



National Grid

AMENDMENT REPORT

CUSC Proposed Amendment CAP055 Users' Demand Forecasts TNUoS Charging

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP055

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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 CAP055 was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 26 September 2003. The Amendments Panel determined that CAP055 should be considered by a Working Group. The Working Group provided a final report to the Panel on 21 November 2003. 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. The period of consultation closed on 4 January 2004.
- 1.2 CAP055 proposes to clarify the requirements of the CUSC in respect of Users' Demand Forecasts for TNUoS Charging and to define the process by which National Grid may assess the quality of submitted demand forecasts and, if necessary, replace the Users' demand forecast with its own.
- 1.3 National Grid received 4 responses to the CAP055 consultation document, all of which support the amendment.

National Grid Recommendation

- 1.4 National Grid Recommends that CAP055 be approved for implementation.
- 1.5 It is recommended that the CUSC be modified in line with the amendment by 16th February 2004 or 10 business days after the Authority's decision.

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 seeks to clarify the process for submission of demand forecasts by Users and to establish a basis by which the quality of submitted data can be assessed.
- 2.2 Further to the submission of Amendment Proposal CAP055 (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 CAP055.
- 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 5 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

Background

- 3.1 The CUSC currently requires suppliers to provide NGC with demand forecasts to enable NGC to calculate monthly Transmission Network Use of System (TNUoS) charges, but contains no requirements relating to the quality of these forecasts.
- 3.2 Inaccurate demand forecasts can lead to an under-recovery of TNUoS revenues during the year which in turn can lead to cashflow problems and an increased risk of exposure to supplier failure for National Grid and the industry.

The Proposed Amendment

- 3.3 CAP055 seeks to amend 3.10, 3.11 (Use of System) and 9.10.2, 9.10.3 (Interconnectors) and introduce two new paragraphs 3.12 (Use of System) and 9.10.4 (Interconnectors) to allow National Grid to reject any forecasts that it considers to be unreasonable, and instead to use its own fair and reasonable estimates. The detailed process for doing so will be set out in the CUSC. The proposed Amendment would therefore protect NGC (and ultimately the industry) from the effects of failing suppliers who have under-paid TNUoS charges as a result of poor quality demand forecasting.
- 3.4 The amended CUSC text to give effect to CAP055 is contained in Annex 2, Part A. The amended CUSC text to give effect to Consultation Alternative (A) is contained in Annex 2, Part B.
- 3.5 A change to the Charging Statements would also be required to define the National Grid Demand Forecasting Methodology to be used to calculate demand forecasts for the purposes of validation of Users' demand forecast submissions. The Working Group identified a suggested methodology for this process which is set out in Annex 4 of this report

Working Group Discussions

- 3.6 The CUSC Amendments Panel decided that a Working Group, should consider CAP055 and report back to the Panel. In accordance with the Terms of Reference for the Working Group the Working Group considered the National Grid Proposal CAP055.
- 3.7 The Applicable CUSC Objectives are defined in Paragraph 1 of Condition C7F of National Grid's Transmission Licence and can be summarised as follows:
- (a) the efficient discharge by National Grid 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.

- 3.8 The Working Group assessed the proposed Amendment against the applicable CUSC Objectives and the Group agreed that the Amendment Proposal would better facilitate the applicable CUSC Objectives as described.
- 3.9 The proposed Amendment would lead to improved monitoring of User's TNUoS payments against actual TNUoS liabilities. This in turn would lead to more cost reflective charges and a reduced risk of bad debt and would therefore promote competition in the electricity supply.
- 3.10 The proposed process for validation of Users' demand forecasts would result in a slight increase in National Grid's administration costs of the order of £2000 per year. This cost is fairly low because much of the work involved is already undertaken by National Grid as part of their current administration of TNUoS charging. The Working Group believed that the benefits of reduced credit risk for National Grid and the Industry would far outweigh the additional administration costs and therefore that the proposed Amendment would better achieve the CUSC Objective to promote competition in the supply of electricity and for the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence.
- 3.11 The Amendment Proposal would also clarify the process and timescales by which users submit demand forecasts to National Grid and this would also be beneficial to competition in electricity supply.
- 3.12 Through consideration and development by the Working Group the Amendment Proposal has been clarified and given further definition. The main issues considered by the group were as follows:
- i. The extent and implications of the defect.
 - ii. Possible alternative solutions.
 - iii. The process for submission and validation of demand forecasts.
 - iv. The methodology and accuracy of National Grid's demand forecasting.
 - v. Whether the process should be set out in the CUSC or in the Charging Statements.
 - vi. Treatment of new Users.

Extent and Implications of the defect

- 3.13 The Working Group considered an analysis provided by National Grid of the accuracy of Users' forecasts in 2002/03 based on reconciliation amounts. This analysis is included in Annex 3 of this report. For the purposes of this analysis, accuracy is measured as an absolute value and includes both over and under-forecasts.
- 3.14 The Working Group discussed the issue of the exposure of National Grid and the industry to supplier failure in the event that inaccurate demand forecasts have been submitted. The Transmission Price Control allows for some under or over-recovery of TNUoS revenue to be corrected by an adjustment to the allowable TNUoS recovery the in following year. However, there are no specific provisions that relate to an under-recovery arising from a supplier failure. National Grid informed the Working Group that the treatment of any under-recovery of charging revenue resulting from a Supplier failure is being

considered as part of the ongoing Ofgem review of credit policy in the gas and electricity industries.

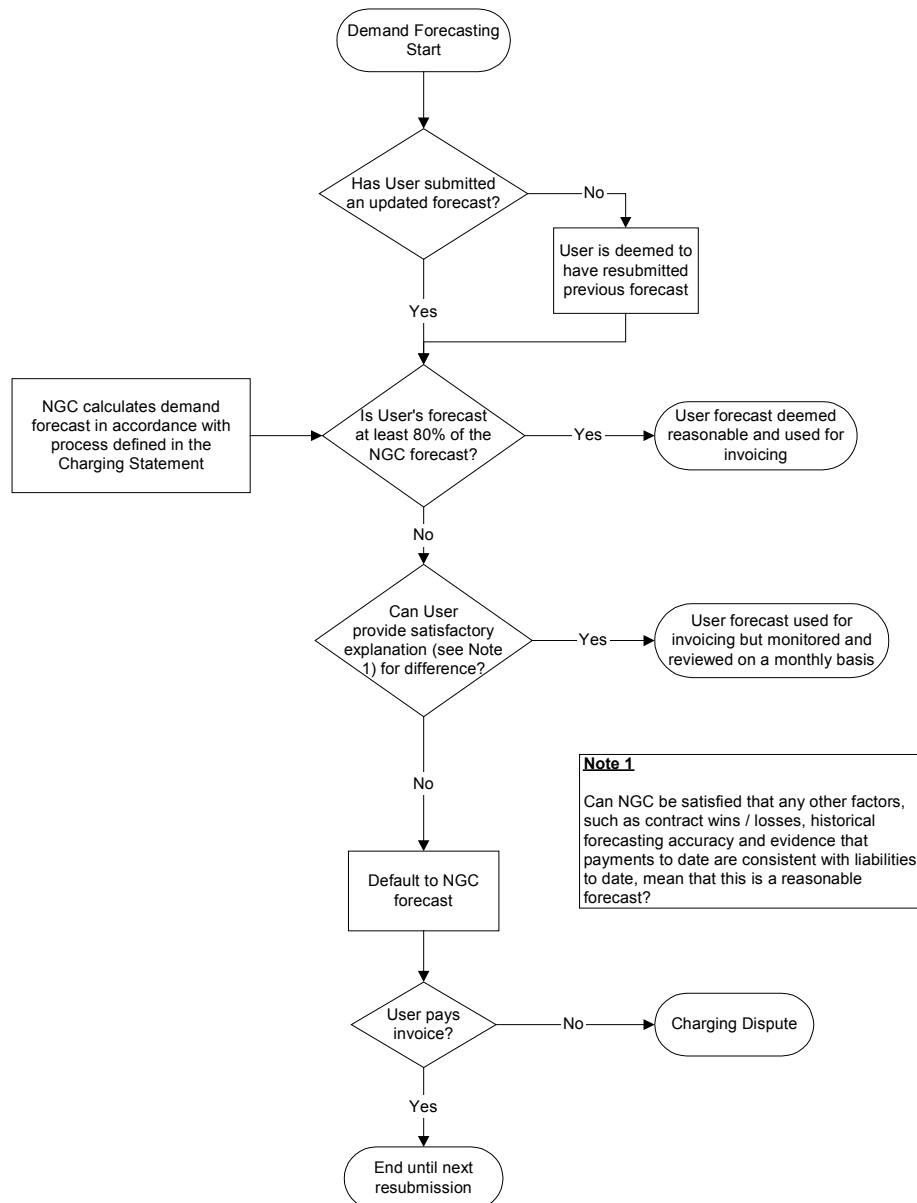
3.15 For the purposes of consideration of this Amendment proposal, the Working Group made the assumption that such credit exposure would be ultimately borne by the industry.

3.16 On the basis of the above analysis the Working Group agreed that there was a need for a more robust process to ensure accurate recovery of TNUoS liabilities throughout the charging year.

Process for submission and validation of demand forecasts

3.17 The working group considered the process for validation of Users' demand forecasts. A flow chart was developed by the Working Group detailing the proposed process. This is shown in **Fig. 1** below.

Fig. 1 Proposed Demand Forecast Submission and Validation Process



- 3.18 The Working Group believed that the CUSC process needed to be transparent and that a formulaic approach to the validation of demand forecast would best achieve this. It was considered that Users' demand forecasts should be assessed against a National Grid demand forecast and deemed to be acceptable if the difference between the forecasts was within a defined percentage. On the basis of the forecast accuracy analysis the Working Group believed that a level of 20% would be appropriate. This would allow for a level of inaccuracy that might normally be expected with demand forecasts and for unexpected changes in a suppliers' demand.
- 3.19 Users are required to submit NHH and HH demand forecasts for each of their BMUs. For the purposes of the validation of Users' forecasts National Grid would determine the total TNUoS charge liability using the Users' demand forecast and using National Grid's demand forecast and then apply the accuracy criteria to the total calculated charges for the User.
- 3.20 The Working Group discussed the concern that the introduction of a defined criteria for demand forecasts would create an opportunity for suppliers to consistently under-forecast by 20%. It was acknowledged that this was a possibility, however, the group did not believe that the accuracy of suppliers overall forecasts was such that this strategy could be employed to any significant extent. Additionally, if it becomes evident that companies are consistently under-forecasting to take advantage of the 20% criteria then this could be remedied by a CUSC Amendment being raised to propose a tighter criteria.
- 3.21 In the event that a difference of more than 20% between a Supplier's demand forecast and National Grid's demand forecast is identified, National Grid would inform the Supplier that it does not agree with the submitted demand forecast giving details of the difference between the forecasts. It is the intention of the process that the difference would be reconciled at this stage either by the provision of an acceptable revised demand forecast by the Supplier, by the Supplier providing a satisfactory explanation of the reasons for the difference or by the Supplier accepting National Grid's forecast.
- 3.22 Any ongoing dispute relating to the demand forecasts used by National Grid to calculate TNUoS charges would be referred to Ofgem using the Charging Dispute process as set out in the CUSC. The Working Group considered the Charging Dispute process to be adequate for the purposes of this process. A higher rate of interest is applied to disputed payments in favour of the successful party in a Charging Dispute. This should constitute a good incentive to both Suppliers and National Grid to take a reasonable approach to the accurate calculation of demand forecasts.
- 3.23 The Working Group discussed the timescales for submission and validation of demand forecasts. Demand forecasts are currently requested by 15th March (and quarterly thereafter) in order that TNUoS invoices can be calculated and issued in time for 1 April (and quarterly thereafter). The Working Group agreed that in order to allow time for demand forecast submissions to be validated and, if necessary, queried by National Grid, they would need to be received by the 10th of the month. In the event of a query by National Grid on the submitted demand forecast, the User would be required to respond within 5 working days.

- 3.24 The Working Group also considered the issue of suppliers over-forecasting demand. It was agreed that any differences of more than 20% between National Grid's forecast and the Users' forecast should be queried as this should lead to an improvement in the accuracy of demand forecasts and therefore the cost reflectivity of TNUoS charges overall.

Methodology and Accuracy of National Grid Demand Forecasting

- 3.25 The methodology used by National Grid to calculate its demand forecasts would be a key part of the process and Users' would need to have confidence in the accuracy of this forecast if it were to be used as a basis for validation of Users' demand forecasts. It was therefore agreed that the National Grid demand forecasting methodology should be defined as part of the Charging Methodology Statement.
- 3.26 The Working Group agreed that the National Grid demand forecasting methodology should be based on historical demand outturn data for previous years and ongoing outturn demand data. The proposed methodology is presented in Annex 4.
- 3.27 The Working Group considered the accuracy of National Grid's demand forecasting. The use of recent historical outturn data should ensure that National Grid's forecasts were not subjective and would be reasonably accurate except where significant gains or losses of demand are expected for a particular supplier or area. Such changes in expected demand would need to be greater than 20% before being flagged up by the proposed process.

Location of solution in CUSC or Charging Statements

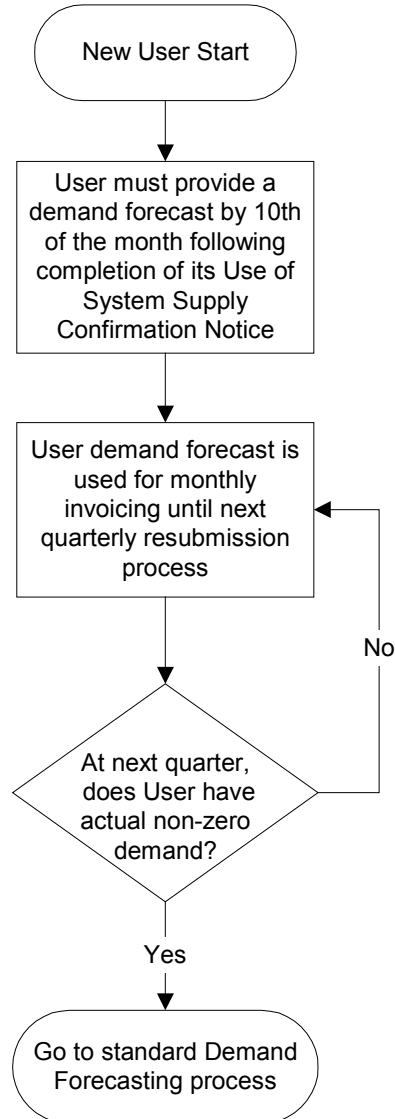
- 3.28 The Working Group believed that the requirements for suppliers to provide demand forecasts to National Grid and the process for submission and validation of these demand forecasts should be set out in the CUSC as it is an important part of the contractual framework for the use of the transmission system.
- 3.29 The Working Group believed that the National Grid demand forecasting methodology would be best located within the Charging Statements as it would be a description of a methodology rather than a defined CUSC requirement. The National Grid demand forecasting methodology would be referred to in the CUSC.

Treatment of New Users

- 3.30 In respect of new Users the Working Group believed that a similar process should be used but with some minor differences.
- 3.31 A new User would be required to submit a demand forecast by the 10th of the month following completion of its Use of System Supply Confirmation Notice. National Grid would use the new Users' demand forecasts for the purposes of setting TNUoS charges until the first quarterly resubmission date that actual non-zero demand data is available. From then onwards National Grid will apply the standard process making use of the historical outturn data to develop its own view of likely demand for the supplier. The Working Group believed that this process would ensure that TNUoS charges for new users

were cost reflective. A flow chart of the proposed process for new Users is shown in Fig. 2 below.

Fig. 2 Proposed Demand Forecast Submission and Validation Process for New Users



Working Group Conclusions

- 3.32 One Working Group member suggested that a supplier could submit varying demand forecasts at each of the quarterly re-submissions such that their TNUoS charges would have a degree of profiling to match the variation of Non Half-Hourly consumption across the year. Half Hourly demand could not be profiled as this is charged on the basis of a measure of Peak Demand. The Working Group member pointed out that this approach may fall foul of the proposed validation criteria even though ongoing TNUoS payments would be consistent with actual TNUoS liabilities. The Working Group member suggested that the CUSC legal text should include wording to the effect that provided that invoice amounts and payments were meeting liabilities to date then the suppliers' demand forecasts would be acceptable, even if they fell short of the 80% criteria.
- 3.33 The majority of the Working Group considered that the CUSC legal text should not describe circumstances that might constitute acceptable reasons

for a difference between National Grid's and a Users demand forecasts as this might undermine the overarching requirement on Users to submit their best estimate forecast of demand and the proposed criteria for validation of demand forecast submissions.

- 3.34 The same majority of the Working Group also believed that the proposed approach did allow for the consistency of ongoing payments against actual liabilities to be taken into consideration whilst not explicitly defining such circumstances. They considered that changes to the CUSC to allow TNUoS charges to be profiled across the year were outside the scope of this Amendment Proposal and had wider implications for the Charging Statements and possibly the Transmission Price Controls.

4.0 IMPLEMENTATION AND TIMESCALES

- 4.1 It is proposed that the Amendment will be implemented on Monday 16th February 2004, consistent with the proposed implementation of the proposed amendment to Charging Methodology Modification UoSCM-M-12. This is to ensure that should both of the amendments be approved, customers are aware of the basis on which they are submitting their data. In the event that the Authority is unable to provide a decision in time for this date, it is proposed that implementation will not take place until approval has been received for both CAP055 and UoSCM-M-12. Therefore, implementation should take effect from 10 business days after the Authority's approval of both CAP055 and UoSCM-M-12 has been received.

5.0 IMPACT ON THE CUSC

- 5.1 The Proposed Amendment would require amendment to paragraphs: 3.10, 3.11 (Use of System) and 9.10.2, 9.10.3 (Interconnectors) and introduce two new paragraphs 3.12 (Use of System) and 9.10.4 (Interconnectors)
- 5.2 The text required to give effect to the Proposed Amendment is contained as Annex 2, Part A, of this document. The text required to give effect to Consultation Alternative Amendment (A) is contained as Annex 2, Part B of this document.

6.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

- 6.1 The terms of the Transmission Licence require National Grid to discharge the obligations imposed on it by the Act and the Transmission Licence efficiently and facilitate effective competition in the generation and supply of electricity (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of Electricity. CAP055 proposes to address a defect in the CUSC. CAP055 will enable National Grid to more efficiently discharge its obligations under Paragraph 1 of Condition C7F of National Grid's Transmission Licence and can be summarised as follows:
- (a) the efficient discharge by National Grid 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.

7.0 IMPACT ON CUSC PARTIES

- 7.1 CUSC parties will need to be aware of the potential for National Grid to replace Users' Demand forecasts, with a National Grid estimate. They may need to review their forecasting methodology in order to ensure they can justify forecasts if required.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

Proposed Amendment

- 8.1 A change to the Statement of the Use of System Charging Methodology would also be required to define the National Grid Demand Forecasting Methodology to be used to calculate demand forecasts for the purposes of validation of Users' demand forecast submissions. The Working Group identified a suggested methodology for this process and this is set out in Figure 1 and Annex 4 of this report.

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

- 8.2 Two new Paragraphs are proposed for the Monthly Charges section of the Charging Methodologies; 4.12 and Paragraph 4.13, these are detailed in Annex 4.

9.0 ALTERNATIVE AMENDMENT

- 9.1 The Working Group considered a number of alternative approaches to the identified defect:
- 9.2 **Incentivised Reconciliation:** Differences between forecast and actual demand at the reconciliation stage would be charged at a higher rate of interest to incentivise accuracy. The Working Group noted that this option could lead to an additional revenue stream from interest payments which would have implications for National Grid's allowed revenue recovery under the Price Control. It would also not solve the problem of credit risk associated with supplier failure as a supplier could still submit inaccurate forecasts.
- 9.3 **Periodic NHH Reconciliation:** The reconciliation of TNUoS bills could be undertaken more frequently than once a year. The working group considered that this option would lead to greater administration costs and would not adequately address the accuracy of Half Hourly demand forecasts.
- 9.4 **Within Year Security Cover:** Users could be required to provide credit cover for their TNUoS liabilities. The Working Group considered that such an arrangement would be likely to be a greater burden on smaller suppliers than

larger ones and therefore could be detrimental to competition in electricity supply.

- 9.5 The Working Group did not believe that any of these options would better achieve the CUSC Objectives than the Proposed Amendment. Therefore no Alternative Amendment was proposed by the Working Group.
- 9.6 Alternative Amendment (A) was put forward by the respondent in CAP055-CR-04 during the industry consultation on CAP055.

Assessment Against Applicable CUSC Objectives

- 9.7 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 consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

Alternative Amendment (A) addresses the same defect in the CUSC that CAP055 was designed to address. Both CAP055 and Alternative Amendment (A) will therefore enable National Grid to more efficiently discharge its obligations under Paragraph 1 of Condition C7F of the Transmission Licence. However, Consultation Alternative Amendment (A) is considered to be less cost reflective as it only asks for a "reasonable" estimate. National Grid consider that to increase cost reflectivity it should be a Suppliers "best" forecast as opposed to just a "reasonable" forecast.

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. Copies of the representations are attached as Annex 5.

Views of Panel Members

- 10.2 One Amendment Panel member responded to the CAP055 consultation. They supported the proposed amendment.

View of Core Industry Document Owners

- 10.3 No responses to the CAP055 Consultation were received from Core Industry Document Owners.

Responses to Consultation

- 10.4 The following table provides an overview of the representations received. Copies of the representations are attached as Annex 5, Part A.

Reference	Company	Supportive	Comments
CAP055-CR-01	PowerGen	Yes	
CAP055-CR-02	Centrica	Yes	
CAP055-CR-03	EdF Energy	Yes	
CAP055-CR-04	Scottish and Southern Energy	Yes	Submitted Alternative Amendment (A).

- 10.5 National Grid received a total of four responses on the Consultation. All the respondents supported the principle behind CAP055, acknowledging the need for accuracy in data supplied to National Grid.
- 10.6 One respondent (CAP055-CR-01) believed the proposed amendment does better facilitate the applicable CUSC objective and was in agreement with the approach suggested. The respondent stressed that in order for the proposal to be effective, dialogue between National Grid and Users is necessary and the process should be monitored to ensure that National Grid is not placing unreasonable requirements on Users.
- 10.7 One respondent (CAP055-CR-02) supported the implementation of this proposal. The respondent believes that Suppliers should be able to profile their forecasts by submitting quarterly variable forecasts. National Grid stated in the Working Group in assessing a “reasonable” forecast, account will be taken of payments made to date. However, profiling by definition would suggest that “best estimates” were not being submitted by Suppliers.
- 10.8 One respondent (CAP055-CR-04) suggested that National Grid should have supplied information on how many Suppliers had exceeded the 100% accuracy level in order to allow Consultees to consider how much of the under-recovery could be countered by over-recovery. National Grid’s view is that they are attempting individual accuracy in recovery from Suppliers as opposed to total accuracy across the industry. If a Suppliers under forecast results in a bad debt it is not possible to offset this against a Supplier who is over-forecasting. The respondent stated that the Users should be able to appeal the determination by National Grid. A flowchart was developed by the Working Group, presented as Figure 1 in this Amendment Report, which showed that all disputes should be treated as Charging Disputes, the process for which is defined in CUSC. The Respondent further suggested that the implementation date should be 1st April as opposed to 16th February as detailed in CAP055. National Grid’s intention regarding implementation on the earlier date was to allow data provided for 2004/05 charges, which would be effective from 1st April 2004, to be assessed under the new criteria. The respondent additionally suggested that any benefit from this Amendment should be fully passed onto the industry as opposed to National Grid. National Grid cannot increase their Revenue, therefore, the Amendment is intended to benefit the industry through the avoidance of passing on extra costs by working to reduce potential deficits. Finally the Respondent Proposed an alternative to the wording in paragraphs 3.10.1 and 9.10.4.1,

suggesting that the estimates provided by Users' should be "reasonable estimates" as opposed to their "best estimate" as was originally proposed. This was consulted on as a Consultation Alternative Amendment, the responses to which are detailed below. The respondent also believed that the process should be monitored and reported on an annual basis.

Responses to Consultation Alternative Amendment

10.9 The following table provides an overview of the representations received. Copies of the representation are attached as Annex 5, Part B.

Reference	Company	Supportive	Comments
CAP055-AACR-01	Gaz De France	No	
CAP055-AACR-02	Scottish and Southern Energy	Yes	

10.10 One respondent in CAP055-AACR-01 believed that the absence of a legal definition for the words "best" and "reasonable" meant that it is difficult to assess the precise differences between the Proposed Amendment and Alternative Amendment (A).

10.11 The second respondent (CAP055-AACR-02) as the proposer of Alternative Amendment (A) support their view that "reasonable" is more consistent with the intention of the Amendment.

11.0 NATIONAL GRID RECOMMENDATION

11.1 National Grid recommends that CAP055 should be implemented. Whilst Consultation Alternative Amendment (A) would also better meet the relevant CUSC Objectives, National Grid believes that an obligation on Users to supply the "best" estimate possible should result in more cost reflective charges than an obligation to produce a "reasonable" estimate. However, National Grid's use of historical data will only allow forecasts to be assessed to a reasonable level of accuracy.

12.0 COMMENTS ON THE DRAFT AMENDMENT REPORT

12.1 National Grid received two responses containing comments on the draft Amendment Report. Copies are contained at Annex 6 to this report.

Reference	Company	Supportive	Comments
CAP055-AR-01	Centrica	N/A	
CAP055-AR-02	Scottish and Southern Energy	N/A	

12.2 The respondent (CAP055-AR-01) commented on Paragraph 10.7 of the Draft Amendment Report requesting that the final sentence be removed or modified to reflect a more positive attitude towards Users profiling their estimates across the year. Paragraph 3.34 of the Draft Amendment Report is taken

from the CAP055 Working Group Report, which the respondent was a member of, and states that “changes to the CUSC to allow TNUoS charges to be profiled across the year were outside of this Amendment Proposal and had wider implications for the Charging Statements and possibly the Transmission Price Controls”. Therefore, National Grid cannot concur with the respondent’s view that National Grid has agreed there is not an issue with Users profiling their forecast and can only confirm that whilst account may be taken of payments made to date by Users, consistent profiling would contravene the requirement to provide a best estimate of annual demand.

- 12.3 The respondent (CAP055-AR-02) commented on Paragraph 10.8 in the Draft Amendment Report and suggested that National Grid should also provide a figure for over-forecasting in order to assess the impact of the £15m under-forecasting. However, National Grid continue to believe that the scope of the proposed Amendment is to address the specific issue of under payment of TNUoS charges, and therefore the addition of such a figure within the amendment would not be relevant. National Grid confirm that any bad debts resulting from Suppliers under-forecasting would not be recoverable from Suppliers who had over-forecast. The respondent further requested that National Grid confirm they will report to the CUSC Panel on an annual basis on the number of forecasts which were deemed unreasonable and how many had been successfully appealed by the User to the Authority. However, National Grid believe that the process suggested by CAP055 for determining the reasonableness of a Users forecast being contained and controlled within the Charging Methodologies is appropriate, and this precludes the need to report on an annual basis.

ANNEX 1 - AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP055
Title of Amendment Proposal:	
Users' Demand Forecasts for TNUoS Charging	
Description of the Proposed Amendment (mandatory by proposer):	
<p>The CUSC currently requires Suppliers to provide NGC with demand forecasts to enable NGC to calculate monthly Transmission Network Use of System (TNUoS) charges, but contains no requirements relating to the quality of these forecasts. The proposed amendment will make it clear that these forecasts should be reasonable, and, if they are deemed unreasonable by NGC, NGC will instead be entitled to use its own fair and reasonable estimates.</p>	
Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer):	
<p>Paragraph 3.10 of the CUSC requires Users to provide forecasts to NGC on or before the end of the second week in December for the purposes of calculating both the TNUoS tariffs and that User's specific demand charges. It makes no reference to the quality of these forecasts, and National Grid has concerns that a number of Suppliers have recently submitted poor quality forecasts.</p> <p>The Proposed Amendment therefore seeks to allow NGC to reject any forecasts that it considers to be unreasonable, and instead to use its own fair and reasonable estimates. The detailed process for doing so will be set out either in the CUSC or in the Charging Statements. The Proposed Amendment would therefore protect NGC (and ultimately the industry) from the effects of failing Suppliers who have under-paid TNUoS charges as a result of poor quality forecasting.</p> <p>The Proposed Amendment should also clarify the data required from Users, the timescales for its submission, the process for revising forecasts, and the requirements for new Users. These points of clarification, together with the need to ensure that Suppliers could not over-ride a NGC forecast with an unreasonable demand resubmission, mean that amendments to paragraph 3.11 of the CUSC would also be necessary.</p>	
Impact on the CUSC (<i>this should be given where possible</i>):	
<p>Paragraphs 3.10 and 3.11 of the CUSC would require significant amendment in order to give effect to the changes proposed above. Alternatively, more minor revisions could be made to these paragraphs, with the detailed process instead set out in the Charging Statements.</p>	
Impact on Core Industry Documentation (<i>this should be given where possible</i>):	
None.	
Impact on Computer Systems and Processes used by CUSC Parties (<i>this should be given where possible</i>):	
None.	

Details of any Related Modifications to Other Industry Codes (where known):

The Statement of the Use of System Charging Methodology may also require modification, as described above.

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

The absence of any requirement for Suppliers to provide reasonable forecasts may result in effective discrimination in favour of those that under-forecast, by reducing their monthly TNUoS charges. Implementation of this Proposal would eliminate any discrimination and therefore better facilitate effective competition in the supply of electricity, as all Suppliers' charges would then be cost-reflective.

Details of Proposer: Organisation's Name:	National Grid Company plc
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:	Andrew Truswell National Grid Company plc 01926 656388 andrew.truswell@ngtuk.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Andy Balkwill National Grid Company plc 01926 655988 andy.balkwill@ngtuk.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment:	

Notes:

- 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.
- 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.

ANNEX 2 - PROPOSED TEXT TO MODIFY CUSC

Part A - Text to give effect to the Proposed Amendment

Section 3 - Change Marked Version

3.10 DATA REQUIREMENTS

3.10.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the Transmission Network Use of System Charges due from the User to NGC or from NGC to the User (as the case may be) including the data specified in the Charging Statements for the Financial Year to which the data relates.

~~3.10.2 Where the relevant date for charging set out in the relevant **Bilateral Agreement** (or in the **Use of System Supply Confirmation Notice**) in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** supply to **NGC** such data in respect of the **Financial Year** in which the charging date falls and the following **Financial Year** which it would otherwise have supplied and **NGC** would otherwise have requested in accordance with Paragraph 3.10.1, in accordance with the terms of the **Charging Statements**. Where the **User** fails to so provide such data the **User** shall be deemed to have submitted data with zero values, to enable **NGC** to calculate the **Transmission Network Use of System Charges** due from the **User** to **NGC** and from **NGC** to the **User** as the case may be.~~

~~3.10.3~~ 3.10.2 On or before the ~~end of the second week of December~~ 10th day of March in each **Financial Year**, each **User** shall supply ~~NGC~~ NGC ~~on NGC's reasonable request~~ with such data as **NGC** may from time to time reasonably request its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such data Demand Forecast as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the data Demand Forecast relates;

3.10.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 3.10.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 3.11.1.

~~3.10.4~~ 3.10.4 Where the relevant date for charging set out in the relevant **Bilateral Agreement** (or in the **Use of System Supply Confirmation Notice**) in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** provide to **NGC** such forecasts (as appropriate) in respect of the **Financial Year** in which the charging date falls which it would otherwise have provided in accordance with Paragraph 3.10.3, in accordance with the relevant part of the **Charging Statements**. Where the **User** fails to provide such forecasts, the **User** shall be deemed to have submitted forecasts with zero

~~values, and NGC shall use such forecasts as the basis of **Transmission Network Use of System Charges** for the **Financial Year** in which the charging date falls. a **Use of System Supply Confirmation Notice** is completed during a **Financial Year**, the **User** shall supply **NGC**, with its **Demand Forecast** for that **Financial Year** on or before the 10th day of the month following completion of the **Use of System Supply Confirmation Notice**.~~

3.11 VARIATION OF FORECASTS DURING THE FINANCIAL YEAR

- 3.11.1 Each **User** shall notify **NGC** of any revision to ~~the forecast~~ its **Demand Forecast** submitted by it under Paragraph 3.10 **Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time. ~~NGC shall revise the **Transmission Network Use of System Charges** payable by the **User** to take account of such revised forecast provided for in accordance with this Paragraph 3.11. NGC shall commence charging the varied **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised forecast was received provided always that such forecast is provided before the 15th day of such month.~~
- 3.11.2 ~~In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 3.11.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.~~
- 3.11.3 ~~Subject to Paragraph 3.12, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.~~

3.12 VALIDATION OF DEMAND FORECASTS

- 3.12.1 ~~The **Demand Forecast** shall represent a **User's** best estimate of its **Demand**.~~
- 3.12.2 ~~**NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand Forecast** differ by more than 20% from that calculated by **NGC** using the **NGC's** forecast **Demand** as provided for in the **Charging Statements**.~~
- 3.12.3 ~~In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand**.~~

3.12.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

Definition

Demand Forecast a **Users** forecast of its **Demand** submitted to **NGC** in accordance with Paragraphs 3.10 , 3.11 and 3.12

Section 3 - Clean Version

3.10 DATA REQUIREMENTS

- 3.10.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the **Transmission Network Use of System Charges** for the **Financial Year** to which the data relates.
- 3.10.2 On or before the 10th day of March in each **Financial Year**, each **User** shall supply **NGC** on **NGC's** reasonable request with its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such **Demand Forecast** as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the **Demand Forecast** relates.
- 3.10.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 3.10.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 3.11.1.
- 3.10.4 Where a **Use of System Supply Confirmation Notice** is completed during a **Financial Year**, the **User** shall supply **NGC**, with its **Demand Forecast** for that **Financial Year** on or before the 10th day of the month following completion of the **Use of System Supply Confirmation Notice**.

3.11 VARIATION OF FORECASTS DURING THE FINANCIAL YEAR

- 3.11.1 Each **User** shall notify **NGC** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time.
- 3.11.2 In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 3.11.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.
- 3.11.3 Subject to Paragraph 3.12, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

3.12 VALIDATION OF DEMAND FORECASTS

- 3.12.1 The **Demand Forecast** shall represent a **User's** best estimate of its **Demand** .
- 3.12.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand Forecast** differ by more than 20% from that calculated by **NGC** using the **NGC's** forecast **Demand** as provided for in the **Charging Statements**.
- 3.12.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand**.

3.12.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

Definition

Demand Forecast a Users forecast of its **Demand** submitted to **NGC** in accordance with Paragraphs 3.10 , 3.11 and 3.12

Section 9 – Change Marked Version**9.10.2 Data Requirements**

9.10.2.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the Transmission Network Use of System Charges due from the User to NGC or from NGC to the User (as the case may be) including the data specified in the Charging Statements for the Financial Year to which the data relates;

~~9.10.2.2 Where the relevant date for charging set out in the relevant **Bilateral Connection Agreement** in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** supply to **NGC** such data in respect of the **Financial Year** in which the charging date falls and the following **Financial Year** which it would otherwise have supplied and **NGC** would otherwise have requested in accordance with Paragraph 9.10.2.1, in accordance with the terms of the **Charging Statements**. Where the **User** fails to so provide such data the **User** shall be deemed to have submitted data with zero values, to enable **NGC** to calculate the **Transmission Network Use of System Charges** due from the **User** to **NGC** and from **NGC** to the **User** as the case may be.~~

9.10.2.23 On or before the ~~end of the second week of December~~ 10th day in March in each **Financial Year**, each **User** shall supply **NGC** on NGC's reasonable request with such data as **NGC** may from time to time reasonably request its Demand Forecast for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such ~~data~~ Demand Forecast as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the Demand Forecast data relates.

9.10.2.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 9.10.2.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 9.10.3.1

~~9.10.2.4 Where the relevant date for charging set out in the relevant **Bilateral Connection Agreement** in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** provide to **NGC** such forecasts (as appropriate) in respect of the **Financial Year** in which the charging date falls which it would otherwise have provided in accordance with Paragraph 9.10.2.3, in accordance with the relevant part of the **Charging Statements**. Where the **User** fails to provide such forecasts, the **User** shall be deemed to have submitted forecasts with zero values, and **NGC** shall use such forecasts as the basis of **Transmission Network Use of System Charges** for the **Financial Year** in which the charging date falls.~~

9.10.3 Variation Of Forecasts During The Financial Year

9.10.3.1 Each **User** shall notify **NGC** of any revision to ~~the forecast its Demand submitted by it under Paragraph 9.10.2 Forecast~~ at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time. ~~NGC shall revise the Transmission Network Use of System Charges payable by the User to take account of such revised forecast provided for in accordance with this Paragraph 9.10.3. NGC shall commence charging the varied Transmission Network Use of System Charges from the first day of the month following the month in which such revised forecast was received provided always that such forecast is provided before the 15th day of such month.~~

9.10.3.2 In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 9.10.3.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.

9.10.3.3 Subject to Paragraph 9.10.4, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

9.10.4 Validation of Demand Forecasts

9.10.4.1 The **Demand Forecast** shall represent a **User's** best estimate of its **Demand.**

9.10.4.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand Forecast** differ by more than 20% from that calculated by **NGC** using the **NGC's** forecast **Demand** as provided for in the **Charging Statements.**

9.10.4.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand.**

9.10.4.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute.**

Section 9 - Clean Version

9.10.2 Data Requirements

- 9.10.2.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the **Transmission Network Use of System Charges** for the **Financial Year** to which the data relates;
- 9.10.2.2 On or before the 10th day in March in each **Financial Year**, each **User** shall supply **NGC** on **NGC's** reasonable request with its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such **Demand Forecast** as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the **Demand Forecast** relates.
- 9.10.2.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 9.10.2.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 9.10.3.1

9.10.3 Variation Of Forecasts During The Financial Year

- 9.10.3.1 Each **User** shall notify **NGC** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time.
- 9.10.3.2 In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 9.10.3.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.
- 9.10.3.3 Subject to Paragraph 9.10.4, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

9.10.4 Validation of Demand Forecasts

- 9.10.4.1 The **Demand Forecast** shall represent a **User's** best estimate of its **Demand**.
- 9.10.4.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand Forecast** differ by more than 20% from that calculated by

NGC using the **NGC's** forecast **Demand** as provided for in the **Charging Statements**.

9.10.4.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand**.

9.10.4.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

Part B – Text to give effect to Alternative Amendment (A)

Section 3 – Change Marked Version

3.10 DATA REQUIREMENTS

3.10.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the Transmission Network Use of System Charges due from the User to NGC or from NGC to the User (as the case may be) including the data specified in the Charging Statements for the Financial Year to which the data relates.

~~3.10.2 Where the relevant date for charging set out in the relevant **Bilateral Agreement** (or in the **Use of System Supply Confirmation Notice**) in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** supply to **NGC** such data in respect of the **Financial Year** in which the charging date falls and the following **Financial Year** which it would otherwise have supplied and **NGC** would otherwise have requested in accordance with Paragraph 3.10.1, in accordance with the terms of the **Charging Statements**. Where the **User** fails to so provide such data the **User** shall be deemed to have submitted data with zero values, to enable **NGC** to calculate the **Transmission Network Use of System Charges** due from the **User** to **NGC** and from **NGC** to the **User** as the case may be.~~

3.10.2 On or before the ~~end of the second week of December~~ 10th day of March in each **Financial Year**, each **User** shall supply ~~NGC~~ **NGC** on NGC's reasonable request with such data as **NGC** may from time to time reasonably request its Demand Forecast for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such data Demand Forecast as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the data Demand Forecast relates;

3.10.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 3.10.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 3.11.1.

~~3.10.4 Where the relevant date for charging set out in the relevant **Bilateral Agreement** (or in the **Use of System Supply Confirmation Notice**) in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** provide to **NGC** such forecasts (as appropriate) in respect of the **Financial Year** in which the charging date falls which it would otherwise have provided in accordance with Paragraph 3.10.3, in accordance with the relevant part of the **Charging Statements**. Where the **User** fails to provide such forecasts, the **User** shall be deemed to have submitted forecasts with zero values, and **NGC** shall use such forecasts as the basis of **Transmission Network Use of System Charges** for the **Financial Year** in which the charging date falls.~~ a **Use of System Supply Confirmation Notice** is completed during a **Financial Year**, the **User** shall supply **NGC**, with its **Demand Forecast** for that **Financial Year** on or before the 10th day of the month following

completion of the Use of System Supply Confirmation Notice.

3.11 VARIATION OF FORECASTS DURING THE FINANCIAL YEAR

3.11.1 Each **User** shall notify **NGC** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time.

3.11.2 In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 3.11.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.

3.11.3 Subject to Paragraph 3.12, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

3.12 VALIDATION OF DEMAND FORECASTS

3.12.1 The **Demand Forecast** shall represent a **User's** reasonable estimate of its **Demand**.

3.12.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand Forecast** differ by more than 20% from that calculated by **NGC** using the **NGC's** forecast **Demand** as provided for in the **Charging Statements**.

3.12.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand**.

3.12.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

Definition

Demand Forecast a **Users** forecast of its **Demand** submitted to **NGC** in accordance with Paragraphs 3.10 , 3.11 and 3.12

Section 3 – Clean Version

3.10 DATA REQUIREMENTS

- 3.10.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the **Transmission Network Use of System Charges** for the **Financial Year** to which the data relates.
- 3.10.2 On or before the 10th day of March in each **Financial Year**, each **User** shall supply **NGC** on **NGC's** reasonable request with its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such **Demand Forecast** as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the **Demand Forecast** relates.
- 3.10.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 3.10.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 3.11.1.
- 3.10.4 Where a **Use of System Supply Confirmation Notice** is completed during a **Financial Year**, the **User** shall supply **NGC** with its **Demand Forecast** for that **Financial Year** on or before the 10th day of the month following completion of the **Use of System Supply Confirmation Notice**.

3.11 VARIATION OF FORECASTS DURING THE FINANCIAL YEAR

- 3.11.1 Each **User** shall notify **NGC** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time. In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 3.11.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.
- 3.11.2 Subject to Paragraph 3.12, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

3.12 VALIDATION OF DEMAND FORECASTS

- 3.12.1 The **Demand Forecast** shall represent a **User's** reasonable estimate of its **Demand**.
- 3.12.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the **Demand**

Forecast differ by more than 20% from that calculated by **NGC** using the **NGC's forecast Demand** as provided for in the **Charging Statements**.

3.12.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's forecast Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC forecast Demand**.

3.12.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

Definition

Demand Forecast a **Users** forecast of its **Demand** submitted to **NGC** in accordance with Paragraphs 3.10, 3.11 and 3.12

Section 9 – Change Marked Version**9.10.2 Data Requirements**

9.10.2.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the Transmission Network Use of System Charges due from the User to NGC or from NGC to the User (as the case may be) including the data specified in the Charging Statements for the Financial Year to which the data relates;

~~9.10.2.2 Where the relevant date for charging set out in the relevant **Bilateral Connection Agreement** in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** supply to **NGC** such data in respect of the **Financial Year** in which the charging date falls and the following **Financial Year** which it would otherwise have supplied and **NGC** would otherwise have requested in accordance with Paragraph 9.10.2.1, in accordance with the terms of the **Charging Statements**. Where the **User** fails to so provide such data the **User** shall be deemed to have submitted data with zero values, to enable **NGC** to calculate the **Transmission Network Use of System Charges** due from the **User** to **NGC** and from **NGC** to the **User** as the case may be.~~

9.10.2.23 On or before the ~~end of the second week of December~~ 10th day in March in each **Financial Year**, each **User** shall supply **NGC** on NGC's reasonable request with such data as **NGC** may from time to time reasonably request its Demand Forecast for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such data Demand Forecast as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the Demand Forecast data relates.

9.10.2.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 9.10.2.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 9.10.3.1

~~9.10.2.4 Where the relevant date for charging set out in the relevant **Bilateral Connection Agreement** in relation to **Use of System** falls during a **Financial Year**, the **User** shall on the date specified in writing by **NGC** to the **User** provide to **NGC** such forecasts (as appropriate) in respect of the **Financial Year** in which the charging date falls which it would otherwise have provided in accordance with Paragraph 9.10.2.3, in accordance with the relevant part of the **Charging Statements**. Where the **User** fails to provide such forecasts, the **User** shall be deemed to have submitted forecasts with zero values, and **NGC** shall use such forecasts as the basis of **Transmission Network Use of System Charges** for the **Financial Year** in which the charging date falls.~~

9.10.3 Variation Of Forecasts During The Financial Year

9.10.3.1 Each **User** shall notify **NGC** of any revision to ~~the forecast its Demand submitted by it under Paragraph 9.10.2 Forecast~~ at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time. ~~NGC shall revise the Transmission Network Use of System Charges payable by the User to take account of such revised forecast provided for in accordance with this Paragraph 9.10.3. NGC shall commence charging the varied Transmission Network Use of System Charges from the first day of the month following the month in which such revised forecast was received provided always that such forecast is provided before the 15th day of such month.~~

9.10.3.2 ~~In the event that a User fails to provide a revised Demand Forecast in accordance with Paragraph 9.10.3.1 above the User shall be deemed to have submitted as its revised Demand Forecast that submitted at the previous quarter.~~

9.10.3.3 ~~Subject to Paragraph 9.10.4, NGC shall revise the Transmission Network Use of System Charges payable by a User to take account of any revised Demand Forecast and shall commence charging the revised Transmission Network Use of System Charges from the first day of the month following the month in which such revised Demand Forecast was received provided always that such Demand Forecast is provided before the 10th day of such month.~~

9.10.4 Validation of Demand Forecasts

9.10.4.1 ~~The Demand Forecast shall represent a User's reasonable estimate of its Demand.~~

9.10.4.2 ~~NGC shall notify the User in the event that the Transmission Network Use of System Charges due from the User to NGC or from NGC to the User (as the case may be) calculated by NGC using the Demand Forecast differ by more than 20% from that calculated by NGC using the NGC's forecast Demand as provided for in the Charging Statements.~~

9.10.4.3 ~~In the event that NGC does not receive a satisfactory explanation for the difference between the Demand Forecast and NGC's forecast Demand or a satisfactory revised Demand Forecast from the User within 5 Business Days of such notice then NGC shall be entitled to invoice a User for Transmission Network Use of System Charges calculated on the basis of the NGC forecast Demand.~~

9.10.4.4 ~~Any dispute regarding a Demand Forecast or the resulting Transmission Network Use of System Charges shall be a Charging Dispute.~~

Section 9 – Clean Version**9.10.2 Data Requirements**

- 9.10.2.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **NGC** with such data as **NGC** may from time to time reasonably request pursuant to the **Charging Statements** to enable **NGC** to calculate the tariffs for the **Transmission Network Use of System Charges** for the **Financial Year** to which the data relates;
- 9.10.2.2 On or before the 10th day in March in each **Financial Year**, each **User** shall supply **NGC** on **NGC's** reasonable request with its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **NGC** to use such **Demand Forecast** as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the **Demand Forecast** relates.
- 9.10.2.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 9.10.2.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 9.10.3.1

9.10.3 Variation Of Forecasts During The Financial Year

- 9.10.3.1 Each **User** shall notify **NGC** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **NGC** and the **User** from time to time.
- 9.10.3.2 In the event that a **User** fails to provide a revised **Demand Forecast** in accordance with Paragraph 9.10.3.1 above the **User** shall be deemed to have submitted as its revised **Demand Forecast** that submitted at the previous quarter.
- 9.10.3.3 Subject to Paragraph 9.10.4, **NGC** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

9.10.4 Validation of Demand Forecasts

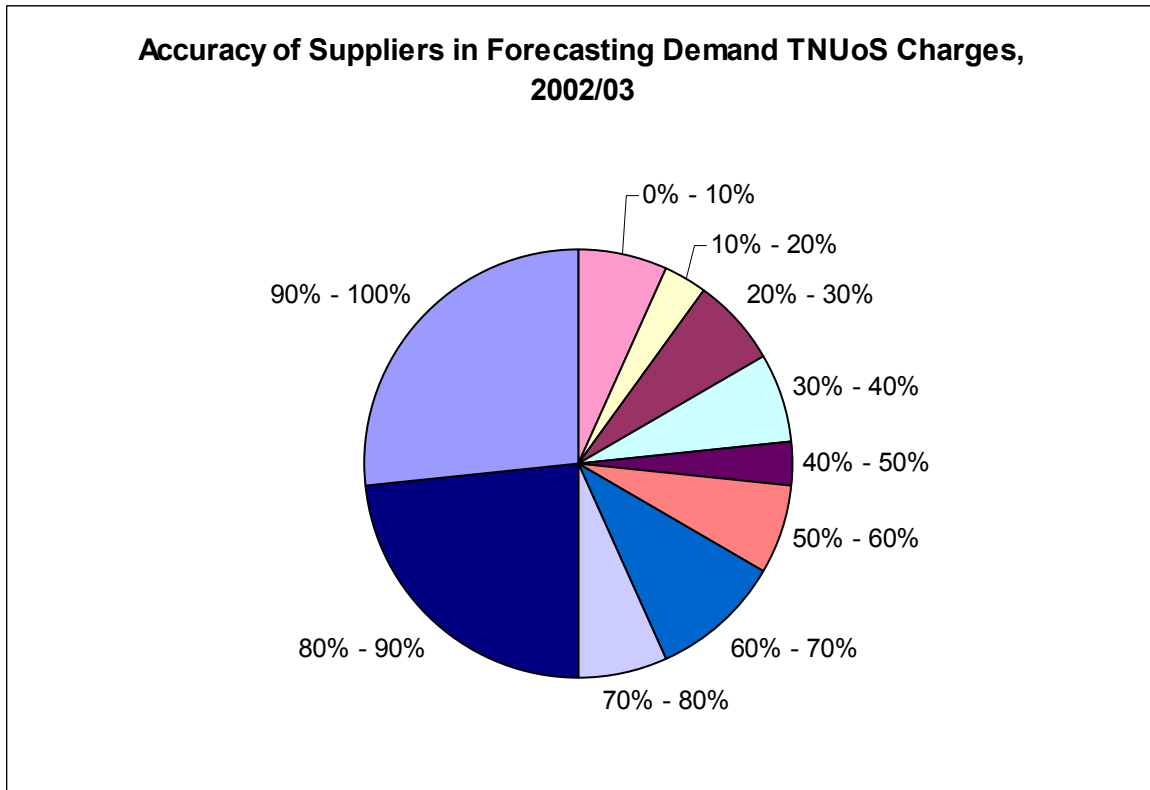
- 9.10.4.1 The **Demand Forecast** shall represent a **User's** reasonable estimate of its **Demand**.
- 9.10.4.2 **NGC** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **NGC** or from **NGC** to the **User** (as the case may be) calculated by **NGC** using the

Demand Forecast differ by more than 20% from that calculated by **NGC** using the **NGC's** forecast **Demand** as provided for in the **Charging Statements**.

- 9.10.4.3 In the event that **NGC** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **NGC's** forecast **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **NGC** shall be entitled to invoice a **User** for **Transmission Network Use of System Charges** calculated on the basis of the **NGC** forecast **Demand**.
- 9.10.4.4 Any dispute regarding a **Demand Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

ANNEX 3 – ANALYSIS OF USERS’ DEMAND FORECASTING ACCURACY

The following pie chart shows the accuracy of Users' demand forecasts as measured against outturn demand used for reconciliation purposes at the end of the charging year 2002-03. Accuracy is measured as an absolute value so includes both under and over forecasting of demand. An accuracy of 90-100% indicates that there was a difference of up to 10% between forecast and outturn demand.



ANNEX 4 – Revised wording of Chapters 4 & 6 of the Use of System Charging Methodology.

Chapter 4 - Demand Charges

Insert the following new Paragraph 4.12 and new Paragraph 4.13 within the Monthly Charges section:

- 4.12 Users should submit reasonable demand forecasts in accordance with the CUSC. National Grid shall use the following methodology to derive a forecast to be used in determining whether a User's forecast is reasonable, in accordance with the CUSC, and this will be used as a replacement forecast if the User's total forecast is deemed unreasonable. National Grid will, at all times, use the latest available Settlement data.

For existing Users:

- i) The User's Triad demand for the preceding Financial Year will be used where User settlement data is available and where National Grid calculates its forecast before the Financial Year. Otherwise, the User's average weekday settlement period 35 half-hourly metered (HH) demand in the Financial Year to date is compared to the equivalent average demand for the corresponding days in the preceding year. The percentage difference is then applied to the User's HH demand at Triad in the preceding Financial Year to derive a forecast of the User's HH demand at Triad for this Financial Year.
- ii) The User's non-half-hourly metered (NHH) energy consumption over the period 16:00 hrs to 19:00 hrs every day in the Financial Year to date is compared to the equivalent energy consumption over the corresponding days in the preceding year. The percentage difference is then applied to the User's total NHH energy consumption in the preceding Financial Year to derive a forecast of the User's NHH energy consumption for this Financial Year.

For new Users who have completed a Use of System Supply Confirmation Notice in the current Financial Year:

- iii) The User's average weekday settlement period 35 half-hourly metered (HH) demand over the last complete month for which National Grid has settlement data is calculated. Total system average HH demand for weekday settlement period 35 for the corresponding month in the previous year is compared to total system HH demand at Triad in that year and a percentage difference is calculated. This percentage is then applied to the User's average HH demand for weekday settlement period 35 over the last month to derive a forecast of the User's HH demand at Triad for this Financial Year.
- iv) The User's non-half-hourly metered (NHH) energy consumption over the period 16:00 hrs to 19:00 hrs every day over the last complete month for which National Grid has settlement data is noted. Total system NHH energy consumption over the corresponding month in the previous year is compared to total system NHH energy consumption over the remaining months of that Financial Year and a percentage

difference is calculated. This percentage is then applied to the User's NHH energy consumption over the month described above, and all NHH energy consumption in previous months is added, in order to derive a forecast of the User's NHH metered energy consumption for this Financial Year.

4.13 Appendix TN-7: Example: Determination of National Grid's Forecast for Demand Charge Purposes illustrates how the demand forecast will be calculated by National Grid.

The existing paragraphs 4.12 to 4.21 should be renumbered by an increment of 2, such that they become paragraphs 4.14 to 4.23.

Chapter 6: Data Requirements

Data Required for Calculating Users' Charges

Amend paragraph 6.5 to read:

- 6.5 In order for National Grid to calculate Users' TNUoS charges, Users who are Suppliers shall provide to National Grid forecasts of half-hourly and non-half-hourly demand in accordance with paragraphs 4.11 and 4.12 and in accordance with the CUSC

Insert a new appendix numbered TN-7

Appendix TN-7: Example: Determination of National Grid's Forecast for Demand Charge Purposes

National Grid will use the latest available settlement data for calculation of HH demand and NHH energy consumption forecasts for the Financial Year.

The Financial Year runs from 1st April to 31st March inclusive and for the purpose of these examples the year April 2004 to March 2005 is used.

Where the preceding year's settlement data is not available at the time that National Grid needs to calculate its forecast, National Grid will use settlement data from the corresponding period in Financial Year minus two unless indicated otherwise.

All values used with the examples are purely for illustrative purposes only.

i) Half Hourly (HH) Metered Demand Forecast – Existing User

At the time of calculation of a HH demand forecast before the relevant

Financial Year (approximately 10th March), National Grid will be aware at a system level which dates will be used for the determination of Triad, however, National Grid may not have settlement data at a User level if the Triad dates were to span a period that includes the latter half of February.

When undertaking forecasting before the relevant Financial Year, National Grid will use the User's Triad demand for the previous year for its forecast providing it holds User settlement data for this period, thus:

$$F = T$$

where:

F = Forecast of User's HH demand at Triad for the Financial Year

T = User's HH demand at Triad in Financial Year minus one

Where National Grid determines its forecast within a Financial Year:

$$F = T * D/P$$

where:

F = Forecast of User's HH demand at Triad for the Financial Year

T = User's HH demand at Triad in the preceding Financial Year

D = User's average half hourly metered demand in settlement period 35 in the Financial Year to date

P = User's average half hourly metered demand in settlement period 35 for the period corresponding to D in the preceding Financial Year

Where National Grid determines its forecast before the relevant Financial Year and User settlement data for the Triad period is not available, National Grid shall apply the formula immediately above (within year forecast) but substitute the following definitions for the values T, D, and P:

T = User's HH demand at Triad in the Financial Year minus two

D = User's average half hourly metered demand in settlement period 35 in the Financial Year minus one, to date

P = User's average half hourly metered demand in settlement period 35 for the period corresponding to D in the Financial Year minus two

Example (where User settlement data is not yet available for the Triad period):

National Grid calculates a HH demand forecast on the above methodology at 10th March 04 for the period 1st April 2004 to 31st March 2005.

$$F = 10,000 * 13,200 / 12,000$$

$$F = 11,000 \text{ kWh}$$

where:

T = 10,000 kWh (period November 2002 to February 2003)

D = 13,200 kWh (period 1st April 2003 to 15th February 2004[#])

P = 12,000 kWh (period 1st April 2002 to 15th February 2003)

[#] Latest date for which settlement data is available.

ii) **Non Half Hourly (NHH) Metered Energy Consumption Forecast – Existing User**

$F = E * D/P$

where:

F = Forecast of User's NHH metered energy consumption for the Financial Year

E = User's summed NHH energy consumption over the hours 16:00 to 19:00 for each day in the preceding Financial Year

D = User's summed NHH energy consumption for the hours 16:00 to 19:00 for each day for the Financial Year to date

P = User's summed NHH energy consumption for the hours 16:00 to 19:00 for each day for the period corresponding to D in the preceding Financial Year

Example:

National Grid calculates a NHH energy consumption forecast on the above methodology at 10th June 2004 for the period 1st April 2004 to 31st March 2005.

$F = 50,000,000 * 4,400,000 / 4,000,000$

F = 55,000,000 kWh

where:

E = 50,000,000 kWh (period 1st April 2003 to 31st March 2004)

D = 4,400,000 kWh (period 1st April 2004 to 15th May 2004[#])

P = 4,000,000 kWh (period 1st April 2003 to 15th May 2003)

[#] Latest date for which settlement data is available

Where forecasting before the relevant Financial Year concerned, National Grid would in the above example use values for E and P from Financial Year 2002/03 and D from Financial Year 2003/04.

iii) **Half Hourly (HH) Metered Demand Forecast – New User**

$$F = M * T/W$$

where:

F = Forecast of User's HH metered demand at Triad for the Financial Year

M = User's HH average weekday period 35 demand for the last complete month for which settlement data is available

T = Total system HH demand at Triad in the preceding Financial Year

W = Total system HH average weekday settlement period 35 metered demand for the corresponding period to M for the preceding year

Example:

National Grid calculates a HH demand forecast on the above methodology at 10th September 2004 for a new User registered from 10th June 2004 for the period 10th June 2004 to 31st March 2005.

$$F = 1,000 * 17,000,000 / 18,888,888$$

$$F = 900 \text{ kWh}$$

where:

M = 1,000 kWh (period 1st July 2004 to 31st July 2004)

T = 17,000,000 kWh (period November 2003 to February 2004)

W = 18,888,888 kWh (period 1st July 2003 to 31st July 2003)

iv) **Non Half Hourly (NHH) Metered Energy Consumption Forecast – New User**

$$F = J + (M * R/W)$$

where:

F = Forecast of User's NHH metered energy consumption for the Financial Year

J = Residual part month summed NHH metered energy consumption for the hours 16:00 to 19:00 for each day where new User registration takes place other than on the 1st of a month

M = User's summed NHH metered energy consumption for the hours 16:00 to 19:00 for each day for the last complete month for which settlement data is available

R = Total system summed NHH metered energy consumption for the hours 16:00 to 19:00 for each day for the period from the start of that defined under M but for the preceding year and until the end of that preceding Financial Year

W = Total system summed NHH metered energy consumption for the hours 16:00 to 19:00 for each day for the period identified in M but for the preceding Financial Year

Example:

National Grid calculates a NHH energy consumption forecast on the above methodology at 10th September 2004 for a new User registered from 10th June 2004 for the period 10th June 2004 to 31st March 2005.

$$F = 500 + (1,000 * 20,000,000,000 / 2,000,000,000)$$

$$F = 10,500 \text{ kWh}$$

where:

$$J = 500 \text{ kWh (period 10th June 2004 to 30th June 2004)}$$

$$M = 1,000 \text{ kWh (period 1st July 2004 to 31st July 2004)}$$

$$R = 20,000,000,000 \text{ kWh (period 1st July 2003 to 31st March 2004)}$$

$$W = 2,000,000,000 \text{ kWh (period 1st July 2003 to 31st July 2003)}$$

ANNEX 5 – RESPONSES TO CONSULTATION

Part A - Responses to CAP055 Consultation

Reference	CAP055-CR01
Company	PowerGen



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

18th December 2003

Dear Ms Paradine,

RE: CAP055 Amendment - Consultation Response

Thank you for providing Powergen with the opportunity to comment upon the proposed CUSC amendment CAP055 'Users Demand Forecasts for TNUoS Charging'.

Powergen believe that allocating charges with an increasing degree of accuracy will ensure a greater level of cost reflectivity, consistent with the aim and scope of licence condition C7A 5(b). However, we feel it appropriate to stress the importance of dialogue between NGC and Users. There are many reasons why forecast demand can differ substantially from actual demand.

The change marked version of the Data Requirements section 3.12.3 states that NGCs demand forecast may be used if the forecasts differ by more than 20% and '*NGC does not receive a satisfactory explanation for the difference*'. It is noted that 'satisfactory' is a subjective term and as such NGC should not seek to make the necessary proving requirements so stringent as to make forecast variation indefensible. It is vitally

important that the proposed alterations satisfy Users that where genuine reasons exist, forecast variance will be tolerated. The changes should reflect an efficient but suitably flexible mechanism in order to combine the incentives necessary for cost reflective charging with the reality of providing consistently accurate demand forecasts.

Powergen concur with the Working group that a formulaic approach seems to offer the most transparent process and should therefore help to ensure equitable outcomes. We also agree that the coordinated implementation seems to be a sensible idea.

In summary, Powergen believe that CUSC Amendment Proposal CAP055 should lead to an improvement in the accuracy and cost reflectivity of forecasting and should therefore better facilitate achievement of the applicable CUSC objective. However, we believe that the demand forecasting methodology places a requirement on Users to ensure that their forecast is within 20% of that expected by NGC. As such the CUSC would offer a more suitable location for the methodology. This would allow Users to actively monitor the governance of the proposed amendment. The discretion afforded to NGC with regard to the acceptability of Users forecasts makes the effective governance of the proposal imperative.

Yours sincerely

Neil Smith
Regulatory Analyst
Trading Arrangements
Powergen UK plc

Reference	CAP055-CR-02
Company	Centrica



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

Please reply to:

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA

Tel. (01753) 758052
Fax (01753) 758137

31st December 2003

Dear Lindsey,

CUSC Amendment Proposals CAP055 - Users Demand Forecasts for TNUoS Charging

British Gas Trading (BGT) welcomes the opportunity to provide comments to NGT on the above proposal.

We agree with NGC's view that there is an issue with the current procedures that results in an increased credit exposure to NGC in the event of a Supplier submitting a very low or zero forecast and therefore support the implementation of this amendment.

Our only concern is that Suppliers should be allowed to control their payments made to NGC by submitting quarterly variable forecasts (profiling their forecasts) such that they cover their liabilities only within that particular quarter. These forecasts wouldn't necessarily cover the annual liability if pro-rated upwards: generally Suppliers overpay at the beginning of the year (if submitting accurate annual forecasts) but this levels out towards the end of the year. NGC have stated within the working group that they would accept these variable forecasts as a reasonable estimate, however as reasonable has not been defined within the legal drafting for definitional reasons, we felt it necessary to raise this point in our response.

I hope these comments have been of use and please contact me if you require any further clarification.

Yours sincerely,

Sarah Owen
Commercial Manager
British Gas Trading

Reference	CAP055-CR-03
Company	EdF Energy

Our Ref
Your Ref

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



Date 2 January 2004

Dear Lindsey,

CAP055: Users' Demand Forecasts for TNUoS Charging

We are pleased to offer our views on this CUSC Amendment Proposal on behalf of all of the EDF Energy CUSC Parties.

EDF Energy support the proposed amendment as we believe that it clarifies the data requirements for Users and reduces the risk of TNUoS under-recovery in the event of a supplier failure. We believe that these improvements would better facilitate the applicable CUSC objective to promote competition in the supply of electricity and would help to ensure the cost reflectivity of transmission charges.

We agree with the proposed implementation date for the amendment of Monday 16th February as this would ensure that the changes are in place in time for the March 2004 request for Demand Forecasts. However, if Authority decisions have not been provided in time then we agree that the proposed amendment should be implemented within 10 days of the Authority decision.

We hope that you will find these comments useful. If you have any queries please do not hesitate to contact me.

Yours sincerely

Rupert Judson
Transmission Infrastructure
& Development Manager

Reference	CAP055-CR-04
Company	Scottish and Southern Energy

From: garth.graham@scottish-southern.co.uk
Sent: 05 January 2004 16:29
To: Emmerson, Steve
Cc: Truswell, Andrew; Paradine, Lindsey; Clark, Helen - NGT House; Easterbrook, Stuart; Farrell, Greg; Lavender, Richard; Maloney, Craig; Thomason, Alex
Subject: Re: National Grid: Consultation Documents UoSCM-M-12 and CAP055

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Keadby Generation Ltd., Medway Power Ltd. and SSE Energy Supply Ltd.

Further to your notes of 28th November 2003 concerning "Modification Proposal to the Use of System Charging Methodology - UoSCM-M-12 Proposed change to the TNUoS Demand Monthly Charges Rules" and the Consultation Document "CUSC Amendment Proposal CAP055 - Users' Demand Forecasts for TNUoS Charging", and our email of 4th January 2004, regarding the illogical request from yourself for us to submit a response on a non business day, we have the following comments to make:-

- 1) In respect of the information presented in section 4.2 of the UoSCM-M-12 consultation document, it would have been very helpful if National Grid could have provided further information showing the significance of the issue; i.e. showing the accuracy of Suppliers 'forecasts' by volume. It is our belief that the major Suppliers form the bulk of those parties that provide 100% - 80% accurate demand forecasts and that consequently the vast majority of the volume of TNUoS is appropriately applied.

If this is the case then perhaps a better approach for National Grid to have consider would have been to organise an industry workshop for all Suppliers (and in particular those that fall below, say, a 90% accuracy threshold) so that good practice could be passed-on from the good to the not so good.

- 2) In addition, in the interest of operating a fully open and transparent consultation process, it would also have been helpful for National Grid to have shown how many suppliers had exceeded the 100% accuracy level; i.e. over forecast and thus incurred costs, pending reconciliation. This would allow the consultees to consider how much of the approximately £15M attributed to demand under forecast error of greater than 20% may be offset by demand over forecast error of greater than 20%.
- 3) In respect of the proposal in section 5.1 of the UoSCM-M-12 consultation document that National Grid may (a) determine a Users' demand forecast to be unreasonable, and (b) - in effect - replace that User forecast with a demand forecast determined by National Grid then, we believe, it is imperative that such determinations (by National Grid) should be appealable by the User to the Authority.
- 4) Furthermore, in the interest of operating a fully open and transparent process we believe that National Grid should report annually to the CUSC Panel on (i) the number of times in the course of the last year it has determined a User

demand forecast to be unreasonable, and (ii) how many of these determinations (by National Grid) have been successfully appealed by the User to the Authority.

- 5) In respect of the proposal in section 5.3 of the UoSCM-M-12 consultation document that the implementation date should be 16th February 2004, we believe that this proposed change should take place from 1st April 2004 and that in the intervening period (from 16th February to 31st March) National Grid should use this period to 'shadow' introduce the proposed change; i.e. 'implement' the change in such a way as to advise Users of what their demand forecast would have been (if this change had occurred between February and April) and how this was derived so that the Users and National Grid can learn from the experience and submit more accurate demand forecasts from the beginning of the new TNUoS charging period from 1st April 2004.
- 6) In respect of the comment in section 5.6 of the UoSCM-M-12 consultation document that "it is reasonably expected that the overall level of TNUoS Demand Charges will be unchanged", we wonder where the cost / benefit analysis is for this proposed change? It would seem that the cost of this consultation exercise, together with the need for National Grid to review and calculate demand forecasts for all Users (at a cost of £2,000 per annum), will outweigh what, on the evidence provided by National Grid, is £0 benefit. If there is a benefit, as alluded to in section 4.5 of the CAP055 consultation document then this should be fully passed onto the industry (rather than National Grid), as its indicated in section 4.10 of the CAP055 consultation document that the cost are currently borne by the industry.
- 7) In respect of the comment in paragraphs 3.12.1 and 9.10.4.1 of Annex 1 of the CAP055 consultation document that "the Demand Forecast shall represent a User s best estimate of its Demand", we believe this should be amended to read "the Demand Forecast shall represent a User s reasonable estimate of its Demand", as this reflects the wording and sentiment used throughout the CAP055 and the UoSCM-M-12 consultation documents (which refers repeatedly to the demand estimate being "reasonable").
- 8) In respect of the paragraph numbers (of the clean version) on page 17 of Annex 1 of the CAP055 consultation document, should "3.11.5" be "3.10.1"; "3.11.6" be "3.10.2"; "3.12 Variation...." be "3.11 Variation....", "3.12.1" be "3.11.1"; "3.12.2" be "3.11.2" and "3.12.3" be "3.11.3"?

Regards
Garth Graham
Scottish and Southern Energy plc

Part B – Responses to the Consultation Alternative Amendment

Reference	CAP055-AACR-01
Company	Gaz de France

From: Reading, Russell [Russell.Reading@gazdefranceenergy.co.uk]
Sent: 14 January 2004 16:53
To: Paradine, Lindsey
Cc: Vest, Barbara ; Reading, Russell
Subject: CAP055 Alternative Consultation

Good afternoon Lindsey,

Thank you for the additional information on the consultation for CAP055 and the opportunity to respond on the Alternate Amendment raised by Scottish and Southern Energy.

In respect of this amendment, I would to make the following comments for Gaz de France ESS.

- There is no specific legal definition of what constitutes best or reasonable, what they actually mean would probably be decided with reference to the context of a specific dispute. As such it is difficult to quantify the exact differences between the Original and the Alternative Amendment.
- We believe that the use of “best” implies a more onerous obligation than “reasonable” and so would impose a higher standard to be adopted in arriving at a figure. “Best” would seem to imply that everything that could be done was done, where as “reasonable” would seem to imply that the party had done everything that could be expected in the given circumstances.
- The purpose of the Amendment would seem to be to encourage accurate forecasts from Users, which initially leads to favouring “best”. This must however be balanced with the fact that it is unreasonable for NGT to expect users to (for examples) spend hundreds of thousands of pounds to increase accuracy by 0.5%, hence bringing in “reasonable”.
- There is also a desire not to leave a loop-hole which might be exploited in order to gain an advantage by arguing what is “reasonable” or not.

Looking at the document, it is clear we are looking at the difference between the “best forecast” and a “reasonable forecast” of demand. Also as the word “forecast” is present, we feel this mitigates the wording slightly and as such a reasonable forecast may not be accurate. For example is a forecast that is inaccurate by 50% “reasonable” if only ten minutes was spent producing it? It certainly would not be classed as the “best” forecast”.

Although it is not possible at this point, the solution would seem to be to replace “best” or “reasonable” with something like “most accurate”.

Overall Gaz de France ESS support the Amendment as we feel it should provide the incentive for Users to provide an accurate forecast and minimise risks to users of bad debt in relation to TNUoS payments.

If I can provide any further information, please feel free to contact me.

Have a good week.
 Best Regards
 Russell

Reference	CAP055-AACR-02
Company	Scottish and Southern Energy

From: garth.graham@scottish-southern.co.uk
Sent: 15 January 2004 10:35
To: Paradine, Lindsey
Subject: Re: CAP055 Consultation Alternative Amendments

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Keadby Generation Ltd., Medway Power Ltd. and SSE Energy Supply Ltd.

Further to your note of 12th January 2004 concerning "Modification Proposal to the Use of System Charging Methodology - UoSCM-M-12 Proposed change to the TNUoS Demand Monthly Charges Rules" and the Consultation Document "CUSC Amendment Proposal CAP055 - Users' Demand Forecasts for TNUoS Charging", and our emails of 4th and 5th January 2004, we have the following comments to make:-

As the party that pointed out the anomaly within the initial draft Legal Text (contained within the documentation circulated by you on 28th November 2003) we agree that this proposed revision to the Legal Text (from "best" to "reasonable") better reflects the clear intention of the consultation documents contained within your 28th November note which refers repeatedly to the demand estimate being "reasonable".

Regards
Garth Graham
Scottish and Southern Energy plc

ANNEX 6 – 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 20th January 2004 requesting comments by close of business on 27th January 2004)

Representations were received from the following parties:

No.	Company	File Number
1	Centrica	CAP055-AR-01
2	Scottish & Southern Energy	CAP055-AR-02

Reference	CAP055-AR-01
Company	Centrica

RE: CAP055 Draft Amendment Report
From: Owen, Sarah
[Sarah.Owen@centrica.co.uk]
Sent: 23 January 2004 14:49
To: Paradine, Lindsey
Cc: Goldring, Simon
Subject: RE: CAP055 Draft Amendment Report

Lindsey,

A comment for you on the draft Amendment Report...

In Para 10.7 (last sentence) the report states that "However, profiling by definition would suggest that "best estimates" were not being submitted by Suppliers." I do not agree with this statement as by it's very nature providing forecasts of quarterly TNUoS liabilities will result in more accurate charging by NGC whereas this sentence implies a Supplier would be providing inaccurate forecasts.

As NGC have already agreed that there is not an issue with users profiling their forecasts and therefore having corresponding profiled charges, I request that this sentence is either amended (to be positive about profiled estimates) or removed.

I'm away next week, so if there are any issues with this can you direct them to Simon Goldring.

Regards

Sarah

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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	CAP055-AR-02
Company	Scottish and Southern Energy

From: garth.graham@scottish-southern.co.uk
Sent: 27 January 2004 15:39
To: Paradine, Lindsey
Subject: Re: CAP055 Draft Amendment Report - comments

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Keadby Generation Ltd., Medway Power Ltd. and SSE Energy Supply Ltd.

Further to your note of 20th January 2004 concerning the Draft Amendment Report "CUSC Amendment Proposal CAP055 - Users' Demand Forecasts for TNUoS Charging", and our emails of 4th, 5th and 15th January 2004, we have the following comments to make in respect of how accurately our previous views have been reflected and where appropriate, addressed by NGT within the Draft Amendment Report:-

- (a) In respect of item (2) of our 5th January email, we do not believe this has been fully addressed by NGT, who only refer to "if a Suppliers under forecast results in a bad debt it is not possible to offset this against a Supplier who is over forecasting". The point we were making in our comment was that NGT identified a downside impact of circa £15M for under forecasting, but no off-setting figure was provided for over forecasting. By only referring to bad debt situations, NGT has failed to fully address our previous views within the Draft Amendment Report
- (b) In respect of item (4) of our 5th January email, we do not believe this has been fully addressed by NGT, who only reflect, but do not address, our view. It would be helpful if NGT were to confirm that it will undertake to report to the CUSC Panel annual on how often it has determined a Users forecast to be unreasonable and also how many of these determinations by NGT have been successfully appealed by the User to the Authority.

Finally, on a general matter of process, we are very disappointed that NGT has chosen to change the structure/format of the report which makes it difficult for market participants, and more importantly the Authority, to compare the initial comments provided by respondents to the Issue 1.0 version of this document (dated 28/11/03) with the version issued on 20/01/04 (noting that this was "Issue 0.2" - should this not be "Issue 2.0"?). NGT could learn something from Elexon with its approach to the production of documentation. NGT should adopt a broadly standard documentation approach (even if the first version of a document has 'blank' sections, with a note that these will be completed at the next stage; i.e. the recommendation, views & representations, etc.).

Regards
Garth Graham
Scottish and Southern Energy plc