



AMENDMENT REPORT VOLUME 1

CUSC Amendment Proposal CAP173 Reactive Power Market Tender Process

*The purpose of this document is to assist the Authority
in their decision of whether to implement CAP173*

Amendment Ref	CAP173
Issue	V1.0
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Prepared by	National Grid

I DOCUMENT CONTROL

a National Grid Document Control

Version	Date	Author	Change Reference
0.1	09/09/09	National Grid	Draft for comment
0.2	25/09/09	National Grid	Draft for Panel recommendation Vote
0.3	30/09/09	National Grid	Draft for Panel Comment following the Vote
1.0	15/10/09	National Grid	Formal version for submission to the Authority

b Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
CUSC Parties	Various
Panel Members	Various
National Grid Industry Information Website	

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1.0 SUMMARY AND RECOMMENDATIONS

Executive Summary

- 1.1 CAP173 Reactive Power Market Tender Process was proposed by National Grid. CAP173 proposes to amend a section of the CUSC following a review of the Reactive Power market tender process by condensing the timescales associated with various elements of the Reactive Power market tender process in Clause 3 of Schedule 3 to reduce the overall process from approximately 26 weeks to approximately 14 weeks.
- 1.2 CAP173 Amendment Proposal was submitted to the CUSC Amendments Panel for consideration at their meeting on 31st July 2009. The CUSC Amendments Panel agreed for CAP173 to proceed straight to Company Consultation. CAP173 was sent to Company Consultation on 13th August 2009 and closed on 3rd September 2009 and four responses were received and are detailed in Amendment Report Volume 2.
- 1.3 A review of the Reactive Power market tender process was undertaken as part of the Balancing Services Standing Group (BSSG) meetings. During this review, members of the BSSG concurred that the timescales associated with the Reactive Power market tender process were too long. Following this review, National Grid published its proposals in order to seek views of the wider industry¹. These views again agreed that the timescales associated with the process are currently too long.
- 1.4 It was felt by National Grid that the time period between market contract signature and the contract start day could be halved from 4 weeks to 2 weeks (CUSC Schedule 3, 3.3 (f) (i)) and that the timescales in which market contracts could be agreed between National Grid and a service provider be reduced from 4 to 3 weeks. These reductions again serve to shorten the overall process thereby reducing risk to both National Grid and the provider. These particular reductions are to be implemented by National Grid via the realisation of internal efficiencies.

Amendment Panel Recommendation

- 1.5 At the CUSC Amendments Panel meeting on 25th September 2009, the Panel members voted unanimously that CAP173 better meets the Applicable CUSC objectives. A detailed breakdown of the voting is contained in section 11 of this report.

National Grid's Recommendation

- 1.6 National Grid considers that reducing the time periods associated with each stage of the Reactive Power market tender process (tender preparation period, assessment period, market agreement completion) to reduce the overall process from approximately 26 weeks to approximately 14 weeks, will improve the process for both National Grid and Reactive Power providers. By reducing the timescales through which the tender process will run, the period across which providers have to forecast contract prices will be reduced. This will therefore reduce the exposure to changes in the default price during that period which is currently faced by parties submitting tenders

¹ Please see attached link for the proposals which were consulted upon in February 2009: http://www.nationalgrid.com/NR/rdonlyres/0FD045D4-8B63-4E01-86AB-0F89453D3851/32340/Reactive_Power_Market_TenderReview_DetailedProposa.pdf
Please note that the consultation considers issues beyond those addressed in CAP173.

and improve the ability to forecast potential default price fluctuations for the contracted timeframe. This, in turn, means that providers are exposed to lower price risk when submitting tenders, which may increase the numbers of parties willing to participate, thereby potentially making prices more competitive.

2.0 PURPOSE AND INTRODUCTION

- 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.
- 2.2 Further to the submission of Amendment Proposal CAP173 (see Volume 1 Annex 2), 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 CAP173.
- 2.3 CAP173 was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 31 July 2009. The Amendments Panel determined that CAP173 was appropriate to proceed to wider industry consultation by National Grid.
- 2.4 Following the completion of the consultation referred to in 2.3 above, this document outlines the nature of the CUSC changes that are proposed. It incorporates National Grid’s recommendation to the Authority concerning the Amendment Proposal. Copies of all representations received in response to the consultation have also been included and a “summary” of the representation also provided. Copies of each of the responses to the consultation are included in Volume 2 of this document.
- 2.5 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 www.nationalgrid.com/uk/Electricity/Codes/.

3.0 PROPOSED AMENDMENT

- 3.1 CAP173 seeks to condense the timescales associated with various elements of the Reactive Power market tender process as prescribed in Clause 3 of Schedule 3 of the CUSC, so as to reduce the overall process from approximately 26 weeks to approximately 14 weeks.
- 3.2 Currently the timescales as set out in CUSC Schedule 3 for the Reactive Power market tender process are relatively long, particularly when compared with other Commercial Balancing Service tender processes such as Firm Frequency Response or Short Term Operating Reserve.
- 3.3 A review of the Reactive Power market tender process was undertaken as part of the Balancing Services Standing Group (BSSG) meetings. During this review, members of the BSSG concurred that the timescales associated with the Reactive Power market tender process were too long. Following this review, National Grid published its proposals in order to seek views of the

wider industry². These views again agreed that the timescales associated with the process are currently too long. Please see Annex 3 for the detail of the responses received to the Reactive Power Review consultation relevant to the tender timescales.

- 3.4 At present, providers have 8 weeks in which to prepare their tenders (CUSC Schedule 3, 3.3 (a) (ii) (b)) and it was proposed that this could be shortened particularly given that the reactive market Invitation to Tender documentation does not change significantly from one tender to the next. The majority of respondents to the aforementioned industry consultation supported this view so it is therefore proposed that this period be reduced to 4 weeks which is, again, more in line with other services.
- 3.5 In addition, as prescribed within the CUSC, National Grid must make 'reasonable endeavours' to complete the assessment of Reactive Power tenders within 10 weeks (CUSC, Schedule 3, 3.3 (e) (iii)). It was proposed that this time period be reduced to 5 weeks which was successfully trialled for Tender Round 23. The feedback received from both the BSSG and industry participants concurred that reducing this time period by half would serve to reduce risk to the provider of hedging against the default price and helps to ensure that contract prices reflect costs accurately. Therefore National Grid proposes that the assessment period be reduced from 10 to 5 weeks.
- 3.6 It was felt by National Grid that the time period between market contract signature and contract start day could be halved from 4 weeks to 2 weeks (CUSC Schedule 3, 3.3 (f) (i)) and that the timescales in which market contracts could be agreed between National Grid and a service provider be reduced from 4 to 3 weeks. These reductions again serve to shorten the overall process thereby reducing risk to both National Grid and the provider. These particular reductions are to be implemented by National Grid via the realisation of internal efficiencies.
- 3.7 By applying the reduced time periods as outlined above the overall process would be reduced from approximately 26 weeks to approximately 14 weeks.

4.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

Proposed Amendment

- 4.1 CAP173 would better facilitate the CUSC Objective(s):
- (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;
- by improving, and reducing, the timescales involved with the Reactive Power market tender process to better meet both National Grid's and providers' requirements;

² Please see attached link for the proposals which were consulted upon in February 2009: http://www.nationalgrid.com/NR/rdonlyres/0FD045D4-8B63-4E01-86AB-0F89453D3851/32340/Reactive_Power_Market_TenderReview_DetailedProposa.pdf
Please note that the consultation considers issues beyond those addressed in CAP173.

- by reducing the timescales through which the tender process will run, thereby reducing the period across which providers have to forecast contract prices. This will therefore reduce the exposure to changes in the default price during that period which is currently faced by parties submitting tenders and improve the ability to forecast potential default price fluctuations for the contracted timeframe;
- by reducing the exposure of providers to price risk when submitting tenders, which may increase the numbers of parties willing to participate, thereby potentially making prices more competitive.

5.0 PROPOSED IMPLEMENTATION

- 5.1 National Grid proposes CAP173 should be implemented 10 business days after an Authority decision. However, National Grid proposes that if CAP173 is implemented during an ongoing tender round, the new timetable will not be applied until the next entire tender round. In accordance with 8.19.10(b) views were invited on this proposed implementation date. Views were also sought on the proposal that if CAP173 is implemented during an ongoing tender round, the new timetable will not be applied until the next tender round. EDF's response supported that the new timetable should only apply to the next tender round.

6.0 IMPACT ON THE CUSC

- 6.1 CAP173 requires amendments to be made to Schedule 3 of the CUSC.
- 6.2 The text required to give effect to CAP173 is contained in Annex 1 of this document.

7.0 IMPACT ON INDUSTRY DOCUMENTS

Impact on Core Industry Documents

- 7.1 CAP173 has an impact upon the Reactive Power market tender documentation where reference is made to tender timescales and minor amendments will need to be made to this document.

Impact on other Industry Documents

- 7.2 CAP173 has no impact upon other Industry Documents.

8.0 NATIONAL GRID VIEW

- 8.1 National Grid, as the proposer of CAP173, is supportive of the Amendment Proposal, believing that it would better facilitate achievement of the Applicable CUSC Objectives (a) and (b). National Grid considers that reducing the time periods associated with each stage of the Reactive Power market tender process (tender preparation period, assessment period, market agreement completion) to reduce the overall process from approximately 26 weeks to approximately 14 weeks, will improve the process for both National Grid and Reactive Power providers. By reducing the

timescales through which the tender process will run, the period across which providers have to forecast contract prices will be reduced. This will therefore reduce the exposure to changes in the default price during that period which is currently faced by parties submitting tenders and improve the ability to forecast potential default price fluctuations for the contracted timeframe. This, in turn, means that providers are exposed to lower price risk when submitting tenders, which may increase the numbers of parties willing to participate, thereby potentially making prices more competitive.

9.0 INDUSTRY VIEWS AND REPRESENTATIONS

9.1 The following table provides an overview of the representations received. Copies of the representations are contained in Amendment Report Volume 2.

Reference	Company	Supportive	Comments
CAP173-CR-01	EDF Energy	Yes	Agrees that CAP173 will improve the efficiency of the tender assessment process and that this will better facilitate applicable CUSC Objectives (a) and (b). However notes that this does not necessarily imply that risks to both the provider and National Grid will be reduced for the duration of any reactive power market contract. Agrees on the basis that NG has indicated in the final proposals document following the tender process review that the new service format would be implemented for Tender Round 26 for which Market Day is in May 2010. On this basis agree with the proposed implementation date as described in the CAP173 consultation document and believe that the implementation fall within a tender round the new timetable should only apply to the next tender round.
CAP173-CR-02	ScottishPowers's Energy Wholesale Business incl. ScottishPower Generation Ltd, ScottishPower Energy Management Ltd & ScottishPower Renewable Energy Ltd	Yes	Agrees that the timescales of the current process are overly long and the suggested reduction is more reasonable and would facilitate better competition as well as potentially reducing risks to all concerned.
CAP173-CR-03	RWE group of companies incl. RWE Npower plc, RWE Supply and Trading GmbH & RWE Innogy	Yes	Agrees that CAP173 will better facilitate competition in the reactive power market.
CAP173-CR-04	E.ON UK	Yes	Agrees that the current timescales are too long. Reducing the assessment timescales will assist with the accuracy of contract prices, which will help reduce risk to the service provider. Agrees that the tender preparation timescales could be reduced to four weeks.

10.0 COMMENTS ON THE DRAFT AMENDMENT REPORT

10.1 National Grid received no responses following the publication of the draft Amendment Report.

11.0 AMENDMENTS PANEL RECOMMENDATION

11.1 At the meeting of the CUSC Amendments Panel on 25th September 2009, the Panel Members voted unanimously that CAP173 better facilitates achievement of the Applicable CUSC Objectives.

11.2 The table below shows a detailed breakdown of the Panel Members' voting against the CUSC Applicable Objectives and the rationale for such votes. For ease of reference the objectives are reproduced here:

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and

(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

Panel Member (Representation in brackets)	Better meets Applicable CUSC Objective (a)	Better meets Applicable CUSC Objective (b)
Bob Brown (User)	Yes, better than the baseline on efficiency. May lower prices and remove the time risks, not sure how CAP173 will draw players into the market.	No.
Garth Graham (User)	Yes. Better enable NGET to perform the tasks better.	Yes. Reducing the time period by half will bring more participants into the market.
Tony Diccio (User)	Yes. Reducing the timescales parties put in and improve efficiency.	Yes. Should help other parties who do not usually participate in the market tender.
Paul Mott (User)	Yes. Shorting timescales will improve efficiency.	Yes.
Hedd Roberts (National Grid)	Yes.	Yes, more than (a).
Victoria Moxham (Consumer)	Yes. An improvement to the existing arrangements.	Not sure, need to wait and see the figures after post implementation.
Simon Lord (User)	Yes.	Yes, more than (a).
Paul Jones (User)	Yes.	Yes. Improves competition for parties.
Barbara Vest (User)	Yes.	Not sure, need to wait and see figures post implementation.

12.0 NATIONAL GRID RECOMMENDATION

- 12.1 As proposer of CAP173, National Grid supports the Amendment Proposal and recommends that it be implemented. National Grid considers that CAP173 better facilitates achievement of both Applicable CUSC Objectives as set out in section 4 above.

ANNEX 1 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC

The proposed legal text to modify the CUSC is detailed below by inserting the coloured, underlined text and deleting the coloured, struck through text.

SCHEDULE 3 – 3.3

3.3 The following principles shall govern the entering into of **Market Agreements**:-

(a) *Relevant Dates*

(i) Each **Market Agreement** will commence on either 1st April or 1st October, whichever next follows the submission by **The Company** of the package of information as more particularly described in sub-Paragraph 3.3(b)(i) ("**Contract Start Days**").

(ii) For the purposes of this sub-Paragraph 3.3:-

(a) a "**Market Day**" shall be a date not earlier than twelve ~~twenty~~ weeks and not later than eight ~~sixteen~~ weeks prior to a **Contract Start Day**; and

(b) a "**Tender Period**" shall be a period of at least four ~~eight~~ consecutive weeks commencing on a date nominated by **The Company** and ending on a **Market Day**.

(b) *Submission of **Tender** information by **The Company***

(i) **The Company** shall, acting reasonably and having regard to the principles contained in this sub-Paragraph 3.3, compile a package of information for the use of interested parties comprising technical, procedural and contractual requirements, directions and specifications to govern **Market Agreements** to take effect from the following **Contract Start Day**. **The Company** shall ensure that such requirements, directions and specifications do not conflict with any of the principles contained in this sub-Paragraph 3.3 and so far as reasonably practicable do not discriminate between **Tenderers**.

(ii) Prior to the commencement of each **Tender Period**, **The Company** shall provide to all persons who shall by then have requested the same the package of information as more particularly described in sub-Paragraph 3.3(b)(i).

(c) *Submission of **Tenders***

During the **Tender Period**, but for the avoidance of doubt not later than the **Market Day**, an interested party may submit to **The Company**:-

- (i) in relation to any **Generating Unit** providing the **Obligatory Reactive Power Service**, prices for and **Tendered Capability Breakpoints** relating to the provision thereof; or
- (ii) in relation to that **Generating Unit**, a tender for provision of the **Enhanced Reactive Power Service** specified in sub-Paragraph 1.2(a) and/or (b) and/or (c); and/or
- (iii) in relation to any other **Generating Unit** or other **Plant and Apparatus** (or other equipment), a tender for provision of the **Enhanced Reactive Power Service** specified in sub-Paragraph 1.2(b) and/or (c),

in each case in accordance with sub-Paragraph 3.3(d). All such submissions are referred to in this Part I and the Appendices as “**Tenders**”, and “**Tenderers**” shall be construed accordingly.

(d) **Form of Tenders**

- (i) All **Tenders** submitted by **Users** which comprise:-
 - (a) prices for and **Tendered Capability Breakpoints** relating to the provision of the **Obligatory Reactive Power Service**; and
 - (b) terms for the provision of the **Enhanced Reactive Power Service** specified in sub-Paragraph 1.2(a),

shall be completed on the basis that payment will be determined in respect of each **Settlement Period** in accordance with the formulae and other provisions set out in Appendix 2 and in the manner set out in Appendix 5.

- (ii) All other **Tenders** (including without limitation those comprising terms for the provision of the **Enhanced Reactive Power Service** specified in sub-Paragraphs 1.2(b) and (c)) shall be submitted in accordance with and on the basis of such (if any) reasonable directions given by **The Company** in the package of information referred to in sub-Paragraph 3.3(b)(i) or otherwise in such manner as may be reasonably specified by **The Company** from time to time, which directions shall in either case be, so far as reasonably practicable, consistent with the provisions of Appendices 2 and 5.
- (iii) Each **Tender** comprising prices for and **Tendered Capability Breakpoints** relating to the provision of the **Obligatory Reactive Power Service** shall be submitted on the basis that **The Company** may only select all (and not some) of the prices and **Tendered Capability Breakpoints** comprised therein.

- (iv) Save where expressly provided otherwise in a **Tender**, each **Tender** comprising terms for the provision of an **Enhanced Reactive Power Service** shall be treated as having been submitted on the basis that **The Company** may select all or part only of the **Reactive Power** capability comprised therein (which, in the case of the **Enhanced Reactive Power Service** specified in sub-Paragraph 1.2(a), shall mean all or part only of the excess capability comprised therein).
 - (v) All **Tenders** shall be submitted in respect of periods of whole and consecutive calendar months, to be not less than twelve months and in multiples of six months, to commence on the next following **Contract Start Day**. Save where expressly provided otherwise in a **Tender**, a **Tender** (whether in relation to the **Obligatory Reactive Power Service** or an **Enhanced Reactive Power Service**) shall be treated as having been submitted on the basis that **The Company** may select all or part only of any period so tendered (in multiples of six months), subject to a minimum period of twelve consecutive months, commencing on the next following **Contract Start Day**.
- (e) *Qualification and Evaluation of **Tenders***
- (i) Each **Tender** must satisfy the mandatory qualification criteria set out in Section A of Appendix 6.
 - (ii) **The Company** shall evaluate and (without prejudice to sub-Paragraphs 3.3(d)(iii), (iv) and (v)) select **Tenders** (or part(s) thereof) on a basis consistent with its obligations under the **Act** the **Transmission Licence** and the **CUSC** and, subject thereto, in accordance with the evaluation criteria set out in Section B of Appendix 6. Without limitation, **The Company** reserves the right to require tests of a **Generating Unit** or other **Plant** and **Apparatus** (or other equipment), on a basis to be agreed with a **Tenderer**, as part of the evaluation of a **Tender**.
 - (iii) **The Company** shall use reasonable endeavours to evaluate **Tenders** within ~~ten~~ five weeks from each **Market Day**.
- (f) *Entering into **Market Agreements***
- (i) Having selected a **Tender** (or part(s) thereof) in accordance with sub-Paragraph 3.3(e), **The Company** shall notify the relevant **Tenderer** that it wishes to enter into a **Market Agreement** in respect thereof, and that **Tenderer** and **The Company** shall each use reasonable endeavours to agree the terms of, and enter into a **Market Agreement** in respect thereof as soon as reasonably practicable but in any event not later than two ~~4~~-weeks prior to the relevant **Contract**

Start Day. Notwithstanding the foregoing, if a **Market Agreement** has not been entered into by the date being two ~~4~~-weeks prior to the relevant **Contract Start Day**, then either **The Company** or the **Tenderer** shall be entitled, provided that it shall have used all reasonable endeavours to agree the terms of, and enter into, the **Market Agreement** as aforesaid, to notify the other that it no longer wishes to enter into the **Market Agreement**, whereupon the **Tender** in question shall be deemed to be withdrawn.

- (ii) In the event of a deemed withdrawal of a **Tender** in the circumstances set out in sub-Paragraph 3.3(f)(i), **The Company** shall be entitled to re-evaluate and select all or part of any outstanding **Tenders** in accordance with sub-Paragraphs 3.3(e)(i) and (ii) and to notify one or more **Tenderers** if, in substitution for the **Tender** so deemed to be withdrawn, it wishes to enter into a **Market Agreement** in respect of any other **Tender** or **Tenders** (or part(s) thereof). Following such notification, **The Company** and each **Tenderer** in question shall use reasonable endeavours to agree the terms of, and enter into, a **Market Agreement** prior to the relevant **Contract Start Day**.
- (iii) If, in respect of any **Tender**, a **Market Agreement** is not entered into by the relevant **Contract Start Day**, that **Tender** shall be deemed to be withdrawn.
- (iv) Save where otherwise provided in this Paragraph 3, all **Market Agreements** must be entered into on the basis of the terms set out in the relevant **Tender** (or relevant part(s) thereof).

ANNEX 2 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:173
Title of Amendment Proposal: Reactive Power Market Tender Process	
Description of the Proposed Amendment (mandatory by proposer): This Amendment Proposal looks to amend a section of the CUSC following a review of the Reactive Power market tender process as set out in Schedule 3. More specifically the proposal seeks to condense the timescales associated with various elements of the Reactive Power market tender process (detailed in the section below) as prescribed in Clause 3 of Schedule 3 so as to reduce the overall process from 26 weeks to 14 weeks. The review of this market tender process has been carried out through discussion and development with the Balancing Service Standing Group (BSSG), including consultation with the wider industry. This has ensured full development of the proposal prior to raising the Amendment Proposal.	
Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer): Currently the timescales as set out in CUSC Schedule 3 for the Reactive Power market tender process are relatively long particularly when compared with other Commercial Balancing Service tender processes such as Firm Frequency Response or Short Term Operating Reserve. Industry participants agreed that these timescales could be significantly reduced. At present, providers currently have 8 weeks in which to prepare their tenders (CUSC Schedule 3, 3.3 (a) (ii) (b)) and it was proposed that this could be shortened particularly given that the reactive market Invitation to Tender documentation does not change significantly from one tender to the next. The majority of respondents supported this view so it is therefore proposed that this period be reduced to 4 weeks which is, again, more in line with other services. In addition, as prescribed within the CUSC, National Grid must make 'reasonable endeavours' to complete the assessment of Reactive Power tenders within 10 weeks (CUSC, Schedule 3, 3.3 (e) (iii)). It was proposed that this time period be reduced to 5 weeks which was successfully trialled for Tender Round 23. The feedback received concurred that reducing this time period by half would serve to reduce risk to the provider of hedging against the default price. Therefore National Grid proposes that the assessment period be reduced from 10 to 5 weeks and this change will require an amendment to CUSC Schedule 3. It was felt by National Grid that the time period between market contract signature and contract start day could be halved from 4 weeks to 2 weeks (CUSC Schedule 3, 3.3 (f) (i)) and that the timescales in which market contracts could be agreed between National Grid and a service provider be reduced from 4 to 3 weeks. These reductions again serve to shorten the overall process thereby reducing risk to both National Grid and the provider. By applying the reduced time periods as outlined above the overall process would be reduced from 26 weeks to 14 weeks.	
Impact on the CUSC (this should be given where possible): Changes would be required to Schedule 3. Further details of the proposed changes are as follows: <ul style="list-style-type: none"> • Clause 3.3 (a) (ii) (a) – reduction in time period between Market Day and Contract Start Day to 'a date not earlier than twelve weeks and not later than eight weeks • Clause 3.3 (a) (ii) (b) – reduction in the Tender Period to 'at least four consecutive weeks' • Clause 3.3 (e) (iii) – reduction of assessment timescale to 'within five weeks' 	

<ul style="list-style-type: none"> • Clause 3.3 (f) (i) – reduction in timescale between entering into a Market Agreement and Contract Start Day to ‘not later than two weeks’
<p>Impact on Core Industry Documentation <i>(this should be given where possible):</i></p> <p>Minor amendments will be made to the Reactive Power Market Tender invitation to tender documentation where references are made to tender timescales.</p>
<p>Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i></p> <p>No impact identified</p>
<p>Details of any Related Modifications to Other Industry Codes <i>(where known):</i></p> <p>None.</p>
<p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i></p> <p>National Grid believes that this proposal will better facilitate CUSC Applicable Objectives:</p> <p><i>(a) (The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the Transmission Licence) and</i></p> <p><i>(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</i></p> <p>by improving, and reducing the timescales involved with, the Reactive Power market tender process to better meet both National Grid’s and providers’ requirements in order to facilitate competition within the Reactive Power market.</p>

<p>Details of Proposer: Organisation’s Name:</p>	National Grid
<p>Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or “energywatch”)</p>	CUSC Party
<p>Details of Proposer’s Representative: Name: Organisation: Telephone Number: Email Address:</p>	<p>Katharine Clench National Grid 01926 656036 katharine.clench@uk.ngrid.com</p>
<p>Details of Representative’s Alternate: Name: Organisation: Telephone Number: Email Address:</p>	<p>Carole Hook National Grid 01926 654211 carole.hook@uk.ngrid.com</p>
<p>Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:</p>	

Notes:

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this “Amendment Proposal Form” that is based on the provisions contained in Section 8.15 of the

CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Bali Virk
Commercial
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA
Or via e-mail to: Bali.Virk@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 Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.

ANNEX 3 – Responses received to the Reactive Power Market Tender Review Consultation

Question	Centrica	E.ON	EDF (including British Energy)
Do you agree that assessment timescales are currently too long?	Agree - far too long	We agree that the current timescales are too long.	We agree that assessment timescales are currently too long. We would note that the drafting of the CUSC provides a “reasonable endeavours” backstop to the assessment process. We do not consider that this should be interpreted as an instruction to take 10 weeks over the assessment in all cases. The drafting clearly enables the assessment process to be conducted within a shorter timescale.
Do you agree that reducing assessment timescales reduces risk for the provider?	Nil response	Reducing the timescales helps ensure that the contract prices reflect costs accurately. This reduces risk to the provider.	We would concur that reducing the assessment timescale reduces the risk of market price volatility between submission and decision. However, it should not be concluded that this would reduce such risk for the duration of the contract.
Do you agree that the time in which providers have to prepare their tenders could be reduced from 8 weeks to 4 weeks?	Agree	We agree that tender preparation time could be reduced to 4 weeks.	While we consider that this is feasible we are not of the view that the limiting factor on successful tender submissions is the time taken to submit tenders. On the contrary, the impeding factor is the time taken to evaluate offers after they have been submitted.