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Direct Dial: 020-7901-7326

14 October 2005

The National Grid Electricity Transmission Company,
CUSC Signatories and
Other Interested Parties

Our Ref: IND/COD/CUSC/CAP095

Dear Colleague,

Amendment to the Connection and Use of System Code (“CUSC”) - Decision and Notice in relation to Proposed Amendment CAP095: “Removal of Operational Day Reference from Ex Post Publication of Response Information”

The Gas and Electricity Markets Authority (the “Authority”¹) has considered the issues raised in the Amendment Report² in respect of Proposed Amendment CAP095 “Removal of Operational Day Reference from Ex Post Publication of response information”.

National Grid Electricity Transmission Company plc (“NGET”) recommended to the Authority that Proposed Amendment CAP095 should be approved for implementation on 1 October, concurrent with implementation of CAP047 or, if the Authority had not reached a decision by this date, 10 business days after the Authority’s decision.

Having considered the Amendment Report and NGET’s recommendation and having regard to the Applicable CUSC Objectives and Ofgem’s wider statutory duties³, the Authority has decided to direct a modification to the CUSC in line with Proposed Amendment CAP095.

A separate letter contains the direction to NGET to modify the CUSC in accordance with Proposed Amendment CAP095 as set out in the Amendment Report.

¹ Ofgem is the office of the Authority. The terms “Ofgem” and “the Authority” are used interchangeably in this letter.

² CAP 095 Amendment Report dated 19 August 2005.

³ Ofgem’s statutory duties are wider than the matters that the Panel must take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided to Ofgem by the Government.

This letter explains the background to Proposed Amendment CAP095, and sets out the Authority's reasons for its decision. This letter constitutes notice by the Authority under section 49A of the Electricity Act 1989 in relation to the direction.

Background

NGET has a duty under the Electricity Safety, Quality and Continuity Regulations 2002⁴ to control the frequency of the system to within $\pm 1\%$ of the nominal system frequency of 50 Hz. NGET must therefore ensure that sufficient generation and/or demand-side response is held in a position where it is ready to provide frequency response to manage all credible frequency change contingencies.

Following implementation of Amendment Proposal CAP047, on 1 October 2005, a requirement was placed upon NGET to publish ex ante response holding prices and response capability on a calendar day/month resolution as well as ex post publication of response utilisation on an operational day resolution.

Amendment Proposal CAP095 was raised as a consequence of an issue identified by the Balancing Services Standing Group (BSSG) with respect to the implementation of CUSC Amendment CAP047. Specifically, under CAP047, ex post publication of response utilisation is published on an operational day basis while response Holding Prices and capability data is submitted and published on a calendar day/month resolution. CAP095 was therefore raised by NGET to address this inconsistency in relation to the reporting obligations.

Proposed Amendment CAP095 was raised by NGET and submitted to the CUSC Amendments Panel Meeting for consideration at its meeting on 24 June 2005. At the meeting, the Amendments Panel determined that it was appropriate for the Proposed Amendment to proceed to wider industry consultation. The consultation paper for CAP095 was issued on 6 July 2005 with responses invited by 5 August 2005. The final Amendment Report was submitted to the Authority on 19 August 2005.

The Proposed Amendment

Amendment proposal CAP095 proposes to align the publication of ex ante and ex post frequency response data following the implementation of CAP047 on 1 October 2005. As such, CAP095 would require the removal of the reference to operational day in relation to the publication of ex post response utilisation, from CUSC section 4.1.3.13A (c), and replace it with a reference to calendar day/month. In addition, it would require the definition of 'operational day' to be removed from CUSC Section 11.3 (Definitions).

NGET considered that Proposed Amendment CAP095 would resolve a minor inconsistency between the publication of Ex-ante and Ex-Post frequency response information. As such, NGET was of the opinion that it would better facilitate Applicable objective (a) of the CUSC by

⁴ See <http://www.legislation.hms.gov.uk/si/si2002/20022665.htm>

allowing NGET to more efficiently discharge the obligations imposed on it by the Act and the transporter licence⁵.

Respondents' views

NGET issued a consultation paper on 6 July 2005 which invited responses from CUSC Parties and interested parties on Amendment proposal CAP095.

NGET received two responses to the consultation in respect of Proposed Amendment CAP095, both of which were in favour of the Proposed Amendment and supported the assertion by NGET that it would facilitate achievement of Applicable objective (a) of the CUSC.

Amendments Panel Members' views

NGET did not receive any responses to the CAP095 consultation from panel members.

NGET's recommendation

NGET recommended to the Authority that Proposed Amendment CAP095 should be approved for implementation on 1 October, concurrent with implementation of CAP047, or if the Authority had not reached a decision by this date 10 business days after the Authority's decision.

Ofgem's view

Having considered the Amendment Report, Ofgem is of the opinion, having regard to its statutory duties and the Applicable CUSC Objectives, that Proposed Amendment CAP095 would better facilitate the achievement of Applicable CUSC Objective (a).

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

Ofgem considers that implementation of Proposed Amendment CAP095 will provide consistency with respect to the reporting and subsequent publication of ex ante and ex post frequency response data. In particular, Ofgem considers that the Proposed Amendment will address the current inconsistency that exists, following the implementation of CAP047, with respect to the publication of ex ante and ex post frequency response data. In this respect, Ofgem considers that the Amendment Proposal will better facilitate the achievement of Applicable objective (a) of the CUSC which relates to the efficient discharge, by NGET, of the obligations imposed on it by the Act and its transmission licence.

⁵ The Applicable CUSC Objectives are contained in Standard Condition C10 of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 (the "Transmission Licence") and 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.

Ofgem is aware that Amendment Proposal CAP047 has now been implemented and that, in order to avoid an inconsistency in the reporting of ex ante and ex post frequency response data, it would have been appropriate to implement CAP095 in conjunction with this proposal on 1 October 2005. However, conflicting priorities meant that it was not possible for Ofgem to issue the decision letter regarding Amendment Proposal CAP095 prior to implementation of Amendment Proposal CAP047. Although, Ofgem considers that it is important that Proposed Amendment CAP095 is implemented as soon as possible to address the inconsistency in the current publication of frequency response data.

The Authority's Decision

The Authority has therefore decided to direct that Proposed Amendment CAP095, as set out in the Amendment Report, should be made and implemented. An attached letter contains this direction. In line with NGET's recommendation Ofgem considers that the Proposed Amendment should be implemented 10 business days from the date of this letter.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Sonia Brown".

Sonia Brown
Director, Markets

Signed on behalf of the Authority and authorised for that purpose by the Authority