CUSC Amendment Proposal Form	**CAP:156**

Title of Amendment Proposal:
Reactive Power Default Payment Rate – Use of Spectron Power Index

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

Amendment to Schedule 3, Appendix 1 part 3.1 and 3.2 of the CUSC to remove the Spectron cumulative over the counter power index from the calculation of the reactive default payment rate as it is no longer being published.

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

As of June 17th 2007, Spectron no longer publish the cumulative over the counter power index. This index is required to calculate the monthly reactive default payment rate as specified in Schedule 3 of the CUSC. In accordance with CUSC Schedule 3, Appendix 1, Part 4, the index used in the July 2007 reactive default payment rate was calculated using the U.K. Baseload All-Day Month Ahead average prices published by Spectron. While Schedule 3 makes allowances for unavailable information, the intention of the clause is only to cover for periods until the information becomes available again.

However, in this case, which has been confirmed by Spectron, this information is no longer published and hence will not be available in the foreseeable future.

The proposed amendment will address the fact that Spectron no longer directly publish the cumulative over the counter power index and will remove the requirement from the calculation of the reactive default payment rate. In National Grid's view, it will better meet CAP45 (Cost Reflective Reactive Power Default Payment Rate Indexation) intentions to use *published* indices in the calculation of the reactive default payment rate.

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

CAP156 requires amendments to CUSC Schedule 3, Appendix 1, Part 3.1 (b) and Part 3.2 (c). The text required to give effect to the Proposal is contained in Annex 1 of this document.

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

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible)*:
N/A

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

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

National Grid believes that this proposal will better facilitate CUSC Applicable Objective (a) ***(The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the Transmission Licence)*** by ensuring the reactive default payment rate is calculated using *published* index information which is currently available. It would also better meet the objectives of CAP45 (Cost Reflective Reactive Power Default Payment Rate Indexation) which derived the 50% weighting of the monthly wholesale power price index using *published* indices.

Details of Proposer: Organisation's Name:	National Grid
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:	Craig Dyke National Grid 01926 653397 craig.dyke@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Rebecca Yang National Grid 01926 656716 rebecca.yang@uk.ngrid.com
Attachments (Yes): **If Yes, Title and No. of pages of each Attachment:** **ANNEX – PROPOSED LEGAL TEXT TO MODIFY THE CUSC FOR PROPOSED AMENDMENT**	

Notes:

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

   The completed form should be returned to:

   Beverley Viney
   Panel Secretary
   Commercial Frameworks
   National Grid
   National Grid House
   Warwick Technology Park
   Gallows Hill
   Warwick
   CV34 6DA

   Or via e-mail to: Beverley.Viney@uk.ngrid.com

   (Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

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

ANNEX – PROPOSED LEGAL TEXT TO MODIFY THE CUSC FOR PROPOSED AMENDMENT (1)

The proposed Legal text to modify the CUSC is detailed below by inserting the coloured underlined text and deleting the text shown struck through.

Change to CUSC Schedule 3, Appendix 1, Part 3.1 (b)

3.1

(b) For all periods from (and including) 1st April, 2004, I shall in respect of each calendar month be determined as follows:-

$$I = I_m$$

where

I_m = the indexation factor I for the calendar month in question

$$I_m = C*[(0.5*FRPI_m/RPI_x)+(0.5*PI_m)]$$

where

$$C = RPI_x/RPI_1$$

RPI_x is the RPI for March, 2003 (179.9)
RPI_1 is as defined in sub-paragraph (a) above
$FRPI_m$ is the Forecast RPI for the calendar month in question

and where PI_m is a wholesale power price index determined as follows:-

$$PI_m = [(p* HPI_m/HPI_1) + (q* PAPI_m/PAPI_1) + (r* PPI_m/PPI_1) \;\;\sout{+ (s* DTSPI_m/DTSPI_1)}]$$

Where

HPI_m is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

$PAPI_m$ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

PPI_m is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question

~~DTSPI$_m$ is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices for all days on which this index is published in the calendar month immediately preceding the calendar month in question~~

and where

p = ~~0.2~~ 1/3 (subject always to sub-paragraph 3.2 (c)
q = ~~0.2~~ 1/3 (subject always to sub-paragraph 3.2(c)
r = ~~0.2~~ 1/3 (subject always to sub-paragraph 3.2(c)
~~s = 0.4 (subject always to sub-paragraph 3.2(c)~~

and where

HPI$_1$ is the mean average of the OTC baseload month ahead Heren power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PAPI$_1$ is the mean average of the OTC baseload month ahead Petroleum Argus power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

PPI$_1$ is the mean average of the OTC baseload month ahead Platts power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003

~~DTSPI$_1$ is the mean average of the OTC baseload month ahead Deloitte and Touche Spectron power index bid and offer prices for all days on which this index is published during the period from (and including) 1st October 2002 to (and including) 30th September 2003~~

Change to CUSC Schedule 3, Appendix 1, Part 3.2 (c)

3.2

   (c) if in respect of any calendar month the mean average of any of the power indices more particularly referred to in sub-paragraph 3.1(b) is incapable of being derived and/or there is a material change in the basis of that power index, then subject as provided below, for the purpose of sub-paragraph 3.1(b) **The Company** shall determine the wholesale power price index PI$_m$ for that calendar month by substituting for the original value of factor p,q, or r ~~or s~~ as relates to that power index ("the Affected Factor") the value of zero, and by substituting for the original value of each of the remaining factors p, q, or r ~~or s~~ a value which is increased from the original value by a pro rata proportion of the original value of the Affected Factor. Provided always that if in respect of any calendar month the mean average of each of such power indices is incapable of being derived and/or there is a material change in the basis of each such power index, then **The Company** shall determine the wholesale power price index PI$_m$ for that calendar month by

substituting for the value PI_m in the determination of I_m the value $FRPI_m/RPI_x$.