AMENDMENT REPORT

CUSC Proposed Amendment CAP048

Firm Access and Temporary Physical Disconnection

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP048

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I DOCUMENT CONTROL

a National Grid Document Control

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0.1	22/09/03	National Grid	Draft for Industry comment
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c Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
CUSC Parties	Various
Panel Members	Various
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1.0 SUMMARY AND RECOMMENDATION

1.1 CUSC Amendment Proposal CAP048: Firm Access and Temporary Physical Disconnection, seeks to introduce a compensation payment to eligible Users that are prevented access to the transmission system as a result of a temporary planned or unplanned physical disconnection, arising from either of the connection assets or elsewhere on the transmission system.

1.2 CAP048 was proposed by First Hydro and submitted to the Amendments Panel on 21st March 2003. The Amendments Panel subsequently established a new Working Group for the purpose of evaluating CAP048 which were to report back to the June CUSC Panel. The Working Group reported back to the June Panel where it was granted a one month extension of time by the Amendments Panel.

1.3 The CAP048 Working Group Report submitted its report to the July Panel Meeting, at which the decision was taken by the CUSC Amendments Panel to consult with the industry. As part of the report, the CAP048 Working Group considered the original Amendment Proposal and developed three further Alternative Amendments, A, B and C. The CAP048 Consultation Document was circulated on 8 August 2003 to CUSC Parties, Panel members and interested parties, with comments requested by 12 September 2003. In response to the consultation, 12 responses were received.

National Grid Recommendation

1.4 On the basis of the representations received, National Grid recommends that the original Amendment Proposal and Alternative Amendment A and B are rejected. Whilst the majority of the views received supported the implementation of the original Amendment, several respondents did not support the implementation of the original Amendment Proposal or Alternative A as they reflected a value based entry regime which would not be consistent with entry capacity products introduced by CAP043. Of those respondents that supported the cost based Alternative Amendments B and C, the majority preferred Alternative C.

1.5 National Grid proposes that Alternative Amendment C is approved for implementation as of 1 April 2004. National Grid believes that it is appropriate that a compensation payment is made to eligible Users when they are prevented from access to the transmission system under the limited circumstances prescribed by CAP048. National Grid considers that Alternative C provides for a balanced incremental development upon CAP043 that recognises the contractual position of eligible Users in the case of unplanned events.

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 the compensation of eligible Users arising from the temporary physical disconnection from the transmission system.

2.2 Further to the submission of Amendment Proposal CAP048 (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 CAP048.

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.nationalgridinfo.com

3.0 THE PROPOSED AMENDMENT

Background

3.1 Transmission Access arrangements are currently under review by the industry, in particular by the Transmission Access Standing Group. With CAP043, Transmission Access – Definition, National Grid introduced the concept of Transmission Entry Capacity by proposing the introduction of two new Entry Capacity products, Connection Entry Capacity ("CEC") and Transmission Entry Capacity ("TEC"). CAP043 set out what these capacity products are; CEC is defined on a BMU and Station basis and is the physical maximum output of the BMU or Station; TEC is defined on a Station basis and is the maximum commercial output of a Station in any given Financial Year. The Alternative Amendment to CAP043 was approved by the Authority and implemented on 1st April 2003.

3.2 CAP048 has arisen from the implementation of CAP043, which introduced, to a certain extent, the concept of "firm" transmission access rights. The concern of the Proposer is that whilst a CUSC party commits to the level of TEC and CEC, the CUSC does not currently contain details of how NGC can restrict the level of CEC or TEC due to a planned or forced outage that results in temporary physical disconnection of a BMU from the Transmission System. The result of this is that there is no certainty of the level of CEC or TEC that a generator will have access to and therefore its route to market can be, in practise, withdrawn at any time. The Proposer argues that a lack of firmness of transmission rights provides a significant risk and additional cost on Generators and does not provide for an efficient and competitive market in generation.

3.3 The Amendment Proposal is intended to establish a compensation mechanism whereby NGC compensate the eligible User for its loss arising from a planned or forced temporary physical disconnection from the transmission system.

The Proposed Amendment

3.4 Through development in the Working Group the Amendment Proposal has been clarified and given further definition. The Working Group carried out its evaluation under three key areas of definition as follows:

i) Eligibility
ii) The circumstances when payments are made
iii) The basis for payment for disconnection

Eligible User

3.5 The criteria to determine if a User is eligible to claim the compensation are where the User:

i) holds registered Transmission Entry Capacity, "TEC", for that connection site; and
ii) is subject to generation Transmission Network Use of System (TNUoS) Charges.

3.6 In practice this means that those Users that are eligible are limited to any directly connected or embedded Licensed Generator and the Interconnector Owner.

3.7 By requiring an eligible User to be 'subject to' TNUoS charges, this enables those connections in negative charging zones to claim compensation arising from an Interruption event. This is as opposed to creating the perverse situation if simple reference to 'pays' TNUoS had been used, where this may have had the effect of preventing connections in negative charging zones from being able to claim compensation.

3.8 It should be noted that Interconnector Owners will also fall within the scope of this definition. However and, because, in general, it would be the Interconnector Users which would suffer any loss from a reduction in transmission system availability, consequential changes to Interconnector Agreements and to the agreement between the Interconnector Owner and its Users are likely to be required to reflect these new compensation arrangements, should they be implemented.

3.9 Views are sought on whether this is the right criteria for determining if a User qualifies for the compensation payment.

Interruption Event

3.10 The criteria to determine under what circumstances an eligible User can claim the compensation are as follows:

i) the User is unable to export from a site as a result of inadequate capacity on the NGC system; and
ii) a whole Balancing Mechanism Unit (BMU) is "disconnected" and therefore subject to an 'Interruption' from the system; and
iii) the consequences of disconnection are not covered under the terms of any other agreement between the User and NGC.

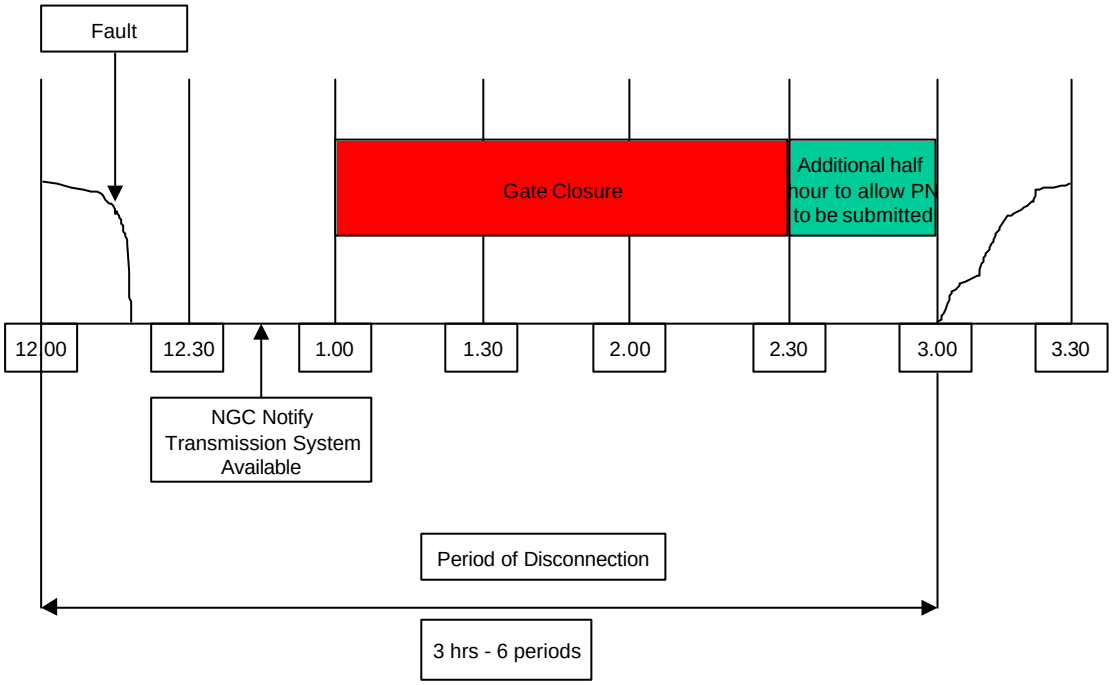
This can be summarised as; the inability of a BMU to synchronise and export power to the NGC Transmission System due to the unavailability of the NGC Transmission System. This would apply for both planned events, such as outages as well unplanned events, such as faults, with the exception of certain exclusions.

3.11 Circumstances that may result in an Interruption, but which would not give rise to payment of compensation are:

i) Where the prime cause was the Users equipment;
ii) Force Majeure, as defined in Section 11 of the CUSC;
iii) A 'Black Start' event;
iv) Operation of the Transmission System under conditions governed by the Fuel Security Code;
v) Events covered in Section 5 of the CUSC;
vi) NGC action taken directly as an instruction from the Authority or the Secretary of State:
vii) Restriction on the connection assets, where the User has elected to have a Customer Choice connection and has consequently agreed to a reduced level of connection security;
viii) Where the User has another agreement with NGC, which is intended to capture and distinguish constraint payments under the BSC and Intertrip schemes by way of example;
ix) The BMU is incapable of generation for the period which it is disconnected (using latest notification of OC2 data prior to outage); and
x) Where the User has available to it any alternative method of compensation (i.e. any compensation under the BSC).

3.12 The duration of an event would be the period between the start of the Interruption resulting in disconnection until the eligible User was notified by NGC that the system was available again. The duration of the event would be determined by NGC. Following receipt of the notification, a further four settlement periods would be granted to enable the User to submit a PN, not including the period in which such notification is received to give the User sufficient time to submit a considered PN. This is to recognise the practicality between the time that NGC notify that the System is available once again and the ability of the eligible User to be able to submit a PN because of Gate Closure. The duration of an Interruption event would therefore correspond to the full settlement periods in which the disconnection occurs plus the subsequent four settlement periods (see Fig. 1 below). The level of compensation would therefore be commensurate with the discrete number of settlement periods that the Interruption Event lasted for.

Fig.1



3.13 Views are sought on whether this is the appropriate criteria for determining an 'Interruption Event'.

Level of Compensation

3.14 The Amendment Proposal's level of compensation would be intended to cover, and would be limited to, loss of profit from sales of generation, from Balancing Mechanism services/Ancillary services, from imbalance exposure and from Balancing Mechanism bids and offers. The extent recoverable would be limited to the loss an eligible User would be expected to incur under only those contracts directly related to the eligible User and its activities. It would not allow the recovery of 3rd party losses arising from the disconnection of generation. Determination of the level of compensation would be on an ex post basis, following an event that the eligible User believes gives rise to payment under the compensation mechanism.

3.15 The User would be entitled to submit a claim for loss of profit following the interruption, which it would submit to NGC for payment. The payment terms

have not been considered by the Working Group, but would be expected to be consistent with corresponding terms in industry agreements.

3.16 The Interruption (or disconnection) of a BMU can result in either part or all of an eligible User's generation being restricted from export to the transmission system. Following the implementation of CAP043, the physical capability of a single BMU is recorded as its CEC. It is common practice for the registered CEC of a BMU or for the sum of BMU's to be greater than the TEC for a connection. The Working Group came to the view that the extent of any "firm" rights for the use of the transmission system is determined by the TEC of a connection. The Amendment Proposal determines the volume to be compensated by adding up the total BMU CEC units Interrupted, up to a limit of the connections TEC. Therefore in the case of a connection comprised of one or more BMU where the sum of the CEC is greater than the TEC, the Amendment Proposal would limit the level of compensation to the TEC, this being the basis on which TNUoS charges for the site are determined.

3.17 For example: assuming a generator with 4 BMU's, each with a CEC of 250MW, for a total station CEC of 1000MW, but with a TEC of 500MW. All 4 units are operational but only two can be exporting at any one time because of the TEC limit. Owing to a fault on the transmission system both of the exporting units are Interrupted for half an hour. This disconnected 500MW of generation. The generator would be able to claim its loss, within the scope set out above, for that 500MW of generation, even though it may be able to meet the 500MW short fall from its remaining two units. Had only two units been operational then the amount of compensation payable would still be limited to the 500MW TEC but the generator would not have been able to meet the shortfall.

3.18 The principles of the Amendment Proposal set out above would be entrenched within the CUSC.

Treatment of Interconnectors

3.19 As noted above, it is the Interconnector Owner which would be directly eligible to claim compensation, but only following a complete disconnection as currently proposed. It is the Interconnector Users, however, which hold the individual BMU's on the Interconnector and any incremental reduction in transmission capability would result in a scaling back of all the individual BMU's. It is envisaged that should there be a complete loss of the interconnector then the Interconnector Users could claim compensation via the Interconnector Owners. The scope of the compensation may also be limited as the Interconnector Owner and Users are not necessarily exposed to all of the four areas of loss that might be recoverable. This however is ultimately a matter for the Interconnector Owner and its contracts.

Disputes

3.20 Where the claim is disputed, on either grounds of eligibility, duration or amount, it will be subject to the existing CUSC rules on dispute resolution.

4.0 IMPLEMENTATION AND TIMESCALES

4.1 An implementation of 1 April 2004 is recommended. This is consistent with the commencement of the new Financial Year and the introduction of any new charging arrangements for Connection and Use of System.

5.0 IMPACT ON THE CUSC

5.1 The Proposed Amendment would require amendment to Section 5 and Section 11 of the CUSC.

5.2 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 The applicable CUSC Objectives are set out in Paragraph 1 of Condition C&F of the Transmission Licence. CUSC Amendments should better facilitate achievement of the Applicable CUSC Objectives. These can be summarised as follows:

(a) The efficient discharge by NGC of the obligations imposed on it by the Act and the Transmission 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.

6.2 It is argued by the Proposer and the CAP048 Working Group that the Amendment Proposal will better facilitate the Applicable CUSC objectives by incentivising NGC to minimise the number of interruptions on access to its transmission system and promote effective competition by compensating the affected User where such an interruption has occurred.

6.3 National Grid also believes that the original Amendment Proposal better facilitates the Applicable CUSC Objectives; it is a question between the original Amendment Proposal and the Alternative Amendments detailed below as to which does so the best. National Grid considers that the potentially significant costs associated with any compensation payment under the original Amendment Proposal would be less so, owing to the potential that any such cost may be passed on, directly or otherwise, to other sectors of customer.

7.0 IMPACT ON CUSC PARTIES

7.1 The Proposed Amendment would enable eligible CUSC parties to claim compensation, under limited circumstances, where they have been temporarily disconnected from transmission system.

8.0 IMPACT ON CORE INDUSTRY DOCUMENTS

Proposed Amendment

8.1 No impact upon other Core Industry Documents has been identified.

Changes and/or Developments required to central computer systems and processes used for arrangements established under Core Industry Documents

8.2 None are required; it is proposed that the payment of any compensation would be managed through ad hoc billing arrangements.

9.0 ALTERNATIVE AMENDMENT

9.1 The original Amendment Proposal was drafted sufficiently widely that it was recognised by the Working Group that more than one compensation mechanism could be consistent with the principles embodied in the Amendment Proposal.

9.2 The Working Group agreed on the criteria of the original Amendment Proposal for determining eligibility and circumstances (as set out in Section 3). The Working Group, however, did not reach a consensus on the method of determining the level of compensation.

9.3 Through development in the Working Group three Alternative Amendments were considered, to give consideration to all the possible options. In all three, the main difference is how the level of compensation is determined. Alternative A closely mirrors the original Amendment Proposal but determines an average pre-estimate of the loss to the User. Alternative B is similar to Alternative A except that it seeks to compensate on the basis of the cost of the transmission capacity. Alternative C is similar to Alternative B, except that it determines a cost and market based level of compensation and determines the volume of capacity to be compensated for differently from that of the original Amendment Proposal and Alternatives A and B.

Description of Alternative Amendment A

9.4 The first Alternative Amendment developed during Working Group discussions is intended to create an average pre-estimate of an eligible User's loss to derive a £/MW value. All other criteria that apply to the original Amendment Proposal also apply to this Alternative, except that the level of compensation is determined on an ex ante basis and the method of determining the level of compensation is different.

The value would be determined by the following calculation:

L= annual Load shape 44 (£/MWh)
B= annual average BSUOS charge (£/MWh)
F= typical fuel Cost for generator (£/MWh)
BM= Annual cost of BM Offers plus BM Bids
BS= Annual balancing services income
TEC= Sum of all TEC (KW)
VOL= Annual volume of energy generated (MWh)
CON= Annual contract volume (VOL-Offer Volume+BId Volume)(310-2.8+8.4)=316

$$\frac{(L*CON)-((F+B)*VOL)+BM+BS}{TEC}$$

$$\frac{(£19.6*316m)-((£13+0.65)*310m)+£180m+£60m}{65000MW}$$

This would produce a value of approximately £34/kW/Year.

$$\frac{£34/kW*1000 = £34,000MW}{17520 \text{ (Number of Settlement Periods in a Year)}}$$

This would produce a value of £2MW/Settlement Period, rounded up to the nearest £.

9.5 The figure would be directly inserted in to the CUSC and would be indexed to the Retail Price Index to take in to account annual change in the value of the level of compensation. Should the value no longer reflect the average loss then a CUSC Amendment Proposal would need to be raised to change the value.

9.6 This level of compensation effectively reflects the average value that could be expected to be recovered under the original Amendment Proposal but reduces the likelihood of disputes as to the level of compensation as this would be clearly established within the CUSC.

9.7 Continuing the example in paragraph 3.15, with the loss of 500MW of generation, for a period of disconnection lasting for 2.75 hours (or six Settlement Periods), the loss would be:

500MW*£2*6(Number of Settlement Periods) = £12,000

Impact of Alternative Amendment on CUSC

9.8 The Alternative Amendment would require amendment to Section 5 and Section 11 of the CUSC.

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

Assessment Against Applicable CUSC Objectives

9.10 The comments relating to the better facilitation of the Applicable CUSC Objectives as contained in Section 6 above apply, however, in relation to this particular Alternative Amendment, National Grid considers the size of any compensation payment and therefore associated cost would be similar to that of the original Amendment Proposal.

Changes and/or Developments required to central computer systems and processes used for arrangements established under Core Industry Documents

9.11 The changes required do not differ to those proposed as a result of the Original Amendment Proposal.

Description of Alternative Amendment B

9.12 The second Alternative Amendment developed during Working Group discussions adopts a compensation mechanism that is derived from both TNUoS and Connection Charges. A minimum ex ante level of compensation is specified, based on average TNUoS and Connection Charges to enable eligible Users in negative charging zones to receive a level of compensation. For Users in higher charging zones, compensation is based on actual TNUoS and Connection Charges. All other criteria that apply to the original Amendment Proposal also apply to this Alternative: i.e. the only differences are that the level of compensation is determined on an ex ante basis and the level of compensation is related to the NGC charges rather than any loss incurred.

The level of compensation would be determined by the following formula:

MAX of

$$\frac{\text{Total generation TNUoS + Total generation Connection}}{\text{Total system TEC}}$$

This would then be divided by 17520 to determine a £/MW/Settlement Period Value.

Or

$$\frac{\text{Site TNUoS + Site Connection Charges}}{\text{Site TEC}}$$

This would then be divided by 17520 to determine a £/MW/Settlement Period Value.

9.13 This formula would be entrenched within the CUSC. The values used in the calculation would be those as at 31st March in the year that the Interruption event occurred. Where the Interruption event continues in to a new year then the values as at 31st March of that year will apply and so on.

9.14 This level of compensation is intended to compensate for the cost of the transmission entry capacity paid to NGC: it also reduces the likelihood of disputes as to the level of compensation as the calculation for determining the value would be certain.

9.15 Using the example in 3.15 earlier, an Interruption resulting in a disconnection of 500MW for 2.75 hours (therefore 6 Settlement Periods), the following compensation would be paid:

$$\frac{\text{Assuming £250million for total generation TNUoS and Connection}}{\text{65,000MW}}$$

= £0.22/MW/Settlement Period*500MW*6 = £660

Impact of Alternative Amendment on CUSC

9.16 The Alternative Amendment would require amendment to Section 5 and Section 11 of the CUSC.

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

Assessment Against Applicable CUSC Objectives

9.18 The comments relating to the better facilitation of the Applicable CUSC Objectives as contained in Section 6 above apply, however, in relation to this particular Alternative Amendment, National Grid considers the size of any compensation payment to be more realistic in terms of transmission entry capacity that is currently provided for on a cost basis.

Changes and/or Developments required to central computer systems and processes used for arrangements established under Core Industry Documents

9.19 The changes required do not differ to those proposed as a result of the Original Amendment Proposal.

Description of Alternative Amendment C

9.20 The final Alternative Amendment developed during Working Group discussions seeks to differentiate between the level of compensation paid for those Interruption events where an Eligible User is notified by NGC of the likely Interruption, such as planned outages. This is against those Interruption events where NGC is not able to provide any notice, such as faults on the system. This Alternative Amendment also differs from the original Amendment Proposal by determining the quantity of generation differently, by deducting the available unit's CEC from the TEC. In addition, to simplify the Interruption Payment, it will be paid at a daily rate for any Interruption Periods that occur in that day or part of a day.

9.21 For planned events, compensation would be provided on a £/MW basis. This would be calculated as follows:

MAX of

$$\frac{\text{Total generation TNUoS}}{\text{Total system TEC}}$$

This would then be divided by 365 to produce a £/MW/day value.

Or

$$\frac{\text{Site TNUoS Charges/TEC}}{\text{365 to produce a £/MW/day value}}$$

9.22 This value is effectively intended to rebate TNUoS charges on a daily basis. Given that northern generators will be paying more, the higher of the average or actual payment figure should be used. Compensation is then payable based upon the number of MW disconnected at a rate of 1/365 per day in which a disconnection occurs. This ensures that in the event of more than one disconnection in a day only one payment is made. As an example a 660MW unit in the North would receive approximately £16k per event. This effectively rebates the generators capacity charge for the loss of access to the transmission system for a day or part thereof arising from a disconnection. For those in negative charging zones it also provides for a level of compensation.

9.23 It is proposed that for unplanned event's compensation calculated using the Market Index Price, as published on the BMRS, would be used for the first 24 hours of an event or fault. After this first twenty-four hour period the level of compensation will revert to that outlined above.

9.24 Whilst this does not fully reflect the losses that a generator will incur as a result of the interruption, it is intended to reflect the additional disruption an unplanned outage places on generators. It also reflects the original Proposals intention of compensating less when notice is given and more when no notice is received.

9.25 The method of determining the quantity that has been Interrupted is also different to the original Amendment Proposal. Under this option the amount of available remaining $CEC_{unit,}$, that does not include the Interrupted BMU/ CEC_{unit} , is deducted from the $TEC_{station.}$ Where the available remaining CEC_{unit} is equal to or greater than the $TEC_{station}$ then no compensation would

be payable. Where the available remaining CEC_{unit} is less than the $TEC_{station}$ then the amount compensated for would be the difference. This can be expressed as $TEC_{station}$ - Available Remaining CEC_{unit} = Volume for Compensation.

9.26 By way of example, continuing the example set out in paragraph 3.15 with the four BMU's each with a CEC of 250MW, a station CEC of 1000MW but a TEC of 500MW. All four units are operational, but only two can export at any one time because of the TEC limit. Were one unit to be Interrupted, the eligible User would be able to meet the short fall with one of its two remaining units, the TEC of 500MW is still available so the compensation payable would be zero. Were two units to be Interrupted, the same circumstances would apply, as the generator would be able to meet the short fall by exporting with the second unit that was not originally exporting. In this case the 500MW TEC remains so the compensation payable will be zero. If the third unit were to be Interrupted then 250MW would be deducted from the TEC, so the compensation payable would relate to the 250MW of TEC that was restricted. To continue the example, if the fourth unit was also Interrupted then the TEC would be reduced by the final 250MW. This would mean that the TEC could not be met and therefore the level of compensation would relate to the full 500MW of TEC that had been Interrupted, as, for the duration of the Interruption, it would not be available.

9.27 In this case, for a planned event resulting in the Interruption of the full 500MW TEC, the amount of compensation would be, assuming the average value:

$$\frac{\text{Assuming £150million for total generation TNUoS}}{\text{65,000MW}}$$

Divide by 365

= £6.32/MW/day*500MW = £3160/day

In the case of an unplanned event, assuming a Market Price of £20MWh, the level of compensation would be £240,000 for the first day and £3160 for each day or part thereof afterwards.

Impact of Alternative Amendment on CUSC

9.28 The Alternative Amendment would require amendment to Section 5 and Section 11 of the CUSC.

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

Assessment Against Applicable CUSC Objectives

9.30 The comments relating to the better facilitation of the Applicable CUSC Objectives as contained in Section 6 above apply, however, in relation to this particular Alternative Amendment, National Grid considers the size of any compensation payment and therefore associated cost would be similar to that of the original Amendment Proposal.

Changes and/or Developments required to central computer systems and processes used for arrangements established under Core Industry Documents

9.31 The changes required do not differ to those proposed as a result of the Original Amendment Proposal.

10.0 WORKING GROUP DISCUSSIONS

10.1 This section details the Working Group discussions as they provide an assessment between each of the original Amendment Proposal and the three Alternative Amendments.

10.2 The Working Group considered the significant risks and additional costs arising from a lack of firmness of transmission rights. The two principle risks identified are that there is a risk that an eligible User could be exposed to losses for under delivering on its existing contracts and secondly that it is restricted from entering in to new, profitable contracts. The additional costs that may be incurred are those faced by an eligible User in sourcing the lost generation, either through imbalance or other market mechanisms. It may also incur additional costs arising from its wider contractual terms for failing to deliver.

10.3 The Working Group agreed that the Amendment Proposal better facilitates the Applicable CUSC Objectives by providing an incentive to National Grid to reduce the likelihood of disconnection by requiring it to pay compensation where it disconnects an eligible User. This would promote the better management and operation of the Transmission System. To give affect to these benefits changes will be required to NGC's charging and incentive schemes.

10.4 By having the potential benefit to reduce the likelihood of disconnection this would support the facilitation of competition in the market by providing greater reliability and certainty in the knowledge that the User will have access to the market. Where a disconnection still occurs, the payment of compensation would continue to promote competition as an eligible User would be compensated for some of the costs it may face arising from the disconnection.

10.5 The majority of the Working Group considered that the original Amendment Proposal best achieves the Applicable CUSC Objectives. This is because it was felt that the original Amendment Proposal provides for the full cost of the loss of access to the transmission system to be compensated by NGC, thereby exposing NGC to the full costs of its actions. This would reduce the overall risk of the eligible User and may also have the added benefit of reducing business interruption insurance premiums, as a risk that is outside of its control would now be compensated for. It was also argued that this placed the correct incentives on NGC to minimise outage cost and duration.

10.6 Several members of the Working Group also recognised the simplicity provided by Alternative's A and B, with the majority of that grouping preferring Alternative A, in lieu of the original Amendment Proposal, for the same reasons as the original Amendment Proposal. This is because it was considered to be a fair pre-estimate and would have the advantage of allowing NGC to better assess in advance the cost to it of an outage. These members were not supportive of Alternatives B and C as it was felt that these did not adequately reduce the eligible Users risk sufficiently nor recognise the value of the product that had been withdrawn and it would therefore see its position little changed in terms of overall risk. In the case of Alternative C this was criticised for not recognising the link between TNUoS and Connection Charges.

10.7 A minority of the Working Group did not support the original Amendment Proposal. They argued that the compensation paid to the User should relate to the loss of access and not the loss of profit. Of this minority group, the preferences were split between Alternatives B and C.

10.8 This grouping argued that any compensation that is calculated after the event would, by definition, be unable to give NGC the correct incentives as only the generator would have knowledge of the value they place on their transmission access. Also, any compensation payment based upon the value a generator places on access is not consistent with the payment for that product based on its cost. Payment of value based compensation by NGC could incentivise NGC to over invest in assets (to above the existing planning standards) to mitigate the risks, which would lead to higher connection charges for generators.

10.9 In addition, the minority group argued that if the proposed charging boundary change to 'Plugs' goes ahead this may represent a cross-subsidy from flexible plant to inflexible plant. This is due to the rationale that inflexible plant inherently has extended dynamics and the loss of profit element will be calculated over a longer period. Several members of the Working Group questioned this particular argument, as the overall loss may depend on the type of plant and the time of year in which an Interruption occurs.

10.10 The minority group argued that value based compensation could be appropriate if access rights were valued based, however, this implies a fundamental change to the Transmission Access regime that was argued as being beyond the scope of this amendment proposal. Concern was also expressed that compensation based on a loss of profit would give the generator an incentive not to align its outages with NGC outages, which is inconsistent with the requirements of the Grid Code and would prevent NGC from operating an economic and efficient transmission system.

10.11 Further the size of payments was considered, as payment for alternative B was considered to be effectively too small to give NGC an appropriate incentive. However, alternative C which has the Market Price derived payment, in recognition of the additional disruption unplanned outages place on generators, leads to a significant payment which it was argued gives an appropriate incentive to NGC to restore the faulted equipment. In addition, it was argued that alternative C is the only option that recognises the flexibility that the generators have gained from the TEC term within its payment calculation.

10.12 The Working Group considered the funding of the Amendment Proposal and Alternative Amendments, however, it has been recognised that this is not within its scope. Nevertheless, it was the view of the Working Group that the means by which NGC is able, if at all, to recover the costs incurred as a result of implementation of CAP048 is likely to have an impact on the extent to which the amendment better meets the Applicable CUSC Objectives. Concern was expressed broadly as to the cost of meeting the compensation. As the payment mechanisms are not known it is difficult to determine how much the compensation would cost the industry and how much would cost NGC. This may ultimately have a bearing on the merit of each of the original Amendment Proposal and three alternatives, particularly in relation to whether the compensation is intended to reflect the loss of profit or to reflect the cost of NGC charges.

10.13 The Working Group considered other types of User that may or should be eligible for compensation arising from an Interruption. The criteria to determine an eligible User are limited to a party holding TEC. Clearly this does not provide compensation to the demand side of the market. The Working Group considered this sector of customer carefully, however, it does not believe that they can be accommodated within the scope of the Amendment Proposal, given the baseline CUSC that incorporates Amendment CAP043. On this basis only generation connection sites and Interconnectors that are importing are considered. In considering the criteria for determining whether a User is eligible to claim compensation, the Working Group has considered the extent that the Amendment Proposal and each Alternative Amendment may or may not unduly discriminate between Users. In the context of CAP043, it was the view of the Working Group that none of these arrangements appeared to unduly discriminate.

10.14 The Working Group considered the use of Transmission Related Agreements (TRA) as initially advocated in the Amendment Proposal. It was argued that both NGC and the affected eligible User could enter in to a TRA before the event, where it was known to occur, and was not subject to one of the exclusions, to agree an appropriate level of compensation. Whilst it is accepted that there may be some merit in NGC and an eligible User entering in to a separate contract to manage the level of exposure arising from an Interruption Event, the Working Group determined that the option does not need to form part of the Amendment Proposal and should be left as a matter of choice for the User and NGC.

11.0 VIEWS AND REPRESENTATIONS

11.1 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 Amendments.

Views of Panel Members

11.2 No views of Panel Members received.

View of Core Industry Document Owners

11.3 No responses to the CAP048 Consultation were received by Core Industry Document Owners or owners of other industry documents.

Responses to Consultation

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

Reference	Company	Supportive	Comments
CAP048-CR-01	Gaz de France	No	• Supported intention of the Amendment Proposal • Compensation should be limited to costs incurred due to loss of access • Did not agree with time period of interruption • Believed NGC should not compensate for maintenance related events

			• Could not support the Amendment Proposal or Alternatives as did not believe they were sufficiently developed • Did not address demand customers • Any costs should not be passed on to Suppliers/Customers
CAP048-CR-02	ConocoPhillips	Yes	• Supported Alternative C • Reflects cost rather than value at present • Agreed with circumstances and critera • NGC should not compensate for planned events where one months notice given • Believed holistic approach was necessary to address charging and incentive arrangements and non CUSC elements
CAP048-CR-03	National Grid Transco	Yes	• Supported Alternative C • See general views provided
CAP048-CR-04	Powergen	Yes	• Supported original Amendment Proposal • Agreed with all criteria • Not appropriate to address demand within scope of Amendment Proposal
CAP048-CR-05	EDFEnergy	Yes	• Supported original Amendment Proposal • Agreed with criteria
CAP048-CR-06	Corus Group	No	• Did not support Amendment Proposal as did not address all parties connected to transmission system • Concerned with where costs would fall
CAP048-CR-07	British Gas Trading Ltd	Yes	• Supported Alternative B • Did not support any loss of profit element in determining compensation • Did not believe demand customers should bear any cost • Did not think Alternative C link between CUSC and BSC was appropriate
CAP048-CR-08	Edison Mission Energy	Yes	• Supported original Amendment Proposal • Agreed with qualifying criteria • Considered Alternative A as suitable alternative but not B or C as these did not reflect the full extent of loss of affected parties
CAP048-CR-09	Innogy	Yes	• Provided qualified support for original Amendment Proposal, subject to more detail on charge out and incentive arrangements • Believed compensation should reflect full value of loss at time of interruption • Did not support any Alternative Amendment as not cost reflective

			• Broadly agreed with qualifying criteria with notable exceptions, particularly definition of 'interruption'
CAP048-CR-10	British Energy	Yes	• Supported original Amendment Proposal • Agreed with qualifying criteria • Believed duration of interruption should extend to when BMU subsequently available • Believed value based compensation was cost reflective and provided better incentive on NGC and therefore better facilitated Applicable CUSC Objectives
CAP048-CR-11	Deeside Power Development Co Ltd	Yes	• Supported original Amendment Proposal • Did not support duration of interruption event as this may vary depending upon the type of plant
CAP048-CR-12	Derwent Cogeneration Limited	Yes	• Supported original proposal and Alternative A to a lesser extent • Recognised B & C were an improvements but believed compensation payment should be based on loss to User • Distinguished demand based on time period of payment of TNUoS charges

10.5 National Grid received a total of twelve responses to the consultation on CUSC Amendment Proposal CAP048. In general, the majority of responses were supportive of the original Amendment Proposal as better facilitating the achievement of the Applicable CUSC Objectives, however several respondents favoured one of the Alternative Amendments.

10.7 Respondents were asked to specifically consider and respond to the following issues:

Is the compensation envisaged and the circumstances to which it is intended to apply appropriate?

10.8 Most respondents generally agreed that the introduction of a compensation arrangement was appropriate, however, views were divided in particular on the cost reflectivity of the compensation; with views being divided between the full cost to an affected User, compared with those who considered that the compensation should reflect the cost of providing access to the transmission system.

Are the criteria if a User is eligible for receiving the compensation appropriate?

10.9 Most respondents agreed with criteria for determining whether a User qualified to claim compensation, however, several noted that demand customers should also be addressed, although some recognised the difficulty of doing this within the scope of CAP048.

Are the criteria for determining whether an event qualifies as an interruption event appropriate?

10.10 Most respondents considered that the criteria for determining whether an event qualifies as an interruption was appropriate, however, several respondents argued that there should be some form of distinction where NGC has notified of a planned, maintenance type event. Some respondents did not agree with the duration of an interruption, arguing that it should continue until notification of system availability in one case and in one, arguing that it should continue until the affected BMU had returned to its position prior to the interruption.

Which of the Amendment Proposal or three Alternatives is preferred and why?

10.11 Six respondents believed that the original Amendment Proposal better achieved the Applicable CUSC Objectives, of these some respondents considered Alternative A as a suitable alternative although did not provide outright support. One respondent supported Alternative B arguing that it most reflected the cost of providing access to the transmission system. Two respondents supported Alternative C, arguing that it was a balanced development upon CAP043. Two respondents could not provide outright support to any of the four options, believing that they had been insufficiently developed and did not address all types of customer. Most respondents stated that its support was dependent upon the outcome of any cash out and incentive developments, with most believing that suppliers and consumers should not bear the cost.

12.0 NATIONAL GRID RECOMMENDATION

12.1 National Grid remains supportive of moves to introduce a compensation mechanism for temporary physical disconnection. We support the circumstances set out under which the compensation payment is intended to apply and the criteria for determining whether a User is eligible to claim compensation. Although we recognise that CAP048 does not address the concerns of all customers, notably demand customers, we believe CAP048 to be an appropriate development upon CAP043, which established Transmission Entry Capacity products.

12.2 We agree with the need to be incentivised to minimise the duration of fault and maintenance outages. We do not, however, consider the calculation of compensation based upon the full loss to an affected User to be consistent with the current position upon which Transmission Entry Capacity is provided. Our charges are cost reflective; compensation based upon generation losses will not mirror the costs of providing access.

12.3 National Grid believes that Alternative Amendment C provides for a compensation payment that better reflects the basis upon which Transmission Entry Capacity is provided. In the case of unplanned events National Grid believes that this is a first step to recognising the costs faced by an affected User arising from the loss of access to the transmission system. National Grid also believes that Alternative C offers a better method of determining the amount of transmission capacity that has become unavailable. This is by focussing on the amount that has become unavailable as opposed to considering each BMU that has been denied access to the transmission system. We consider this to better reflect the developing principles of transmission access.

12.4 National Grid believes that CAP048 represents an incremental step towards the reform of transmission access, which whilst not addressing all types of customer, provides for a consequent development upon CAP043. Accordingly for these reasons and those given above we would recommend an Authority decision to implement CAP043 Alternative C to be effective from 1 April 2004. Should the Authority approve CAP048 in any of its formats, this should be subject to further discussion between NGC and the Authority as to the funding and incentive arrangement's implications of CAP048.

13.0 COMMENTS ON DRAFT AMENDMENT REPORT

13.1 National Grid received 1 response following the publication of the draft Amendment Report. The following table provides an overview of each representation. Copies of the representations are attached as Annex 4.

Reference	Company	Summary of Comments
CAP048-AR-01	Powergen	• Continued to support Amendment Proposal • Disappointed that NGC recommend Alternative C • Believe that original Amendment Proposal and to a less accurate extent Alternative A, deliver commercially firm access rights • Believe that Alternative's A and B are not appropriate as they will leave the User commercially disadvantaged

Annex 1 - Amendment Proposal Form

CUSC Amendment Proposal Form	CAP: 048

Title of Amendment Proposal:

Firm Access and Temporary Physical Disconnection

Description of the Proposed Amendment **(mandatory by proposer)*:***

Where a CUSC party has purchased firm Connection and Transmission Access, NGC will have an obligation to re-purchase these firm rights if they cannot be delivered.

An obligation will be included in CUSC which will oblige NGC to purchase CEC_{BMU}, and/or $TEC_{Station}$ in response to system needs. When the Transmission System (connection or infrastructure) has a reduced level of availability due to planned or forced outage that results in the temporary physical disconnection of a Generating Unit, NGC will be required buy back CEC and/ or TEC capability from the user via one of two mechanisms:-

a) NGC enter into a bi-lateral Transmission Related Agreement (TRA) such that the user has a reduced level of CEC and/or TEC

b) NGC buy back from the user CEC and /or TEC capability at a price that is set down in the Connection Charging Methodology and/or the Use of System Charging Methodology.

The obligation on NGC to purchase CEC and/or TEC via a) or b) above will be included in the CUSC

If NGC purchase CEC and/or TEC via a) the price will be negotiated bilaterally. If NGC purchase CEC and/or TEC via method b) the price and methodology will be set down in the relevant charging methodology.

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

The CUSC currently does not contain details of how NGC can restrict the level of CEC or TEC due to a planned or forced outage that results in temporary physical disconnection. The result of this is that there is no certainty of the level of CEC or TEC that a generator will have access to and therefore its route to market can be withdrawn at any time.

The lack of firmness of transmission rights provides significant risk and additional cost on Generators and does not provide for an efficient and competitive market in generation.

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

Changes to CUSC include

Additional sub-sections in CUSC sections 2 and 9 which place an obligation on NGC to purchase CEC where it cannot deliver the contracted level due to planned or forced outage resulting in temporary physical disconnection, at a price determined in the charging methodology or the TRA.

Additional sub-sections in CUSC 3 and 9 which place an obligation on NGC to purchase TEC where it cannot deliver contracted levels due to planned or forced outage resulting in temporary physical disconnection, at a price set down in Use of System charging methodology or the TRA.

Impact on Core Industry Documentation *(this should be given where possible)*:

Changes would be required to fully implement this proposal to the Connection Charging Methodology and the Use of System Charging Methodology These changes would need to detail the methodology for determining the CEC and TEC buy back price.

The issues that will need to be considered are
1) The Connection Charge
2) The Use of System Charge
3) The loss suffered by the generator as a result of the reduced CEC and TEC level
4) The interaction of CEC and TEC

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:
NGC billing systems

Details of any Related Modifications to Other Industry Codes *(where known)*:

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

This modification will enable NGC to manage forced outages and planned outages that result in temporary physical disconnection by buying back TEC and CEC levels thus promoting more efficient use of the transmission system . This will enable National Grid to more easily and efficiently discharge its obligations under the Act and the Transmission Licence and fulfil its obligations to facilitate competition in the generation and supply of electricity.

Details of Proposer: Organisation's Name:	First Hydro Company
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:	Simon Lord First Hydro Company 0870 238 5501 *slord@edisonmission.com*
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Kevin Dibble First Hydro Company 0870 238 5523 kdibble@edisonmission.com
Attachments (Yes/No):No **If Yes, Title and No. of pages of each Attachment:**	

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

Conformed Version

The following definitions to be added to Section 11.

"Affected User"	a **User**: a) with **Transmission Entry Capacity** for the **Connection Site** against which the affected **BM Unit** is registered and who is paying or in receipt of generator **Transmission Network Use of System Charges** by reference to such **Transmission Entry Capacity**; or b) an **Interconnector Owner**;
"Allowed Interruption"	an **Interruption** as a result of any of the following: a) an **Event** other than an **Event** on the **NGC Transmission System**; b) an event of **Force Majeure** pursuant to Paragraph 6.19 of the **CUSC**; c) a **Total Shutdown** or **Partial Shutdown**. d) action taken under the **Fuel Security Code**; e) **Disconnection** or **Deenergisation** by or at the request of **NGC** under section 5 of the **CUSC**; f) a direction from the **Authority** or the **Secretary of State**; or if provided for in a **Bilateral Agreement** with the affected **User**;
"Event"	as defined in the **Grid Code**;
"Interruption"	where solely as a result of **Deenergisation** of **Plant and Apparatus** forming part of the **NGC Transmission System**: a) a **BM Unit** comprised in the **User's Equipment** of an **Affected User** (other than an **Interconnector Owner**) is **Deenergised**; or b) an **Interconnector** of an **Affected User** who is an **Interconnector Owner** is **Deenergised**;
"Interruption Payment"	a sum equal to the loss directly suffered by the **Affected User** during the **Interruption Period** as a result of the **Relevant Interruption** in respect of the following; a) any payment that would have been made by **NGC** to the **Affected User** under any **Ancillary Services Agreement** if the **User** had but for the **Relevant Interruption** been able to provide services during the **Interruption**

	Period; b) any exposure to **System Buy Price**; c) the value of the **Bid Offer Acceptance** that **NGC** would have submitted but for the **Relevant Interruption** in respect of the affected **BM Unit**; d) the payment the **Affected User** would have received for the **Energy** it would have generated but for the **Relevant Interruption**;
"Interruption Period"	the period of time determined by **NGC** and notified to the **Affected User** by **NGC** commencing with (and including) the **Settlement Period** in which the **Relevant Interruption** first affected the **BM Unit** or **Interconnector** of an **Affected User** and ending on the fourth **Settlement Period** after (but not including) the **Settlement Period** in which **NGC** notifies the **Affected User** that the **Relevant Interruption** has ended;
"Partial Shutdown"	as defined in the **Grid Code**;
"Relevant Interruption"	an **Interruption** other than an **Allowed Interruption**;
"System Buy Price"	as defined in the **Balancing and Settlement Code**;
"Total Shutdown"	as defined in the **Grid Code**;

TEXT

The following shall be added as new paragraphs in Section 5 and the contents page to Section 5 amended accordingly.

"5.10 **Relevant Interruptions**

5.10.1 In the event of a **Relevant Interruption** where the **Affected User** has not otherwise received compensation under the **Balancing and Settlement Code** **NGC** shall be liable to pay the **Affected User** upon request the **Interruption Payment** for the **Interruption Period**.

5.10.2 The **Interruption Payment** shall be paid by **NGC** to the **Affected User** within 28 days of the date of agreement as to the amount of the **Interruption Payment**.

5.10.3 The **Affected User** will take all reasonable steps to minimise the effect (and therefore the amount of the **Interruption Payment** sought as a consequence) of the **Relevant Interruption** on the operation of its business"

The first line of Paragraph 6.12.1 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

The first line of Paragraph 6.12.3 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

Part B - Text to give effect to the Alternative Amendment

Conformed Version

Alternative A

The following definitions to be added to Section 11.

"Affected User"	a **User**: a) with **Transmission Entry Capacity** for the **Connection Site** against which the affected **BM Unit** is registered and who is paying or in receipt of generator **Transmission Network Use of System Charges** by reference to such **Transmission Entry Capacity**; or b) an **Interconnector Owner**;
"Allowed Interruption"	an **Interruption** as a result of any of the following: a) an **Event** other than an **Event** on the **NGC Transmission System**; b) an event of **Force Majeure** pursuant to Paragraph 6.19 of the **CUSC**; c) a **Total Shutdown** or **Partial Shutdown**. d) action taken under the **Fuel Security Code**; e) **Disconnection** or **Deenergisation** by or at the request of **NGC** under section 5 of the **CUSC**; f) a direction from the **Authority** or the **Secretary of State**; or if provided for in a **Bilateral Agreement** with the affected **User**;
"Event"	as defined in the **Grid Code**;
"Interruption"	Where solely as a result of **Deenergisation** of **Plant and Apparatus** forming part of the **NGC Transmission System**: a) a **BM Unit** comprised in the **User's Equipment** of an **Affected User** (other than an **Interconnector Owner**) is **Deenergised**; or b) an **Interconnector** of an **Affected User** who is an **Interconnector Owner** is **Deenergised**;
"Interruption Payment"	for the **Interruption Period** a figure of £2 (subject to review in accordance with Paragraph 5.10.4) per MW per **Settlement Period** for a) in the case of an **Affected User** (other than an **Interconnector Owner**) the MW specified in the **Connection Entry Capacity** for the affected **BM Unit** up to a maximum of the MW specified in the **Transmission Entry Capacity** for the **Connection Site**; and b) In the case of an **Affected User** who is

	an **Interconnector Owner** the MW specified in the **Transmission Entry Capacity** for the **Connection Site**;
"Interruption Period"	The period of time determined by **NGC** and notified to the **Affected User** by **NGC** commencing with (and including) the **Settlement Period** in which the **Relevant Interruption** first affected the **BM Unit** or **Interconnector** of an **Affected User** and ending on the fourth **Settlement Period** after (but not including) the **Settlement Period** in which **NGC** notifies the **Affected User** that the **Relevant Interruption** has ended;
"Partial Shutdown"	as defined in the **Grid Code**;
"Relevant Interruption"	An **Interruption** other than an **Allowed Interruption;**
"Total Shutdown"	As defined in the Grid Code;

TEXT

The following shall be added as new paragraphs in Section 5 and the contents page to Section 5 amended accordingly.

5.10 Relevant Interruptions

5.10.1 In the event of a **Relevant Interruption** where the **Affected User** has not otherwise received compensation under the **Balancing and Settlement Code NGC** shall be liable to pay the **Affected User** upon request the **Interruption Payment** for the **Interruption Period**..

5.10.2 The **Interruption Payment** shall be paid to **NGC** to the **Affected User** within 28 days of the date of the agreement as to the amount of the **Interruption Payment**.

5.10.3 The **Affected Use**r will take all reasonable steps to minimise the effect) and therefore the amount of the **Interruption Payment** sought as a consequence) of the **Relevant Interruption** on the operation of its business.

5.10.4 The **Interruption Payment** specified is at April 2003 and shall be increased or decreased from 1 April each year in line with the **Retail Price Index** on the following basis;

$$\frac{RPI_2 - RPI_1 \times 100}{RPI_1}$$

Where
RPI_1 is the Retail Price Index for March 2003
RPI_2 is the Retail Price Index for the March prior to commencement of that 12 month period "

The first line of Paragraph 6.12.1 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

The first line of Paragraph 6.12.3 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

Alternative B

The following definitions to be added to Section 11.

"Affected User"	a **User**: a) with **Transmission Entry Capacity** for the **Connection Site** against which the affected **BM Unit** is registered and who is paying or in receipt of generator **Transmission Network Use of System Charges** by reference to such **Transmission Entry Capacity**; or b) an **Interconnector Owner**;
"Allowed Interruption"	shall mean an **Interruption** as a result of any of the following: a) an **Event** other than an **Event** on the **NGC Transmission System**; b) an event of **Force Majeure** pursuant to Paragraph 6.19 of the **CUSC**; c) a **Total Shutdown** or **Partial Shutdown**; d) action taken under the **Fuel Security Code**; e) **Disconnection** or **Deenergisation** by or at the request of **NGC** under section 5 of the **CUSC**; f) a direction from the **Authority** or the **Secretary of State**; or if provided for in a **Bilateral Agreement** with the affected **User**;
"Event"	as defined in the **Grid Code**;
"Interruption"	where solely as a result of **Deenergisation** of **Plant and Apparatus** forming part of the **NGC Transmission System**: a) a **BM Unit** comprised in the **User's Equipment** of an **Affected User** (other than an **Interconnector Owner**) is **Deenergised**; or. b) an **Interconnector** of an **Affected User** who is an **Interconnector Owner** is **Deenergised**;
"Interruption Payment"	for the **Interruption Period** a figure of £ per MW per **Settlement Period** calculated by reference to the higher of A or B below: A. the £ per MW figure for the **Affected User** by reference to the total TNUoS income derived from generators plus the sum of all generation connection charges, this sum divided by the total system **Transmission Entry Capacity**, in each case using figures for the **Financial Year** prior to that in which the **Relevant Interruption** occurs, then divided by 17520 (that is the nos of **Settlement Periods** in a year) Or

B. the £ per MW figure for the **Affected User** by reference to the tariff in the **Use of System Charging Statement** for the **Financial Year** in which the **Relevant Interruption** occurs plus the £ per MW figure for the **Affected User** derived from dividing the **Affected Users** annual **Connection Charge** by the MW specified in the **Transmission Entry Capacity** for the **Connection Site**, this sum divided by 17520 (that is the nos of **Settlement Periods** in a year)

A or B are then multiplied by;

a) in the case of an **Affected User** (other than an **Interconnector Owner**) the MW specified in the **Connection Entry Capacity** for the affected **BM Unit** up to a maximum of the MW specified in the **Transmission Entry Capacity** for the **Connection Site**; and
b) In the case of an **Affected User** who is an **Interconnector Owner** the MW specified in the **Transmission Entry Capacity** for the **Connection Site**;

"Interruption Period" the period of time determined by **NGC** and notified to the **Affected User** by **NGC** commencing with (and including) the **Settlement Period** in which the **Relevant Interruption** first affected the **BM Unit** or **Interconnector** of an **Affected User** and ending on the fourth **Settlement Period** after (but not including) the **Settlement Period** in which **NGC** notifies the **Affected User** that the **Relevant Interruption** has ended;

"Partial Shutdown" as defined in the **Grid Code**;

"Relevant Interruption" an **Interruption** other than an **Allowed interruption**;

"Total shutdown" as defined in the **Grid Code**;

TEXT

The following shall be added as new paragraphs in Section 5 and the contents page to Section 5 amended accordingly.

"**5.10 Relevant Interruptions**

5.10.1 In the event of a **Relevant Interruption** where the **Affected User** has not otherwise received compensation under the **Balancing and Settlement Code** **NGC** shall be liable to pay the **Affected User** upon request the **Interruption**

Payment for the **Interruption Period**.

5.10.2 The **Interruption Payment** shall be paid by **NGC** to the **Affected User** within 28 days of the date of agreement as to the amount of the **Interruption Payment**.

5.10.3 The **Affected User** will take all reasonable steps to minimise the effect (and therefore the amount of the **Interruption Payment** sought as a consequence) of the **Relevant Interruption** on the operation of its business."

The first line of Paragraph 6.12.1 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

The first line of Paragraph 6.12.3 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

Alternative C

The following definitions to be added to Section 11.

"Affected User"	A **User**: a) with **Transmission Entry Capacity** for the **Connection Site** against which the affected **BM Unit** is registered and who is paying or in receipt of generator **Transmission Network Use of System Charges** by reference to such **Transmission Entry Capacity**; or b) an **Interconnector Owner**;
"Allowed Interruption"	shall mean an **Interruption** as a result of any of the following: a) an **Event** other than an **Event** on the **NGC Transmission System**; b) an event of **Force Majeure** pursuant to Paragraph 6.19 of the **CUSC**; c) a **Total Shutdown** or **Partial Shutdown**; d) action taken under the **Fuel Security Code**; e) **Disconnection** or **Deenergisation** by or at the request of **NGC** under section 5 of the **CUSC**; f) the result of a direction from the **Authority** or the **Secretary of State**; or if provided for in a **Bilateral Agreement** with the affected **User**;
"Event"	as defined in the **Grid Code**;
"Interruption"	where solely as a result of **Deenergisation** of **Plant and Apparatus** forming part of the **NGC Transmission System**; a) a **BM Unit** comprised in the **User's Equipment** of an **Affected User** (other than an **Interconnector Owner**) is **Deenergised**; or b) an **Interconnector** of an **Affected User** who is an **Interconnector Owner** is **Deenergised**.;
"Interruption Payment"	the payment for each day or part thereof of the **Interruption Period** calculated as follows: 1. In the case of a **Relevant Interruption** arising as a result of a **Planned Outage** the higher of: A. the £ per MW calculated by reference to the total TNUoS income derived from generators divided by the total system **Transmission Entry Capacity**, in each case using figures for the **Financial Year** prior to that in

which the **Relevant Interruption** occurs, this is then divided by 365 to give a daily £ per MW rate; or

B. the actual £ per MW of an **Affected User** by reference to the tariff in the **Use of System Charging Statement** for the **Financial Year** in which the **Relevant Interruption** occurs divided by 365 to give a daily £ per MW rate.

A or B are then multiplied by:

a) in the case of an **Affected User** other than an **Interconnector Owner** the MW arrived at after deducting from the **Transmission Entry Capacity** for the **Connection Site** the sum of the **Connection Entry Capacity** of the unaffected **BM Units** at the **Connection Site**; and
b) In the case of an **Affected User** who is an **Interconnector Owner** the MW specified in the **Transmission Entry Capacity** for the **Connection Site**.

2. In the case of all other **Relevant Interruptions**:

For the first 24 hours of the **Relevant Interruption**, a sum equal to the price in £/MWh for the relevant **Settlement Period(s)** (as provided for in Section T 1.5.3 of the **Balancing and Settlement Code**).

Multiplied by:

a) in the case of an **Affected User** other than an **Interconnector Owner** the MW arrived at after deducting from the **Transmission Entry Capacity** for the **Connection Site** the sum of the **Connection Entry Capacity** of the unaffected BM **Units** at the **Connection Site**; and
b) in the case of an **Affected User** who is an **Interconnector Owner** the MW specified in the **Transmission Entry Capacity** for the **Connection Site**

and after the first 24 hours a sum calculated as 1 above.
Provided always that an **Affected User** shall not receive payment for more than one **Relevant Interruption** in any given day;

"Interruption Period"	the period in days commencing with the notification by **NGC** to the **Affected User** of the start of **Relevant Interruption** and ending on the notification by **NGC** the **Affected User** that the **Relevant Interruption** has ended;
"Partial Shutdown"	as defined in the **Grid Code**;
"Planned Outage"	as defined in the **Grid Code**;
"Relevant Interruption"	an **Interruption** other than an **Allowed Interruption**;
"Total Shutdown"	as defined in the **Grid Code**;

TEXT

The following new text shall be added to Section 5 and the contents page to Section 5 amended accordingly.

"**5.10 Relevant Interruptions**

5.10.1 In the event of a **Relevant Interruption** where the **Affected User** has not otherwise received compensation under the **Balancing and Settlement Code** **NGC** shall be liable to pay the **Affected User** upon request the **Interruption Payment** for the **Interruption Period**.

5.10.2 The **Interruption Payment** shall be paid by **NGC** to the **Affected User** within 28 days of the date of agreement as to the amount of the **Interruption Payment** .

5.10.3 The **Affected User** will take all reasonable steps to minimise the effect (and therefore the amount of the **Interruption Payment** sought as a consequence) of the **Relevant Interruption** on the operation of its business."

The first line of Paragraph 6.12.1 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

The first line of Paragraph 6.12.3 of **CUSC** shall be amended by the addition of "5.10.1" after "4.3".

Annex 3 – Copies of Representations Received to Consultation

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on 8 August 2003, requesting comments by close of business on 12 September 2003).

Representations were received from the following parties:

No.	Company	File Number
1	Gaz de France	CAP048-CR-01
2	ConocoPhillips	CAP048-CR-02
3	National Grid Transco	CAP048-CR-03
4	Powergen	CAP048-CR-04
5	EDFEnergy	CAP048-CR-05
6	Corus Group	CAP048-CR-06
7	British Gas Trading Ltd	CAP048-CR-07
8	Edison Mission Energy	CAP048-CR-08
9	Innogy	CAP048-CR-09
10	British Energy	CAP048-CR-10
11	Deeside Power Development Co Ltd	CAP048-CR-11
12	Derwent Cogeneration Limited	CAP048-CR-12

Reference	CAP048-CR-01
Company	Gaz de France

Gaz de France energY

Guy Phillips
Commercial
National Grid Company plc
NGT House
Warwick Technology Park
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Warwick
Warwickshire
CV34 6DA

Russell Reading
Products and Services Manager
Gaz de France Energy Supply Solutions
1a Tower Square
33 Wellington Street
Leeds
LS1 4HZ

Tel: 0113 209 5708
Fax: 0113 209 5660
E-mail: Russell.Reading@gazdefranceenergy.co.uk

8th July 2003

Dear Mr Phillips

Gaz de France Energy Supply Solutions response to consultation CUSC Amendment Proposal CAP048 Firm Access and Temporary Physical Disconnection

Thank you for the opportunity to respond to the consultation on CAP048. This amendment is the second 'building block' in the reform of Transmission Access arrangements. It has been submitted by Simon Lord, First Hydro as the next complimentary step to CAP043 – Transmission Access Definition, which came into effect in April 2003. CAP043 introduced the concept of TEC – Transmission Entry Capacity, and CEC – Connection Entry Capacity. These are used to ensure sufficient provision of access opportunity onto the Transmission Network for the generator community. TEC is the maximum commercial output of a station/BMU and CEC is its maximum physical output. CEC will always be larger than the TEC value.

The CAP048 amendment proposes that NGC should compensate generation in circumstances when the access to the transmission network has been curtailed.

GdFESS Response to specific consultation questions:

1. **Is the compensation envisaged and the circumstances to which it is intended to apply appropriate?**

Reference to 'loss of profit' in this amendment is wholly inappropriate. Reference should be related to costs incurred due to loss of access only. In the case of a claim it is paramount that evidence of intended output be provided ahead of notification of any interruption event. For example, there should be an FPN submitted with a value greater than zero, or a declaration of availability lodged with NGC for the provision of an ancillary related activity.

We support the proposal that the loss should be related to the TEC value and not that of CEC.

We do not support the proposed timescales referred to in paragraph 3.12 whereby the duration of an interruption event would span the settlement periods in which the disconnection occurred plus a further four subsequent settlement periods. We would suggest that the claim be limited to the actual time transmission access was

physically unavailable due to the outage for plant that was actually running at the time or had shown their intention to begin generating during the period of the Interruption Event. Part of the plant risk management strategy will be to decide whether to keep the plant in a 'warming' state ready to commence output as soon as possible following notification received from NGC that the problem had been corrected, therefore the compensation methodology need not provide for additional measures beyond the cessation of the Interruption Event.

2. Are the criteria for determining if a user is eligible for receiving the compensation appropriate?

Yes. If the users hold a TEC, are subject to TNUoS charges and also have a valid non-zero FPN or availability declaration in place ahead of the commencement of the interruption event. Their declaration should not have been lodged after a notification by NGC of a planned outage has been received. However if NGC declare a return from an outage period and then overrun the unit could be eligible to submit a valid claim for periods through which they had shown a previous intent to run.

The value of any potential claim should be agreed ex-ante in order to give a degree of certainty to all participants. The level at which a claim may be lodged should be specific to the technology involved. E.g. coal fired plant level differing from that based on gas.

3. Are the criteria for determining whether an event qualifies as an interruption event appropriate?

For the most part we agree with the criteria specified however we would exclude planned outages from the list of interruptible events where sufficient notice has been given by NGC. Also situations where NGC are re-enforcing/maintaining wires to ensure secure access for the plant.

4. Which of the amendment proposals or three alternatives is preferred and why?

GdFESS have concerns regarding all of the amendment proposals included within this consultation document as none appear to have been developed sufficiently. Until such time as the Demand Side is included we will continue to have concerns that these arrangements are discriminatory in nature and hence contrary to National Grids licence conditions.

Additional Observations

Paragraph 5.11 briefly touches on the subject of compensation/cost recovery and whilst we agree that this is out of scope we wish to record our concern that should there be a compensatory payment then there should be no additional costs for Suppliers/Consumers. NGC are incentivised to provide adequate access provisions therefore any interruption event due to their failure should be borne by them.

I hope this covers all the areas upon which you requested views? If you require any further information or clarification on the above, please feel free to contact me.

Yours sincerely

Russell Reading
Products and Services Manager

CC: Richard Ford - OFGEM

Reference	CAP048-CR-02
Company	ConocoPhillips

Gas & Power Europe
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fax +44 20 7408 6839

Guy Phillips
Commercial
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Warwick
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CV34 6DA

9th September 2003

Dear Guy,

CUSC Amendment Proposal CAP048: Firm Access and Temporary Physical Disconnection

ConocoPhillips welcomes the principle of CUSC Amendment Proposal CAP048, 'where a CUSC party has purchased firm Connection and Transmission Access, NGC will have an obligation to re-purchase these firm rights if they cannot be delivered.'

- **Is the compensation envisaged and the circumstances to which it is intended to apply appropriate?**

  Yes. Given the introduction of firm transmission access under CAP43, it is necessary to have incentives on NGC to reduce the likelihood of disconnection, and compensation is a key element of an appropriate commercial package.

- **Are the criteria for determining if a User is eligible for receiving the compensation appropriate?**

  Yes. We agree with the criteria set out at para 3.5.

- **Are the criteria for determining whether an event qualifies as an Interruption Event appropriate?**

  Yes. We agree with the criteria set out at para 3.10 (and the carve outs at para 3.11).

- **Which of the Amendment Proposal or three Alternative Amendments is preferred and why? Perhaps rate in order of preference.**

  We prefer Alternative C for a combination of reasons:

  - The approach adopted with CAP043 does not facilitate a value-based regime for compensation. We believe that, as a first step the

compensation arrangement should reflect NGC charges, not loss of profit or other consequential loss;

- While we would not rule out a value-based approach, this should only be contemplated as part of a wider rationalisation of availability incentives and revenues which cannot occur before the next NGC transmission price review; and

- Until appropriate cost recovery mechanisms can be developed, we think a relatively simple approach is required if only on an interim basis; it is conceivable that allowance might be made through the incentive scheme of a reasonable level of allowed costs for paying compensation as an interim step without causing undue disruption to charging arrangements.

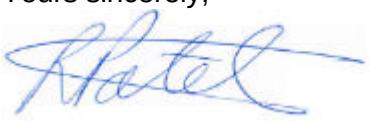
- However, we would like to suggest generators being entitled to compensation, when National Grid imposes changes to the planned outage schedule, with less than one months notice to the affected generator. If the generator agrees to the revised planned outage scheme, the compensation payment is avoided.

Given a choice between the other two alternatives (A and B) we strongly prefer alternative B, which seems to be the simplest approach. It also has merit as it reflects back to NGC the full cost of loss of access to the transmission system.

We rank the amendment proposal last, primarily because it is a value-based approach. Of the two value based approaches, it is the more complex.

Under all approaches consequential changes will be required to NGC's charging and incentive arrangements. We recognise the limitations of the CUSC governance process but believe that a holistic solution needs to embrace non-CUSC elements.

Yours sincerely,



Rekha Patel
Regulatory Analyst

Reference	CAP048-CR-03
Company	National Grid Transco

National Grid Transco Response to CAP048 Consultation Document

National Grid Transco (NGT) remains supportive of moves to introduce a compensation mechanism for temporary physical disconnection. We support the circumstances set out in the Consultation Document under which the compensation payment is intended to apply and the criteria for determining whether a User is eligible to claim such compensation, although we recognise that it does not address all sectors of customer, notably demand customers. Whilst NGT agrees with the need to be incentivised to complete maintenance and rectify faults quickly, we are concerned about the method that determines the amount of compensation. In particular whether the loss of access to the transmission system is compensated based on the cost of providing the capacity or based on the value placed on access, i.e. consequential losses. We therefore continue to believe that Alternative C, as set out in the Consultation Document, would be the most appropriate Amendment Proposal to the CUSC.

CAP048 Amendment Proposal

The CAP048 Consultation Document comprises four possible methods of determining a compensation amount arising from the temporary physical disconnection of an eligible User. The common factors to each that we agree with are the limited circumstances under which the compensation may be claimed and the criteria for determining whether a User is eligible to claim any compensation. Where the four options differ however is in determining the level of capacity that would be compensated for and the method for determining the compensation payment.

The Original Amendment Proposal

The original Amendment Proposal intends to establish an ex post process where by the eligible User submits a claim for compensation based upon its assessment of its losses. These are in relation to the loss of profit from sales of generation, payments for balancing mechanism/Ancillary services, imbalance exposure and monies from potential Balancing Mechanism Bids and Offers that may otherwise have been taken. The method of determining the level of entry capacity that has been withdrawn is related to the disconnection of specific BMU's.

National Grid Transco does not support the Amendment in this form, as it is our belief that those items that would be compensated are akin to consequential losses. They reflect the value that eligible User's place on access to the transmission but have no bearing on the cost of providing the capacity and the associated (TNUoS) charge, determined by a User's TEC, that is made for the provision of the capacity.

The concept of limited liability has been a cornerstone of the regulated electricity market, from the MCUSA through to the CUSC. It is this certainty that has enabled a solid foundation for the success of the electricity market. The exposure of NGT to these potential consequential losses is contrary to this historic position and general legal and commercial principles. Allowance of these losses is likely to result in a higher cost of capital to NGT. Were the entry capacity product to be charged based upon the value placed on the product, the extent of the acceptable level of risk may be higher, however, this is a stage away from the current position.

In terms of the original Amendment Proposal only the eligible User is able to assess the extent of the compensation that would be claimed. NGT would not be able to

make any prior assessment as to the potential cost of a maintenance outage or manage the risk of those rare trip events to which the compensation is intended to apply, collectively termed as 'Interruptions'. This may also influence NGT's ability to co-ordinate outages between it and the relevant User, as a User may perceive more opportune times for an outage to occur. This would be an undesirable effect upon necessary maintenance of NGT's system, whereby an eligible User seeks a commercial opportunity in co-ordinating outages for maintenance purposes with NGT by choosing a more beneficial time to it, owing to the amount of compensation it would receive in relation to its exposure at specific times. In such a case there may be some value to NGT in entering in to contracts with the relevant User to mitigate this risk.

There is also greater potential for disputes under the original Amendment Proposal as it relies on the eligible User's assessment of the extent of its loss, which NGT may not initially agree with. It would be a matter for the eligible User to demonstrate the extent of its actual losses. In some instances, except with reference to historical data that may not in fact be indicative, it would be hard to determine what losses may have been incurred when a particular contract in reality was never exercised, particularly in the case of Balancing Mechanism bids and offers.

NGT has reservations with respect to the method of determining the level of entry capacity that would be the subject of the compensation payment. The method outlined for the original Amendment Proposal, as well as Alternatives A and B, is with reference to the specific BMU that has been disconnected. This is regardless of the fact that sufficient transmission capacity may remain even after the interruption event in the case where an eligible User has sufficient available generation remaining to utilise that capacity. This is inconsistent with the current definition of TEC on a Station basis as opposed to that of a Unit. It also does not specifically address the treatment of part-loaded plant.

Alternative A

The first Alternative Amendment would establish a set figure within the CUSC, that subject to adjustment in line with the Retail Price Index, would determine the amount of compensation that would be paid to the disconnected BMU and associated capacity, as set out in the original Amendment Proposal. In effect this would operate as a form of liquidated damage.

NGT recognises the simplicity of this alternative and the greater certainty in being able to pre-determine the extent of any compensation that would be payable, which would reduce the likelihood of disputes as a result. However, NGT does not support this alternative for similar reasons that are set out under the original Amendment Proposal above. In particular we are concerned that the basis for determining the value for compensation maintains many of the elements that would be anticipated to form part of the eligible Users assessment of its loss under the original Amendment Proposal. In essence the compensation payable would be based upon the value placed on access to the transmission system, what NGT consider to be consequential losses, as opposed to the cost of providing the capacity, reflected in TNUoS Charges.

Alternative B

The second Alternative Amendment would insert a formula in to the CUSC that would determine the compensation payment with reference to the greater of the eligible Users actual TNUoS and Connection Charge paid or the national average, to enable those connections in negative charging zones to receive some compensation. This would be for the entry capacity interrupted, determined in the

same way as the original Amendment Proposal and Alternative A, for the period of the interruption.

NGT recognises the simplicity of this alternative and the greater certainty in being able to pre-determine the extent of any compensation that would be payable, which would reduce the likelihood of disputes as a result. We consider this alternative to be preferable to the original Amendment Proposal and to Alternative A, as it moves away from the concept of consequential losses and is more a rebate of the two charges levied by NGT, that better reflect the cost of providing the entry capacity.

This alternative however is not our preferred option, as we do not believe that it is correct to compensate for the loss of access to the transmission system through a combination of TNUoS Charges and the Connection Charge. This is because the Connection Charge is for the payment of the physical asset of a connection, whereas as TNUoS more directly relates to TEC that is determined on a Station basis and the use of the system.

Alternative C

The third alternative contains the most differences from the original Amendment Proposal and Alternatives A and B. Alternative C would establish a compensation mechanism that differentiates between planned and unplanned events. For a planned event the eligible User would be able to claim the greater of either its existing daily TNUoS charge or the national average, to enable those PowerStation's in negative charging zones to receive some compensation, for each day of the interruption. For unplanned events, the eligible User would be able to claim the prevailing Market Index Price for the first 24 hours of an interruption upon which the rules for planned events would apply for each day thereafter. As stated earlier, the method of determining the amount of capacity that has been disconnected is also different to the three previous options. Under Alternative C the amount of capacity that is compensated is based on the amount of transmission capacity that is not actually available as a result of the interruption.

Although the third option is, perhaps, more complicated, NGT believes that Alternative C is more consistent with the scope of the original Amendment Proposal, in that it differentiates between planned and unplanned events. Further the amount of compensation reflects the amount paid for access to the transmission system (albeit on an average basis). In the case of unplanned events, NGT considers that it is appropriate to have a form of market related payment, the Market Index Price, for the first twenty-four hours as the incentive would be greater to resolve those faults. This recognises that the affected User may face greater disruption from sudden, unexpected events compared to those where advance notice has been provided.

NGT also believes that Alternative C offers a better method of determining the amount of transmission capacity that has actually become unavailable. This is because it considers the amount of available generation that may be capable of exporting to the transmission system less the amount that has become unavailable as a result of the interruption. This reflects the actual effect on transmission capacity availability as opposed to simply compensating for each and every BMU that has been disconnected. This better reflects principles of transmission access.

Conclusion

NGT believes that CAP048 represents an incremental step toward the reform of transmission access, that perhaps does not address concerns or apply to customers of all sectors, notably demand, but is a consequent development upon CAP043. Accordingly, for the reasons given above, we would support an Authority decision to implement CAP048 Alternative C to meet the proposed implementation date and to

reject the original Amendment Proposal and Alternatives A and B. Should the Authority approve the implementation of CAP048 in any of its formats, further discussion between NGT and the Authority on the funding and incentive arrangements will be necessary.

National Grid Transco
September 2003

Reference	CAP048-CR-04
Company	Powergen

Guy Phillips, Commercial
National Grid Company plc
NGT House
Warwick Technology Park, Gallows Hill
Warwick
Warwickshire
CV34 6DA

Reference:

Dear Guy,

CUSM Amendment Proposal CAP048 – Firm Access and Temporary Physical Disconnection

Powergen support the principle of CAP048 which we believe is best met by the original proposal as outlined in the above document.

Generation access rights, purchased as a result of paying TNUoS, are presently partly firm in as much as NGC accepts Bid/Offer Acceptances under the BSC when generators are constrained off the system. The implementation of CAP048 will increase the firmness of these rights. In believing that rights should be firm we do not expect that NGC should, or could, ensure that access to the system is always physically available. However, we believe that the generator should always be in the same financial and commercial position as it would have been, had it been able to access the system.

This means that the generator should be compensated for loss of profit associated with its inability to generate as a result of the loss of access. The solutions outlined in Alternative's C and D are therefore not appropriate in our opinion as in most contexts they focus simply on a partial refund of transmission charges. This form of solution is more consistent with a non-firm access right, such as presently exists for demand, where the User is purely paying for the rights it uses.

The original proposal is the only one which properly addresses all of the likely commercial impacts to which the generator may be exposed. Alternative A also aims to address the same costs, but by doing so on an average basis cannot address individual circumstances as well as the proposed option. Alternative A does have the benefit of greater certainty of

outcome and potentially lower administration costs than the original proposal. However, we believe that such events will be sufficiently rare so that it is not necessary to be overly concerned about the administrative burden.

We are content with the definition of who should be eligible for the scheme. Generators who do not pay TNUoS charges do so on the basis that they are not using the transmission system. It therefore follows that they should not be compensated for the system not being available. The proposal was defined in terms of entry access rights. It was therefore not appropriate to consider the demand side in this instance. Such consideration could be given in the context of an amendment which sought to introduce firm access rights for demand. However, we do not underestimate the significant problems associated with introducing such a concept.

In summary we prefer the original proposal above any of the alternatives. Should we be forced to choose an alternative, then we would prefer Alternative A.

I hope the above proves helpful.

Yours sincerely,

Paul Jones
Trading Arrangements

Reference	CAP048-CR-05
Company	EDFEnergy

Our Ref
Your Ref

Guy Phillips
National Grid Company plc
National Grid Transco House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Date 12 September 2003

Dear Guy,

CAP48: Firm Access and Temporary Physical Disconnection

EDF Energy are pleased to provide the following comments in response to the questions set out by the CAP48 consultation.

1. Is the compensation envisaged and the circumstances to which it is intended to apply appropriate?

EDF Energy believe that users of the transmission system who have contracted to use the system on the basis of a defined transmission entry capacity (TEC) have contracted for firm access to the transmission system and should therefore be compensated if that access to the system is withdrawn.

2. Are the criteria for determining if a single User is eligible for receiving the compensation appropriate?

EDF Energy consider the proposed criteria for determining whether a single user is eligible for receiving compensation to be appropriate. We believe that this criteria promotes effective competition by including all users for whom firm transmission access is a critical element of their ability to compete in the electricity market.

3. Are the criteria for determining whether an event qualifies as an Interruption Event appropriate?

We agree with the proposed criteria for determining whether an event qualifies as an interruption event as we believe this appropriately reflects those events that are outside of the control of transmission users but which National Grid is able to influence and should therefore be exposed to.

4. Which of the Amendment Proposal or three Alternative Amendments is preferred and why?

EDF Energy believe that the Original Amendment proposal best meets the applicable CUSC objectives as it is based on the actual losses incurred by a user in the event of temporary disconnection from the transmission system. This approach would preserve the competitive position of users by ensuring that the user is not exposed to the unmanageable commercial impact of a transmission fault. This approach is also efficient since it is only used in the event of a claim.

We believe that Alternative A is less efficient as it requires a pre-estimate of loss to be calculated in advance. It also provides less accurate compensation which means that some claimants will not be fully protected from the commercial impact of a transmission fault whereas others may be over-compensated. This would not therefore promote effective competition.

Alternative B is effectively just a refund of charges which would not protect users from being exposed to an unmanageable risk. The user would therefore be at a competitive disadvantage if affected by a transmission fault and therefore we do not believe that Alternative B better achieves the CUSC objective to promote competition.

Alternative C provides market price based compensation for the first 24 hours of an unplanned interruption followed by a refund of charges thereafter. We consider market price to be a poor proxy for the value of firm transmission access which would again leave some users over-compensated and others under-compensated. Furthermore, we believe that an unplanned fault extending beyond 24 hours would leave users exposed to unmanageable commercial risk under this proposed alternative. Therefore, we do not believe that alternative C better meets the CUSC objective of promoting effective competition.

I hope that you will find the above comments useful. If you have any queries regarding this response please do not hesitate to contact me.

Yours sincerely

Rupert Judson
Transmission Infrastructure
& Development Manager

Reference	CAP048-CR-06
Company	Corus Group

From: Stephen.Macey@corusgroup.com
[mailto:Stephen.Macey@corusgroup.com]
Sent: 12 September 2003 11:55
To: Phillips, Guy
Cc: sonia.brown@ofgem.gov.uk

Subject: CAP 048

Corus has two main observations
1. Compensation arrangements should be developed for all parties connected to the transmission system. As demand connectees are expressly excluded from the proposal, we believe CAP048 should be rejected and not be resurrected until a way to embrace demand is also included.
2. We are concerned about where the costs of compensation for generators will ultimately fall. The costs will probably feed through to electricity consumers eventually even if NGT's shareholders take the hit initially. One way to stop this happening is for OFGEM to reject any demand from NGT for a higher cost of capital as a result of having to pay compensation.
I hope you find these comments helpful.
Please acknowledge receipt of this message.

Reference	CAP048-CR-07
Company	British Gas Trading Ltd

energy management group

Guy Phillips
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National Grid Company plc
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Berkshire
SL1 2HA

Tel. (01753) 758156
Fax (01753) 758368

Our Ref.
Your Ref.
12 September 2003

Dear Guy

Re Consultation Document: CAP 48 Firm Access and Temporary Physical Disconnection

British Gas Trading Ltd (BGT) welcomes the opportunity to comment on this proposal. We support the principal of compensation for loss of access to the transmission system but do not believe this should be extended to cover compensation for loss of profit. As such, we do not believe the proposal better facilitates the applicable CUSC objectives. Of the three alternatives proposed we prefer Alternative B as we believe this solution best reflects the cost of transmission access rather than the including the associated value of the energy part. However, overall we believe this proposal is premature and loss of access needs to be considered in the wider debate surrounding flexible transmission access arrangements.

BGT support the circumstances identified by the working group, the "Interruption Event", that would qualify a User for compensation. We also agree that the criteria for determining the eligible parties for compensation are practical and reflect the access framework put in place by CAP 43. However, we are disappointed that no account is taken of the demand side. At the very least, we believe that some arrangements need to be found to deal with disconnection of directly connected customers.

We do not support any solution that includes a loss of profit element. The CUSC should not be used as an insurance policy by generators as this risk should be dealt with by bilateral contracts. We note that both the original and Alternative A solutions include a loss of profit element and as such do not support them. It is argued that inclusion of a loss of profit element will provide a strong incentive on NGC to restore connection as quickly as possible. As there are currently no mechanisms in place to account for these cashflows under CAP 48 it is difficult to see that there is any incentive on NGC. Also, if NGC are not exposed to the whole cost of compensation then it must be assumed that CUSC Parties will be liable for the remaining share. If

this is the case, and demand are still excluded from the compensation mechanism, then demand must not be exposed to any of the costs of the scheme.

In our view, Alternative B offers the least worst solution as this provides a refund of the charges for access during the period of disconnection and is therefore a truer reflection of the cost than either the original or Alternative A. Alternative C fails, in our view, because it links a payment within CUSC to a BSC variable. This creates an unnecessary dependency between the two Codes. Furthermore, it again attempts to provide some kind of loss of profit payment to Users rather than a true value of transmission access.

We trust these comments have been helpful. Should you wish to discuss any of the points raised in more detail please do not hesitate to contact me on the number give above.

Yours sincerely

Danielle Lane
Contracts Manager

Reference	CAP048-CR-08
Company	Edison Mission Energy

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Guy Phillips
National Grid Company plc
NGT House
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CV34 6DA

12th September 2003

Dear Guy

CAP48 Firm Access and Temporary Physical Disconnection – First Hydro Company Response

Thank you for the opportunity to comment on the CUSC Amendment Proposal CAP48. As the originator First Hydro strongly supports the Proposal and to a lesser extent Alternative A. Alternatives B and C improve the situation from the current one (where no compensation is paid) but we believe the principle of compensation based on cost (i.e what was paid) is not the correct one and that the level of compensation should be based on the loss incurred by the party by NGC failing to meet its obligation.

Our views on the various issues surrounding Firm Access and Temporary Physical Disconnection are set out below.

Eligible Users

We believe that any party that has a firm obligation to pay TNUoS should benefit from firm access. This primarily covers generation (zones that are currently negative are also included). Generation has a firm obligation to pay TNUoS for a 12 month period. If, due to a fault on the NGC system, this access is withdrawn the user would continue to pay TNUoS charges. Demand has no firm commitment to pay TNUoS and indeed if disconnected for a 12 month period would pay no TNUoS. We therefore support the definition in all four options that covers users with a TEC who are subject to generation TNUoS charges.

Interruption Events

NGC have an obligation under CUSC to provide users with access to the transmission system. NGC also have an obligation to meet the security standard which in England and Wales implies an N-2 approach. Generation pays charges that fund this and as such any planned or unplanned event that is within the control of

NGC should be covered. We support the inclusion in the proposal of a number of events where NGC should not be liable. These include : FM events, Black Start, directions from the Authority or the Secretary of State, and outages and faults caused by the user.

We support the definition of Interruption events that are covered by all four options.

What should the compensation be?

A generator that is disconnected from the system has no route to market and in most cases will suffer the loss of all revenue associated with the affected generating units, and the additional cost of imbalance. The appropriate level of compensation should be based on restoring the generators financial position to the position it would have been in had the disconnection not occurred. We believe that this will provide NGC with the correct incentive to plan its system over and above any licence obligation. This strong financial incentive will allow NGC to better plan and design its system.

The main difference between the proposal and Alternative A is that in the proposal a claim based on the generator's estimate of the actual loss incurred is submitted to NGC whereas in Alternative A a pre-estimate based on an average loss (£34/kw) is paid. The proposal therefore will allow the generator to recover exactly the correct amount for his circumstances where as Alternative A may lead to an under or over recovery.

The advantages of the Alternative A are that NGC will be aware before any event of the magnitude of the liability, it is easy to administer, and it treats all generation on the same basis.

On balance we prefer the Proposal although we recognize that Alternative A has merit.

We do not support Alternative B or C as the level of compensation is based on a refund of contributions of TNUoS plus, for Alternative C, an element covering imbalance loss for the first 24hours. Both of these are insufficient in terms of recognizing the direct loss incurred by affected parties.

Conclusion

In conclusion we support the Proposal and to a lesser extent Alternative A. We believe that both of these will lead to a more efficient use of the Transmission System where NGC are exposed to the results of its action. Currently, Generators are sharply exposed to the results of their action (through imbalance charges) but NGC are not.

The proposal would ensure that NGC focuses on infrastructure that is of greatest value to the system and the wider market (i.e. the most expensive to replace) which will lead to the more efficient use of the transmission system.

I trust that these views will be incorporated into NGC's report to Ofgem on CAP 48. Should you require any further information please contact either myself or Kevin Dibble.

Yours sincerely

Simon Lord

Reference	CAP048-CR-09
Company	Innogy

Innogy Comments on CAP048 Consultation

The following comments are made on behalf of Innogy, Innogy Cogen Ltd., Innogy Cogen Trading Ltd., npower Ltd., npower Northern Supply Ltd., npower Yorkshire Supply Ltd, npower Northern Ltd, npower Yorkshire Ltd.

Is the compensation envisaged and the circumstances to which it is intended to apply appropriate?

1. We support the principle that if TEC is intended to represent a firm financial right of entry to the transmission system, then any interruption of that entry capacity should be compensated.

2. Whilst the concept of limited liability has been a cornerstone of the regulated electricity market, from MCUSA through to the CUSC, the concept of firm access rights inevitably implies compensation for loss of value. Perhaps this is the flaw in the original TEC approach. The liability of the System Operator for the provision of firm access should be limited only in emergency circumstances as defined in the CUSC. Clause 6.11 (Limitation of Liability) provides for exceptions to the general rule.

3. The compensation should reflect the full value of the entry capacity that is lost. This should be based on the income categories described in para 3.14, although we would also suggest this should include locational value such as negative TNUoS.

4. The lost opportunity cost of generation should be valued according to the prevailing market price at the time the generator is notified of the interruption. In the case of planned outages, this will be the forward price at the time the generator is notified. In the case of unplanned outages, this will be the market price or the imbalance price depending on whether the generator was notified before or after Gate Closure. The short-term locational value may not be readily identifiable. Changes to the BSC and the Procurement Guidelines are required to make this value more transparent.

5. A further problem that arises in trying to identify the opportunity cost of lost entry capacity is that there are apparently two methods of charging for transmission access - TEC in North, and metered MWh in the South.

6. The Amendment Proposal is designed to better facilitate the CUSC objectives by providing an incentive to National Grid to reduce the likelihood of disconnection, thereby promoting the more efficient and economic management of the system. However, this incentive will only exist if National Grid is not permitted to recover the full cost of compensation from Users (through, for example, TNUoS payments). Otherwise, the Proposal will impose an administrative burden and unnecessary cost on the customer for a mechanism through which the cost of disconnection are simply smeared across Users. Whether or not the Amendment Proposal better facilitates the CUSC objectives cannot therefore be assessed in isolation from the cost-recovery mechanism. The disjointed governance of the

CUSC and connection and use of system charging statements positively frustrates coherent developments in these areas.

7. Compensation for interruption of entry rights without compensation for exit rights may be viewed as being discriminatory. Until there is a clear definition of exit rights, it is unclear how compensation for interruption of entry rights can progress.

Are the criteria for determining if a User is eligible for receiving the compensation appropriate?

9. The Amendment addresses compensation for withdrawal of firm access rights represented by TEC and secured via the payment of TNUoS. The criteria of holding TEC for a connection site and being subject to TNUoS charges are therefore appropriate for determining whether a User is eligible for receiving the compensation.

Are the criteria for determining whether an event qualifies as an Interruption Event appropriate?

10. The definitions of "Interruption" and "Allowed Interruption" are the same in the proposed legal text to give effect to the Proposed Amendment and each of the Alternative Amendments. These definitions could exclude appropriate circumstances for compensation.

11. The definition of "Interruption" should simply be where de-energisation of User's equipment takes place as a result of an Event on NGC's Transmission System. It may be appropriate to mitigate the compensation in circumstances where the User either had a planned outage or exploited the interruption. We would not view it as appropriate to limit the definition to de-energisation of Plant and Apparatus forming part of the NGC Transmission System as not all faults involve de-energisation.

12. Total Shutdown and Partial Shutdown that occur as a result of failure of the Transmission System should qualify as a "Relevant Interruption" event and therefore category (c) should not be included in the definition of "Allowed Interruption". Category (a) (an Event other than an Event on the NGC Transmission System) covers circumstances where an Interruption (including Partial or Total Shutdown) is caused by a User's equipment.

Which of the Amendment Proposal or three Alternative Amendments is preferred and why? Perhaps rate in order of preference.

13. Innogy has sympathy for the original Amendment Proposal but before it could be unreservedly supported we would need to see the accompanying charge-out arrangements and NGC incentive schemes.

14. We do not support any of the Alternatives because they are framed in such a way that they cannot be cost-reflective. Specifically,

    - Amendment A does not recognise either temporal of locational differences in the value of access. As such it can only offer an arbitrary level of compensation that does not reflect the value of the access right withdrawn.

- Alternative Amendment B ignores the element of value associated with an access right relating to the ability to generate and provide balancing services.

- Alternative Amendment C ignores

  a) the element of value associated with an access right relating to the ability to generate and provide balancing services in the case of planned outages and

  b) the element of value (or cost) associated with an access right relating to the investment in infrastructure in the case of unplanned outages.

  Both elements must be recognised in any compensation payment regardless of the time at which the User is notified of the Interruption. If an outage is unplanned rather than planned then the appropriate valuation of the energy may be against imbalance prices rather than forward markets. However the inclusion or exclusion of other elements of value should not be effected.

15. We do not believe that complexity of the compensation arrangements should be a factor in determining the relevant merit of the Proposals. The value of entry rights and therefore the compensation for withdrawal of those rights will vary dramatically on both a locational and temporal basis. Appropriate compensation arrangements are therefore likely to be administratively complex but as such would strongly incentivise NGC to enter into bilateral Transmission Related Agreements (TRAs). This in turn would help establish the value of firm entry access rights.

Reference	CAP048-CR-10
Company	British Energy

Guy Phillips
Commercial National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
Warwickshire
CV34 6DA

12th September 2003

Dear Guy,

BRITISH ENERGY COMMENTS ON CUSC AMENDMENT PROPOSAL CAP048 - FIRM ACCESS AND TEMPORARY PHYSICAL DISCONNECTION

Thank you for the opportunity to comment on CAP048 which is intended to establish a mechanism whereby National Grid will compensate the eligible user for its loss arising from a temporary disconnection from the transmission system.

Key Points

British Energy is supportive of the original CAP048 amendment proposal. We also support the conditions described in the consultation under which compensation would apply and the Working Groups conclusions regarding the eligibility of a user to receive compensation. We believe the original amendment proposal as set out in the consultation document is the most cost reflective proposal and that it better facilitates the applicable CUSC objectives as compared with the existing baseline and the three alternatives.

Detailed Comments on Proposed Amendment

The original proposal, which has arisen from the implementation of CAP043 which, introduced to an extent the concept of 'firm' transmission access rights. However, whilst a User commits to the level of TEC and CEC the CUSC does not detail how National Grid can restrict these parameters due to planned or forced outages that cause the temporary disconnection of a BMU. This means that there is no certainty about the level of TEC or CEC that a generator has access to and its route to market can in effect be withdrawn at any time. This lack of firmness exposes generators to significant risk and additional costs, which does not provide for an efficient and competitive market and additionally does not provide National Grid with the correct incentives.

The amendment proposal will establish an ex-post compensation mechanism under which National Grid would compensate an eligible user based upon its assessment of loss. This would be intended to cover loss of profit from the sale of generation, from balancing services, from imbalance exposure and

from BM bids and offers. The user claiming compensation would need to provide National Grid with detailed evidence to back-up claim. Any resulting dispute would be dealt with under the existing CUSC dispute resolution rules. During Working Group discussions National Grid repeatedly made the point that this amendment reflected the value an eligible user placed on the access rather than the cost of provision. British Energy does not accept this interpretation and continues to believe that the original proposal is cost reflective and that it will better facilitate applicable CUSC objectives as compared to the existing baseline and the three alternatives. It will also improve incentives on National Grid.

We agree with the Working Groups conclusions that a user is eligible to claim compensation where that user holds a registered TEC and is subject to generation TNUoS charges. We also agree with the Groups conclusions that in circumstances where a BMU is unable to synchronise and export power due to the unavailability of the transmission system an eligible user can then claim compensation.

We would have preferred to see the duration of the event extended to cover the period from the start of the disruption until such time as the effected BMU returned to its pre-disturbance FPN which is the more appropriate duration particularly for plant with a long notice to synchronise. However as any compensation claims would cover all lost profit from the sale of generation these periods would automatically be included.

Alternative Amendment A

This Alternative Amendment is intended to create an average pre-estimate of an eligible users loss to derive a figure, which would be inserted in CUSC and would be indexed to the Retail Price Index to take into account the annual change in the value of the level of compensation. While this approach is simple and predictable and does reflect the average value that would be expected to be recovered under the original amendment proposal it is not truly cost reflective and hence would not better facilitate the CUSC Applicable Objectives as compared with the original proposal. British Energy does not therefore support this alternative.

Alternative Amendment B

The second alternative uses a compensation mechanism derived from TNUoS and Connection Charges and would insert a formula in CUSC for this purpose. The compensation would be determined based on the greater of the eligible user's charges or the national average charges to cater for those connections in negative charging zones. Here again the methodology is simple and predictable but is less cost reflective than Alternative Amendment A and hence would not in our view better facilitate the CUSC Applicable Objectives as compared with the original proposal. If the Authority had approved P80 then this alternative would have had greater merit. British Energy does not therefore support this alternative.

Alternative Amendment C

The last alternative seeks to distinguish between the amount of compensation paid to eligible users when the user is notified by National Grid of a likely interruption as opposed to fault situations where no notice is provided. In situations where some notice is provided compensation would be based on

the greater of either its existing daily TNUoS charge or the national average, which would allow those generators in, negative charging zones to receive compensation. For fault situations the eligible user would be able to claim the prevailing Market Index Price (MIP) for the first 24 hours of an interruption after which compensation would be based on interruptions where some notice had been given. Under this proposal the amount of capacity for which compensation would be due would be based upon the amount of transmission capacity not actually available.

Alternative Amendment C in common with all the other alternatives is not cost reflective. For example the choice of the first 24 hours for eligible users to be compensated at the prevailing MIP seems arbitrary and would not adequately compensate plant with long notices to synchronise. Therefore British Energy does not believe this alternative amendment will better facilitate the CUSC Applicable Objectives as compared with the original proposal.

I trust these comments are helpful and clear but please do not hesitate to contact me on 01452 654182 if you require any clarification.

Yours sincerely

John Capener
Head of Trading Arrangements and Network Access

Reference	CAP048-CR-11
Company	Deeside Power Development Co Ltd

CUSC Amendment Proposal CAP048

Dear Guy,

Thank you for the opportunity to respond to the issues raised by Amendment proposal CAP048 and the alternative Amendments, please consider these comments the present position of Deeside Power Development Co Ltd.

Level of Compensation.

We support the proposals as set out in the original amendment and the consultation document. Compensation should be available for loss of system access either totally or partially and this compensation should cover a refund of TNUoS charges, the loss of profit from sales of generation, BM/Ancillary services, imbalance exposure and from Balancing Mechanism bids and offers.

Eligible Users.

We agree with the criteria proposed for determining the eligibility of a user to claim compensation. However generators in negative charging zones cannot be eligible for compensation payments for a loss of transmission access associated with TNUoS payments as they receive payments, therefore they cannot be eligible to receive them again for loss of transmission access. Generators in negative charging zones of course should be able to claim compensation for losses associated with sales of generation, BM/Ancillary services etc and therefore we support the criteria as set out in the consultation document.

Interruption Event.

We support the criteria proposed to determine under what circumstances a user can claim compensation.
The criteria for determining the length of the event however cannot be supported as it provides for a fixed period for a generator to recover after an event. It does not take into account individual plant parameters or the unknown duration of an event both of which will vary at each interruption event.
The overall duration of an interruption event to an individual generator will vary according to the type of plant, length of the interruption and the individual plant parameters.
Therefore the overall duration should be from the start of the interruption event to the notification to the generator that the system was available again. Plus either a further four settlements periods as proposed or a time period calculated from the generators submitted dynamic data. This period consisting of the time required that a generator would need to return to the pre event position plus two settlement periods, whichever is the greater.

We do not consider that any of the alternate proposals are acceptable; the level of compensation a generator should receive must reflect the market conditions at the time of the interruption and cannot be determined pre event. The compensation must include the full costs incurred by a generator over the full interruption duration.

We therefore agree with the majority of the working group that the original Amendment Proposal best achieves the Applicable CUSC Objectives subject to our reservations outlined above.

Regards

David.L.Nicholson

Deeside Power Development Co Ltd

11th September 2003

Reference	CAP048-CR-12
Company	Derwent Cogeneration Limited

Our Ref: DCL/PJP/eff.758

DERWENT COGENERATION LIMITED

11 1h September 2003
Mr G Phillips
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
Warwickshire
CV34 6DA

Dear Guy

CAP48 Firm Access and Temporary Physical Disconnection

Thank you for the opportunity to comment on the CUSC Amendment Proposal CAP48. Derwent Cogeneration Limited (DCL) owns and operates a 220MW Combined Heat and Power, CCGT plant embedded in the East Midlands Electricity 1132kV system, but then further connected to the NGC system at Willington, and thus a party to the CUSC.

DCL strongly supports the Proposal, and to a lesser extent Alternative A. Alternatives B and C improve the situation from the current one (where no compensation is paid) but we believe the principle of compensation should be based on the loss incurred by the party by NGC failing to meet its obligations.

Although embedded in the East Midlands Electricity 1132kV system, DCL is a party to CUS, and pays TNUoS charges exactly as it would if it were directly connected to the NGC transmission system. We believe that any party that has a firm obligation to pay TNUoS should benefit from firm access. Generation has a firm obligation to pay TNUoS for a 12 month period. If due to a fault on the NGC system this access is withdrawn the user would continue to pay TNUoS charges. Demand has no firm commitment to pay TNUoS and indeed if disconnected for a 12 month period would pay no TNUoS. We therefore support the definition in all four options that covers users with a TEC and subject to generation TNUoS charges.

In conclusion we support the Proposal and to a lesser extent Alternative A. We strongly support the principle that if a generator cannot export due to an event on the transmission system (or indeed on a distribution system), then it should be compensated appropriately. We believe that this will lead to a more efficient use of the Transmission System where NGC are exposed to the results of its action. Currently Generators are exposed to the results of their action (by imbalance charges) but NGC are not.

The proposal would ensure that NGC focuses on infrastructure that is of greatest value to the system which will lead to the more efficient use of the transmission system.

Yours sincerely

Perry Power
General Manager

Annex 4 – Copies of Comments received on the Draft Amendment Report

This Annex includes copies of any representations received following circulation of the Draft Amendment Report (circulated on 22 September 2003, requesting comments by close of business on 26 September 2003).

Representations were received from the following parties:

No.	Company	File Number
1	Powergen	CAP048-AR-01

Reference	CAP048-AR-1
Company	Powergen

Guy Phillips, Commercial
National Grid Company plc
NGT House
Warwick Technology Park, Gallows Hill
Warwick
Warwickshire
CV34 6DA

Date: 26 September, 2003

Dear Guy,

CUSM Amendment Proposal CAP048 – Firm Access and Temporary Physical Disconnection

Powergen continue to support the original CAP048 amendment. We are disappointed that NGC has decided to recommend that Alternative C should be made, given that the majority of respondents also preferred the original modification.

Our reasoning remains:

- The original proposal would deliver largely commercially firm access rights. That is, if the system is unavailable the affected User will be in the same commercial position as it would have been, had access to the system been provided.

- Alternative A also attempts to leave the User in the same commercial position, but by doing so on an average basis cannot address individual circumstances as accurately as the proposed option. It would be preferable, however, to the other alternatives.

- Solutions outlined in Alternative's B and C are not appropriate as they will leave the User commercially disadvantaged in the vast majority of cases.

Yours sincerely,

Paul Jones
Trading Arrangements