



Direct Dial: 020-7901-7435

23 December 2003

The National Grid Company, CUSC Signatories and
Other Interested Parties

Your Ref: CAP066
Our Ref: IND/COD/CUSC/CAP066

Dear Colleague,

Amendment to the Connection and Use of System Code ("CUSC") - Decision and Direction in relation to Proposed Amendment CAP066: "Removal of Historic Transitional Provisions from Section 10".

The Gas and Electricity Markets Authority (the "Authority"¹) has carefully considered the issues raised in the Amendment Report² in respect of Proposed Amendment CAP066 "Removal of Historic Transitional Provisions from Section 10".

The National Grid Company plc ("NGC") recommended to the Authority that Proposed Amendment CAP066 should not be approved.

The Authority has decided to direct a modification to the CUSC.

This letter explains the background to Proposed Amendment CAP066, as set out in the Amendment Report, and sets out the Authority's reasons for its decision. In addition, this letter contains a direction to NGC to modify the CUSC in respect of Proposed Amendment CAP066.

This letter constitutes the notice by the Authority under Section 49A of the Electricity Act 1989 in relation to the direction.

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

² CAPs056-066 Amendment Report dated 7 November 2003.

Background

Proposed Amendment CAP066 was raised by NGC and submitted for consideration at the CUSC Panel Meeting on 18 September 2003. At the meeting the Amendments Panel determined that the Proposed Amendment should proceed to wider consultation. A consultation paper was issued on 3 October 2003 with responses invited by 24 October 2003. The Amendment Report was submitted to the Authority on 7 November 2003.

The Proposed Amendment

Proposed Amendment CAP066 seeks to remove numerous paragraphs related to the transfer from the MCUSA to the CUSC. These have been identified by the Proposer as being Paragraphs 10.3.1, 10.3.2, 10.5, 10.6, 10.7, 10.9, 10.11, 10.12 and the associated Appendix.

The Proposer considered that Proposed Amendment CAP066 would not better facilitate achievement of the Applicable CUSC Objective C7F.1(a) for the efficient discharge by NGC of the obligations imposed upon it under the Act and by its Transmission Licence³.

Amendments Panel Members' views

NGC issued a consultation paper on 3 October 2003 inviting views from CUSC Parties and interested parties.

The respondents' views are summarised and contained in the Amendment Report in respect of Proposed Amendment CAP066.

Respondents' views

NGC received a total of 2 responses to their consultation paper issued on 3 October 2003 inviting views from CUSC Parties and other interested parties. The respondents' views are summarised and contained in the Amendment Report in respect of Proposed Amendment CAP066.

One of the respondents disagreed with the proposal to remove Paragraph 10.12 from the CUSC. This respondent was of the opinion that the removal of Paragraph 10.12 would result in the current version of the CUSC containing no reference to the fact that the MCUSA was superseded by the CUSC. However, no alternative amendment was submitted by this respondent to reflect this opinion.

³ The Applicable CUSC Objectives are contained in Standard Condition C7F of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 as amended (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.

NGC's recommendation

In response to the comments received from interested parties through the consultation process, NGC recommend to the Authority that Proposed Amendment CAP066 should not be approved. NGC considers that the Proposed Amendment does not better facilitate the achievement of the Applicable CUSC Objectives.

Ofgem's view

Having had regard to its statutory duties, the Applicable CUSC Objectives and the consultation responses, Ofgem is of the view that Proposed Amendment CAP066 would improve the clarity and transparency of the CUSC and therefore better facilitate achievement of the Applicable CUSC Objective C7F.1(a) for the efficient discharge by NGC of the obligations imposed upon it under the Act and by its Transmission Licence.

Ofgem considers that Paragraphs 10.3.1, 10.3.2, 10.5, 10.6, 10.7, 10.9; 10.11; 10.12 and the Appendix of Section. 10 are no longer required for the efficient operation of the CUSC and should therefore be considered as being superficial to the needs of the CUSC.

In recognising the views raised by the respondent regarding CAP066, the Authority does not consider it to be of necessity for the current version of the CUSC to provide details of any predecessor documents unless absolutely essential. Having evaluated the content of Paragraph 10.12, Ofgem is of the opinion that this text does not add any material value to the CUSC and therefore should be removed as advocated by the original Amendment Proposal.

The Authority's Decision

The Authority has therefore decided to direct that Proposed Amendment CAP066, as set out in the Amendment Report, should be made and implemented.

Direction Under Condition C7F.7(a) of NGC's Transmission Licence

Having regard to the above, the Authority, in accordance with Condition C7F.7(a) of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the CUSC in respect of Proposed Amendment CAP066, as set out in the Amendment Report.

The modification is to be implemented and take effect from 10 days after the Authority's decision.

In accordance with Condition C7F.7(b) of NGC's Transmission Licence, NGC shall modify the CUSC in accordance with this direction of the Authority.

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 'N. Simpson', written over a horizontal line.

Nick Simpson

Director of Industry Codes Development

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