

CUSC Amendment Proposal Form	CAP: 162
Title of Amendment Proposal: Transmission Access - Entry Overrun	
Description of the Proposed Amendment <i>(mandatory by proposer):</i> <p>Creation of a commercial mechanism for dealing with export above existing entry access capacity holdings.</p> <p>This proposal would permit Generators to export in excess of their total entry access capacity holding (currently sum of TEC, LDTEC, STTEC). Export would be capped by "local" rather than "wider" system capability limits (e.g. CEC and any local transmission limits as detailed in the bilateral agreement), subject to continued Grid Code compliance. The additional volume of entry access used above existing entry access capacity holding would be 'Entry Overrun'.</p> <p>For the purposes of this amendment, it is suggested that the charging arrangements (codified in the charging methodologies) for Entry Overrun would establish charges related to the cost imposed of accommodating Entry Overrun.</p> <p>Appropriate credit will be required. The level required would be established in the assessment stage in accordance with the Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover.</p> <p>This amendment includes a revised process for 'local only' applications (connection without long-term entry rights for the wider system) and a change in the nature of long-term and short-term entry rights from nodal to zonal. The zones used would be consistent across all long-term and short-term products. The proposer suggests that in order to ensure equitable treatment of non locational asset costs that the residual charge should be commoditised.</p> <p>For illustrative purposes, a more detailed Entry Overrun straw man is attached.</p>	
Description of Issue or Defect that Proposed Amendment seeks to Address <i>(mandatory by proposer):</i> <p>The lack of flexibility of short-term products and the application process for current entry access products can restrict the efficient use of spare capacity and efficient redistribution of previously allocated capacity.</p> <p>In addition, under the current arrangements, users who release long-term entry access rights are committing not to export. This can lead to potential overbooking of long-term rights, delayed connection and a reliance on administered rules for determining the appropriate level of sharing of transmission capacity between users.</p> <p>Furthermore, breach of CUSC for exceeding entry access capability is inappropriate in an environment where generators are operating in a more flexible manner; and encourages users to overbook capacity or restrict efficient operation.</p>	
Impact on the CUSC <i>(this should be given where possible):</i> <p>The main impact on the CUSC will be on sections 2 and 3 in relation to the obligations on Users and National Grid with respect to the rights and obligations associated with export on to the transmission system.</p> <p>There may be also be impacts on the credit requirements in sections 2 and 3 to cover any additional liabilities associated with overrun charging.</p>	

<p>Impact on Core Industry Documentation <i>(this should be given where possible):</i></p> <p>To be identified during assessment.</p> <p>The Planning Code and Data Registration Code of the Grid Code to reflect the ability of a party to export in excess of their total entry access holding, and ensure that Connections conditions are maintained throughout the full range of operations.</p>
<p>Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i></p> <p>It is envisaged that data would be required from the Balancing Mechanism / Settlement systems to feed into a new the Entry Overrun tariff settling and billing systems. Note that this impact is associated with the consequential charging change rather than Entry Overrun per se.</p>
<p>Details of any Related Modifications to Other Industry Codes <i>(where known):</i></p> <p>The charging methodologies, to develop charging arrangements for Entry Overrun consistent with the relevant objectives contained in the transmission licence.</p> <p>The Security and Quality Supply Standards, to consider the implications for design of the transmission system of a short term product.</p> <p>Entry Overrun will interact with System Operator revenues. The System Operator incentive arrangements will need to provide the appropriate incentives on the System Operator to seek to accommodate overrun in an efficient and economic manner.</p>
<p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i></p> <p>The proposed amendment would better facilitate the achievement of Applicable CUSC Objectives (a) the efficient discharge by the licensee of the obligations imposed upon it under the Acts and by the licence; and (b) facilitating effective competition in generation, by:</p> <ul style="list-style-type: none"> ○ Promoting the more efficient use of the transmission system through allowing parties to connect in advance of wider transmission works. ○ Improving the signals for design of the transmission system through creating an alternative to firm long-term access products priced to reflect asset costs. This would particularly be the case against the forecast increase in plant margins and forecast increase in the use of generation from intermittent sources This may suit a range of plant types. ○ Providing for the release of long-term entry access rights from existing plant thus facilitating early entry in to the market for new plant.

<p>Details of Proposer: Organisation's Name:</p>	National Grid
<p>Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")</p>	CUSC Party
<p>Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:</p>	Patrick Hynes National Grid 01926656319 Patrick.hynes@uk.ngrid.com
<p>Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:</p>	Duncan Burt National Grid 01926656703 duncan.burt@uk.ngrid.com

Attachments (Yes/No): Yes

If Yes, Title and No. of pages of each Attachment:

Entry Overrun Straw man, 3 pages

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.

Entry Overrun Straw Man

Introduction

This straw man covers the main process for Entry Overrun, one of a number of proposed incremental changes to electricity access arrangements.

Based on key building blocks in the TAR report, Entry Overrun is described as:

Nature of rights: a power station may export up to its local access capability (see below). The right is enduring. The user has no effective¹ right to compensation if overrun cannot be accommodated by the System Operator.

Allocation: all users have the right to overrun up to any local asset capability.

Pricing: the right will be priced ex post based on the costs incurred in facilitating the overrun. A user may set a ceiling bid through the BM, however the System Operator is not necessarily obliged to accept the bid.

Secondary trading: the right cannot be traded.

Model description

Any Generator will be permitted to export power on to the transmission system at any Power Station up to the allocated physical capability of the local assets (Power Stations CEC and local asset capability²). Power Stations must have a completed compliant local connection prior to being able to overrun.

The proposal allows an extremely small granularity of product, down to half hour, set by the user on the day. Settlement will be on an aggregated output over a half hourly, although local asset capability must not be exceeded on a minute by minute basis. As described Entry Overrun seeks to minimise the transaction costs associated with gaining short-term access.

It is envisaged that the settlement and charging process will be based on zones, and be by company (registered CUSC party). Any output above contacted access level will be charged at the cost of facilitating that Entry Overrun by National Grid. Timescales for settlement will be broadly similar to BSUoS timescales (1/2 hour periods with a 28 day rolling settlement).

Entry Overrun charges will be the zonal Entry Overrun price multiplied by the Entry Overrun volume. Simply, the Entry Overrun volume is the metered volume, corrected for BOAs (should take back to PNs), minus the firm access right holding (either long-term or short-term). The exact definition of Entry Overrun volume will be established in the assessment stage. The methodology for establishing zonal Entry Overrun prices will be part of the charging methodologies. During the assessment stage National Grid intend to put forward a number of possible methodologies that vary the balance of cost reflectivity, simplicity, transparency, implementation cost and timescales. Initially, National Grid's central model is a derivation of the current internal costing tool as discussed at the TASG in 2007³. Subject to more detailed costing of the IS tools, implementation would be April 2010. To facilitate earlier implementation a two stage approach, with very limited IS development and 'basic' pricing, could be considered.

In National Grid's central pricing model the zonal overrun price is the volume weighted average price of all actions taken to accommodate Entry Overrun in a particular zone (the actions may be outside that zone), along with the system cost of replacement actions and headroom⁴ issues. Marginal pricing should also be considered during development of the charging options.

¹ Whilst the users that overrun can submit bids in to the balancing mechanism (BM), these bids may also set the overrun charge. Therefore the charge effectively removes the compensation paid through the BM. In these circumstances, the charge and the bid may be exactly the same, subject to the development of the overrun pricing methodology.

² A new term, local asset capability to reflect the intra zonal capacity beyond the local substation (e.g. local radial connecting routes). This limit is expressed in MW or MVA and can not be exceeded by the user with out permission or instruction from National Grid.

³ <http://www.nationalgrid.com/NR/rdonlyres/7DFB1235-5741-4744-9C9F-54B8CBC2F1A1/19202/PresentationNationalGridIntrotoconstraintcostingan.pdf>

⁴ Headroom is unused generation, that could be used to provide reserve or response, which is sterilised by an active constraint.

In order to allow a generator to limit financial exposure to the ex-post nature of Entry Overrun prices and to allow the System Operator to maintain physical security of the system, parties who overrun will still 'participate' in the Balancing Mechanism. An individual Generator's overrun volume will be 'corrected' by its bid volumes to ensure charges for overrun recover revenues paid through the BM, i.e. removing compensation paid to users who have no rights. A Generator intends to overrun yet subsequently has a bid accepted will be exposed to the net difference of bid income minus the Entry Overrun price. The Entry Overrun price includes replacement cost and may be an average and therefore there will be some residual exposure to the difference between bid price and overrun charge.

Assumptions

1. The price calculation methodology will be in the charging statements and be assessed on the existing charging relevant objectives.
2. Generators comply with the Grid Code. In particular, submission of accurate PNs on a unit basis in the prescribed timescales.
3. The TNUoS residual charge is commoditised, i.e. charged half hourly on a MWh basis. This provides fair allocation of non locational costs between system users holding both long term and short term access.
4. Acceptance of an offer in the BM does **not** confer any firm access right. Generators may still be exposed to overrun if the full output is not covered by existing entry access holding and therefore would submit BM prices accordingly (i.e. including the risk of an Entry Overrun charge).
5. Credit will be in place for Entry Overrun. This may require a short term process of managing credit liability.
6. There will be a licence methodology for establishing and managing zones.
7. The zones will be the same as those used for access products and consistent with the charging methodologies.
8. There is no benefit paid for Entry Overrun in an importing zone in the average price /cost recovery model.
9. All new capacities will be published in the SYS i.e. a generators local assets capability.

Initial ex-post pricing model

The model below is a basic model that could be further developed during the assessment stage, including the drafting of the Entry Overrun charging methodology. Other models may also be considered that could better facilitate the applicable charging objectives.

The basic model is:

- o Entry Overrun prices will be posted on working day +1 at 1600hrs (not posted weekends or Bank Holidays).
- o The methodology is based on an average tariff and set for cost recovery, including the
 - o the cost of constraining plant
 - o the cost of replacing plant
 - o the cost of reduced headroom
 - o the appropriate allocation of any contract costs.
- o Prices are calculated manually based on a published methodology. Compliance with the methodology may be subject to independent audit.
- o The methodology will be part of the licence obligation under the charging methodology i.e. subject to the same objectives and wider transmission licence requirements, including:
 - o Facilitating competition
 - o Reflect costs incurred
 - o Taking account of change to the transmission businesses
 - o Not unduly discriminating between a class or classes of users
- o The methodology will produce tariffs for each zone.
- o Entry zones will be established through a new licence methodology.
- o The overrun price will have a half hour resolution.
- o The settlement process / timing would be agreed in the assessment phase, for discussion:
 - o Receive metered information from IO14 after five days
 - o Calculate Entry Overrun charges and post indicative charges at D+7 (or alternative)
 - o 28 day settlement
- o It is envisaged that Entry Overrun revenues will be included within BSUoS and may be positive or negative.

Other models could include:

- Option and issues of providing more prompt price reporting.
- Other pricing mechanisms, including:
 - A simple price e.g. multiple of TNUoS or BSUoS
 - Marginal pricing models

National Grid may carry out a charging pre-consultation on all charging methodologies developed by the working group. Given the time constraints any pre-consultation may be limited to two weeks during the working group process. Further full consultation on a preferred charging model and associated methodology will be complete alongside the formal CUSC consultation.