AMENDMENT REPORT

CUSC Proposed Amendment CAP143

Interim Transmission Entry Capacity (ITEC) Product

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP143

Amendment Ref	CAP143
Issue	1.0
Date of Issue	11th September 2007
Prepared by	National Grid

I DOCUMENT CONTROL

a National Grid Document Control

Version	Date	Author	Change Reference
0.1	13/08/2007	National Grid	Draft for Industry comment
0.2	24/08/2007	National Grid	Draft for Amendments Panel Recommendation Vote
0.3	4/09/2007	National Grid	Draft for Amendments Panel Members comment
1.0	11/09/07	National Grid	Formal version for submission to the Authority

b Document Location

National Grid website: www.nationalgrid.com/uk/electricity/codes/

c 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 CAP143 Interim Transmission Entry Capacity (ITEC) was proposed by Scottish & Southern Energy (SSE) Generation Limited and submitted to the Amendments Panel for their consideration on 15th December 2006.

1.2 CAP143 seeks to introduce a new transmission access product in the form of ITEC which is intended to allow generation, that meets a number of eligibility criteria, to connect to the transmission system with access restrictions in advance of the completion of the wider transmission system reinforcement works required.

1.3 After assessment by a Working Group, the Original Proposal and one Working Group Alternative Amendment (Alternative) were recommended for wider consultation.

1.4 The Working Group Alternative was developed by the Working Group on the assumption that the calculation of X (hours) on a generator specific basis was likely to lead to a more efficient allocation of access than the provision of a single value in the CUSC which would be applicable to all generators as proposed in the Original Amendment. In addition, the Alternative Amendment fully considered the ITEC application and allocation process on which the Original was silent.

1.5 Following the consultation period by National Grid, two Consultation Alternative Amendments were raised, by First Hydro Company and SSE respectively.

1.6 Consultation Alternative Amendment 1 (CAA1) was proposed by First Hydro Company based on the Working Group Alternative Amendment, with further obligations placed in the CUSC regarding the curtailment of ITEC by National Grid ahead of any other Balancing Mechanism action where timescales and contractual terms allow, in order to ensure that the ITEC product is always used as envisaged.

1.7 Additionally, in the interests of providing further transparency, First Hydro Company proposed that further obligations should be placed in the CUSC regarding the provision of information of ITEC contracts and following this, the subsequent provision of information relating to the notification of Operational Hours Restrictions by National Grid.

1.8 Consultation Alternative Amendment 2 (CAA2) was proposed by SSE based on the Working Group Alternative Amendment, with further amendments to improve the transparency and effectiveness of ITEC.

National Grid recommendation

1.9 National Grid considers that none of the CAP143 modifications better facilitate the Applicable CUSC Objectives, on the grounds that each represent a high risk of increased BSUoS costs as a result of the inability of the System Operator (SO) to completely mitigate the risk of additional constraint costs

resulting from ITEC. These increased costs will be borne by all Users rather than those causing them, i.e. holders of ITEC. National Grid therefore recommends that CAP143 should not be implemented on the basis that such an increase in costs will result in less efficient operation of the GB transmission system.

Amendment Panel recommendation

1.10 The Panel undertook a vote on the Original and each Alternative compared to the CUSC baseline, then a vote as to which they considered to be the best overall. The results of the Panel Recommendation Vote are detailed below:

Original	NO (Majority of 7 to 1)
WGAA	NO (Majority of 7 to 1)
CAA 1	NO (Majority of 7 to 1)
CAA 2	NO (Majority of 7 to 1)
BEST	Majority of 6 to 2 believe that the current CUSC baseline is better than CAP143 proposal and the alternatives.

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 CAP143 (see 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 CAP143.

2.3 CAP143 was proposed by SSE Generation Limited and submitted to the CUSC Amendment Panel for consideration at their meeting on 15th December 2006. The CAP143 Working Group Report was submitted to the CUSC panel meeting on 27th April 2007. Following evaluation by the Working Group, the Amendments Panel determined that the issue should proceed to wider industry consultation by National Grid.

2.4 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 included (see Annex 3) and a 'summary' of the representations received is provided in Section 11 of this document. Detailed views expressed by respondents at the consultation stage, along with National Grid's response to these detailed views are included as Annex 5.

2.6 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 This Section describes the concept and process associated with the Original Proposal and is based on the Amendment Proposal form contained in Annex 2. During Working Group discussions, a number of areas were clarified and this Section reflects these discussions.

3.2 The proposed amendment suggested a fixed number of hours of access restriction which would be placed in the CUSC and apply to all holders of the product. The Working Group agreed that this would lead to an access restriction that was not efficient and therefore an alternative to the Original Amendment proposal was developed that would better meet the applicable objectives. These changes are recorded as Working Group Alternative Amendment in Section 4.

Summary

3.3 The intention of ITEC is to allow generation that meets a number of pre-defined conditions to connect to the transmission system with restricted access rights in advance of the completion of all necessary transmission system reinforcements.

3.4 From a project developer's point of view, ITEC has advantages over other short-term products or short-term trading because it offers certainty over the number of hours of access available in any year and allows projects to be financed.

3.5 The Working Group contrasted ITEC with the other short-term access products that are currently available to Users. Applications for Short-Term TEC (STTEC) and Limited Duration TEC (LDTEC) are subject to a within year assessment against the operational criteria contained in the GB Security and Quality of Supply Standard (SQSS). STTEC and LDTEC are released by the SO when doing so does not introduce new or exacerbate existing constraints. Once released, STTEC and LDTEC provide the holder with the same rights as holders of Transmission Entry Capacity (TEC). These products are effectively designed to release any spare capacity available in operational timescales. The Working Group agreed that the release of ITEC would mean that there would be less STTEC and LDTEC available.

Background

3.6 National Grid and the other Transmission Owners (TOs) consider applications for TEC against the planning criteria set out in the SQSS. The planning criteria include:

- Deterministic rules, which allow the minimum transmission capacity required to be established; and
- Economic criteria, which allow design to a higher standard provided this can be economically justified.

Where the assessment of a TEC application against the SQSS planning criteria identifies a requirement for reinforcement of the transmission system, the connection is made contingent on the prior completion of these reinforcements.

3.7 Once granted by the SO, TEC provides the holder with a contractual right to export up to a defined level of MW at any time. If the SO is unable to honour this right, compensation is payable to the holder. In the case of an interruption caused solely as a result of the de-energisation of plant and apparatus forming part of the transmission system (excluding allowed interruptions), this compensation is as described in Section 5.10 of the CUSC, whereas for all other transmission constraints, Balancing Services are used.

3.8 The cost of resolving transmission constraints forms part of the Balancing Services Incentive Scheme (BSIS) which incentivises the SO to minimise these costs. All transmission system Users pay for the cost of this activity and for any incentivised payment/receipts through non-locational Balancing Services Use of System (BSUoS) charges.

Concept

3.9 The assumption behind ITEC is that the SQSS planning criteria assessment which has led to a requirement for wider transmission system reinforcements is based on system conditions at certain times (e.g. at peak demand). If this were the case, then access would be available at other times of the year and ITEC is designed to allow certain Users to take advantage of this access.

3.10 In order to avoid an impact on other Users, ITEC has been designed such that the holder is not able to generate or receive compensation during certain times (e.g. at peak demand). For the remainder of the year, holders of ITEC have the same rights and obligations as holders of TEC, thus facilitating earlier connection to the transmission system for certain projects that are conditional on the completion of wider transmission reinforcements.

3.11 The Working Group agreed that outside the period that access restrictions apply, the ITEC holder's rights include rights to compensation as described in Section 5.10 of the CUSC for an interruption caused solely as a result of de-energisation of plant and apparatus forming part of the transmission system (excluding allowed interruptions) or Balancing Services for all other transmission constraints. The Working Group also agreed that the ITEC holder's obligations would include a requirement to pay Transmission Network Use of System (TNUoS) charges and Balancing System Use of System charges (BSUoS) and to be fully compliant with the Grid Code.

3.12 The use of ITEC will be limited to Users that meet a number of pre-defined conditions. These limitations have been included to restrict the uptake of ITEC in order to avoid an adverse impact on other transmission system Users.

3.13 The SO is provided with certainty regarding the duration of ITEC, since from the time of allocation it continues to be available to the User until the Completion Date, when it is replaced by TEC.

Definition

3.14 ITEC will be available on request to Users that meet the following conditions:

- User has a Bilateral Agreement (Bilateral Connection Agreement [BCA] or Bilateral Embedded Generation Agreement [BEGA]) with National Grid;
- The TEC specified in the bilateral agreement is contingent on the completion of a number of transmission system reinforcements, for which

all of the necessary statutory consents (i.e. consent under the Town and Country Planning Acts and/or any consent needed under Section 37 of the Electricity Act 1989) have been granted; and

- User has all necessary statutory consents (i.e. consent under the Town and Country Planning Acts and/or any consents needed under Section 36 of the Electricity Act 1989) for the power station.

Once the conditions listed above have been met, ITEC will continue to be available to the holder until such time as the holder receives TEC.

3.15 The Working Group questioned the treatment of examples in which projects had been 'clustered' such that one or more of the transmission reinforcements listed in the Construction Agreement are not required to allow the User to connect to and use the transmission system. The Working Group noted that since all reinforcements listed in the Construction Agreement require consents prior to the use of ITEC, the release of ITEC to these projects may be later than necessary.

3.16 ITEC provides the holder with a contractual right to export up to a defined level of MW on the following basis:

- The defined level of ITEC is less than or equal to the level of TEC (in MW) contained in the bilateral agreement; and
- The SO is able to request that the generation output is reduced (potentially to zero) with no compensation payable for a fixed number of hours (X) per year. The Original Amendment assumed that a fixed value of X would be inserted into the CUSC and would apply to all holders of ITEC.

3.17 The Working Group questioned the treatment of staged applications for TEC and agreed that the level of ITEC should be less than or equal to the incremental TEC (in MW) that is contingent on a particular set of reinforcements. The Working Group also agreed that the level of TEC + STTEC + LDTEC + ITEC held by a power station must not exceed the power station Connection Entry Capacity (CEC).

3.18 The Working Group agreed that ITEC could not be traded.

Process

3.19 The applications received for ITEC are processed by the SO on a 'first-come-first-served' basis. Where an assessment against the SQSS planning criteria leads to a requirement for transmission system reinforcements, these reinforcements are listed in an Appendix to the Construction Agreement and the Completion Date is delayed until the completion of the reinforcements.

3.20 When the transmission reinforcement works required to facilitate the connection of a User are complete and the transmission reinforcement works required for wider system reasons have received the necessary statutory consents, ITEC is available to the User on request. The amendment proposal was silent on the need for the SO and relevant TOs to revisit all valid construction agreements and differentiate those transmission reinforcement works which are required to facilitate a connection to the transmission system from those that are required for wider system reasons.

3.21 The Original Amendment assumed that the SO would perform an assessment against the operational criteria contained in the SQSS to determine a fixed

value of X that would be inserted into the CUSC and apply to all holders of ITEC.

3.22 The Original Amendment was silent on how the SO could exercise its rights to reduce the output of a power station with ITEC without compensation.

3.23 The Original Amendment was silent on how and in what timescales the SO would exercise its right to restrict the generator output.

4.0 ALTERNATIVE AMENDMENTS

Working Group Alternative

4.1 The differences between the Original Amendment proposal and the Alternative developed by the Working Group are summarised in the table below.

	Original Amendment	Working Group Alternative Amendment
Definition of access restriction X hours	Fixed value applied to all holders of ITEC regardless of location, inserted into CUSC.	Project specific value.
Definition of Local Construction Works	Not specified.	Those works required to allow the ITEC holder to be fully compliant with the requirements of the Grid Code and generate up to the full value of ITEC for one hour in a year under reasonably foreseen circumstances.
Allocation of ITEC	ITEC (MW) less than or equal to TEC released on request when eligibility criteria are met.	Allocation process for ITEC required. ITEC (MW) less than or equal to TEC. X calculated and offered based on those that express an interest during a particular application window. Assessments to take place annually in May or June. X recalculated based on those that accept.
Achieving access restriction without compensation	Not specified.	ITEC holder required to resubmit Maximum Export Limit of 0MW.

Utilisation of X by System Operator	Not specified.	X hours used in settlement period (half hour) blocks. Access restriction always to 0MW. Curtailment of access notified at least 4 hours ahead of real time. User must be at 0MW for start of settlement period (may need to start output reduction in advance due to plant dynamics)
Dealing with breach of access restriction	Not specified.	Treated as a breach of TEC (breach of CUSC). Arrangements in place to recover costs if bid/offer acceptance is subsequently used.
ITEC and Final Sums Liability	Not specified.	Final Sums Liability remains until User starts to use ITEC. User then pays ITEC charges.
Treatment of staged TEC agreements	Not specified.	ITEC (MW) available prior to a particular increase in TEC limited to the level of the particular TEC increase (MW)
Treatment of delays to distribution reinforcement works (for BEGAs) or Local Construction Works	Not specified.	User's risk. User is required to pay ITEC charge but unable to use it.

Consultation Alternative Amendment 1 - Curtailment of ITEC and provision of information

4.2 Consultation Alternative Amendment 1 (CAA1) was proposed by First Hydro Company based on the Working Group Alternative Amendment, with further obligations placed in the CUSC regarding the curtailment of ITEC by National Grid ahead of any other Balancing Mechanism action where timescales and contractual terms allow, in order to ensure that the ITEC product is always used as envisaged.

4.3 On balance, First Hydro supported the Working Group Alternative Amendment, believing that National Grid will be cautious in its approach to the calculation of X, therefore leading to only a modest increase in BSUoS costs. Concern was expressed however, that as drafted it was not clear that National Grid should constrain down ITEC plant ahead of other plant behind a constraint and that there will be little market information available concerning the operation of an ITEC contract, hence the Alternative.

4.4 Additionally, in the interests of providing further transparency, First Hydro Company proposed that further obligations should be placed in the CUSC regarding the provision of information of ITEC contracts and following this, the

subsequent provision of information relating to the notification of Operational Hours Restrictions by National Grid.

Consultation Alternative Amendment 2 - Application and offer process

4.5 Consultation Alternative Amendment 2 (CAA2) was proposed by SSE based on the Working Group Alternative Amendment, with further amendments to improve the transparency and effectiveness of ITEC.

4.6 As the proposer of the Original Amendment, SSE believe that in principle, CAP143 will better facilitate the objectives of the CUSC to optimise the efficient use of the transmission system and enhance competition in generation by bringing forward access to the network for renewable generators. SSE had a number of concerns with the proposal as set out in the Consultation paper however, and did not support the implementation of either of the Original or Alternative proposals.

4.7 In order to give effect to CAA2, SSE proposed some amendments to the proposed redrafting of the CUSC provided in Annex 2 of the Consultation document.

4.8 SSE proposed amendments to clause 6.35 and in particular, that 6.35.2.2 is deleted as it may contradict the decision to allow a User to apply for staged ITEC. SSE also proposed the introduction of 5 further clauses which are included in Annex 1, Part C of this document.

4.9 Additionally, amendments were proposed to Schedule 2 – Exhibit 1 of the CUSC Bilateral Connection Agreement (BCA): clauses 11.7 and 11.8 were deleted and replaced to provide National Grid with additional rights and remedies over and above those already provided for in Section 5 of the CUSC. SSE believed that these additional rights had not been the subject of industry consultation and therefore did not believe that it was appropriate to include such rights as part of the changes required to implement CAP143.

5.0 ASSESSMENT AGAINST APLICABLE CUSC OBJECTIVES

Original Amendment Proposal

5.1 The assessment against the applicable CUSC objectives for the Original Amendment Proposal is identified below.

Efficient discharge of licence obligations / Efficient & Economic

Promotes	Demotes
• Potentially makes better use of the available transmission network capacity by providing a new access product which enables accelerated (and therefore additional) capacity rights to new generators.	• Less economic operation of the transmission system since X is insufficient to avoid all additional constraints. • Increased BSUoS costs (e.g. additional constraints which will arise as the result

• May allow National Grid to further optimise the use of the transmission system and reduce the TNUoS costs to other generators.	of an insufficient value of X) which would create a cross-subsidy between TNUoS and BSUoS. • Inefficient assessment of X due to mechanistic rules which do not reflect time or location. The value of X may therefore prove to be unattractive to the majority of potential Users of ITEC. • High administrative costs and increased operational overheads for National Grid in managing constraints.

Facilitates Competition

Facilitates	Frustrates
• Provides the opportunity for greater generation in the market which would be expected to promote competition in the energy market and balancing mechanism. • Provides a route to market.	• High risk of increased BSUoS costs (e.g. additional constraints which may arise as the result of an insufficient value of X) which would create a cross-subsidy between TNUoS and BSUoS. • Since additional constraint costs are not targeted at those that cause them, this could be seen as subsidised entry which is detrimental to competition. • Short notice instructions to reduce output give limited opportunity to trade out of contractual position and therefore increase the risk of System Buy Price as the main price which would impact on all Users. • Inefficient assessment of X due to mechanistic rules which do not reflect time or location. The value of X may therefore prove to be unattractive to the majority of potential Users of ITEC. Some opportunities for existing short-term access products in future years could be removed. Allocation of ITEC on request may undermine other products such as LDTEC and STTEC.

Working Group Alternative Amendment

5.2 The Working Group recommended by a majority that the Alternative better facilitated the Applicable CUSC Objectives than the Original Proposal. The assessment against the applicable CUSC objectives for the Working Group Alternative Amendment Proposal is identified below.

Efficient discharge of licence obligations / Efficient & Economic

Promotes	Demotes
• Potentially makes better use of the available transmission network capacity by providing a new access product which enables accelerated (and therefore additional) capacity rights to new generators. • May allow National Grid to further optimise the use of the transmission system and reduce the TNUoS costs to other generators.	• Less economic operation of the transmission system since X is insufficient to avoid all additional constraints. • Increased BSUoS costs (e.g. additional constraints which will arise as the result of an insufficient value of X) which would create a cross-subsidy between TNUoS and BSUoS. • Risk of inefficient value of X remains due to the difficulty associated with forecasting constraint costs greater than one year ahead. • High administrative costs and increased operational overheads for National Grid in managing constraints.

Facilitates Competition

Facilitates	Frustrates
• Provides the opportunity for greater generation in the market which would be expected to promote competition in the energy market and balancing mechanism. • Provides a route to market. • Transparent and optimised application process resulting in a more efficient assessment of X and a more useable product.	• High risk of increased BSUoS costs (e.g. additional constraints which may arise as the result of an insufficient value of X) which would create a cross-subsidy between TNUoS and BSUoS. • Since additional constraint costs are not targeted at those that cause them, this could be seen as subsidised entry which is detrimental to competition. • Short notice instructions to reduce output give limited opportunity to trade out of contractual position and therefore increase the risk of System Buy Price as the main price which would impact on all Users. • Risk of inefficient value of X remains due to the difficulty associated with forecasting constraint costs greater than one year ahead.

Consultation Alternative Amendment 1 - Curtailment of ITEC and provision of information

5.3 As CAA1 is essentially a modification to the Working Group Alternative Amendment, National Grid considers that the Working Group assessment of CAP143 against the Applicable CUSC Objectives is applicable to CAA1.

Consultation Alternative Amendment 2 - Application and offer process

5.4 As CAA2 is also essentially a modification to the Working Group Alternative Amendment, National Grid considers that the Working Group assessment of CAP143 against the Applicable CUSC Objectives is again applicable to CAA2.

6.0 PROPOSED IMPLEMENTATION

6.1 The Working Group recommended that CAP143 could be implemented 12 months after an Authority decision because of the time required to identify Local Construction Works and Statutory Consents from all the transmission reinforcements listed in all GB Construction Agreements.

6.2 In response to the consultation, SSE recommended that the identification of Local Construction Works and Statutory Consents from all of the transmission reinforcements listed in all GB Agreements should not be necessary prior to the implementation of CAP143, allowing for the implementation date of CAP143 to be brought forward and the benefits of ITEC to be realised at an earlier date. This option was considered at length during the Working Group discussions but was not considered as a viable alternative on the grounds that this would be neither practical nor efficient and could lead to discrimination when deciding in which order the Agreements should be modified.

6.3 National Grid recommends that both Consultation Alternative Amendments could be implemented in a similar timescale, namely 12 months after an Authority decision because of the time required to identify Local Construction Works and Statutory Consents from all the transmission reinforcements listed in all GB Construction Agreements.

6.4 In accordance with 8.20.2 (g) the Amendments Panel determined that the proposed implementation of CAP143 be #### after and Authority decision because ########.(To be completed after the Amendments Panel meeting on 31st August 2007)

7.0 IMPACT ON THE CUSC

7.1 CAP143 requires amendments to Section 6, Section 11 and Schedule 2 – Exhibits 1 and 3 of the CUSC. An additional CUSC Exhibit will be required in the form of an ITEC request form.

7.2 The text required to give effect to the Original Amendment Proposal is contained in Part A of Annex 1 of this document.

7.3 The text required to give effect to the Working Group Alternative Amendment is contained in Part B of Annex 1 of this document.

7.4 The text required to give effect to CAA2 is contained in Part C of Annex 1 of this document.

8.0 IMPACT ON CUSC PARTIES

8.1 CAP143 and its Alternatives introduce a new transmission access product to CUSC parties in the form of ITEC. This new product will have an impact on CUSC parties in the form of increased BSUoS costs resulting from the inability of the SO to completely mitigate the risks of additional constraint costs resulting from ITEC. These increased costs will be borne by all Users rather than those causing them, i.e. holders of ITEC.

8.2 CAP143 and its Alternatives may have an impact on the existing transmission access products of Short-Term TEC (STTEC) and Limited Duration TEC (LDTEC). Applications for LDTEC and STTEC are subject to a within-year assessment against the operational criteria contained in the SQSS and are released by the SO when doing so does not introduce new or exacerbate existing constraints.

8.3 The allocation of ITEC may have a negative impact on the availability of STTEC and LDTEC as it is likely to reduce the available transmission capacity in certain locations when included in the assessment against the operational criteria. It is not possible to determine the extent of the impact at this stage however, as this is very much dependent on the levels of successful ITEC applications and their location in relation to that of potential STTEC and LDTEC applicants.

9.0 IMPACT ON INDUSTRY DOCUMENTS

9.1 CAP143 and its Alternatives will have an impact on the Statement of the Transmission Network Use of System Charging Methodology and the Statement of Charges. National Grid have already discussed the issues associated with CAP143 at the Transmission Charging Methodologies Forum and will consult on the changes required should CAP143 be approved in due course.

9.2 CAP143 and its Alternatives will have an impact upon the System Operator – Transmission Owner Code (STC). The STC Committee have been informed of the issues associated with CAP143. The STC Committee are currently reviewing the impact of CAP143 on the STC to identify the consequential changes required to back off CAP143 provisions within the STC. Any associated STC changes will be proposed and progressed in line with the STC Amendment Proposal process in accordance with Section B, paragraph 7.2.

9.3 CAP143 and its Alternatives will have an impact on Balancing Code No 1 (BC1) of the Grid Code, in terms of the notification of Operational Restriction Hours following the decision by the SO to allocate X. This will be progressed in line with the Grid Code amendment process.

9.4 CAP143 and its Alternatives will have an impact on the GB SQSS. The release of ITEC will mean that the transmission system will no longer be compliant with the planning criteria contained in the GB SQSS. This could either be handled with the issue of further derogations against the requirements of the SQSS by Ofgem, or a permanent change to the SQSS. Any permanent changes to the SQSS will be determined by the SQSS governance process.

10.0 IMPACT ON INDUSTRY COMPUTER SYSTEMS OR PROCESSES

10.1 CAP143 and its Alternatives will have an impact on industry systems, in terms of facilitating the notification of Operational Restriction Hours following the decision by the SO to curtail the generation of an ITEC User. It is anticipated that this could be achieved at relatively minimal cost to the industry through the modification of the existing Electronic Data Link (EDL) notification systems.

10.2 In addition to the modification of the existing EDL systems, the requirement for additional resources to plan and manage the ITEC process could result in implementation costs ranging between £500k and £1m.

11.0 VIEWS AND REPRESENTATIONS

11.1 This Section contains a summary of the views and representations made by consultees during the consultation period in respect of the CAP143 Original Amendment Proposal and its Alternatives.

Views of Panel Members

11.2 No views or representations were made by Panel Members in their capacity as Panel Members during the Consultation.

View of Core Industry Document Owners

11.3 No views or representations were made by Core Industry Document Owners.

Working Group

11.4 The Working Group recommended by a majority that the Alternative better facilitated the Applicable CUSC Objectives than the Original Proposal, although four Working Group members abstained from voting on the grounds that neither the Original nor the Alternative Proposal better facilitates the Applicable CUSC Objectives and therefore did not wish to be considered as supportive of either.

Responses to Consultation

11.5 The following table provides an overview of the representations received. Copies of the representations are attached as Annex 3.

Reference	Company	Supportive	Comments
CAP143-CR-01	British Energy	Not supportive	Both the Original and the Alternative proposals fail to better meet the applicable CUSC Objectives on the basis that both are likely to lead to increased BSUoS costs and are thus inefficient and uneconomical.
CAP143-CR-02	Carron Energy	Not supportive	Carron supports in principle the introduction of ITEC, however in practice believes that the potential increases in BSUoS charges is unacceptable.
CAP143-CR-03	Centrica	Not supportive	CAP143 does not better facilitate the applicable CUSC objectives. Concerned that such a new access product could exacerbate expensive and problematic issues such as constrain management.
CAP143-CR-04	EDF Energy	Not supportive	The implementation of CAP143 would have a deleterious affect on the Balancing Mechanism and BSUoS charges.
CAP143-CR-05	E.ON UK	Not supportive	CAP143 does not better meet the applicable CUSC objectives. It introduces an unacceptable increase in constraint costs which would result in a cross subsidy to ITEC Users from other parties.
CAP143-CR-06	First Hydro Company	WGAA	Believe that the modification will result in National Grid being able to release more capacity on constrained parts of the system but at a cost of a modest increase in BSUoS charges. Proposed CAA1 to provide further information on ITEC contracts and to define the ITEC curtailment process.
CAP143-CR-07	Highlands & Islands Enterprise	Original & WGAA	Supports the principles of CAP143. Proposal is likely to advance generation projects in Northern Scotland, particularly wind and other renewable generation. WGAA offers benefits, but Original could be implemented in the event that implementation costs of WGAA are high.
CAP143-CR-08	Immingham CHP	Not supportive	CAP143 proposals are likely to increase BSUoS costs and could create a cross-subsidy relative to TNUoS. Proposal could unduly increase the complexity of the existing access framework.
CAP143-CR-09	RWE	Not supportive	CAP143 represents a high risk of increased BSUoS costs as a result of the inability to completely mitigate the risks of additional constraint costs resulting from ITEC.
CAP143-CR-10	Scottish Power	WGAA	ITEC represents a “bankable” access product which could enable a developer to connect to the transmission system ahead of the date agreed in their BCA, thus promoting competition in generation.
CAP143-CR-11	Scottish Renewable	WGAA	The CAP143 Working Group Alternative Amendment is a transparent and objective model that will not pose a significant risk to the management of the GB transmission network.
CAP143-CR-12	SSE	Not Supportive	CAP143 will better facilitate the objectives of the CUSC. Proposed Consultation Alternative regarding the application and offer process.

Responses to Consultation Alternative

11.6 The following table provides an overview of the representations received. Copies of the representations are attached as Annex 4.

Reference	Company	Supportive	Comments
CAP143-CAAR-01	Centrica	Not supportive	There are no proposals in the Consultation Alternatives that address the arguments against CAP143, namely the high likelihood of increased BSUoS costs being forced on all Users.
CAP143-CAAR-02	EDF Energy	Not supportive	Recommend that all CAP143 modifications be rejected as it would have a deleterious affect on the Balancing Mechanism and BSUoS charges.
CAP143-CAAR-03	E.ON UK	Not supportive	Continue to believe that the basic concept of CAP143 is not desirable as it will lead to a disproportionate increase in balancing costs which will be borne by all parties.
CAP143-CAAR-04	First Hydro Company	WGAA & CAA1	Proposed Consultation Alternative Amendment 1 will improve the transparency of the ITEC product and clarify the way the product is intended to be used. Believe that placing an obligation on the SO to constrain off plant via ITEC ahead of Bids would not lead to an uneconomic use of the system.
CAP143-CAAR-05	RWE	Not supportive	Both Alternatives do not better facilitate the Applicable CUSC objectives. Each represent a high risk of increased BSUoS costs as a result of the inability to completely mitigate the risks of additional constraint costs resulting from ITEC.
CAP143-CAAR-06	Scottish Power	WGAA	CAP143 WGAA promotes competition through facilitating the earlier connection of additional generation capacity.

12.0 AMENDMENT PANEL RECOMMENDATION

12.1 The Panel undertook a vote on the Original and each Alternative compared to the CUSC baseline, then a vote as to which they considered to be the best overall. The results of the Panel Recommendation Vote are detailed below:

Original	NO (Majority of 7 to 1)
WGAA	NO (Majority of 7 to 1)
CAA 1	NO (Majority of 7 to 1)
CAA 2	NO (Majority of 7 to 1)
BEST	Majority of 6 to 2 believe that the current CUSC baseline is better than CAP143 proposal and the alternatives.

13.0 NATIONAL GRID RECOMMENDATION

13.1 National Grid considers that none of the CAP143 modifications better facilitate the Applicable CUSC Objectives, on the grounds that each represent a high risk of increased BSUoS costs as a result of the inability of the SO to

completely mitigate the risk of additional constraint costs resulting from ITEC. These increased costs will be borne by all Users rather than those causing them, i.e. holders of ITEC. National Grid therefore recommends that CAP143 should not be implemented on the basis that such an increase in costs will result in less efficient operation of the GB transmission system.

14.0 COMMENTS ON DRAFT AMENDMENT REPORT

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

ANNEX 1 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC

Although badged as "Interim TEC", in essence this "product" is no different in its characteristics than TEC itself (charges, nature of the rights given, User's obligations to comply with bilateral agreements, CUSC, Grid Code, BSC etc.). The difference is that it is "advanced" i.e. a right to connect\export before all Construction Works identified as required are completed and so is subject, until those works are completed, to certain "operational restrictions" i.e. the export can be constrained to zero without cost for a certain period.

Under the Working Group Alternative Amendment
On that basis, "Interim TEC" is the term used for the purposes of the process in identifying the figure in MW that is available but that is then effectively the TEC in the Bilateral Agreement (staged if this is less than the final TEC) although, until the Construction Works are completed in full (the "Interim TEC Period"), the export is subject to restrictions.

The changes to the Bilateral Agreement and Construction Agreement to affect this (the "Interim TEC Offer") would be by agreement to vary the Bilateral Agreement and Construction Agreement as follows:

Bilateral Agreement

a) Need to add new definition of "Interim TEC Period" which will end on completion of all the Construction Works. It will start either on a specified date (where no construction works at all are required) or on completion of those "local construction works" (identified as construction works stage 1 in the Construction Agreement) (or "Completion Date Stage 1").
b) Where the level of Interim TEC granted\applied for is less than the TEC, need to amend Appendix C to reflect different levels of TEC.
c) Need to add new clause and associated definitions identifying the operational restrictions that will apply until the end of the Interim TEC Period. The User will also be required to enter into a "transmission related agreement" providing for recovery of any monies paid to constrain output in the event that it does not comply with its obligations to reduce export.
d) Provide that TEC cannot be traded\exchanged during the Interim TEC Period.

Construction Agreement

The Construction works will need to be reordered into stages, the first "stage" capturing the "local construction works" following completion of which the "operational notification" for TEC at the "interim" level will be issued, with a further operational notification for increased level of TEC (if that is the case) on completion of the remaining stages of Construction Works.

As the above will be done by "agreement to vary" its difficult to draft these provisions upfront into the proforma Bilateral Agreements and Construction Agreement (CUSC Schedule 2 Exhibits 1,2 and 3) but a mark-up of a Bilateral Connection Agreement (CUSC Schedule 2 Exhibit 1) showing how the provisions would look is included, together with an example of a staged Construction Agreement and a transmission related agreement in Annex 2. The Interim TEC Offer would effect the necessary variations to introduce the above changes into the Bilateral agreement and Construction Agreement.

In addition the proforma Construction Agreement (CUSC Schedule 2 Exhibit 3) will be amended to provide for a new appendix identifying and placing obligations in relation to the project specific "local construction works" and "statutory consents".

Original Amendment
Under the Original Proposal there is no assessment or offer process specific to Interim TEC as such. The initial offer of a Bilateral Agreement and Construction Agreement would identify as the Construction Works Stage 1, the local construction works, and the changes to the Bilateral Agreements and Construction Agreement (as proposed under the amendment to be introduced through the Interim TEC Offer) would effectively become standard in any offer of a Bilateral Agreement and Construction Agreement on the basis of 100 Operational Restriction Hours during the Interim TEC Period. The date from which Interim TEC was available would be derived from the date of completion of these works and the dates by which the Statutory Consents were obtained.

Part A – Text to give effect to the Original Proposed Amendment

For legal text for the Original Proposed Amendment, see the change-marked BCA and Construction Agreement contained in Part B – Text to give effect to the Working Group Alternative Amendment.

In the Construction Agreement, an amendment would be required to identify that the right to become operational is not solely subject to the completion of stage 1 works, but also consent for all other works.

Operational restrictions would be defined in the CUSC rather than the User specific BCA and the clauses relating to the assessment of Interim TEC requests and offers would be excluded.

Part B – Text to give effect to the Working Group Alternative Amendment

Add new Paragraph [6.35] as follows and amend the contents page accordingly.

6.35 Interim TEC

6.35.1 Background

A **User** that is party to a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** but where **Construction Works** are required to be completed prior to the **User's** connection to and\or use of the **GB Transmission System** may make an **Interim TEC Request** for **Interim TEC** in accordance with this Paragraph of the **CUSC**.

6.35.2 Interim TEC Request

6.35.2.1 An **Interim TEC Request** can only be made by a **User** when:

(i) The **User** has received confirmation in writing from **The Company** that **The Company** is satisfied that the **User** is in

receipt of the necessary **Statutory Consents** that **User** requires [in respect of] [to enable it to construct [and operate]] the **Power Station**; and

(ii) The **User** has received confirmation in writing from **The Company** that **The Company** is in receipt of the necessary **Statutory Consents** that **The Company** requires [in respect of] [to enable it to construct [and operate]] the **Construction Works**.

6.35.2.2 A **User** cannot make another **Interim TEC Request** in respect of a **Bilateral Agreement** once it has accepted an **Interim TEC Offer** in respect of that **Bilateral Agreement**.

6.35.2.3 An **Interim TEC Request** must be made by email and confirmed by fax by completing the **Interim TEC Request Form**.

6.35.2.4 An **Interim TEC Request** shall not be deemed received by **The Company** until the **Interim TEC Request Fee** has been paid to **The Company**.

6.35.2.5 The level of **Interim TEC** requested shall not exceed the **Transmission Entry Capacity** specified in Appendix C of the **User's Bilateral Agreement [**less any other **Access Product]** and in the case of a **User** with a **Power Station** directly connected to the **GB Transmission System** shall not exceed the **Connection Entry Capacity** specified in the **User's Bilateral Connection Agreement**. Where a **User's Bilateral Agreement** already provides for staged **Transmission Entry Capacity** and **Connection Entry Capacity** the **Interim TEC** for each stage shall not exceed the **Transmission Entry Capacity** and **Connection Entry Capacity** for that stage.

6.35.3 Assessment and Offer

6.35.3.1 **The Company** may reject any **Interim TEC Request** that is not made in accordance with the provisions of this Paragraph 6.35.

6.35.3.2 **Interim TEC Requests** will be considered by **The Company** once a year. All **Interim TEC Requests** received prior to 1 May in any year will be assessed by **The Company** during June, July and August of that year and an **Interim TEC Offer** made to the relevant **User** by 1 September.

6.35.3.3 In the **Interim TEC Offer The Company** will identify the level of **Interim TEC** available to a **User**, the **Interim TEC Period,** whether the start of the **Interim TEC Period** is dependent on completion of **Local Construction Works** and the programme for these or if not the date for

the start of the **Interim TEC Period** [and the programme for these], the **Interim TEC Operational Restrictions** and the **Operational Restriction Hours**.

6.35.3.4 Where more than one **Interim TEC Request** is being assessed, the **Operational Restriction Hours** shall be determined by considering all **Users** to whom an **Interim TEC Offer** is to be made.

6.35.3.5 The **Interim TEC Offer** shall be open for acceptance for a period of 10 [**Business Days]** from the date of the **Interim TEC Offer**. Acceptance of an **Interim TEC Offer** shall be made by executing and faxing back the accepted **Interim TEC Offer**. An **Interim TEC Offer** lapses if not accepted by the **User** within such period.

6.35.3.6 Should any **Interim TEC Offer** not be accepted then **The Company** will revise the **Operational Restriction Hours** available to the **User(s)** who have accepted their **Interim TEC Offer** accordingly.

Add following New Definitions in CUSC Section 11

"**Access Product**"	means the level of any **Temporary Received TEC** plus any **STTEC** or **LDTEC** less any **Temporary Donated TEC**:
"**Interim TEC**"	the level of **Transmission Entry Capacity** available to the **User** during the **Interim TEC Period**;
"**Interim TEC Period**"	the period prior to the date by which all the **Construction Works** required for the **User's** connection and\or use of the **GB Transmission System** will have been completed during which the **Interim TEC** is available;
"Interim TEC Offer"	is an offer made by **The Company** pursuant to Paragraph 6.35.3 amending the **User's Bilateral Agreement** and **Construction Agreement** to provide for **Interim TEC**;
"Interim TEC Operational Restrictions"	the provisions to apply during the **Interim TEC Period** whereby for the **Operation Restriction Hours** the **User** would be required by **The Company** to reduce its **Maximum Export Limit** to zero MW;

"Interim TEC Request"	means an application made by a **User** to advance the date at which its **Transmission Entry Capacity** is available **[**in full or in part] to a date prior to the date by which all the **Construction Works** required for the **User's** connection and\or use of the **GB Transmission System** will have been completed;
"Interim TEC Request Fee"	is the fee to be paid to **The Company** for an **Interim TEC Request** as detailed in the **Charging Statements**;
"Interim TEC Request Form"	is the form set out in Exhibit [XXX] to the **CUSC**;
"Local Construction Works"	means those elements of the **Construction Works** as specified in the relevant **Construction Agreement** [such works being those it is necessary to complete before the **User** could connect to and\or use the **GB Transmission System** at the **Interim TEC** for a minimum of one hour in each **Financial Year**];
"Operational Restriction Hours"	means the number of whole hours in each and every [**Financial Year**] specified by **The Company** in an **Interim TEC Offer**; [original proposal – means 100 whole hours in any [**Financial Year**]];
"Statutory Consents"	Means as appropriate consent under Section 36 or Section 37 of the Electricity Act 1989 or [planning permission granted under the Town and Country Planning Act 1990 in England & Wales or any amendment thereto or the Town and Country Planning (Scotland) Act 1997 or any amendment thereto] as more particularly specified in the relevant **Construction Agreement**;

SCHEDULE 2 - EXHIBIT 1

DATED [ ]

NATIONAL GRID ELECTRICITY TRANSMISSION PLC (1)

and

[ ] (2)

THE CONNECTION AND USE OF SYSTEM CODE
BILATERAL CONNECTION AGREEMENT

[FOR A DIRECTLY CONNECTED POWER STATION]

[FOR A DIRECTLY CONNECTED DISTRIBUTION SYSTEM]

[FOR A NON-EMBEDDED CUSTOMER SITE]

[FOR AN INTERCONNECTOR OWNER]

At [ ]

Reference: [ ]

CONTENTS

Deleted: Restrictive Trade Practices Act

THIS **BILATERAL CONNECTION AGREEMENT** is made on the [ ] day of [ ] 200[ ]

BETWEEN

(1) **National Grid Electricity Transmission plc** a company registered in England with number 2366977 whose registered office is at 1-3 Strand, London, WC2N 5EH ("**The Company**", which expression shall include its successors and/or permitted assigns); and

(2) [ ] a company registered in [ ] with number [ ] whose registered office is at [ ] ("**User**", which expression shall include its successors and/or permitted assigns)

WHEREAS

(A) Pursuant to the **Transmission Licence**, **The Company** is required to prepare a Connection and Use of System Code **(CUSC)** setting out the terms of the arrangements for connection to and use of the **GB Transmission System** and the provision of certain **Balancing Services**.

(B) The **User** has applied for [**Connection** to] [and use of] [**Modification** of its existing **Connection** to [and use of]] the **GB Transmission System** and pursuant to the **Transmission Licence The Company** is required to offer terms in this respect.

(C) The **User** has applied for connection [and use] in the capacity of a [ ] as set out in Paragraph 1.2.4 of the **CUSC**.

(D) **The Company** and the **User** are parties to the **CUSC Framework Agreement** (being an agreement by which the **CUSC** is made contractually binding between **CUSC Parties**).

(E) This **Bilateral Connection Agreement** is entered into pursuant to the **CUSC** and shall be read as being governed by it.

[(F) The parties are also on even date herewith entering into a **Construction Agreement**.]

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section 11 of the **CUSC** have the same meanings, interpretations or constructions in this **Bilateral Connection Agreement** [and the following terms and expressions shall have the meaning set out below:-

"Construction Agreement"	the agreement made between the parties of even date herewith for the carrying out of construction works;
"Charging Date"	as defined in the **Construction Agreement**.]
["**Completion Date Stage 1**"	as defined in the **Construction Agreement**.]

["**Completion Date Stage 2**"	as defined in the **Construction Agreement**.]
["**Gate Closure**"	shall have the meaning given to that term in the **Balancing and Settlement Code**.]
["**Interim TEC Period**"	[[**Completion Date Stage 1**] or [date] to **Completion Date Stage 2**]
["**Interim TEC Operational Restrictions**"	means those restrictions on the **User**'s **[output]** as provided for in Clause 11.]
["**Operational Restriction Hours**"	means [ ] not needed for original proposal as this definition would be included in the main body of the CUSC.
["**Output Useable**"	shall have the meaning given to that term in the **Grid Code.**]
["**Transmission Related Agreement**"	means the agreement in the form in Schedule 1 to be entered into between the parties for the provision of and payment for **Balancing Services** in respect of **Bid Offer Acceptances** referred to in Clause 11.5.]

2. COMMENCEMENT

This **Bilateral Connection Agreement** shall commence on [ ].

3. THE CONNECTION SITE AND TRANSMISSION CONNECTION ASSETS

The **Connection Site** and **Transmission Connection Assets** to which this **Bilateral Connection Agreement** relates is more particularly described in Appendix A.

4. CONNECTION CHARGES

The **Connection Charges** payable by the **User** in accordance with the **CUSC** in respect of the **Transmission Connection Assets** set out in Appendix A [(including the **One-Off Charge**)] are set out in Appendix B. These **Connection Charges** shall be payable by the **User** from the [**CUSC Implementation Date**] [or] **[Charging Date.]**

5. [USE OF SYSTEM *(power station only)*

The right to use the **GB Transmission System** shall commence on and **Use of System Charges** shall be payable by the **User** from the [**CUSC Implementation Date**] [or] **[Charging Date** – assumed this will be by ref to completion of **Construction Works Stage 1]** provided that during the **Interim TEC Period** such use is subject to the **Interim TEC Operational Restrictions.]**

6. CREDIT REQUIREMENTS

The amount to be secured by the **User** from [date] is set out in the **Secured Amount Statement** issued from time to time and as varied from time to time in accordance with Section 2 of the **CUSC**.

7. CONNECTION ENTRY CAPACITY AND TRANSMISSION ENTRY CAPACITY

7.1 The **Connection Entry Capacity** in relation to the **Generating Units** and the **Connection Site** and the **Transmission Entry Capacity** in relation to the **Connection Site** [,and the periods to which such **Transmission Entry Capacity** applies], are specified in Appendix C.

7.2 Appendix C Part 3 will set out the **BM Unit Identifiers** of the **BM Units** registered at the **Connection Site** under the **Balancing and Settlement Code**. The **User** will provide **The Company** with the information needed to complete details of these **BM Unit Identifiers** as soon as practicable after the date hereof and thereafter in association with any request to modify the **Transmission Entry Capacity** and **The Company** shall prepare and issue a revised Appendix C incorporating this information. The **User** shall notify **The Company** prior to any alteration in the **BM Unit Identifiers** and **The Company** shall prepare and issue a revised Appendix C incorporating this information.

7.3 **The Company** shall monitor the **Users** compliance with its obligation relating to **Transmission Entry Capacity** against the sum of metered volumes of the **BM Units** set out in Part 3 of Appendix C submitted by the **User** for each **Settlement Period**.

7.4 Notwithstanding any provisions in the **CUSC** relating to the trade or exchange of **Transmission Entry Capacity**, the **User** shall not be entitled to trade or exchange its **Transmission Entry Capacity** within the **Interim TEC Period**.

8. COMPLIANCE WITH SITE SPECIFIC TECHNICAL CONDITIONS

The site specific technical conditions applying to the **Connection Site** are set out in Appendices F1 to F5 to this **Bilateral Connection Agreement** as modified from time to time in accordance with Paragraph 6.9 of the **CUSC**.

9. TERM

Subject to the provisions for earlier termination set out in the **CUSC** this **Bilateral Connection Agreement** shall continue until the **User's Equipment** is **Disconnected** from the **GB Transmission System** at the **Connection Site** in accordance with Section 5 of the **CUSC**.

10. VARIATIONS

10.1 Subject to Clause 10.2, 10.3 and 10.4 below, no variation to this **Bilateral Connection Agreement** shall be effective unless made in writing and signed by or on behalf of both **The Company** and the **User**.

10.2 **The Company** and the **User** shall effect any amendment required to be made to this **Bilateral Connection Agreement** by the **Authority** as a result of a change in the **CUSC** or the **Transmission Licence,** an order or direction made pursuant to the **Act** or a **Licence**, or as a result of settling any of the terms hereof. The **User** hereby authorises and instructs **The Company** to make any such amendment on its behalf and undertakes not to withdraw, qualify or revoke such authority or instruction at any time.

10.3 **The Company** has the right to vary Appendices A and B in accordance with this **Bilateral Connection Agreement** and the **CUSC** including any variation necessary to enable **The Company** to charge in accordance with the **Charging Statements**, or upon any change to the **Charging Statements**.

10.4 Appendices A and B shall be varied automatically to reflect any change to the **Construction Works or Transmission Connection Assets** as provided for in the **Construction Agreement**.

11. INTERIM TEC OPERATIONAL RESTRICTIONS

11.1 During the **Interim TEC Period** the following operational restrictions will apply.

11.2 Subject to Clause 11.8 below, **The Company** shall be entitled on giving as much notice as reasonably practicable but in any event notice of no less than 3 hours prior to the **Gate Closure**

of a **Settlement Period**, to which such notice applies to require the **User's Maximum Export Level** for such **Settlement Period** to be at zero MW. [The form and means of such notification shall be agreed between the parties.]

11.3 Where a notice is given to the **User** by **The Company** pursuant to Clause 11.2 above, the **User** shall:,

11.3.1 acknowledge receipt of such notification and where practicable shall revise its **Output Useable** forecast accordingly; and

11.3.2 in such time before **Gate Closure** for that **Settlement Period** as to ensure that the **Maximum Export Level** is at zero MW at the start of the **Settlement Period** submit a **Maximum Export Limit** of zero [for the relevant **BM Units**] at the **Power Station** for the **Settlement Period**; and

11.3.3 the **User** shall not operate its **Plant** and **Equipment** in excess of such **Maximum Export Limit** during that **Settlement Period**.

11.4 The **Company** shall promptly notify the **User** when the operational restrictions will or have ceased.

11.5 In the event that the **User** does not comply with Clause 11.3 above, **The Company** shall issue **Bid-Offer Acceptances** to the **User** to reduce the export from the **BM Unit** at the **Power Station** to zero MW for such [**Settlement Periods**] and the provisions of the **Transmission Related Agreement** shall apply.

11.6 Where the **User** becomes aware of or is notified by **The Company** of any breach of Clause 11.3 above the **User** shall forthwith take all reasonable steps to comply with the provisions of that Clause.

11.7 Where the **User** breaches in whole or in part the provisions of Clause 11.3 above the **User** shall at **The Company's** request explain to **The Company's** satisfaction the reason for the breach and demonstrate to **The Company's** satisfaction that appropriate steps have been taken to ensure that such breach will not reoccur. In the event that the **User** does not do this **The Company** may give notice to the **User** reducing the **Transmission Entry Capacity** and Appendix C of this **Bilateral Connection Agreement** shall be varied accordingly. This **Transmission Entry Capacity** shall apply until such time as the **User** has explained to **The Company's** reasonable satisfaction the reason for the breach and has demonstrated that

appropriate steps have been taken to ensure that such breach will not reoccur and Appendix C shall be automatically amended thereafter to reflect the reinstatement of the **Transmission Entry Capacity**.

11.8 If within 3 months of a breach of Clause 11.3 above that entitled **The Company** to take action under Clause 11.7 above, the **User** has still failed to provide the explanation and\or demonstration required by **The Company** in terms of that Clause 11.7, then **The Company** may treat such breach as an **Event of Default** for the purposes of Section 5 of the **CUSC** and following such breach may forthwith give notice of termination to the **User** whereupon this **Bilateral Connection Agreement** shall terminate and the provisions of **CUSC** Paragraph 5.4.7 shall apply.

11.9 To the extent that the **User** will not be able to export to or take demand from the **GB Transmission System** during the period of the operational restrictions the **User** acknowledges and agrees that **The Company** is relieved from its obligations to the **User** under **CUSC** Paragraphs 2.3 and 2.4.

11.10 These operational restrictions shall not exceed the **Operational Restriction Hours** in any financial year, relating to the **Operational Restriction Hours** relevant to that [**Financial Year**].

12. GENERAL PROVISIONS

Paragraph 6.10 and Paragraphs 6.12 to 6.26 of the **CUSC** are incorporated into this **Bilateral Connection Agreement** mutatis mutandis.

IN WITNESS WHEREOF the hands of the duly authorised representatives of the parties hereto at the date first above written

SIGNED BY)
[name])
for and on behalf of)
National Grid Electricity Transmission plc)

SIGNED BY)
[name])
for and on behalf of)
[User])

Deleted: Any restriction or information provision (as each of those terms are defined or construed in Section 43(1) of the Restrictive Trade Practices Act 1976) contained in this **Bilateral Connection Agreement** shall not take effect or shall cease to have effect: ¶ 11.4.1 . if a copy of this **Bilateral Connection Agreement** is not provided to the Department of Trade and Industry ("**DTI**") within 28 days of the date of this **Bilateral Connection Agreement**; or ¶ 11.4.2 . if, within 28 days of the provision of that copy to the **DTI**, the **DTI** gives notice of objection to the party providing it.¶

APPENDIX C (Power Stations)

CONNECTION ENTRY CAPACITY AND TRANSMISSION ENTRY CAPACITY

Company:

Grid Supply Point/Connection Site:

Part 1 Connection Entry Capacity

Connection Entry Capacity (CEC) expressed as an instantaneous MW figure

	CEC(MW)
Power Station	[ ]
Generating Unit	
Genset 1	[ ]
Genset 2	[ ]
Genset 3	[ ]
Genset 4	[ ]

Part 2 Transmission Entry Capacity

Transmission Entry Capacity (TEC) expressed in average MW taken over a half hour settlement period

	TEC(MW) during the Interim TEC Period and thereafter x TEC(MW)
Power Station	[ ]

Part 3 BM Units comprising Power Station

T_BMU 1	(Associated with Genset 1)
T_BMU 2	(Associated with Genset 2)
T_BMU 3	(Associated with Genset 3)
T_BMU 4	(Associated with Genset 4)
T_BMU SD-1	(Station Demand)
T_BMU AD-1	(Additional Trading Site Demand)

APPENDIX C (Interconnector Owners)

CONNECTION ENTRY CAPACITY AND TRANSMISSION ENTRY CAPACITY

Company:

Connection Site:

Part 1 Connection Entry Capacity

Connection Entry Capacity (CEC) expressed as an instantaneous MW figure

	CEC(MW)
Interconnector	[ ]

Part 2 Transmission Entry Capacity

Transmission Entry Capacity (TEC) expressed in average MW taken over a half hour settlement period

[ ] TEC (MW) during the Interim TEC Period and thereafter [ ] TEC (MW)

Interconnector	[ ]

Part 3 BM Units comprising Interconnector

All BMU's starting with an identifier [I_FRA for example]. No need to list all individual BMU's

Part 4 Figure for the Purposes of CUSC Paragraph 9.6

Add a new Exhibit [XXX] and amend the contents page accordingly.

CUSC – EXHIBIT [XXX]

THE CONNECTION AND USE OF SYSTEM CODE – INTERIM TEC REQUEST FORM

DIRECTLY CONNECTED POWER STATION

EMBEDDED POWER STATION

INTERCONNECTOR OWNER

DISTRIBUTION INTERCONNECTOR

Please study the following notes before completing and signing the Temporary TEC Exchange Rate Request Form.

1. National Grid Electricity Transmission plc ("**The Company**") requires the information requested in this form for the purposes of considering and assessing whether or not to grant your **Interim TEC Request**. It is essential that you supply all information requested and provides all the confirmations required and that every effort should be made to ensure that such information and confirmations are accurate.

   Please note the same terms used in this form are defined in the Interpretation in Definitions (contained in Section 11 to the **CUSC**) and when this occurs the expressions have capital letters at the beginning of each word and are in bold.

2. Where **The Company** considers that any information provided by the **User** is incomplete or unclear then **The Company** will reject the **Interim TEC Request**.

3. The **User** may not make any change to the information provided.

4. **The Company** shall charge the **User**, and the **User** shall pay to **The Company** the **Interim TEC Request Fee**. The fee will be charged by **The Company** in accordance with the **Charging Statements**. No **Interim TEC Request** will be considered until such payment has been received.

5. Please note that an **Interim TEC Request** cannot be made until the criteria in **CUSC** Paragraph 6.35.2.1 have been met.

6. Please note that applications for **Interim TEC** will only be considered and **Interim TEC Offers** made once a year and have to be received by 1 May to be considered in that year.

7. Please complete this form and email it to [ ] and fax it to [ ].

REQUEST FOR INTERIM TEC

Please ensure that you have studied the notes before completing and signing this form.

A1. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **Interim TEC Request** for and on behalf of the **User**.

……

B1. Bilateral Agreement details

Please detail the **Bilateral Agreement** and **Construction Agreement** date and reference number.

……

C1. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **Interim TEC Request** relates.

……..

D. Interim TEC Period

Please provide the dates from which you would wish the **Interim TEC** to be available

…… ……..

E. Level of Interim TEC

Please provide details of the preferred level (in whole MW) of **Interim TEC**.

[……..] MW (Positive only)

Is this the same as the **Transmission Entry Capacity** specified in the **Bilateral Agreement**?

……..

Interim TEC Request Form

1. We agree to pay the **Interim TEC Request Fee**.

2. We confirm that the data submissions in respect of our **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date.

3. We confirm that the criteria in **CUSC** Paragraph 6.35.2. 1 have been met.

Signed for and on behalf of the:

User

……

Amendments to CUSC Schedule 2 Exhibit 3 – Construction Agreement

In Clause 1 of the Construction Agreement add new definitions as follows:

Local Construction Works	means those elements of the **Construction Works** as specified in Appendix [S] Part 1.
Statutory Consents	means those **Consents** specified in Appendix [S] Part 2.

Add new Appendix [S] as attached and amend the contents page accordingly.

Add the following new Clauses to Clause 2 of the Construction Agreement:

2.[x] Each party shall advise the other in writing once it is in receipt of each of its **Statutory Consents**. **The Company** shall advise the **User** as soon as practicable after receiving such confirmation from the **User** on the last of its **Statutory Consents** that **The Company** is satisfied for the purposes of **CUSC** Paragraph 6.35.2.1(i).

2.[X] In the event of a change in the **Construction Works** or **Construction Programme** or the **User's Works The Company** shall be entitled to revise the **Local Construction Works** and **Statutory Consents** as necessary to reflect such change.

Amend Clause 15.3 to include reference to Clause 2.[x]

Appendix [S]

LOCAL CONSTRUCTION WORKS AND STATUTORY CONSENTS

Part 1 **Local Construction Works**

Part 2 **Statutory Consents**

a) **Statutory Consents** for the [**User's Works**]

b) **Statutory Consents** for the [**Construction Works**]

Part C – Text to give effect to the Consultation Alternative Amendment 2

The proposed Legal text to modify the CUSC for CAA2 is the same as the Working Group Alternative which can be found in Part B of Annex 1, with the additional proposed amendments detailed below by inserting the coloured underlined text and deleting the text shown struck through.

Section 6 – General Provisions

6.35.2.1 An **Interim TEC Request** can only be made by a **User** when:

(i) The **User** has received confirmation in writing from **The Company** that **The Company** is satisfied that the **User** is in receipt of the necessary **Statutory Consents** as specified in the relevant Construction Agreement that **User** requires [in respect of] [to enable it to construct [and operate]] the **Power Station**; and

(ii) The **User** has received confirmation in writing from **The Company** that **The Company** is in receipt of the necessary **Statutory Consents** as specified in the relevant **Construction Agreement** that **The Company** requires [in respect of] [to enable it to construct [and operate]] the **Construction Works**.

~~6.35.2.2 A **User** cannot make another **Interim TEC Request** in respect of a **Bilateral Agreement** once it has accepted an **Interim TEC Offer** in respect of that **Bilateral Agreement**.~~

6.35.3.3 In the **Interim TEC Offer The Company** will identify the level of **Interim TEC** available to a **User**, the **Interim TEC Period**, whether the start of the **Interim TEC Period** is dependent on completion of **Local Construction Works** and the programme for these of if not the date for the start of the **Interim TEC Period** [and the programme for these], the **Interim TEC Operational Restrictions**, ~~and the~~ **Operational Restriction Hours**, the relevant Use of System Charge for the Interim TEC Period and the analysis that was undertaken to determine the Operational Restriction Hours.

6.35.3.5 The **Interim TEC Offer** shall be open for acceptance for a period of 10 [**Business Days**] ~~from the date of the **Interim TEC Offer**~~. from its receipt by that User unless either that User or The Company makes an application to the Authority under Standard Condition C9 of the Transmission Licence, in which event the Interim TEC Offer shall remain open for acceptance until the date 14 days after any determination by the Authority pursuant to such application. Acceptance of an **Interim TEC Offer** shall be made by executing and faxing back the accepted **Interim TEC Offer**. An **Interim TEC Offer** lapses if not accepted by the **User** within such period.

6.35.3.7 The Company shall as soon as reasonably practicable publish a statement setting out the basis upon which the Operational

Restriction Hours will be calculated in such form and with such detail as shall be necessary to enable any person to make a reasonable estimate of the level of Operational Restriction Hours.

6.35.3.8 The Company shall, at least once in every year, review the information set out in the statement prepared in accordance with 6.35.3.7 above in order that the information set out in the statement shall continue to be accurate in all material respects.

6.35.3.9 Any dispute arising under this Clause 6.35 between the User and The Company may be referred by either the User or The Company to the Authority for determination under Standard Condition C9 of the Transmission Licence.

6.35.10 For the avoidance of doubt, at the end of the Interim TEC Period the User has TEC in accordance with CUSC Paragraph 2.3.

Schedule 2 – Exhibit 1 of the CUSC Bilateral Connection Agreement (BCA)

7.4 Notwithstanding any provisions in the **CUSC** relating to the trade or exchange of **Transmission Entry Capacity**, the **User** shall not be entitled to trade or exchange its Interim **Transmission Entry Capacity** within the **Interim TEC Period**.

11.7 Where the **User** breaches in whole or in part the provisions of Clause 11.3 above without providing an explanation to **The Company's** reasonable satisfaction and on more than one occasion, then **The Company** may treat such event as an **Event of Default** and the provisions of Section 5 of the **CUSC** shall apply.

Part 2 of both Appendix C (Power Stations) and Appendix C (Interconnector Owners)

Interim TEC(MW) during the Interim TEC Period and thereafter x TEC(MW)

ANNEX 2 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:143

Title of Amendment Proposal:

Interim Transmission Entry Capacity ("ITEC") product

Description of the Proposed Amendment *(mandatory by proposer):*

This Amendment Proposal adds a new Section to the CUSC defining the principles of and process for obtaining Interim TEC ("ITEC").

Interim TEC can be described as follows.

1. What Users can apply for Interim TEC?

   Only a User with an existing Bilateral Connection Agreement or Bilateral Embedded Generation Agreement which, in either case, is subject to the carrying out of Transmission Reinforcement Works will be entitled to apply for Interim TEC.

2. When can Interim TEC be applied for and for how long does it remain in place?

   A User can apply for Interim TEC immediately on the later to occur of:

   (i) the relevant party or parties obtaining statutory consents (i.e. consent under the Town and Country Planning Acts and/or any consent needed under ss.36 and 37 of the Electricity Act 1989) necessary for the Transmission Reinforcement Works relevant to the User; and

   (ii) the User obtaining statutory consents (i.e. consent under the Town and Country Planning Acts and/or any consent needed under ss.36 and 37 of the Electricity Act 1989) necessary for the User's Works.

   Once ITEC is authorised, it will apply until TEC is available in accordance with the relevant Bilateral Agreement (including the relevant Bilateral Construction Agreement).

3. What rights and restrictions apply to Interim TEC?

   Interim TEC is a right to use the GB Transmission System up to the Interim Transmission Entry Capacity on the following basis:-

   (i) ITEC is any amount up to the TEC stated in the existing bilateral agreement;
   (ii) NGET is entitled to interrupt the User for all or part of their generation output for up to X hours per year without incurring any liability to pay an interruption payment. A fixed value for X hours will be inserted in the CUSC. **[The value for 'X' would be derived during assessment by consideration of typical restrictions on access arising from issues such as line outages and faults and any other differences between TEC and ITEC. A possible starting point for discussions is 100 hours.]**

4. How will NGET grant ITEC to Users?

   Provided that a request for ITEC is made by a User meeting the conditions in 1 and 2 above, NGET will grant that request. A process can be added to the CUSC similar to that developed for STEC and LDTEC to facilitate the granting of ITEC. Appendix C of each bilateral agreement can be amended to reflect the ITEC terms agreed until it is superseded by the availability of TEC.

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

The CUSC currently provides for access products as follows:-

- Transmission Entry Capacity provides the User with the right to generate electricity up to the level of TEC at any time during the year and on an enduring, "evergreen" basis;

- Short Term TEC ("STTEC") provides a User with access for a period of a limited number of days depending on the type of STTEC purchased at a premium price relative to TEC if used throughout the year; and

- Limited Duration TEC ("LDTEC") again provides limited term access to TEC on a firm or indicative profile basis until the end of the relevant year.

The nature of the existing TEC products available under the CUSC combined with a number of other factors including the "invest and connect" methodology which underpins the CUSC and the related charging regime have led to prospective Users receiving connection dates well into the future.

The problem is particularly acute where the Transmission Companies need to carry out significant network investment projects in order to enable particular projects to connect with firm TEC rights.

The proposer believes that the current suite of access products are unnecessarily restrictive for some new connectees and that there is scope for an interim TEC access product that has less commercial firmness than the current 'TEC suite'. Creation of such a product will thereby bring forward access to the market for new connectees who can tolerate less firm access in the first instance. This product is intentionally limited in duration to the start of availability of TEC and should not be seen as an alternative, rather as an adjunct.

The proposer believes an appropriate limit on the cumulative no-compensation restriction to access can be determined and that this will provide a balance between NGET's requirements and a level of risk to the new connectee's access that is commercially tolerable to new connectees.

Such a product will bring forward access to the network and hence enhance competition in generation.

It will also enhance utilisation of the network and hence NGET's licence obligations with regard to efficient provision of an optimised network.

Impact on the CUSC *(this should be given where possible)*:

The proposal suggests introducing a new Section (probably as Section 6.33) entitled Interim TEC. This Section will set out the matters dealt with in the above description of Interim TEC.

In addition, changes are likely to be required in the following areas:

Add references to ITEC in Sections 2.3.1, 2.3.2 (Export of Power from Connection Site), 3.2.3, 3.2.4 (Transmission Entry Capacity), 3.9.2 (Use of System Charges), 4.1.3.7A (Frequency response), 6.6.1 and 6.6.2 (Payment).

Add new definitions as required.

CUSC Section 5.10 and related definitions - Relevant Interruptions.

CUSC Schedule 2 Exhibits 1 and 2.

Develop appropriate ITEC request form.

Impact on Core Industry Documentation *(this should be given where possible)*: Application of this product may need to be assessed alongside the current working of the GB Security and Quality Supply Standard. Although not a core industry document NGET's Statement of Use of System Charging Methodology and Statement of Use of System Charges may be impacted.
Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*: To be assessed.
Details of any Related Modifications to Other Industry Codes *(where known)*:
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** *(mandatory by proposer):* The purpose of this proposal is to encourage access to the GB transmission system by creating a new product offering restricted access to the GB transmission system. This proposal will facilitate the CUSC Objectives (listed in Section C10, paragraph 1) of both the efficient use of the transmission system and effective competition in generation. In particular, the proposal should have the impacts noted in the "Description of Issue" Section above.

Details of Proposer: Organisation's Name:	SSE Generation Limited
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:	 Dr Keith MacLean SSE Generation Limited 01738 456300 keith.maclean@scottish-southern.co.uk
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	 Richard Ford Renewable Energy Systems Group 01923 299374 richard.ford@res-ltd.com
Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:** No	

ANNEX 3 – CONSULTATION REPRESENTATIONS RECEIVED

This Annex includes copies of any representation received following circulation of the Consultation Document (circulated on 4th May 2007, requesting comments by close of business on 8th June 2007).

Representations were received from the following parties:

Reference	Company
CAP143-CR-01	British Energy
CAP143-CR-02	Carron Energy
CAP143-CR-03	Centrica
CAP143-CR-04	EDF Energy
CAP143-CR-05	E.ON UK
CAP143-CR-06	First Hydro Company
CAP143-CR-07	Highlands & Islands Enterprise
CAP143-CR-08	Immingham CHP
CAP143-CR-09	RWE
CAP143-CR-10	Scottish Power
CAP143-CR-11	Scottish Renewable
CAP143-CR-12	SSE

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

8th June 2007

Dear Beverley

British Energy response to the Consultation Document on CUSC Amendment Proposal CAP143 'Interim Transmission Entry Capacity (ITEC) Product'

Thank you for the opportunity to comment on the issues raised in the above consultation document.

Key points:

- British Energy believes that neither the original or alternative proposal better meets the Applicable CUSC Objectives on the basis that both are likely to lead to increased BSUoS costs and are thus inefficient and uneconomical. The proposals also expose parties to uncertain and potentially unlimited costs; this is discussed overleaf.

- Both the amendment proposal and its alternative create cross subsidies between TNUoS and BSUoS. This feature would benefit new users who procure ITEC at the detriment to all existing transmission users.

- Short term access products such as STTEC and LDTEC are designed to release any additional capacity in operational timescales. The introduction of ITEC and its different assessment methodology would not only undermine these products but it would also reduce their availability.

- It is our view that the uptake of ITEC may be limited and therefore the cost benefit analysis (provided by National Grid) may actually highlight the unacceptably high implementation and running costs of the proposals.

- The release of ITEC would remedy the transmission system in a state of non-compliance with the planning criteria contained in the GB SQSS. As a nuclear generator we would be reluctant to see changes to the GB SQSS that would undermine the reliability and security of supply. We would seek clarification that any proposed changes would uphold the standards within the GB SQSS.

British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland No. 270184 VAT Number 671 0076 58

Detailed comments

The original proposal suggests that a fixed value of X should be used and hard coded into the CUSC. This is likely to result in a relatively high value for X which is likely to be unattractive to the majority of potential ITEC users.

For the alternative, where X is assessed on a project specific basis, it is likely that users who are first in the queue for ITEC will benefit most as these projects are likely to be offered a lower value of X than those projects nearer the back of the queue. Those who are not in a position to submit an application for ITEC (if and when it became available) are likely to lose out as any spare capacity will have already been allocated. This is particularly true of projects electrically north of the Beauly-Denny upgrade where only a limited amount of capacity is available before X tends towards 8760 hours. ITEC appears to be a 'quick fix' solution to connect existing projects but is unlikely to help those in an earlier phase of development.

Both of these proposals will result in an increase to BSUoS costs as a result of increased constraints arising on the transmission system. This will also create a cross subsidy between TNUoS and BSUoS; effectively subsidising new entrants to the detriment of competition. We believe that in this case the additional cost of "previously unnecessary" constraints should be reflected on those parties responsible for them.

It is discriminatory that the basis for assessment of STTEC and LDTEC differs from ITEC. Short term access products are assessed on the basis that additional constraints will not occur as a result of the access being granted. These products are also charged at a premium rate to enduring TEC whereas it is proposed that ITEC is charged at the standard TEC rate which is discriminatory to these within-year access products.

ITEC also differs to STTEC and LDTEC as it is proposed that ITEC is assessed with the understanding that it will create additional constraints. At the time ITEC is offered to any user it is extremely uncertain as to the frequency of constraints and therefore costs that may be incurred. This effectively exposes all other parties to costs which not only are uncertain going forward but there appears to be no limit or ceiling on these.

In our opinion the anticipated costs of implementing and administering the scheme outweigh the benefits gained by a limited number of transmission users. The figures quoted by National Grid of ~£1m for implementation and ~£3m in additional constraint costs for 2008/09 will have to be borne by all users and not just those benefiting from the new arrangements. The additional constraint costs are also likely to increase in subsequent years due to the uncertainty associated with the timescales.

Given that once ITEC is granted it will endure until full TEC rights are granted (potentially a period of several years) the value of X calculated for any particular project may not capture the projected 90% of constraints. This is particularly true for ITEC with a longer duration as the predictability of constraints likely to arise is much more uncertain.

British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland No. 270184 VAT Number 671 0076 58

We hope you find these comments useful. If you wish to discuss any of these matters further please do not hesitate to contact me.

Yours sincerely

Louise Allport
Trading Consultant
British Energy Power and Energy Trading

Tel. 01452 652187
louise.allport@british-energy.com

British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland No. 270184 VAT Number 671 0076 58

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

8th June 2007

Dear Ms Viney

CAP143: Interim Transmission Entry Capacity (ITEC) Product

Carron Energy (Carron) are the owners of Uskmouth Power and Severn Power. Carron welcomes the opportunity to comment on the consultation document of CUSC amendment proposal CAP143. Carron continues to support the principle of finding solutions that facilitate early access onto the transmission system, and are sympathetic to those prospective users who received connection dates well into the future.

Carron supports in principle the introduction of ITEC, however in practice believes that the potential increases in BSUoS charges is unacceptable. Short Term (STTEC) and Limited Duration (LTTEC) are released by the System Operator with the condition that neither introduces new nor exacerbates existing constraints. ITEC should also have the same principles for release, no additional constraints on the system are created and no increase in BSUoS cost is incurred. The increase in transmission access rights that ITEC potentially creates, causes a cross subsidy through market participants incurring an increase in BSUoS charges.

Carron believes that there may be other ways to increase capacity, for example by offering any additional TEC on an incremental basis. We also note that NG has suggested that it may be possible for it to make judgments about delivering capacity to those further down the queue where a project further up is delayed. We believe that there could be further consideration of these sorts of products.

The consultation document states, 'that the release of ITEC would mean that there would be less STTEC and LDTEC available.' Further information on the potential magnitude of the reduction in STTEC and LDTEC needs to be provided in order to gain a view on whether the proposal is harmful to the existing transmission access regime. However, generally we feel that these products should not be "damaged" when they are specifically provided without increasing costs to other users.

Please do not hesitate to contact Lisa Waters on 020 8286 8677 if you wish to discuss any of the points raised within this submission.

Yours sincerely

Rebecca Williams
Head of Trading

taking care of the essentials

Centrica Energy

**Millstream East,
Maidenhead Road,
Windsor,
Berkshire SL4 5GD**

Tel. (01753) 431000
Fax (01753) 431150
www.centrica.com

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

Our Ref.
Your Ref.
11 September 2007

Dear Beverley,

CUSC Amendment Proposal CAP143 – Interim Transmission Entry Capacity (TEC)

Product

Centrica welcomes the opportunity to comment on this Amendment Proposal. In summary, we do not believe that the original proposal, nor its alternative, better facilitate the CUSC Objectives, and as such we believe the CAP should be rejected.

We have a number of concerns with CAP143, which are summarised below. Our views mirror those of the working group members who also believed that CAP143 should be rejected. We have a further concern relating to the conduct of some members of the working group, which will also be explained in more detail below.

It is clear that with the introduction of a large amount of more intermittent generation over the coming years, the question of transmission entry and its flexibility (or otherwise) needs to be addressed. We are fully supportive of the current initiative, through the TASG, to examine the TEC provisions in the round, and believe that reasonable solutions will be arrived at, hopefully with some industry consensus. CAP143 seeks to introduce a layer of complexity on the current arrangements to address a specific concern a small number of projects. It does not succeed in its intent, to facilitate earlier access to the transmission system, and we strongly believe that any CUSC modification should take into account the impacts on all users – CAP143 does not.

The first and most obvious concern relates to allocation of costs. It is clear from the NGET analysis presented in the consultation document that BSUoS costs would increase for all users if ITEC was granted to a single user, whatever that value of 'X'

might be. There is insufficient cost-reflectivity, and we also have a general concern around any new access product causing the exacerbation of an expensive and problematic issue such as constraint management.

There would also be additional costs for NGET that would be fed back to all users via BSUoS, for example increased operational workload as the control room would have to closely manage the community of ITEC users and their impact on the overall market.

There are further impacts away from the CUSC – as noted in the consultation report, if a wind generator is removed from the system with four hours' notice, it may be difficult for them to trade their way out of imbalance at short notice. This would impact on the NIV in the balancing market, with the (likely) potential to have SBP set as the main price. Again, this would impact on other market participants who might never use, need or desire ITEC in any form. It may also be the case that NGET would have to spend more in the balancing mechanism to accept Offers in replacement of the energy that the ITEC user could have provided. While some of this may fall under the constraints issue above, it is also conceivable that there may be an 'energy-only' impact as well.

We do not believe that, given the risks and uncertainties around issuing of ITEC, there would be any level of X made available to applicants that would be palatable, and so the whole process will be an unnecessary inefficiency in the CUSC.

As noted above, we have concerns around the conduct of some members of the working group. There are a number of members who attended very few working group meetings, yet managed to submit votes, sometimes after the final and concluding meeting. It is not clear to us how a fully-informed decision can be taken by a working group member if they are not able to attend the majority of meetings. Hopefully the CUSC Panel and working group chairmen will be able to address this issue for future amendment proposals, enabling an efficient and robust process.

In conclusion, therefore, while we have some sympathy with some of the underlying principles of this amendment, in terms of examining the network access products available given the future increase in intermittent generation, we do not believe that CAP143 achieves its aims and in fact would have a detrimental impact on the market as a whole.

If you have any queries in relation to this response, please do not hesitate to contact me.

Best regards,

Dave Wilkerson
Centrica Energy

T: 01753 431137

M: 07789 572724

E: dave.wilkerson@centrica.co.uk

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

07th June 2007

Dear Beverley,

CAP143 assessment of Consultation Alternative Amendments (CAAs)

EDF Energy is pleased to have the opportunity to comment on the Original and WGAA CAP143 proposals.

Firstly, we consider the Original amendment is not fully formed and cannot be implemented. Herein any comments refer only to the WGAA.

Upon consideration, CAP143 WGAA can only be considered a tactical proposition that aims to accommodate renewable generation on the transmission system without due consideration of the effect it will have on the balancing market.
We recommend that CAP143 WGAA be rejected as it would have a deleterious affect on the balancing mechanism and BSUoS charges.

Our view can be summarised as:
1. The 10% of additional constraints caused by ITEC is unacceptable
2. Generators with non-firm access should not use the balancing mechanism
3. NGET's utilisation of 'X' and ITEC's affect on BSUoS will not be transparent
4. Other Users will be exposed to the negative bid price ITEC generators submit
5. BOA volumes calculated on FPN (not MEL) will be inaccurate and lead to increased cost
6. Interim access should only be provided to generators if they accept no compensation
7. Interim access would be accepted by generators if there was greater transparency

There follows reasoning for our view.

We hope these comments have been of help, if you have any questions please do not hesitate to ask.

Yours sincerely,

David Scott
Electricity Regulation
Energy Branch

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN

Tel +44 (0) 20 7 752 2524
Fax +44 (0) 20 7 752 2384

edfenergy.com

OUR REASON FOR COMING TO THIS VIEW

1. The 10% of additional constraints caused by ITEC is unacceptable

CAP143 aims to provide access to ITEC Users at the cost to other parties paying BSUoS charges. This is wholly unacceptable and has not been justified by either the proposer or the working group.

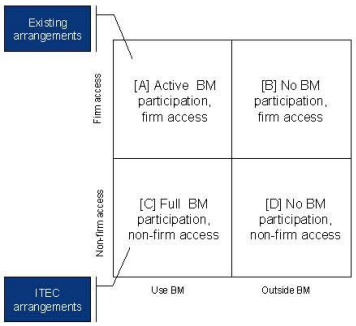
2. Generators with non-firm access should not use the balancing mechanism

The premise of CAP143 is that transmission capacity is allocated on the basis of full access rights under system peak conditions and "spare or non-firm" capacity should be available at other times of year. Therefore CAP143 can be considered a non-firm access product as the generator can either:

- expect to be instructed not to generate (when X is used);
- be bid off in the balancing mechanism (when X is not used or used up).

We have concerns over generators with non-firm transmission access participating in the balancing mechanism. We expect the transmission system to facilitate the efficient function of the mechanism rather than create inefficiencies that will increase balancing costs.
The framework below attempts to consider the relationship between transmission access and use of the balancing mechanism. We see the options [A] and [B] as being reasonable as they would not expose other Users to unreasonable costs. The provision of firm access should prevent the need for the generator to be bid-off in the balancing mechanism. We see [D] as being possibly unreasonable* to the generator, however [C] is unfair to the other Users that will be exposed to the cost of the generator operating in the mechanism without the "protection" that firm access would bring.
We cannot support ITEC (which we consider to fall in category [C] below) and also question the validity of [A] to wind farm generators.

	Summary
[A]	Equal rights/access however obligations on generators may be unwarranted
[B]	Firm access ensures the generator has access to market, non-participation in BM may suit wind farms
[C]	Provides the generator a major opportunity to exploit the BM - cost of BSUoS as such high
[D]	Possibly unreasonable* to the generator as it may not be able to gain compensation



*See points 6 and 7 later in the response.

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN
Tel +44 (0) 20 752 2524
Fax +44 (0) 20 752 2384
edfenergy.com

3. NGET's utilisation of 'X' and ITEC's affect on BSUoS will not be transparent

The CAP143 modification has no proposals for:

- evaluating NGET's performance in using the allocation of X hours for each User of ITEC;
- identifying (and possibly ring-fencing) the constraint actions in the balancing mechanism which lead to an increase in BSUoS;
- assessing the constraint payments that would be made to ITEC users.

4. Other Users will be exposed to the negative bid price ITEC generators submit

The working group did not investigate how generators using ITEC would submit bids into the balancing mechanism. To date, transmission connected and embedded renewable generators, such as Black Law, have submitted variable FPNs and against a fixed MEL, but have yet to submit Bid-Offer prices. How a bid price will be set by a renewable generator (the most likely user of ITEC) has not been established.
We consider there to be two options for a renewable generator, outlined in the table below:

Bid price A - recovering the revenue lost through ITEC					**Bid price B** - lost revenue in constrained periods			
MW of generator			100		MW of generator			100
Assumed ITEC "X" hours			1,500		Assumed ROC value			£40
Assumed load factor			30%		Assumed LEC value (not REGOs)			£5
GWh "Lost"			45					
Revenue "Lost" [MWh*ROC&LEC@£45] + [MWh*£35]			£3.6m		Revenue "recovered"	£675k	£225k	£45k
No certainty of the hours that the ITEC generator would need to be bid down in the BM – this represents the periods where NGET has not used (or run out of) X: the 10% of constraints that are caused by the generator								
Hours bid down	150	50	10			150	50	10
£/h Bid Revenue	£24k	£72k	£360k			£6,750	£2,250	£450
£/MW/h Bid Price	**-£240**	**-£720**	**-£3,600**			**-£45**		

Bid Price A suggests that a renewable generator might well set the bid price at the lost value caused by the curtailment of transmission access imposed by ITEC. In this case the bid price is extremely high if the constrained periods are low as the generators has few BOAs with which to recover the lost revenue imposed by ITEC. This Bid price could be justified by renewable generators, on the basis that they are only obtaining a justified rate of return they should have expected from investing in the generating station.

The table shows that if a 100MW generator expected to be bid down for 150 hours then to recover the £3.6m revenue lost under ITEC, it would need to be paid £24,000 per hour at a bid price of -£240/MWh. However, should the generator expected to be bid down for only 10 hours then it would need to submit a bid price of -£3,600/MWh to recover the £3.6m.

Bid Price B suggests that the same generator may well set the bid price on the lost revenue for the constrained period (the BOA itself) rather than recovering all the lost revenue from the period NGET has curtailed access to the transmission system. In this case the bid price is estimated to be -£45/MWh, which is the ROC and LEC price. Under this pricing example the generator cannot recover the value it has "lost" in accepting ITEC.

5. BOA volumes calculated on FPN (not MEL) will lead to increased cost

If a Bid or an Offer is accepted by the GBSO on a BMU, the volume of energy associated with the Bid Offer Acceptance (BOA) is required. The BSC settlement system does not receive data from the GBSO on BOA volumes. The settlement process calculates these volumes by subtracting the bid level from the FPN (using linear interpolation). The FPN is submitted by the BMU prior to Gate Closure. This can lead to an erroneous calculation of BOA volume, a defect identified by Centrica in BSC modification proposal P167*.
A wind farm will be paid on a –ve bid for the FPN MW value, not the revised export level. We have concerns that inaccuracies in the submission of FPNs for wind farms on ITEC will lead to increased costs for other Users. It may encourage ITEC Users to overstate FPNs.

6. Interim access should only be provided to generators if they accept no compensation

Following the aforementioned framework in point 2, we would only support a proposal that represents [D]. Generators with non-firm access should not be compensated, principally as market mechanisms result in compensation payments coming at a cost to other Users.

7. Interim access would be accepted by generators if there was greater transparency

It is our belief that the proposition of either:

- Non-firm access with no compensation;

or

- Spilling or Over-run with ex-post constraint costs allocated to that User;

could be appealing to generators should NGET provide information on the system, such that generators can assess either the:

- likelihood (hours) of being unable to generate;

or

- cost associated with the spilling of power onto a constrained system.

In some cases these issues may not prohibit a generator connecting early, however there is no way that a generator can assess this with information available at present.

EDF Energy anticipates that the Transmission Access Standing Group (TASG) will be an adequate forum for investigating the potential of such access products.

*P167 was not implemented as the defect was considered immaterial to the implementation costs of using MEL/MIL rather than FPN data

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eon-uk.com

Paul Jones
024 76 183 383

paul.jones@eon-uk.com

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

8 June, 2007

Dear Beverley,

CAP143 – ITEC – Consultation Document

Thank you for the opportunity to respond to the above consultation document. E.ON UK does not support either the original or alternative amendment proposal.

Increase in constraint costs

In our opinion, CAP131 would introduce an unacceptable increase in constraint costs which would result in a cross subsidy to ITEC users from other parties. This would result in discrimination in favour of the ITEC user.

We found the analysis that National Grid carried out for the working group very helpful. This shows that to provide a product with a low enough level of interruption to be of value to generators, constraint costs would have to increase significantly. We believe that to incur annual increases in constraint costs of £3m to £5m per annum to connect an additional 200MW to 400MW of generation plant north of Beauly-Denny is unacceptable.

It has been suggested by some that this is a small level of increase compared with total balancing costs. However, this is not the case. Firstly the correct comparison is with total constraint costs, not balancing costs which include other services. Secondly, the increase

in constraint costs should be assessed in the context of the additional generation capacity that is provided. Thirdly, these costs were estimated in respect of 200MW of ITEC being provided on one part of the network. If the product was taken up more widely this would increase costs further still. Finally, it is not clear that an increase in generation capacity should be accompanied by an increase in constraint costs anyway. The following examples may illustrate some of the above points further.

Ofgem's February System Operator incentive scheme proposals document contains a forecast cost of constraints of £115 million for 2006/07 and a figure of £95 million for 2007/08. National Grid's 2006 Seven Year Statement reports the total level of Transmission Entry Capacity for 2006 at 76.3GW. Therefore, using these figures an increase in constraint costs of £3 million would represent a 2.6% to 3.2% over current levels. However, the proportion of increased generation capacity would be much smaller at between 0.3% to 0.5%. This generation capacity would only have access rights available for just over half of the year, so the available capacity would be taken to around 0.1% to 0.3%. Additionally, as this would be entirely intermittent generation, then the effective capacity increase would be lower still.

To illustrate it another way, if constraint costs of a similar level estimated in the above example were to be incurred in providing TEC to all generation, total constraint costs would be in the range of £570 million to £1.1 billion per annum.

In effect, ITEC would unfairly allow certain generators to jump the queue of projects waiting for connection to the transmission system. The additional costs incurred as a result would be underwritten by all payers of BSUoS. Therefore, ITEC users would be cross subsidised. Other parties seeking connection to the network through TEC would not receive such favourable treatment and would therefore be discriminated against.

Identifying and bringing forward Local Works

One crucial part of the amendment is the ability to identify the local works associated with a generator applying for ITEC, so that they can be completed before the ITEC becomes effective. This raises two administrative issues. Firstly, identifying the local works will be administratively challenging. The definition used for the amendment proposal is not particularly prescriptive so a great deal of engineering judgement is likely to be required. Secondly, once identified, it will be necessary for the relevant transmission company to ascertain whether the relevant local works need to, or indeed can, be brought forward so that ITEC can be provided in time. This will further increase the administrative burden on the transmission companies.

Assessment against the applicable CUSC objectives

We agree with those working group members who believe that both the Original and Working Group Alternative Amendments would not better meet the applicable CUSC Objectives and should therefore not be implemented. From our perspective the main issues are the increase in the costs of constraints that this amendment would cause and the cross subsidy created as a result of other parties other than ITEC Users having to pay for the vast majority of these increases. These would be detrimental to competition in

generation. There is also the administrative burden that the amendment would create which would reduce the efficiency by which National Grid meets the requirements of its licence.

Yours sincerely

Paul Jones
Trading Arrangements

First Hydro Company
Bala House
Lakeside Business Village
St David's Park
Deeside
Flintshire CH5 3XJ
Tel: +44 (0) 870 238 5500
Fax: +44 (0) 870 238 5513

By e-mail Beverley.viney@uk.ngrid.com

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

8th June 2007

Dear Beverley,

CAP 143 Interim Transmission Entry Capacity (ITEC)

International Power (IPR) is responding to your CAP143 Interim Transmission Entry Capacity (ITEC) consultation on behalf of First Hydro Company, Saltend Cogeneration Company Ltd, Rugeley Power Ltd, Deeside Power Development Company Ltd and Indian Queens Power Ltd.

CAP 143 allows a BMU with future TEC to connect at an earlier time subject to the SO having the right to force the BMU to MEL to zero for a maximum number of hours per year (X) at 4 hours notice without compensation.

We believe that this modification will result in NG being able to release more capacity on constrained parts of the system but at a cost of an increase in BSUoS charges.

National Grid (NG) will need to determine the number of hours that any particular constraint may be active several years ahead based on local generation patterns and planned outages. Any unplanned outages or changes to local generation patterns will inevitably lead an incorrect level of constraints being forecast which will potentially lead to increased BSUoS charges.

On balance we support the Alternative Modification as we believe that NG will be cautious in its approach to the calculation of X and this should lead to only a modest increase in BSUoS.

We are concerned that as drafted it is not clear that NG should constrain down ITEC plant ahead of other plant behind a constraint and that there will be little market information available concerning the operation of ITEC contract. We therefore propose a Consultation Alternative (based on the Working Group Alternative) to remedy these issues. The three changes we propose are:-

1. An obligation should be placed on NG in the CUSC such that it will always constrain ITEC plant ahead of any other constrained actions (e.g. accepting Bids) where timescales and contract terms allow. This will ensure that the ITEC product is always used as envisaged.
2. An obligation should be placed in the CUSC to provide for information on ITEC contracts (in the same manner and timescales as TEC) including Operational Hour Restriction (X).

3. An obligation on NG in the CUSC to notify (via web site or e-mail system) within two business days when Operational Hours Restrictions have been applied, and to identify the relevant ITEC contract.

In summary, although we support Alternative Modification we still have concerns that it will lead to additional costs across the industry and the issue of transparency still needs to be addressed.

We hope that these views are useful

Yours sincerely

Simon Lord

Transmission Services Manager

HIE
Highlands and Islands Enterprise
Iomairt na Gaidhealtachd 's nan Eilean

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

1 June 2007

Dear Ms Viney

CUSC Amendment Proposal CAP 143 – Response to Consultation

Thank you for the opportunity to respond to this consultation on CUSC Amendment Proposal CAP143.

As you are aware, Highlands and Islands Enterprise (HIE) is the Government's agency responsible for economic and community development across the northern half of Scotland. Along with its local partners (Shetland Islands Council, Orkney Islands Council, Comhairle Nan Eilean Siar, Highland Council, Moray Council and Argyll & Bute Council), HIE has taken a considerable interest in, and has responded to a number of consultations on, issues affecting development, access and management of grid infrastructure. HIE and its partners are particualrly interested in this proosla given the opportunityto connect we believe it would offer to renewable generators in the north of Scotland.

Our response is as follows. The points are made generally in the order in which they occur in the consultation document, not in order of importance.

Cowan House, Inverness retail and business park, Inverness, Scotland IV2 7GF
Tel: +44 (0)1463 234171
Fax: +44 (0)1463 244469
www.hie.co.uk

Earl Thorfinn House, 6 Druimchat View, Dingwall business park, Dingwall, Ross-shire IV15 9XL
Tel: +44 (0)1349 868900
Fax: +44 (0)1349 868901

HIE network data centre
Taigh Cheann a' Locha,
Lionacleit,
Isle of Benbecula HS7 5PJ
Tel: +44 (0)1870 604900
Fax: +44 (0)1870 604901

HIE community land team office
Taigh Feàrna,
Lochalsh business park,
Auchtertyre, Balmacara,
Lochalsh IV40 8EG
Tel: +44 (0)1520 722988
Fax: +44 (0)1599 566724

careers scotland

Careers Scotland in the Highlands and Islands is part of the HIE network.

General
HIE wishes to support the principles of CAP143. The proposal is likely to advance generation projects in northern Scotland, particularly wind and other renewable generation, and will therefore increase the likelihood of meeting government targets for renewable generation.

HIE believes that the Alternative proposal could offer benefits, although could be administratively burdensome. Should further analysis show that the administrative overhead is high, HIE would support the simpler original proposal being taken forward.

CUSC Objectives
Several objections to CAP143 stated in the consultation document seem to stem from perceived conflict with the CUSC objectives, in particular the requirement to operate an 'economic and efficient' system. HIE believes that the need to plan and operate the GB transmission system efficiently is always likely to conflict with other desirable objectives, and this becomes more likely when rapid changes are required. In this specific case, there is an urgent need for changes to the generation mix to meet challenging Government targets for renewable generation.

The analyses in the consultation document indicate that CAP143 would result in additional costs of a few million pounds per year (Figure 4.33). HIE argues that these additional costs, if real, may in fact be a cheap way of achieving greater output from renewable generation, earlier. HIE recommends that the analysis is extended briefly to compare these estimated additional costs to the estimated additional renewable generation achieved, i.e. in £/MWh. The result could be compared with the cost of other options open to the UK to reduce atmospheric emissions on timescales to 2010 and 2020.

HIE also points out that, in legalistic terms, the CUSC objective to operate 'efficiently' is not just a requirement to minimise costs in the steady state. It also requires that the system responds rapidly to changing user requirements. The view of the CUSC objectives set out in the consultation document misses this point entirely.

Clause 3.15
The objection about clustering does not appear significant: this should be soluble with appropriate wording.

Clause 4.11
Clause 4.11 appears incorrect. If correct, it would imply that connections for most renewable generation projects are currently held back by the Local Connection Works rather than transmission reinforcement. This is radically different from the picture generally painted by National Grid.

Application and determination of X (Clause 4.24 and following)
X is proposed to be chosen as the figure which reduces National Grid's exposure to an acceptable level. It appears to be the value at which NG has a 90% probability of avoiding making constraint payments to other generators (though this is not particularly clear from the consultation document).

This may be a suitable approach from National Grid's point of view. However, investors analyzing the effect of X on a particular project may take a less conservative view. Therefore HIE recommends that, in the analysis that National Grid will do in order to determine the figure X for any particular project requesting ITEC, the P50, P80 and P95 values are also reported. HIE believes that this will add very little to National Grid's effort required.

Clause 4.26
HIE does not believe it is necessary for the Access Restriction to be set at 0 MW. This appears economically inefficient. NG should have the ability to set the Access Restriction as low as necessary, but should not be obliged to set it to zero.

Clause 4.31
For some generating technologies, especially renewables, the notice period could be very short indeed: five minutes would be possible for wind generation. One hour would fit with gate closure times. Any notice period of one hour or shorter would make it impossible for the affected generators to attempt to trade out the imbalance caused by the sudden loss of planned generation. Even notice periods of two or three hours will be difficult. However, these short notice periods might be preferable for some projects, as they would presumably result in a reduced value of X. HIE recommends that further analysis is carried out for notice periods shorter than 4 hours. It is possible to conceive of '4-hour ITEC' as one product, and '1-hour ITEC' (or similar) as another product more attractive to some generation technologies.

Clause 4.34
It is not clear why the consultation document claims that additional constraint costs can only be expected to increase for future years. A firmer justification is needed if this is to be given any weight in the evaluation of options.

Clause 4.35
This clause is not clear. Further justification is required if this is to be given any weight.

Annex 4a
The present system does not guarantee with 100% certainty (i.e. P100) that all constraint costs will be avoided. A new ability to constrain some generators without cost would, on some occasions, remove or reduce constraint costs that would have arisen in the absence of those generators. It is not clear if the National Grid analysis in this annex captures this benefit.

Annex 4b
The editing in this annex is careless. See for example Figure 4, which has incomplete text, no Y-axis scale, and no identification of the lines plotted.

We hope that you find these commetns helpful. We look forward to hearing the results of the consultation in due course.

Yours sincerely

Elaine Hanton
Head of Renewables

On behalf of a Highlands &Islands partnership comprising:-
Highlands & Islands Enterprise
Shetland Islands Council
Orkney Islands Council
Comhairle Nan Eilean Siar
Highland Council
Moray Council
Argyll & Bute Council

Beverley.viney@uk.ngrid.com

CAP143 – INTERIM TRANSMISSION ENTRY CAPACITY - WORKING GROUP REPORT

Immingham CHP welcomes the opportunity to comment on the CAP0143 working group report. We do not support the introduction of a new Interim Duration Transmission Entry Capacity access product. These reasons are set out below.

We consider that the access regime as presently constituted requires very careful consideration before the introduction of further, competing products. We are particularly concerned that change as proposed could unduly increase the complexity of the access framework and potentially degrade its transparency without creating a product of obvious value to developers. We doubt they would rely on a product whose main characteristics would not be defined until shortly before a specific period for which the rights would be available.

A number of key issues, including what would happen if a holder were in breach of its rights, are not adequately addressed. The interaction with imbalance prices and the risk of volatility in imbalance volumes and prices is also not properly considered. All in all the proposal and the alternative both have strong elements of a "black-box" solution, which is not desirable given the impact that the decisions might have on parties contractual rights.

ICHP also considers that the proposals would also be likely to increase BSUoS costs, and depending on the process for setting X these could be material. They could also create a cross-subsidy relative to TNUoS. There would also be new administrative costs that would be shared across system users. As acknowledged in the report, the volume of within year products would also be reduced undermining the efficiency of the existing access regime, which in turn might diminish efficiency overall.

We also have concerns that either of the proposals, original and alternative, could undermine the primacy of TEC through reducing its delivery and firmness. Any dilution of existing rights is not acceptable, especially given the inadequate nature of the current compensation arrangements in Cusc.

If you have any questions on our response, please contact me on 0207 4086651.

Kirsten Elliott-Smith

RWE Trading

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

Name Bill Reed
Phone 01793 893835
E-Mail bill.reed@rwe.com

4th June 2007

E-mail: beverley.viney@uk.grid.com

CUSC Amendment Proposal CAP143 Interim Transmission Entry Capacity (ITEC) Product - RWE Consultation Response

Dear Beverley,

Thank you for the opportunity to comment on the CAP143 Consultation. This response is from RWE and its relevant CUSC signatories.

RWE does not support implementation of CAP143 or the Working Group Alternative. In this context we note NGET's conclusion in the Consultation Report that both amendments "*represent a high risk of increased BSUoS costs as a result of the inability to completely mitigate the risks of additional constraint costs resulting from ITEC*". It is evident from the working group report that the "x-factor" approach does not represent an economic or efficient means of offering early access to the transmission system since the factor cannot be set at a level that fully mitigates the effect on BSUoS costs.

We believe that any proposal for Interim TEC (or variant of it), would need to be accompanied by associated changes to the charging arrangements; and satisfactorily address the practical difficulties of correctly identifying the additional constraint payments attributable to ITEC users (so the these can be charged to them).

If you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely

By email

Bill Reed,
Market Development Manager

RWE Trading GmbH
Swindon Branch

Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB
United Kingdom

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com

Registered No. BR 7373

VAT Registration No.
GB 524 921354

Advisory Board:
Harry Roels

Management:
Peter Terium (CEO)
Dr Peter Kreuzberg

Head Office:
Essen, Germany
Registered at:
Local District Court,
Essen

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

8 June 2007

0141 568 4469

Dear Beverley,

CAP143 Interim Transmission Entry Capacity (ITEC) Product – Consultation

Thank you for the opportunity to respond to this consultation document. This response is submitted on behalf of ScottishPower Energy Wholesale, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

Background

We note the amendment proposals currently under discussion (CAP142, CAP143 and CAP148) and the work of the Transmission Access Standing Group and are of the view that this represents the first steps towards facilitating new transmission entry products that will provide earlier access and increased utilisation of the GB Transmission System. Early connections help earlier achievement of the Government's renewables and climate change emission reduction targets. We believe that the System Operator should be incentivised to maximise use of the transmission system and that the additional revenue from the provision of additional access products should be used to offset additional constraint costs and fund this incentive.

We look forward to receiving National Grid's proposal to facilitate flexible medium-term trading (including within Scotland) that achieves a suitable balance between maximising exchange rates and the consequential effect on constraints. We should like to see these proposals brought forward as early as possible.

CAP 143 (ITEC)

ScottishPower supports the development of innovative transmission access products as part of an overall solution to the issue of the GB Queue and supports the CAP 143 Working Group Alternative Amendment for the reasons outlined below.

ITEC represents a "bankable" access product which could enable a developer to connect to the transmission system ahead of the date currently in their connection agreement thus achieving the objective of promoting competition in generation.

By utilising capacity currently available on the transmission system in operational timescales, ITEC encourages more efficient use of the existing network.

In order to make ITEC attractive to developers, NGET must adopt an objective, consistent and reasonable process for determining the value of X hours to be offered in the ITEC contracts. Adoption of an overly risk-averse methodology will result in X values that will make ITEC unattractive and used as infrequently as the existing LDTEC and STTEC products.

The Working Group Alternative Amendment offers NGET the best opportunity of tailoring the value of X to the particular connection and thus offering a lower X value. ScottishPower therefore supports the Alternative in preference to the Original Amendment which we believe would result in a value of X which make ITEC unattractive to developers and minimise its potential usage.

ScottishPower supports the simplicity and efficiency offered by the ITEC allocation methodology outlined in alternative A2 (4.18) and the use of 4 hours notice of curtailment under Model A (4.27) as offering the greatest constraint capture and most efficient use of X.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

James Anderson
Commercial & Regulation Manager

Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA
Beverley.Viney@uk.ngrid.com

08 June 2007

Dear Ms Viney

Scottish Renewables Response: CUSC Amendment Proposal CAP143

Many thanks for the opportunity to respond to the National Grid Electricity Transmission (NGET) CUSC Amendment Proposal, CAP143.

Scottish Renewables is the trade body for the industry in Scotland and we have over 200 members involved in the renewable energy sector, many of which have a direct interest in electricity network issues. Scottish Renewables also benefits from the support of its Grid & Regulation Work Group, made up from the members of Scottish Renewables and chaired by Keith MacLean (Scottish & Southern Energy) and Jeremy Sainsbury (Natural Power Consultants).

Needless to say, if you have need for clarification on any of the issues we raise please get in touch.

Scottish Renewables would also like to express its appreciation for the effort that NGET and the CUSC Working Group has put into considering this issue and its recognition that new TEC products are worthwhile for consideration.

Scottish Renewables, and its Grid & Regulation Work Group, has been involved in discussions on interim transmission entry capacity (ITEC) from the earliest stages and we are pleased to see it continuing to progress through the process.

Scotland, and the development of renewable electricity projects, is key to the delivery of the Renewables Obligation and the UK's commitment to cutting carbon emissions. These projects also have a significant role in the development of Scotland's economy and in particular 'local'

Central Chambers, 93 Hope Street, GLASGOW, G2 6LD Telephone 0141 222 7920 Fax 0141 222 7929
Email info@scottishrenewables.com Web site www.scottishrenewables.com
Scottish Renewables Forum Limited. A company limited by guarantee in Scotland Number 200074 Registered Office 302 St Vincent Street, Glasgow, G2 5RZ

or rural economies where otherwise vulnerable communities see an opportunity in renewables to reverse population decline and tackle fuel poverty through its development. Therefore, given the environmental and economic benefits, any identified obstacles to the development of this industry should be tackled quickly and any potential opportunities delivered.

Scottish Renewables recently published a report on grid issues in Scotland called *Making Connections*. *Making Connections*[1] called for new thinking and specifically, new products to allow connection that is timely and proportionate, in terms of cost. It also stated that the System Operator should be incentivised to introduce innovative products and maximise the use of the transmission system.

Scottish Renewables believes that ITEC, under the auspices of CAP143, is one such product and we would like to highlight the following key points of ITEC as proposed:

- It does not pose a risk to security standards;
- It will not, when balanced against increased income from transmission charges due to new connections, increase cost to the consumer significantly, if at all;
- And, it will allow potentially hundreds of megawatts of renewable electricity capacity to connect earlier than anticipated and thus provide a boost in reducing carbon emissions in Scotland and the UK.

We note in NGET's Open Letter on transmission queue management from earlier this year that NGET indicated an interest in looking at new products to allow timely connections for generators. We are therefore disappointed that NGET feel that the original, and the alternative amendment, CAP143 is inappropriate.

CAP143 would allow Scottish generators to use the spare capacity on the existing Beauly to Denny transmission line if and when the replacement line has been approved by Scottish ministers. Given it will take three years to build the Beauly to Denny replacement line after consent this will allow Scottish generators to connect early, potentially as much as 1GW of TEC.

This would allow Scottish renewables generators to displace the equivalent of 600,000 tonnes of carbon from operating coal fired power stations per year (less production at constrained periods). This amounts to a potentially major contribution in the effort to reduce emissions introduced three years earlier than it might otherwise have been anticipated.

With the regards to the original amendment and the alternative amendment Scottish Renewables believes that the alternative amendment provides a workable product that is "bankable" and allows the SO to maximise utilisation of the GB transmission network.

Scottish Renewables acknowledges that NGET might introduce its own products in the future to allow early connections to transmission networks in a constrained way, however in the absence of any concrete proposals, we believe that the alternative amendment of CAP143 is a transparent and objective model that will not pose a significant risk to the management of GB's

[1] You can download a copy of *Making Connections* from our website www.scottishrenewables.com.

transmission networks. We would like to see those products broght forward and agredd as early as possible.

If you would like any clarification on the points made above please get in touch.

Yours sincerely

Jason Ormiston
Chief Executive
Scottish Renewables

3

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

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

Telephone: 01738 456300
Facsimile: 01738 456415
Email: Keith.MacLean@
scottish-southern.co.uk

Our Reference:
Your Reference:

Date : 8th June 2007

Dear Beverley,

CUSC Amendment Proposal CAP143

Interim Transmission Entry Capacity (ITEC) Product

Thank you for the opportunity to comment on the above consultation paper. Scottish and Southern Energy believes that, in principle, CAP 143 will better facilitate the objectives of the CUSC to optimise the efficient use of the transmission system and enhance competition in generation by bringing forward access to the network for new renewable generators. We also believe that the implementation of CAP 143 would effectively address many of the issues raised by CAP 148 (Deemed Access Rights to the GB Transmission System for Renewable Generators). However, we have a number of concerns with the proposal as set out in the consultation paper and so do not support the implementation of the worked-up original or working group alternative amendment. We have set out an Alternative Amendment in the attached paper which we believe better meets the aim of CAP 143 and the applicable CUSC objectives.

Unfortunately, the working group was not given access to the core data behind the analysis of the operational restriction hours and constraint capture presented in the paper. As a result, it was not possible to undertake an independent assessment and evaluation of the consequences of the amendment proposal. In addition, no background data was provided on the anticipated implementation costs. As a consequence, it has not been possible to comment on the analysis or estimated costs set out in the paper. In our opinion, this is clearly a restriction on the industry's

ability to come to a clear view on this proposal and we would urge National Grid to provide this information.

If you have any questions on the above, please do not hesitate to call.
Yours sincerely

Dr. Keith MacLean
Head of Sustainable Development

CUSC Amendment Proposal CAP143

Interim Transmission Entry Capacity (ITEC) Product

Detailed Comments and Proposed Alternative Amendment

Consultation document paragraph 3.14

Paragraph 3.14 defines the circumstances where ITEC will be available to users on request. To avoid any ambiguity, there should be an "and" after the semi-colon at the end of the first bullet point. That is:

User has a Bilateral Agreement (Bilateral Connection Agreement [BCA] or Bilateral Embedded Generation Agreement [BEGA]) with National Grid; and

Consultation document paragraph 3.15

This states that where projects have been 'clustered', the release of ITEC to these projects may be later than necessary since all reinforcements listed in the Construction Agreement require consents prior to the use of ITEC. We believe that it may be possible for a user in such circumstances to secure an earlier release of ITEC where the user is prepared to pay for a smaller, bespoke connection. If the bespoke connection can be incorporated into the cluster design at a later date, then the user would be subsequently refunded. We believe that this option should be highlighted in the consultation paper as it increases the potential benefit and availability of ITEC.

Consultation document paragraph 3.20

This paragraph refers to the need for the SO and relevant TOs to revisit all valid construction agreements and differentiate those transmission reinforcement works which are required to facilitate a connection to the transmission system from those that are required for wider system reasons. Given that we do not accurately know the number of users that will request ITEC, we do not believe that it is necessary (or indeed reasonable) to undertake a review of all GB construction agreements to identify the local construction works in advance of CAP 143 being implemented. There are approximately 150 such agreements in Scotland alone while the number of users to request ITEC is unknown at this time and may be relatively low. Such an

approach would require significant resource and time for no clear or immediate benefit. Rather, in our opinion, the construction agreements should be reviewed on a needs basis, that is when a user applies for ITEC. This approach would be more efficient, cost-effective, targeted and would allow the implementation date of CAP 143 to be brought forward and the benefits of ITEC to be realised at an earlier date.

Consultation document paragraph 4.1

The main topics of discussion listed in this paragraph should include Breach of ITEC.

Consultation document paragraph 4.4 and paragraph 4.6

Paragraphs 4.4 and 4.6 list the eligibility criteria that must be satisfied in order to apply for ITEC. However, the first bullet point in both paragraphs refer to *"an increase in TEC in the future"*. In our view this wording is misleading as a user may not be applying for an increase in TEC, but simply have an amount of TEC agreed as part of their connection agreement and be applying for it to be advanced. We therefore propose that the first bullet point in both paragraphs is amended as follows:

The User has signed an agreement (Bilateral Connection Agreement or Bilateral Embedded Generation Agreement) ~~for an increase in TEC in the future~~; and

Consultation document paragraph 4.14

This paragraph refers to ITEC being allocated up to the level of incremental TEC (in MW) requested in the connection agreement. The amendment proposal did not refer to the level of incremental TEC and we are not clear what is meant by the term "incremental". We would therefore welcome clarification on this from National Grid.

Consultation document paragraph 4.43

Paragraph 4.43 refers to the interaction between ITEC and TEC. In our view, it is not clear from this paragraph how the interaction between ITEC and TEC would operate in practice or how such an interaction would affect the calculation of the Operational Restriction Hours and we would therefore welcome clarification on this from National Grid.

Consultation document paragraph 4.47

Paragraph 4.47 states that the Working Group agreed that Final Sums Liabilities should apply until the power station uses ITEC and from then the power station should be required to pay ITEC charges. Our understanding is that "ITEC charges" refers to the Interim TEC Request Fee and subsequent TNUoS charges. However, the term is not defined and we would welcome clarification on this from National Grid. In addition, if the user withdraws before full TEC is granted, then we believe that the user having requested and caused a stranded asset should be liable for the investment

costs in providing the connection, net of any use of system charges that they have already paid for in their "ITEC charges".

Consultation document paragraph 4.52

At present, if the DNO or TO cause a delay to the reinforcement works then the start date for TEC is delayed and the user does not therefore pay TNUoS. It is important that the proposed arrangements are consistent with current arrangements and therefore any delay due to the fault of the DNO or TO should not result in the user paying charges for ITEC. However, where the user is not ready through no fault of the DNO or TO the user should be liable for charges.

Consultation document paragraph 4.56

Again, the arrangements should be consistent with current arrangements and, as such, a user should be allowed to request a delay to the date ITEC is required and if granted, TNUoS charges should be delayed also.

Consultation document paragraph 7.1

See our comments under paragraph 3.20 above.

Part B – Text to give effect to the Working Group Alternative Amendment

We propose the following alternative to WGAA to improve the transparency and effectiveness of ITEC.

6.35.2.1 An **Interim TEC Request** can only be made by a **User** when:

(i) The **User** has received confirmation in writing from **The Company** that **The Company** is satisfied that the **User** is in receipt of the necessary **Statutory Consents** as specified in the relevant Construction Agreement that **User** requires [in respect of] [to enable it to construct [and operate]] the **Power Station**; and

(ii) The **User** has received confirmation in writing from **The Company** that **The Company** is in receipt of the necessary **Statutory Consents** **as specified in the relevant Construction Agreement** that **The Company** requires [in respect of] [to enable it to construct [and operate]] the **Construction Works**.

In our view, 6.35.2.2 should be deleted as it may contradict the decision to allow a user to apply for staged ITEC.

~~6.35.2.2 A **User** cannot make another **Interim TEC Request** in respect of a **Bilateral Agreement** once it has accepted an **Interim TEC Offer** in respect of that **Bilateral Agreement**.~~

6.35.3.3 In the **Interim TEC Offer The Company** will identify the level of **Interim TEC** available to a **User**, the **Interim TEC Period**, whether the start of the **Interim TEC Period** is dependent on completion of **Local Construction Works** and the programme for these of if not the date for the start of the **Interim TEC Period** [and the programme for these], the **Interim TEC Operational Restrictions**, ~~and the~~ **Operational Restriction Hours, the relevant Use of System Charge for the Interim TEC Period and the analysis that was undertaken to determine the Operational Restriction Hours.**

6.35.3.5 The **Interim TEC Offer** shall be open for acceptance for a period of 10 [**Business Days**] ~~from the date of the **Interim TEC Offer**~~. from its receipt by that User unless either that User or The Company makes an application to the Authority under Standard Condition C9 of the Transmission Licence, in which event the Interim TEC Offer shall remain open for acceptance until the date 14 days after any determination by the Authority pursuant to such application. Acceptance of an **Interim TEC Offer** shall be made by executing and faxing back the accepted **Interim TEC Offer**. An **Interim TEC Offer** lapses if not accepted by the **User** within such period.

The timescale for acceptance of an Interim TEC Offer is inconsistent with current arrangements for accepting offers which is normally 3 months. We therefore request clarification on the justification for this anomaly.

6.35.3.7 The Company shall as soon as reasonably practicable publish a statement setting out the basis upon which the Operational Restriction Hours will be calculated in such form and with such detail as shall be necessary to enable any person to make a reasonable estimate of the level of Operational Restriction Hours.

6.35.3.8 The Company shall, at least once in every year, review the information set out in the statement prepared in accordance with 6.35.3.7 above in order that the information set out in the statement shall continue to be accurate in all material respects.

6.35.3.9 Any dispute arising under this Clause 6.35 between the User and The Company may be referred by either the User or The Company to the Authority for determination under Standard Condition C9 of the Transmission Licence.

6.35.10 For the avoidance of doubt, at the end of the Interim TEC Period the User has TEC in accordance with CUSC Paragraph 2.3.

Schedule 2 – Exhibit 1 (The Connection and Use of System Code Bilateral Connection Agreement)

Clause 7.4

"Interim" should be inserted as follows:

7.4 Notwithstanding any provisions in the **CUSC** relating to the trade or exchange of **Transmission Entry Capacity**, the **User** shall not be entitled to trade or exchange its Interim **Transmission Entry Capacity** within the **Interim TEC Period**.

Clauses 11.7 and 11.8

Clauses 11.7 and 11.8 of the proposed legal text provide National Grid with additional rights and remedies over and above those already provided for in Section 5 of the CUSC. These additional rights have not been the subject of industry consultation and we do not therefore believe that it is appropriate to include such rights as part of the changes required to implement CAP 143. As a consequence, we propose that Clauses 11.7 and 11.8 are deleted and replaced with the following Clause 11.7.

Clause 11.7 Where the **User** breaches in whole or in part the provisions of Clause 11.3 above without providing an explanation to **The Company's** reasonable satisfaction and on more than one occasion, then **The Company** may treat such event as an **Event of Default** and the provisions of Section 5 of the **CUSC** shall apply.

Appendix C (Power Stations) and Appendix C (Interconnector Owners)

Part 2 of both appendices refer to TEC where we believe it should be Interim TEC, as follows.

Interim TEC(MW) during the Interim TEC Period and thereafter x TEC(MW)

ANNEX 4 – CONSULTATION ALTERNATIVE REPRESENTATIONS RECEIVED

This Annex includes copies of any representations received following circulation of the Consultation Alternative Document (circulated on 4th July 2007, requesting comments by close of business on 18th July 2007).

Representations were received from the following parties:

Reference	Company
CAP143-CAAR-01	Centrica
CAP143-CAAR-02	EDF Energy
CAP143-CAAR-03	E.ON UK
CAP143-CAAR-04	First Hydro Company
CAP143-CAAR-05	RWE
CAP143-CAAR-06	Scottish Power

Centrica Energy

Millstream East,
Maidenhead Road,
Windsor,
Berkshire SL4 5GD

Tel. (01753) 431000
Fax (01753) 431150
www.centrica.com

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

Our Ref.
Your Ref.
18 July 2007

Dear Beverley,

CUSC Amendment Proposal CAP143 – Interim Transmission Entry Capacity (TEC) Product – Consultation Alternatives

Centrica welcomes the opportunity to comment on the consultation alternatives to CAP143.

There are no proposals in the consultation alternatives that address the arguments against the original CAP143 proposal, particularly the concerns of the working group and National Grid around the very high likelihood of increased BSUOS costs being forced on all users. We therefore do not believe that any of the alternatives better facilitate the CUSC Objectives and have nothing to add to our previous response with respect to CAP143.

If you have any queries in relation to this response, please do not hesitate to contact me.

Best regards,

Dave Wilkerson
Centrica Energy

T: 01753 431137
M: 07789 572724
E: dave.wilkerson@centrica.co.uk

RWE Trading

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

Name Bill Reed
Phone 01793 893835
E-Mail bill.reed@rwe.com

17th July 2007

E-mail: beverley.viney@uk.grid.com

CONSULTATION ALTERNATIVE CONSULTATION DOCUMENT CUSC Amendment Proposal CAP 143 Interim Transmission Entry Capacity (ITEC) Product

Dear Beverley,

Thank you for the opportunity to comment on the CAP143 Consultation Alternative consultation. This response is from RWE and its relevant CUSC signatories.

RWE does not support implementation of either of the CAP143 consultation alternatives. We believe that both alternatives do not better facilitate the Applicable CUSC objectives in that each "*represent a high risk of increased BSUoS costs as a result of the inability to completely mitigate the risks of additional constraint costs resulting from ITEC*".

With regard to CAA1, we do not support an additional obligation on NGET for preferential dispatch (ITEC holders ahead of TEC holders) under CAP143 and we note that this aspect of the proposal would be operationally complex to manage and may in any effect be unworkable in practice. With regard to CAA2 while increased transparency in setting the x-factor may be desirable we note that it raises concerns about disclosure of commercially sensitive information.

As we noted in our response to the CAP143 consultation we would reiterate that any proposal for Interim TEC (or variant of it), would need to be accompanied by associated changes to the charging arrangements; and satisfactorily address the practical difficulties of correctly identifying the additional constraint payments attributable to ITEC users (so the these can be charged to them).

If you wish to discuss our response, please do not hesitate to contact me.

Yours sincerely

By email

Bill Reed,
Market Development Manager

RWE Trading GmbH
Swindon Branch

Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB
United Kingdom

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com

Registered No. BR 7373

VAT Registration No.
GB 524 921354

Advisory Board:
Harry Roels

Management:
Peter Terium (CEO)
Dr Peter Kreuzberg

Head Office:
Essen, Germany
Registered at:
Local District Court,
Essen

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

16th July 2007

Dear Beverley,

CAP143 assessment of Consultation Alternative Amendments (CAAs)

EDF Energy is pleased to have the opportunity to comment on the CAA CAP143 proposals.

Firstly, we consider the Original amendment cannot be implemented. Herein any comments refer only to the WGAA and CAA1 and CAA2.
Upon consideration, CAP143 WGAA can only be considered a tactical proposition that aims to accommodate renewable generation on the transmission system without due consideration of the effect it will have on the balancing mechanism.
CAA1 is the best of the modification proposals and we thank First Hydro for proposing it.

However we recommend that all CAP143 modifications be rejected as it would have a deleterious affect on the balancing mechanism and BSUoS charges.

Our view can be summarised as:
1. The 10% of additional constraints caused by ITEC is unacceptable
2. Generators with non-firm access should not use the balancing mechanism
3. NGET's utilisation of 'X' and ITEC's affect on BSUoS will not be transparent
4. Other Users will be exposed to the negative bid price ITEC generators submit
5. CAA 1 is the best proposal as it forces the GBSO to be more transparent in the use of X
6. BOA volumes calculated on FPN (not MEL) will be inaccurate and lead to increased cost
7. Interim access should only be provided to generators if they accept no compensation
8. Interim access would be accepted by generators if there was greater transparency

There follows reasoning for our view.
We hope these comments have been of help, if you have any questions please ask.

Yours sincerely,

David Scott
Electricity Regulation
Energy Branch

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN
Tel +44 (0) 20 7 752 2524
Fax +44 (0) 20 7 752 2384
edfenergy.com

OUR REASON FOR COMING TO THIS VIEW

1. The 10% of additional constraints caused by ITEC is unacceptable

CAP143 aims to provide access to ITEC Users at the cost to other parties paying BSUoS charges. This is wholly unacceptable and has not been justified by either the proposer or the working group.

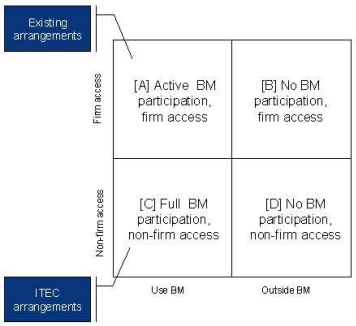
2. Generators with non-firm access should not use the balancing mechanism

The premise of CAP143 is that transmission capacity is allocated on the basis of full access rights under system peak conditions and "spare or non-firm" capacity should be available at other times of year. Therefore CAP143 can be considered a non-firm access product as the generator can either:

- expect to be instructed not to generate (when X is used);
- be bid off in the balancing mechanism (when X is not used or used up).

We have concerns over generators with non-firm transmission access participating in the balancing mechanism. We expect the transmission system to facilitate the efficient function of the mechanism rather than create inefficiencies that will increase balancing costs.
The framework below attempts to consider the relationship between transmission access and use of the balancing mechanism. We see the options [A] and [B] as being reasonable as they would not expose other Users to unreasonable costs. The provision of firm access should prevent the need for the generator to be bid-off in the balancing mechanism. We see [D] as being possibly unreasonable* to the generator, however [C] is unfair to the other Users that will be exposed to the cost of the generator operating in the mechanism without the "protection" that firm access would bring.
We cannot support ITEC (which we consider to fall in category [C] below) and also question the validity of [A] to wind generators.

	Summary
[A]	Equal rights/access however obligations on generators may be unwarranted
[B]	Firm access ensures the generator has access to market, non-participation in BM may suit wind farms
[C]	Provides the generator a major opportunity to exploit the BM - cost of BSUoS as such high
[D]	Possibly unreasonable* to the generator as it may not be able to gain compensation



*See points 6 and 7 later in the response.

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN
Tel +44 (0) 20 752 2524
Fax +44 (0) 20 752 2384
edfenergy.com

3. NGET's utilisation of 'X' and ITEC's affect on BSUoS will not be transparent

The CAP143 modifications, (less so CAA1), have no proposals for:

- evaluating NGET's performance in using the allocation of X hours for each User of ITEC;
- identifying (and possibly ring-fencing) the constraint actions in the balancing mechanism which lead to an increase in BSUoS;
- assessing the constraint payments that would be made to ITEC users.

4. Other Users will be exposed to the negative bid price ITEC generators submit

The working group did not investigate how generators using ITEC would submit bids into the balancing mechanism. To date, transmission connected and embedded renewable generators, such as Black Law, have submitted variable FPNs and against a fixed MEL, but have yet to submit Bid-Offer prices. How a bid price will be set by a renewable generator (the most likely user of ITEC) has not been established.
We consider there to be two options for a renewable generator, outlined in the table below:

Bid price A - recovering the revenue lost through ITEC					**Bid price B** - lost revenue in constrained periods			
MW of generator			100		MW of generator			100
Assumed ITEC "X" hours			1,500		Assumed ROC value			£40
Assumed load factor			30%		Assumed LEC value (not REGOs)			£5
GWh "Lost"			45					
Revenue "Lost" [MWh*ROC&LEC@£45] + [MWh*£35]			£3.6m		Revenue "recovered"	£675k	£225k	£45k
No certainty of the hours that the ITEC generator would need to be bid down in the BM – this represents the periods where NGET has not used (or run out of) X: the 10% of constraints that are caused by the generator								
Hours bid down	150	50	10			150	50	10
£/h Bid Revenue	£24k	£72k	£360k			£6,750	£2,250	£450
£/MW/h Bid Price	**-£240**	**-£720**	**-£3,600**			**-£45**		

Bid Price A suggests that a renewable generator might well set the bid price at the lost value caused by the curtailment of transmission access imposed by ITEC. In this case the bid price is extremely high if the constrained periods are low as the generators has few BOAs with which to recover the lost revenue imposed by ITEC. This Bid price could be justified by renewable generators, on the basis that they are only obtaining a justified rate of return they should have expected from investing in the generating station.

The table shows that if a 100MW generator expected to be bid down for 150 hours then to recover the £3.6m revenue lost under ITEC, it would need to be paid £24,000 per hour at a bid price of -£240/MWh. However, should the generator expected to be bid down for only 10 hours then it would need to submit a bid price of -£3,600/MWh to recover the £3.6m.

Bid Price B suggests that the same generator may well set the bid price on the lost revenue for the constrained period (the BOA itself) rather than recovering all the lost revenue from the period NGET has curtailed access to the transmission system. In this case the bid price is estimated to be -£45/MWh, which is the ROC and LEC price. Under this pricing example the generator cannot recover the value it has "lost" in accepting ITEC.

5. CAA 1 is the best proposal as it forces the GBSO to be more transparent in the use of X

We had originally considered that the WGAA's intention was to ensure the GBSO would always curtail an ITEC generator by using X before accepting a bid from another generator.
In the Consultation alternative report (paragraph 8.4), NGET states that it wishes to utilise positive bid prices to alleviate a constraint rather than use X. We do not agree with this, as assuming the system is in balance, there would also be an opposing offer when a TEC User's positive bid was used instead of X, thus increasing the cost of constraining the generator. If there were no opposing offer action (system long), then following paragraph 8.4 to its logical conclusion, X would never be used in such circumstances as the GBSO would benefit from a positive bid.
We must also remember that there are different operational notice periods for the use of X curtailment notices (4 hours) and Bid-Offer instructions (BMWP 1-1.5hours): it is therefore impossible for the GBSO to know bid prices and the length of the system as there is 3 hour gap between using X and the final submission of Bid-Offer data.
The GBSO must always use X to curtail the generator, so that the market (and the ITEC generator) can be in balance and the physical constraint not being allowed to occur.

6. BOA volumes calculated on FPN (not MEL) will lead to increased cost

If a Bid or an Offer is accepted by the GBSO on a BMU, the volume of energy associated with the Bid Offer Acceptance (BOA) is required. The BSC settlement system does not receive data from the GBSO on BOA volumes. The settlement process calculates these volumes by subtracting the bid level from the FPN (using linear interpolation). The FPN is submitted by the BMU prior to Gate Closure. This can lead to an erroneous calculation of BOA volume, a defect identified by Centrica in BSC modification proposal P167*.
A wind farm will be paid on a –ve bid for the FPN MW value, not the revised export level. We have concerns that inaccuracies in the submission of FPNs for wind farms on ITEC will lead to increased costs for other Users. It may encourage ITEC Users to overstate FPNs.

7. Interim access should only be provided to generators if they accept no compensation

Following the aforementioned framework in point 2, we would only support a proposal that represents [D]. Generators with non-firm access should not be compensated, principally as market mechanisms result in compensation payments coming at a cost to other Users.

8. Interim access would be accepted by generators if there was greater transparency

It is our belief that the proposition of either:

- Non-firm access with no compensation;

or

- Spilling or Over-run with ex-post constraint costs allocated to that User;

could be appealing to generators should NGET provide information on the system, such that generators can assess either the:

- likelihood (hours) of being unable to generate;

or

- cost associated with the spilling of power onto a constrained system.

In some cases these issues may not prohibit a generator connecting early, however there is no way that a generator can assess this with information available at present.

*P167 was not implemented as the defect was considered immaterial to the implementation costs of using MEL/MIL rather than FPN data

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eon-uk.com

Paul Jones
024 76 183 383

paul.jones@eon-uk.com

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

17 July, 2007

Dear Beverley,

CAP143 – ITEC – Consultation Alternative Consultation Document

Thank you for the opportunity to respond to the above consultation document. E.ON UK does not support either alternative amendment proposal.

We continue to believe that the basic concept of CAP143 is not desirable as it will lead to a disproportionate increase in balancing costs which will be borne by all parties. Consequently, we would find it difficult to support any alternative amendment proposal that is based on this principle. We therefore do not support either of these consultation alternative amendments.

Our more detailed views on each of the proposals are as follows.

CAA1 – First Hydro

Of the three changes proposed for CAA1, two we believe would represent an improvement to CAP143. We support the proposal to provide more information on the ITEC contracts entered into. We also agree that the market should be informed of any Operational Hours Restrictions that have been applied. However, these improvements would still be applied to a fundamentally flawed amendment proposal. Therefore, we do not believe they would result in a proposal that better meets the applicable CUSC objectives than the present baseline.

E.ON UK plc
Registered in
England and Wales
No 2366970
Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

Furthermore, we do not believe that the proposed change that requires National Grid to always constrain ITEC plant ahead of other plant is an improvement. We have assumed that this change refers to the application of Operational Hours Restrictions rather than any other constraint actions taken after the hours have been used up. This appears to be introducing an unnecessary restriction on National Grid's ability to minimise balancing costs. Given that National Grid has a finite number of hours that it can use in this way, and that using them at different times will have different levels of benefit, we believe that it should be given the ability to choose when to use Operational Hours Restrictions to best effect. To force National Grid to use the Operational Hours Restrictions for the first X hours of constraints encountered in a year, could stop them using the restrictions during more appropriate periods that may occur towards the end of the year. This change is therefore likely to exacerbate the increase in balancing costs that CAP143 would cause.

For the above reasons we believe that CAA1 would not be better than the current baseline, or either of the original or the Working Group Alternative amendments.

CAA2 – Scottish and Southern Energy

As with CAA1 there are changes proposed in CAA2 that we support, and others that we do not.

We support the proposed change to paragraph 6.35.2.1 which provides helpful clarification.

In principle, we also agree with the proposed deletion of paragraph 6.35.2.2. It is not clear why the restriction introduced by the original version of this paragraph is necessary. Although we do not support the introduction of Interim TEC, we would expect it to be available in a similar manner to other access products were it to be implemented. Therefore, we see no reason why two ITEC Offers cannot be accepted, as long as the total level of access held is not above a station's CEC or future TEC.

That said, without subsequent changes the removal of paragraph 6.35.2.2 would cause consequential problems. For instance, the wording in 6.35.2.5 states that an ITEC application cannot be made for more capacity than the level of TEC that the power station will eventually receive minus any STTEC, LDTEC and Temporary TEC already held. However, if 6.35.2.2 were to be deleted, this paragraph should be changed to ensure that an ITEC application should not be higher than the eventual TEC minus any STTEC, LDTEC, Temporary TEC and ITEC already held. Therefore, although we accept the principle of this change we do not support how it is proposed to be put into practice.

We do not support the changes to 6.35.3.3 that have been proposed. Firstly, we do not believe that the ITEC Offer should contain the Use of System Charge for the Interim TEC Period. The Interim TEC Period is likely to span a number of years. The purpose of ITEC is to provide interim access, not a long term priced access product. Therefore, this amendment is arguably out of scope of CAP143. Secondly, we agree with National Grid that the detailed analysis undertaken to identify the Operational Restriction Hours is likely to contain confidential information. We do not agree with National Grid's view, however, that only portfolio players could use this information to their advantage. The information

would be of use to anyone who could work out that they are located behind a local constraint. Indeed, portfolio players have significant retail interests which also attract BSUoS charges. Therefore, they have more to lose from such action than single plant players, as they will pick up the cost increases elsewhere. An additional issue we have with this change is that it proposes that only the ITEC applicant should be provided with the information. This would deliver an additional unfair advantage to the ITEC holder over and above that already provided by CAP143.

We are comfortable with the change to 6.35.3.5 that proposes that the acceptance period for the ITEC Offer should run from the time it is received, rather than when it is issued. However, we do not believe that 6.35.3.5 should state that the ITEC Offer is referable under Condition 9 of the Transmission Licence. It is the licence itself that determines the offers that are referable under Condition 9, not the CUSC.

The change proposed in 6.35.3.7 has a laudable purpose which is to allow a potential ITEC User to estimate the likely level of Operational Hours that would be applied to its application. However, the variables required to carry out that assessment are such that we do not believe that such an assessment would be possible, particularly without the release of potentially confidential information. Similarly we do not support the proposed new paragraph 6.35.3.8.

The proposed additional paragraph 6.35.3.9 attempts to create rights to refer disputes under Condition 9 of the Transmission Licence. As such it is inappropriate in a similar manner to the equivalent clause proposed for 6.35.3.5, as discussed above.

The proposed new 6.35.3.10 does not appear appropriate either. Although it is true that ITEC should only be used prior to a generator acquiring full TEC, this does not necessarily mean that the full TEC will automatically follow the end of the Interim TEC Period.

Therefore, in summary although there are some improvements suggested by CAA2, they are not sufficient to offset the inherent deficiencies of CAP143. Additionally, it includes changes that worsen the effects of CAP143. Therefore, we do not consider it to be better than current baseline or either of the original or the Working Group Alternative amendments.

I hope the above proves helpful.

Yours sincerely

Paul Jones
Trading Arrangements

First Hydro Company
Bala House
Lakeside Business Village
St David's Park
Deeside
Flintshire CH5 3XJ
Tel: +44 (0) 870 238 5500
Fax: +44 (0) 870 238 5513

By e-mail Beverley.viney@uk.ngrid.com

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

17th July 2007

Dear Beverley,

CAP 143 Interim Transmission Entry Capacity (ITEC)

International Power (IPR) is responding to the CAP143 Interim Transmission Entry Capacity (ITEC) consultation alternative on behalf of First Hydro Company, Saltend Cogeneration Company Ltd, Rugeley Power Ltd, Deeside Power Development Company Ltd and Indian Queens Power Ltd.

First Hydro Company put forward CAA01 which proposed changes to the Alternative Modification in three areas:-

1. An obligation placed on NG in the CUSC such that it will always constrain ITEC plant ahead of any other constrained actions (e.g. accepting Bids) where timescales and contract terms allow. This will ensure that the ITEC product is always used as envisaged.
2. An obligation placed in the CUSC to provide for information on ITEC contracts (in the same manner and timescales as TEC) including Operational Hour Restriction (X).
3. An obligation on NG in the CUSC to notify (via web site or e-mail system) within two business days when Operational Hours Restrictions have been applied, and to identify the relevant ITEC contract.

We continue to believe that these changes will improve the transparency of the product and clarify the way the product is intended to be used. We do not believe that placing an obligation on NG to constrain off plant via ITEC ahead of using bids would lead to an uneconomic use of the system as ITEC is instructed at 4 hours ahead whereas bids can only be accepted 1 hour ahead. The option to use ITEC would have thus expired long before NG has the opportunity to accept bids. The intention is to clarify that where timescales and contract terms allow ITEC constrained plant should be constrained off first.

In summary we support CAA01.

Yours sincerely

Simon Lord
Transmission Services Manager

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

18 July 2007

0141 568 4469

Dear Beverley,

Consultation Alternative Consultation Document

CAP 143 Interim Transmission Capacity Entry Capacity(ITEC) Product

Thank you for the opportunity to respond to this Consultation Alternative Consultation Document. This response is submitted on behalf of ScottishPower Energy Wholesale, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

ScottishPower supported the Working Group Alternative Amendment in the initial consultation as it promoted competition through facilitating the earlier connection of additional generation capacity.

Consultation Alternative Amendment 1 – Curtailment of ITEC and provision of information

ScottishPower supports the provision of information on ITEC contracts and the actual usage of the X hours of curtailment within those contacts. This provides transparency and may help potential ITEC users decide whether an ITEC contract is appropriate for their requirements.

ScottishPower supports the National Grid view that the System Operator (SO) should not be bound to constrain ITEC users as a first resort. Fettering the SO decision process in this way is bound to lead to less economic operational decisions and an overall increase in BSUoS charges.

Consultation Alternative Amendment 2 – Application and Offer Process

ScottishPower supports the aim of CAA2 to clarify the application and offer process.

ScottishPower agrees that the proposed redrafting of CUC Clause 6.35.2.1 clarifies the conditions to be satisfied before an application may be made for ITEC.

Given National Grid's reassurance that the wording of Clause 6.35.2.2 would not prevent a developer for making applications for ITEC against each allocation of staged TEC in the BCA it would not appear necessary to remove this clause.

ScotishPower agrees with National Grid that it will not be possible to provide the Use of System Charge for the ITEC period where this extends beyond the current charging year. Provided the generic methodology for calculating the Operational Restriction Hours is published (as indicated by National Grid) and is suitably transparent, it should not be necessary for the analysis accompanying each ITEC offer to be published. ScottishPower, therefore does not support the proposed change to CUSC 6.35.3.3.

ScottishPower supports the change to 6.35.3.5 allowing the user 10 days from receipt of the ITEC to indicate acceptance. Further, we support the facility to allow the User to refer the ITEC Offer to the Authority under Standard Condition C9 as, although the mechanism used may correlate to an agreement to vary, by its nature, an ITEC Offer represents a fundamental change to the original BCA, similar to a new offer, and as such, should be capable of referral for determination.

Following the same argument as 6.35.3.3 above, ScottishPower does not believe that the changes to CUSC 6.35.3.7-10 will be necessary if the methodology for calculating the Operational Restriction Hours is published.

We agree with SSE's assertion that the wording of Clauses 11.7 and 11.8 of the BCA as proposed in the original amendment provides NGT with rights above and beyond those provided in Section 5 of the CUSC. The wording for these two clauses proposed by SSE is therefore more appropriate than the original as they leave the ITEC holder subject to the same provisions as any other connected user.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

James Anderson
Commercial & Regulation Manager

ANNEX 7 – DETAILED RESPONSES TO THE CONSULTATION DOCUMENT

Detailed views expressed following the Consultation

Interaction between ITEC and TEC

1 SSE welcomed clarification from National Grid of how the interaction of ITEC and TEC would operate in practice, or how such an interaction would affect the calculation of the Operational Restriction Hours.

National Grid response

2 Assuming implementation of the Working Group Alternative or the Consultation Alternatives, once granted, ITEC will be treated in the same way as TEC in the generation background to future assessments (for applications for TEC or ITEC) against the planning criteria contained in the SQSS in order to avoid additional constraint costs.

3 In practice, applications for ITEC and the subsequent calculation of Operational Restriction Hours by the SO will be assessed on the basis of actual or forecast TEC at the time of application (for the entire ITEC period applied for), in addition to the volumes of ITEC applied for (and that already granted) over that period. In the event that an ITEC applicant does not accept their ITEC offer within the pre-defined timescales, Operational Restriction Hours for all of those ITEC offers accepted will then be re-assessed on the same background as previous, minus those ITEC applications that have rejected an ITEC offer.

Access restriction

4 Highlands & Islands Enterprises do not believe it is necessary for the access restriction to be set at 0MW on the grounds that this appears economically inefficient. Highlands & Islands Enterprises recommended that National Grid should have the ability to set the access restriction as low as necessary, but should not be obliged to set it to zero.

National Grid response

5 During the Working Group discussions it was noted that for most periods of constraint, it will be necessary to curtail that level of generation to zero. As the curtailment of ITEC is proposed to be done with a 4-hour notice period, Physical Notifications will not yet be firm at this stage. It would therefore be prudent system operation for National Grid to curtail that generation to zero, due to the remaining levels of uncertainty in order to ensure that an ITEC holder does not exacerbate constraints and impact on the BSUoS costs of other Users.

Clustering

6 Where projects have been ‘clustered’ SSE proposed that it may be possible for a User in such circumstances to secure an earlier release of ITEC where that User is prepared to pay for a smaller, bespoke connection. Furthermore, SSE proposed that if the bespoke connection can then be incorporated into the cluster design at a later date, the User would then subsequently be refunded.

National Grid response

7 If a User is prepared to pay for a smaller bespoke connection, National Grid see no reason why in such circumstances, a User should not be eligible to apply for earlier release of ITEC.

8 In the event that such a bespoke connection can then be incorporated into the cluster design at a later date, National Grid believe that the User should remain liable for any costs associated with the bespoke connection over and above the costs of the initial design on the grounds that those additional costs incurred should be met by that User which exercises customer choice.

Cost neutrality

9 Highlands & Islands Enterprises requested further justification of Section 4.35 of the consultation document regarding cost neutrality for holders of TEC, in the event that the SO made access rights available when access rights were already sold out.

National Grid response

10 Section 4 of the consultation document provided a summary of the Working Group discussions. Section 4.35 reflects the discussion which took place regarding the assessment of X on the basis that additional costs will not be incurred by BSUoS Users as a result of additional constraint costs occurring as a result of the implementation of ITEC.

11 Following further discussions, it was agreed that the only value of X that would guarantee cost neutrality would be that of 8760 hours. This value was not perceived to facilitate the implementation of ITEC and based on the analysis provided by National Grid, a 90 percent probability of capturing all additional constraints resulting from ITEC was deemed to be reasonable in order to facilitate a usable product, whilst minimising the risk to other Users.

12 In the event that access products were already 'sold out' in a certain location, this would be reflected in the assessment of the valuation of X for the relevant ITEC applicant.

Delayed works

13 SSE commented that the arrangements for delayed works should be consistent with current arrangements for TEC and therefore, any delay due to the fault of the DNO or TO should not result in the User paying charges for ITEC. However, where the User is not ready through no fault of the DNO or TO, the User should be liable for charges.

National Grid response

14 Throughout the Working Group discussions, it was agreed that it should be the ITEC Users' responsibility to negotiate the timely completion of necessary works and that any such delay would be at the Users' risk. In this event, the User would be paying for ITEC but would be ineligible to use it, although they would be eligible for liquidated damages.

15 There is no reason why the arrangements for ITEC should be consistent with those for TEC, as the Working Group Alternative allocation process for ITEC is fundamentally different to the process for obtaining TEC.

Delayed ITEC

16 SSE commented that once granted ITEC, a User should be allowed to request a delay to the date ITEC is required and if granted, TNUoS charges should be delayed also, so as to ensure consistency with the current arrangements for TEC.

National Grid response

17 As noted in paragraph 15, there is no reason why the arrangements for ITEC should be the same as those existing arrangements for TEC. In terms of delaying the date at which ITEC is required, this is inconsistent with the allocation process developed for the Working Group Alternative.

Timescales for acceptance

18 SSE noted that the timescales for acceptance of an ITEC Offer is inconsistent with current arrangements for accepting offers which is normally 3 months and therefore requested clarification on the justification for this anomaly.

National Grid response

19 The ITEC application process is intended to facilitate advanced access to the transmission system. Resultantly, the Working Group Alternative considers that all applications and subsequent offers of ITEC should not necessarily be made under the timescales that are applicable for TEC offers, including the potential for referral of an offer to the Authority as set by the provisions of the CUSC.

20 In the event of an ITEC offer being referred and held open until the Authority determined, this would delay the application process (and effective ITEC availability date) of not only the applicant whose offer is referred, but also the offers of all other applicants. Such a process would be clearly inefficient for potential ITEC Users, when compared to the process proposed in the Working Group Alternative.

Conduct of Working Group members

21 Centrica commented that a number of Working Group members attended very few Working Group meetings, yet managed to submit votes after the final and concluding meeting. It was noted that it was unclear as to how a fully-informed decision can be made by a Working Group member if they are not able to attend the majority of meetings. Centrica are hopeful that the CUSC Panel and Working Group chairmen will be able to address this issue for future amendment proposals, enabling an efficient and robust process.

National Grid response

22 At present, the CUSC does not define the mechanism by which the Working Group assesses a CUSC Amendment Proposal against the Applicable Objectives of the CUSC. This could lead to a situation whereby members can attach themselves to a Working Group, fail to attend any of the Working Group meetings and yet remain eligible to cast a vote, potentially uninformed.

23 The issue was raised by a CUSC Panel member and following this, it was agreed at the July 2007 CUSC Panel meeting that a minimum attendance record of 50% of Working Group meetings will be required in order to cast a vote in future Working Groups. For all future Working Groups, the terms of reference will be drafted to give effect to this. For information purposes, a

CAP143 Working Group attendance register identifying those Working Group members which cast a vote is attached as Annex 7.

Provision of data

24 SSE commented that the Working Group was not given access to the core data behind the analysis of the Operational Restriction Hours and constraint capture presented in the paper. In addition, SSE commented that no background data was provided on the anticipated implementation costs and consequentially, it has not been possible to comment on the analysis or estimated costs set out in the paper.

25 E.ON UK commented that the analysis carried out by National Grid for the Working Group was very helpful.

National Grid response

26 The methodology by which the calculation of the Operational Restriction Hours and constraint capture was performed by National Grid, was discussed at length during the CAP143 Working Groups. It was not possible to provide the Working Group with a complete dataset of the assumptions made as this would contain commercially sensitive information which should remain confidential.

27 Furthermore, the implementation costs of CAP143 were also discussed at length during the Working Group meetings although unfortunately, this was in the absence of the respondent. Throughout the Working Group discussions, National Grid endeavoured to provide sufficient information to enable those Users that regularly attended the Working Groups to make an informed decision on the relevant merits of CAP143. All questions from Working Group members were addressed at the time, without National Grid being aware of any outstanding issues.

ANNEX 6 – WORKING GROUP ATTENDANCE

Chair		11/01/2007	19/01/2007	29/01/2007	21/02/2007	09/03/2007	16/03/2007	26/03/2007	16/04/2007	
Roberts, Hêdd	National Grid	✓	✓	✓	✓	✓	✓	✓	✓	
Technical Secretary										
Viney, Beverley / MacLeod, Liliian	National Grid	✓	✓	✓	✓	N	N	N	N	
In Attendance										
Miller, Richard / Copley, Mark / Baker, Karron	Ofgem	✓	✓	✓	✓	✓	✓	✓	✓	
Working Group Member										**Vote**
Brown, Adam / Maloney, Craig	National Grid	✓	✓	✓	✓	✓	✓	✓	✓	**Y**
Anderson, James	Scottish Power	✓	✓	✓	✓	✓	✓	N	✓	**Y**
Chappell, Thomas	npower - renewables	✓	N	N	✓	✓	✓	N	N	**Y**
Davies, Mike	Wind Energy	N	N	N	N	N	N	N	N	**N**
Ford, Richard	RES Group	✓	✓	✓	✓	✓	✓	N	✓	**Y**
Gowland, Dennis	Fairwind Orkney	✓	N	N	✓	✓	N	✓	N	**Y**
Graham, Garth	Scottish & Southern	✓	✓	✓	N	N	N	N	N	**N**
Jones, Paul	E.on	✓	✓	✓	✓	✓	✓	N	✓	**Y**
Longden, Robert	Airtrictity	✓	✓	✓	✓	N	✓	N	N	**Y**
Lord, Simon	International Power	N	N	N	N	N	N	N	N	**N**
MacLean, Keith	Scottish & Southern	✓	N	N	N	N	N	N	N	**Y**
Morris, John	British Energy	✓	✓	✓	✓	✓	✓	✓	N	**Y**
Morrison, Alec	Scottish & Southern	✓	✓	✓	✓	✓	✓	N	✓	**Y**
Reed, Bill	RWE	✓	✓	✓	✓	N	N	✓	✓	**Y**
Sainsbury, Jeremy	Natural Power	N	N	N	✓	N	N	N	N	**Y**
Taylor, Malcolm	AEP	N	N	N	N	N	N	N	N	**N**
Wilkerson, Dave	Centrica	✓	✓	✓	✓	✓	✓	N	✓	**Y**