



National Grid

AMENDMENT REPORT

CUSC Proposed Amendment CAP004

Cost Benefit Analysis

**The purpose of this document is for
submission to the Authority to assist
in their decision on CAP004**

Amendment Ref	CAP004
Issue	1.0
Date of Issue	9 April 2002
Prepared by	National Grid

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

Version	Date	Author	Change Reference
0.1	2/4/02	National Grid	Draft for Industry comment
1.0	9/4/02	National Grid	Formal version for submission to the Authority

b Document Location

National Grid Website:

<http://www.nationalgrid.com/uk/indinfo/cusc>

c Distribution

Name	Organisation
Authority	Ofgem
CUSC Parties	Various
Panel Members	Various
National Grid Industry Information Website	

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1.0 SUMMARY AND RECOMMENDATION

- 1.1 CAP004 proposes to introduce the requirement for Cost Benefit Analysis to be undertaken as part of the consideration of amendment proposals to the CUSC.
- 1.2 Amendment Proposal CAP004 was proposed by British Energy, with support from other Parties (as detailed in the Amendment Proposal form, contained in Annex 1) and was submitted for consideration to the CUSC Amendments Panel Meeting on 9th November 2001. At the meeting, the Panel determined that a Working Group should be established to consider the Proposal.
- 1.3 The Governance Amendments Working Group (GAWG) did not reach a unanimous recommendation for CAP004. The Group formulated an Alternative Amendment which the majority of members agreed would better facilitate the applicable CUSC objectives. The legal text to give effect to the Alternative Amendment is contained in Part B of Annex 2.
- 1.4 The Working Group Report for CAP004 was submitted for consideration at the February 2002 Panel meeting, where it was determined that the Working Group had met their Terms of Reference and the Working Group Report was approved. The CUSC Panel instructed National Grid to initiate a period of wider industry consultation for the Amendment Proposal and the Alternative Amendment.
- 1.5 The Consultation Paper for CAP004 was published by National Grid on the CUSC website and copies sent to Core Industry Document Owners and CUSC Parties. Responses to the CAP004 Consultation were invited by 26th March 2002.
- 1.6 National Grid received a total of 7 responses to the consultation for CAP004, the majority of which supported the Alternative Amendment as better facilitating the Applicable CUSC Objectives. A summary of responses is contained in Section 10 of this document, with full copies of each response contained in Annex 3.

National Grid Recommendation

- 1.7 National Grid recommends that the Alternative Amendment should be approved on the basis that it better facilitates achievement of the Applicable CUSC Objectives. It is recommended for implementation to take place as soon as practicable following the Authority's decision.

2.0 PURPOSE AND SCOPE OF THE REPORT

- 2.1 This Amendment Report has been 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. Section 8.20 of the CUSC sets out the mandatory information to be contained in an Amendment Report.
- 2.2 This document details the nature of the CUSC changes proposed by CAP004 and includes the recommendation of National Grid. It also includes an indication of issues which arose from the industry consultation, and a view from the Amendments Panel. Copies of each of the responses to the consultation are included as Annex 3 to this document.

3.0 THE PROPOSED AMENDMENT

- 3.1 CAP004 proposes to introduce the requirement for Cost Benefit Analysis to be undertaken as part of the consideration of Amendment Proposals.
- 3.2 The Proposer considers that this would bring the CUSC amendment process into line with best regulatory practice of carrying out an assessment of the Costs and Benefits of the proposed amendments where applicable. This would enable a full and proper assessment of any amendment proposal to take place before reaching a decision.
- 3.3 The legal text to support the Proposed Amendment includes provision for cost benefit analysis to be considered and carried out at certain stages of the amendment process. It also requires a cost benefit analysis of the impact of an amendment proposal or alternative amendment to be carried out and included in each amendment report, together with an assessment of all direct and indirect costs to CUSC Parties.

4.0 IMPACT ON THE CUSC

- 4.1 The Proposed Amendment would require amendment of Section 8 of the CUSC, specifically paragraphs 8.15.2, 8.17.8, and 8.20.2. There will be no impact on other parts of the CUSC.
- 4.2 The text required to give effect to the Proposed Amendment is contained in Part A of Annex 2 of this document.

5.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

- 5.1 In relation to the Proposed Amendment, which details changes to Section 8 of the CUSC, the objectives of Paragraph 6 of Licence Condition C7F of the Transmission Licence, is the relevant objective. In summary, Paragraph 6 requires the licensee to establish and operate procedures to modify the CUSC itself in order to better facilitate the Applicable CUSC Objectives and therefore the Proposed Amendment must better facilitate this process so that the broader objectives of facilitating effective competition can be achieved.
- 5.2 The principle in general was supported by the majority of Working Group members as they felt that a cost benefit evaluation should in some form be an integral part of the efficiency requirements of the Applicable CUSC Objectives and to a lesser extent would reduce market entry costs and hence improve

competition. However, one member felt that the Proposed Amendment did not better facilitate the Applicable CUSC Objectives in general and where it was appropriate for such analysis to be undertaken, it could be provided for under the existing arrangements and therefore did not need to be explicit. To mandate the process could have negative effects, such as providing unwelcome rigidities in the process.

- 5.3 A majority of Working Group members supported the Proposed Amendment and felt that there should be an explicit requirement, or at least that as a minimum it should be the default position when evaluating an amendment proposal. It was in line with best regulatory practice and would only improve the evaluation of the proposal. Despite being potentially implicit within the CUSC, there was a view that this implicit requirement was not sufficient.

6.0 IMPACT ON CUSC PARTIES

Proposed Amendment

- 6.1 The Proposed Amendment would require Users to provide their Cost Benefit Analysis to National Grid, in order that a full and proper assessment of the impact of any Amendment Proposal and any Alternative Amendment can be carried out and included in the Amendment Report.
- 6.2 National Grid would then be required to carry out an analysis of the information submitted by Users and prepare an assessment of all direct and indirect costs to CUSC Parties. This would place an additional burden on National Grid, who would be bound by the scope and detail of the cost benefit analysis submitted by Users, to represent the information within timescales.

7.0 ALTERNATIVE AMENDMENT

Description of Alternative Amendment

- 7.1 The Alternative Amendment was formulated by the Governance Amendments Working Group during their consideration of the Proposed Amendment.
- 7.2 The Alternative Amendment proposes that the CUSC Amendment Process provides for an estimation of the costs and benefits of Amendment Proposals where applicable. This avoids the explicit requirement to undertake an analysis of the costs and benefits for each Amendment Proposal regardless of circumstance or applicability.

Impact of Alternative Amendment on CUSC

- 7.3 The Alternative Amendment would require amendment of Section 8 of the CUSC, specifically sub-paragraphs 8.15.2, 8.15.3, 8.17.8, and 8.20.2. There will be no impact on other areas of the CUSC.
- 7.4 The text required to give effect to the Alternative Amendment is included as Part B of Annex 2 of this document.

Assessment Against Applicable CUSC Objectives

- 7.5 The Alternative Amendment was formulated and drafted by the Governance Amendments Working Group to create an alternative that would better

facilitate achievement of the Applicable CUSC Objectives as compared to the Proposed Amendment.

- 7.6 The Alternative Amendment would allow the principle of estimating the costs and benefits to be explicit in the CUSC, but also allow the requirement and detail of the costs and benefits to be reviewed on a case by case basis by the CUSC Panel, thus reducing concern over rigidities of the process and avoiding the introduction of further barriers which are considered to be detrimental to the process.

Impact on CUSC Parties

- 7.7 The Alternative Amendment would require Users to provide an indication of the costs and benefits of a particular Amendment Proposal and any Alternative Amendment to National Grid.
- 7.8 National Grid would then carry out an assessment of the impact of the amendment proposal, including costs and benefits, to the extent that such information has been provided by Users, and where required by the CUSC Panel.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

- 8.1 The Proposed Amendment and Alternative Amendment will have no impact on Core Industry Documents or other industry documentation.

9.0 IMPLEMENTATION AND TIMESCALES

- 9.1 Both the Proposed Amendment and the Alternative Amendment would impact on all active amendment proposals. Therefore the implementation should only apply to new amendment proposals received after the implementation date. The implementation of Amendment Proposals is at the discretion of the Authority, but is expected to be as soon as practicable after their decision.

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 and the Alternative Amendment.

View of Amendments Panel

- 10.2 No formal responses have been submitted by Amendments Panel Members to the consultation.

Core Industry Document Owners

- 10.3 No responses have been submitted by Core Industry Document Owners to the wider industry consultation carried out for CAP004.

Responses to Consultation

- 10.4 National Grid received a total of 7 responses to the consultation on CUSC Amendment CAP004.

Table of Responses to CAP004 Industry Consultation:

Reference	Company	Supportive	Comments
CAP004-CR-01	TXU Europe Energy Trading Ltd	No	Support Alternative Amendment
CAP004-CR-02	British Energy	Yes	But support Alternative Amendment over Proposed Amendment
CAP004-CR-03	British Gas Trading Limited	No	Do not support either the Proposed Amendment or the Alternative Amendment
CAP004-CR-04	Powergen UK plc	No	Support Alternative Amendment
CAP004-CR-05	London Electricity Group	No	Support Alternative Amendment
CAP004-CR-06	ScottishPower Energy Retail Ltd & Scottish Power Generation Ltd	No	Support Alternative Amendment
CAP004-CR-07	EdF Trading Ltd & EdF (Generation)	No	Support Alternative Amendment

Note: Full copies of each of the responses received are contained in Annex 3.

- 10.5 National Grid notes that the majority of respondents supported the approval of the Alternative Amendment as drafted by the Governance Amendments Working Group.
- 10.6 The majority of respondents felt that it is equitable that the financial and commercial implications of amendment proposals to the CUSC are considered.
- 10.7 A majority of respondents agreed that the CUSC contains an implicit requirement for cost benefit analysis, but it was felt that that the implicit status led to it being insufficient and caused unnecessary ambiguity. One respondent (LE) did not agree that the requirement was implicit within the CUSC, while another respondent (BGT) felt that the current arrangement of implicit inclusion was sufficient and that an explicit requirement would impose unnecessary burdens on the process
- 10.8 Regarding concerns over the potential additional burden on the process, one respondent (BE) felt that as the requirement to undertake the analysis was already implicit in the CUSC, the possibility of additional workload already exists. The respondent also noted that to take account of the concerns over workload an extension to the amendment process timetable may be applied for under paragraph 8.16.4(e) of the CUSC.
- 10.9 The majority of respondents (SP, LE, PG, EdF and TXU) supported the Alternative Amendment over the Proposed Amendment, it was acknowledged that the Proposed Amendment would impose unnecessary rigidity on the process. The respondents agreed that the Alternative Amendment would improve the efficiency requirements of the Applicable CUSC Objectives if the Amendments Panel determined the amendments to which such analysis should be carried out and the extent to which it should apply.

National Grid View

- 10.10 National Grid notes the views of respondents in support of the Alternative Amendment.
- 10.11 National Grid believe that the requirement to carry out cost benefit analysis is already implicit in the CUSC, however National Grid are supporting the Alternative Amendment on the basis that it does not require a rigid system of applying cost benefit analysis to each Amendment Proposal, but, where determined by the CUSC Panel, allows appropriate consideration to be given to the costs and benefits to parties.

11.0 NATIONAL GRID RECOMMENDATION

- 11.1 National Grid recommends that the Proposed Amendment is not made as it does not better facilitate achievement of the Applicable CUSC Objectives. This is on the basis that making the requirement for an analysis of the costs and benefits of each amendment proposal explicit would not improve efficiencies in the process and would lead to additional workload which could impact on process timescales. In addition, the effectiveness of such analysis would only be of value if Users were obligated to quantify and provide their costs and benefits to National Grid.
- 11.2 It is the recommendation of National Grid that the Alternative Amendment be implemented as it better facilitates achievement of the Applicable CUSC Objectives. The Alternative Amendment recognises the need to give consideration to costs and benefits where appropriate in the evaluation of Amendment Proposals, but would not require it to be undertaken irrespective of circumstances, which may be detrimental to the CUSC Amendment Process.

Annex 1 - Amendment Proposal Form

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 CUSC 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 Proposer will be informed by the Panel Secretary.

The completed form should be returned to:

Mark Cox
Panel Secretary
Commercial Development
National Grid Company plc
National Grid House
Kirby Corner Road
Coventry, CV4 8JY

Or via e-mail to:

CUSC.Team@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 which is a CUSC Party shall be deemed to have granted this Licence.)

Proposers Name:

(Name of party making the proposal. An Amendment Proposal may be made by a CUSC Party, a BSC Party or by "energywatch")

British Energy Generation Ltd

Proposers Representative:

(The name of the person representing the Proposer (and his alternate) for the purposes of the Amendment Process)

Steve Phillips (alternate John Capener)

Organisations Name and Address:

(Organisation on whose behalf the Amendment is proposed)

British Energy Generation Limited, Barnett Way, Barnwood,
Gloucester, GL4 3RS

In addition to BEGL, the following CUSC Parties listed alphabetically below are joint sponsors for this Amendment Proposal:

1. AES Drax Power Limited Selby, North Yorkshire, YO8 8PQ
2. Barking Power Ltd Barking Power Station, Chequers Lane, Dagenham, RM6 6PF
3. Deeside Power Development Company Ltd, Senator House, 85 Queen Victoria Street, London EC4V 4DP
4. Enron Direct Limited Enron House, 40 Grosvenor Place, London, SW1X 7EN
5. First Hydro Company Bala House, Lakeside Business Village, St. David's Park, Deeside, Flintshire, CH5 3XJ
6. Humber Power Limited South Humber Bank Power Station, South Marsh Road, Stallingborough, North East Lincolnshire, DN41 8BZ
7. Teesside Power Limited Dunedin House, Columbia Drive, Thornaby, Stockton On Tees, Cleveland, TS17 6 BJ

Capacity in which the Organisation Proposes to make an Amendment:

(i.e. CUSC Party, BSC Party or "energywatch")

CUSC Party

Description of the issue or defect which the proposed Amendment seeks to address:

(This should be in reasonable, but not excessive detail)

Absence of the requirement of a cost/benefit analysis in the amendment review process.

Description of the proposed Amendment and of its nature and purpose:

(This should be in reasonable but not excessive detail)

To add to the matters to be addressed in an Amendment Proposal provision for a cost benefit analysis.

An indication of those parts of the CUSC which would require amendment in order to give effect to (or would otherwise be affected by) the proposed amendment and an indication of the nature of those amendments or effects.

(This should be given where possible)

Please refer to the attachment for suggested, indicative changes/additions to be incorporated to appropriate clauses of section 8 of the CUSC to give effect to the proposed amendment.

Please note that it is the principle of the Amendment Proposal that is to be reviewed and approved by an appropriate review/consultation process to be decided by the CUSC Amendment Panel.

This indicative text is a suggested solution which may or may not be considered exhaustive in its detail and scope.

Reasons why the Proposer believes that the proposed Amendment would better facilitate achievement of the Applicable CUSC Objectives as compared with the current version of the CUSC with background information in support thereof.

The Proposer considers that the proposed amendment would bring the CUSC amendment process into line with best regulatory practice of carrying out an assessment of the cost and benefit of proposed changes where applicable which are fundamental to a full and proper assessment of any Amendment Proposal and which must be taken into account before reaching a decision.

Implementing and maintaining procedures which incorporate best industry practice should form part of NGC's responsibility to achieve the efficient discharge of its obligations. This amendment will improve existing practice and will thereby better facilitate the achievement of the Applicable CUSC Objective on the efficient discharge of NGC's obligations.

In addition the amendment by improving current practice, will increase confidence in CUSC as a central part of the framework for the operation of the electricity market and help to ensure that unnecessary and excessive costs are not imposed on parties. Confidence in this framework is a key factor in the efficient operation of the market and the development of competition. By increasing confidence in this way the amendment will better facilitate the achievement of the Applicable CUSC Objective of facilitating competition in generation and supply.

An indication of the impact of the proposed Amendment on Core Industry Documents.

(This should be given where possible)

None

An indication of the impact of the proposed Amendment on relevant computer systems and processes used by CUSC Parties.

(This should be given where possible)

None

A statement to the effect that the Proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel a Proposer shall grant a Licence in accordance with Clause 8.15.7 of the CUSC.

(A signature to this effect must be given by a Proposer, which is not a CUSC Party)

Proposer is a CUSC Party

Annex 2 – Proposed Text to modify CUSC

Part A - Text to give effect to the Proposed Amendment

Conformed Version

1. Amendment Proposal

8.15.2 A proposal made pursuant to Paragraph 8.15.1 shall be submitted in writing and shall contain the following information in relation to such proposal:

(j) where possible, a preliminary indication of the materiality of costs and benefits, and also, without prejudice, a preliminary cost/ benefit analysis of the **Amendment Proposal**.

2. Working Groups

8.17.8 The terms of reference of a **Working Group** must include provision in respect of the following matters:

(d) the evaluation for each and any Proposal shall where applicable contain a cost/ benefit analysis of the Proposal.

3. Amendment Report

8.20.2 The matters to be included in an **Amendment Report** shall be the following (in respect of the **Amendment Proposal**):

(k) a cost/ benefit analysis of the impact of the **Proposed Amendment** and any **Alternative Amendment** including an assessment of all direct and indirect costs to **CUSC Parties** and other affected Parties.

Clean Version

1. Amendment Proposal

8.15.2 A proposal made pursuant to Paragraph 8.15.1 shall be submitted in writing and shall contain the following information in relation to such proposal:

(j) where possible, a preliminary indication of the materiality of costs and benefits, and also, without prejudice, a preliminary cost/ benefit analysis of the **Amendment Proposal**.

2. Working Groups

8.17.8 The terms of reference of a **Working Group** must include provision in respect of the following matters:

(d) the evaluation for each and any Proposal shall where applicable contain a cost/ benefit analysis of the Proposal.

3. Amendment Report

8.20.2 The matters to be included in an **Amendment Report** shall be the following (in respect of the **Amendment Proposal**):

- (k) a cost/ benefit analysis of the impact of the **Proposed Amendment** and any **Alternative Amendment** including an assessment of all direct and indirect costs to **CUSC Parties** and other affected Parties.

Part B - Text to give effect to the Alternative Amendment

Conformed Version

1. Amendment Proposal

8.15.2 A proposal made pursuant to Paragraph 8.15.1 shall be submitted in writing and shall contain the following information in relation to such proposal:

- (i) where applicable, a preliminary estimate of the costs and benefits of the Proposed Amendment.

8.15.3 if a proposal fails in any material respect to provide the information in Paragraph 8.15.2 (excluding Paragraphs (e), (g), ~~and~~ (h) and (i) thereof), the **Panel Secretary**.....

2. Working Groups

8.17.8 The terms of reference of a **Working Group** must include provision in respect of the following matters:

- (d) the evaluation for each and any proposal shall where applicable contain an estimate of the costs and benefits of the proposal.

3. Amendment Report

8.20.2 The matters to be included in an **Amendment Report** shall be the following (in respect of the **Amendment Proposal**):

- (h) to the extent such information is available to **NGC**, an assessment of the impact, including the costs and benefits of the **Proposed Amendment** and any **Alternative Amendment** on **CUSC Parties** in general (or classes of **CUSC Parties** in general), and including the changes which are likely to be required to their internal systems and processes and a ~~a~~ reasonable and proportionate estimate of the development, capital and operating costs associated with implementing the changes to the **CUSC** and to the **Core Industry Documents**;

Clean Version

1. Amendment Proposal

8.15.2 A proposal made pursuant to Paragraph 8.15.1 shall be submitted in writing and shall contain the following information in relation to such proposal:

- (j) where applicable, a preliminary estimate of the costs and benefits of the **Proposed Amendment**.

8.15.3 if a proposal fails in any material respect to provide the information in Paragraph 8.15.2 (excluding Paragraphs (e), (g), (h) and (j) thereof), the **Panel Secretary**.....

2. Working Groups

8.17.8 The terms of reference of a **Working Group** must include provision in respect of the following matters:

- (e) the evaluation for each and any proposal shall where applicable contain an estimate of the costs and benefits of the proposal.

3. Amendment Report

8.20.2 The matters to be included in an **Amendment Report** shall be the following (in respect of the **Amendment Proposal**):

- (h) to the extent such information is available to **NGC**, an assessment of the impact, including the costs and benefits of the **Proposed Amendment** and any **Alternative Amendment** on **CUSC Parties** in general (or classes of **CUSC Parties** in general), and including the changes which are likely to be required to their internal systems and processes and a reasonable and proportionate estimate of the development, capital and operating costs associated with implementing the changes to the **CUSC** and to the **Core Industry Documents**;

Annex 3 – Copies of Representations Received

Reference	CAP004-CR-01
Company	TXU Europe Energy Trading Ltd

Emma Groves
National Grid Company plc
Kirby Corner Road
Coventry
CV4 8JY

TXU Europe Energy Trading Ltd
Wherstead Park
Wherstead
Ipswich
Suffolk
IP9 2AQ

6th March 2002

CAP004 Consultation Response

Dear Emma

We confirm that we support the Alternative Amendment proposal as drafted by the Working Group.

Yours sincerely

Philip Russell
Market Development Manager
For and on behalf of the 20 TXU CUSC Parties

Reference	CAP004-CR-02
Company	British Energy



21st March 2002

Emma Groves
Commercial Development
The National Grid Company plc
Kirby Corner Road
COVENTRY
CV4 8JY

Dear

CUSC Consultation Document CAP004: Cost Benefit Analysis

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

British Energy (BE), with support from a number of other CUSC Parties, developed and submitted this Amendment Proposal (AP) for consideration by the CUSC Amendment Panel (CAP) and subsequently participated in the Governance Amendment Working Group (GAWG) discussions to debate this Cost Benefit Analysis amendment proposal.

We would advise therefore that we fully SUPPORT the early approval and implementation of either the Amendment Proposal or the Alternative Amendment as defined in the consultation document.

As the Proposer of the AP, this wider industry consultation some four months after the AP was submitted also provides a welcome opportunity to reflect on the original AP with the benefit of the experience of the GAWG discussions.

BE maintains that inclusion within section 8 of the CUSC of appropriate and explicit requirements to provide cost and benefit information in support of an amendment proposal, where applicable, is not only necessary to align the CUSC with best industry and regulatory practice, but in so doing will enhance the efficiency obligations placed on National Grid via the Utilities Act and more specifically, the CUSC Licence Condition C7F of the Electricity Transmission Licence, and hence better facilitate achievement of the Applicable CUSC Objectives.

The GAWG Report identifies some conflicting views advocated by a minority of members within the group that the AP is unnecessary, on the basis that it is already an implicit requirement; that its inclusion also creates a barrier to 'small players' and that the proposal provides 'additional workload to both National Grid and the industry'.

Taking these points in turn, as not even all of the GAWG members accepted the 'implicitly-included' interpretation, it is likely that a similar difference of opinion and

level of understanding is widespread in the rest of the CUSC community. It is therefore a logical extension to conclude that the explicit inclusion of Cost Benefit Analysis in some form within the amendment process is required to provide the necessary clarification. We have a similar difficulty with both the 'barrier' and 'additional workload' claims, which appear inconsistent arguments given the above 'implicit' stance, as any 'barrier' or 'additional workload' already exists, by definition.

The GAWG discussions did highlight that National Grid have a difficulty with the 'analysis' aspect of a Cost Benefit Analysis, which has a 'number of differing technical interpretations' as identified in the GAWG Report and therefore the 'analysis' presents a resource and time issue in relation to the defined timescales of the amendment process. We believe that this is the crux of their objection to the original AP. Whilst we accept that this is a genuine concern, the AP should not be rejected on the basis of perceived process difficulties. Indeed, if the process timescales are inadequate, then there is already flexibility within the amendment process [8.16.4.(e)] to request an extension of time.

However, we believe that the pragmatic approach adopted by the GAWG in recognition of the concerns raised by some members does not detract from the principle that both costs and benefits associated with amendment proposals should be an integral part of the amendment process.

There is considerable merit in the Alternative AP drafted by the GAWG which whilst retaining the intent of the original AP also provides for a less onerous and more flexible solution which does not require any 'analysis' *per se*. This is achieved by providing a progressive 'ramped' approach to defining and refining estimates of costs and benefits of proposals and any alternative options. We note National Grid's support for the Alternative AP in section 7.2 of the consultation document and we are also happy to endorse our support for the Alternative AP as a meaningful and rational compromise which also provides an acceptable pragmatic solution to the proposed amendment.

If you have any queries in relation to any of the above, please do not hesitate to contact me.

Yours faithfully,

Steve Phillips

Senior Trading Consultant
Market Development
Power & Energy Trading

Reference	CAP004-CR-03
Company	British Gas Trading Limited

word/cusc



energy management group

National Grid Company plc
National Grid House
Kirby Corner Road
Coventry
CV4 8JY

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA

For the Attention of Ms E Groves
- Commercial Development

Tel. (01753) 758051
Fax (01753) 758170
Our Ref. Cap004
Your Ref.
26th March 2002

Dear Emma,

**Re: CUSC Amendment CAP004 – Cost Benefit Analysis
Consultation Document**

Thank you for the opportunity to comment on the Consultation Document in respect of the above Amendment Proposal. British Gas Trading Limited (BGT) has been involved in the Workgroup discussions surrounding the proposal and has been party to the debate over the benefits of this proposal.

BGT agrees that the Authority should take into consideration an understanding of the impacts of an Amendment Proposal on all parties when making decisions. However, we do not believe that either the Amendment or Alternative Proposal better facilitate the applicable CUSC objectives. Our concern relates to the implications for the industry in meeting the requirements of CUSC should this Amendment or Alternative be implemented. We believe that it will either impose a burden at all stages of the process (initial proposer, Workgroup and NGC) or become an irrelevance as the optionality of the requirement means that such analysis is never provided. We believe that the current wording of the CUSC already allows for suitable analysis to be provided where appropriate.

Should you have any queries regarding this response, please do not hesitate to contact me.

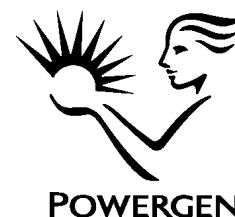
Yours sincerely,

Simon Goldring
Transportation Manager

A **centrica** business

British Gas Trading Limited Registered in England No.3078711. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD
www.gas.co.uk

Reference	CAP004-CR-04
Company	Powergen UK plc

26th March 2002

Dear Mark,

Powergen Comments on CUSC Amendment Proposal Cost Benefit Analysis - CAP001

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the above consultation document published on 27th February 2002. Powergen provides this response on behalf of itself and the following Parties: Powergen Energy plc, Diamond Power Generation Limited and Cottam Development Centre Limited.

We agree that it could be onerous to undertake cost-benefit analysis in every instance and we do not wish to impose rigidity, as the original proposal implied. However, we believe that the enhanced drafting of the alternative proposal, i.e. using the wording "where possible" and "where applicable", reflects the majority view of the CUSC Working Group and we support its implementation as written.

We also support the view that some sort of cost benefit evaluation furthers the relevant CUSC objectives by increasing the efficiency of the modification process.

If you have any questions please let me know.

Yours Sincerely,

Jane Butterfield

Strategy & Regulation Department
Energy Trading
Powergen
024 7642 4414

Reference	CAP004-CR-05
Company	London Electricity Group

From: Cecil Dick [Dick.Cecil@le-group.co.uk]
Sent: 26 March 2002 16:18
To: Groves, Emma
Subject: Consultation Response -CAP004

Consultation Response -CAP004 Cost Benefit Analysis

This response from London Electricity Group is on behalf of all the groups CUSC Parties.

We support the CAP004 in the Alternative form. In the form of CAP004Alternative we consider the CUSC Objectives are better met.

Central to the pros and cons of the debate has been the question of the existing implicit requirement for cost benefit analysis within CUSC. Whilst NGC state this is the case, we do not consider this exists. Indeed the ambiguity is demonstrated by the Amendment having been brought forwarded and supported by a number of parties.

As there is such ambiguity it should be removed. The Amendment under consideration achieves this by making it an explicit requirement that cost benefit analysis should be made.

The drafting of the Alternative Amendment does not place any onerous requirement on parties bringing forward Amendments as the wording includes the phasing "preliminary estimate". We do not therefore agree with views that it discriminates against small parties.

Any party bringing forward an Amendment should have thought through the consequences, including the cost benefits to the degree respectively appropriate, of the proposal. That the original text of CUSC omitted this as an explicit requirement was an error that this Amendment now proposes to correct.

Dick Cecil
London Electricity Group

Reference	CAP004-CR-06
Company	Scottish Power

CUSC Amendment Consultation

To: Emma Groves
Commercial Development
National Grid Company plc
National Grid House
Kirby Corner Road
Coventry CV4 8JY

26th March 2002

CAP004: Cost Benefit Analysis

Dear Emma,

Many thanks for the opportunity to consider the consultation document in respect of CUSC Amendment proposal CAP004. This response is provided on behalf of ScottishPower Energy Retail Limited and Scottish Power Generation Limited.

We agree with the principle that a cost benefit analysis should form part of a CUSC Amendment proposal as a matter of best regulatory practice. It would also be helpful and informative to CUSC Parties to have such an analysis available when they determine whether they wish to support or reject a particular proposal.

However, we disagree that the principle should apply in the case of every proposal. There are likely to be some proposals which have a de minimis impact on Parties, e.g. housekeeping Amendments. It would be overly prescriptive, therefore, to expect that a cost benefit analysis is necessary in every case.

From the narrative in the consultation document, it appears that the point of disagreement amongst the Working Group relates more to how this principle should be expressed in the CUSC rather than whether it should. We agree that an explicit reference to the principle is more appropriate.

Based upon the legal drafting provided in the consultation document, we wish to support the Alternative Amendment. This is not as prescriptive as the drafting proposed for the original Amendment but does ensure that the principle of a cost benefit analysis is made explicit in the CUSC. It is also more comprehensive and allows the Amendments Panel to consider whether the lack of a cost benefit analysis is a material defect of a proposal or not. In both ways, the Alternative Amendment better meets the applicable CUSC Objectives.

If you wish to discuss the content of this response, please do not hesitate to contact me.

Yours sincerely,

Abid Sheikh
Commercial Analyst (0141 568 3113)

Reference	CAP004-CR-07
Company	EdF Trading Ltd & EdF (Generation)

From: Steve Drummond [Steve.Drummond@btopenworld.com]
Sent: 26 March 2002 16:52
To: Groves, Emma
Cc: Philippe Gaillet; saeed.patel@edftrading.com;
Nick.taylor@edftrading.com
Subject: CAP004 Cost Benefit Analysis – Consultation Document

On behalf of EdF Trading Ltd and EdF (Generation) please find herewith my comments on the CUSC Amendment Proposal 004 on whether or not there should be a cost benefit analysis undertaken when considering any future amendments to CUSC.

It does seem reasonable that any proposed amendment is considered alongside its financial and commercial consequences. This should be in terms of the resources needed to consider the proposal, as well as to implement it, against the consequential gains or otherwise once it has been implemented. Such a cost/benefit analysis would not necessarily be the determinant factor in whether a proposal is approved or not, but it should be taken into consideration.

It also seems reasonable that not every proposal needs to have a cost/benefit analysis undertaken by the subsequent Working Group and so I believe that the CUSC Panel should have the discretion to decide whether one was not needed (rather than deciding whether one was needed). Any 'rule' which is implicit rather than explicit is open to interpretation and ambiguity, hence it is my view that where possible rules should always be explicit. Both the original proposal and the alternative amendment achieve that result and in my view better meet the CUSC objectives than the current text.

Between the original proposed drafting and the alternative drafting, we support the Alternative Amendment to CAP004 because it allows sufficient scope for the Panel to decide on the need for the cost benefit analysis.

Regards

Steve Drummond
Adviser to EdF Energy Merchants Ltd