WORKING GROUP REPORT

CUSC Amendment Proposal CAP068

COMPETING REQUESTS FOR TEC

Prepared by the CAP068 Working Group
for submission to the Amendments Panel

Amendment Ref	CAP068
Issue	1.0
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Prepared by	National Grid

I DOCUMENT CONTROL

a National Grid Document Control

Version	Date	Author	Change Reference
0.1	21/01/04	National Grid	Initial Draft for internal comment
0.2b	12/2/ 04	National Grid	Working Group first Draft
1.0	24/02/04	National Grid	Working Group Final Draft

b Distribution

Name	Organisation
Panel Members	Various

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1.0 SUMMARY AND RECOMMENDATIONS

Executive Summary

1.1 Amendment Proposal CAP068 Competing Requests for TEC (see Annex 1) was proposed by NGC on the 21 November 2003. The CUSC Amendments Panel determined that a working group should be established to consider the proposal, prior to industry consultation. The Terms of Reference were determined (see Annex 2) with a requirement to report back to the February 2004 Panel Meeting.

1.2 Two working Group Meetings were held:

Meeting 1 18th December 2003

Meeting 2 9th January 2004

It was felt at the end of the 2nd meeting that sufficient ground had been covered to enable the drafting of the report.

1.3 The Working Group has evaluated the proposal against the Applicable CUSC objectives in accordance with its Terms of Reference. The WG as a whole accepted the principle of TEC trades between CUSC members in the situation where Network reinforcement works were required, perhaps a considerable period, before NGC could offer applicants all the TEC they required. This will enable new generation earlier access to the transmission network.

1.4 Possible permutations and worked examples have been considered and the trading process found to be robust across both positive and negative charging zones for both inter and intra GSP trades with both unity and sub unity conversion factors.

1.5 No difference was found between the TECs of different generating technologies. TEC trading was found to be on a one to one basis between different generation prime mover technologies.

1.6 It was agreed that a suitable public bulletin board already existed on the NGC external Seven Year Statement web site and that no separate site needed to be created. TEC and CEC information is updated quarterly at present.

1.7 The confidentiality issues were discussed and are thought to be best resolved by allowing the potential TEC purchasing parties to identify potential TEC sellers from information already available in the public domain. This simplifies the confidentiality issues, although still requiring potential purchasers to disclose their intentions to their competitors. The posting frequency of updates following TEC trades may need to be increased to ensure potential purchasers have the most up to date information regarding station TEC and CEC to work with.

1.8 The principle of charging for the processing of the application and the calculation associated with determining the TEC exchange rate ratio has been accepted. The present TEC Increase application fee is £ 10 k + VAT and it is proposed to use this as the basis of the charges for the new service. Alternatively an application could be processed on an indicative charge basis whereby any unused balance would be refunded. Some TEC Trades will be more complex than others, requiring more system studies to be completed

and these would incur greater costs. A modification to the Charging Methodology will be made if this amendment proposal is successful.

Working Group Recommendation

1.9 CAP 068 should proceed to wider industry consultation by National Grid.

2.0 INTRODUCTION

2.1 Subsequent to the submission of Amendment Proposal CAP 043 which introduced the concepts of Connection Entry Capacity (CEC) and Transmission Entry Capacity (TEC), NGC had undertaken to review the arrangements for dealing with competing requests for new transmission capacity during the offer and modification process. The TASG had considered a bulletin board approach at the offer stage and facilitated trading, particularly with a view to encouraging the return of previously moth-balled plant. The TASG concluded that both approaches were compatible, were an advance on the status quo and better facilitated the Applicable CUSC Objectives. CAP068 was therefore proposed by NGC to incorporate these options. The proposal was presented to the November 2003 CUSC Amendments Panel who agreed that a Working Group should be formed to consider the CAP 068 Amendment Proposal.

2.2 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 in timescales set down 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.

2.3 CAP068 is principally about raising the transparency of TEC 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.

2.4 This will give new entrants earlier transmission access.

3.0 PURPOSE AND SCOPE OF WORKING GROUP

3.1 The Working Group was tasked with the resolution of the following issues in the context of CAP068:

- Confidentiality issues surrounding the bulletin board and the facilitated trading approach and any consequential changes required to the Grid Code;
- Any consequential changes required to the Transmission Licence;
- Possible permutations on CAP068 e.g. facilitating the trading of TEC in packages;
- Worked examples to test the robustness of CAP068;

- The basis for charging for the exchange rate calculation; and
- Review of the legal text.

3.2 The WG was requested to report back to the February Amendment Panel Meeting.

It was decided to address the terms of reference issues sequentially.

3.3 General discussion

3.4 The Working Group discussed certain basic principles that needed to be established when developing trading of TEC, whether between users at a GSP (intra-GSP trading) or at other GSPs (inter-GSP trading). Penalties for exceeding TEC were discussed briefly but recognised to be without the vires of the group and so not considered in any detail.

3.5 The ability to trade TEC will change the nature of connection offers, potentially meaning that separate CEC and TEC offers could be made. This falls outside the vires of the group and is for NGT to consider further.

3.6 It was considered that TEC can be seen as a virtual 'bond' or 'property right'. The maintenance of TEC by annual payment as in the present system is effectively the exercising of an option.

3.7 The group also identified that 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 would not affect the principle of trading, merely the arithmetic of valuation.

3.8 One option of implementing~~the~~ 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.

3.9 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 NGT 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 NGT for a connection or an increase in TEC.

3.10 It was agreed that TNUoS charges should only be recovered once, so the responsibility for the charges for the remaining period could be transferred away from the seller and recovered from the purchasing party. Alternatively the seller could retain an obligation to pay up to the end of the charging year.

3.11 Also the timing of the transfer must be contiguous so that there is no under-recovery of charges. In order to ensure that there was no double recovery of charges it was recognised that it was an important requirement for NGT to

monitor the status and ownership of TEC for charging and operational purposes. As such it was agreed that some form of tracking process was required.

3.12 The actual level of and structure of charges is a matter outside the CUSC and the necessary charging methodology changes would be brought forward by NGT.

3.13 Embedded generators were briefly considered as they have TEC, but have no connecton assets. In principle they could also trade TEC.

3.14 It was asked if it would be possible to have the various inter GSP conversion factors listed on a web page by NGC. This point had apparently been raised in the CUSC meeting where the original paper was tabled and the answer then had been that this would not be practicable.

3.15 Confidentiality

3.16 Three issues were identified with respect to (wrt) confidentiality:

- Confidentiality in CUSC
- Confidentiality in the Business Flow Process
- Transmission Licence confidentiality issues.

3.17 CUSC Confidentiality

The applicable references to confidentiality in CUSC are 6.15.1.1 & 6.15.1.2 (c) ii.

The proposal addresses this by suggesting an additional paragraph on the connection application form, suitably renumbered, giving the applicant's consent to the disclosure of information referred to in CUSC paragraph 6.30.3.

The necessity for early disclosure was discussed. There is a choice between requiring early transparency at the application stage as per the original proposal or alternatively the application process could remain confidential and have only registered holdings of TEC posted.

Should the existing TEC bulletin board be updated only once the TEC trade has been processed the issue of confidentiality would be less crucial than were it to be on application as originally proposed.

3.18 Transmission Licence Confidentiality

No confidentiality issues associated with the Licence requirements have been found.

3.19 Business Flow Process Confidentiality

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 5 - Process Flow Diagram.

There were no new confidentiality issues identified whilst reviewing the business flow model.

No comments were received from WG members on the business flow process.

3.20 Development of a Bulletin Board

3.21 It was determined that all of the information that was to be posted on a bulletin board, was 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.

3.22 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.

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"

3.23 BMU information is also available via the BMRS. It was therefore felt that the potential purchaser had 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.

3.24 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 (see impact on important industry documents, later).

3.25 Alternatives and Questions

3.26 The working group identified and discussed a number of key questions.

- What is the smallest increment of TEC which can be processed?

It was agreed that 1 MW would be an appropriate and practical level. The group considered that this is likely to be representative of a natural limit on the level at which TEC is requested, as users are likely to be limited by the transaction costs of using NGT's services to estimate rates of exchange.

- What is the minimum TEC trade process/ lead time?

NGT believed they could, technically, process a request within 1 day, but in practice would need to allow time to process the request.

It was suggested that an offer lead time of up to 28 days from the latter of :-

i. A valid application

ii. Cleared application fee payment

would be reasonable if no system implications were identified.

- How many permutations of TEC from different locations are permitted to produce a single trade?

The group agreed that this would be subject to cost but initially one per application would be provided by NGT.

- What is the minimum length of usage period practicable?

- The minimum TEC period would be from the [date *] to the end of the current contract year.

What is the maximum amount of TEC that can be traded?

The total sum of current TEC plus traded TEC cannot exceed the CEC

Further consideration of the "Inverted" Proposal, where prospective buyers rather than sellers were posted was thought not to be necessary, given the decision on the lack of need for bulletin board posting.

The concept of trading of TEC in Packages was covered during discussions of multiple sellers to the same buyer.

3.27 Charging for the Exchange Rate Calculations

Applicants can choose to pay a fixed application fee (currently £ 10 k plus VAT) or opt for an indicative charge whereby any balance of the original fee is refunded to the applicant upon a straight–forward TEC exchange rate calculation where appropriate. {This option isn't reflected in the legal drafting which means that NGT can chose to change within the charging methodologies without proper transparency. Either the legal drafting should be changed or this paragraph needs to better reflect the real situation, i.e. that the application fee methodology and level are outside the scope of CUSC and solely down to NGT.}

A request for suggestions of alternative methods of charging for the calculations was made, but none were forthcoming.

There were some questions about whether TEC from different types of generators were directly comparable. It was questioned whether there would be any plant Fault rating issues. The group believed any such issues would be covered in the connection offer received by the new generator.

It was also considered whether different technologies caused the provision of non unity exchanges, even if they were located at the same GSP, e.g. an exchange between a Wind and a Gas generator. NGT did not believe this would be an issue as TEC is booked for peak output. The Grid System is built for the maximum delivery of the plant at peak load whether it is off or on all the time or whether it has a 100 % load factor. Therefore the Technology exchange rate is one for one.

3.28 The Worked Example Process

Draft worked examples were tabled and discussed for various different (both positive and negative) charging zones with both local and remote GSP trades considered. These can be found in Annex 6.

3.29 Intra GSP Existing

Competition within the GSP between TEC sellers and/or buyers would be independent of NGT. 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.

3.30 Intra GSP Existing but with multiple selling parties

This is similar to the first example, but potentially provides opportunities for the purchaser to get a better price.

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 NGT

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.

3.31 Inter GSP Trades

For inter-GSP trades, TEC has a different conversion value, depending on where the seller is located in relation to the buyer.

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].

3.32 Negative zones

Because it's a negative zone, 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 group:-

i Anticipate that hoarding of TEC would be rare but this was being addressed in the charging forum

ii Believe 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 Anticipate TEC = CEC.

iv Noted that 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.

3.33 The Legal Drafting Process

3.34 A first draft of legal text accompanied the Amendment Application. This will require modification if the TEC trade updates are made post transaction, rather than at application as originally proposed. Typographical errors have been corrected in the latest draft. The original draft is attached with the Amendment Proposal Form.

4.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

4.1 CUSC Amendments are required to be assessed in terms of their ability to better facilitate achievement of the applicable CUSC Objectives. These are set out 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 is consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

4.2 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**.**

4.3 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.

5.0 ALTERNATIVE AMENDMENT

Description of Alternative Amendment

5.1 No alternative amendment has been offered during the WG investigation. Since completion of the WG activity National Grid considers that there may be merit in raising an alternate. The proposal as it stands would require TEC to be changed on 1 April, otherwise both parties would be required to pay use of system charges. This is akin to charging for the same product twice.

5.2 National Grid agrees with the WG that this is not desirable and as a consequence that an appropriate response might be to raise a Pricing Methodology proposal and further amend the CUSC to ensure that TEC is only charged for once. Broadly one scenario could be that the original holder of TEC is required to pay an annual charge but the acquiring party may not be required to pay use of system charges for the relevant TEC until the following charging year.

5.3 National Grid will give further thought to these questions, when deciding whether or not to propose an alternative amendment.

6.0 PROPOSED IMPLEMENTATION AND TIMESCALES

6.1 It is proposed that the amendment be introduced with effect from 1 April 2005

7.0 IMPACT ON CUSC

7.1 New paragraphs will be required within Paragraph 6 to enable NGT to publish applications for TEC on an external web site. Also changes to the application

forms to include the giving of consent for the publication of the data will be required. Should the posting of the transaction details be after processing of the trade, rather than at application this may not be necessary.

8.0 IMPACT ON INDUSTRY DOCUMENTS

Impact on Core Industry Documents

8.1 It was intended to use existing Charging Methodologies to cover the application and conversion rate calculation charges in a cost reflective manner, so no changes to the NGT Statement of the Use of System Charging Methodology were envisaged.

8.2 This still holds true for the application and conversion rate charges, but the Statement of the Use of System Charging Methodologies requires modification where the recovery of TNUoS charges associated with TEC is concerned. There are essentially two different options.

8.3 The first, in which TEC trades transactions are only permitted at the end of each financial year, so that there is no double charging of the Use of System Charges. This is purer in the sense that TEC is an annual product and so cannot really be transferred within year, but reduces the benefit of the modification to the potential purchaser by up to 11 months.

8.4 In the second option, the trade would be permitted inter year, with the obligation for the TNUoS charges staying with the seller for the remainder of the financial year. The obligation is transferred to the buyer at the start of the new financial year.

8.5 The agreement between the trading parties could of course allow for the recovery of the charges from the purchaser.

8.6 These methods both avoid any over or under recovery of TNUoS charges during the course of a year, but there would still be a requirement to modify the kT factor to allow for the difference in NGT recovery when the magnitude of the conversion factor is less than one.

Impact on other Industry Documents

8.7 None found

Annex 1 – Working Group Terms of Reference and Membership

CAP068- Competing Requests for TEC

RESPONSIBILITIES

1. **The Working Group is responsible for assisting the CUSC Amendments Panel in the evaluation of CUSC Amendment Proposal CAP068 tabled by National Grid at the Amendments Panel meeting on 21 November 2003.**

2. **The proposal must be evaluated to consider whether it better facilitates achievement of the applicable CUSC objectives. These can be summarised as follows:**

   (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and
   (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

3. **It should be noted that additional provisions apply where it is proposed to modify the CUSC amendment provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.**

SCOPE OF WORK

4. **The Working Group must consider the issues raised by the Amendment Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.**

5. **In addition to the overriding requirement of paragraph 4, the Working Group shall consider and report on the following specific issues:**

   - Confidentiality issues surrounding the bulleting board and the facilitated trading approach and any consequential changes required to the Grid Code;
   - Any consequential changes required to the Transmission Licence;
   - Possible permutations on CAP068 e.g. facilitating the trading of TEC in packages;
   - Worked examples to test the robustness of CAP068;
   - The basis for charging for the exchange rate calculation; and
   - Review of the legal text.

6. The Working Group is responsible for the formulation and evaluation of any Alternative Amendments arising from Group discussions which would, as compared with the Amendment Proposal, better facilitate achieving the applicable CUSC objectives in relation to the issue or defect identified. The Working Group shall have due regard to Core Industry Documents and other industry documents in the evaluation of the Amendment Proposal and any Alternative Amendment.

7. The Working Group is to submit their final report to the CUSC Panel Secretary on 19th February 2004 for circulation to Panel Members. The

conclusions will be presented to the CUSC Panel meeting on 27th February 2004.

MEMBERSHIP

8. It is recommended that the Working Group has the following members:

Chair	Dick Cecil
National Grid	Russell Cooper
Industry Representatives	Malcolm Taylor
	Danielle Lane
	Russell Hill
	Gayle Cairns
	Simon Lord
Authority Representatives	Richard Ford
	Kristian Myhre
Technical Secretary	Gregory Tzemis

9. The membership can be amended from time to time by the CUSC Amendments Panel.

RELATIONSHIP WITH AMENDMENTS PANEL

10. The Working Group shall seek the views of the Amendments Panel before taking on any significant amount of work. In this event the Working Group Chairman should contact the CUSC Panel Secretary.

11. Where the Working Group requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Working Group Chairman should contact the CUSC Panel Secretary**.**

MEETINGS

12. The Working Group shall, unless determined otherwise by the Amendments Panel, develop and adopt its own internal working procedures and provide a copy to the Panel Secretary for each of its Amendment Proposals.

REPORTING

13. The Working Group Chairman shall prepare a final report to the February 2004 Amendments Panel responding to the matter set out in the Terms of Reference.

14. A draft Working Group Report must be circulated to Working Group members with not less than five business days given for comments.

15. Any unresolved comments within the Working Group must be reflected in the final Working Group Report.

16. The Chairman (or another member nominated by him) will present the Working Group report to the Amendments Panel as required.

Annex 2 – Proposed Text to modify CUSC

Part A - Text to give effect to the Proposed Amendment

Clean Version

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 6.30.5.2.

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 Offer** 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 any **Offer** made 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 Paragraph 6.30.3 of **CUSC NGC** will need to disclose certain information contained in the application and any **Offer** made 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 certain information contained in the application and any **Offer** made 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 – 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)*:

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.

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.

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.

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

Early publication of information regarding new offers for TEC is not enabled by CUSC at present.

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.

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)*: **Development of bulletin board, via web-based technology.** **Development of trade facility**
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:	 Russell 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.

Legal Text as Proposed with Amendment Paper

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;

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;

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;

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 4 – Internal Working Group Procedure

1. Notes and actions from each meeting will be produced by the Technical Secretary (provided by National Grid) and circulated to the Chairman and Working Group members for review.

2. The Meeting notes and actions will be published on the National Grid CUSC Website after they have been agreed at the next meeting or sooner on agreement by Working Group members.

3. The Chairman of the Working Group will provide an update of progress and issues to the Amendments Panel each month as appropriate.

4. Working Group meetings will be arranged for a date acceptable to the majority of members and will be held as often as required as agreed by the Working Group in order to respond to the requirements of the Terms of Reference set by the Amendments Panel.

5. If within half an hour after the time for which the Working Group meeting has been convened the Chairman of the group is not in attendance, the meeting will take place with those present.

6. A meeting of the Working Group shall not be invalidated by any member(s) of the group not being present at the meeting.

Annex 5 – Process Flow Diagram

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 externally	Typical 2/3-year 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.		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 6 – 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 GSPand 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

Purchasing Party (PP)	
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
Selling Party (SP)	
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
Elements of Deal	
Selling Party agrees	To declare TEC to zero with effect from agreed date
Purchasing Party agrees	To pay a sum to SP
Purchasing Party and Selling Party apply	To NGC for TEC exchange with application fee
NGT confirms	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
NGT notes	Contracted transfer of 'property right' from SP to PP
Basis of Valuation	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
Other issues	
Timing	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.
Multiple Parties	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
Negative Charging Zones	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

Purchasing Party (PP)	
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
Selling Party (SP)	
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
Elements of Deal	
Selling Party agrees	To declare TEC down to release 500 MW equivalent, at least.
Purchasing Party agrees	To pay a sum to SP
Purchasing Party and Selling Party apply	To NGC for TEC exchange with application fee
NGT confirms	TEC capacities exchange rate

	No other technical impediments
	No other prior claims for the TEC
	Minimum period before additional transmission capacity could be delivered
Basis of Valuation	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
Other issues	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