



AMENDMENT REPORT

CUSC Proposed Amendment CAP156 Reactive Power Default Payment Rate – Use of Spectron Power Index

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP156

Amendment Ref	CAP156
Issue	1.0
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Prepared by	National Grid

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

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0.1	13/9/2007	National Grid	Draft for Industry Comment
0.2	21/9/2007	National Grid	Draft for Amendments Panel Recommendation Vote
0.3	28/09/07	National Grid	Draft for Amendments Panel Members comment
1.0	10/10/07	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 CAP156 Reactive Power Default Payment Rate was proposed by National Grid and submitted to the Amendments Panel on 27 July 2007. CAP156 proposes to address the fact that Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive default payment rate as specified in Schedule 3 of the CUSC.
- 1.2 CAP156 will therefore ensure the reactive default payment rate is calculated using published information which is currently available.

National Grid Recommendation

- 1.3 National Grid, as the proposer of CAP156 is supportive of the Amendment Proposal, believing that it would better facilitate achievement of the Applicable CUSC Objective (a) and should be implemented 10 Business Days after the Authority decision.

Amendment Panel Recommendation

- 1.4 The September 2007 CUSC Panel voted unanimously that CAP156 BETTER facilitated the Applicable CUSC Objectives.

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 CAP156 (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 CAP156.
- 2.3 CAP156 was proposed by National Grid and submitted to the CUSC Amendments Panel for consideration at their meeting on 27 July 2007 and the Amendments Panel determined that CAP156 was appropriate to 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 also been included and a 'summary' of the representations received is also provided. Copies of each of the responses to the consultation are included as Annex 3 to this document.
- 2.5 This Amendment Report has been prepared in accordance with the terms of the CUSC. An electronic copy can be found on the National Grid website, at www.nationalgrid.com/uk/Electricity/Codes/.

3.0 PROPOSED AMENDMENT

- 3.1 CAP156 proposes to amend CUSC Schedule 3, Appendix 1 Part 3.1 to remove the Spectron cumulative over the counter power index from the calculation of the reactive default payment rate as it is no longer being published.
- 3.2 As of the 17th June 2007, Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive payment as specified in Schedule 3 of the CUSC. In accordance with CUSC Schedule 3, Appendix 1, Part 4, the index used in the July 2007 reactive default payment rate was calculated using the UK Baseload All-Day Month Ahead average prices published by Spectron. While Schedule 3 makes allowances for unavailable information, the intention of the clause is only to cover periods until the information becomes available again. Therefore CAP156 proposes a long term solution to address this issue.

4.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

Proposed Amendment

- 4.1 CAP156 would better facilitate the CUSC Objective(s);
- (a) the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence; and*
- 4.2 National Grid believes CAP156 will remove inefficiencies by ensuring the reactive default payment rate is calculated using published index information which is currently available.

5.0 PROPOSED IMPLEMENTATION

- 5.1 National Grid proposes CAP156 should be implemented 10 business days after an Authority decision. In accordance with 8.19.3(b) no respondents to CAP156 consultation expressed a view on the proposed implementation date. There is, therefore, no disparity between the view of the industry and that of National Grid.

6.0 IMPACT ON THE CUSC

- 6.1 CAP156 requires amendments to CUSC Schedule 3, Appendix 1 Part 3.1 (b) and Part 3.2 (c). The text required to give effect to this Proposal is contained as Annex 1 of this document.

7.0 IMPACT ON CUSC PARTIES

- 7.1 CAP156 has no impact on CUSC parties.

8.0 IMPACT ON INDUSTRY DOCUMENTS

Impact on Core Industry Documents

8.1 CAP156 has no impact upon Core Industry Documents.

9.0 IMPACT ON INDUSTRY COMPUTER SYSTEMS OR PROCESSES

9.1 CAP156 has no impact upon on Industry Computer Systems or Processes.

10.0 VIEWS AND REPRESENTATIONS

10.1 This Section contains a summary of the views and representations made by consultees during the consultation period in respect of the Proposed Amendment.

Views of Panel Members

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

View of Core Industry Document Owners

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

Responses to Consultation

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

Reference	Company	Supportive	Comments
CAP156-CR-01	EDF Energy	YES	EDF Energy is supportive of the amendment proposal, as it will ensure the default payment calculation for reactive power can be completed.
CAP156-CR-02	RWE Trading	YES	RWE Trading is supportive of the amendment proposal. With a view that in the medium term it may be appropriate for the BSSG to consider whether other indices were available for example, from the London Energy Brokers Association (LEBA) or the Power Trading Forum which may provide a suitable alternative for use in the calculation of the default price for reactive power in the future.

11.0 AMENDMENT PANEL RECOMMENDATION

11.1 The September 2007 CUSC Panel voted unanimously that CAP156 BETTER facilitated the Applicable CUSC Objectives.

12.0 NATIONAL GRID RECOMMENDATION

- 12.1 National Grid believes CAP156 would ensure the reactive default payment rate is calculated using published index information which is currently available, which would better facilities applicable CUSC objective (a).

13.0 COMMENTS ON DRAFT AMENDMENT REPORT

- 13.1 National Grid received one response following the publication of the draft Amendment Report. The following table provides an overview of each representation. Copies of the representations are attached as Annex 4.

Reference	Company	Summary of Comments
CAP156-AR-01	Scottish & Southern Energy	Scottish & Southern Energy believes the report accurately reflects the views and issues raised in the previous CAP156 Consultation.

ANNEX 1 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC

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

Change to CUSC Schedule 3, Appendix 1, Part 3.1 (b)

3.1

- (b) For all periods from (and including) 1st April, 2004, I shall in respect of each calendar month be determined as follows:-

$$I = I_m$$

where

I_m = the indexation factor I for the calendar month in question

$$I_m = C * [(0.5 * FRPI_m / RPI_x) + (0.5 * PI_m)]$$

where

$$C = RPI_x / RPI_1$$

RPI_x is the RPI for March, 2003 (179.9)

RPI_1 is as defined in sub-paragraph (a) above

$FRPI_m$ is the Forecast RPI for the calendar month in question

and where PI_m is a wholesale power price index determined as follows:-

$$PI_m = [(p * HPI_m / HPI_1) + (q * PAPI_m / PAPI_1) + (r * PPI_m / PPI_1) + ~~(s * DTSPi_m / DTSPi_1)]~~$$

Where

HPI_m is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

$PAPI_m$ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

PPI_m is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

~~$DTSPi_m$ is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices~~

~~for all days on which this index is published in the calendar month immediately preceding the calendar month in question~~

and where

~~p = 0.2 1/3~~ (subject always to sub-paragraph 3.2 (c))

~~q = 0.2 1/3~~ (subject always to sub-paragraph 3.2(c))

~~r = 0.2 1/3~~ (subject always to sub-paragraph 3.2(c))

~~s = 0.4~~ (subject always to sub-paragraph 3.2(c))

and where

HPI₁ is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PAPI₁ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PPI₁ is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

~~DTSPI₁ is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003~~

Change to CUSC Schedule 3, Appendix 1, Part 3.2 (c)

3.2

- (c) if in respect of any calendar month the mean average of any of the power indices more particularly referred to in sub-paragraph 3.1(b) is incapable of being derived and/or there is a material change in the basis of that power index, then subject as provided below, for the purpose of sub-paragraph 3.1(b) **The Company** shall determine the wholesale power price index PI_m for that calendar month by substituting for the original value of factor p,q, ~~or r or s~~ as relates to that power index ("the Affected Factor") the value of zero, and by substituting for the original value of each of the remaining factors p, q, ~~or r or s~~ a value which is increased from the original value by a pro rata proportion of the original value of the Affected Factor. Provided always that if in respect of any calendar month the mean average of each of such power indices is incapable of being derived and/or there is a material change in the basis of each such power index, then **The**

Company shall determine the wholesale power price index PI_m for that calendar month by substituting for the value PI_m in the determination of I_m the value $FRPI_m/RPI_x$.

ANNEX 2 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:156
Title of Amendment Proposal: Reactive Power Default Payment Rate – Use of Spectron Power Index	
Description of the Proposed Amendment <i>(mandatory by proposer):</i> Amendment to Schedule 3, Appendix 1 part 3.1 and 3.2 of the CUSC to remove the Spectron cumulative over the counter power index from the calculation of the reactive default payment rate as it is no longer being published.	
Description of Issue or Defect that Proposed Amendment seeks to Address <i>(mandatory by proposer):</i> As of June 17 th 2007, Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive default payment rate as specified in Schedule 3 of the CUSC. In accordance with CUSC Schedule 3, Appendix 1, Part 4, the index used in the July 2007 reactive default payment rate was calculated using the U.K. Baseload All-Day Month Ahead average prices published by Spectron. While Schedule 3 makes allowances for unavailable information, the intention of the clause is only to cover for periods until the information becomes available again. However, in this case, which has been confirmed by Spectron, this information is no longer published and hence will not be available in the foreseeable future. The proposed amendment will address the fact that Spectron no longer directly publish the cumulative over the counter power index and will remove the requirement from the calculation of the reactive default payment rate. In National Grid's view, it will better meet CAP45 (Cost Reflective Reactive Power Default Payment Rate Indexation) intentions to use published indices in the calculation of the reactive default payment rate.	
Impact on the CUSC <i>(this should be given where possible):</i> CAP156 requires amendments to CUSC Schedule 3, Appendix 1, Part 3.1 (b) and Part 3.2 (c). The text required to give effect to the Proposal is contained in Annex 1 of this document.	
Impact on Core Industry Documentation <i>(this should be given where possible):</i> N/A	
Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i> N/A	
Details of any Related Modifications to Other Industry Codes <i>(where known):</i> N/A	
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i> National Grid believes that this proposal will better facilitate CUSC Applicable Objective (a) (The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the Transmission Licence) by ensuring the reactive default payment rate is calculated using published index information which is currently available. It would also better meet the objectives of CAP45 (Cost Reflective Reactive Power Default Payment Rate Indexation) which derived the 50% weighting of the monthly wholesale power price index using published indices.	

Details of Proposer: Organisation's Name:	National Grid
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Craig Dyke National Grid 01926 653397 craig.dyke@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Rebecca Yang National Grid 01926 656716 rebecca.yang@uk.ngrid.com
Attachments (Yes): If Yes, Title and No. of pages of each Attachment: ANNEX – PROPOSED LEGAL TEXT TO MODIFY THE CUSC FOR PROPOSED AMENDMENT	

Notes:

- Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.
- The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

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

Or via e-mail to: Beverley.Viney@uk.ngrid.com

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

- Applicable CUSC Objectives** - These are defined within the National Grid Electricity Transmission plc Licence under Section C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.

ANNEX 3 – REPRESENTATIONS RECEIVED DURING CONSULTATION

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on 9 August 2007, requesting comments by close of business on 6 September 2007).

Representations were received from the following parties:

No.	Company	File Number
1	EDF Energy	CAP156-CR-01
2	RWE Trading	CAP156-CR-02

Reference	CAP156-CR-01
Company	EDF Energy

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

09 August 2007

Dear Beverley,

CUSC Amendment Proposal CAP156 Reactive Power Default Payment Rate

EDF Energy is pleased to have the opportunity to comment on the CUSC amendment proposal, CAP156.

EDF Energy is supportive of the amendment proposal, as it will ensure the default payment calculation for reactive power can be completed.

We hope that you will find these comments helpful. If you have any queries please do not hesitate to me on the number below.

Yours sincerely,

David Scott
Electricity Regulation,
Energy Branch,
EDF ENERGY



Reference	CAP156-CR-02
Company	RWE Trading

RWE Trading



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

Name Raoul Thulin
Phone 01793 892634
Fax 01793 892167
E-Mail raoul.thulin@rwe.com

6th September 2007

CUSC Amendment Proposal CAP156 Reactive Power Default Payment Rate - Consultation Response

Dear Ms Viney

Thank you for the opportunity to respond to the above consultation. The following response is provided on behalf of the following CUSC Parties within the RWE Group: RWE Npower plc, Npower Cogen Limited, Npower Cogen Trading Limited, Npower Direct Limited, Npower Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited.

We are supportive of the aims of CAP156 and believe that the proposed change is an appropriate modification to take account of the cessation of relevant data published by Spectron. In the medium term it may be appropriate for the BSSG to consider whether other indices were available from for example, the London Energy Brokers Association (LEBA) or the Power Trading Forum which may be suitable for use in the calculation of the default price for reactive power in the future.

Yours sincerely,

By e-mail

Raoul Thulin
Ancillary Services Manager

RWE Trading GmbH
Swindon Branch
Windmill Hill Business
Park
Whitehill Way
Swindon SN5 6PB
United Kingdom
T +44(0) 1793/89 77 77
F +44(0) 1793/89 25 25
I www.rwe.com
Registered No. BR 737
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

ANNEX 4 – REPRESENTATIONS RECEIVED UPON THE DRAFT AMENDMENT REPORT

This Annex includes copies of any representations received following circulation of the Draft Amendment Report (circulated on 13 September 2007), requesting comments by close of business on 20 September 2007.

Representations were received from the following parties:

No.	Company	File Number
1	Scottish & Southern Energy	CAP156-AR-01

Reference	CAP156-AR-1
Company	Scottish & Southern Energy

From: Garth.Graham@scottish-southern.co.uk [mailto:Garth.Graham@scottish-southern.co.uk]
Sent: Monday, September 17, 2007 10:03 AM
To: Viney, Beverley
Subject: Re: CUSC - CAP156 Reactive Power Default Payment Rate - Use of Spectron Power Index

Dear Sirs,

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

In relation to the consultation concerning the draft amendment report associated with CUSC Amendment Proposal CAP156 "Reactive Power Default Payment Rate" (contained within your note of 13th September 2007) we believe that the report accurately reflects the views and issues raised in the previous CAP156 consultation.

Regards

Garth Graham
Scottish and Southern Energy plc