



DRAFT FOR COMMENT

Comments should be sent to
Beverley.Viney@uk.ngrid.com
by 24th April 2007

AMENDMENT REPORT

CUSC Proposed Amendment CAP142

Temporary TEC Exchanges

The purpose of this report is to assist the Authority in their decision of whether to implement Amendment Proposal CAP142

Amendment Ref	CAP142
Issue	0.1
Date of Issue	17 th April 2007
Prepared by	National Grid

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

Version	Date	Author	Change Reference
0.1	17/04/07	National Grid	Draft for external comment
0.2		National Grid	Draft for Amendments Panel Recommendation Vote
0.3		National Grid	Draft for Amendments Panel Members comment
1.0		National Grid	Formal version for submission to the Authority

b Document Location

National Grid Website:

www.nationalgrid.com/uk/Electricity/Codes/**c Distribution**

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

II CONTENTS TABLE

I	DOCUMENT CONTROL	2
II	CONTENTS TABLE	2
2.0	PURPOSE AND INTRODUCTION	3
3.0	PROPOSED AMENDMENT	4
4.0	SUMMARY OF WORKING GROUP DISCUSSIONS	4
5.0	ALTERNATIVE AMENDMENT	9
6.0	ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES	9
7.0	PROPOSED IMPLEMENTATION	11
8.0	IMPACT ON THE CUSC	11
9.0	IMPACT ON INDUSTRY DOCUMENTS	11
10.0	VIEWS AND REPRESENTATIONS	12
11.0	AMENDMENT PANEL RECOMMENDATION	14
12.0	AMENDMENT PANEL RECOMMENDATION	14
13.0	NATIONAL GRID RECOMMENDATION	14
	ANNEX 1 – AMENDMENT PROPOSAL FORM	15
	ANNEX 2 - ASSESSMENT PROCESS ILLUSTRATION	17
	ANNEX 3 – TIMESCALES FOR ASSESSMENT	18
	ANNEX 4 - TYPICAL EXCHANGE RATE OFFER	19
	ANNEX 5 – TYPICAL SCENARIO AND OPTIONS FOR CHARGING LIABILITIES	20
	ANNEX 6 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC	21
	ANNEX 7 – REPRESENTATIONS RECEIVED DURING CONSULTATION	55

1.0 SUMMARY AND RECOMMENDATIONS

Executive Summary

- 1.1 CAP142 Temporary TEC Exchanges was proposed by British Energy and submitted to the Amendments Panel for their consideration on 24th November. CAP142 seeks to provide a framework to enable TEC holders to temporarily exchange some or all of their TEC with another qualifying connected party, at an 'exchange rate' determined by National Grid. The CUSC provides for a number of transmission access products, for example, Transmission Entry Capacity (TEC) and Limited Duration TEC (LDTEC). It also allows parties to transfer TEC on an enduring basis from the start of the following charging year. This proposal seeks to build on the existing products and trading processes to develop a temporary TEC exchange mechanism that would apply within the charging year and, at the end of the exchange, allow the two parties to return to their previous TEC status.
- 1.2 The Amendments Panel determined that this issue should be considered by a Working Group and after assessment by the Working Group, the Original Proposal and one Working Group Alternative Amendment (Alternative) were recommended for wider consultation. Opinions were divided within the Working Group as to which of these best facilitated the Applicable CUSC Objectives.
- 1.3 The consultation paper for CAP142 was published by National Grid on 9th March 2007, placed on the CUSC website and copies sent to Core Industry Document Owners and CUSC Parties. Responses were invited by close of business on 10th April 2007.
- 1.4 National Grid received a total of 6 responses to the consultation for CAP142. There were no additional Consultation Alternative Amendment proposals raised to CAP142 during the consultation process.

National Grid Recommendation

- 1.5 National Grid considers that both the Original Proposal and the Alternative would better facilitate the Applicable CUSC Objectives. National Grid notes, however, that the implementation of either of these amendments may mean that not all opportunities to reduce transmission constraints would be taken.

Amendment Panel Recommendation

- 1.6

2.0 PURPOSE AND INTRODUCTION

- 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 to enable TEC holders to temporarily exchange some or all of their TEC with another qualifying connected party at an 'exchange rate' determined by National Grid.
- 2.2 Further to the submission of Amendment Proposal CAP142 (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 CAP142.

- 2.3 CAP142 was proposed by British Energy and submitted to the CUSC Amendments Panel for consideration at their meeting on 24th November 2006. CAP142 Working Group Report was submitted to the CUSC panel meeting on 9th March 2007. Following evaluation by the Working Group, the Amendments Panel determined that CAP142 was appropriate to proceed to wider industry consultation by National Grid.
- 2.4 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 7 to this document.
- 2.5 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 www.nationalgrid.com/uk/Electricity/Codes/.

3.0 PROPOSED AMENDMENT

- 3.1 CAP142 seeks to introduce a more flexible approach to TEC exchanges. It is proposed to exchange TEC on a temporary basis and subject to the joint agreement of the trading parties. It would lead to TEC exchanges for variable periods of time within one charging year. For exchanges between different parts of the transmission system, National Grid would need to provide an 'exchange rate' to describe the equivalence of network capacity in different locations. The exchange could take place as soon as an exchange rate has been established and the relevant CUSC bilateral contracts amended. The donor party transferring TEC would continue to pay its TNUoS charge but may recover an element of this from the receiving party via a bilateral contract. For both the donor (the party seeking to sell access rights) and receptor (the party seeking to purchase access rights) the normal ceiling on allowable access products would apply:

$$\text{Received TEC} - \text{Donated TEC} + \text{TEC} + \text{any STTEC or LDTEC} \leq \text{CEC}^1$$

- 3.2 The proposed amendment anticipated the creation of an optional means of advertising TEC available for exchange over and above the existing TEC Register. The proposal also envisaged the need for an application fee to cover National Grid's assessment costs. Annex 1 provides more details on the Original Proposal.

4.0 SUMMARY OF WORKING GROUP DISCUSSIONS

- 4.1 The Working Group considered the process for CAP142 and agreed that as far as possible this should be the same as that used for LDTEC and Short Term TEC (STTEC). The Working Group also looked at the donor and receptor parties' liabilities for use of system charges and for application fees.
- 4.2 Candidates for Alternatives were identified. These considered the inter-relationship between access acquired through a temporary TEC exchange and through LDTEC or STTEC and the associated charging liabilities. It was

¹ where CEC is determined on a Power Station basis.

anticipated that there would be a bilateral agreement between the donor and receptor, but this would not be covered by the CUSC. From these candidates, the Working Group identified one Alternative.

Process for CAP142

Pre-Application notification

4.3 The Working Group considered the potential benefits of a facility to allow would-be donors to notify other users of their interest in exchanging TEC. It was suggested that a web-based 'notice board' should be established that would allow potential donors to state:

- the MWs of TEC available for exchange;
- the location of the MWs;
- the start and end dates of the trade; and
- the date by which potential receptors should contact the potential donor.

4.4 The Working Group considered whether or not use of such a notice board should be mandatory. The Working Group was concerned about the scope for multi-site parties to arrange within-company deals that could be anti-competitive. It was agreed that making the pre-application notification mandatory would, particularly in the case of the Original Proposal, ensure that potential exchanges were made public. This would enable both portfolio and single-site generators to have equal knowledge of prospective trades. The Working Group believed that with public pre-notification, trades would be more likely to come under the scope of competition law. The current regulatory powers and access to information are strong and the financial penalties for anti-competitive behaviour are substantial. The market would also be informed after any trade. The Working Group believed that the additional precaution of requiring pre-notification of a trade would provide a further useful check against anti-competitive behaviour. The Working Group queried whether such an extra step would form a barrier to trade because of additional bureaucratic burdens and National Grid were content that such an additional web-site provision could be made available quickly and efficiently.

Application Eligibility

4.5 The Working Group agreed that the donor must have at least as much TEC as is envisaged to be exchanged in order to apply to exchange TEC. This means that the donor must have fulfilled the requirements of Construction Agreement (for "new" TEC) and be liable for transmission charges for the TEC (all TEC). The recipient must have an operational connection when applying. The recipient must have sufficient Connection Entry Capacity (CEC) on Power Station basis if transmission connected or sufficient Maximum Export Capacity if distribution connected to accommodate the total volume of access rights after the TEC exchange.

Application data

4.6 The Working Group agreed there should be a joint application by the two parties seeking to trade. There will be one application fee paid to cover assessment costs. The Working Group agreed that the two applicants would be jointly and severally liable for the application fee. The application should be submitted within the financial year that the trade is sought. This means that the maximum duration of a single exchange is at most 42 weeks. It was agreed that the minimum duration of exchange would be 4 weeks, as per

STTEC. The application will need to state the identities of the two trading parties, the capacity that will be surrendered by the donor party, the time period for the trade (whole number of weeks, or end of the charging year), and the intended start date of the exchange.

Aborted applications

- 4.7 The Working Group agreed that if both parties wished to stop the assessment process, it would be stopped immediately, although National Grid would retain the application fee. If one party wishes to withdraw, the process would continue.

Assessment

- 4.8 In a similar manner to LDTEC, the 'exchange rate' requested under CAP142 would be assessed considering the operational criteria of GB SQSS. The 'exchange rate' would be set so as not to exacerbate existing operational costs. The 'exchange rate' determined by National Grid would identify the additional capacity temporarily available to the receptor by virtue of the donor's temporary reduction in access rights alone. National Grid will ignore any constraint benefit that may have arisen when the donor temporarily reduces its access rights. As part of this assessment, any "spare" capacity that may have been available to the receptor in the form of LDTEC or STTEC will be excluded from that offered as the 'exchange rate'. In making this assessment, National Grid will take account of planned transmission outages but will not consider the generating regimes of the donor or the receptor e.g. base-load plant will not be treated differently from peaking plant. Annex 2 describes in more detail National Grid's assessment.

Assessment timescales

- 4.9 The time required to assess a request for an 'exchange rate' will increase with the duration of the exchange sought. The variation in assessment timescales is illustrated in Annex 3. These timescales are based on limited use of these arrangements and up to about six applications each year. If TEC exchanges were to become more popular these timescales may require review.

Exchange Duration (t)	Assessment period (weeks)
t < 3 months	3
3 < t < 6 months	5
6 < t < 9 months	6
t > 9 months	9

- 4.10 If a party were to submit multiple applications covering, say the same donor and different receptors, whilst National Grid would attempt to achieve the timescales illustrated, it is likely that the assessments may take longer. Applicants would need to bear in mind the extra time required when formulating their intended start date.

Interactive applications

- 4.11 Applications for 'exchange rates' may interact with applications for STTEC, LDTEC, TEC increases sought within year and indeed other applications for temporary exchanges. The Working Group agreed that these would be

resolved by considering applications on a sequential first-come-first-served basis. Second comers would be notified they are interactive and that therefore they may have to wait their turn (up to 9 weeks, if one “interactive” application). They would be given the option to withdraw and their application fee would be refunded in these circumstances.

The Offer

- 4.12 At the end of the assessment period, if the request can be accommodated, an offer would be made by National Grid to the parties. The offer would state the capacity available as a result of that donated TEC. The offer could be profiled (including zero). A typical offer profile is illustrated in Annex 4. The offer would be bounded within the time period requested and described on a weekly granularity.

Acceptance / Rejection

- 4.13 The offer would be commercially firm for the period of the exchange if accepted and would only be valid for the defined acceptance period of 1 business day. If accepted, the bilateral agreements that donor and receptor have with National Grid would be changed to reflect the exchange. The amended bilaterals would separately identify temporary and enduring access rights. This facilitates transparent tracking of rights and the unwinding of the trade. It also enables charging the donor party for ‘enduring’ TEC. The exchange would always start on a Monday and would start at least 1 week following acceptance of the offer. This allows alignment with existing “week-ahead” Control Room processes. The amended bilaterals would also specify the date on which the parties would revert to their pre-exchange position. If rejected, no changes would be made.

Post-trade reporting

- 4.14 The Working Group agreed that the information provided to the industry should depend on whether an offer was made and subsequently accepted / rejected, or whether no offer was made. The following table describes the information provided in each of these circumstances.
- 4.15 This combination would inform the wider market of the existence of willing TEC traders and give some indicative information about ‘exchange rates’. However, each ‘exchange rate’ assessment would be bespoke and parties would be warned about placing any reliance on the results of other trades.

	Accepted offers	Rejected offers	No offer made
Donor Identity	✓	✓	✓
Recipient Identity	✓	✗	✗
Donated TEC	✓	✓	✓
Exchange Rate	✓	✓	✗
Exchange Period	✓	✓	✓

Arrangements at the end of the trade

- 4.16 Following the end of the exchange period all access rights would return to pre-exchange position. Temporary TEC exchanges would be different from enduring trades as subsequent applications for incremental TEC received

within the exchange period will be assessed against the pre-trade contractual background i.e. with the donor's original access rights. This is consistent with the enduring rights afforded by TEC that are not afforded by a temporary TEC exchange. The donor's enduring rights can therefore be preserved following completion of the temporary TEC exchange.

Negative charging zones

- 4.17 The Working Group noted that TEC in negative charging zones is not scarce and therefore it is unlikely that parties would seek to temporarily trade TEC into these zones. Considering trades between positive and negative TNUoS zones, members considered it unlikely that trades would take place between donors in a negative zone and receptors in a positive zone. Hence no special requirements are envisaged for trades involving negative TNUoS zones.

Charging Liabilities

- 4.18 The Use of System charges levied by National Grid are determined by the Charging Methodology. Any bilateral commercial arrangement between donor and receptor is a matter for the trading counterparties and is generally likely to be opaque to the market. Such arrangements are likely to reflect an agreement about the relative values of access and the avoided energy costs of donor and receptor. Three options for the Use of System charging liabilities for the donor and receptor were considered. In each case, as noted above, a bilateral agreement between the donor and the receptor may also be struck. A sample scenario of TEC exchange using these three options is illustrated in Annex 5.

- 4.18.1 Original Proposal - Donor pays TNUoS on full enduring TEC; Receptor pays nothing: The donor continues to pay TNUoS for the full volume of pre-trade TEC throughout the exchange; the receptor pays nothing to National Grid.

This option maintains the public cash-flow for TNUoS at the pre-exchange level and to this degree holds the rest of the market harmless. However, it was argued by some members of the Working Group that this places no public value on the access gained by the receptor and therefore would value temporarily received TEC more cheaply than LDTEC that may be available at the same time and location. For this reason, the rest of the market would subsidise the receptor's temporary access. The Working Group was also concerned that portfolio players might have an opportunity to minimise their access costs that would not be available to single-site players in the receptor zone.

- 4.18.2 Option 1 - Donor pays TNUoS for a net reduced volume; Receptor pays an LDTEC Charge for the received volume: For the period of the exchange the donor pays TNUoS for the residual volume of TEC and the receptor pays an LDTEC Charge for the temporarily received TEC.

Working Group members argued that this approach did not maintain overall public cash-flow at the pre-exchange level and so would lead to some over or under-recovery. Also, it does not value the TEC in the donor zone at the going rate (TNUoS) even though at the end of the exchange the donor has full TEC rights restored. Therefore the rest of the market is subsidising the donor. Portfolio players might use this approach to reduce their access charge liability. None of the Working Group members were convinced that this superior to the status quo and was disregarded by the group.

- 4.18.3 Option 2 - Donor pays TNUoS for full enduring TEC; Receptor pays an LDTEC Charge for the received volume: For the period of the exchange the donor continues to pay TNUoS for the full volume of pre-trade TEC, whilst the receptor pays at the same rate as another party seeking LDTEC in its zone.

This option places the same full value on the TEC in the donor zone and the temporarily received TEC in the receptor zone. Hence there is no subsidy by the rest of the market to either party. Both donor and receptor pay the going rate for their types of access and so there is no additional advantage to portfolio parties over single site parties. Beyond the public charges, there will be the confidential bilateral agreement between donor and receptor. This is likely to mean that temporarily received TEC will overall be more expensive than LDTEC. Nevertheless, it will be access that would not otherwise be available and any potential receptor must assess the energy value of this additional access. Some Working Group members supported this option and so it became an Alternative.

- 4.18.4 National Grid as Trading Facilitation Manager: The Working Group briefly discussed a different approach to TEC exchanges that involved a more substantial role for National Grid. It was agreed that this represented a sufficiently different approach as to be included within the scope of CAP142 and was therefore inappropriate to develop as an Alternative, but nevertheless, the approach is outlined in the Working Group Report.

5.0 ALTERNATIVE AMENDMENT

Working Group Alternative

- 5.1 The Working Group proposed one Alternative. This was the same as the Original Proposal in all respects except that the recipient would be liable to pay LDTEC Charges for any capacity it temporarily receives from a TEC exchange. This was option 2 above, as described in paragraph 4.18.3

6.0 ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

Proposed Amendment

- 6.1 The Working Group assessed the Original Proposal and the Alternative against the Applicable CUSC objectives that are:
- (a) the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence; and
 - (b) facilitating effective competition in generation and supply of electricity and facilitating such competition in the sale, distribution and purchase of electricity.

6.2 The assessment made by the Working Group is summarised below.

	Original Proposal <i>Donor pays full TNUoS Receptor pays nothing</i>	Alternative <i>Donor pays full TNUoS Receptor pays LDTEC</i>
(a) EFFICIENT DISCHARGE OF LICENCE CONDITIONS		
Promotes	Potentially makes better use of the available network capacity (as it is more flexible than existing trading arrangements).	
	May provide opportunities for transmission access where LDTEC would not (as donor gives up access rights in the short-term).	
	Some opportunities to avoid certain system costs, as more generation may be made available than otherwise would have been and hence National Grid can draw upon a deeper pool of possible system service providers. {This may not ultimately affect the costs of system balancing}.	
	Reduced cost for temporary received TEC in receptor zone following an exchange ensures fuller use of available access.	Values temporary donated TEC at same rate as TEC (for the donor) and maintains LDTEC valuation constant (for the receptor); therefore no perverse decisions are made between LDTEC and temporary received TEC and most efficient use of existing access.
Demotes	May, in time, undermine the information / assumptions used to plan / operate the transmission system e.g. levels of plant breakdown; this issue already exists because of STTEC / LDTEC, but may be exacerbated if TEC exchanges flourishes	
	If donor is in constrained zone and did not exchange, constraint costs may be greater than if it did exchange. Higher risk of more access being used and hence constraint costs. However, this effect requires precise knowledge of party's operating plans and may not materialise.	
	Discriminatory charging by National Grid for temporary received TEC compared to LDTEC is counter to licence obligation.	If receptor values access at less than LDTEC, then more use of available access will not be achieved.
(b) FACILITATES COMPETITION		
Promotes	More generation may be in the market, which would be expected to promote competition in the energy market and the provision of balancing services.	

	Original Proposal <i>Donor pays full TNUoS Receptor pays nothing</i>	Alternative <i>Donor pays full TNUoS Receptor pays LDTEC</i>
	Reduced entry cost will encourage more generation into the market.	All types of generator (portfolio & single site) dealt with equitably, paying the same price for access and hence encouraging equitable competition.
Demotes	Option for any generator to 'lease' access at a price that differs from 'TNUoS' rate potentially allows leaser to gain unfair commercial advantage and is anti-competitive.	
	Generation entering at subsidised prices will undermine competition	
	Portfolio generators can move access around from lower price zones, thereby gaining an inequitable advantage.	

7.0 PROPOSED IMPLEMENTATION

7.1 The Working Group and National Grid propose CAP142 should be implemented as soon as practical after an Authority decision noting the need to amend the Charging Methodology and Charging Statements. In accordance with 8.19.3(b) views are invited on this proposed implementation date.

8.0 IMPACT ON THE CUSC

8.1 CAP142 requires amendments to Sections 2, 3, 6, and 9 of the CUSC and the creation of two new Exhibits.

8.2 The text required to give effect to the Original Proposal is contained as Part A of Annex 6 of this document.

8.3 The text to give effect to the Alternative is attached as Part B of Annex 6 of this document.

9.0 IMPACT ON INDUSTRY DOCUMENTS

Impact on Core Industry Documents

9.1 CAP142 has no impact upon Core Industry Documents.

Impact on other Industry Documents

9.2 CAP142 has an impact upon the Charging Statements, due to the need to introduce a new application fee, and National Grid's industry website, to create a 'notice-board' for TEC exchanges.

10.0 VIEWS AND REPRESENTATIONS

10.1 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 Amendment.

Views of Panel Members

10.2 No response to the CAP142 consultation document was received from Panel Members in their capacity as Panel Members.

View of Core Industry Document Owners

10.3 No responses to the CAP142 consultation document were received from Core Industry Document Owners.

Responses to Consultation

10.4 The following table provides an overview of the representations received. Copies of the representations are attached as Annex 7.

Reference	Company	Supportive	Comments
CAP142-CR-01	British Energy	Yes	Support Original Amendment
CAP142-CR-02	Centrica	Yes	Support both, prefer WGAA
CAP142-CR-03	EDF Energy	No	Access price different to TNUoS rate
CAP142-CR-04	E.ON UK	Yes	Support WGAA only
CAP142-CR-05	RWE	Yes	Support WGAA only
CAP142-CR-06	Scottish Power's Energy Wholesale Business	Yes	Support Original Amendment

British Energy

10.5 British Energy supports the Original Amendment because it believes it is inappropriate to charge TEC received during an exchange using the LDTEC tariff as there significant differences between the short term access products of LDTEC and Temporary TEC Exchanges. Temporary TEC Exchange can be used when LDTEC is not available and therefore Temporary TEC Exchange is a transfer of capacity from one connection point to another via an exchange rate, whereas LDTEC creates additional capacity to the existing baseline for a limited period. In addition, the Temporary TEC Exchange has a weekly granularity compared to the "Block Offer" nature of LDTEC.

10.6 British Energy also suggest a minimum length of notification and a system to notify all Users of updates to the TEC register to give equal opportunity to all generators. Further, British Energy pointed out an error in Annex 3 to the Consultation Report which suggests that the Temporary TEC Exchange product can be procured for a 12 month period. British Energy rightly point out that a trade can not exceed one financial year and that therefore, including the National Grid assessment period, the maximum duration of a Temporary TEC Exchange is actually less than 10 months.

Centrica

- 10.7 Centrica believe that both the Original and the Alternative Amendments better facilitate the CUSC objectives because they would make better use of the transmission system. However, on balance the Alternative Amendment is preferred because it does not undermine the efficient use of existing capacity through STTEC and LDTEC, as they would not be undercut by Temporary TEC Exchange. The Alternative Amendment also avoids offering undue advantages to portfolio players and to this extent emphasises the need to ensure as much transparency as possible.

EDF Energy

- 10.8 EDF Energy does not support either of the proposals because they might provide the option for any generator to “lease” access at prices that differ from the TNUoS rate and hence providing the donor an unfair commercial advantage. EDF Energy concede that the Alternative Amendment somewhat alleviates these concerns.
- 10.9 EDF Energy suggest that a system which allowed Users to donate “firm TEC” for set periods might be a fruitful alternative but did not wish to raise this as a consultation alternative at this juncture.

e.on

- 10.8 Eon supports the Alternative but not the Original proposal on the basis that the Original lacks an associated charging liability which would be discriminatory and undermine the existing STTEC and LDTEC access products. Eon see Temporary TEC Exchange as a mechanism whereby the donor relinquishing TEC for a period facilitates the provision of LDTEC to a recipient party and so should be subject to the same charges. The Original would allow recipients to receive LDTEC at a discounted rate which would provide both parties with a cost advantage compared with other market participants. Significantly, this value would be created at the expense of other participants since the surplus reallocation process from the sale of LDTEC would not be passed on to all Users. Eon also contend that the Original would not be more efficient at allocating access since it could enable access to be provided to those that believe the prevailing charges are too high and hence undermine locational signals.

- 10.8 Eon also helpfully commented on the legal text, the relevant minor corrections have now been made.

RWE

- 10.9 RWE supports the Alternative Amendment because it will ensure that TEC-related products are not undermined. The Original enables Users to transfer TEC in transactions that do not value the cost of capacity at the level of other capacity products which would lead to less efficient use of the transmission system.

Scottish Power’s Energy Wholesale Business

- 10.10 Scottish Power support the Original Amendment because it maintains the public cash-flow for TNUoS and holds the rest of the market unchanged. The Alternative would discourage use of the Temporary TEC Exchange product and thereby restrict efficient use of the capacity available.

11.0 AMENDMENT PANEL RECOMMENDATION

11.1

12.0 AMENDMENT PANEL RECOMMENDATION

12.1 The Amendments Panel discussed CAP142, and agreed that CAP142 was ready to proceed to wider industry Consultation.

13.0 NATIONAL GRID RECOMMENDATION

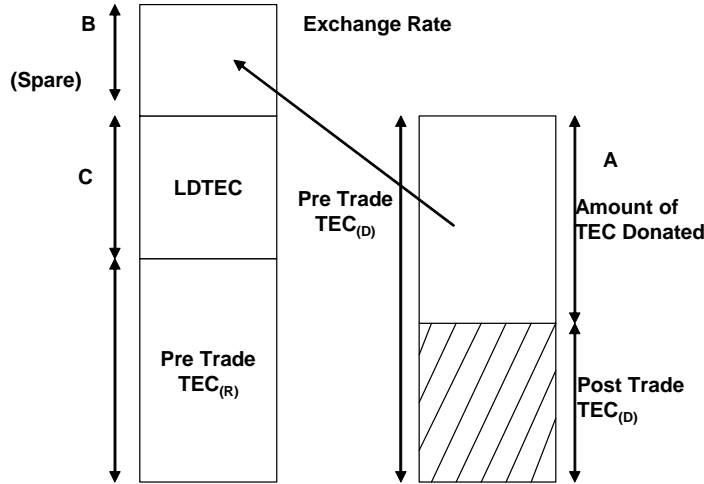
13.1 National Grid considers that both the Original Proposal and the Alternative would better facilitate the Applicable CUSC Objectives. National Grid agrees that the implementation of more flexible trading may enable parties to make better use of the existing network capacity. However, to the extent that recipients use this capacity more than donors (say because it is low merit station or it has broken down – factors not considered in setting the exchange rate), this may give rise to additional operational costs. Clearly, the reverse is also true and depends on the exact knowledge of generator behaviour. Nevertheless, the implementation of CAP142 would mean that not all opportunities to reduce system costs would be taken.

ANNEX 1 – AMENDMENT PROPOSAL FORM

CUSC Amendment Proposal Form	CAP:142
Title of Amendment Proposal:	
<i>Temporary TEC Exchanges</i>	
Description of the Proposed Amendment (mandatory by proposer):	
<p><i>CUSC Amendment CAP068 introduced the facility for TEC exchange by means of Exchange Rate Requests to NGET and corresponding Bilateral Agreements between parties. The current arrangements codified in CUSC 6.30.3 only appear to allow TEC trades between parties from the following 1 April on an enduring basis. This product is very inflexible and is probably the reason, as far as the author is aware, it has never been taken up since the modification was introduced. This amendment seeks to introduce a much more flexible approach to TEC exchange such that these can be done between parties within year for variable periods of time as defined in a bilateral agreement. NGET would have a role in identifying the exchange rate applicable between parties as in the current arrangements.</i></p> <p><i>For example, a party with a defined TEC at the beginning of the year may suffer plant problems that restrict the ability to use this TEC for some predetermined time. Under this proposal this additional TEC could be offered to others under the terms of a bilateral agreement and NGET defined exchange rate. The TEC trade would be applicable as soon as the necessary exchange rate has been established and contracts exchanged.</i></p> <p><i>It is envisaged that the party temporarily transferring TEC would continue to pay the TNUOS charges and this may be recovered from the receiving party as part of the bilateral agreement.</i></p>	
Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer):	
<p>The existing arrangement for TEC exchanges between parties is a very inflexible product.</p> <p>Allowing within year changes to allocation of TEC would promote more efficient use of the System.</p> <p>It may be prove to be a suitable alternative arrangement to mothballing as the TEC does not get relinquished by the transferring party and thus avoids potential difficulties of re-obtaining TEC in the future.</p>	
Impact on the CUSC (this should be given where possible):	
<p>This proposal suggests the need to amend Section 6.30.3 with the inclusion of new clauses to allow within year TEC exchanges.</p>	
Impact on Core Industry Documentation (this should be given where possible):	
<p>None anticipated</p>	
Impact on Computer Systems and Processes used by CUSC Parties (this should be given where possible):	
<p><i>Nothing new anticipated.</i></p>	

Details of any Related Modifications to Other Industry Codes (where known):	
None known	
Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** (mandatory by proposer):	
<i>This proposed modification would enhance the possibilities of the trading of TEC between generators thus furthering the efficient use of the System and better facilitate competition in the generation and supply of electricity.</i>	
Details of Proposer: Organisation's Name:	British Energy
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:	John Morris BE Power & Energy Trading 01452-653492 john.morris@british-energy.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Louise Allport BE Power & Energy Trading 01452-654436 louise.allport@british-energy.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment: No	

ANNEX 2 - Assessment process illustration



Baseline prior to the exchange

Donor has Pre-Trade TEC $TEC_{(D)}$
 Receptor has Pre-Trade TEC $TEC_{(R)}$

National Grid’s Assessment

Stage 1 National Grid assesses spare access capacity available at Receptor site with pre-trade baseline

Spare access capacity at Receptor LDTEC ‘C’

Stage 2 National Grid assesses spare access capacity available at Receptor site with TEC at Donor site reduced by Donated TEC ‘A’

Access capacity at Receptor LDTEC ‘C’ + Spare TEC ‘B’

Access created at Receptor site by donation at Donor site Spare TEC ‘B’

$$\text{Spare TEC 'B'} = \text{Stage 2} - \text{Stage 1} = \text{'B'} + \text{'C'} - \text{'C'}$$

Therefore exchange rate for this exchange = $\text{'B'}/\text{'A'}^2$

During the Trade

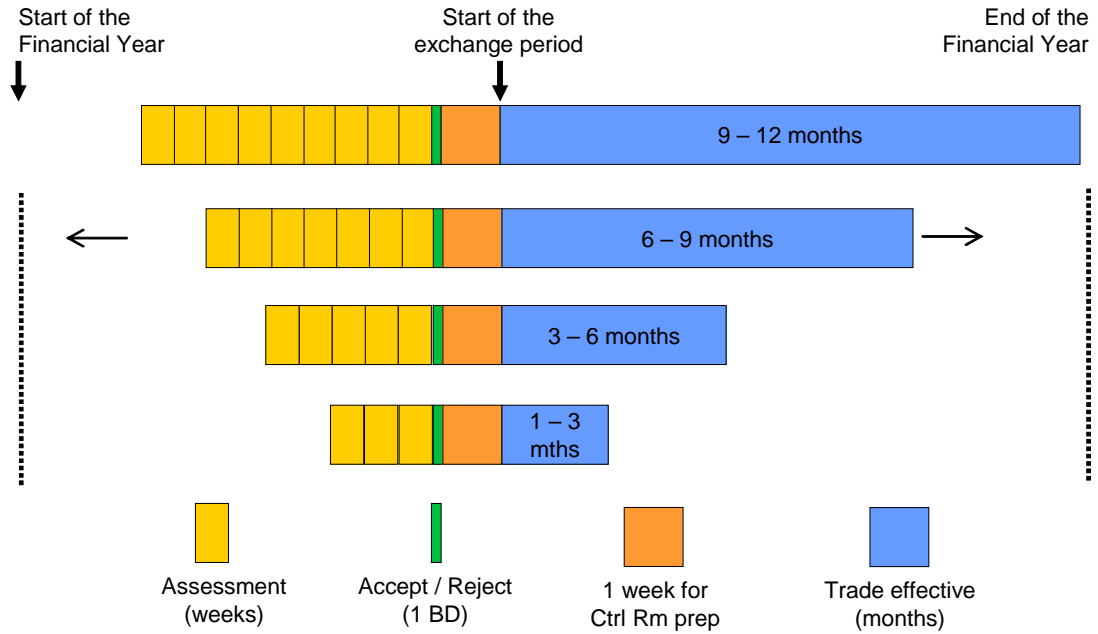
Donor has total access rights $TEC_{(D)} - \text{Donated TEC 'A'}$
 Receptor has total access rights $TEC_{(R)} + \text{Spare TEC 'B'}$

After the Trade

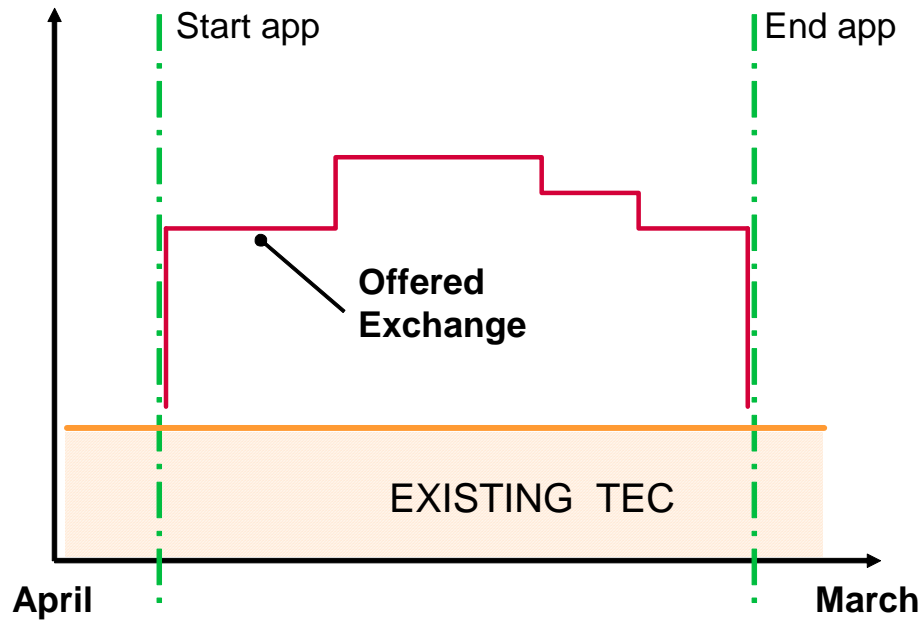
Donor has total access rights $TEC_{(D)}$
 Receptor has total access rights $TEC_{(R)}$

² N.B. In the draft legal text the term Temporary TEC Exchange Rate is defined as the weekly profile of the value of ‘B’ created by the donation of ‘A’

ANNEX 3 – Timescales for Assessment



ANNEX 4 - Typical exchange rate Offer



ANNEX 5 – Typical scenario and options for charging liabilities**Non-unity exchange rate and different charging zones**

Note, any changes in access charges during the period of the exchange apply only for the period; at the end of the period the charges revert to the values applying before the exchange

Donor has 200 MW TEC
Donor donates 100 MW TEC for period of exchange
Donor has left 100 MW TEC for period of exchange

Exchange rate = 0.5³

Receptor has 500 MW TEC
Receptor gains 50 MW TEC for period of exchange
Receptor's Total 550 MW TEC for period of exchange

	Original Donor full, Receptor none		Option (1) Donor reduced, Receptor LDTEC		Option (2) – The Alternative: Donor full, Receptor LDTEC	
TEC	200	500	200	500	200	500
Donated	100		100		100	
Received		50		50		50
Max Export during exchange	100	550	100	550	100	550
Access Charges during exchange	200xTNUoS _D	500xTNUoS _R	100xTNUoS _D	500xTNUoS _R + 50xLDTEC _R	200xTNUoS _D	500xTNUoS _R + 50xLDTEC _R
Bilateral	Determined by negotiation		Determined by negotiation		Determined by negotiation	

³ N.B. In the draft legal text the term Temporary TEC Exchange Rate is defined as the weekly profile of the receptor gain created by the donation.

ANNEX 6 – Proposed legal text to modify the CUSC

Part A - Text to give effect to the Original Proposed Amendment

Add new Paragraph [6.34] as follows and amend the contents page accordingly

6.34 Temporary TEC Exchanges

6.34.1 Background

Two **Users** that are party to a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** may make a **Temporary TEC Exchange** in accordance with this Paragraph of the **CUSC**.

6.34.2 Form of Temporary TEC Exchange Rate Request

6.34.2.1 A **Temporary TEC Exchange Rate Request** must be received by **The Company** no later than:

- (i) in cases where the requested **Temporary TEC Exchange Period** is 9 months or more, 10 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (ii) in cases where the requested **Temporary TEC Exchange Period** is 6 months or more but is less than 9 months, 7 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (iii) in cases where the requested **Temporary TEC Exchange Period** is 3 months or more but is less than 6 months, 6 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (iv) in cases where the requested **Temporary TEC Exchange Period** is less than 3 months, 4 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**.

6.34.2.2 A **Temporary TEC Exchange Rate Request** must be made by email and confirmed by fax and must attach the **Temporary TEC Exchange Rate Request Form** duly completed and signed by the **Joint Temporary TEC Exchange Users**.

6.34.2.3 A **Temporary TEC Exchange Rate Request** shall not be deemed received by **The Company** until the **Temporary TEC Exchange Rate Request Fee** has been paid to **The Company** and until the faxed copy of the **Temporary TEC Exchange Rate Request** is received in accordance with Paragraph 6.34.2.2 of the **CUSC**.

6.34.2.4 Each **Temporary TEC Exchange Rate Request** must state one **Temporary TEC Exchange Period** only. Each **Temporary TEC Exchange Rate Request** must be by reference to whole MW only.

6.34.2.5 A **Temporary TEC Exchange Rate Request** cannot be made prior to the start of the **Financial Year** to which it relates.

- 6.34.2.6 A **Temporary TEC Exchange Rate Request** cannot be made unless **The Company** has published within that **Financial Year** a **Temporary TEC Exchange Notification of Interest Form** from the **Temporary TEC Exchange Donor User**.
- 6.34.2.7 In respect of **Power Stations** directly connected to the **GB Transmission System**, a **User's Transmission Entry Capacity** plus any **Temporary Received TEC** plus any **STTEC** or **LDTEC** less any **Temporary Donated TEC** must not exceed its total station **Connection Entry Capacity**.
- 6.34.2.8 A **Temporary TEC Exchange Rate Request** can be withdrawn at any time upon written notice from the **Joint Temporary TEC Exchange Users**.
- 6.34.2.9 The **Temporary Donated TEC** stated in a **Temporary TEC Exchange Rate Request** shall not exceed the **Transmission Entry Capacity** of the **Temporary TEC Exchange Donor User**.
- 6.34.3 Assessment by The Company of Temporary TEC Exchange Rate Requests**
- 6.34.3.1 **The Company** may reject any **Temporary TEC Exchange Rate Request** that is not made in accordance with the provisions of this Paragraph 6.34.
- 6.34.3.2 **The Company** will assess **Temporary TEC Exchange Rate Requests** and whether or not to grant **Temporary TEC Exchange Rate Requests** at its absolute discretion.
- 6.34.3.3 Subject to Paragraph 6.34.3.4 and 6.34.3.5 **The Company** will start assessing an **Temporary TEC Exchange Rate Request** no later than:
- (i) in cases where the requested **Temporary TEC Exchange Period** is 9 months or more, 10 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (ii) in cases where the requested **Temporary TEC Exchange Period** is 6 months or more but is less than 9 months, 7 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (iii) in cases where the requested **Temporary TEC Exchange Period** is 3 months or more but is less than 6 months, 6 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (iv) in cases where the requested **Temporary TEC Exchange Period** is less than 3 months, 4 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**.
- 6.34.3.4 If **The Company** receives more than one **Temporary TEC Exchange Rate Request** for a **Temporary TEC Exchange Period** or a **STTEC Request** or an **LDTEC Request** or a **TEC Increase Request** which **The Company** believes will impact on each other, **The Company** will assess such requests and the capacity available on the **GB Transmission System** on a first come first served basis such that the request received

earliest in time by **The Company** (as recorded by **The Company**) will be considered first in terms of capacity available and then the request received next in time after that, and so on.

- 6.34.3.5 Where Paragraph 6.34.3.4 applies **The Company** shall be entitled to suspend the assessment and making of the **Temporary TEC Exchange Rate Offer** in respect of such **Temporary TEC Exchange Rate Request** or the **LDTEC Offer** in respect of such **LDTEC Request** or the **STTEC Offer** in respect of such **STTEC Request** or the **Offer** in respect of such **TEC Increase Request**.
- 6.34.3.6 Where the circumstances in Paragraph 6.34.3.5 apply **The Company** shall as soon as practicable advise the **Joint Temporary TEC Exchange Users** of such suspension giving an indication of the timescale for the **Temporary Exchange Rate Offer**. Where both **Joint Temporary TEC Exchange Users** agree, the **Temporary TEC Exchange Rate Request** can be withdrawn in such circumstances.
- 6.34.3.7 No priority will be given to any **Users** who have previously made successful **STTEC Requests** or **LDTEC Requests** or **Temporary TEC Exchange Rate Requests**.

6.34.4 Notification by The Company

- 6.34.4.1 Each **User** confirms and agrees that **The Company** shall have no liability to it for any **Temporary TEC Exchange Rate Request** which **The Company** does not grant in accordance with this Paragraph 6.34.
- 6.34.4.2 **The Company** is not obliged to grant any **Temporary TEC Exchange Rate Request** submitted.
- 6.34.4.3 Any **Temporary TEC Exchange Rate Request** will only be granted provided that during the **Temporary TEC Exchange Period** the **User's Transmission Entry Capacity** plus the **Temporary Received TEC** plus any **STTEC** or **LDTEC** less any **Temporary Donated TEC** does not exceed its total station **Connection Entry Capacity**.
- 6.34.4.4 **The Company** shall no later than seven days and one **Business Day** before the start date for the **Temporary TEC Exchange Period**, by 17:00 on a **Business Day** either make an **Temporary TEC Exchange Rate Offer** in response to the **Temporary TEC Exchange Rate Request** or notify the **Joint Temporary TEC Exchange Users** that it does not intend to grant a **Temporary TEC Exchange Rate Request**.

6.34.5 Temporary TEC Exchange Rate Offers

- 6.34.5.1 A **Temporary TEC Exchange Rate Offer** shall:
- (i) be made to both the **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User** and state the **Temporary Donated TEC** and **Temporary TEC Exchange Rate**;
 - (ii) include in the offer sent to the **Temporary TEC Exchange Donor User** a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as

appropriate) of the **Temporary TEC Exchange Donor User** which will detail the **Temporary Donated TEC** and the **Temporary TEC Exchange Period** for which this applies;

- (iii) include in the offer sent to the **Temporary TEC Exchange Recipient User** a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) of the **Temporary TEC Exchange Recipient User** which will detail the **Temporary Received TEC** and the **Temporary TEC Exchange Period** for which this applies; and
- (iv) be open for acceptance by receipt of the faxed copy of the **Temporary TEC Exchange Rate Offer** up to 17:00 the following **Business Day**.

6.34.5.2 A **Temporary TEC Exchange Rate Offer** must be accepted by both the **Joint Temporary TEC Exchange Users** within the timescales in Paragraph 6.34.6.1(iii). Acceptance of a **Temporary TEC Exchange Rate Offer** shall be made by executing and faxing back the accepted **Temporary TEC Exchange Rate Offer**. A **Temporary TEC Exchange Rate Offer** lapses if not accepted by both **Temporary TEC Exchange Users** within such period.

6.34.5.3 If the **Temporary TEC Exchange Rate Offer** is accepted in accordance with Paragraph 6.34.6.2, for the **Temporary TEC Exchange Period** Appendix C to the relevant **Bilateral Agreements** will be that accepted by the **Joint Temporary TEC Exchange Users**, unless otherwise subsequently amended in accordance with such **Bilateral Agreement** or the **CUSC**. Upon expiry of the **Temporary TEC Exchange Period** such Appendix C as it relates to that **Temporary TEC Exchange Period** shall cease to have effect.

6.34.6 Temporary TEC Exchange reporting and information provisions

6.34.6.1 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Offers** which are accepted:-

1. details of the **Temporary TEC Exchange Period**;
2. details of the **Temporary Donated TEC** and **Temporary Received TEC**;
3. the identity of the **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.6.2 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Requests** which are granted but the **Temporary TEC Exchange Offers** are made by not accepted:-

1. details of the **Temporary TEC Exchange Period**;

2. details of the **Temporary Donated TEC** and **Temporary Received TEC**;
3. the identity of the **Temporary TEC Exchange Donor User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.6.3 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Offers** which are not granted:-

1. details of the **Temporary TEC Exchange Period**;
2. details of the **Temporary Donated TEC**;
3. the identity of the **Temporary TEC Exchange Donor User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.6.4 The **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User** consent to the publication by **The Company** of the information referred to above.

6.34.6.5 A **User** may also from time to time request that **The Company** advise other **Users** that such **User** is interested in making a **Temporary TEC Exchange**. Such request must be sent by email and a fax copy made using the **Temporary TEC Exchange Notification of Interest Form**.

6.34.6.6 **The Company** shall publish such **Temporary TEC Exchange Notification of Interest Form** on its **TEC Register** within 10 **Business Days** of its receipt.

Add following New Definitions

“ Joint Temporary TEC Exchange Users ”	means the Temporary TEC Exchange Donor User and the Temporary TEC Exchange Recipient User .
“ Temporary Donated TEC ”	is the temporary MW reduction in the export rights of the Temporary TEC Exchange Donor User arising from acceptance of a Temporary TEC Exchange Offer .
“ Temporary Received TEC ”	is at any time the Temporary TEC Exchange Rate .
“ Temporary TEC Exchange Donor User ”	is a User that has jointly made a Temporary TEC Exchange Rate Request to reduce its rights to export for the duration of the Temporary TEC Exchange Period .
“ Temporary TEC Exchange Notification of Interest Form ”	is the form set out in Exhibit [YYY] to the CUSC .
“ Temporary TEC Exchange Offer ”	is an offer made by The Company for a Temporary TEC Exchange Rate in accordance with the terms of Paragraphs 6.34.4.6.
“ Temporary TEC Exchange Period ”	<i>is a period within a Financial Year as specified in the Temporary TEC Exchange Rate Request Form being for a minimum of four weeks and commencing at 0.00 hours on a Monday and finishing at 23.59 on any given day no later than the last day of such Financial Year.</i>
“ Temporary TEC Exchange Rate Request Fee ”	is the single fee to be paid to The Company for a Temporary TEC Exchange Rate Request as detailed in the Charging Statements .
“ Temporary TEC Exchange Rate Request Form ”	is the form set out in Exhibit [XXX] to the CUSC .
“ Temporary TEC Exchange Rate Request ”	is a joint application made by a Temporary TEC Exchange Donor User and a Temporary TEC Exchange Recipient User for a Temporary TEC Exchange Rate Offer .
“ Temporary TEC Exchange Rate ”	is a weekly profile of the additional export rights in MW available to the Temporary TEC Exchange Recipient User as a direct result of the temporary reduction in export rights in MW of the Temporary TEC Exchange Donor User .
“ Temporary TEC Exchange Recipient User ”	is a User that has jointly made a Temporary TEC Exchange Rate Request to increase its rights to export for the duration of the Temporary TEC Exchange Period .

“Temporary TEC Exchange”	a trade made pursuant to CUSC Paragraph 6.34
---------------------------------	--

In Chapter 2: Connection

2.3 EXPORT OF POWER FROM CONNECTION SITE

2.3.1 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code**, **The Company** shall, as between **The Company** and that **User**, accept into the **GB Transmission System** at each **Connection Site** of a **User** acting in the category of **Power Station** directly connected to the **GB Transmission System**, power generated by such **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** as set out in Appendix C of the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.

2.3.2 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** a **User** acting in the capacity of a **Power Station** directly connected to the **GB Transmission System** shall not export on to the **GB Transmission System** power generated by such **User** in excess of the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** as set out in Appendix C of the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted or instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

In Chapter 3: Use of System

3.2.3 Transmission Entry Capacity

- (a) Other than as provided in Paragraph 3.2.3(b), each **User**, as between **The Company** and that **User**, shall not operate its **User's Equipment** such that its export of power onto the **GB Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.
- (b) Each **User** in respect of an **Embedded Small Power Station** and a **Distribution Interconnector** and as a **Trading Party** responsible for **Embedded Small Power Stations**, as between **The Company** and that **User**, shall not operate its **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) such that its export of power onto the **GB Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC**

and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

- 3.2.4 Subject to the other provisions of the **CUSC** and the **Grid Code** and any relevant **Bilateral Agreement**, **The Company** shall, as between **The Company** and that **User**, accept into the **GB Transmission System** power generated by each **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C of the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.

In Chapter 4: Balancing Services

- 4.1.3.7A For the avoidance of doubt a **User** shall ensure that the **Transmission Entry Capacity**, and if relevant the **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC, for the relevant **Connection Site** shall be sufficient to enable it to comply with its obligations under Paragraph 4.1.3.7 above at all times and in respect of all **BM Units**.

In Chapter 9: Interconnectors

9.4 EXPORT OF POWER FROM THE INTERCONNECTOR CONNECTION SITE

Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** and any **Operating Agreement**, **The Company** shall accept into the **GB Transmission System** at the **Connection Site** of an **Interconnector** power up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** as specified in Appendix C to the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice**.

- 9.6 The **User** shall not permit the transfer of any amount of electricity onto the **GB Transmission System** in excess of the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** specified in Appendix C to the relevant **Bilateral Connection Agreement** or permit the taking of any amounts of electricity off the **GB Transmission System** in excess of the value as specified in Appendix C to the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted pursuant to any **Operating Agreement** or the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

Add the attached as a new Exhibits [XXX] and [YYY] and amend the contents page accordingly.

CUSC – EXHIBIT [XXX]

***THE CONNECTION AND USE OF SYSTEM CODE – TEMPORARY TEC
EXCHANGE RATE REQUEST FORM***

DIRECTLY CONNECTED POWER STATION

EMBEDDED POWER STATION

INTERCONNECTOR OWNER

DISTRIBUTION INTERCONNECTOR

Please study the following notes before completing and signing the Temporary TEC Exchange Rate Request Form.

1. National Grid Electricity Transmission plc ("**The Company**") requires the information requested in this form for the purposes of considering and assessing whether or not to grant your **Temporary TEC Exchange Rate Request**. It is essential that both **Joint TEC Exchange Users** supply all information requested and provides all the confirmations required and that every effort should be made to ensure that such information and confirmations are accurate.

Please note the same terms used in this form are defined in the Interpretation in Definitions (contained in Section 11 to the **CUSC**) and when this occurs the expressions have capital letters at the beginning of each word and are in bold.

2. Where **The Company** considers that any information provided by the **Joint TEC Exchange Users** is incomplete or unclear then **The Company** will reject the **Temporary TEC Exchange Rate Request**.
3. Neither **Joint TEC Exchange Users** may make any change to the information provided.
4. **The Company** shall charge the **Joint TEC Exchange Users**, and the **Joint TEC Exchange Users** shall pay to **The Company** the **Temporary TEC Exchange Rate Request Fee**. The fee will be charged by **The Company** in accordance with the **Charging Statements**. No **Temporary TEC Exchange Rate Request** will be considered until such payment has been received.
5. **The Company** will consider the **Temporary TEC Exchange Rate Request** in accordance with the terms of Paragraph 6.34 of the **CUSC**.
6. **The Company** may publish certain information in relation to **Temporary TEC Exchange Rate Requests** as specified in Paragraph 6.34.7 of **CUSC**.
7. Please complete this form and email it to [] and fax it to [].

REQUEST FOR A TEMPORARY TEC EXCHANGE RATE

Please ensure that you have studied the notes before completing and signing this form.

Temporary TEC Exchange Donor User

A1. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **Temporary TEC Exchange Rate Request** for and on behalf of the **User**.

.....

B1. Bilateral Agreement details

Please detail the **Bilateral Agreement** date and reference number.

.....

C1. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **Temporary TEC Exchange Rate Request** relates.

.....

Temporary TEC Exchange Recipient User

A2. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **Temporary TEC Exchange Rate Request** for and on behalf of the **User**.

.....

B2. Bilateral Agreement details

Please detail the **Bilateral Agreement** date and reference number.

.....

C2. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **Temporary TEC Exchange Rate Request** relates.

.....

D. Temporary TEC Exchange Period

Please provide the dates of the **Temporary TEC Exchange Period** (being for a minimum of four weeks and commencing on a Monday) to which the **Temporary TEC Exchange Rate Request** relates.

Temporary TEC Exchange Period

<u>From</u>	<u>To</u>
No. of Weeks 00.00 from	23.59
[Monday]	[on any day no later than last day of Financial Year]

.....

E. MW donated by the Temporary TEC Exchange Donor User

Please provide details the level (in whole MW) of **Temporary Donated TEC**.

[.....] MW (Positive only)

Temporary TEC Exchange Rate Request Form

1. We agree to pay the **Temporary TEC Exchange Rate Request Fee**.
2. As Temporary **TEC Exchange Donor User** we confirm that the data submissions in respect of our **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date.
3. As Temporary **TEC Exchange Recipient User** we confirm that the data submissions in respect of our **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date
4. We consent to the disclosure of information by **The Company** in accordance with **CUSC** Paragraph 6.34.7

Signed for and on behalf of the:

Temporary TEC Exchange Donor User

.....

Temporary TEC Exchange Recipient User

.....

CUSC – EXHIBIT [YYY]

**THE CONNECTION AND USE OF SYSTEM CODE – TEMPORARY TEC
EXCHANGE NOTIFICATION OF INTEREST FORM**

The Company will use the information provided in this form to enable it to publish information about the potential willingness of **User's** to enter into a **Temporary TEC Exchange Rate Request**.

Please complete this form and email it to [] and fax it to [].

Details of the time period

Date must be within the current Financial Year

The earliest start date:

The earliest end date:

Details of the capacity that could be donated

Must be a whole number of MWs and shall not exceed the User's TEC

.....MW [must be positive]

Details of the User

The name of the **User**

.....

Preferred contact details of the **User**

.....

The **Connection Site** or site of **Connection**

.....

Date by which prospective recipients should contact the **User** if interested in proceeding with a **Temporary TEC Exchange**

Date must be within the current Financial Year

.....

We consent to the disclosure of information by **The Company** in accordance with **CUSC** Paragraph 6.34.7

Signed for and on behalf of the **User**

.....
To avoid any misunderstanding this is not to be construed as constituting an offer or invitation to treat in respect any TEC Exchange Trade

Part B - Text to give effect to the Working Group Alternative Amendment

Add new Paragraph [6.34] as follows and amend the contents page accordingly

6.34 Temporary TEC Exchanges**6.34.1 Background**

Two **Users** that are party to a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** may make a **Temporary TEC Exchange** in accordance with this Paragraph of the **CUSC**.

6.34.2 Form of Temporary TEC Exchange Rate Request

6.34.2.1 A **Temporary TEC Exchange Rate Request** must be received by **The Company** no later than:

- (i) in cases where the requested **Temporary TEC Exchange Period** is 9 months or more, 10 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (ii) in cases where the requested **Temporary TEC Exchange Period** is 6 months or more but is less than 9 months, 7 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (iii) in cases where the requested **Temporary TEC Exchange Period** is 3 months or more but is less than 6 months, 6 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
- (iv) in cases where the requested **Temporary TEC Exchange Period** is less than 3 months, 4 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**.

6.34.2.2 A **Temporary TEC Exchange Rate Request** must be made by email and confirmed by fax and must attach the **Temporary TEC Exchange Rate Request Form** duly completed and signed by the **Joint Temporary TEC Exchange Users**.

6.34.2.3 A **Temporary TEC Exchange Rate Request** shall not be deemed received by **The Company** until the **Temporary TEC Exchange Rate Request Fee** has been paid to **The Company** and until the faxed copy of the **Temporary TEC Exchange Rate Request** is received in accordance with Paragraph 6.34.2.2 of the **CUSC**.

6.34.2.4 Each **Temporary TEC Exchange Rate Request** must state one **Temporary TEC Exchange Period** only. Each **Temporary TEC Exchange Rate Request** must be by reference to whole MW only.

6.34.2.5 A **Temporary TEC Exchange Rate Request** cannot be made prior to the start of the **Financial Year** to which it relates.

6.34.2.6 A **Temporary TEC Exchange Rate Request** cannot be made unless **The Company** has published within that **Financial Year** a **Temporary**

TEC Exchange Notification of Interest Form from the Temporary TEC Exchange Donor User.

- 6.34.2.7 In respect of **Power Stations** directly connected to the **GB Transmission System**, a **User's Transmission Entry Capacity** plus any **Temporary Received TEC** plus any **STTEC** or **LDTEC** less any **Temporary Donated TEC** must not exceed its total station **Connection Entry Capacity**.
- 6.34.2.8 A **Temporary TEC Exchange Rate Request** can be withdrawn at any time upon written notice from the **Joint Temporary TEC Exchange Users**.
- 6.34.2.9 The **Temporary Donated TEC** stated in a **Temporary TEC Exchange Rate Request** shall not exceed the **Transmission Entry Capacity** of the **Temporary TEC Exchange Donor User**.
- 6.34.3 Assessment by The Company of Temporary TEC Exchange Rate Requests**
- 6.34.3.1 **The Company** may reject any **Temporary TEC Exchange Rate Request** that is not made in accordance with the provisions of this Paragraph 6.34.
- 6.34.3.2 **The Company** will assess **Temporary TEC Exchange Rate Requests** and whether or not to grant **Temporary TEC Exchange Rate Requests** at its absolute discretion.
- 6.34.3.3 Subject to Paragraph 6.34.3.4 and 6.34.3.5 **The Company** will start assessing an **Temporary TEC Exchange Rate Request** no later than:
- (i) in cases where the requested **Temporary TEC Exchange Period** is 9 months or more, 10 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (ii) in cases where the requested **Temporary TEC Exchange Period** is 6 months or more but is less than 9 months, 7 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (iii) in cases where the requested **Temporary TEC Exchange Period** is 3 months or more but is less than 6 months, 6 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**;
 - (iv) in cases where the requested **Temporary TEC Exchange Period** is less than 3 months, 4 weeks and one **Business Day** before the start date for the **Temporary TEC Exchange Period**.
- 6.34.3.4 If **The Company** receives more than one **Temporary TEC Exchange Rate Request** for a **Temporary TEC Exchange Period** or a **STTEC Request** or an **LDTEC Request** or a **TEC Increase Request** which **The Company** believes will impact on each other, **The Company** will assess such requests and the capacity available on the **GB Transmission System** on a first come first served basis such that the request received earliest in time by **The Company** (as recorded by **The Company**) will be

considered first in terms of capacity available and then the request received next in time after that, and so on.

6.34.3.5 Where Paragraph 6.34.3.4 **The Company** shall be entitled to suspend the assessment and making of the **Temporary TEC Exchange Rate Offer** in respect of such **Temporary TEC Exchange Rate Request** or the **LDTEC Offer** in respect of such **LDTEC Request** or the **STTEC Offer** in respect of such **STTEC Request** or the **Offer** in respect of such **TEC Increase Request**.

6.34.3.6 Where the circumstances in Paragraph 6.34.3.5 apply **The Company** shall as soon as practicable advise the **Joint Temporary TEC Exchange Users** of such suspension giving an indication of the timescale for the **Temporary Exchange Rate Offer**. Where both **Joint Temporary TEC Exchange Users** agree, the **Temporary TEC Exchange Rate Request** can be withdrawn in such circumstances.

6.34.3.7 No priority will be given to any **Users** who have previously made successful **STTEC Requests** or **LDTEC Requests** or **Temporary TEC Exchange Rate Requests**.

6.34.4 Notification by The Company

6.34.4.1 Each **User** confirms and agrees that **The Company** shall have no liability to it for any **Temporary TEC Exchange Rate Request** which **The Company** does not grant in accordance with this Paragraph 6.34.

6.34.4.2 **The Company** is not obliged to grant any **Temporary TEC Exchange Rate Request** submitted.

6.34.4.3 Any **Temporary TEC Exchange Rate Request** will only be granted provided that during the **Temporary TEC Exchange Period** the **User's Transmission Entry Capacity** plus the **Temporary Received TEC** plus any **STTEC** or **LDTEC** less any **Temporary Donated TEC** does not exceed its total station **Connection Entry Capacity**.

6.34.4.4 **The Company** shall no later than seven days and one **Business Day** before the start date for the **Temporary TEC Exchange Period**, by 17:00 on a **Business Day** either make an **Temporary TEC Exchange Rate Offer** in response to the **Temporary TEC Exchange Rate Request** or notify the **Joint Temporary TEC Exchange Users** that it does not intend to grant a **Temporary TEC Exchange Rate Request**.

6.34.5 Charging, Invoicing and Payment

6.34.5.1 Each **Temporary TEC Exchange Recipient User** must pay the **LDTEC Charge** in respect of the **Temporary Received TEC** even if the **User** does not use the corresponding **Temporary Received TEC**.

6.34.6 Temporary TEC Exchange Rate Offers

6.34.6.1 A **Temporary TEC Exchange Rate Offer** shall:

- (i) be made to both the **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User** and state the **Temporary Donated TEC** and **Temporary TEC Exchange Rate**;
- (ii) include in the offer sent to the **Temporary TEC Exchange Donor User** a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) of the **Temporary TEC Exchange Donor User** which will detail the **Temporary Donated TEC** and the **Temporary TEC Exchange Period** for which this applies;
- (iii) include in the offer sent to the **Temporary TEC Exchange Recipient User** a revised Appendix C to the relevant **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** (as appropriate) of the **Temporary TEC Exchange Recipient User** which will detail the **Temporary Received TEC** and the **Temporary TEC Exchange Period** for which this applies; and
- (iv) be open for acceptance by receipt of the faxed copy of the **Temporary TEC Exchange Rate Offer** up to 17:00 the following **Business Day**.

6.34.6.2 A **Temporary TEC Exchange Rate Offer** must be accepted by both the **Joint Temporary TEC Exchange Users** within the timescales in Paragraph 6.34.6.2(iii). Acceptance of a **Temporary TEC Exchange Rate Offer** shall be made by executing and faxing back the accepted **Temporary TEC Exchange Rate Offer**. A **Temporary TEC Exchange Rate Offer** lapses if not accepted by both **Temporary TEC Exchange Users** within such period.

6.34.6.3 If the **Temporary TEC Exchange Rate Offer** is accepted in accordance with Paragraph 6.34.6.2, for the **Temporary TEC Exchange Period** Appendix C to the relevant **Bilateral Agreements** will be that accepted by the **Joint Temporary TEC Exchange Users**, unless otherwise subsequently amended in accordance with such **Bilateral Agreement** or the **CUSC**. Upon expiry of the **Temporary TEC Exchange Period** such Appendix C as it relates to that **Temporary TEC Exchange Period** shall cease to have effect.

6.34.7 Temporary TEC Exchange reporting and information provisions

6.34.7.1 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Offers** which are accepted:-

1. details of the **Temporary TEC Exchange Period**;
2. details of the **Temporary Donated TEC** and **Temporary Received TEC**;
3. the identity of the **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.7.2 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Offers** which are made are not accepted:-

1. details of the **Temporary TEC Exchange Period**;
2. details of the **Temporary Donated TEC** and **Temporary Received TEC**;
3. the identity of the **Temporary TEC Exchange Donor User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.7.3 **The Company** may publish the following information in respect of **Temporary TEC Exchange Rate Offers** not made:-

1. details of the **Temporary TEC Exchange Period**;
2. details of the **Temporary Donated TEC**;
3. the identity of the **Temporary TEC Exchange Donor User**;
4. the **Connection Site** or site of **Connection**,

in such form and manner as shall be prescribed by **The Company** from time to time.

6.34.7.4 The **Temporary TEC Exchange Donor User** and the **Temporary TEC Exchange Recipient User** consent to the publication by **The Company** of the information referred to above.

6.34.7.5 A **User** may also from time to time request that **The Company** advise other **Users** that such **User** is interested in making a **Temporary TEC Exchange**. Such request must be sent by email and a fax copy made using the **Temporary TEC Exchange Notification of Interest Form**.

6.34.7.6 **The Company** shall publish such **Temporary TEC Exchange Notification of Interest Form** on its **TEC Register** within 10 **Business Days** of its receipt.

Add following New Definitions

“Joint Temporary TEC Exchange Users”	means the Temporary TEC Exchange Donor User and the Temporary TEC Exchange Recipient User .
“LDTEC Charge”	being a component of the Use of System Charges which is made or levied by The Company and to be paid by the User , in the case of an accepted LDTEC Block Offer , for Block LDTEC and in the case of an accepted LDTEC Indicative Block Offer for Requested LDTEC <u>and in the case of an accepted Temporary TEC Exchange Rate Offer for Temporary Received TEC in each case calculated in accordance with the Charging Statements.</u>
“LDTEC Period”	is, <u>(a) in the case of an LDTEC Request, a period of weeks or part thereof within a Financial Year as specified by the User in its LDTEC Request Form for a minimum period of seven weeks commencing on a Monday at 0.00 hours and finishing at 23.59 on any given day no later than the last day of such Financial Year.</u> <u>(b) in the case of an accepted Temporary TEC Exchange Offer, the Temporary TEC Exchange Period.</u>
“Temporary Donated TEC”	is the temporary MW reduction in the export rights of the Temporary TEC Exchange Donor User arising from acceptance of a Temporary TEC Exchange Offer .
“Temporary Received TEC”	is at any time the Temporary TEC Exchange Rate .
“Temporary TEC Exchange Donor User”	is a User that has jointly made a Temporary TEC Exchange Rate Request to reduce its rights to export for the duration of the Temporary TEC Exchange Period .
“Temporary TEC Exchange Notification of Interest Form”	is the form set out in Exhibit [YYY] to the CUSC .
“Temporary TEC Exchange Offer”	is an offer made by The Company for a Temporary TEC Exchange Rate in accordance with the terms of Paragraphs 6.34.4.6.
“Temporary TEC Exchange Period”	<i>is a period within a Financial Year as specified in the Temporary TEC Exchange Rate Request Form being for a minimum of four weeks and commencing at 0.00 hours on a Monday and finishing at 23.59 on any given day no later than the last day of such Financial Year.</i>

“ Temporary TEC Exchange Rate Request Fee ”	is the single fee to be paid to The Company for a Temporary TEC Exchange Rate Request as detailed in the Charging Statements .
“ Temporary TEC Exchange Rate Request Form ”	is the form set out in Exhibit [XXX] to the CUSC .
“ Temporary TEC Exchange Rate Request ”	is a joint application made by a Temporary TEC Exchange Donor User and a Temporary TEC Exchange Recipient User for a Temporary TEC Exchange Rate Offer .
“ Temporary TEC Exchange Rate ”	is a weekly profile of the additional export rights in MW available to the Temporary TEC Exchange Recipient User as a direct result of the temporary reduction in export rights in MW of the Temporary TEC Exchange Donor User .
“ Temporary TEC Exchange Recipient User ”	is a User that has jointly made a Temporary TEC Exchange Rate Request to increase its rights to export for the duration of the Temporary TEC Exchange Period .
“ Temporary TEC Trade Exchange ”	a trade made pursuant to CUSC Paragraph 6.34

In Chapter 2: Connection

2.3 EXPORT OF POWER FROM CONNECTION SITE

2.3.1 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code**, **The Company** shall, as between **The Company** and that **User**, accept into the **GB Transmission System** at each **Connection Site** of a **User** acting in the category of **Power Station** directly connected to the **GB Transmission System**, power generated by such **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** as set out in Appendix C of the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.

2.3.2 Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** a **User** acting in the capacity of a **Power Station** directly connected to the **GB Transmission System** shall not export on to the **GB Transmission System** power generated by such **User** in excess of the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** as set out in Appendix C of the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted or instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

In Chapter 3: Use of System

3.2.3 Transmission Entry Capacity

- (a) Other than as provided in Paragraph 3.2.3(b), each **User**, as between **The Company** and that **User**, shall not operate its **User's Equipment** such that its export of power onto the **GB Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.
- (b) Each **User** in respect of an **Embedded Small Power Station** and a **Distribution Interconnector** and as a **Trading Party** responsible for **Embedded Small Power Stations**, as between **The Company** and that **User**, shall not operate its **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) such that its export of power onto the **GB Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC**

and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

- 3.2.4 Subject to the other provisions of the **CUSC** and the **Grid Code** and any relevant **Bilateral Agreement**, **The Company** shall, as between **The Company** and that **User**, accept into the **GB Transmission System** power generated by each **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or any Temporary Received TEC less any Temporary Donated TEC for the relevant **Period** set out in Appendix C of the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.
- 3.9.2 Each **User** shall, as between **The Company** and that **User**, in accordance with this Part II and Paragraph 6.6, be liable to pay to **The Company** (or **The Company** shall be so liable to pay to the **User**) the **Transmission Network Use of System Charges** and (if appropriate) the **STTEC** and **LDTEC Charge** in respect of its use of the **GB Transmission System** applied and calculated in accordance with the **Statement of Use of System Charges** and **Statement of the Use of System Charging Methodology** and Standard Condition C13 of the **Transmission Licence**.

In Chapter 4: Balancing Services

- 4.1.3.7A For the avoidance of doubt a **User** shall ensure that the **Transmission Entry Capacity**, and if relevant the **STTEC** and/or **LDTEC** and/or any Temporary Received TEC less any Temporary Donated TEC, for the relevant **Connection Site** shall be sufficient to enable it to comply with its obligations under Paragraph 4.1.3.7 above at all times and in respect of all **BM Units**.

In Chapter 6: General Provisions

6.6 PAYMENT

- 6.6.1 **The Company** will invoice **Users** for **Connection Charges** and/or **Use of System Charges** due under the **CUSC** and/or each **Bilateral Agreement** and/or as notified to the **User** where there is no **Bilateral Agreement**, in accordance with the **CUSC** and/or the **Charging Statements** in the following manner:
- (a) in the case of recurrent monthly charges identified in the relevant **Charging Statements** **The Company** shall despatch an invoice on or before the 15th day of the month for the charges due in relation to that month;
 - (b) in the case of the **STTEC Charge** **The Company** shall invoice the **User** on or before the 15th day of the month for the full **STTEC Charge**;

- (c) In the case of the **LDTEC Charge** **NGC** shall invoice the **User** on or before the 15th day of the month for the full **LDTEC Charge**;
- (d) unless otherwise specified in the **CUSC** where charges are payable other than monthly **The Company** shall despatch an invoice not less than 30 days prior to the due date for payment.
- 6.6.2 **Users** shall pay **Connection Charges** and/or **Use of System Charges** and the **STTEC Charge** and the **LDTEC Charge** and due to **The Company** under the **CUSC** and/or each **Bilateral Agreement** and/or as otherwise notified to the **User** where there is no **Bilateral Agreement**, in accordance with the **CUSC** and/or the **Charging Statements** in the following manner:
- (a) in the case of recurrent monthly charges and the **STTEC Charge** and the **LDTEC Charge** on the 15th day of the month in which **The Company's** invoice therefor was despatched (if despatched on the first day of that month) or, in all other cases, on the 15th day of the month following the month in which **The Company's** invoice therefor was despatched unless, in any such case, the said date is not a **Business Day** in which case payment shall be made on the next **Business Day**;
- (b) unless otherwise specified in the **CUSC** where charges are payable other than monthly within 30 days of the date of **The Company's** invoice therefor.

In Chapter 9: Interconnectors

9.4 EXPORT OF POWER FROM THE INTERCONNECTOR CONNECTION SITE

Subject to the other provisions of the **CUSC**, the relevant **Bilateral Connection Agreement** and the **Grid Code** and any **Operating Agreement**, **The Company** shall accept into the **GB Transmission System** at the **Connection Site** of an **Interconnector** power up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any **Temporary Received TEC** less any **Temporary Donated TEC** for the relevant **Period** as specified in Appendix C to the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice**.

- 9.6 The **User** shall not permit the transfer of any amount of electricity onto the **GB Transmission System** in excess of the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any **Temporary Received TEC** less any **Temporary Donated TEC** for the relevant **Period** specified in Appendix C to the relevant **Bilateral Connection Agreement** or permit the taking of any amounts of electricity off the **GB Transmission System** in excess of the value as specified in Appendix C to the relevant **Bilateral Connection Agreement** save as expressly permitted or instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted pursuant to any **Operating Agreement** or the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

- 9.10 USE OF SYSTEM CHARGES - Transmission Network Use of System Charges
- 9.10.1 Subject to the provisions of the **CUSC**, and any relevant **Bilateral Agreement**, together with the relevant **Charging Statements**, the **User** shall with effect from the relevant date set out in the relevant **Bilateral Agreement**, be liable to pay to **The Company** the **Transmission Network Use of System Charges** and (if appropriate) the **STTEC Charge** and **LDTEC Charge** in accordance with the **CUSC** calculated in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**. **The Company** shall apply and calculate the **Use of System Charges** in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**.

Add the attached as a new Exhibits [XXX] and [YYY] and amend the contents page accordingly.

CUSC – EXHIBIT [XXX]

***THE CONNECTION AND USE OF SYSTEM CODE – TEMPORARY TEC
EXCHANGE RATE REQUEST FORM***

DIRECTLY CONNECTED POWER STATION

EMBEDDED POWER STATION

INTERCONNECTOR OWNER

DISTRIBUTION INTERCONNECTOR

Please study the following notes before completing and signing the Temporary TEC Exchange Rate Request Form.

1. National Grid Electricity Transmission plc ("**The Company**") requires the information requested in this form for the purposes of considering and assessing whether or not to grant your **Temporary TEC Exchange Rate Request**. It is essential that both **Joint TEC Exchange Users** supply all information requested and provides all the confirmations required and that every effort should be made to ensure that such information and confirmations are accurate.

Please note the same terms used in this form are defined in the Interpretation in Definitions (contained in Section 11 to the **CUSC**) and when this occurs the expressions have capital letters at the beginning of each word and are in bold.

2. Where **The Company** considers that any information provided by the **Joint TEC Exchange Users** is incomplete or unclear then **The Company** will reject the **Temporary TEC Exchange Rate Request**.
3. Neither **Joint TEC Exchange Users** may make any change to the information provided.
4. **The Company** shall charge the **Joint TEC Exchange Users**, and the **Joint TEC Exchange Users** shall pay to **The Company** the **Temporary TEC Exchange Rate Request Fee**. The fee will be charged by **The Company** in accordance with the **Charging Statements**. No **Temporary TEC Exchange Rate Request** will be considered until such payment has been received.
5. **The Company** will consider the **Temporary TEC Exchange Rate Request** in accordance with the terms of Paragraph 6.34 of the **CUSC**.
6. **The Company** may publish certain information in relation to **Temporary TEC Exchange Rate Requests** as specified in Paragraph 6.34.7 of **CUSC**.
7. Please complete this form and email it to [] and fax it to [].

REQUEST FOR A TEMPORARY TEC EXCHANGE RATE

Please ensure that you have studied the notes before completing and signing this form.

Temporary TEC Exchange Donor User

A1. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **Temporary TEC Exchange Rate Request** for and on behalf of the **User**.

.....

B1. Bilateral Agreement details

Please detail the **Bilateral Agreement** date and reference number.

.....

C1. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **Temporary TEC Exchange Rate Request** relates.

.....

Temporary TEC Exchange Recipient User

A2. Details of User

Name:

Address:

Fax No.:

Email Address:

Registered Number:

Name Title and Contact Details (including email address) for the person authorised to deal with this **Temporary TEC Exchange Rate Request** for and on behalf of the **User**.

.....

B2. Bilateral Agreement details

Please detail the **Bilateral Agreement** date and reference number.

.....

C2. Connection Site

Please detail the **Connection Site** or site of **Connection** to which the **Temporary TEC Exchange Rate Request** relates.

.....

D. Temporary TEC Exchange Period

Please provide the dates of the **Temporary TEC Exchange Period** (being for a minimum of four weeks and commencing on a Monday) to which the **Temporary TEC Exchange Rate Request** relates.

Temporary TEC Exchange Period

<u>From</u>	<u>To</u>
No. of Weeks 00.00 from	23.59
[Monday]	[on any day no later than last day of Financial Year]

.....

E. MW donated by the Temporary TEC Exchange Donor User

Please provide details the level (in whole MW) of **Temporary Donated TEC**.

[.....] MW (Positive only)

Temporary TEC Exchange Rate Request Form

1. We agree to pay the **Temporary TEC Exchange Rate Request Fee**.
2. As Temporary **TEC Exchange Donor User** we confirm that the data submissions in respect of our **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date.
3. As Temporary **TEC Exchange Recipient User** we confirm that the data submissions in respect of our **Connection Site** or site of **Connection** under the **Grid Code** are complete, accurate and up to date
4. We consent to the disclosure of information by **The Company** in accordance with **CUSC** Paragraph 6.34.7

Signed for and on behalf of the:

Temporary TEC Exchange Donor User

.....

Temporary TEC Exchange Recipient User

.....

CUSC – EXHIBIT [YYY]

**THE CONNECTION AND USE OF SYSTEM CODE – TEMPORARY TEC
EXCHANGE NOTIFICATION OF INTEREST FORM**

The Company will use the information provided in this form to enable it to publish information about the potential willingness of **User's** to enter into a **Temporary TEC Exchange Rate Request**.

Please complete this form and email it to [] and fax it to [].

Details of the time period

Date must be within the current Financial Year

The earliest start date:

The earliest end date:

Details of the capacity that could be donated

Must be a whole number of MWs and shall not exceed the User's TEC

.....MW [must be positive]

Details of the User

The name of the **User**

.....

Preferred contact details of the **User**

.....

The **Connection Site** or site of **Connection**

.....

Date by which prospective recipients should contact the **User** if interested in proceeding with a **Temporary TEC Exchange**

Date must be within the current Financial Year

.....

We consent to the disclosure of information by **The Company** in accordance with **CUSC** Paragraph 6.34.7

Signed for and on behalf of the **User**

.....
To avoid any misunderstanding this is not to be construed as constituting an offer or invitation to treat in respect any TEC Exchange Trade

ANNEX 7 – REPRESENTATIONS RECEIVED DURING CONSULTATION

This Annex includes copies of any representations received following circulation of the Consultation Document (circulated on 9th March 2007, requesting comments by close of business on 10th April 2007).

Representations were received from the following parties:

No.	Company	File Number
1	British Energy	CAP142-CR-01
2	Centrica	CAP142-CR-02
3	EDF Energy	CAP142-CR-03
4	EON UK	CAP142-CR-04
5	RWE	CAP142-CR-05
6	Scottish Power's Energy Wholesale Business	CAP142-CR-06

Reference	CAP142-CR-01
Company	British Energy



Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

11th April 2007

Dear Beverley

British Energy response to the Consultation Document on CUSC Amendment Proposal CAP142 'Temporary TEC Exchanges'

This response is made by British Energy Group plc. British Energy is the UK's largest generator of electricity. We own and operate eight nuclear power stations as well as Eggborough Power Station (a large coal plant with two units fitted with FGD) and four small embedded gas generator sites. British Energy Direct is also a large supplier selling exclusively to Industrial and Commercial customers. Its sales account for around 30TWh of the UK supply. We welcome the opportunity to respond to the above consultation.

British Energy is supportive of the proposed amendment CAP142 'Temporary TEC Exchanges'. This proposal would help to utilise any existing spare capacity on the transmission network thus furthering Applicable CUSC objectives (a) the efficient discharge by the Licensee of the obligations imposed upon it by the act and the Transmission Licence and (b) facilitating effective competition in generation and supply of electricity and facilitating such competition in the sale, distribution and purchase of electricity.

Original vs. Alternative

British Energy supports the original amendment proposal whereby the donor continues to pay the full TNUoS charge for the duration of the trade, a proportion of which may be recovered from the recipient via a bilateral contract. The exchange rate calculated by National Grid 'translates' the TNUoS charge from one location to another.

We believe it is inappropriate to charge TEC received during an exchange using the LDTEC tariff as there are significant differences between the short term access products of LDTEC and Temporary TEC Exchanges.

- It is clear that the Temporary TEC Exchange product would be used by parties in circumstances where LDTEC was not available for system reasons. Allowing National Grid to facilitate the exchange of TEC between parties means that where LDTEC is not available National Grid are able to release existing transmission access at a determined exchange rate.

British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland No. 270184 VAT Number 671 0076 58

- Thus, Temporary TEC Exchange is simply a transfer of existing capacity from one connection point to another via an exchange rate; whereas LDTEC creates additional capacity to the existing baseline for a limited period.
- Exchange rate offers under the TEC exchange product are made on a profiled basis with a weekly granularity. However, with the LDTEC product the user has the choice of a Block Offer or an Indicative Block Offer which further differentiates the products from each other.

Pre-application notification

The pre-application notification of TEC available for exchange makes the process open and transparent to all Users. However, the proposed legal text in Annex 6 paragraph 6.34.2.6 specifies that a potential donor has to notify other Users of the willingness to exchange TEC although there is no minimum time a notification has to be published on the TEC register before an exchange rate request can be made. In order for this process to give equal opportunity to all generators a minimum length of notification and/or a system for notifying Users of updates to the TEC register would be preferable.

Annex 3 – Timescales for Assessment

The diagram in Annex 3 of the consultation document portrays an inaccurate picture of the maximum duration of a Temporary TEC Exchange. The trade can not exceed one financial year including assessment period, acceptance/rejection of offer and control room preparation. The total time taken to process all the pre-trade requirements, for an exchange of over 9 months duration, amounts to 10 weeks. This is assuming that the donor is allowed to submit the TEC Exchange Notification of Interest Form to National Grid in advance of the start of the financial year. This amounts to a maximum Temporary TEC Exchange Period of 42 weeks (i.e. less than 10 months).

Implementation

British Energy agrees with National Grid and the Working Group that the implementation of this amendment, if approved, should be as soon as practical following an Authority decision. Prompt implementation would allow the most efficient use of the available transmission capacity.

If you wish to discuss any of these matters further please do not hesitate to contact me.

Yours sincerely



Louise Allport
Trading Consultant
Transmission and Trading Arrangements
British Energy Power and Energy Trading

Reference	CAP142-CR-02
Company	Centrica



Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Centrica Energy
Millstream East,
Maidenhead Road,
Windsor,
Berkshire SL4 5GD

Tel. (01753) 431000
Fax (01753) 431150
www.centrica.com

Our Ref.
Your Ref.
10 April 2007

Dear Beverley,

CUSC Amendment Proposal CAP142 – Temporary TEC Exchanges

Centrica welcomes the opportunity to comment on this Amendment Proposal. In summary, we believe that both the Proposed and the Alternative Amendments would better facilitate the achievement of CUSC Objectives (a) and (b). Of the two, we believe that the Alternative Proposal is preferable. The reasons for these views are set out below.

We are in broad agreement with the principles behind this proposal. Where there is genuinely TEC available in a particular area that is not being used for a period of time, a mechanism to release that TEC for use by the market would better facilitate the efficient management by NGET of the transmission system by maximising use of capacity, and would also be beneficial to competition. Generation could come to market that would not otherwise have been able to participate. TEC not being used is clearly an inefficiency in the system and potentially a barrier to entry.

Both the proposed and the alternative proposals would therefore make better use of the available network capacity. They would also have the potential (although this is not necessarily the case, it depends on the location of the users exchanging the TEC) to alleviate system constraints, albeit in the short term.

We are supportive of the conclusions of the working group with regard to the practicalities of the TEC Exchange process, should this proposal be approved. It is clear that if this process is to work effectively and introduce liquidity into an exchange market, then there must be:

- As much transparency as possible in terms of publication of available TEC;
- Post-trade publication of exchange rates offered and accepted.

The viability of each trade depends almost entirely on the exchange rate granted, and the more information on actual exchange rates published there is available, the easier it will be for users to assess the likely value of any potential trade.

A *centrica* business

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

While we believe that the proposed amendment would be more likely to enable liquidity in TEC exchanging, as it reduces the cost of the exchange for the recipient, we acknowledge that the alternative amendment is more appropriate. It does not undermine the efficient use of existing capacity that can be released through STTEC and LDTEC (as the proposed does), as these products would not be 'undercut' by a TEC Exchange trade. The alternative amendment also avoids offering undue advantages to portfolio players, as it removes the possibility of parties swapping TEC between themselves that is not available to the market at a similar price.

Centrica therefore welcomes the introduction of provisions for temporary TEC exchanges, as we believe it is an additional tool which may help NGET manage the transmission system more efficiently (Objective A), and will facilitate competition due to the potential for increased generation coming to the market and by enabling TEC to be traded (Objective B).

Once the amendment has bedded down and it becomes clearer what the exchange rates offered by NGET are likely to be in particular locations, there may be scope for further amendments that promote greater liquidity and increase the value of TEC trades. CAP143, however, is sufficient to introduce the relevant principles and a workable method of exchanging TEC.

If you have any queries in relation to this response, please do not hesitate to contact me.

Best regards,

Dave Wilkerson
Centrica Energy

T: 01753 431157
M: 07789 572724
E: dave.wilkerson@centrica.co.uk

A *centrica* business

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

Reference	CAP142-CR-03
Company	EDF Energy

Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid [National Grid House]
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA



13th March 2007

Dear Beverley,

CUSC Amendment Proposal CAP142 Temporary TEC Exchanges

EDF Energy is pleased to have the opportunity to comment on the CUSC amendment proposal, CAP142.

We consider that neither the Original or WGAA are better than the baseline arrangements and should not be implemented.

The reasoning for this view is that it might provide the option for any generator to 'lease' access at a price that differs from the 'TNUoS'¹ rate. This potentially allows the donor to gain unfair commercial advantage.

However, EDF Energy concedes that the WGAA allays these concerns somewhat by forcing the receiver of the exchanged TEC² to pay LDTEC³ charges plus a bilateral payment. Therefore, we accept that WGAA is better than the Original amendment proposal.

Areas for consideration

The working group discussed a number of issues surrounding the exchanging of transmission entry capacity between CUSC Users; we believe the crux of the arguments centred around three key points:

1. LDTEC being marginalised – spare capacity not being used

It is in the interest of all Users that if there is any spare capacity on the transmission system it be made available on a chargeable basis to Users. The charging of LDTEC ensures that all Users benefit from the additional User gaining limited access during the year. If the User that requires TEC can obtain it from another User, not from NGET in the form of LDTEC, then all other Users are effectively lose any benefit from the spare capacity being used. This is the core defect with the Original Amendment Proposal.

¹ TNUoS – Transmission Network Use of System Charges – charge payable by a User for Transmission Entry Capacity.

² TEC – Transmission Entry Capacity a MW capacity "right" up to which a User's power station can generate.

³ LDTEC – Limited Duration Transmission Entry Capacity – within year transmission capacity provided to Users upon application, National grid assesses the availability of "spare" capacity against the operational background.

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN

Tel +44 (0) 20 7752 2524

edfenergy.com

EDF Energy plc Registered in England and Wales, Registered No. 236682, Registered Office: 40 Grosvenor Place, Victoria, London, SW1X 7EN



2. Over or under recovery of TNUoS charges

The group discussed a number of options regarding payments between parties and discounts to the donor. The conclusions were that it was preferable (at the bare minimum) for the donor to continue to pay TNUoS and the receiver to also pay some charges, such as an LDTEC charge, proposed by the WGAA. TNUoS discounts were discarded under all options on the basis of ensuring that the transmission owners were able to recover their allowable revenue. EDF Energy believes that in doing this the working group may have inadvertently omitted a key incentive for a donor to come forward. This point is explored further in subsequent sections of this response.

3. Competition

NGET has advised that establishing an exchange rate between nodes is a difficult and complex task, requiring a number of weeks to assess the application. Although this is not optimal, it does provide us with some solace that the procedures for exchange cannot be easily exploited, as Users cannot easily manipulate TEC. We believe the Original and WGAA, (through the introduction of the bilateral payment), value transmission access at a different price to that paid in TNUoS charges. A willing buyer may well be forced to pay far more for access under WGAA, or may receive discounted access under the Original proposal. A holder of TEC is provided with an additional right to lease the TEC to another User, who will value the TEC at the opportunity it brings in generating. The ability for a generator to choose which User to exchange TEC also raises concern.

EDF Energy would prefer to see a donation process that facilitates, not frustrates LDTEC

We believe there is a more optimum solution to the defect identified by the Original amendment proposal. A system could be implemented that allows Users to donate "firm TEC" for set periods, such that NGET could include it in the operational background when allocating LDTEC. Under such a scheme, LDTEC applications may be more successful through NGET offering spare capacity supplemented by donated capacity. The donor could be rewarded through a pro-rata discount on TNUoS charges, depending on how much donated TEC was used in the LDTEC offer to the applicant.

Although we do not wish to propose this as an amendment to the CUSC, we believe that there could be merit in discussing this in a CUSC standing group at a later date. At such a time it may be sensible to reassess the viability of LDTEC, rather than develop further additional access products along the same framework (such as with these proposals).

It is with these thoughts that we do not wish to support either the original or the WGAA.

We hope that you will find these comments helpful.

If you have any queries please do not hesitate to contact me.

Yours sincerely,

David Scott
Electricity Regulation, Energy Branch

Reference	CAP142-CR-04
Company	EON UK



Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eon-uk.com

Paul Jones
024 76 183 383
paul.jones@eon-uk.com

5 April, 2007

Dear Beverley,

CAP142: Temporary TEC Exchanges - Industry Consultation

Thank you for the opportunity to respond to the above consultation. E.ON UK supports the Working Group Alternative but not the original proposal. We also have a number of comments on the proposed legal text.

It is vital when creating a new access product to ensure that it does not undermine existing products through inconsistent design or charging arrangements. To this end, we support most of the aspects of both amendment proposals. For instance, we agree that applications for the proposed temporary TEC exchange product should be assessed in a similar manner to applications for LDTEC. We very much see this product as a mechanism whereby the donor relinquishing TEC for a period facilitates the provision of LDTEC to the recipient party. Our concern with the original proposal stems from its lack of associated charging liability, which we believe would be discriminatory and undermine other access products such as LDTEC and STTEC.

At present if a party acquires LDTEC it is liable for the LDTEC Charge. The LDTEC Charge is set so as to be consistent with those for the other access products, TEC and STTEC. Therefore, a party cannot achieve an unfair advantage over other parties by utilising a particular access product. As the Temporary TEC Exchange effectively results in the provision of LDTEC to the recipient, it should be subject to the same charges.

E.ON UK plc
Registered in
England and Wales
No 2366970
Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

The original proposal does not provide for any charge to be paid by the recipient of the Temporary Received TEC product. The only potential payment made by the recipient would be to the donor under a bilateral agreement in order to persuade the donor to participate in the trade. This would create an opportunity for parties effectively to receive LDTEC at a discounted rate. Even if plenty of spare capacity existed which would enable LDTEC to be provided without a trade, under the original proposal two parties could agree a TEC trade anyway and split the benefit of the avoided LDTEC Charge between them. The donor would receive payment for capacity that it didn't want to use and the recipient would be able to receive LDTEC at a price far lower than the going rate. This would give both parties a cost advantage compared with other market participants.

This value would be created for these two parties at the expense of other participants. Under the present arrangements, if LDTEC or STTEC is sold within a charging year, surplus revenue is generated. This is because National Grid will have already set its charges in order to recover its allowable revenue from generators and suppliers paying TNUoS charges. As it cannot recover more than its allowable revenue, then any surplus from sales of STTEC and LDTEC has to be smeared back over all parties in the next charging year by reducing their TNUoS charges. Of course, if National Grid had perfect knowledge of how much short term access would be required prior to setting its charges in the relevant charging year, it would be able to set a lower level of charges for everyone by allocating its allowed revenue across more MW of capacity. Therefore, this adjustment would not be necessary. However, the nature of the short term products and the way that they are allocated means that this is not possible. The process of carrying over the surplus to the following year is deemed an acceptable proxy by the industry on the basis that most affected parties will be TNUoS payers in that year too. This surplus reallocation process would not happen with the original amendment proposal as National Grid would not receive any revenue for the product which has been provided. Therefore, all users in the following charging year would be underwriting the benefit provided to the donor and recipient. Therefore, not only would parties to the trade receive a significant discount which would provide them with an unfair competitive advantage over others, this discount would be funded by the disadvantaged parties. Therefore, the mechanism would create a cross subsidy.

It could be argued that the original amendment is appropriate when there is no spare capacity on the system to be provided as LDTEC or STTEC and that it could be deemed as providing a secondary market in access. However, there is no primary market in the first place. Access is initially made available through an administrative regulated process not a market one. Even if it were deemed desirable to have such a secondary market, it would be implausible to expect a "true" market value for access to be discovered using a handful of Temporary TEC trades on the back of this mechanism. Instead, the original proposal is merely likely to provide a facility to bypass the regulated charging arrangements in order to provide a cross subsidy to those parties who participate in the trade.

We also do not accept the argument that the original amendment proposal is more efficient at allocating access as it could enable access to be provided to those who believe that the prevailing charges are too high. Indeed this illustrates perfectly why the original amendment should not be implemented. The present tariffs contain charges

which signal the cost implications of choosing to locate a generator on a particular part of the transmission system. The original amendment would undermine these signals if a generator, who was not willing to use the system at the prevailing cost reflective rate, was able to bypass the charge to achieve a discounted access product.

We also do not accept that providing more entry in the manner envisaged by the original amendment proposal would benefit competition. Competition is only benefited if all participants can enter and operate in the market whilst incurring the appropriate level of costs. If one set of participants are subsidised at the expense of others then competition is distorted.

In contrast, the alternative proposal provides for the prevailing LDTEC charge to be levied in respect of the Temporary Received TEC which is released as a result of the trade. When this capacity is scarce we would expect that a bilateral deal would be struck between the donor and the recipient in order to reward the donor for facilitating the provision of additional capacity. Where capacity is available without the need for a donor, it is reasonable to assume that the recipient would not be willing to pay anything under such a bilateral, as LDTEC could be acquired anyway. We believe that this provides the correct signals to participants under the present administrative process for allocation of transmission access.

We agree that the alternative proposal will reduce the incentive for donors of temporary TEC to come forward. Were the original proposal to be implemented the opportunity to receive a significant cross subsidy will presumably be a strong incentive. This does not make it right however.

We also have some comments on the legal text. These relate to issues with the numbering of paragraphs. We have summarised the points in the following table.

Proposal	Paragraph	Comment
Original	6.34.2.6	Two paragraphs with this number.
WGAA	6.34.2.6	Missed from sequence.
	6.34.2.8	Missed from sequence.
	6.34.3.4	Missed from sequence.
	6.34.3.5	Two paragraphs with this number.
	6.34.7.2 to 6.34.7.6	Missed from sequence.

I hope that the above comments prove helpful. Please do not hesitate to contact me should you wish to discuss this further.

Yours sincerely

Paul Jones
Trading Arrangements

Reference	CAP142-CR-05
Company	RWE

RWE Trading



Beverley Viney
Amendments Panel secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Name Bill Reed
Phone 01793 893835
E-Mail bill.reed@rwe.com

4th April 2007

■ E-mail: beverley.viney@uk.grid.com

CUSC Amendment Proposal CAP 142, Temporary TEC Exchanges – RWE Consultation Response

Dear Beverley,

Thank you for the opportunity to comment on the CAP142 Consultation. This response is from RWE and its relevant CUSC signatories.

RWE supports implementation of CAP142 Working Group Alternative. The proposal to treat TEC exchanges under CAP141 on the same basis as "Limited Duration TEC" (LDTEC) in terms of charging will ensure that the existing TEC-related products are not undermined. In addition, the availability of a product that facilitates TEC exchanges will ensure that there are opportunities to optimise the use of the transmission system in the limited circumstances where users wish to surrender the use of TEC temporarily.

RWE does not support implementation of CAP142 original. The proposal effectively enables users to transfer TEC in transactions that do not value the cost of capacity at the level of other capacity products. This approach would tend to provide incentives for TEC exchanges ahead of applications for STTEC, LDTEC and potentially TEC resulting in less economic and efficient use of the transmission system.

If you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely

By email

Bill Reed,
Market Development Manager

RWE Trading GmbH
Swindon Branch
Windmill Hill Business
Park
Whitehill Way
Swindon SN5 6FB
United Kingdom
T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com
Registered No. BR 7373
VAT Registration No.
GB 524 921354
Advisory Board:
Harry Roels
Management:
Peter Terium (CEO)
Stefan Judisch
Dr Peter Kreuzberg
Head Office:
Essen, Germany
Registered at:
Local District Court,
Essen
Registered No.
HR B 14327

Reference	CAP142-CR-06
Company	Science Applications International Corporation on behalf of Scottish Power's Energy Wholesale Business



Beverley Viney
Amendments Panel Secretary
Electricity Codes
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Ref CAP142
Date 4th April 2007

Tel No. 01355 845208
Email: ukelectricityspcc@saic.com

Dear Beverley,

CUSC Amendment Proposal CAP142, Temporary TEC Exchanges

Thank you for the opportunity to comment on the Consultation for Amendment Proposal CAP142 regarding the proposed mechanism for assigning TEC between Parties. This response is submitted on behalf of ScottishPower's Energy Wholesale Business which includes ScottishPower Generation Ltd, ScottishPower Energy Management Ltd and CRE Energy Ltd.

ScottishPower support the introduction of a Temporary TEC Exchange mechanism as outlined in CAP 142. In looking at this proposal, we feel that the Original Amendment would provide a better and fairer system. Charging the donor TNUoS on the full enduring TEC maintains the public cash-flow for TNUoS and holds the rest of the market unchanged. The donor and receptor are free to negotiate a rate for the donated TEC which reflects both the TNUoS rate being paid on an enduring basis by the donor and the Exchange Rate calculated by National Grid.

Almost invariably, the Working Group Alternative would result in the recipient paying an aggregate rate (including the bilaterally negotiated element) greater than both the prevailing TNUoS rate for its location and LDTEC. This would discourage use of the Temporary TEC Exchange mechanism envisaged by the original proposal and thereby restrict efficient use of the capacity available on the GB Transmission System and potentially fail to facilitate competition. We are unconvinced by the argument in favour of the additional payment to National Grid and feel that it is not fully justifiable.

Yours sincerely

Gary Henderson

SAIC Ltd.
For and on behalf of: ScottishPower's Energy Wholesale Business which includes ScottishPower Generation Ltd, ScottishPower Energy Management Ltd and CRE Energy Ltd.