



National Grid

AMENDMENT REPORT

CUSC Proposed Amendment CAP053

Reconciliation of Site Specific Maintenance Charge

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP053

Amendment Ref	CAP053
Issue	1.0
Date of Issue	14 November 2003
Prepared by	National Grid

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

Version	Date	Author	Change Reference
0.1		National Grid	Draft for internal comment
0.2	7/11/03	National Grid	Draft for Industry comment
1.0	14/11/03	National Grid	Formal version for submission to the Authority

b Document Location

Nation Grid Website:

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

c Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
CUSC Parties	Various
Panel Members	Various
National Grid Industry Information Website	

II	CONTENTS TABLE	
I	DOCUMENT CONTROL	2
	a National Grid Document Control	2
	b Document Location	2
	c Distribution	2
II	CONTENTS TABLE	3
1.0	SUMMARY AND RECOMMENDATION	4
2.0	PURPOSE AND SCOPE OF THE REPORT	4
3.0	THE PROPOSED AMENDMENT	5
4.0	IMPLEMENTATION AND TIMESCALES	5
5.0	IMPACT ON THE CUSC	5
6.0	ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES	5
7.0	IMPACT ON CUSC PARTIES	5
8.0	IMPACT ON CORE INDUSTRY DOCUMENTS	5
9.0	VIEWS AND REPRESENTATIONS	6
10.0	NATIONAL GRID RECOMMENDATION	6
	ANNEX 2 – PROPOSED TEXT TO MODIFY CUSC	10
	Part A - Text to give effect to the Proposed Amendment	10
	ANNEX 3 – COPIES OF REPRESENTATIONS RECEIVED TO CONSULTATION	13

1.0 SUMMARY AND RECOMMENDATION

- 1.1 CUSC Amendment Proposal CAP053 was proposed by National Grid and submitted to the Amendments Panel for consideration at their meeting on 26th September 2003. The Amendments Panel determined that the Amendment Proposals should go straight to wider industry consultation. The period of industry consultation closed on Friday 31st October 2003.
- 1.2 CAP053 has been put forward as consequential change to the CUSC, required by Charging Modification Proposal CCM-M-07 (if approved). It proposes inserting new text relating to reconciliation of site specific maintenance charges in the CUSC required if CCM-M-07 is implemented. This will ensure that the CUSC is in alignment with the Statement of the Connection Charging Methodology.
- 1.1 National Grid received four responses to the CAP053 consultation document three respondents supported the proposed amendment. The fourth respondent made no comment on CAP053, however, they re-iterated their opposition for the corresponding charging modification proposal CCM-M-07.

National Grid Recommendation

- 1.7 National Grid recommends that CAP053 be approved if CCM-M-07 is implemented.
- 1.8 It is recommended that the CUSC be modified in line with this proposal at the same time Charging Modification CCM-M-07 is implemented.

2.0 PURPOSE AND SCOPE OF THE REPORT

- 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. It addresses issues relating to changes to the CUSC proposed in Amendment Proposal CAP053.
- 2.2 Further to the submission of Amendment Proposal CAP053 (see Annex 1) and the subsequent 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 CAP053.
- 2.3 This document outlines the nature of the CUSC changes that are proposed. It incorporates National Grid's recommendations to the Authority concerning the Amendment. Copies of all representations received in response to the consultation have been also been included and a 'summary' of the representations received is also provided. Copies of each of the responses to the consultation are included as Annex 3 to this document.
- 2.4 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, at <http://www.nationalgrid.com/uk/indinfo/cusc>

3.0 THE PROPOSED AMENDMENT

- 3.1 As a consequence of CCM-M-07, CAP053 proposes inserting new text relating to reconciliation of site specific maintenance charges in the CUSC.
- 3.2 This is because, CCM-M-07, if implemented provides for users to be charged annual site specific maintenance on an indicative basis based on a flat percentage of GAV reconciled in the following financial year once the actual site specific maintenance costs are known.

4.0 IMPLEMENTATION AND TIMESCALES

- 4.1 CAP053 is a consequential change arising from the potential implementation of charging modification CCM-M-07 and as such has to be in place at the same time as the change envisaged by CCM-M-07 is implemented. Although CCM-M-07 has been proposed for implementation as of April 2004, due to charge setting timescales it should be known in November whether CCM-M-07 has been vetoed by the Authority. If CCM-M-07 has not been approved prior to 1 April 2004 this modification will be redundant and should be rejected.
- 4.2 Upon implementation of CAP053, users would need to allow for an additional reconciliation cashflow arising in October of each year (starting in October 2005) subsequent to a relevant charging year where CAP053 applies. This may be positive or negative for the user dependent on the level of outturn site specific maintenance costs incurred by a user relative to the indicative flat charge they have been levied for during the charging year.

5.0 IMPACT ON THE CUSC

- 5.1 The text required to give effect to the Proposed Amendment is contained as Annex 2 of this document.

6.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

- 6.1 Amendment of the CUSC on the basis of the consequential amendments represented by CAP053 enable National Grid to discharge its obligations more efficiently under the Transmission Licence by ensuring consistency between the CUSC and Charging Methodologies.

7.0 IMPACT ON CUSC PARTIES

- 7.1 No impact has been identified on CUSC Parties from the Proposed Amendment detailed in this document.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

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

9.0 VIEWS AND REPRESENTATIONS

9.1 This Section contains a summary of the views and representations made by consultees during the consultation period in respect of the Proposed Amendment to the CUSC.

Views of Panel Members

9.2 No formal responses have been submitted during the consultation by members of the Amendments Panel.

View of Core Industry Document Owners

9.3 No responses have been received from Core Industry Document Owners noting any impact of CAP053 on Core Industry Documents.

Responses to Consultation

9.4 The following table provides an overview of the representations received. Copies of the representations are attached as Annex 3.

Reference	Company	Supportive	Comments
CAP053-CR-01	British Energy	Yes	Agrees amendment is necessary if CCM-M-07 is approved
CAP053-CR-02	British Gas Trading	No	No Comment
CAP053-CR-03	EDF Energy	Yes	Supports CAP053
CAP053-CR-04	Powergen	Yes	Supports CAP053

9.5 The respondent in CAP053-CR-01 agrees that the amendment will have the effect required to bring the CUSC in line with the change made in charging modification proposal CCM-M-07.

9.6 The respondent in CAP053-CR-02 makes no comment on CAP053, however they re-iterate their opposition for CCM-M-07.

9.7 The respondent in CAP053-CR-03 supports the implementation of CAP053 in conjunction with the charging modification CCM-M-07 as it would ensure consistency between the CUSC and the Charging Methodology and therefore enable National Grid to discharge its Transmission Licence obligations more efficiently.

10.5 The respondent in CAP053-CR-04 supports CAP053.

10.0 NATIONAL GRID RECOMMENDATION

10.1 National Grid agrees with the respondents to the consultation that the CUSC amendment proposed by CAP053 will bring the CUSC in line with Charging Methodology Proposal CCM-M-07 and therefore will better facilitate achievement of the Applicable CUSC Objectives. National Grid therefore recommends approval of this proposal if CCM-M-07 is implemented.

Annex 1 - Amendment Proposal Form

CUSC Amendment Proposal Form	CAP053
Title of Amendment Proposal: "Reconciliation of Site Specific Maintenance Charges"	
Description of the Proposed Amendment (mandatory by proposer): The inclusion of text into the CUSC in relation to required reconciliation of the annual site specific maintenance component of Connection Charges as a consequence of (if approved) Charging Modification Proposal CCM-M-07.	
Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer): Charging Modification Proposal CCM-M-07 proposes a change in the methodology for recovery of site specific maintenance charges which will be charged annually on an indicative basis with reconciliation against actual costs the following year. As a consequence of this (if approved), new text relating to site specific maintenance charges will need to be introduced in the CUSC so that there is consistency between the Charging Statements and the CUSC, and that National Grid is charging in accordance with the Charging Statements.	
Impact on the CUSC (this should be given where possible): Inclusion of new text in section 2 and 9 of CUSC setting out reconciliation process and definitions in Section 11.	
Impact on Core Industry Documentation (this should be given where possible): None	
Impact on Computer Systems and Processes used by CUSC Parties (this should be given where possible): None	
Details of any Related Modifications to Other Industry Codes (where known): None to Codes but this is a consequence and therefore dependent on the proposed modification to the Charging Statements (CCM-M-07) as highlighted above, which revises the definition of connection boundary, removes land charges, makes Type B termination charges obsolete and revises the calculation of site specific maintenance charges.	
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** (mandatory by proposer): The modification will enable the efficient discharge by National Grid of its obligations under its licence by ensuring that the contractual provisions in the CUSC are consistent with the Charging Statements.	

Details of Proposer: Organisation's Name:	Stuart Easterbrook, National Grid Company plc
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Stuart Easterbrook National Grid Company plc 01926 656 213 stuart.easterbrook@ngtuk.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Richard Lavender National Grid Company plc 01926 656 447 richard.lavender@ngtuk.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment: n pages	

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:

Richard Dunn
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 that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives** - These are defined within the National Grid Company Transmission Licence under Section C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.

Annex 2 – Proposed Text to modify CUSC

Part A - Text to give effect to the Proposed Amendment

1. The following clause shall be added as Clause 2.14.5 of CUSC (if CAP052 removal of Land Charges is approved) or otherwise added as Paragraph 2.14.6 and the existing Paragraphs 2.14.6, 2.14.7 and 2.14.8 renumbered accordingly:

[2.14.5] [2.14.6] Connection Charges – Site Specific Maintenance Charge

- (a) **NGC** shall be entitled to invoice each **User** for the indicative **Site Specific Maintenance Charge** in each **Financial Year** as set out in the **Statement of the Connection Charging Methodology**.
 - (b) As soon as reasonably practicable and in any event by 31 July in each **Financial Year** **NGC** shall:
 - (i) in accordance with the **Statement of the Connection Charging Methodology** calculate the actual **Site Specific Maintenance Charge** that would have been payable by the **User** during the preceding **Financial Year** (the "**Actual Charge**") and compare this with the indicative **Site Specific Maintenance Charge** received from the **User** during the preceding **Financial Year** (the "**Notional Charge**") and
 - (ii) prepare and send to the **User** a **Maintenance Reconciliation Statement** specifying the **Actual Charge** and the **Notional Charge** for the preceding **Financial Year**.
 - (c) Two months after the date of issue of the **Maintenance Reconciliation Statement** and in any event by 30 September **NGC** shall issue a credit note in relation to any sums shown by the **Maintenance Reconciliation Statement** to be due to the **User** or an invoice in respect of sums due to **NGC** (such invoice to be payable within 30 days of the date of the invoice) and in each case interest thereon calculated pursuant to Paragraph 2.14.5(d) below.
 - (d) Interest on all amounts due under this Paragraph 2.14.5 shall be payable by the paying **CUSC Party** to the other on such amounts from the date of payment applicable to the month concerned until the date of invoice for such amounts and such interest shall be calculated on a daily basis at a rate equal to the **Base Rate** during such period.
2. The following clause shall be added as Clause 9.9.5 of CUSC (if CAP052 removal of Land Charges is approved) or otherwise added as Paragraph 9.9.6 and the existing Paragraphs 9.9.6 and 9.9.7 renumbered accordingly:

[9.9.5] [9.9.6] Connection Charges – Site Specific Maintenance Charge

- (a) **NGC** shall be entitled to invoice each **User** for the indicative **Site Specific Maintenance Charge** in each **Financial Year** as set out in the **Statement of the Connection Charging Methodology**.
- (b) As soon as reasonably practicable and in any event by 31 July in each **Financial Year** **NGC** shall:
- (i) in accordance with the **Statement of the Connection Charging Methodology** calculate the actual **Site Specific Maintenance Charge** that would have been payable by the **User** during the preceding **Financial Year** (the “**Actual Charge**”) and compare this with the indicative **Site Specific Maintenance Charge** received from the **User** during the preceding **Financial Year** (the “**Notional Charge**”) and
- (ii) prepare and send to the **User** a **Maintenance Reconciliation Statement** specifying the **Actual Charge** and the **Notional Charge** for the preceding **Financial Year**.
- (c) Two months after the date of issue of the **Maintenance Reconciliation Statement** and in any event by 30 September **NGC** shall issue a credit note in relation to any sums shown by the **Maintenance Reconciliation Statement** to be due to the **User** or an invoice in respect of sums due to **NGC** (such invoice to be payable within 30 days of the date of the invoice) and in each case interest thereon calculated pursuant to Paragraph 9.9.5(e) below.
- (d) Interest on all amounts due under this Paragraph 9.9.5 shall be payable by the paying **CUSC Party** to the other on such amounts from the date of payment applicable to the month concerned until the date of invoice for such amounts and such interest shall be calculated on a daily basis at a rate equal to the **Base Rate** during such period.
3. The following definitions shall be added to Section 11:

“**Site Specific Maintenance Charge**” the element of the **Connection Charges** relating to maintenance and repair calculated in accordance with the **Connection Charging Methodology**

“**Maintenance Reconciliation**” the statement prepared in

Statement”

accordance with Paragraph
[2.14.5\2.14.6] and Paragraph
[9.9.5\9.9.6]

Annex 3 – Copies of Representations Received to Consultation

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on Friday 3rd October, requesting comments by close of business on Friday 31st October).

Representations were received from the following parties:

No.	Company	File Number
1	British Energy	CAP053-CR-01
2	British Gas Trading	CAP053-CR-02
3	EDF Energy	CAP053-CR-03
4	Powergen	CAP053-CR-04

Reference	CAP053-CR-01
Company	British Energy



20th October 2003

Richard Lavender
Commercial Frameworks
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Richard,

CUSC Consultation Document CAP 053:
Reconciliation of Site Specific Maintenance Charges

Thank you for the opportunity to comment on the above Amendment Proposal.

In consideration of the above CAP, British Energy advises that it agrees that the implementation will have the effect required to bring the CUSC in line with the change made in the Charging Modification proposal CCM-M-07.

We have already responded to the consultation regarding CCM-M-07. This response is in no way superceding that document.

If you have any queries associated with this response, please do not hesitate to contact me to discuss further

Yours faithfully,

Gayle Cairns

Trading Consultant
Market Development
Power & Energy Trading

Reference	CAP053-CR-02
Company	British Gas Trading



Please reply to:

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA

Richard Lavender
Commercial Frameworks
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Tel. (01753) 758052
Fax (01753) 758137

31st October 2003

Dear Richard,

CUSC Amendment Proposals CAP052, CAP053 & CAP054

British Gas Trading (BGT) welcomes the opportunity to provide comments to NGT on the above proposals.

Notwithstanding that we do not support NGC's proposed modification to its methodology statement (CCM-M-07) which results in the first two of these amendments being raised, we wish to raise the following issues to NGT regarding the amendments:

CAP052 - Removal of Land Charges

No Comments

CAP053 Reconciliation of Site Specific Maintenance Charges

No comments

CAP054 Introduction of Year Round Charges

In principle we are supportive of this proposal as we believe that this should ensure that peaking plant is available across the highest demand periods of Winter and thus are more correctly charged. However, we are concerned at the lack of detail as to the notional payments. Without this information it is unclear whether the proposal that the suggested notional amount for the Year Round Generation Charge will be based on TEC is the most appropriate. This basis would we believe only be correct for base load generators that run at TEC. It would appear that using this as the basis of the notional charge could therefore greatly overestimate the Year Round Charge for the vast majority of generators and result in overpayments being made to NGC.

Alternative bases should therefore be considered before any decision is made. The final outcome should then be reflected in the CUSC drafting.

I hope these comments have been of use and please contact me if you require any further clarification.

Yours sincerely,

Sarah Owen
Commercial Manager
British Gas Trading

Reference	CAP053-CR-03
Company	EDF Energy

**Our Ref
Your**



Richard Lavender
Commercial Frameworks
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Date 31 October 2003

Dear Richard,

**EDF Energy Response to CUSC Amendment Proposal CAP053 –
“Reconciliation of Site Specific Maintenance Charges”**

Thank you for giving EDF Energy the opportunity to respond to this CUSC Amendment Proposal 053 “Reconciliation of Site Specific Maintenance Charges”.

EDF Energy supports the proposed change to the connection charging methodology, CCM-M-07, which includes changes to Site Specific Maintenance Charges, as it improves the transparency of NGTs charges and thereby better facilitates competition in the generation and supply of electricity.

EDF Energy also supports the implementation of CAP053 in conjunction with charging modification CCM-M-07 as it would ensure consistency between the CUSC and the Charging Methodology and therefore enable National Grid to discharge its Transmission Licence obligations more efficiently.

We hope our comments have been useful in helping Ofgem assess the merits of this proposal but please contact me if you would like to discuss further.

Regards

Russell Hill
Regulation and Market Infrastructure
EDF Energy

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Registered No. 2366582
Registered Office:
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40 Grosvenor Place Victoria London SW1X 7EN

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Reference	CAP053-CR-04
Company	Powergen



Richard Lavender
Commercial Frameworks
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

31 October, 2003

Dear Richard

CUSC amendment proposals CAP052, CAP053 and CAP054

Powergen support CAP052 "Removal of Land Charges" and CAP053 "Reconciliation of Site Specific Maintenance Charge". However, we do not support proposal CAP054 "Introduction of Year Round Charges" as we believe that that the charging methodology modification to which it relates, UoSCM-M-11, should not be implemented.

We understand why Users would wish to see a commodity based use of system charge, so that they have the flexibility to avoid charges if they are generating or taking demand for only part of the year. However, the proposal in UoSCM-M-11 does not provide this flexibility for two reasons:

- 1) Only 10 percent of costs would be recovered on this basis, meaning that Users would still be exposed to a capacity based charge for the vast majority of cost.
- 2) The commodity element of the charge is further limited as it is only recovered over half of the day.

The fact that the charge is recovered over only half of the day provides Users with an additional problem in that it makes pricing customer contracts and costing generation capacity more complicated. If UoSCM-M-11 is implemented, then suppliers and generators will have to estimate the demand their

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customers will be taking and the output from their stations between the hours of 7hrs and 19hrs. This will be in addition to the work that they presently carry out to estimate their triad demand, their NHH demand between 16hrs and 19hrs and the likely load factor of their generation plant. As mentioned above, it is not clear what benefit they will accrue in return for this increase in complexity. A simple, 24 hour, year round commodity charge would simplify matters as the charge per unit could be simply added to the energy price being costed. No assumptions on load factor or pattern of demand or output would need to be made for this element.

The implementation of CAP054 and UoSCM-M-11 would result in a more complicated charging structure which provides no additional benefit over the present methodology. The changes therefore cannot be beneficial to competition in supply or generation.

I hope the above comments prove helpful.

Yours sincerely,

Paul Jones
Trading Arrangements