



Direct Dial: 020-7901-7412

16 January 2003

The National Grid Company, CUSC Signatories and  
Other Interested Parties

Our Ref: UoSCM-M-08

Dear Colleague

**Use of System Charging Methodology Modification-08: 'Proposal for new winter peak 'capacity' proxy for half-hourly metered demand TNUoS charges'**

The Gas and Electricity Markets Authority (the 'Authority')<sup>1</sup> notes the issues raised in the Conclusions Report<sup>2</sup> in respect of the Use of System Charging Methodology Modification-08 ('UoSCCM-M-08') 'Proposal for new winter peak 'capacity' proxy for half-hourly metered demand TNUoS charges'

The National Grid Company plc ('NGC') submitted a Conclusions Report to the Authority on 19 December 2002. NGC noted in the report that it does not intend to pursue the proposed modification at this stage, as it is not clear that the modification would better meet the Relevant Objectives as set out in the Transmission Licence. This view was reached in light of responses received during the consultation on the modification.

Condition C7A of NGC's Transmission Licence sets out the procedures to be followed before making a modification to the Use of System Charging Methodology. Amongst other things, Condition C7A.3 of NGC's Transmission Licence sets out that the licensee shall furnish the Authority with a report detailing the proposed modification and representations made during the consultation process. Condition C7A.4 of NGC's Transmission Licence sets out that the licensee shall make the proposed modification unless the Authority has given a direction that the modification may not be made. This direction must be given within 28 days of the report being furnished to the Authority.

---

<sup>1</sup> Ofgem is the office of the Authority. The terms 'Ofgem' and 'the Authority' are used interchangeably in this letter.

<sup>2</sup> Conclusions Report, Modification Proposal to the Use of System Charging Methodology, UoSCM-08, 'Proposal for new winter peak 'capacity' proxy for half-hourly metered demand TNUoS charges', dated 19 December 2002

As NGC does not intend to pursue the proposed modification at this stage there is no decision for the Authority to make. The Authority cannot veto the modification or abstain from such a veto as NGC does no longer intend to pursue the proposed modification.

Ofgem considers that no Conclusion Report should be submitted to the Authority when NGC does not intend to pursue a proposed modification to the Charging Methodologies. However, when this occurs, Ofgem considers that it would be appropriate for NGC to publish a report for interested parties, containing the responses to the initial consultation and NGC's reasons for not pursuing the proposed modification further.

For the avoidance of doubt, this modification will not be made as it is no longer being pursued by the licensee.

As you will be aware, on 12 December 2002 Ofgem published its initial proposals for a system operator incentive scheme to apply from April 2003<sup>3</sup>. This document set out Ofgem's views on the introduction of contractually firm, tradable entry and exit transmission capacity rights. Ofgem will continue to work with NGC and other interested parties on developments in this area.

Ofgem draws participants' attention to the requirement under NGC's transmission licence to keep its charging methodology under review against its licence obligations including non-discrimination provisions. Ofgem will expect NGC to bring forward, in a timely manner, any requisite changes to its charging methodology and additionally requests that NGC seeks interested parties views on any aspects of its charging methodology.

Please contact me on the above number if you have any queries in relation to the issues raised in this letter or alternatively contact Richard Ford on 020 7901 7411.

Yours sincerely



**Sonia Brown**

**Director, Electricity Trading Arrangements**

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

---

<sup>3</sup> NGC system operator incentive schemes from April 2003: Initial proposals