

CUSC Amendment Proposal Form	CAP: 188
Title of Amendment Proposal:	
Code Governance Review: Governance of Charging Methodologies	
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 wider 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 Electricity Transmission plc has not objected to the licence modifications. As part of the suite of work strands conducted by the Code Governance Review, it was proposed to incorporate the charging methodologies into the relevant industry codes.</p> <p>Under the existing charging methodology governance arrangements, only National Grid Electricity Transmission plc can propose formal modifications to the electricity transmission charging methodologies. As part of the Code Governance Review the options for opening up the governance of the charging methodologies were consulted on. It was envisaged that this would improve accessibility and transparency of the charging methodologies to users as well as the accountability of the network owners and operators. It would also enable network users and customers to bring forward innovative changes and address any deficiencies in existing methodologies. It is hoped that this may lead to improvements in cost reflectivity which should promote competition.</p> <p>The Code Governance Review Final Proposals require the charging methodologies to be open to change by placing the charging methodologies within the relevant industry code, thereby making them subject to code governance. This was proposed as the most appropriate governance regime for the management of charging methodology modifications. This provides the potential opportunity for affected parties to challenge the Authority's decision on a charging methodology modification by way of an appeal to the Competition Commission following a Panel's recommendation and vote. It should also allow for closer alignment and a more holistic consideration of the charging implications of any associated code modification. In order to achieve this, a new section will be created in the CUSC to incorporate the existing Charging Methodologies. The existing Charging Methodologies will not be changed except to remove parts which are inconsequential and would result in duplication, such as the introductory paragraphs.</p> <p>Ofgem also specified that non-code parties should have the right to raise changes to the charging methodologies where such parties can demonstrate to the Authority that they are materially affected by the methodology and intend to raise a change. The Authority would then designate the party as being "materially affected" thereby allowing them to raise a change to the charging methodology. This will be reflected in the CUSC by amending the list of parties able to raise a change to the CUSC, with specific reference to the charging methodologies and the definition of "materially affected party" as set out in the Transmission Licence.</p> <p>Under the Final Proposals the existing Transmission Charging Methodologies Forum (TCMF) should be continued. In the CUSC the concept of a TCMF will be created, to continue as a discussion forum open to any interested Industry parties. The TCMF will continue to be chaired by National Grid, but its terms of reference will be adopted by the Amendments Panel who will be able to change them. In addition, the Panel could create a Charging Standing Group which could be used as a forum to develop Charging Methodology Amendment Proposals.</p>	

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

This Amendment Proposal results from Ofgem's Code Governance Review Final Proposals and the associated Licence Modifications which National Grid Electricity Transmission plc has not objected to. Therefore National Grid as Licensee is mandated by the new licence obligations to make the changes and additions to the CUSC where applicable.

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

Insertion of a new CUSC section to include the Charging Methodologies. Amendments to Section 8 to refer to the TCMF and add a new category of party able to raise a change to the charging methodologies.

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*):

There will be an equivalent UNC modification proposal for the inclusion of the gas transmission and distribution (use of system only) charging methodologies. These modification proposals will not interact with the changes proposed to the CUSC.

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

National Grid considers that implementation of this Amendment Proposal would better facilitate the following 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 new obligations under standard conditions C5, C6, C10 of the licence which National Grid Electricity Transmission plc has not objected to.

Details of Proposer: Organisation's Name:	National Grid Electricity Transmission plc
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Alex Thomason National Grid Electricity Transmission plc 01926 656379 Alex.thomason@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Emma Clark National Grid Electricity Transmission plc 01926 655223 Emma.clark@uk.ngrid.com

Attachments: Yes

Developmental GB Transmission Charging Methodologies Forum (GB TCMF) Terms of Reference, dated 20 February 2004. Also available on National Grid's website at <http://www.nationalgrid.com/uk/Electricity/Charges/TCMF/>

Notes:

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

The completed form should be returned to:

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.

Appendix 1: Transmission Charging Methodologies Forum Terms of Reference



Developmental GB Transmission Charging Methodologies Forum (GB TCMF) Draft Terms of Reference

Purpose of this Paper

This paper sets out the proposed Terms of Reference for National Grid's Developmental GB Transmission Charging Methodologies Forum (TCMF) in light of the proposed implementation of the British Electricity Trading and Transmission Arrangements (BETTA) from 1 April 2005. It states the rationale for such a forum, its proposed membership, meeting frequency, scope of issues covered, appointment of the Chair and Technical Secretary and publication of papers and minutes.

Introduction

The TCMF was established for England and Wales following the introduction of the Connection and Use of System Code (CUSC) and the associated Charging Statements in September 2001. The relevant Transmission Licence Conditions require National Grid to keep the charging methodologies published in the Charging Statements under constant review and to propose modifications to them if such modifications can be shown to better meet a set of Relevant Objectives set out within the Licence.

The TCMF was created to provide a forum where Users' views could be represented and discussed. In addition, it offers an opportunity for National Grid to provide information on and debate with Users its ongoing review of the Methodologies as well as other current charging issues.

In light of the introduction of legislation designed to implement BETTA by 1 April 2005, National Grid believes it is appropriate to amend the format of the current TCMF to incorporate issues pertaining to GB. Until BETTA is implemented, issues pertaining to both England and Wales and GB will need to be discussed and National Grid therefore proposes to extend the existing TCMF to cover all such issues. Once BETTA is implemented, a formal GB TCMF can be established and until such time, National Grid shall refer to the forum as the Developmental GB TCMF.

Meeting Frequency and Location

The Developmental GB TCMF will generally be held every six weeks in either the Coventry area or in Scotland, depending on attendance (to be discussed at the first meeting).

Membership

The following membership is proposed for the Developmental GB TCMF:

- ❖ Existing CUSC parties and all prospective GB CUSC parties, limited to one representative for each party
- ❖ A representative from Ofgem
- ❖ Representatives of end electricity consumers (for example, energywatch, the MEUC)
- ❖ CUSC Panel members and their alternates
- ❖ Scottish Transmission Owners, limited to one representative per TO



- ❖ A lead representative nominated by National Grid who will be supported at TCMF by a number of nominated National Grid experts as appropriate to the agenda.

This structure aims to allow the logistics to be manageable and should ensure that an efficient discussion forum results. The Chairman and National Grid reserve the right to prioritise membership of the Developmental GB TCMF in the event of oversubscription of any meeting.

If the Chairman and National Grid believe a particular issue warrants discussion in a larger forum (i.e. with more than one representative from each CUSC Party), there will be the opportunity for a seminar type session to be organised.

National Grid will constantly review the terms of reference to ensure an effective forum is maintained.

Scope

The Developmental GB TCMF's scope will be the development of the charging principles and methods associated with the GB Use of System Charging Methodology (incorporating both Transmission Network Use of System and Balancing Services Use of System Charges) and the GB Connection Charging Methodology. In addition, it will be used as a forum to update Users on ongoing charging issues in England and Wales and developments in Europe.

For the avoidance of doubt, the Developmental GB TCMF will not be concerned with the impact of existing charges on individual Users as there are already well established routes to deal with such issues. Nor will the forum cover specific contractual or market issues relating to the CUSC or the BSC (or the development of their GB equivalents), as these will be dealt with through the relevant governance structures for these codes.

The standing agenda for the Developmental GB TCMF will be as follows:

- ❖ *Minutes of previous meeting*
- ❖ *Development of GB Charging Methodologies*
 - ❖ *The Use of System Charging Methodology*
 - ❖ *The Connection Charging Methodology*
- ❖ *Current Charging Issues in England and Wales*
- ❖ *European Charging Issues*
- ❖ *Any Other Business*

The GB Charging Methodologies item provides the opportunity for National Grid to discuss recent or forthcoming progress to the development of the GB transmission charging methodologies and for industry participants to raise relevant issues for discussion. It is the intention that this forum would provide the means for Users to raise issues they felt worthy of review to be discussed in a wider forum as well as providing the opportunity for Users to provide comment on National Grid proposed modifications.

National Grid will use the current charging issues agenda item to inform Users of forthcoming or recent correspondence or notifications pertaining to the existing charging



methodologies in England and Wales. In addition, customers can raise issues for discussion or general queries regarding the existing methodologies under this section.

Responsibilities and Appointment of the Chair

Given that the Developmental GB TCMF has been created to play a role in efficiently fulfilling National Grid's licence obligations to review its charging methodologies, the Chair will be appointed by National Grid.

The Chair will be responsible for ensuring the smooth running of the Developmental GB TCMF and ensuring the Terms of Reference are observed.

A Deputy Chair will also be appointed by National Grid.

Responsibilities and Appointment of the Technical Secretary

The Technical Secretary will be appointed by National Grid.

The Technical Secretary will be responsible for the preparation and distribution of the draft agenda prior to each meeting, preparing and distributing the draft minutes (and the summary of meeting report) after each meeting and preparing and distributing the final minutes after approval. Papers will be distributed, if possible, one week prior to the meeting to all members.

Use of National Grid's website

The TCMF has a dedicated page on National Grid's Industry Information website, under the Charging area, and can be accessed at the link below.

www.nationalgrid.com/uk/indinfo/charging/mn_tcmf.html

The website is used as the prime vehicle for notifying meetings, publishing a report following each meeting, publishing final approved minutes and storing presentations and papers. This means that all papers and final minutes will be available to an audience wider than TCMF members. Draft minutes will be circulated to attendees by email and minutes will only be published once they are finalised. A report containing a short summary of proceedings will be published on the website after each meeting.

National Grid proposes to continue to use the existing TCMF webpage as the main method of communication for the Developmental GB TCMF.

National Grid has established a new BETTA website as part of the Industry Information microsite, which includes a GB Charging section. This section will be used as the prime vehicle for publishing documents relating to GB charging consultations and drafting of the GB Charging Statements. The BETTA pages are accessible from the Industry Information microsite homepage at the link below:

www.nationalgridinfo.co.uk