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Direct Dial: 020-7901-7491

24 November 2004

The National Grid Company, CUSC Signatories and  
Other Interested Parties

Our Ref: IND/COD/CUSC/CAP074

Dear Colleague,

**Amendment to the Connection and Use of System Code (“CUSC”) - Decision and Notice in relation to Proposed Amendment CAP074: “Generation Reconciliation Statements, Date Change”.**

The Gas and Electricity Markets Authority (the “Authority”<sup>1</sup>) has carefully considered the issues raised in the Amendment Report<sup>2</sup> in respect of Proposed Amendment CAP074 “Generation Reconciliation Statements, Date Change”

The National Grid Company plc (“NGC”) recommended to the Authority that Consultation Alternative Amendment CAP074 be approved, with an implementation date of 10 days after the Authority’s decision.

Having carefully considered the Amendment Report and NGC’s recommendation and having regard to the Applicable CUSC Objectives and Ofgem’s wider statutory duties,<sup>3</sup> the Authority has decided to direct a modification to the CUSC in line with Consultation Alternative Amendment CAP074.

A separate letter contains the direction to NGC to modify the CUSC in accordance with Consultation Alternative Amendment CAP074 as set out in the Amendment Report.

This letter explains the background to the Proposed Amendment and the Consultation Alternative Amendment CAP074, and sets out the Authority’s reasons for its decision. This letter

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

<sup>2</sup> CAP074 Amendment Report dated 14 October 2004.

<sup>3</sup> 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.

constitutes notice by the Authority under section 49A of the Electricity Act 1989 in relation to the direction.

## **Background**

NGC annually produces Generation Reconciliation Statements in respect of generation related Transmission Network Use of System (TNUoS) Charges, which are then sent to Users. NGC is currently required to produce and send these under paragraph 3.13.2 of the CUSC by 31 March in each Financial Year.

Prior to 1 April 2004, when Amendment Proposal CAP043 was implemented, Users could incur annual TNUoS generation liabilities up to 28 February in each Financial Year, giving NGC a clear month to calculate reconciliation amounts. One effect of CAP043 was to extend the period in which liabilities could be incurred to 31 March. Therefore, NGC no longer has one clear month to calculate reconciliation amounts.

Proposed Amendment CAP074 was raised by NGC and was submitted for consideration at the CUSC Amendments Panel Meeting on 25 June 2004. At the meeting the Panel determined that Proposed Amendment CAP074 should proceed to wider consultation by NGC. A consultation paper was issued on 2 July 2004 with responses invited by 30 July 2004. One respondent proposed an alternative to the proposed CAP074 legal text. Under the terms of the CUSC this alternative was submitted for a further period of consultation on 4 August 2004 to allow industry to consider the proposed Consultation Alternative, with responses to be received by 18 August 2004. Given the designation of a GB-wide CUSC and the commencement of BETTA "Go Active" on 1 September 2004 CUSC parties were given a further opportunity to comment in the context of a GB-wide CUSC. This final period of consultation concluded on 1 October 2004. The final Amendment Report was submitted to the Authority on 14 October 2004.

## **The Proposed Amendment**

Following the approval and implementation of CAP043, NGC proposes that the date stated in paragraph 3.13.2 by which NGC would be required to prepare and send out Generation and Reconciliation Statements be changed from 31 March in each Financial Year to 30 April in each Financial Year, thereby giving NGC a clear month to calculate the reconciliation charges.

NGC submits that approving this amendment will enable it to efficiently discharge its obligations under the Act and the Transmission licence and fulfil its obligations to facilitate competition in the generation and supply of electricity.

## **Alternative Amendment**

One of the respondents to NGC's consultation issued on 2 July 2004 proposed a Consultation Alternative Amendment which in addition to the change contained in the Proposed Amendment

suggested providing a further correction of the cross-referencing within paragraph 3.13 as a whole.

Paragraph 3.13 contains a number of incorrect cross-references to other sub-paragraphs, and the Consultation Alternative Amendment seeks to correct these errors.

### **Respondents' views**

NGC received three responses to the consultation in respect of Proposed Amendment CAP074, all three of which expressed support for the Proposed Amendment. One of the three proposed a Consultation Alternative Amendment which further clarified the Proposed Amendment, by correcting the cross-referencing in the text of paragraph 3.13. Another suggested that defining the term 'relevant financial year' would add further clarification to the suggested text.

NGC issued a further consultation on 4 August 2004, as required under the CUSC, so that the Consultation Alternative Amendment could be considered by the CUSC Parties and other interested parties.

NGC received three responses to the consultation about the Consultation Alternative Amendment, all of which expressed support for the Consultation Alternative Amendment CAP074. One respondent suggested a further change to the text of the Consultation Alternative Amendment that they thought would further clarify the obligation the text places on NGC regarding, by which date and for which year, NGC are to produce Generation Reconciliation Statements. However this suggestion could not be put forward as an alternative, as an alternative to a Consultation Alternative Amendment is not permitted under the terms of the CUSC.

The respondents' views are summarised and contained in the Amendment Report in respect of Proposed Amendment CAP074.

### **NGC's recommendation**

NGC recommends Proposed Consultation Alternative Amendment CAP074 be approved with an implementation date of 10 days after the Authority's decision

### **Ofgem's view**

Having carefully considered the Amendment Report, Ofgem considers, having regard to its statutory duties and the Applicable CUSC Objectives, that the Consultation Alternative Amendment CAP074 would better facilitate the achievement of the Applicable CUSC Objectives.

Ofgem considers that the implementation of Consultation Alternative Amendment CAP074 would facilitate the achievement of Applicable CUSC Objective (a):

*"the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this license".*

Following the approval and implementation of CAP043, NGC could quite fore-seeably have had to calculate reconciliation statements without a clear period which in to do so. Extending the date by which NGC is obliged to calculate and send out reconciliation statements from 31 March to 30 April, will therefore give NGC a clear month to carry out this process thereby allowing it to efficiently discharge its obligation as licensee.

Ofgem also considers that correcting the errors in the cross-referencing as put forward in the Consultation Alternative Amendment will ensure that the CUSC is clearer and easier to follow.

Ofgem further considers that providing a definition for the term '*relevant financial year*' might further clarify the obligation placed on NGC in sub-paragraph 3.13.2.

Ofgem notes that one of the corrections put forward for sub-paragraph 3.13.6(a) is in fact already correct and therefore will not have to be corrected.

### **The Authority's Decision**

The Authority has therefore decided to direct that, Consultation Alternative Amendment CAP074, 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 Georgina Lawrence on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. 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