceed to wider industry consultation by National Grid.
- 2.4 This consultation document outlines the nature of the CUSC changes that are proposed. Representations received in response to this consultation document will be included in National Grid's Amendment Report that will be furnished to the Authority for their decision.
- 2.5 This consultation document has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid website, at www.nationalgrid.com/uk/Electricity/Codes/ and the Amendment Proposal form. This document invites views upon CAP156 and the **closing date** is 5.00pm on the 6 September 2007 **for responses** including any Consultation Alternatives.
- 2.6 CUSC Parties are reminded that any Consultation Alternatives must be submitted by the above closing date and must be in writing and contain sufficient detail in accordance with the requirements within CUSC 8.15.2

3.0 PROPOSED AMENDMENT

- 3.1 CAP156 proposes to amend CUSC Schedule 3, Appendix 1 part 3.1 to remove the Spectrom cumulative over the counter index from the calculation of the reactive default payment rate as it is no longer being published.
- 3.2 As of the 17th June Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive payment as specified in schedule 3 of the CUSC. In accordance with CUSC Schedule 3, Appendix 1, Part 4, the index used in the July 2007 reactive default payment rate was calculated using the UK Baseload All-Day Month Ahead average prices published by Spectron. While Schedule 3 makes allowances for unavailable information, the intention of the clause is only to cover periods until the information becomes available again. Hence the requirement for this amendment proposal.

4.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

Proposed Amendment

- 4.1 CAP156 would better facilitate the CUSC Objective(s);
- (a) *the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence; and*
- 4.2 This Amendment will remove inefficiencies by ensuring the reactive default payment rate is calculated using published index information which is currently available.

5.0 PROPOSED IMPLEMENTATION

- 5.1 National Grid proposes CAP156 should be implemented 10 business days after an Authority decision. In accordance with 8.19.3(b) views are invited on this proposed implementation date.

6.0 IMPACT ON THE CUSC

- 6.1 CAP156 requires amendments to CUSC Schedule 3, Appendix 1 Part 3.1 (b) and Part 3.2 (c).
- 6.2 The text required to give effect to this Proposal is contained as Annex 1 of this document.

7.0 IMPACT ON INDUSTRY DOCUMENTS

- 7.1 CAP156 has no impact upon Core Industry Documents.

8.0 INITIAL VIEW OF THE AMENDMENTS PANEL

- 8.1 The Amendments Panel agreed for CAP156 should proceed to wider consultation by National Grid, for a period of 4 weeks.

9.0 INITIAL VIEW OF NATIONAL GRID

- 9.1 National Grid believes CAP156 would ensure the reactive default payment rate is calculated using published index information which is currently available, which better facilitates applicable CUSC objective (a).

10.0 VIEWS INVITED

- 10.1 National Grid is seeking the views of interested parties in relation to the issues raised by Amendment Proposal CAP156.
- 10.2 Please send your responses to this consultation to National Grid by no later 5.00pm on 6 September 2007.
- 10.3 Please address all comments to the following e-mail address:

Beverley.Viney@uk.ngrid.com

Or alternatively, comments may be addressed to:

Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

ANNEX 1 – PROPOSED LEAGL TEXT TO MODIFY THE CUSC

The proposed Legal text to modify the CUSC is detailed below by inserting the coloured underlined text and deleting the text shown struck through.

Change to CUSC Schedule 3, Appendix 1, Part 3.1 (b)

3.1

- (b) For all periods from (and including) 1st April, 2004, I shall in respect of each calendar month be determined as follows:-

$$I = I_m$$

where

I_m = the indexation factor I for the calendar month in question

$$I_m = C * [(0.5 * FRPI_m / RPI_x) + (0.5 * PI_m)]$$

where

$$C = RPI_x / RPI_1$$

RPI_x is the RPI for March, 2003 (179.9)

RPI_1 is as defined in sub-paragraph (a) above

$FRPI_m$ is the Forecast RPI for the calendar month in question

and where PI_m is a wholesale power price index determined as follows:-

$$PI_m = [(p * HPI_m / HPI_1) + (q * PAPI_m / PAPI_1) + (r * PPI_m / PPI_1) + \textcolor{red}{(s * DTSP_{I_m} / DTSP_{I_4})}]$$

Where

HPI_m is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

$PAPI_m$ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

PPI_m is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

~~DTSPI_m is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question~~

and where

$p = 0.2 \frac{1}{3}$ (subject always to sub-paragraph 3.2 (c))

$q = 0.2 \frac{1}{3}$ (subject always to sub-paragraph 3.2(c))

$r = 0.2 \frac{1}{3}$ (subject always to sub-paragraph 3.2(c))

~~$s = 0.4$ (subject always to sub-paragraph 3.2(c))~~

and where

HPI₁ is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PAPI₁ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PPI₁ is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

~~DTSPI₄ is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003~~

Change to CUSC Schedule 3, Appendix 1, Part 3.2 (c)

3.2

- (c) if in respect of any calendar month the mean average of any of the power indices more particularly referred to in sub-paragraph 3.1(b) is incapable of being derived and/or there is a material change in the basis of that power index, then subject as provided below, for the purpose of sub-paragraph 3.1(b) **The Company** shall determine the wholesale power price index PI_m for that calendar month by substituting for the original value of factor p,q, ~~or r or s~~ as relates to that power index ("the Affected Factor") the value of zero, and by substituting for the original value of each of the remaining factors p, q, ~~or r or s~~ a value which is increased from the original value by a pro rata proportion of the original value of the

Affected Factor. Provided always that if in respect of any calendar month the mean average of each of such power indices is incapable of being derived and/or there is a material change in the basis of each such power index, then **The Company** shall determine the wholesale power price index PI_m for that calendar month by substituting for the value PI_m in the determination of I_m the value $FRPI_m/RPI_x$.

ANNEX 2 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:156
Title of Amendment Proposal: Reactive Power Default Payment Rate – Use of Spectron Power Index	
Description of the Proposed Amendment (<i>mandatory by proposer</i>): Amendment to Schedule 3, Appendix 1 part 3.1 and 3.2 of the CUSC to remove the Spectron cumulative over the counter power index from the calculation of the reactive default payment rate as it is no longer being published.	
Description of Issue or Defect that Proposed Amendment seeks to Address (<i>mandatory by proposer</i>): <p>As of June 17th 2007, Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive default payment rate as specified in Schedule 3 of the CUSC. In accordance with CUSC Schedule 3, Appendix 1, Part 4, the index used in the July 2007 reactive default payment rate was calculated using the U.K. Baseload All-Day Month Ahead average prices published by Spectron. While Schedule 3 makes allowances for unavailable information, the intention of the clause is only to cover for periods until the information becomes available again.</p> <p>However, in this case, which has been confirmed by Spectron, this information is no longer published and hence will not be available in the foreseeable future.</p> <p>The proposed amendment will address the fact that Spectron no longer directly publish the cumulative over the counter power index and will remove the requirement from the calculation of the reactive default payment rate. In National Grid's view, it will better meet CAP45 (Cost Reflective Reactive Power Default Payment Rate Indexation) intentions to use <i>published</i> indices in the calculation of the reactive default payment rate.</p>	
Impact on the CUSC (<i>this should be given where possible</i>): <p>CAP156 requires amendments to CUSC Schedule 3, Appendix 1, Part 3.1 (b) and Part 3.2 (c). The text required to give effect to the Proposal is contained in Annex 1 of this document.</p>	
Impact on Core Industry Documentation (<i>this should be given where possible</i>): <p>N/A</p>	
Impact on Computer Systems and Processes used by CUSC Parties (<i>this should be given where possible</i>): <p>N/A</p>	
Details of any Related Modifications to Other Industry Codes (<i>where known</i>): <p>N/A</p>	
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** (<i>mandatory by proposer</i>): <p>National Grid believes that this proposal will better facilitate CUSC Applicable Objective (a) (<i>The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the Transmission Licence</i>) by ensuring the reactive default payment rate is calculated using <i>published</i> index information which is currently available. It would also better meet the objectives of CAP45 (Cost</p>	

Reflective Reactive Power Default Payment Rate Indexation) which derived the 50% weighting of the monthly wholesale power price index using *published* indices.

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:	Craig Dyke National Grid 01926 653397 craig.dyke@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Rebecca Yang National Grid 01926 656716 rebecca.yang@uk.ngrid.com
Attachments (Yes): If Yes, Title and No. of pages of each Attachment: X – PROPOSED LEGAL TEXT TO MODIFY THE CUSC FOR PROPOSED AMENDMENT	