



Direct Dial: 020-7901-7355

25 March 2002

The National Grid Company plc  
National Grid House  
Kirby Corner Road  
Coventry  
CV4 8JY

Your Ref: CAP013

Our Ref:IND/COD/CUSC/CAP013

Dear NGC, Connected Parties, Customers and Other Interested Parties,

**Amendment to the Connection and Use of System Code (“CUSC”) - Decision and Direction in relation to Proposed Amendment CAP013: “Removal of Redundant Paragraph [6.6.1(b) - Energy related recurrent charges]”.**

The Gas and Electricity Markets Authority (the “Authority”)<sup>1</sup> has carefully considered the issues raised in Proposed Amendment CAP013 “Removal of Redundant Paragraph [6.6.1(b) - Energy related recurrent charges]”.

The National Grid Company plc (“NGC”) has recommended to the Authority that Proposed Amendment CAP013 be approved and that it be implemented with effect from 5 days after the Authority’s decision or 1 April 2002 (whichever is the later date).

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

This letter explains the background to Proposed Amendment CAP013 and sets out the Authority’s reasons for its decision. In addition, the letter contains a direction to NGC to modify the CUSC as set out in the Proposed Amendment.

**Background to the Proposal**

Prior to the introduction of the Investment Cost Related Pricing (ICRP) charging methodology in 1993/94, Use of Transmission System charges were split into two components; a System Service Charge and an Infrastructure charge.

For Users with generating plant, the infrastructure component included, among other things, a charge based on the kWh output of the generator. This charge was termed the Infrastructure Energy Charge. National Grid invoiced such charges on a monthly basis in

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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.

accordance with Sub Clause 14.1(ii) of the Master Connection and Use of System Agreement (MCUSA).

Following the introduction of the ICRP methodology in 1993/94, the charging rules contained in Sub Clause 14.1(ii) could have been amended to reflect the fact that Infrastructure Energy Charges were no longer invoiced. However, due to the general complexity associated with the MCUSA modification process, the rules concerning the invoicing of the Charges were not amended. Furthermore, the change was not picked up during the establishment of the CUSC given that the remit was to codify the provisions of the MCUSA and Supplemental Agreements and as a result the existing wording was carried over.

Proposed Amendment CAP013 seeks to modify the CUSC so as to remove the redundant paragraph 6.6.1(b) from the CUSC. NGC believes that the removal of the redundant paragraph from the CUSC, as put forward in the Proposed Amendment, will improve the clarity of the CUSC documentation thereby enabling NGC 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.<sup>2</sup>

Proposed Amendment CAP013 was raised by NGC and submitted for consideration at the CUSC Amendments Panel Meeting on 11 January 2002. At the meeting the Panel determined that the Proposed Amendment should proceed to wider industry consultation. A consultation paper was issued on 25 January 2002 with responses welcomed by 22 February 2002. A Final Amendment Report was submitted to the Authority on 8 March 2002.

### **The Proposed Amendment**

Proposed Amendment CAP013 seeks to modify the CUSC so as to remove the redundant paragraph 6.6.1(b) from the CUSC.

Proposed Amendment CAP013 states that the clause was codified into the CUSC from Clause 14 of the MCUSA and that it relates to the manner in which NGC previously invoiced generators for Energy related recurrent monthly charges (an element of the Infrastructure charge). The Proposed Amendment states that this type of charge has not been payable since 1992/93 (the charges relate to the pre ICRP methodology) so the paragraph is no longer appropriate.

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<sup>2</sup> The Applicable CUSC Objectives are contained in Condition C7F of 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.

Proposed Amendment CAP013 states that Paragraph 6.6.1(b) of the CUSC is redundant as NGC invoices Users for Connection Charges and Transmission Network Use of System (TNUoS) Charges pursuant to Section 6.6.1(a) and Balancing Services Use of System (BSUoS) Charges pursuant to Section 3.14.2.

NGC issued a consultation paper on 25 January 2002 for views from CUSC Parties and interested parties.

### **Respondents' views**

NGC received three responses to the consultation on Proposed Amendment CAP013, all of which were supportive of the Proposed Amendment.

The respondents' views are summarised and contained in the Amendment Report for Proposed Amendment CAP013 dated 8 March 2002.

### **NGC's Recommendation**

NGC recommended that the Authority should approve Proposed Amendment CAP013 and that if approved, the Proposed Amendment should be implemented with effect from 5 days after the Authority's decision or 1 April 2002 (whichever is the later date).

### **Panel's Recommendation**

The Panel recommended that the Authority should approve Proposed Amendment CAP013 and that if approved, the Proposed Amendment should be implemented with effect from 5 days after the Authority's decision or 1 April 2002 (whichever is the later date).

### **Ofgem's view**

Ofgem considers, having had regard to its statutory duties, that Proposed Amendment CAP013 will better facilitate the achievement of the Applicable CUSC Objectives in that the removal of the redundant paragraph from the CUSC, as put forward in the Proposed Amendment, will improve the clarity of the CUSC documentation and will thereby better facilitate the achievement of Objective C7F.1(a) for the efficient discharge by NGC of the obligations imposed upon it under the Act and by the Transmission Licence and the achievement of Objective C7F.1(b) to facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitate such competition in the sale, distribution and purchase of electricity.

Ofgem agrees with the Panel's recommendation that Proposed Amendment CAP013 should be implemented with effect from 5 days after the Authority's decision or 1 April 2002 (whichever is the later date).

### **The Authority's decision**

The Authority has therefore decided to direct that Proposed Amendment CAP013 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 as set out in Proposed Amendment CAP013.

The modification is to take effect from 5 days after the Authority's decision or 1 April 2002 (whichever is the later date).

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

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

**Nick Simpson**  
**Director of Industry Code Development**

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