

Working Group Terms of Reference and Membership

TERMS OF REFERENCE FOR CAP165-166 WORKING GROUP

RESPONSIBILITIES

1. The Working Group is responsible for assisting the CUSC Amendments Panel in the evaluation of CUSC Amendment Proposals CAP165 and CAP166 tabled by National Grid at the Amendments Panel meeting on 25th April 2008.
2. The proposals must be evaluated to consider whether each of them better facilitates achievement of the applicable CUSC objectives. These can be summarised as follows:
 - (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and
 - (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.
3. It should be noted that additional provisions apply where it is proposed to modify the CUSC amendment provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

SCOPE OF WORK

4. The Working Group must consider the issues raised by the Amendment Proposals and consider if each of the proposals identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Working Group shall consider and report on the following specific issues for both CAP165 and CAP166:
 - Impact on bilateral agreements (BCA, BEGAs, CONSAG, Offers etc.)
 - Impact on computing systems, central and individual CUSC party
 - Efficiency of investment signals (for generation, transmission and interconnectors)
 - Effect on competition
 - Applicability to embedded generation
 - Impact on industry documents, including SQSS
 - Definitions, including interaction with other codes and methodologies
 - Interaction with proposed Offshore regime
 - A cost benefit analysis, including:
 - Consideration of the cost of carbon
 - Impact on all classifications of users
 - Impact on system operator and transmission owners
 - Impact on Security of Supply
 - Ability of CUSC Parties to trade access rights (short and long term) between themselves
- 5.a For CAP165, the Working Group shall also consider and report on the following specific issues:

- Nature and definition of rights (including whether zonal rights are recorded zonally or nodally)
 - Impact on / transition for users with existing rights
 - Application process for extension of rights
 - Efficient use of capacity and relinquishment / reduction of rights
 - Minimum / maximum booking period
 - Definition of an appropriate level of financial security
 - Consideration of user commitment in negative charging zones
 - Equitable treatment of new and existing users
 - Calculation of the trigger period for incremental capacity bookings
 - Consideration of the appropriate level of user commitment for new users
 - The profile of financial security required pre-commissioning
 - Interaction with security requirements for local infrastructure
 - Transition and retrospective application for new users
- 5.b For CAP166, the Working Group shall also consider and report on the following specific issues:
- Type of auction
 - Process for, and timing of, long-term auctions (including detailed business rules)
 - Size and period of capacity block
 - Specification of product (including financial or physical in nature, and rights to compensation)
 - Period of release, including interaction with re-zoning
 - Evaluation of bids for different numbers of years
 - Is there the need for a reserve price?
 - Consideration of negative reserve prices (if any) and bids
 - Long-term Auction restrictions (e.g. would participation eligibility be restricted to those with a local connection or offer for such?)
 - Definition of baselines, and governance of baseline definition
 - Definition of an appropriate level of financial security
 - Impact on users with existing rights
 - Treatment of unsold capacity and incremental capacity
 - Definition of regulatory test for release of incremental capacity
 - Governance of regulatory test for release of incremental capacity
 - Definition of release period for incremental capacity
 - Application process for new connections
 - Transition, including existing commitments for reinforcements
 - Implementation - processes and systems required
 - Consideration of relevant parallels from the gas experience
- 5.c This working group shall have a sub group, the CAP161-166 Enabling Sub-group. The Terms of Reference for this sub-group shall be agreed by the Amendments Panel and shall include the consideration of a number of enabling changes, principally:
- Zonal definition of wider transmission access rights
 - Zoning criteria and methodology governance
 - Definition of local access (intra-zonal access rights)
 - Local only applications
 - Local access charging and financial security requirements
 - Residual charging and credit requirements
6. The Working Group is responsible for the formulation and evaluation of any Working Group Alternative Amendments (WGAAAs) arising from Group

discussions which would, as compared with the Amendment Proposals, better facilitate achieving the applicable CUSC objectives in relation to the issue or defect identified.

7. The Working Group should become conversant with the definition of Working Group Alternative Amendments which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual Member of the Working Group to put forward a Working Group Alternative Amendment if the Member(s) genuinely believes the Alternative would better facilitate the achievement of the Applicable CUSC Objectives. The extent of the support for the Amendment Proposals or any Working Group Alternative Amendments arising from the Working Group's discussions should be clearly described in the final Working Group Report to the CUSC Amendments Panel.
8. There is an obligation on the Working Group Members to propose the minimum number of Working Group Alternatives where possible.
9. All proposed Working Group Alternatives should include the proposer(s) details within the Final Working Group Report, for the avoidance of doubt this includes Alternative(s) which are proposed by the entire Working Group or subset of members.
10. The Working Group is to submit their final report to the CUSC Panel Secretary on 17th July 2008 for circulation to Panel Members. The conclusions will be presented to the CUSC Panel meeting on 25th July 2008.

MEMBERSHIP

11. It is recommended that the Working Group has the following members:

Chair	Hêdd Roberts
National Grid	Andrew Truswell
Industry Representatives	James Anderson Graeme Cooper Stuart Cotten Sebastian Eyre Nick Frydas Garth Graham Paul Jones Simon Lord Cathy McClay Fiona Navesey Bill Reed Ed Reed Helen Snodin Lisa Waters Barbara Vest
Authority Representative	Min Zhu / David Hunt
Technical Secretary	Sarah Hall

NB: Working Group must comprise at least 5 Members (who may be Panel Members)

12. The Chair of the Working Group and the Chair of the CUSC Panel must agree a number that will be quorum for each Working Group meeting. The agreed

figure for CAP165 and CAP166 is that at least 5 Working Group members must participate in a meeting for quorum to be met.

13. A vote is to take place by all eligible Working Group members (for the avoidance of doubt, that is (i) the Proposer (National Grid) and (ii) the Industry representatives listed above) on the proposal and each Working Group Alternative, as appropriate, as to whether it better facilitates the CUSC Applicable Objectives and indicate which option is considered the BEST with regard to the CUSC Applicable Objectives. The results from the vote shall be recorded in the Working Group Report.
14. Working Group Members or their appointed alternate is required to attend a minimum of 50% of the Working Group Meetings to be eligible to participate in the Working Group vote.
15. The Technical Secretary to keep an Attendance Record, for the Working Group meetings and to circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the Final Working Report.
16. The membership can be amended from time to time by the CUSC Amendments Panel.
17. If any Working Group Member wishes to nominate an Alternate (to act on their behalf in their absence from meetings) then this should be sent to the Working Group Chair once the Working Group is under way who will confirm (to the Working Group Member) that the Alternate is duly designated. For the avoidance of doubt if the Working Group Chair believes the suggested Alternate does not have sufficient expertise in the issues being considered by the Working Group they will ask the Working Group Member to suggest a more suitable Alternate.
18. Observers may be permitted by the Chair to attend any meeting. It should be noted that the observer (i) will not have a vote and (ii) cannot speak unless asked to do so by the Chair. Any CUSC Party wishing to be an observer should agree with the Working Group Chair advance. The Chair may invite additional industry experts to any meeting as required to ensure efficient and comprehensive coverage of the agenda.

RELATIONSHIP WITH AMENDMENTS PANEL

19. The Working Group shall seek the views of the Amendments Panel before taking on any significant amount of work. In this event the Working Group Chairman should contact the CUSC Panel Secretary.
20. Where the Working Group requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Working Group Chairman should contact the CUSC Panel Secretary.
21. The working group shall maintain a register of assumptions and issues, which is to be reported to the Amendments Panel and other Transmission Access working groups on a regular basis.

MEETINGS

22. The Working Group shall, unless determined otherwise by the Amendments Panel, develop and adopt its own internal working procedures and provide a copy to the Panel Secretary for each of its Amendment Proposals.
23. To ensure an efficient process (and mindful of room logistics) only the Working Group Member or their appointed Alternate can attend a meeting. If an alternate wishes to attend the same meeting as their associated member this will be as an observer (under item 18. above) unless they have previously agreed with the Working Group Chair.

REPORTING

24. The Working Group Chair shall prepare a final report to the 25th July 2008 Amendments Panel responding to the matter set out in the Terms of Reference.
25. A draft Working Group report will be produced individually for each of CAP165 and CAP166. Each draft working group report will include the relevant information from the CAP161-166 Enabling Sub-group.
26. A draft Working Group Report must be circulated to Working Group members with not less than five business days given for comments.
27. Any unresolved comments within the Working Group must be reflected in the final Working Group Report.
28. The Working Group Chair (or another Working Group member nominated by him) will present the Working Group report to the Amendments Panel as required.