



AMENDMENT REPORT VOLUME 1

CUSC Amendment Proposal CAP183

Code Governance Review: Significant Code Review

The purpose of this document is to assist the Authority in their decision of whether to implement Amendment Proposal CAP183

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I DOCUMENT CONTROL

a National Grid Document Control

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0.1	14/10/10	National Grid	Draft for industry comment
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b Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
CUSC Parties	Various
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1.0 SUMMARY AND RECOMMENDATIONS

Executive Summary

- 1.1 CAP183 – “Code Governance Review: Significant Code Review” was raised by National Grid Electricity Transmission plc and submitted to a special meeting of the Amendments Panel on 9th July 2010. CAP183 is part of a series of proposals which seek to implement the final proposals of Ofgem’s Code Governance Review which were published on 31st March 2010 and which were implemented via a series of modifications to the Transmission and Distribution Licences from 5th July 2010. CAP183 seeks to insert provisions into the CUSC to require the Licence holder to raise code changes in line with the conclusions set out by the Authority following a Significant Code Review (SCR). Only the Authority can raise an SCR, to address matters which they deem to have significant impacts to the industry.
- 1.2 A joint Working Group for CAPs 183, 184, 185 and 188 was established and the first meeting held on 14th July 2010. Following discussions at that meeting the Working Group held a second meeting on 21st July 2010 before proceeding to Working Group Consultation. A third Working Group meeting was held on 27th August 2010 to discuss the responses, agree any Working Group Alternative Amendments and hold the Working Group vote. A fourth meeting was held on 15th September 2010 to discuss the revised draft illustrative legal text, provided by National Grid on 8th September 2010.

Working Group Recommendation

- 1.3 The Working Group recommended to the Amendments Panel, unanimously, that CAP183 should be implemented and that CAP183 should proceed to wider Industry Consultation in line with the timetable established by the Amendments Panel.
- 1.4 At the Working Group meeting on 27 August 2010, all six Working Group Members voted that CAP183 better facilitates Applicable CUSC Objectives (a). Full details of the Working Group vote is set out in section 6 of this Amendment Report.

Summary of Working Group Consultation Responses

- 1.5 Seven responses were received to the Working Group Consultation, six of which supported CAP183 (one was silent), with no requests for a Working Group Consultation Alternative. Further detail is provided in section 12 of this report.

Amendments Panel Recommendation

- 1.7 The Amendments Panel recommended by a 5-3 majority that CAP183 better facilitated the Applicable CUSC objectives and should be implemented. One member of the Amendments Panel was not present and did not appoint an alternate, therefore there were only eight votes cast in total. Further details to the voting are detailed within Section 13.0 of this report.

National Grid Recommendation

- 1.8 National Grid, as Proposer, supports CAP183 and believes that it better facilitates Applicable CUSC Objective (a): *“the efficient discharge by the*

licensee of the obligations imposed upon it under the Act and by this licence", specifically with regard to the obligation under standard condition C10 of the licence. CAP183 achieves this by implementing the licence modifications made in July 2010, within the CUSC. Furthermore, CAP183 offers a more efficient CUSC modification process by potentially reducing the duplication of similar Amendment Proposals and providing a holistic view of the topics being covered.

2.0 PURPOSE AND INTRODUCTION

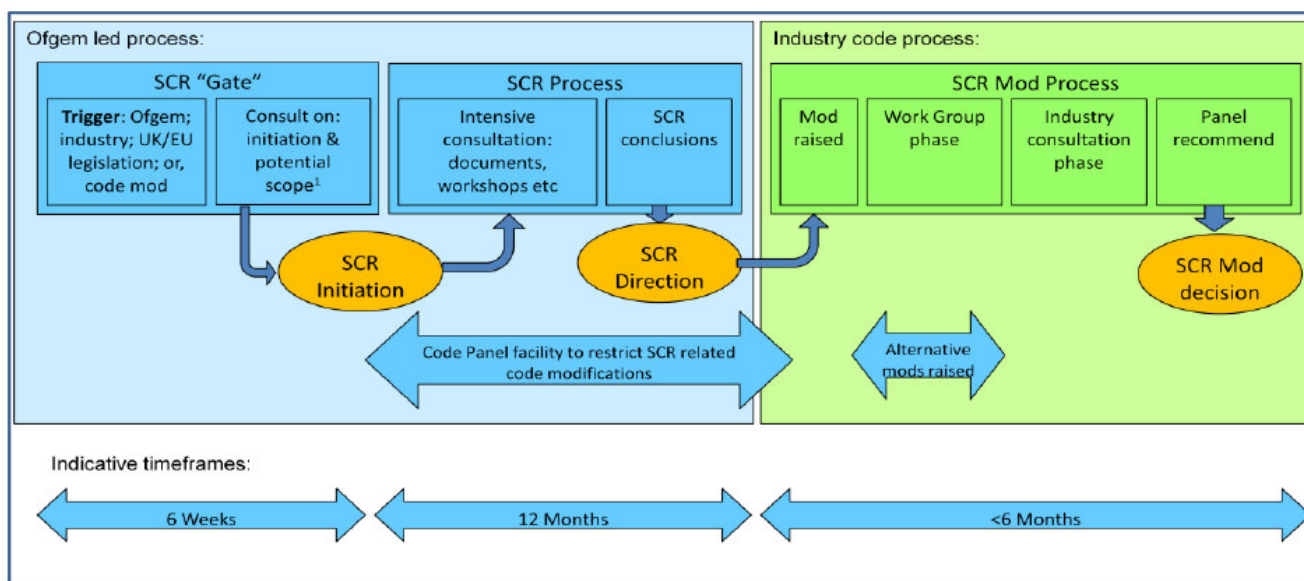
- 2.1 This Amendment Report has been prepared and issued by National Grid under the rules and procedures specified in the Connection and Use of System Code (CUSC) as designated by the Secretary of State.
- 2.2 Further to the submission of Amendment Proposal CAP183 and the subsequent Working Group Consultation and 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 CAP183.
- 2.3 CAP183 was proposed by National Grid Electricity Transmission plc and submitted to the Amendments Panel for its consideration on 9th July 2010. The Amendments Panel determined that CAP183 should be considered by a Working Group and that the Group should undertake a Working Group consultation for a period of three weeks.
- 2.3 This document outlines the discussions held by the Working Group, the responses to the Working Group Consultation and the Company consultation and the nature of the CUSC changes that are proposed. It incorporates National Grid's recommendations to the Authority concerning the Amendment Proposal. Copies of all representations received in response to the consultation have also been included and a 'summary' of the representations received is also provided. Copies of each of the responses to the consultation are included in Volume 2 of this document.
- 2.7 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, www.nationalgrid.com/uk/Electricity/Codes/, along with the Amendment Proposal Form.

3.0 PROPOSED AMENDMENT

- 3.1 CAP183 seeks to implement the Code Governance Review final proposals and meet the new requirements under the modified electricity Transmission Licence. The Significant Code Review (SCR) process seeks to require certain Licence holders to raise code modifications in line with the directions issued by the Authority following an SCR. The SCR will allow the Authority to initiate a review of one or more matters which they consider to:
- Have significant impacts on electricity consumers or competition
 - Have significant impacts on the environment, security of supply or sustainable development
 - Create significant cross code or cross Licence issues

- Have a significant impact on the Authority's principal objective (under Section 3A of the Act), statutory functions or relevant obligations bound by EU law.

3.2 Ofgem's Final Proposals introduce the procedure of an SCR which is divided into three distinct phases: (i) Initiation, (ii) SCR Phase and (iii) Industry Code Process. The first two phases are led by Ofgem; the last phase is led by the relevant industry code(s). This can be seen in the diagram below and is described in more detail in the following paragraphs.



3.3 Initiation

Initiation of an SCR would be marked by the Authority publishing a notice to the industry to that effect. The notification will specify the start date of the SCR; that is the date which marks the start of the "SCR Phase", which is the period between initiation and end of the SCR Phase, which may include the raising of any Amendment Proposal(s) subject to a direction being issued by the Authority to that effect (see below for "End of SCR Phase").

3.4 SCR Phase

During the SCR Phase, all new Amendment Proposals would still be progressed (through either the Self-governance or standard CUSC Amendment process) but could be subsumed (by the Authority) into an ongoing SCR at any time. For each Amendment Proposal, the Panel would make a judgement on whether it should be included within an SCR and this would be sent to the Authority for consideration but a response would not be required to progress the Amendment Proposal (either via the Self-governance¹ or the standard CUSC process). This has changed from the original thinking of the Working Group whereby new Amendment Proposals could not progress unless exempted by the Authority from the SCR process. Discussions in the Working Group and with Ofgem lead the Working Group to clarify this matter accordingly. However, Urgent Amendment Proposals could still be raised and sent to the Authority for consideration, even if they relate to the subject matter of an SCR, after which they would follow the Urgent Amendments process if they were allowed to progress. The Amendments

¹ The introduction into the CUSC of a Self-governance process is set out in CAP184 and is, therefore, dependent of the approval of that Amendment Proposal.

Panel would have the right to recommend to the Authority whether a new Amendment Proposal should be included as part of an SCR. This could be achieved, for example, via an optional consultation with the Industry or via just a discussion and agreement of the Panel, with the results and recommendation being sent to the Authority for assessment. Amendment Proposals raised before the specified start date of an SCR Phase would follow either the Self-governance or the standard CUSC Amendments process and would not be subject to an assessment (by either the Panel or the Authority) as to suitability for inclusion within an SCR.

3.5 **End of SCR Phase**

Following the Authority's consultation process during the SCR Phase, the Authority would publish SCR conclusions. The end of the SCR Phase would be characterised in one of the following ways:

- the Authority may issue a direction to one or more Licensees to raise one or more Amendment Proposals to implement the SCR conclusions; once the directed Amendment Proposal(s) have been raised, this would signal the end of the SCR Phase;
- the Authority may issue a direction that no Amendment Proposals are required to be raised, whereupon the SCR Phase would end upon publication of that notification;
- in the event that the Authority does not issue any directions after publication of the SCR conclusions, the SCR Phase would end 28 calendar days after publication of the SCR conclusions by the Authority.

Following the end of the SCR Phase, any Amendment Proposals that were suspended during the SCR Phase would be taken back to the Amendments Panel for consideration as to whether and how they should progress.

- 3.6 CAP183 will require the Amendment Proposal form to be updated to include a section on SCRs and whether the Proposer believes that their Amendment Proposal should, or should not, be included within an ongoing SCR. As the Amendment Proposal form sits outside the CUSC, National Grid will produce a draft revised version of this document, updated to reflect all changes required by the Code Governance Review Amendment Proposals, for review by the Governance Standing Group.

4.0 **SUMMARY OF WORKING GROUP DISCUSSIONS**

Presentation of Amendment Proposal

- 4.1 The first Working Group meeting was held on 14th July 2010. The National Grid Representative, as Proposer of CAP183, gave a presentation of the Amendment Proposal. The points of discussion included the items set out within the Terms of Reference and the details of the Amendment Proposal as set out in section 3 of this document. One point of clarification was raised regarding whether an SCR could cross several codes (such as the CUSC, BSC and Grid Code). The Proposer explained that this was within the Transmission Licence whereby the Authority could initiate an SCR if they considered a matter to have significant cross code or cross Licence issues.
- 4.2 One Working Group member noted that the illustrative legal text for CAP183 does not specify that the deliberations, voting rights or any recommendations of a Working Group would not be fettered for an Amendment Proposal raised following a direction from the Authority subsequent to an SCR. In contrast,

the illustrative legal text does make this clear for Panel Members' voting rights and recommendation. National Grid confirmed that the illustrative legal text does not cover the Working Group's deliberations / voting rights / recommendations as it felt this would be more appropriately addressed by amending the standard Terms of Reference of any future Working Groups to include a "for the avoidance of doubt" statement to cover the non-fettering of Working Group members' deliberations, voting rights and recommendations. The Working Group agreed to this approach.

- 4.3 The Working Group additionally discussed the proposed approach within CAP183 to allow rejection of any subsumed Amendment Proposal(s) by the Amendments Panel after a directed Amendment Proposal(s) had been raised following an SCR direction issued by the Authority. The Working Group questioned whether the Panel could reject the subsumed Amendment Proposal(s), as one Working Group member noted that it could be viewed that the original (subsumed) Amendment Proposal was submitted before the Licensee's (directed) Amendment Proposal, therefore the resurrected original Amendment Proposal should not be automatically rejected (by the Panel). A Working Group member stated that this situation could give rise to the tactical raising of Amendment Proposals in order to avoid unintended consequences and set out a number of scenarios where such tactics may be employed.
- 4.4 The first scenario would be to raise an Amendment Proposal following the Authority's notification of initiation of an SCR but prior to the specified start date for the SCR Phase commencing. This would allow the Proposer to retain ownership of their Amendment Proposal and to track progress of similar issues through the SCR itself. The Proposer would thereby have the choice as to whether to proceed with their stand-alone Amendment Proposal or to withdraw it if they were satisfied the issues were being dealt with as part of the SCR.
- 4.5 The second scenario would be for parties to raise an Amendment Proposal during an SCR Phase with the intention of them being subsumed by the Authority. Once the SCR Phase had ended, the Proposer could resurrect their (previously subsumed) Amendment Proposal and allow it to progress at the same time as any SCR directed Amendment Proposal, thereby effectively creating an alternative to the SCR directed Amendment Proposal, which, should the matter ultimately go to a Competition Commission appeal, could be a tactical advantage as all the Amendment Proposals (directed and subsumed, if taken forward) would be before the Competition Commission for consideration.
- 4.6 The third scenario would be for an Amendment Proposal to be raised after an SCR directed Amendment Proposal had been raised, but the Working Group noted that this could be subject to the existing CUSC provisions (8.15.4 (a)) which allow the Amendments Panel to reject any Amendment Proposal(s) with 'substantially the same effect' as a Pending Amendment Proposal. In light of the three scenarios, Working Group members decided to seek views on this from the industry before reconsidering it at its next meeting, noting it as an area for a potential Working Group Alternative Amendment.

Q1. Should a subsumed Amendment Proposal be rejected after the end of an SCR Phase if it is similar to a directed Amendment Proposal?

- 4.7 An additional point which was not covered within the Working Group's Terms of Reference was in relation to Working Group Alternative Amendments being separated from the original Amendment Proposal, in the event that an SCR related issue was identified (and thus the original Amendment Proposal was subsumed). The majority of the Working Group felt that it would be unlikely that an original Amendment Proposal would not be related to an SCR but a Working Group Alternative Amendment to that original proposal would be. However, in the event of this occurrence the Working Group proposes that the original Amendment Proposal and any Working Group Alternative Amendments would progress through the amendments process in parallel such that they reach the Authority at the same time. This approach was proposed as the original and alternatives cannot be separated. The Amendments Panel would also be notified by the Working Group chairman, whereby the Authority would have visibility of the issue.

Q2. Do you agree with the Working Group that Working Group Alternative Amendments cannot be split from their original Amendment Proposal?

- 4.8 The National Grid representative considered that CAP183 better facilitates Applicable CUSC Objective (a) the efficient discharge by the Licensee of the obligations imposed upon it under the Act and by this Licence. This proposal is resulting from Ofgem's review of the Licence and therefore National Grid is mandated by the new Licence obligations to make the changes and additions to the CUSC where applicable.

Working Group Terms of Reference

- 4.9 The Working Group agreed the Terms of Reference for CAP183 and did not wish to include any additional items. The Working Group moved on to complete the actions under the Terms of Reference.

Clarify when an SCR starts/ends

- 4.10 A few points of clarification were made regarding the start and end dates of the SCR Phase as a Working Group member highlighted that the wording within the illustrative legal text should directly reflect the same wording as detailed in the SCR Phase definition within the Licence modifications. The National Grid Representative stated that the initiation of an SCR Phase would be detailed by an official statement from the Authority. The Working Group member noted that, according to the Licence, the notification (from the Authority) will specify the start date of the SCR, which would be the date which marks the start of the "SCR Phase". The National Grid Representative stated that the "SCR Phase" would end in the following ways:

- The Authority would issue directions to the Licensee to raise any modifications and once these were raised, this would determine the end of the SCR phase;
- The Authority could issue directions to the Licensee stating that no modifications would be required following the conclusions from the Authority;
- Finally the Authority may not issue any directions and the SCR Phase would be deemed to have ended 28 days after the Authority published their SCR conclusions.

- 4.11 These were agreed by the Working Group with the proviso that this would be made clear within the legal text and reflect the definitions of the SCR Phase within the Transmission Licence modifications.

Clarify the role of the Amendments Panel in the exemption process

- 4.12 The SCR Phase was discussed in detail whereby an issue was raised regarding any new Amendment Proposals raised (during the SCR Phase) and the routes available for those Amendment Proposals to progress. The Proposer noted that the Authority would have the enduring right to subsume any Amendment Proposal (raised during the SCR Phase) within their SCR; however, the Amendments Panel would recommend to the Authority whether they believed it should be included within an ongoing SCR. A Working Group member asked for clarification about when the Panel would consult on the decision for an Amendment Proposal to be subsumed or continue into either (i) the Self-governance Amendments process or (ii) the standard CUSC Amendments process, as there was some confusion over whether the Panel consultation was optional. Three scenarios were identified for the decision on whether to conduct a Panel consultation:
- a) Panel makes decision (without industry consultation) as to inclusion within SCR and Authority agrees – no consultation required;
 - b) Panel makes decision (without industry consultation) and Authority disagrees – Panel to conduct industry consultation on suitability of inclusion within SCR;
 - c) Panel makes decision (without industry consultation) and no decision provided by Authority – Panel to conduct consultation.

The Working Group decided to seek views on this from the industry as a potential alternative through the consultation before reconsidering it at its next meeting.

Q3. Do you agree with the Working Group that a consultation on the suitability of an Amendment Proposal to be included in an SCR should not be conducted for every new Amendment Proposal raised during an SCR Phase?

Clarify the arrangements for withdrawal and adoption of an Amendment Proposal resulting from an SCR direction

- 4.13 Discussions were held regarding the illustrative legal text which stated that Amendment Proposals raised as a result of an SCR direction which had been withdrawn with the consent of the Authority could not be adopted by another party. A Working Group member noted that the wording at the end of 1.17.19 (“...the CUSC Modification Proposal may not be adopted by another party”) does not appear in the Licence modifications. The member went on to highlight that this approach (of not allowing the withdrawn Amendment Proposal to be adopted) did not follow the standard CUSC Amendments process and may be of some concern to interested parties. The National Grid representative explained the rationale behind the approach. In order for the Licensee to wish to withdraw an SCR-directed proposal, there would have to be something within it that the Licensee considered to be fundamentally flawed due to the hurdle of having to seek the Authority's approval to withdraw such a proposal. Therefore, if there were something that the Licensee considered to be so fundamentally wrong with such a

directed Amendment Proposal, it would not make sense for that Amendment Proposal to be adopted by another industry party. However, the Working Group member responded by noting that if there was a Working Group Alternative Amendment associated with the withdrawn directed Amendment Proposal that an industry party might wish to 'adopt' the withdrawn proposal in order to keep alive the associated Working Group Alternative Amendment. The Working Group agreed to seek views from the industry as to what they considered would be appropriate.

Q4. When the Authority consents to the withdrawal of an SCR directed Amendment Proposal, should another party be allowed to adopt that withdrawn proposal?

Finalised changes to proposal

- 4.14 A second Working Group was held on 27th August 2010 to discuss the seven responses received from the Industry in relation to the Working Group consultation document. Since the previous meeting on 21st July 2010 a change was identified to the legal text by the Authority whereby any new Amendment Proposals raised during an SCR should progress through the Amendments process as normal unless otherwise directed by the Authority. This directly reflects the licence change within paragraph 6A; therefore the Authority would be the trigger for suspending an Amendment rather than the Panel. During the SCR Phase, the Panel would still undertake an assessment for every new Amendment Proposal to determine whether it should be included within an ongoing SCR, regardless of whether the Authority had given an initial view. This Panel assessment is expected to be facilitated by a recommendation, by the Code Administrator, in the Initial Written Assessment presented to the Panel. The Working Group consultation responses also agreed that an SCR suitability consultation should not be conducted for every Amendment Proposal and would only make sense where the Panel views differed from the Authority view. A Working Group member noted that it would be useful to include the Panel decision of whether to include a new Amendment Proposal into an SCR within the headline report in addition to the Panel minutes to provide early visibility of the decision. This would allow more time for the Authority to assess the Panel's SCR decision, reducing the likelihood of work being done to the Amendment Proposal if it was to be subsumed.
- 4.15 Discussions were held regarding question 4 of the consultation document which related to the adoption of withdrawn SCR directed Amendment Proposals and whether it should be allowed. A Working Group member stated a situation in which an individual may want to adopt a withdrawn Amendment such as in the event the 'short term' TAR Amendments (CAPs 161, 162 and 163) were withdrawn. The industry would have spent a lot of time and resources on these complex Amendments and would want a clear decision on their outcome from the Authority. For any rejected Amendments, the decision could contain comments on the merits of parts of a proposal therefore, encouraging parties to raise Amendments in line with the Authority's decisions. This would maximise the efficiency of the process as certain elements of the Amendment Proposal which the Authority felt were beneficial may have already been discussed in consultations. The Authority agreed that the adopting party would have to feel that there was still a purpose in adopting a withdrawn Amendment which could have elements worthy of future Amendments and the Panel would also have visibility on the possible routes that could be taken with the Amendment.

As the Working Group agreed that the adoption of withdrawn SCR directed Amendments should be allowed, this would have to be updated in the legal text, as the previous draft stated that there would be no adoption rights for the withdrawn SCR directed Amendments.

Review the illustrative legal drafting provided by National Grid for suitability.

- 4.16 The first Working Group meeting held on 14th July 2010 undertook a page-turning exercise on the illustrative legal drafting. The main points are summarised below:

Section 8

16.5 – Question on whether an existing Amendment Proposal can be rejected if it is similar to a Licensee directed Amendment Proposal but was raised before the Licensee proposal;

17.4 – Clarify if “exemption” is from the SCR or the need for the Panel to conduct a consultation;

17.9 - Similar point as 16.5 on whether the Panel can recommend that the existing Amendment Proposal, if not significantly different from the directed Amendment Proposal, can be rejected;

17.14 – Clarify if the wording is “should be removed” or “should be suspended” from the CUSC Modification Process given the wording in 17.17;

17.17 – Clarify that the Authority does the ‘deeming’ for whether an Amendment Proposal is suitable for inclusion in the SCR;

17.18 – Add the words “conclusions and” before the word “directions” in the last sentence of the paragraph; in addition, clarify the end of the SCR Phase by reflecting the Licence definition;

20.8(b) – Clarify if Workgroup Alternative Amendment Proposal(s) can be split from the original Amendment Proposal;

20.22 – Include words on “may” consult rather than “shall” consult, depending on the outcome of industry responses.

- 4.17 The final legal text was provided to the Working Group on 8th September and a further page-turning exercise was carried out by the Working Group on 15th September 2010. The main points are summarised below by paragraph number:

1.4 – change the wording for publication of a “statement” to “notice”

1.5 – Change the wording “once the review has ended” to “Once the Authority publishes its conclusions.” Also change word “statement” to “notice”

16.4 (g) – Change wording to “why the proposed modification should not fall within a current Significant Code Review”

17.2 – include wording “submitted during a Significant Code Review Phase”

17.3 – include a default position of suspending a modification after 28 days if the proposer does not indicate to the Code Administrator.

17.4 – include the words “submitted during an SCR Phase”

17.5 – include “CUSC Parties” as treating the Significant Code Review Phase as ended

17.5 – include the wording “Authority directed” CUSC Modification Proposal to clarify the ending of an SCR Phase

17.7 – replace the word “The Company” with “CUSC Parties” who would treat the SCR Phase as ended

20.22 – clarify that subsumed modifications including their alternatives would be suspended during an SCR Phase

5.0 WORKING GROUP ALTERNATIVE AMENDMENT

5.1 No Working Group Alternative Amendment has been proposed for CAP183.

6.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

6.1 At the Working Group meeting on 27 August 2010, the Working Group chairman undertook the Working Group vote on an assessment of the CAP183 Amendment Proposal against the CUSC baseline and the Applicable CUSC Objectives.

6.2 The Applicable CUSC Objectives are:

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

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

6.3 The Working Group believed that CAP183 would better facilitate the CUSC Objective (a) for the reason that National Grid is mandated by the new Transmission Licence obligations to make the changes and additions to the CUSC as set out within the CAP183 proposal and that it ‘demonstrably facilitates’ the achievement of the Applicable CUSC Objective (a). All members were neutral on whether CAP183 better facilitated the achievement of Applicable CUSC objective (b).

6.4 The following table summarises the results of the Working Group's voting, with details of each member's assessment against the Applicable CUSC Objectives. There were a maximum of six Working Group votes available at the meeting, with 5 voting Working Group members present and one Working Group member having been appointed as an alternate to an absent Working Group member. For clarity, the Working Group chairman and the Authority representative do not have a vote.

6.5 Vote 1 Does CAP183 original Amendment Proposal better facilitate the Applicable CUSC Objectives than the CUSC baseline?

Objective	(a)	(b)
Garth Graham	Yes, it demonstrably meets the licence requirements.	Neutral
Garth Graham on behalf of Fiona Navesey	Yes, it demonstrably meets the licence requirements.	Neutral
Steven Eyre	Yes, agree with justification as set out in CAP183 proposal form	No comment
Stuart Cotten	Yes, it demonstrably meets the licence requirements.	No comment
Alex Thomason (National Grid)	Yes, agree with justification as set out in CAP183 proposal form	No comment
Esther Sutton	Yes, it demonstrably meets the licence requirements.	Neutral.

7.0 PROPOSED IMPLEMENTATION

7.1 The Working Group and National Grid proposes that CAP183 should be implemented ten (10) Business Days after an Authority decision.

7.2 During the Working Group meeting to review the legal text on 15th September 2010, National Grid clarified a point on the implementation of the suite of Code Governance Review proposals. National Grid proposes to replicate the existing legal text contained within paragraph 8.23.6 which contains the transitional arrangements used for CAP160, the most recent significant Governance related CUSC Amendment Proposal implemented. The approach for CAP160 established a precedent that there would be a cut-off for new Amendment Proposals to make it clear which governance arrangements would apply to any given Amendment Proposal.

7.3 The transitional arrangements proposed for CAPs 183, 184, 185 and 188 are that any Amendment Proposal which has been raised and considered by the Amendments Panel at its first meeting to consider such proposal, prior to the implementation of CAPs 183, 184, 185 and 188, will follow the existing governance arrangements in force at the time they were raised. Any Amendment Proposal which is raised and first considered by the Amendments Panel after implementation of CAPs 183, 184, 185 and 188 (whichever is the latest to be implemented), will follow the revised governance arrangements introduced by that package of Amendment Proposals.

7.4 This approach will give clarity to any industry participant of the amendments process that will apply to any new Amendment Proposal raised during the period when CAPs 183,184, 185 and 188 are being considered by the Authority and subsequently implemented (or rejected).

8.0 IMPACT ON THE CUSC

8.1 National Grid provided illustrative legal text to the Working Group for its review, including a change marked version of Sections 8 and 11 of the CUSC. For ease of reference, the illustrative legal text has been placed in a joint Volume 2 Working Group report for the Code Governance Review

CUSC Amendment Proposals 183, 184, 185 and 188, and is available on our website at:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandin gggroups/wg/CodeGovernanceReview/>.

- 8.2 At the third Working Group meeting on 27th August 2010, National Grid confirmed that it was in the process of collating all comments on the illustrative legal text, including those from Working Group members and from Ofgem, and would provide an updated draft of the illustrative text to Working Group members for review alongside the draft Working Group report.
- 8.3 The Working Group reviewed the revised draft illustrative legal text, provided by National Grid on 8th September 2010, at a meeting on 15th September 2010. Comments provided by the Working Group were addressed by National Grid and the final illustrative legal text forms part of this Report.

9.0 IMPACT ON INDUSTRY DOCUMENTS

Impact on Core Industry Documents

- 9.1 Neither the Proposer nor the Working Group or Working Group Consultation respondents identified any impacts on Core Industry Documents.

Impact on other Industry Documents

- 9.2 Neither the Proposer nor the Working Group or Working Group Consultation respondents identified any impacts on other Industry Documents, although the Proposer noted that similar modification proposals would be raised to the Balancing and Settlement Code and the Uniform Network Code in due course to meet the new requirements under the modified Transmission Licences.

10.0 INDUSTRY VIEWS AND REPRESENTATIONS

Responses to the Working Group Consultation

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

Reference	Company	Supportive	Comments
CAP183-WGC-01	EDF	Yes	<ul style="list-style-type: none"> Supported that subsumed proposals that had substantially the same effect as the directed modification should be rejected at the end of the SCR Phase Agreed that Alternative Amendments could not be split from the original Agreed that an SCR suitability consultation should not be conducted for every proposal
CAP183-WGC-02	Centrica	Yes	<ul style="list-style-type: none"> Agreed that an SCR suitability consultation should not be conducted for every proposal

Reference	Company	Supportive	Comments
CAP183-WGC-03	Drax	Yes	<ul style="list-style-type: none"> • Believed that subsumed proposals should not be rejected at the end of an SCR phase • Agreed that Alternative Amendments could not be split from the original • Agreed that an SCR suitability consultation should not be conducted for every proposal • Believed that withdrawn SCR directed amendments could be adopted
CAP183-WGC-04	SSE	Yes	<ul style="list-style-type: none"> • Believed that subsumed proposals should not be rejected at the end of an SCR phase • Agreed that Alternative Amendments could not be split from the original • Agreed that an SCR suitability consultation should not be conducted for every proposal • Believed that withdrawn SCR directed amendments could be adopted
CAP183-WGC-05	Wyre Power	Yes	<ul style="list-style-type: none"> • Believed that subsumed proposals should not be rejected at the end of an SCR phase • Agreed that Alternative Amendments could not be split from the original • Agreed that an SCR suitability consultation should not be conducted for every proposal • Believed that withdrawn SCR directed amendments could be adopted
CAP183-WGC-06	EON	Yes	<ul style="list-style-type: none"> • Believed that subsumed proposals should not be rejected at the end of an SCR phase • Agreed that Alternative Amendments could not be split from the original • Agreed that an SCR suitability consultation should not be conducted for every proposal • Believed that withdrawn SCR directed amendments could be adopted
CAP183-WGC-07	SP	Yes	<ul style="list-style-type: none"> • Believed that subsumed proposals should not be rejected at the end of an SCR phase • Agreed that Alternative Amendments could not be split from the original • Agreed that an SCR suitability consultation should not be conducted for every proposal • Believed that withdrawn SCR directed amendments could be adopted

10.2 No Working Group Consultation Alternative Requests were received.

Views of Panel Members

10.3 No Panel Members responded to the Working Group Consultation in that capacity.

Views of Core Industry Document Owners

10.4 No responses were received from core industry document owners

Responses to the Company Consultation

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

Reference	Company	Supportive	Comments
CAP183-CR-01	SSE	Yes	<ul style="list-style-type: none"> Believed that CAP183 better facilitated applicable CUSC objective (a) Supported proposed implementation of 10 Working Days after Authority approval Welcomes suggestion that the Governance Standing group should review Sections 8 & 11 early in 2011
CAP183-CR-02	EDF	Yes	<ul style="list-style-type: none"> Believes CAP183 better facilitates applicable CUSC objective (a) Supports proposed implementation approach
CAP183-CR-03	EON	No	<ul style="list-style-type: none"> Not supportive of CAP183 It does achieve licence obligation under applicable CUSC objective (a) Believe that it negatively impacts applicable CUSC objective (b) as it increases regulatory uncertainty and have a negative effect on competition Prefer a time limit on how long an amendment can be subsumed for Prefer a higher threshold for support for implementation of SCR directed proposals as raised in CAP190.
CAP183-CR-04	SP	Yes	<ul style="list-style-type: none"> Believed that CAP183 better facilitates applicable CUSC objective (a) but neutral on (b) Supports the implementation approach of 10 Working Days after Authority approval

10.6 The response received from ScottishPower was sent using the Working Group Consultation proforma, which contained responses to the Working Group Consultation questions. However, for the purpose of the Company Consultation, the views of ScottishPower have been captured above in relation to their views on whether they support CAP183 and the proposed implementation timescales.

10.7 On 11th October 2010, Ofgem contacted National Grid to highlight its concerns with the final legal text for CAPs 183, 184, 185 and 188, published in Volume 2 of the Company Consultation documents on 27th September 2010. Ofgem subsequently sent National Grid detailed comments, referencing the paragraphs which it believes require amending. Ofgem's comments can be found in Volume 2 of this Amendment Report. As Code Administrator, National Grid responded that the CUSC does not explicitly allow for the legal text to be amended once the Company Consultation has been published and that the established practice and precedent over many years has been not to accept changes from CUSC Parties to the legal text at

the Company Consultation phase and therefore the legal text is fixed from that point onwards.

- 10.8 Discussions between Ofgem and National Grid, as Code Administrator, identified those elements of the text which were of significant concern to Ofgem. National Grid acknowledges Ofgem's comments; particularly those identified as significant concerns and has undertaken to review all of the legal text as part of a Code Governance Review post-implementation review, which will be led for the CUSC by the Governance Standing Group.

11.0 COMMENTS ON THE DRAFT AMENDMENT REPORT

- 11.1 In the first draft Amendment Report which was published for industry comment on 14th October 2010, one minor comment was received from Scottish and Southern Energy who provided clarification on the established precedent to the amendments process. This comment has been incorporated under paragraph 10.7.

12.0 WORKING GROUP RECOMMENDATION

- 12.1 The Working Group believes the Terms of Reference (see Annex 2) have been fulfilled and CAP183 has been fully assessed. At the Working Group meeting on the 27 August 2010, six votes were cast which were unanimous in agreeing that CAP183 better facilitated the achievement of Applicable CUSC Objective (a) than the baseline and should be implemented.

- 12.2 In their extensive discussions with regards to all options, the Working Group did not identify any Alternative Amendments which they wished to progress. This was also reflected in the seven industry responses to the Working Group Consultation which did not raise any Working Group Consultation Alternative Requests for the Working Group to consider.

13.0 AMENDMENTS PANEL RECOMMENDATION

- 13.1 The Amendments Panel voted on whether they believed CAP183 better facilitated the Applicable CUSC Objectives than the current baseline. The result was a 5-3 majority recommendation for CAP183 to be implemented, primarily under the facilitation of Applicable CUSC Objective (a). The majority response under Applicable CUSC Objective (b) was a neutral decision. The details of the vote can be found in the table below:

Panel Member	Better facilitates Applicable Objective (a)	Better facilitates Applicable Objective (b)
Paul Mott	Yes. In the absence of CAP183, the potential SCR topic could still have been discussed e.g. cashout, in a less constrained manner than under SCRs, so potentially the baseline could be better but overall the proposal does better facilitate applicable CUSC Objective (a)	Neutral.
Bob Brown	Yes, for two reasons: It delivers the licence changes	Yes. SCR delivers benefit of holistic view.

	required and there is also a potential for a more efficient process of progressing large changes. This second point could be related to Applicable CUSC Objective (b) of facilitating effective competition.	
Fiona Navesey	Yes. On balance it does facilitate Applicable CUSC Objective (a) but only on the basis that it carries out the mechanistic process of the obligation imposed. There is also the potential for SCRs to lend to a more efficient approach to market issues and accelerating some of the big decisions in next few years.	Neutral
Fiona Navesey (on behalf of Paul Jones)	Neutral (zero weight).	Neutral
Garth Graham	Yes, being mindful of the consultation responses in Volume 2 and also paragraphs 6.3 and 14.1 of the Amendment Report.	Neutral
David Smith	Yes, it discharges National Grid's licence obligations and also allows for a more efficient process by avoiding the duplication of Amendment Proposals.	Neutral
Barbara Vest	No. The Electricity Act did not envisage the shift in balance to allow the regulator to be "judge, jury and executioner", therefore this is not the most efficient Amendment Proposal NGET could have brought forward to fulfil its licence obligation. It also doesn't give timely resolution to issues; checks and balances not appropriate.	No, imposes restrictions on industry that BV does not believe the Act envisaged. It also limits the ability of the industry to influence the codes that the industry has to adhere to.
Barbara Vest (on behalf of Simon Lord)	As per Barbara.	As per Barbara.
Total	5 for 2 against 1 neutral	1 for 2 against 5 neutral

14.0 NATIONAL GRID RECOMMENDATION

- 14.1 National Grid supports CAP183 and believes that it better facilitates Applicable CUSC Objective (a): *“the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence”*, specifically with regard to the obligation under standard condition C10 of the licence. CAP183 achieves this by implementing the licence modifications made in July 2010, within the CUSC. Furthermore, CAP183 offers a more efficient CUSC modification process by potentially reducing the duplication of similar Amendment Proposals and providing a holistic view of the topics being covered.

ANNEX 1 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC

Please see Volume 2 of the Amendment Report which contains the final draft of the illustrative legal text for Sections 8 and 11 of the CUSC, a new contents page for the CUSC and a new Section 14 to include the Charging Methodologies. Volume 2 has been published on National Grid's website at the link below:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/wg/CodeGovernanceReview/>

The legal text has been produced as consolidated versions of the relevant CUSC sections, showing all changes for the suite of Code Governance Review Amendment Proposals for ease of review, as follows:

Section 8: CUSC Modification
Section 11: Interpretation and Definitions

These two sections have been colour coded to show which individual Amendment Proposal the textual changes pertain to. The colour coding is as follows:

- Dark purple:** CAP183: Significant Code Review
- Pale green:** CAP184: Self-governance
- Turquoise:** CAP185: Role of Code Administrator/CACOP
- Dark green:** CAP186: Send Back (NB. This has been included for completeness; the proposed legal text against the existing baseline has been published with CAP186)
- Orange:** CAP187: Environmental assessment (NB. This has been included for completeness; the proposed legal text against the existing baseline has been published with CAP187)
- Bright pink:** CAP188: Governance of charging methodologies

Given the number of proposed changes in each of the sections, we have also produced a "clean" copy of each section which are also contained in volume 2.

Please note that the illustrative text currently contains a number of footnote references which have been used during drafting to cross-reference the textual changes to the relevant licence obligations. These footnotes do not form part of the proposed CUSC changes and will be removed prior to the final version of the text submitted to the Authority.

ANNEX 2 – WORKING GROUP TERMS OF REFERENCE AND MEMBERSHIP

Working Group Terms of Reference and Membership

TERMS OF REFERENCE FOR CAP183, CAP184, CAP185 and CAP188 WORKING GROUP(S)

RESPONSIBILITIES

1. The Working Group is responsible for assisting the CUSC Amendments Panel in the evaluation of the following CUSC Amendment Proposals tabled by National Grid Electricity Transmission plc at the special Amendments Panel meeting on 9th July 2010.
 - CAP183 - Code Governance Review: Significant Code Review
 - CAP184 – Code Governance Review: Self Governance
 - CAP185 – Code Governance Review: Role of Code Administrator and Code Administration Code of Practice
 - CAP188 – Code Governance Review: Governance of Charging Methodologies
2. The proposal(s) must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:
 - (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and
 - (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
3. It should be noted that additional provisions apply where it is proposed to modify the CUSC amendment provisions, and generally reference should be made to the Transmission Licence for the full definition of the term. For the avoidance of doubt, these additional provisions are set out in Condition C10, paragraph 6 of the Transmission Licence.

SCOPE OF WORK

4. The Working Group(s) must consider the issues raised by the Amendment Proposal(s) and consider if the proposal(s) identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Working Group(s) shall consider and report on the following specific issues.

CAP183: Significant Code Review

- Clarify when an SCR starts/ends;
- Clarify the role of the Amendments Panel in the exemption process;
- Clarify the arrangements for withdrawal and adoption of an Amendment Proposal resulting from an SCR direction;
- Review the illustrative legal drafting provided by National Grid for suitability.

CAP184: Self-governance

- Confirm that the Authority can direct an Amendment Proposal to the Self-governance process (as well as directing that it should not follow the Self-governance route);
- Consider the Amendments Panel process for reviewing which route an Amendment Proposal should follow (Significant Code review, standard or self-governance), such that the Panel does not have to undertake multiple assessments for each Proposal;
- Clarify the appeal routes applicable for self-governance, e.g. when is the Competition Commission appeal route applicable;
- Clarify the appeal criteria for assessment against the Applicable CUSC Objectives, with reference to "at least one of the CUSC objectives";
- Review the illustrative legal drafting provided by National Grid for suitability.

CAP185: Role of Code Administrator and Code Administration Code of Practice

- Clarify the future role of a "deputy chair" for the Amendments Panel; if the Panel Chairman is independent, who can undertake the role of deputy?;
- Confirm whether the requirement for the Code Administrator to seek the approval of the Amendments Panel prior to raising a change to the Code of Practice should be included within the CUSC;
- Review the illustrative legal drafting provided by National Grid for suitability.

CAP188: Governance of Charging Methodologies

- Clarify whether a proposal to change the Charging Methodologies has to be stand-alone or whether it can form part of a wider proposal to amend the CUSC;
- Consider "charging windows" (restriction to period for raising charging-related Amendment Proposals);
- National Grid to provide a change marked version of the existing charging methodologies for inclusion in the CUSC for review by the Working Group;
- Review the illustrative legal drafting provided by National Grid for suitability.

6. The Working Group(s) is responsible for the formulation and evaluation of any Working Group Alternative Amendments (WGAAs) arising from Group discussions which would, as compared with the Amendment Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
7. The Working Group(s) should become conversant with the definition of Working Group Alternative Amendment which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Working Group to put forward a WGAA if the member(s) genuinely believes the WGAA would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Amendment Proposal or the current version of the CUSC. The extent of the support for the Amendment Proposal or any WGAA arising from the Working Group's discussions should be clearly described in the final Working Group Report to the CUSC Amendments Panel.
8. Working Group members should be mindful of efficiency and propose the fewest number of WGAAs possible.
9. All proposed WGAAs should include the Proposer(s)'s details within the final Working Group report, for the avoidance of doubt this includes WGAAs which are proposed by the entire Working Group or subset of members.

10. There is an obligation on the Working Group to undertake a period of Consultation in accordance with CUSC 8.17. The Working Group Consultation period shall be for a period of three weeks as determined by the Amendments Panel.
11. Following the Consultation period the Working Group is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Working Group should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Working Group will be required to undertake any further analysis and update the original Amendment Proposal and/or WGAAAs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Working Group's deliberations and conclusions. The report should make it clear where and why the Working Group chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WGAA against the majority views of Working Group members. It should also be explicitly stated where, under these circumstances, the Working Group chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Working Group is to submit its final report to the Amendments Panel Secretary on for circulation to Panel Members. The final report conclusions will be presented to the Amendments Panel meeting on 29th October 2010.

MEMBERSHIP

13. The following individuals have nominated themselves to be Working Group members:

Role	Name	Representing
Chairman	David Smith	National Grid
National Grid Representative*	Steve Lam Emma Clark Alex Thomason	National Grid
Industry Representatives*	Garth Graham	SSE
	Stuart Cotten	Drax Power Ltd
	Esther Sutton	E.ON UK plc
	Paul Mott	EDF Energy
	Fiona Navesey	Centrica Energy
	Steven Eyre	EDF Energy
Authority Representative	Jon Dixon	Ofgem
Technical Secretary	Ben Smith	National Grid
Observers		

NB: A Working Group must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Working Group and the Amendments Panel Chairman must agree a number that will be quorum for each Working Group meeting. The agreed figure for CAPs 183, 184, 185 and 188 is that at least five Working Group members must participate in a meeting for quorum to be met. At the Amendments Panel meeting on 9th July 2010, the Panel noted the limited number of Working Group members and agreed in principle that progress of the Working Group(s) should not be halted should a meeting of the Working Group(s) not be quorate.

15. A vote is to take place by all eligible Working Group members on the Amendment Proposal and each WGAA. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Working Group chairman shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:
- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
 - Vote 2: where one or more WGAA's exist, whether each WGAA better facilitates the Applicable CUSC Objectives than the original Amendment Proposal;
 - Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.
- The results from the vote and the reasons for such voting shall be recorded in the Working Group report in as much detail as practicable.
16. It is expected that Working Group members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Working Group chairman at the earliest possible opportunity and certainly before the Working Group vote takes place. Where abstention occurs, the reason should be recorded in the Working Group report.
17. Working Group members or their appointed alternate are required to attend a minimum of 50% of the Working Group meetings to be eligible to participate in the Working Group vote.
18. The Technical Secretary shall keep an Attendance Record for the Working Group meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Working Group report.
19. The Working Group membership can be amended from time to time by the CUSC Amendments Panel.

RELATIONSHIP WITH AMENDMENTS PANEL

20. The Working Group shall seek the views of the Amendments Panel before taking on any significant amount of work. In this event the Working Group chairman should contact the Amendments Panel Secretary.
21. The Working Group shall seek the Amendments Panel's advice if a significant issue is raised during the Consultation process which would require a second period of Consultation in accordance with 8.17.17 of the CUSC.
22. Where the Working Group requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Working Group chairman should contact the Amendments Panel Secretary.

MEETINGS

23. The Working Group shall, unless determined otherwise by the Amendments Panel, develop and adopt its own internal working procedures and provide a copy to the Panel Secretary for each of its Amendment Proposals.

Reporting

24. The Working Group chairman shall prepare a final report for the October 2010 Amendments Panel meeting, responding to the matters set out in the Terms of Reference, including all Working Group Consultation Responses and Alternative Requests.
25. A draft Working Group report must be circulated to Working Group members with not less than five Business Days given for comments, unless all Working Group members agree to three Business Days.
26. Any unresolved comments within the Working Group must be reflected in the final Working Group report.
27. The chairman (or another member nominated by him) will present the Working Group report to the Amendments Panel as required.

Appendix 1: Indicative Working Group(s) Timetable

Please note this timetable has been updated to reflect the additional initial Working Group meeting held on 21st July 2010 and consequential delays to the timetable.

9 th July 2010	Special Amendments Panel meeting – agree Working Group Terms of Reference
14 th July 2010	First Working Group meeting
21 st July 2010	Second Working Group meeting (teleconference)
4 th August 2010	Publish Working Group consultations (for three weeks)
25 th August 2010	Deadline for Working Group consultation responses
27 th August 2010	Post-consultation Working Group meeting (to review consultation responses, confirm any alternatives and undertake Working Group vote)
* 3 rd Sept 2010	Publish draft Working Group reports for comment
* 10 th Sept 2010	Deadline for comments on Working Group reports
* 16 th Sept 2010	Publish final Working Group reports (5 Working Days' notice to Panel)
* 24 th Sept 2010	Amendments Panel meeting to discuss Working Group reports (an additional "special" Panel meeting was previously proposed)
* 27 th Sept 2010	Issue industry consultations (for two weeks)
* 11 th Oct 2010	Deadline for industry responses
* 13 th Oct 2010	Draft Amendment Reports published for industry comment
* 20 th Oct 2010	Deadline for industry comment
* 21 st Oct 2010	Draft Amendment Reports published prior to Panel Recommendation Vote (with Panel papers)
* 29 th Oct 2010	Amendments Panel meeting – Panel Recommendation Vote
* 5 th Nov 2010	Send final Amendments Reports to Authority
* 10 th Dec 2010	Indicative Authority decision date (25 Working Day KPI)
* 24 th Dec 2010	Indicative implementation date (10 Working Days after Authority decision)

** These dates are based on the premise that no WG Consultation Alternative Requests are made. Should further work be required to consider WG Consultation Alternative Requests or WGAAAs, this part of the process may be delayed and a further extension to the report submission deadline to the Amendments Panel meeting may be required.*

ANNEX 3 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:183
Title of Amendment Proposal: Code Governance Review: Significant Code Review (SCR)	
Description of the Proposed Amendment (<i>mandatory by proposer</i>):	
<p>This Amendment Proposal is part of a series of proposals raised by National Grid to implement the Final Proposals of the Code Governance Review which was initiated by Ofgem in November 2007. The review sought to address concerns that the existing code arrangements may be too complex and inaccessible to smaller market participants. Given the Authority's evolving role with the introduction of additional statutory duties and the right of appeal to the Competition Commission, such a review was considered to be conducted at an appropriate time.</p> <p>Ofgem published its Final Proposals for the Code Governance Review in March 2010, followed by its statutory consultation on licence modifications on 3rd June 2010. National Grid did not object to the licence modifications. As part of the suite of work strands conducted by the Code Governance Review, one of the proposals identified was the Significant Code Review (Previously Major Policy Review). Given the evolving energy goals by the Government and the potential changes which may be required from European Legislation, it is important to be able to facilitate significant code changes in a timely and efficient manner. Any delays in the implementation of important code reforms may lead to negative impacts on customers and the industry</p> <p>The Significant Code Review process seeks to require certain licence holders to raise code modifications in line with the conclusions set out by the Authority following an SCR. The SCR will allow the Authority to initiate a review of one or more matters which they consider to:</p> <ul style="list-style-type: none"> • Have significant impacts on electricity consumers or competition • Have significant impacts on the environment, security of supply or sustainable development • Create significant cross code or cross licence issues • Have a significant impact on the Authority's principle objective (under Section 3A of the Act), statutory functions or relevant obligations bound by EU law. <p>National Grid proposes amendments to the CUSC to create the following process (please see Appendix 1 for the proposed illustrative process flow diagram):</p> <ol style="list-style-type: none"> (i) Where an SCR has been initiated by the Authority, a notice will be issued to the CUSC Parties that an SCR has commenced. This will also detail the start date of the SCR and the matters which will be within the scope of the review. (Paragraph (i) is for information only and will not require an amendment to the CUSC) (ii) National Grid will update the Amendment Proposal form to allow Proposers to give reasons on whether it should be included within the scope of an SCR if the Amendment is being raised during an SCR phase. (iii) Any Amendment Proposals which were made before the SCR phase commenced will still progress under the standard Amendments process. (iv) If an Amendment Proposal raised prior to an SCR Phase is sent to the Authority for determination but is subsequently sent back (under the proposed Send back process – CAP186) in to the Amendments Process during an SCR Phase, that Amendment Proposal will not be subject to the SCR. (v) Any new non urgent Amendment Proposal may not progress if it is deemed to fall within the scope of the SCR during the SCR phase, unless it is agreed by the Authority. An initial assessment of whether a proposal falls within an SCR will be determined by the Panel which may include an optional consultation with the industry. A final assessment will be sent to the Authority once the consultation has concluded, unless a consultation has been deemed unnecessary. 	

- (vi) If a response has not been received from the Authority within 28 calendar days regarding the decision of whether an Amendment Proposal should be subsumed, the Proposal will follow the standard Amendments process unless otherwise directed by the Authority.
- (vii) If the Authority subsumes a new Amendment Proposal within the SCR, the original proposal will be deemed as suspended and may not be adopted by another party.
- (viii) A subsumed Amendment Proposal which is suspended will go back to the Panel for consideration as to how it should progress, once the SCR phase ends or is deemed to have ended.
- (ix) The SCR phase will last for approximately 12 months after which the Authority should publish the conclusions of the SCR and issue directions to the licensee(s). The Authority will have 28 days in which to provide a direction for any Amendment Proposals to be raised. If no direction has been given then the SCR phase will have been deemed to have ended.
- (x) The period of the SCR Phase will be between the date at which the Authority states that an SCR is initiated and the date at which the Authority issues a direction.
- (xi) If any Amendment Proposals have been raised following the direction from the Authority, these will follow the standard CUSC Amendments process with the exception that these Amendment Proposals cannot be withdrawn without the Authority's prior consent.
- (xii) The voting rights of the Panel will not be fettered for any SCR Amendments that may be raised.

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

The existing code modification process has been considered by Ofgem to lack the ability to deliver reforms in significant strategic areas as it normally addresses small changes which do not have major impacts on the industry rules. However, with changing Government and European legislation, there may be times when there will be impacts to several industry codes which could only be efficiently delivered through a SCR to expedite the process.

The Code Governance Review seeks to implement the Significant Code Review within the Transmission Licence to allow the Authority to lead on SCRs if there is evidence that there will be matters which will have a significant impact on their obligations or objectives. As these new obligations within the licence will have a direct impact on the CUSC, this Amendment Proposal seeks to insert clauses to the CUSC to implement the Final Proposals.

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

Initial assessment of the CUSC suggests that changes are required to section 8 of the CUSC

Impact on Core Industry Documentation (*this should be given where possible*):

None anticipated

Impact on Computer Systems and Processes used by CUSC Parties (*this should be given where possible*):

None anticipated

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

National Grid intends to raise similar proposals to both the BSC and the UNC, in line with the timetable which has been published to the industry in June 2010. These Modification Proposals will not interact with the changes proposed to the CUSC.

<p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** (mandatory by proposer):</p> <p>National Grid considers that implementation of this Amendment Proposal would better facilitate the following Applicable CUSC Objective:</p> <p>(a): "the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence", specifically with regard to the obligation under standard condition C10 of the licence.</p> <p>This proposal is resulting from Ofgem's review of the Licence and therefore National Grid is mandated by the new licence obligations to make the changes and additions to the CUSC where applicable.</p>	
<p>Details of Proposer: Organisation's Name:</p>	<p>National Grid Electricity Transmission Plc</p>
<p>Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")</p>	<p>CUSC Party</p>
<p>Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:</p>	<p>Steven Lam National Grid Electricity Transmission plc 01926 653534 Steven.lam@uk.ngrid.com</p>
<p>Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:</p>	<p>Alex Thomason National Grid Electricity Transmission plc 01926 656379 Alex.thomason@uk.ngrid.com</p>
<p>Attachments (Yes): If Yes, Title and No. of pages of each Attachment: 2 pages – Significant Code Review (SCR) and Amendment during SCR Phase</p>	

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:

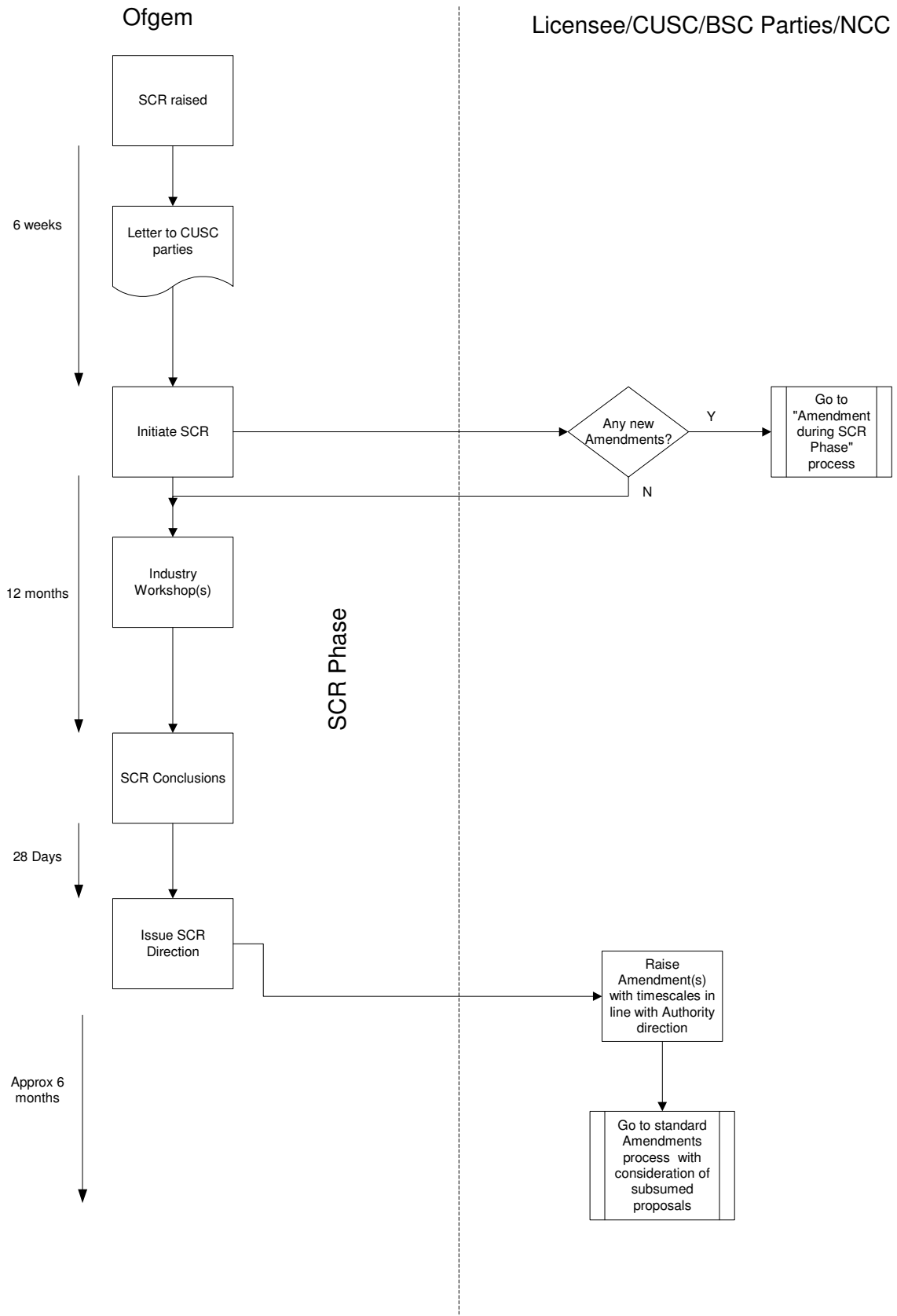
Steven Lam
Commercial
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Or via e-mail to: steven.lam@uk.ngrid.com

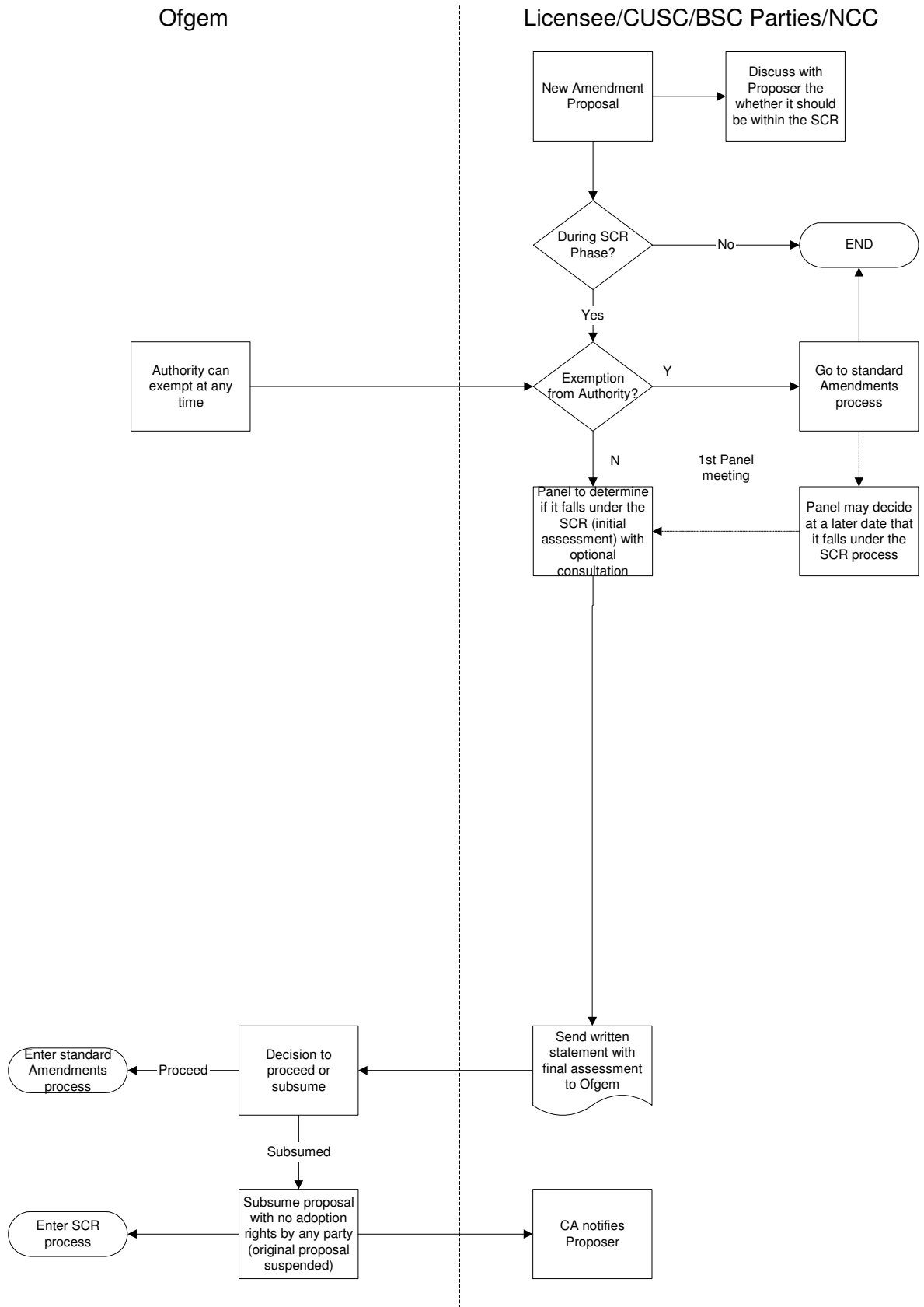
(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC.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

3. Applicable CUSC Objectives** - These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.

Significant Code Review (SCR)



Amendment During SCR Phase



ANNEX 4 – WORKING GROUP ATTENDANCE REGISTER

Name	Organisation	Role	14/07/10	21/07/10	27/08/10	15/09/10 (legal text page-turning)
David Smith	National Grid	Chairman	Yes	Yes	Yes	No
Ben Smith	National Grid	Technical Secretary	Yes	Yes	No	No
Emma Clark	National Grid	National Grid representative (CAP185)	Yes	No	Yes	Yes
Steve Lam	National Grid	National Grid representative (CAP183/184)	Yes	Yes	Yes	Yes
Alex Thomason	National Grid	National Grid representative (CAP188)	Yes	Yes	Yes	Yes
Garth Graham	SSE	Working Group Member	Yes	Yes	Yes	Yes
Stuart Cotten	Drax Power	Working Group Member	Yes	Yes (via teleconference)	Yes	No
Esther Sutton	E.ON UK	Working Group Member	Yes	Yes (via teleconference)	Yes (via teleconference)	Yes
Paul Mott	EDF Energy	Working Group Member	Yes	Yes (via teleconference)	No	No
Steven Eyre	EDF Energy	Working Group Member	No	No	Yes	Yes
Fiona Navesey	Centrica Energy	Working Group Member	Yes	Yes – part meeting (via teleconference)	No (GG acted as alternate)	No
Jon Dixon	Ofgem	Authority representative	Yes	Yes - part meeting (via teleconference)	No	Yes (via teleconference)
Abid Sheikh	Ofgem	Authority representative	No	No	Yes (via teleconference)	No