

FINAL CONCLUSIONS REPORT

GB QUEUE MANAGEMENT

June 2007

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1 EXECUTIVE SUMMARY

Introduction

This report sets out National Grid's final conclusions on the approach it proposes to use for managing what has become known as the "GB Queue". There are numerous issues covered and a number of initiatives and next steps identified. While individually some of these may not seem to be particularly significant it is National Grid's belief that the combination of the measures together will be beneficial in assisting with management of the queue and hence connecting new generation.

Whilst we have identified numerous detailed actions and initiatives as a result of the Open Letter process, the principle ones fall in four main areas set out below.

1. Obtaining Earlier Connection

As the holder of Transmission Licences in Great Britain, the GB transmission licensees are required by the Electricity Act 1989, as amended by the Utilities Act 2000 and the Energy Act 2004, to develop and maintain an efficient, co-ordinated and economical system of electricity transmission and to facilitate competition in the generation and supply of electricity. The transmission licensees are also required by their Licence to not discriminate. There are tensions between these obligations and historically the non-discrimination requirement had led to a customer driven "first come, first served" approach. However where there are many Users seeking connection in part of the system with limited capacity then such an approach may not result in the most efficient use of the system, or maximise facilitation of competition.

National Grid has therefore concluded that where opportunities for an earlier connection date arise then these should be allocated based on **ability to use the system soonest**. This maximises use of transmission system assets already in place and facilitates competition (although the cost of operating the transmission system could increase in the near term). The approach adopted has been discussed informally with Ofgem. National Grid intends to now develop a separate detailed methodology for publication targeted for September 2007.

The approach adopted will provide equal opportunities for projects to advance irrespective of initial queue position, effective date of agreement and contract type. This is a change from our initial conclusion where we proposed that only developers with specific use of system rights would be able to obtain earlier connection dates. This is a significant point since much has been made of the negative consequences of projects finding that they are "at the back of the queue". National Grid considers that this should not be seen as an insurmountable problem if the key determinant in whether a project can obtain an earlier connection will be it being *ready, able, and willing* to commit to an earlier connection date rather than a somewhat arbitrary position in a queue. Clearly this process for providing earlier connections is premised on capacity being made available. We believe that such capacity will come about as a result of a combination of initiatives, some of which are set out in this report.

Amongst these initiatives is the introduction of a more robust "User Commitment" regime (in the longer term via CAP131) which, amongst other things, should incentivise projects that remain highly uncertain or speculative to reduce capacity or withdraw from "the queue" until such time as their project is more certain.

2. Contract Management

A number of contract management areas have been identified where, going forward, National Grid will take a more active approach to contract management. This active contract management includes improved and regular communications from both sides including quarterly reporting and milestone management. For those projects that do not meet their contractual commitments, including failing to obtain the appropriate planning consent, National Grid has previously taken a very flexible approach. However going forward we will now take a robust approach. We anticipate that this will have the effect of substantially slipping the connection dates of some projects or ultimately leading to them terminating some projects, thereby providing opportunities for others (e.g. those that have consent) to obtain earlier connection dates. It is recognised that parties affected in this way are likely to feel aggrieved, but we believe that the position set out above should provide some comfort on this.

3. Information Provision

The provision of timely and correct information is a key requirement for developers to make important decisions regarding their projects. We are seeking to provide this information where it is of value to developers and it does not place an undue burden on the Transmission Licensees.

National Grid has requested that the relevant Transmission Licensees review their current contractual programme milestones in light of comments received by developers and we have also requested them to provide up to date programme milestones to compliment the date slippages notified in December 2006. The relevant Transmission Licensees are currently looking at these developments but it is unlikely that complete information will be fully available until September 2007.

This provision of additional information has already begun with CAP145 and the up to date publication of Embedded Large Power Stations, Relevant Medium, and Relevant Small Power Stations. This will be complimented by a further CUSC amendment proposal that we have tabled, that will require National Grid to publish the works required to connect a developer as set out in the relevant construction agreements (CONSAGs).

In addition to this we are trying to link our data with other industry sources to give an overview picture in a single location.

In terms of information regarding transmission developments we are looking at data that provides a picture of the sequential nature of the reinforcements and the amount of capacity released by each of those reinforcements.

To show how the status of the contracted position changes over time we plan produce information that reflects the changes and we would welcome comments on which elements of this information is useful to the industry.

A number of framework changes that will assist in managing the queue have been identified and some of these will be progressed via the CUSC amendment process. These include publication of more information on projects and the works transmission reinforcements and providing National Grid with the ability to reduce a customer's access rights where for example their planning consent is less than the contracted capacity.

4. Developments to Transmission Access

The Transmission Access Standing Group (TASG) (an industry forum under CUSC governance) has been re-constituted with the remit of examining:

- i. short term access arrangements
- ii. access trading arrangements
- iii. development of a “Spill” product to allow projects to connect and operate without enduring access rights

These areas would be developed over a 3 month period to identify workable models following which formal changes to the industry frameworks could then be proposed.

The inclusion of what has been termed a “risk based approach” (as advocated by SHETL amongst others) to release more capacity than the system has available was also considered. However in discussion with Ofgem and DTI this work will be undertaken as part of the longer term review of access initiated by the recent Energy White Paper and so National Grid does not intend to pursue it as part of the TASG agenda.

2 INTRODUCTION

This report sets out National Grid's final conclusions on the approach it proposes to use for managing what has become known as the “GB Queue” and for providing a mechanism by which projects could advance their connection dates. It follows the Interim Conclusions Report issued on this subject in May this year.

Following the publication of our open letter to the industry and responses to it, seminars for industry stakeholders were recently held in Edinburgh and London (23 and 25 April respectively) at which a summary of responses to the open letter, and National Grid's initial conclusions, were presented. The presentation material is published on the National Grid website. Following these presentations an initial conclusions report was published, this report set out National Grid's initial conclusions and a summary of the views of the respondents. The initial report was intended to add to that material so that those unable to attend the seminars have access to the information presented and the initial conclusions that have been reached.

There are numerous issues covered and a number of initiatives and next steps identified. While individually some of these may not seem to be particularly significant it is National Grid's belief that the combination of the measures together will be beneficial in assisting with management of the queue and hence connecting new generation capability.

We recognise that this document does not represent a “final solution” on the subject of managing the queue for connection to or use of the GB transmission system. It does however provide progress to be made whilst more comprehensive reviews in this area (e.g. the Transmission Access Standing Group and wider access reviews being initiated by Ofgem / DTI) are undertaken. National Grid will continue to keep the management of connections to the GB transmission system under review and where it sees a case for additional initiatives will raise these with the industry via e.g. future user seminars or framework change proposals.

3 THE OPEN LETTER

Discussion of the issues

The open letter set out a number of key issues where there had been significant discussion over the queue and what was required to prevent more speculative projects from stopping others proceeding.

The open letter identified that the amount of space released by developers withdrawing or reducing capacity has been very limited. The letter sought to obtain the view of the industry of a number of initiatives designed to facilitate the creation of spaces and a subsequent mechanism to allow completion dates to be advanced.

The open letter went on to discuss a number of key areas that we were seeking to address with the industry and these areas are listed below and set out in more detail in the open letter and initial conclusions report together with the comments of certain industry respondents:

- a) Communication
- b) Implementation of CAP131
- c) Quarterly Reports
- d) Use of Project Milestones
- e) Allowing Developers to slip dates
- f) TEC Reduction Clause
- g) Reductions of capacity
- h) Changing works in agreements
- i) Identification of economic works
- j) Early connection dates
- k) Contingent TEC reduction clause
- l) Change amnesty

These subject areas have been grouped together into the following general areas :

- Obtaining Earlier Connections;
- Contract Management; and
- Information Provision.

4 OBTAINING EARLIER CONNECTIONS

4.1 New Applications

Before considering how existing contracted parties could obtain earlier connection dates it is worth explaining the position for any new applicants. In Scotland, or more generally in England & Wales, where there is a queue for connection to or use of the GB transmission system any new connection application will be assessed against the existing contracted background. This will lead to an Offer for Connection to and/or Use of the GB transmission system that would be “at the back of the queue”. The same would be true for an embedded generator where the relevant DNO considered that this would have a significant impact on the transmission system and so requested a Statement of Works under section 6.5 of the CUSC. Once the User had

signed their bilateral agreement then they would be able to signal their interest in an earlier connection in the same way as existing queue members.

4.2 General Approach

Where National Grid is aware of a “queue”¹ for connection then advancement within that queue will be done in a manner that facilitates projects that are ready, able and willing to connect first. Differentiation between the ability of projects to move forward will be done on an annual resolution from 1 April to 31 March. The communication of these dates from developers to National Grid will be made via the quarterly reporting process (via the use of the templates provided with the contract). Developers can at anytime resubmit their information if their circumstances change significantly. Where more than one project seeking to move forward to a particular year then all relevant parties similarly seeking to advance to that year will be contacted and contracts will be entered into on a first come first served basis.

Applications for earlier connection will be made using the Modification Application process. The information identified in the quarterly reports will be used for the application and the developers will be contacted to see if they wish their application to be processed (knowing the number of projects that will be contacted). All projects will receive their offers at the same time and may be subject to interactivity. Applications will be informed of the number of other projects (including total MW) approached.

Those projects seeking advancement to the earliest possible connection year will be assessed together (the “first wave”). One month after the approach to the “first wave” of applicants a “second wave” of applicants (who are seeking connection one year after the first wave) will be approached to see if they too wish their application to be progressed. They will be informed that they are in a subsequent phase and informed of the total number of potential applicants and total capacity. This process will be repeated monthly for subsequent years of applications aspirational connection.

Projects that wish to accept the offer for an earlier connection date will be required to accept certain terms and conditions to give National Grid confidence that its offers of earlier connection are being made to those projects that face a high probability of succeeding (resulting in a lower attrition rate). These conditions will include:

- User Works and associated milestones
- “tight” backstop dates
- Capacity reduction/TEC reduction clause
- Immediate financial commitment as a clear User Commitment or an equivalent proxy

4.3 Developers’ Quarterly Reports

Developers are required under the terms of their construction agreement to submit quarterly reports as detailed later in this report. If a developer wishes to advance their connection date they will be required to express this in their quarterly report to National Grid. The preferred date of connection set out in the report should be made

¹ The term “queue” is used by National Grid in situations where:

- there are a number of projects seeking connection in the same area; and,
- there is insufficient transmission system capacity to connect all; and,
- it is not possible to meet the aspirational connection dates for one or more of the projects due to the others being connected in the area concerned.

on the basis that there will be a finite time during which any possible advancement is assessed, relevant Offers are made and then accepted. This could take a minimum of four months before any offer could be signed. The developer should also indicate if the Offer could be phased and the minimum capacity (in MW) that would be acceptable for advancement.

If the developer's project is to be directly connected to the GB transmission system then they will have a direct Bilateral Connection Agreement (BCA) and construction agreement (CONSAG) with National Grid. If the developer's project is embedded within the distribution system then unless they have a Bilateral Embedded Generation Agreement (BEGA) they must submit their connection date aspirations through the relevant distribution company. Where the developer has a BEGA then it would still be advisable to discuss their aspirations with the relevant distribution company as they will need to be aware of the potential impact on their system.

A guide to completing quarterly reports will be sent to developers prior to the reports being due. Developers should be aware that the quarterly report submissions for this coming quarter will be initially reviewed on the week beginning 23 July so they should endeavour to make their submission prior to this date.

4.4 Transmission Licensee Review

The ability to offer earlier connection dates will be dependent on identifying transmission system capacity that had been previously allocated to a project that has either terminated or reduced its contracted capacity requirements and as a result creates an opportunity (a "gap") for another project to acquire the released capacity. In Scotland this may be despite the fact that the transmission system remains non-compliant with the GBSQSS across the "Cheviot" boundary.

The connection aspiration information provided by developers will be shared with the relevant Transmission Licensees where appropriate, and the Licensees will be asked to identify where a developer has expressed a wish to advance their connection dates but they would be unable to do so even if a permanent gap became available (e.g. due to local connection availability). The developer will be notified of this information and any assumptions / reasons that underlie it.

When a permanent gap is identified as being available then a review will be undertaken to determine the projects that could use this gap the soonest. This may be an earlier connection date that is no longer dependent on wider system reinforcement (such as the new Beaulay-Denny line). Alternatively, some projects may have been dependent on a number of wider system reinforcements and the gap could remove dependency on some (but not all) of these so that connection remains dependent on one or more other wider system reinforcements (which may still be subject to consent delays). If no permanent gaps are available of sufficient size for projects then no action will be taken. If there is a sufficient gap for the minimum capacity identified by a developer(s) (consistent with any request for staging of their connection) then the appropriate developer(s) would be contacted.

There may be an additional scenario where it is possible to advance connection dates where a permanent gap is not available. This is where the current design may be based on a cluster reinforcement and it is possible to advance (or not delay due to consent delays) a connection with the use of temporary assets that may become redundant when the enduring solution is completed. In such cases the developer(s) will be contacted directly and the options and possible capacity restrictions discussed with them.

4.5 Contacting Developers

As discussed above, National Grid will communicate with developers where it is not possible to meet their aspiration regardless of whether a gap is available or not. This information will hopefully allow developers to review their position with respect to their project and to make the necessary decisions.

Where a gap is available that developers would wish to potentially take advantage of, then the relevant developers will be contacted. Subject to them paying the appropriate application fee, their application will be assessed based on the information they supplied in the quarterly report (i.e. a developer's quarterly report expressing the wish for an earlier connection date will be used as part of their Modification Application which becomes active once the application fee has been paid). When the developer(s) are contacted they will be informed of the number of other developers being contacted and the total MW capacity of their projects.

When approaching developers regarding earlier connections time will be of the essence. We wish to avoid a scenario where the initial applications are processed and offers made none of which are subsequently accepted before we commence assessing the scope for other projects seeking an early connection (but not as early as the "first wave"). Such an approach would potentially introduce a significant delay in utilising that gap. Therefore, one month after starting to assess the initial wave, National Grid would contact the developers who wish to connect in the next soonest year (i.e. the year after the "first wave"). Again the developers will be told the same information as the initial wave of developers including how many additional developers will be approached. This process will be followed for subsequent years of applications.

4.6 Application and Offer Process

All valid applications to obtain earlier connection will be processed simultaneously such that they can receive their offers on an interactive basis if necessary. Any gaps will therefore be offered on a first come first served basis. Developers should be aware that they may potentially face "one off charges" in respect of any works that become nugatory as a result of the advanced connection date.

4.7 Terms and Conditions

Projects that wish to advance their dates will be offered terms and conditions that give National Grid reasonable confidence that its offers of earlier connection are being made to those projects that face a high probability of succeeding (resulting in a lower attrition rate). These conditions will include:

- User Works and associated milestones
- "tight" backstop dates
- Capacity/TEC reduction clause
- Immediate financial commitment as a clear User Commitment or an equivalent proxy

4.8 Timescales

The Users' quarterly reports are expected in the first week in July. However, as noted above, we are happy to receive information relating to Users' projects at any time. The initial review opportunities for earlier connection will commence during the last week of July and August 2007. If a gap is identified then the relevant Users will be contacted in August at the earliest.

Following the initial approach to the User(s) (based on three months to process a modification application) the earliest date an Offer would be accepted is in November 2007 for connection in 2008/2009.

This process will be replicated with subsequent quarterly reporting rounds.

5 CONTRACT MANAGEMENT

5.1 General

A number of contract management areas have been identified where, going forward, National Grid will take a more active approach to contract management. This includes improved and regular communications from both sides including quarterly reporting and milestone management. Historically, National Grid has adopted a flexible approach to those projects that do not meet their contractual commitments, including failing to obtain the appropriate planning consent. . However we recognise that this may have had the effect of sterilising capacity that could potentially have been used by other projects and so in future, where we are aware of a queue situation, we will take a more robust (less flexible) approach. This ultimately may have the effect putting some projects to the back of the queue or ultimately leading to them terminating. It is recognised that parties affected in this way are likely to feel aggrieved. Nevertheless, where projects do withdraw from the queue then this will offer opportunities for others (e.g. those that have consent) to obtain earlier connection dates while those that have dropped out can re-apply for a new connection date as outlined earlier.

5.2 Use of Project Milestones

Under the construction agreement (CONSAG) developers are required to communicate the progress of the project and the achievement of various milestones. Failure to meet these milestones has various consequences from terminating the CONSAG to relieving National Grid from the obligation to commence the construction programme. To facilitate communication of projects' progress National Grid has developed various templates to assist developers in communicating the key milestone data required.

The data provided by developers will be reviewed by National Grid and the relevant Transmission Licensees and we intend to take a proactive approach with developers failing to progress projects as required under their CONSAG. Such a proactive approach will enable us to facilitate projects obtaining earlier connection.

National Grid has concluded that the most effective way to communicate and assess the progress of a project is to assess progress against a number of key objective project milestones that are agreed with the developers to reflect the nature of the project being constructed. The industry suggested we take a more robust approach where projects are failing to progress and National Grid consider that the use of milestones would be a good mechanism to achieve this. We do acknowledge however that the use of milestones in this way will be difficult in many ways.

National Grid's conclusion is that the existing contractual rights should be used to ensure the following User milestones are included where these are not already used in developer's agreements:

- Application for consents,
- Consents achieved,
- Power station main plant procured, and

- Construction commenced

Other, or alternate milestones, may also be added as appropriate to the project concerned. The milestones will be identified and agreed with the customer, some of these milestones will be taken from the appropriate CUSC application forms. National Grid considers that there would be benefit in working with the industry (e.g. via representative industry bodies such as the BWEA) and the relevant Licensees to determine appropriate typical and minimum timescales for User milestones so that they are set on a consistent and realistic basis.

Where key milestones are not met, and in the absence of an appropriate Modification Application from the User reflecting a revised construction programme, then the transmission construction work may be suspended (on the grounds that it would be inefficient to continue with the works where the User may not be able to complete their project). In such circumstances the provisions of clause 3 (Delays) of the CONSAG would apply. Work would only resume once a new construction programme had been agreed (i.e. following the developer's Modification Application and the acceptance of National Grid's subsequent Modification Offer).

5.3 Allowing Developers to Slip Project Completion Dates

Developers continue to approach National Grid about obtaining a later connection date. This is normally due to difficulties in obtaining planning consent, key procurement items or other similar milestone issues. These issues may be addressed by the management of milestones above but it is still likely that developers will seek to obtain later connection dates to avoid being caught by the milestones identified above. We are concerned that a continued flexible approach would be assisting certain developers to effectively "queue block" as it has the effect of sterilising capacity. We are therefore not going to issue offers for connection dates later than the current backstop to any developers where there are other developers that would benefit from the earlier connection slot. We feel that this approach will minimise any sterilised capacity. The use of extended quarterly reports mentioned earlier will facilitate this.

This approach is a move away from the more rigid approach set out in the Open Letter which we now consider would not be practical. We consider that some flexibility is necessary. Developers should be able to slip project completion dates so long as they retain a construction programme (based on milestones above) such that they can complete their works by the backstop date currently identified in their agreement. Where this cannot be achieved then National Grid has the right to terminate in the event that a User fails to meet the backstop date.

If projects are unable to progress by the backstop date then we would expect such projects to withdraw (i.e. terminate their agreement with us) and only apply again if they become confident in their ability to progress their project. Alternatively developers should sign a waiver that would have the effect of removing National Grid's obligations to provide a connection by the contracted date; once the developer was confident of their revised programme then a Modification Application would be submitted and would then be considered along with other ready, able and willing projects seeking earlier connection.

5.4 TEC Reduction Clause

For the Open Letter we developed a TEC reduction clause that we were considering introducing via a CUSC amendment. This was to ensure that the approach is applied on a consistent basis rather than applying it on a case by case basis as and when developers request amendments to their agreements. This clause will provide us

with express rights to reduce the capacity for projects that are not progressing as would be expected on the basis of their construction programme. This may be in conjunction with the above milestones or just applied to projects that are not to be progressing as a compliment to the existing termination provisions.

There were mixed responses to the proposal for a TEC reduction Clause. Clearly some respondents viewed it with considerable concern bordering on hostility. It was noted that the industry could set out its concerns to such a proposal via CUSC governance process. Others welcomed the approach – considering that if “hoarded” capacity could be released then others would be able to connect earlier. Further concern was expressed over the wording proposal.

Developers have explained the uncertainties that projects face from initial development, through to completion and National Grid accepts this but has concluded that a clear mechanism to deal with this issue would be useful. A phased approach is proposed and a CUSC Amendment Proposal has been introduced to the CUSC Panel on the following basis.

A capacity reduction clause to allow National Grid to reduce a User’s capacity (in the absence of an appropriate Modification Application) where it considers there are reasonable grounds to do so. The proposal allows for discussion with the developer prior to action being taken and for any changes to be referable to the Authority. It is envisaged that where information becomes available indicating a discrepancy between the contracted position (e.g. TEC = 80MW) and the status of a project (e.g. consent for only 50MW) that National Grid would request clarification from the developer. It is only where the requests for further information does not provide sufficient comfort to the Transmission Licensees that action to reduce the User’s capacity would then be initiated. For further information developers are requested to review the CUSC Amendment proposal CAP150.

5.5 Reductions of Capacity

The initial BETTA offers from National Grid reflected the pre BETTA aspirational capacity of many developers. In a few cases a reduction in capacity of a nominal amount will have little effect on the design of the scheme and related infrastructure. However, a few developers have approached us with requests to reduce the capacity by significant amounts that change the connection design and many associated works, often including substation location. National Grid’s initial view was that if such changes to a project are so significant that arguably it is in reality no longer the same project and its connection to or use of the GB transmission system may need to be assessed afresh as a new application.

National Grid now considers that there is a balance to be struck between seeking to encourage customers to accurately reflect their project’s needs (in terms of TEC and connection date) and adopting an approach that might dissuade them from providing accurate information. However because of the range of circumstances that will affect each project, National Grid has been unable to identify clear transparent and appropriate rules that could be applied to projects such that certain levels of reduction were treated in one manner while others were treated in a different manner. As a result projects reducing their capacity should do so via submission of a Modification Application. Each such request will be approached in the normal way with a Modification Offer being made in due course. Developers should be aware that they may potentially face “one off charges” in respect of any nugatory works.

In cases where the change in project size was such that a connection via the DNO might now be more economic than connection to the transmission system then National Grid would still use the above approach but would also seek to work with the relevant network Licensees to ensure that the overall connection solution was economic.

5.6 Contingent TEC Reduction Clause

Initial desktop analysis continues to indicated that there is a certain amount of capacity available ahead of Beaulieu-Denny but this is not available if certain projects due to connect ahead of Beaulieu-Denny actually materialise. Some of the pre-Beaulieu-Denny projects have yet to achieve planning consents or are facing other delays and as such they may be considered as very unlikely to proceed (or at least likely to suffer a significant delay). National Grid asked if developers would be interested in an early connection but that connection being subject to a TEC reduction clause (and then subject to short term TEC products as requested under CUSC and as available) that would only apply if the other (delayed) projects materialise?

An alternative version of this model was one where rather than being project specific National Grid could effectively move more projects forward than the size of gap indicates is available. In this approach the TEC reduction clause could reduce the capacity pro rata (potentially shared with consumers – so consumers face some risk of increased constraint costs) enabling projects to connect earlier.”

While there was considerable interest over such an arrangement there was concern over whether such an arrangement could be “banked”. National Grid considers that the use of such a strategy is in reality a form of short term or non-firm transmission access. Development of short term and non-firm access products would provide a transparent and consistent process by which projects could acquire access rights ahead of the transmission system reinforcements having been completed. As a result this issue should be considered as a “transmission access” issue and addressed in the Transmission Access Standing Group.

Rather than place the this type of risk on developers, National Grid is seeking to release capacity by the use of initiatives such as the capacity reduction clause. This coupled with active contract management should release permanent capacity for use by other developers.

5.7 Changing works in Agreements

There was a little confusion regarding this issue in the open letter. This point was aimed at scenarios where there are sequential works and a gap may be created by a developer withdrawing or reducing capacity. The question was focused on if that gap was on a major reinforcement then how should that gap be filled and what should be the process to fill that gap. National Grid has concluded that such gaps should be filled in the same manner as any gap with an early connection date.

5.8 Phasing of Connections

National Grid is aware of several developers building projects that have a TEC that is in excess of the capacity of their project. In some cases these projects are due to connect later this year. National Grid has in these cases actively encouraged the developers to phase or reduce their TEC (with any phasing being limited to the backstop date).

This hoarding of capacity means that we are unable to provide this spare capacity to other developers who would be able to use it. The phasing of capacity at a

connection should reflect the construction programme of the developer and should not be a last minute reaction to the realisation that TNUoS charges will be payable.

Going forward National Grid urges developers to request any phasing of their connections as early as possible to reflect their expected construction programme. Where developers have not done this prior to contracts being awarded for sole user works then any phasing will not be accommodated. Further, if the connection is within the timescales such that the existence of the project has been used for the calculation of TNUoS charges then the slippage would not be accommodated.

To provide these developers a final opportunity to phase their agreements National Grid will consider requests to phase completion dates of agreement regardless of impact (subject to the backstop date) as long as applications are received by 5pm on 6 July 2007.

Following the connection of a development where a project connects with a TEC greater than the physical capacity of development the User will not be allowed to trade any excess TEC (non physical TEC).

5.9 Change Amnesty

The changes set out in the initial open letter may have materially affected a number of projects so we raised the concept of a short amnesty period where developers could seek certain changes with no consequences in an attempt to give developers an opportunity to “come clean” on their projects. We asked the industry to consider how long a period should be and what changes should be allowed under such an amnesty. Whether, and what level of charge, should apply to such requests.”

There were very mixed respondent views, some supporting the use of an amnesty as a good way to encourage developers to amend their requirements (TEC, connection date etc). Other respondents considered that existing processes should be used (why should someone get a “free Modification Application”?).

National Grid has reflected on the points respondents have made and the final conclusions set out in this paper and its conclusion is no amnesty is to be introduced. Since the initial conclusions we have decided to give equal opportunity to all parties to move forward. Additionally, following the move to a flexible approach then consequences of a TEC change (e.g. termination charges or Final Sums) should not be covered by an amnesty.

National Grid will continue to consider the merits or otherwise of an amnesty and its scope however it remains highly unlikely.

6 INFORMATION PROVISION

6.1 Quarterly Reports

6.1.1 National Grid Quarterly Reports

National Grid sought to obtain the view of developers on the content of the National Grid quarterly reports and we requested developers to highlight where they considered improvements could be made or whether the frequency of these reports is correct.

Developers responded that the information provided in the quarterly reports did not have sufficient detail and many requested greater transparency. National Grid recognises that there are a number of areas where improvements in the information it provides to customers can be improved and so will work with the relevant

Transmission Licensees and its own construction team to ensure that all customers have the information they need to manage the risks deriving from transmission issues. Further analysis of the feasibility and benefits of providing this information to all customers via the internet site will be undertaken. Some of the areas where clarification has been requested are set out below:

- Project programme; a Gantt chart, or equivalent, style programme should be provided detailing consents application and progress, project hold points, forecast progress against actual etc. This programme requires the provision of a greater level of detail than that included in the Construction Agreement for the project.
- Status; Summary of actions undertaken, and outcome of such, in the preceding reporting period.
- Look-ahead; Summary of high level actions planned for the next reporting period.
- Financial exposure; detail of actual spend v forecast spend by the TO.
- Interaction; Status of reinforcement projects which have a direct impact on timescale, cost etc of project, e.g. projects affected by the various phases of the South West Scotland Renewables Connection Project.”

Further detail on this area will be provided in the guidance documentation and will also be followed up at the next User Seminar.

6.1.2 User Quarterly Reports

National Grid has concluded that the use of quarterly report templates is helpful. National Grid will issue guidance to the developers to ensure the information provided is consistent and that the developers understand the importance of the information provided. In particular, that the information in the quarterly reports will be used in assessing the ability of projects to make use of earlier connection opportunities.

Development of the template will continue (and National Grid welcomes continued comments on its scope and format) and the latest version will be provided to customers before the next quarterly report is due in July.

6.2 National Grid Milestones

The provision of timely and correct information is a key requirement for developers to make important decisions regarding their projects. We are seeking to provide this information where it is of value to developers and it does not place an undue burden on the Transmission Licensees.

National Grid has requested that the relevant Transmission Licensees review their milestones in light of comments received by developers and we have also requested them to provide up to date milestones to compliment the date slippages notified in December 2006. The relevant Transmission Licensees are currently looking at these developments but it is unlikely that complete information will be available until September 2007.

6.3 Market Information

This initiative has already begun with CAP145 and the up to date publication of Embedded Large Power Stations, Relevant Medium, and Relevant Small Power Stations. This will be complimented by a further CUSC amendment proposal that we have tabled, that will require National Grid to publish the works required to connect a developer as set out in the relevant construction agreements (CONSAGs).

In addition to this we are trying to link our data with other industry sources to give an overview picture in a single location.

In terms of information regarding transmission developments we are looking at data that provides a picture of the sequential nature of the reinforcements and the amount of capacity released by each reinforcement. Against each reinforcement, we are looking to display:

- the amount of contracted capacity that can connect when that reinforcement is complete (as set out in a User's H1 works), and
- the amount of capacity that requires that reinforcement (as set out in H2 of the CONSAG) plus other reinforcements (as set out in H1 of the CONSAG) that may be completed at a later date.

To show how the status of the contracted position changes over time we plan produce information that reflects the changes and we would welcome comments on which elements of this information is useful to the industry. The type of data we plan to provide includes:

- the volume of generation connected in the current year by relevant Transmission Licensee,
- the volume of generation contracted to connect in current and each future year, differentiated by consent / construction status and by relevant Transmission Licensee (table and graph), we may also provide tables showing the changes since last month,
- We will attempt to provide the data in a suitable format so that it would be possible to download it.

A number of framework changes that will assist in managing the queue have been identified and some of these will be progressed via the CUSC amendment process. These include publication of more information on projects and the works transmission reinforcements and providing National Grid with the ability to reduce a customer's access rights where these appear to be being hoarded.

6.4 Interim Generic User Commitment Methodology

National Grid is proposing to modify the Interim Generic User Commitment (IGUC) Methodology to amend the methodology so that it is applied on a compulsory basis. It is proposed that all new offers and any changes to existing agreements that require the provision of security utilise the IGUC Methodology.

The basis for the level of commitment set out in the IGUC methodology was calculated across a range of projects. Users' liabilities under the Final Sums arrangements were in some cases greater than, and in others less than, the level of User Commitment that would arise calculated in accordance with the IGUC Methodology. This was possible because consumers bear the risk that the sums secured by a User under the IGUC methodology are insufficient to cover the liabilities incurred by National Grid in providing the network infrastructure for that User's connection. Adoption of the methodology was made voluntary. However, currently the methodology is only being adopted by developers where its adoption reduces that User's liabilities. This current voluntary adoption policy on the methodology means that some projects are able to reduce their liabilities prior to termination by moving over to the IGUC methodology. This increases the risk that when termination occurs, the sums provided under the IGUC will be insufficient to meet the liabilities incurred.

To ensure that all developers face a consistent generic liability it is proposed that, in future, the methodology is applied on a compulsory basis:

- wherever a User seeks to change their existing construction agreement in any way, and
- to any relevant new applications.

National Grid is expecting to issue the consultation towards the end of July 2007 and the consultation will be open for responses for three weeks. Following this National Grid will issue a conclusions document and if applicable a revised Interim Generic User Commitment Methodology Statement.