



Direct Dial: 020-7901-7355

18 October 2002

The National Grid Company, CUSC Signatories and  
Other Interested Parties

Your Ref: CAP020  
Our Ref: IND/COD/CUSC/CAP020

Dear Colleague,

**Amendment to the Connection and Use of System Code ("CUSC") - Decision and Direction in relation to Proposed Amendment CAP020: "Change of timescales associated with issuing BS Provisional Monthly Statement".**

The Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) has carefully considered the issues raised in the Amendment Report<sup>2</sup> in respect of Proposed Amendment CAP020 "Change of timescales associated with issuing BS Provisional Monthly Statement".

The National Grid Company plc ("NGC") recommended to the Authority that Proposed Amendment CAP020 be approved with an implementation date of 1 January 2003.

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

This letter explains the background to Proposed Amendment CAP020, as set out in the Amendment Report, and sets out the Authority's reasons for its decision. In addition this letter contains a direction to NGC to modify the CUSC in respect of Proposed Amendment CAP020.

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

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

<sup>2</sup> CAP020 Amendment Report dated 30 September 2002.

## **Background**

Section 4.3.2 of the CUSC sets out the arrangements for payments between NGC and a User for Balancing Services provided. These arrangements include the procedure for issuing the Balancing Services Provisional Monthly Statement, which consists of a summary of all agreed Balancing Services supplied to NGC by the User, detailed daily technical reports of such services and, if relevant, a statement showing adjustments to be made (net of interest) in relation to disputes for Balancing Services concerning any month prior to the previous month. In each of these cases the payments due to, or from, the User as a result of the Balancing Services supplied are detailed.

The Balancing Services Provisional Monthly Statement is currently issued on the fifth business day of each calendar month. The Provisional Monthly Statement is based on data contained in the Interim Information Settlement Run, which is typically not available until five business days after the Settlement Day in question. This timescale necessitates that part of the Provisional Monthly Statement (that relating to trading days towards the end of any calendar month) must be based on estimated data.

Paragraph 4.3.2.2 of the CUSC provides for resolving disputes between Users and NGC in the event that a User disagrees with any dates, times, facts or calculations included in the Provisional Monthly Statement. Since the part of the Provisional Monthly Statement relating to trading days towards the end of any calendar month is based on estimated data, there exists the possibility that unnecessary disagreements between Users and NGC could arise.

Proposed Amendment CAP020 was raised by NGC on 18 July 2002 and was submitted for consideration at the CUSC Amendments Panel Meeting on 26 July 2002. At the meeting the Amendments Panel determined that the Proposed Amendment should proceed to wider consultation by NGC. A consultation paper was issued on 9 August 2002 with responses invited by 16 September 2002. The final Amendment Report was submitted to the Authority on 30 September 2002.

## **The Proposed Amendment**

Proposed Amendment CAP020 seeks to modify section 4.3.2 of the CUSC such that the Balancing Services Provisional Monthly Statement is issued on the third business day following the execution of the Interim Information Settlement Run in respect of the final day of the calendar month in question. The Proposer considered the Proposed Amendment would allow NGC sufficient time to collect the necessary data contained in the Interim Information Settlement Runs such that it could produce Balancing Services Provisional Monthly Statements based on actual interim data without the need to employ estimated data.

The Proposer considered that producing Balancing Services Provisional Monthly Statements using only actual interim data would reduce the likelihood of unnecessary disagreements between NGC and Users arising and would therefore better facilitate achievement of the Applicable CUSC Objectives<sup>3</sup>.

### **Respondents' views**

NGC issued a consultation paper on 9 August 2002 inviting responses from CUSC Parties and interested parties.

NGC received six responses to the consultation in respect of Proposed Amendment CAP020, of which five respondents supported the Proposed Amendment and one respondent did not support the Proposed Amendment.

A respondent that supported the Proposed Amendment reasoned that, although it would result in the Balancing Services Provisional Monthly Statement being issued at a later date than under the current procedure, this would be more than compensated for by the reduction in the possibility that disputes would arise due to the use of estimated data. Another respondent that supported the Proposed Amendment noted that it would have no impact on when the Balancing Services Final Monthly Statement is issued.

The respondent that did not support the Proposed Amendment considered that it could result in uncertainty in the timing of the issuance of the Balancing Services Provisional Monthly Statement and expressed concern as to the extent to which the Provisional and Final Monthly Statements would differ.

The respondents' views are summarised and contained in the Amendment Report in respect of Proposed Amendment CAP020.

### **Amendments Panel Members' views**

No formal responses were submitted by Amendments Panel Members to the consultation on Proposed Amendment CAP020.

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<sup>3</sup> The Applicable CUSC Objectives are contained in Standard Condition C7F of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence") and are:

- (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and
- (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

### **NGC's recommendation**

NGC recommended to the Authority that Proposed Amendment CAP020 be approved with an implementation date of 1 January 2003.

NGC considered that Proposed Amendment CAP020 would improve the efficiency of business processes set out in the CUSC and therefore would better facilitate achievement of the Applicable CUSC Objectives.

### **Ofgem's view**

Ofgem considers, having had regard to its statutory duties, that Proposed Amendment CAP020, as set out in the Amendment Report, would better facilitate achievement of the Applicable CUSC Objective C7F.1(a) for the efficient discharge by NGC of the obligations imposed upon it under the Act and by its Transmission Licence.

It is Ofgem's view that the Proposed Amendment will allow NGC sufficient time to collect the necessary data contained in the Interim Information Settlement Runs such that it can produce Balancing Services Provisional Monthly Statements without the need to employ estimated data. Ofgem considers that the Proposed Amendment will reduce the likelihood of unnecessary disagreements occurring between NGC and Users and would therefore better facilitate achievement of the Applicable CUSC Objective C7F.1(a). Ofgem notes that the Proposed Amendment will minimise the differences between the Provisional and Final Monthly Statements but that differences may still occur should the underlying settlement data be adjusted in accordance with paragraph U2.5 of the BSC.

Ofgem acknowledges that, as a consequence of the Proposed Amendment, the Provisional Monthly Statement will be issued at a later date than under the current procedure. However, Ofgem considers that the gains in efficiency resulting from the Provisional Monthly Statement being based on actual interim data will more than compensate for the later issuance of this Statement. Ofgem does not consider that the Proposed Amendment will result in uncertainty in the timing of the issuance of the Balancing Services Provisional Monthly Statement since paragraph U2.4 of the BSC requires the Settlement Administration Agent to issue a Settlement Calendar showing, for each Settlement Day in the BSC Year, the date upon which the Interim Information Settlement Run is to be carried out.

### **The Authority's Decision**

The Authority has therefore decided to direct that Proposed Amendment CAP020, as set out in the Amendment Report, should be made and implemented.

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

Having regard to the above, the Authority, in accordance with Condition C7F.7(a) of the licence to transmit electricity treated as granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the CUSC in respect of Proposed Amendment CAP020, as set out in the Amendment Report.

The modification is to be implemented and take effect from 1 January 2003.

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

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

Yours sincerely,



**David Edward**

**Head of Electricity Code Development**

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