



## **CONSULTATION DOCUMENT**

### **CUSC Amendment Proposal CAP125**

#### **Revisions Resulting from Interconnector Separation**

*The purpose of this document is to  
consult on Amendment Proposal CAP125  
with CUSC Parties and other interested  
Industry members*

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Prepared by	National Grid

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

Version	Date	Author	Change Reference
0.1	01/10/06	National Grid	Initial Draft for internal comment
1.0	06/10/06	National Grid	Formal version for release

**b Document Location**

National Grid website:

[www.nationalgrid.com/uk/electricity/codes/](http://www.nationalgrid.com/uk/electricity/codes/)

**c Distribution**

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

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## 1.0 SUMMARY AND VIEWS

### Executive Summary

- 1.1 CAP125, Revisions Resulting from Interconnector Separation, was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 29<sup>th</sup> September 2006. The Amendment proposes to remove certain provisions in the CUSC relating to the French Interconnector.
- 1.2 Historically, the Interconnector was part of National Grid Electricity Transmission plc ("NGET", or "The Company" in the CUSC), but on 14<sup>th</sup> August 2006 was transferred to a separate legal entity, National Grid Interconnectors Ltd ("NGIL"), as part of the process of interconnector licensing.
- 1.3 Therefore it is proposed to amend the CUSC to reflect the consequential effects of this separation on the CUSC obligations relating the roles of Interconnector Error Administration and Interconnector Owner.

### National Grid's View

- 1.4 National Grid, as the proposer of CAP125, is supportive of the amendment proposal, believing that it would better facilitate achievement of the Applicable CUSC Objective (b).

## 2.0 PURPOSE AND INTRODUCTION

- 2.1 This is a consultation document issued by National Grid under the rules and procedures specified in the Connection and Use of System Code (CUSC) as designated by the Secretary of State.
- 2.2 Further to the submission of Amendment Proposal CAP125, this document seeks views from industry members relating to the Amendment Proposal.
- 2.3 CAP125 was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 29<sup>th</sup> September 2006. The Amendments Panel determined that CAP125 was appropriate to proceed to wider industry consultation by National Grid.
- 2.4 This consultation document outlines the nature of the CUSC changes that are proposed. Representations received in response to this consultation document will be included in National Grid's Amendment Report that will be furnished to the Authority for their decision.
- 2.5 This consultation document has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid website, at [www.nationalgrid.com/uk/Electricity/Codes/](http://www.nationalgrid.com/uk/Electricity/Codes/) along with the Amendment Proposal form. This document invites views upon CAP125 and the closing date is **5pm on 3<sup>rd</sup> November 2006** for responses, including any Consultation Alternatives.
- 2.6 CUSC Parties are reminded that any Consultation Alternatives must be submitted by the above closing date and must be in writing and contain sufficient detail in accordance with the requirements within CUSC 8.15.2

### 3.0 PROPOSED AMENDMENT

- 3.1 CAP125 proposes to remove certain provisions in the CUSC relating to the French Interconnector. Historically, this was part of National Grid Electricity Transmission plc (“NGET”, or “The Company” in the CUSC), but on 14<sup>th</sup> August 2006 was transferred to a separate legal entity, National Grid Interconnectors Ltd (“NGIL”), as part of the process of interconnector licensing. The proposer believes that it is now appropriate to amend the CUSC to reflect the consequential effects of this separation on the CUSC obligations relating the roles of Interconnector Error Administration and Interconnector Owner.
- 3.2 The Energy Act 2004 amended the Electricity Act 1989 to make unauthorised participation in the operation of an electricity interconnector a prohibited activity. It also defines this activity and enables the Secretary of State, or where relevant the Authority, to authorise the activity by either a licence or exemption. The relevant provisions were brought into force on 14<sup>th</sup> August 2006 by the Energy Act 2004 (Commencement No. 7) Order 2006 (Statutory Instrument 2006 No. 1964 (C. 66)).
- 3.3 These provisions also prevent an electricity interconnector licence being issued to the holder of any other type of licence under the Electricity Act 1989. Accordingly, NGET, as the holder of a transmission licence, transferred the French Interconnector to NGIL on 14<sup>th</sup> August 2006. NGIL is a separate legal entity, and is the holder of an electricity interconnector licence.
- 3.4 The issue addressed by CAP125 is that section 9.19 of the CUSC states “where the Interconnector Error Administrator is The Company or Interconnectors Business, the User for the purposes of this Part II will be The Company”. “Interconnectors Business” is defined as “the business of The Company or any Affiliate or Relating Undertaking in the ownership and/or operation of any Interconnector”, where the definition of “Affiliate” includes “any subsidiary of a holding company of The Company”. Therefore, the definition of “Interconnectors Business” could include NGIL, and the User for the purposes of Section 9, Part II would default back to NGET, contrary to the objectives of the separation process (which were to make the operation of an Interconnector a separate licensable activity from any other licensed activity, such as transmission).
- 3.5 CAP125 therefore proposes to remove the reference to “Interconnectors Business” from section 9.19, and indeed to delete “Interconnectors Business” as a defined term. This will allow for an affiliated business of NGET (such as NGIL) to assume the obligations related to interconnector operation, without such obligations defaulting back to NGET.
- 3.6 There is, however, a requirement to retain the remainder of the clause (which would then read “where the Interconnector Error Administrator is The Company, the User for the purposes of this Part II will be The Company”), as under the BSC, the Transmission Company (NGET) can potentially become the Interconnector Error Administrator “of last resort” for any directly connected interconnector. Retaining the remainder of this clause would therefore make clear that, in such a circumstance, NGET would assume the obligations related to Interconnector Error Administration as detailed in Part II of Section 9 of the CUSC.

- 3.7 CAP125 also proposes to remove references in Section 9 to “Existing Contractual Arrangements”, and to delete this as a defined term. Following the completion of the separation process there is now a full contractual relationship between NGET and NGIL, as there would be between NGET and any other User. Therefore references in the CUSC to the contractual arrangements governing the interconnector itself are no longer relevant, and can thus be removed.
- 3.8 The legal text to give effect to CAP125 is attached as Annex 1 to this document.

#### **4.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES**

- 4.1 National Grid is required by the terms of its Transmission Licence to facilitate amendments to the CUSC that would better facilitate achievement of the following objectives:
- (a) the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence; and
  - (b) facilitating effective competition in generation and supply of electricity and facilitating such competition in the sale, distribution and purchase of electricity.
- 4.2 National Grid believes that the amendments proposed by CAP125 would remove any potential ambiguity regarding the treatment of the French Interconnector as compared to any other User, and would therefore better facilitate the achievement of objective (b).

#### **5.0 PROPOSED IMPLEMENTATION**

- 5.1 National Grid propose that CAP125 should be implemented 10 Business Days after an Authority decision. In accordance with paragraph 8.19.3(b) of the CUSC, views are invited on this proposed implementation date.

#### **6.0 IMPACT ON THE CUSC**

- 6.1 CAP125 would require amendments to be made to Section 9 (Interconnectors) and Section 11 (Interpretation and Definitions) of the CUSC.
- 6.2 The text required to give effect to CAP125 is contained as Annex 1 of this document.

#### **7.0 IMPACT ON INDUSTRY DOCUMENTS**

- 7.1 CAP125 has no impact upon Core Industry Documents or other Industry Documents.

## **8.0 INITIAL VIEW OF THE AMENDMENTS PANEL**

- 8.1 The Amendments Panel agreed that the Amendment Proposal should proceed to wider industry consultation for a period of four weeks.
- 8.2 One member of the Amendments Panel asked whether the amendments proposed by CAP125 would be consistent with the connection of any future interconnector (e.g. to the Netherlands). National Grid confirmed that this would be, and that the reason for the proposal was simply to treat the French Interconnector (which, uniquely, had previously been part of NGET) the same as any other interconnector.

## **9.0 INITIAL VIEW OF NATIONAL GRID**

- 9.1 National Grid believes that CAP125 would better facilitate achievement of the Applicable CUSC Objective to facilitate effective competition in generation and supply of electricity by removing any potential ambiguity regarding the treatment of the French Interconnector as compared to any other User.

## **10.0 VIEWS INVITED**

- 10.1 National Grid is seeking the views of interested parties in relation to the issues raised by Amendment Proposal CAP125 and issues arising from the proposed timescale for implementation of CAP125.
- 10.2 Please send your responses to this consultation to National Grid by no later than 5pm on **3<sup>rd</sup> November 2006**.
- 10.3 Please address all comments to the following e-mail address:

beverley.viney@uk.ngrid.com

Or alternatively, comments may be addressed to:

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

## ANNEX 1 - PROPOSED LEGAL TEXT TO MODIFY THE CUSC

Amend Section 9 of the CUSC as follows, inserting the coloured underlined text and deleting the coloured struckthrough text:

### 9.2 CONNECTION – INTRODUCTION

This Part I deals with connection to the **GB Transmission System** by an **Interconnector Owner**. The **User** for the purposes of this Part I will therefore be the **Interconnector Owner**. ~~Given that the **Existing Contractual Arrangements** in respect of the **Interconnector** between England and France were not as at the **CUSC Implementation Date** governed by the **MCUSA** there is no obligation for the **Interconnector Owner** in that case to enter into Part 1 of Section 9 as at the **CUSC Implementation Date** provided always that upon termination of such **Existing Contractual Arrangements** any subsequent **Connection** to the **GB Transmission System** shall be entered into and governed by the terms of this **CUSC**.~~

### 9.19 INTRODUCTION

This Part II deals with rights and obligations relating to use of the **GB Transmission System** by **Interconnector Users** and **Interconnector Error Administrators** ~~(whether in respect of an **Interconnector** governed by the **Existing Contractual Arrangements** or otherwise)~~. An **Interconnector Error Administrator** is deemed to be using the **GB Transmission System** because of its registered **BM Units** in respect of which it has an obligation to pay **Balancing Services Use of System Charges**. The **User** for the purposes of this Part II will therefore be an **Interconnector User** and/or an **Interconnector Error Administrator**. Where the **Interconnector Error Administrator** is **The Company** ~~or **Interconnectors Business**~~, the **User** for the purposes of this Part II will be **The Company**.

### 9.23 TERMINATION AND RELATED PROVISIONS

9.23.1 A **User** may terminate its use of the **GB Transmission System** by giving **The Company** a **Use of System Termination Notice** not less than 28 days prior to such termination of use and the right to use the **GB Transmission System** shall cease upon the termination date in the **Use of System Termination Notice**.

9.23.2.1 Use shall cease forthwith upon:

- (a) There ceasing to be a **Bilateral Connection Agreement** ~~or termination of the **Existing Contractual Arrangements**~~ for the **Connection Site** of the relevant **Interconnector**;
- (b) disconnection of the **Connection Site** of the relevant **Interconnector** pursuant to Section 5 ~~or, in the case of the **French Interconnector**, pursuant to the **Existing Contractual Arrangements**~~;

- (c) an **Event of Default** by the **User** as provided for in Section 5.
- 9.23.2.2 Use shall be suspended for the period of any **Deenergisation** of the **Connection Site** of the relevant **Interconnector** pursuant to the **CUSC**; ~~or in the case of the French **Interconnector**, the **Existing Contractual Arrangements**.~~
- 9.23.3 Prior to termination by a **User** under Paragraph 9.23.1 above, the **User** shall pay to **The Company** all **Balancing Services Use of System Charges** payable by the **User** in respect of the **Financial Year** in which the cessation takes place.
- 9.23.4 Termination of use under this Paragraph 9.23 shall not relieve a User of its obligation under 9.22 to pay any outstanding **Balancing Services use of System Charges** in respect of any **Settlement Day** for which the **Payment Date** fell after the date of the termination of use.
- ~~9.23.5 The right of **The Company** to request the **Interconnector Owner** to cease or procure the cessation of the transfer of power across the relevant **Interconnector** as provided for in Paragraph 9.17 and Section 5 of the **CUSC** is subject, in the case of the French **Interconnector**, to the **Existing Contractual Arrangements** providing for this.~~

Amend Section 11 of the CUSC as follows, inserting the coloured underlined text and deleting the coloured struckthrough text:

~~“**Existing Contractual Arrangements**”~~

~~shall mean in the case of the **Interconnector** between England and France existing as at the **CUSC Implementation Date** the Interconnector Framework Agreement made between **NGC** and **R.T.E.** dated 11 December 2000 as amended from time to time, the Operating Agreement known as the “Procedures for Operation of the Cross Channel Link Pink Version or Version Rose” dated 3 April 1989 as amended from time to time and the Protocol between **CEGB** and **Electricité de France** dated 16 June 1981 and in the case of the **Interconnector** between England and Scotland existing as at the **CUSC Implementation Date** the Use of Interconnector Agreement (Scotland) 1991 made between **NGC** and **Scottish Power plc** and **Scottish Hydro Electric plc** dated 30 April 1991 as amended from time to time and the **British Grid Systems Agreement**;~~

~~“**Interconnectors Business**”~~

~~the business of **The Company** or any **Affiliate** or **Related Undertaking** in the ownership and/or operation of any **Interconnector**;~~

~~“**Separate Business**”~~

~~each of the **Transmission** and **Interconnectors Businesses** taken separately from ~~one another and from~~ any other business~~



of **The Company**, but so that where all or any part of such business is carried out by an **Affiliate** or **Related Undertaking** of **The Company** such part of the business as is carried out by that **Affiliate** or **Related Undertaking** shall be consolidated with any other such business of **The Company** (and of any other **Affiliate** or **Related Undertaking**) so as to form a single **Separate Business**;

**ANNEX 2 – AMENDMENT PROPOSAL FORM**

<b>CUSC Amendment Proposal Form</b>	<b>CAP: 125</b>
<b>Title of Amendment Proposal:</b>  Revisions Resulting from Interconnector Separation	
<b>Description of the Proposed Amendment</b> <i>(mandatory by proposer):</i>  The amendment proposes to remove certain provisions in the CUSC relating to the French Interconnector. Historically, this was part of National Grid Electricity Transmission plc (“NGET” or “The Company”), but on 14 <sup>th</sup> August 2006 was transferred to a separate legal entity, National Grid Interconnectors Ltd (“NGIL”), as part of the process of interconnector licensing. It is now appropriate to amend the CUSC to reflect the consequential effects of this separation on the CUSC obligations relating to the roles of Interconnector Error Administrator and Interconnector Owner.	
<b>Description of Issue or Defect that Proposed Amendment seeks to Address</b> <i>(mandatory by proposer):</i>  Section 9.19 of the CUSC states that “Where the Interconnector Error Administrator is The Company or Interconnectors Business, the User for the purposes of this Part II will be The Company”. “Interconnectors Business” is defined as “the business of The Company or any Affiliate or Relating Undertaking in the ownership and/or operation of any Interconnector”, where the definition of “Affiliate” includes “any subsidiary of a holding company of The Company”. Therefore, the definition of “Interconnectors Business” could include NGIL, and the User for the purposes of Section 9, Part II would default back to NGET, contrary to the objectives of the separation process (which were to make the operation of an Interconnector a separate licensable activity from any other licensed activity, such as transmission). It is therefore proposed to remove the reference to “Interconnectors Business” from section 9.19, and indeed to delete it as a defined term.  The proposed amendment also seeks to remove references to “Existing Contractual Arrangements” that are redundant now that NGIL has assumed NGET’s responsibilities with regards to the French Interconnector.	
<b>Impact on the CUSC</b> <i>(this should be given where possible):</i>  Revisions to sections 9.2, 9.19 and 9.23 of the CUSC will be required to remove the references to “Interconnectors Business” and “Existing Contractual Arrangements”.  The definitions of “Interconnectors Business” and “Existing Contractual Arrangements” will be deleted from Section 11, and the definition of “Separate Business” will be revised.  The proposed Legal text to modify the CUSC is detailed in the appendix, comprising the insertion of the coloured underlined text and the deletion of the coloured struckthrough text.	
<b>Impact on Core Industry Documentation</b> <i>(this should be given where possible):</i>  None anticipated.	
<b>Impact on Computer Systems and Processes used by CUSC Parties</b> <i>(this should be given where possible):</i>  None anticipated.	

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

N/A

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

Interconnector licensing and separation means that the French Interconnector can now be treated in the CUSC as any other User. Consequently National Grid believes removing any potential ambiguity in this area from the CUSC would therefore better facilitate the achievement of applicable CUSC objective (b), (the facilitation of effective competition in the generation and supply of electricity).

<b>Details of Proposer:</b> Organisation's Name:	National Grid
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Andrew Truswell National Grid Company plc 01926 656388 <a href="mailto:andrew.truswell@uk.ngrid.com">andrew.truswell@uk.ngrid.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Emma Carr National Grid Company plc 01926 655843 <a href="mailto:emma.j.carr@uk.ngrid.com">emma.j.carr@uk.ngrid.com</a>
<b>Attachments (Yes/No):</b> Yes	
<b>If Yes, Title and No. of pages of each Attachment:</b> Indicative Draft Legal Text for Sections 9 and 11 of the CUSC (3 pages)	

**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:

Beverley Viney  
Panel Secretary  
Commercial Frameworks  
National Grid Electricity Transmission plc  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick, CV34 6DA  
Or via e-mail to: [Beverley.Viney@uk.ngrid.com](mailto:Beverley.Viney@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 C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.