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Direct Dial: 020 7901 7355

The National Grid Company, CUSC Signatories
and Other Interested Parties

01 June 2005

Our Ref: IND/COD/CUSC/CAP082

Dear Colleague,

Amendment to the Connection and Use of System Code (“CUSC”) - Decision and notice in relation to Proposed Amendment CAP082 “CUSC - Correction to Definition of Mandatory Ancillary Services”.

The Gas and Electricity Markets Authority (the “Authority”¹) has considered the issues raised in the Amendment Report² in respect of Proposed Amendment CAP082 “CUSC - Correction to Definition of Mandatory Ancillary Services”.

The National Grid Company plc (“NGC”) recommended to the Authority that Proposed Amendment CAP082 be approved and that if CAP082 were approved that the Implementation Date should be 10 Working Days following the Authority’s decision.

Having considered the Amendment Report and NGC’s recommendation and having regard to the Applicable CUSC Objectives³ and Ofgem’s wider statutory duties,⁴ the Authority has decided to direct a modification to the CUSC in line with Proposed Amendment CAP082.

A separate letter contains the direction to NGC to modify the CUSC in accordance with CAP082 as set out in the Amendment Report.

¹ Ofgem is the office of the Authority. The terms “Ofgem” and “the Authority” are used interchangeably in this letter.

² CAPs079-084Amendment Report dated 4 May 2005.

³ The Applicable CUSC Objectives are contained in Standard Condition C10 of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 (the “Transmission Licence”) and are:

- (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and
- (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

⁴ Ofgem’s statutory duties are wider than the matters that the Panel must take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided to Ofgem by the government.

This letter explains the background to Proposed Amendment CAP082, and sets out the Authority's reasons for its decision. This letter constitutes notice by the Authority under section 49A of the Electricity Act 1989 in relation to the direction.

Background

Amendment Proposal CAP082 was raised by NGC and submitted for consideration at the CUSC Amendments Panel Meeting on 18 March 2005. At the meeting the Amendments Panel determined that the Amendment Proposal should proceed to wider industry consultation. A consultation paper was issued on 24 March 2005 with responses invited by 22 April 2005. The Amendment Report was submitted to the Authority on 4 May 2005.

The Proposed Amendment

The definition of "Mandatory Ancillary Services" in Section 11 of the CUSC "Part I System Ancillary Services" would be amended by CAP082 to read "Part 1 System Ancillary Services".

It was thought that, by amending this reference, the Proposed Amendment would improve efficiency in the amendment procedures themselves and thus enable NGC to more efficiently discharge its obligations under the Transmission Licence.

Respondents' views

NGC issued a consultation paper on 24 March 2005 inviting responses from CUSC Parties and interested parties.

NGC received two responses to the consultation relevant to Proposed Amendment CAP082, both of which expressed support for the Proposed Amendment.

The respondents' views are summarised and contained in the Amendment Report in respect of Proposed Amendment CAP082.

Amendments Panel Members' views

No formal responses were submitted by Amendments Panel Members to the consultation in respect of Proposed Amendment CAP082.

NGC's recommendation

The National Grid Company plc ("NGC") recommended to the Authority that Proposed Amendment CAP082 be approved and that if CAP082 were approved that the Implementation Date should be 10 Working Days following the Authority's decision.

Ofgem's view

Ofgem considers, having had regard to the Applicable CUSC Objectives and Ofgem's wider statutory duties, that the Proposed Amendment, as set out in the Amendment Report, would improve the clarity and transparency of the CUSC and therefore would better facilitate achievement of the Applicable CUSC Objective C10 (1)(a).

The Authority's Decision

The Authority has therefore decided to direct that Proposed Amendment CAP082, as set out in the Amendment Report, should be made and implemented. An attached letter contains this direction.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications

Signed on behalf of the Authority and authorised for that purpose by the Authority