



**DRAFT FOR JULY CUSC  
AMENDMENT PANEL  
MEETING**

This report has been drafted to cover 161,162,163 and 164, combined draft, this draft has **not** been agreed by the working group.

At the end of the WG process this report will be split in to separate reports, one for each CAP. The WG will agree the individual reports / consultation.

Draft 0.1 of the report focuses on WG1 activities. WG 3 are drafting the appropriate sections separately and these will be inserted in to a later draft.

Covering issues discussed up to the 8<sup>th</sup> July, circulated to WG 22 July 08

**WORKING GROUP REPORT**

**CUSC Amendment Proposal CAP[161 162 163 164]**

- [Transmission Access - System Operator Release of Short-term Entry Rights
- Transmission Access - Entry Overrun
- Transmission Access - Entry Capacity Sharing
- Transmission Access - Connect and Manage
- ]

**Transmission Access Review**

**Working Group 1**

**Prepared and agreed by the transmission access Working Group 1  
for submission to the Amendments Panel**

Amendment Ref	CAP[161 162 163 164]
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Prepared by	National Grid

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Name	Organisation
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## 1. SUMMARY AND RECOMMENDATIONS

### Executive Summary

1.1 CAP 161: Transmission Access - System Operator Release of Short-term Entry Rights seeks to

CAP 162: Transmission Access - Entry Overrun

CAP 163: Transmission Access - Entry Capacity Sharing

CAP 164: Transmission Access - Connect and Manage

*Short intro for each to be taken from the original proposal form]*

1.2 The CUSC Amendment Panel divided the work to assess CAP[161 162 163 164] between two working groups. Transmission Access Working Group 3 assessed common area between proposals CAP161 through to CAP166. Transmission Access Working Group 1 assessed the individual aspects of the each of the proposed amendments CAP 161 to 164. This report is specific to CAP16[1 2 3 4] and represents the [joint] output of the Working Group[s] 1 [and 3] and has been agreed by [both] the working group[s]. [draft v0.1 only covers WG1]

1.3 Implementation of any original or WGAA's would require consequential changes to other industry documents. The Working Group[s] has indicated in this report where [they/it] thinks change is required. The Working Group[s] [were /was] [jointly] tasked from the Transmission Charging Methodologies Forum to develop the consequential charging modifications. The details of all consequential changes will be the subject of separate assessment. National Grid is currently developing the charging arrangements, further detail of which can be found at:

*Charging pre consultation web address*

1.4 *Relationship to TAR and any other industry proposals*

*SQSS review*

*Incentives*

*A summary of other consequential changes*

1.5 *Interaction of proposals*

*CAP164 originally proposed as stand alone, although could be implemented with any of CAP161, 162, 163, 165*

*CAP161, 162, 163 and either 165 or 166 all mutually exclusive although benefits of individual mods greater when implemented along side each other.*

*CAP165 or 166*

## Working Group Recommendation

- 1.6 The Working Group[s] believe the Terms of Reference have been completed and CAP 16[ ] has been fully considered.

Therefore the working group recommends to the CUSC Panel that:

- A consultation report containing the above options should proceed to wider industry consultation as soon as possible.
- The Working Group Report is accepted by the CUSC Panel and the Working Group is disbanded.

*Subject to CAP160*

## 2. PURPOSE AND INTRODUCTION

- 2.1 This Report summarises the deliberations of the Working Group[s] and describes the Original CAP16[ ] Amendment Proposal [as well as the Working Group Alternatives]. *If the working group agree unanimously on a central model with no alternatives consider a joint consultation*
- 2.2 CAP16[ ] was proposed by National Grid Electricity Transmission and submitted to the Amendments Panel for their consideration on 25<sup>th</sup> April 2008. The recommendation by the proposer was that the assessment should be divided in to a number of working groups. This was agreed by the Panel.
- 2.3 Working Group [s] 1 [and 3] first met on xx May [and xx May respectively]. At the first meeting[s] the members of [each] [the] WG amended and agreed the Terms of Reference for [that][the] WG. A copy of the Terms of Reference for [both] [the] Working Group[s], subsequently accepted by the June CUSC Panel, are provided in Annex 3. The Working Group[s] also agreed a work plan, these are contained in Annex 4. The Working Group considered the issues raised by the Amendment Proposal and considered whether the amendment proposal [and the Working Group Alternative Alternatives] better facilitated the Applicable CUSC Objectives as compared with the current version of the CUSC. The Working Group met x times and attendance is recorded in Annex 5 for both working group 1 and 3. An number of alternates and experts attend the meetings and these are also included in Appendix 5.
- 2.4 This Working Group Report has been prepared in accordance with the Terms of the CUSC. An electronic copy can be found on the National Grid Website, [www.nationalgrid.com/uk/Electricity/Codes/](http://www.nationalgrid.com/uk/Electricity/Codes/), along with the Amendment Proposal Form.

## 3. PROPOSED AMENDMENT

[161]

- 3.1 The full text of the amendment is set out in Annex 6. CAP161 seeks to allow National Grid to release additional entry rights in operational timescales, 'the short term'. These "Short Term Entry Rights" would be released only when National Grid believes

- there is spare capacity, where spare capacity is defined in economic rather than physical terms as 'capacity for which the bid price exceeds the forecast buyback cost'.
- 3.2 National Grid would release short-term entry rights through auction(s). The mechanics of the auction established by the Working Group. The basic access right would be zonal with a duration that is set to best meet both User and System Operator requirements, to be by the Working Group. The additional rights are offered through auctions, possibly in a number of timescales.
  - 3.3 The construction of the reserve price, which does not form part of the CUSC, will be linked to the forecast cost and risk of releasing the short-term entry rights. Once granted, System Operator released short-term entry rights would generally confer the same right as any other entry access product (i.e. compensation if withdrawn). However, in order to maximise the potential volume offered consideration should be given to a codified buyback price. This would allow greater volumes at lower prices to be released.
  - 3.4 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.
  - 3.5 The original proposal indicates that there may be credit implications, these to be considered by the Working Group in accordance with the Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover.
  - 3.6 The original proposal included a strawman for a rolling weekly auction, releasing a weekly block of access in five weeks time.
- [162]
- 3.7 The full text of the amendment is set out in Annex 6. CAP162 seeks to create a commercial mechanism for dealing with export above existing entry access capacity holdings, "Entry Overrun".
  - 3.8 This 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), and subject to continued Grid Code compliance. The additional volume of entry access used above total entry access capacity holding would be 'Entry Overrun'.
  - 3.9 For the purposes of this amendment, it is suggested that the charging arrangements for Entry Overrun would establish charges related to the cost imposed through accommodating Entry Overrun i.e. a cost reflective charge, treating overrun as a service.
  - 3.10 The proposal highlighted credit implications with overrun. Depending on the pricing model and the volume of overrun, a generator could expose itself to large costs in a very short space of time. The credit implication would be considered by the Working Group, and any requirements included in the final drafting.

- 3.11 CAP162 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.

*[CAP163]*

- 3.12 The full text of the amendment is set out in Annex 6. CAP163 seeks to introduce a zonal access product, allowing Generators to connect without wider system access rights and facilitating intra zonal access sharing between Generators on a 1:1 basis via "Entry Capacity Sharing".
- 3.13 A local only application will allow users to become connected and begin to operate before any 'wider' reinforcement works are completed. The definition of 'local' was not included in the proposal, leaving this to be agreed with the working group. However the proposer, National Grid, suggested that 'local' works would be those that facilitated the efficient exchange of entry rights between users within a zone on a 1:1 basis and facilitated users gaining access to the wider system rights through other products (redistributed long-term rights or additional short-term rights).
- 3.14 Zonal access rights will establish transmission access rights on a zonal rather than nodal level. This will be achieved by monitoring / settling access on a zonal company level. Therefore zonal access rights will implicitly introduce intra zonal access sharing on a 1:1 basis for an individual user. "Entry Capacity Sharing" will also extend this concept of sharing to multiple users. It is envisaged that a new Zonal Definition Methodology would be established and govern the definition of the zones. These zones would be applicable across all zonal products and associated charges. Moving to a zonal rather than nodal access regime has the potential to create additional constraints; the analysis in the assessment phase will seek to quantify this.
- 3.15 The process for notifying National Grid of Entry Capacity Sharing arrangements between users was to be considered and agreed by the Working Group. The original proposal highlighted a number of possible models, such as: codifying the sharing through a new CUSC form (ex ante); notifying explicit transfer of rights ex ante; or ex post notification of transferred access rights.

*[CAP164]*

- 3.16 The full text of the amendment is set out in Annex 6. CAP164 seeks to provide Generators who wish to connect to the system with a fixed date for receiving TEC. This date, the 'TEC effective date', will be the later of the completion of "local" transmission works or an agreed fixed lead time. The fixed lead time will be discussed and agreed in the amendment assessment stage and codified in the CUSC. Initial options are 3 years (aligns with planning restrictions in Scotland); or 4 years (more consistent with historic performance of providing reinforcements).
- 3.17 The TEC effective date will be subject to 'force majeure' provisions as currently defined in the CUSC.
- 3.18 The request for a TEC effective date is optional, and is made at the time of application. All types of generation seeking TEC can request a TEC effective date.

Following the initial offer, the TEC effective date can only be changed through a modification application; and if both the Generator and the Company agree, and other CUSC parties are not unduly affected.

- 3.19 The definition of 'local' works was left to the Working Group to consider and agree i.e. how 'deep' and what the consequences of such a definition would be.
- 3.20 Although not part of the CUSC, it is proposed that TEC granted with a TEC effective date be charged on the same principle as existing TEC, which is long-term incremental investment based (including any changes to local charging arrangements consistent with the changing principles). The Working Group will investigate the benefits assisted with Carbon which will serve to justify such an approach under charging and the acceptance in the CUSC.
- 3.21 There is a symmetrical obligation associated with the guarantee of a TEC date. This requires the generator to pay TNUoS charges for a minimum period irrespective of readiness of the generator to physically connect, subject to force majeure. The minimum period, will be agreed in the assessment of the proposal, to ensure equitable risk between other users and the connectee. This is intended to encourage the generator to apply only when consents have been granted i.e. for the purposes of this, force majeure excludes planning.

#### **4. SUMMARY OF WORKING GROUP DISCUSSIONS**

*Need to agree if this is jointly from WG 1 and 3 or WG1 with assistance from WG3, drafted with WG3 as a sub group*

- 4.1 Working Group 1 ('the Working Group' met x times, the first meeting took place on 13<sup>th</sup> May 2008. Working group 3 ('the enabling sub group') met y times, the first meeting took place on 12<sup>th</sup> May. The representation at each group meeting is provided in Annex 5 to the report.
- 4.2 At the first meeting of the working group the interaction with charging methodologies was discussed. National Grid indicated that it expected to use the working group to develop charging changes in parallel to the development and assessment of the CUSC modifications. This will facilitate both CUSC and charging changes to be consulted on at approximately the same time.
- 4.3 The minutes and presentation of the Working Group meetings are available on the CUSC web site:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/>

#### **WG1 discussion on CAP161 – SO release**

- 4.4 To facilitate discussion the original proposal included a straw man which National Grid presented<sup>1</sup> at the first meeting. The main aspects of the model are:
  - o Zonal access, tradable once granted
  - o Duration of the product is one week
  - o Users would apply 5 weeks in advance

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<sup>1</sup> <http://www.nationalgrid.com/NR/rdonlyres/0482ED98-20BD-47DE-8CB9-D09547D11316/26512/SOreleaseProduct100609.pdf>

- The application would be firm, committed to buy at offered price
  - National Grid would have a week to process applications and confirm results
  - National Grid would not release a reserve price or volume
  - National Grid would release rights if it was economical to do so i.e. it would over allocate access subject to the forecast cost to accommodate that access
  - Pay as bid
- 4.5 The working group acknowledged that appropriate SO incentives would be fundamental in delivering a workable product. Whilst incentives are not directly a CUSC issue, given the impact on SO release the working group did discuss the interaction of incentives and revenue flows (see section xx below).
- 4.6 National Grid clarified that when it released original rights it was not removing existing parties TEC rights. On the day National Grid would accommodate any shortage caused by the release of additional access through locational trades or through BM activity (which is locational). It was acknowledged that this was a form of facilitated trade between the existing TEC holder and the party receiving access through SO release.
- 4.7 WG members were interested in exploring a number of varying characteristics:
- Buy back price
  - Varying timescales of release and product duration
  - Greater transparency
  - Fixed volumes and prices on offer

National Grid accepted that all of the above characteristics could be developed. In developing the proposal National Grid had considered although not all had been incorporated mainly due to the complexity it added to the assessment of bids and impact on existing processes; concern about releasing information to the market that could increase balancing costs; and the inefficiency created through allocating zonal capacity prior to an auction

#### **Buy back in SO release**

- 4.8 Buy back had been mentioned in the original proposal as an option for the working group to consider. National Grid indicated that a buy back would mitigate some risk and therefore may allow it to release greater volumes depending on the structure of the buy back mechanism. Either National Grid could set the buy back or it could be part of the tender process. The dynamics of a buy back would make the release assessment much more complicated i.e. a lower priced offer would be more acceptable if it had a lower price buy back.
- 4.9 The working group..... *concluded*

#### **Timescales for SO release**

- 4.10 In the original proposal National Grid indicated it was for the working group to agree timescales for the product and the auction process. The original straw man was National Grid's initial preferred option that avoided significant changes to operational existing processes resources required. If any other proposals were suggested the implications would be assessed and the working group could discuss and agree if any proposed timescales should be further developed.

- 4.11 National Grid was particularly concerned that processes and resources would need to be put in place and developed that may never actually be used. Therefore preferred to put in place a simple process initially that could be further developed if demand existed. Working group member considered that National Grid resources should not unduly limit the scope of the proposal. A further concern was that in the longer term there were many more uncertainties. Five weeks was chosen as it was shortly after OC2 data was received through the grid code that was generally considered as becoming more reliable. It was noted that OC 2 data provided to National Grid was not firm.
- 4.12 The working group were interested in developing a longer term and a closer to real time straw man. The long-term straw man, CLDTEC, is discussed below as it is a derivative of the existing SO release products. The closer to real time straw man was developed with the working group.
- 4.13 It was discussed that National Grid resources should not limit the offer of this service closer to real time; this should be treated as a cost and implementation issue and covered in the cost benefit. It was queried whether this product was tradable, National Grid confirmed that the intention was that it would be tradable, subject to trading arrangements within the CUSC.
- 4.14 In summary there appeared to be a number of competing areas for an SO release model: Lead time and risk management – who commits first (generator or SO) and when? Duration – single product of a weekly block (concatenated if required) or a variety of blocks (up to 12 months)? Allocation – first come first served or through some form of auction (blind or varying degrees of information made available in advance, although not necessarily firm).

#### **Impact on existing short term products, LDTEC and STTEC**

- 4.15 National Grid indicated that it believed the existing products should be removed. They were rarely used and appear to have been introduced for very specific circumstances. Their continued existence in the code would detract away from SO release which is intended to be more flexible. Removing these legacy products would make the code more efficient and simpler. Whilst some members of the working group agreed that LDTEC and STTEC should be removed, other believed that their continued existence would not cause a problem.
- 4.16 In discussing the strawman presented in the original proposal (something missing?!). The working group considered a number of different SO release straw man options, ranging from a product that could extend out to a year through to a day ahead product. Should a product with this time range be chosen by the WG, as allowed for in the original proposal, the working group considered that LDTEC and STTEC [should be removed / remain in the code and be removed at a future date through a specific amendment proposal].

#### **CLDTEC**

- 4.17 Another product, based on LDTEC up to a year, and known as “CLDTEC”<sup>2</sup>, was discussed by the working group. The main characteristics of the product are
- CUSC form application
    - Maximum price prepared to pay
    - Maximum capacity requested

<sup>2</sup> <http://www.nationalgrid.com/NR/rdonlyres/A002FD71-D79D-41D1-8884-964D191C17B4/26733/CLdtec12.pdf>

- Minimum capacity acceptable
  - First come first served
  - The SO would have similar assessment times to LDTEC
  - The offer from the SO to Users is firm for 1 day
  - Firm at the point of acceptance for the period
  - Duration: between 7 weeks and 1 year
  - The SO could profile the volume on offer
  - The charge would be associated with the offer
  - The product would be zonal access and thus tradable
- 4.18 This model is an evolution of the existing LDTEC type product, called C-LDTEC. A Generator would apply for access for any period from 7 weeks up to 12 months, similar to the LDTEC application process. The assessment period for National Grid would be variable depending on the duration requested. National Grid would have flexibility to return a profiled capability, avoiding the need to reject the whole application. National Grid would indicate the cost to the Generator after assessment; the Generator would then choose whether to accept the offer. It was suggested that this first come first served model is suited to a transmission access given the limited liquidity. The product is tradable, subject to current or future trading provisions in the CUSC, and so could not be technology based.
- 4.19 The working group discussed that constraints and therefore the volume and price of additional access was related to boundaries rather zones. However, zones are being used as they provide a simpler process for trading. National Grid indicated that publishing volumes prior to an auction would require the SO to make major assumption; ultimately this would lead to a less efficient outcome.
- 4.20 The original straw man proposal by National Grid limited the assumptions made by the SO and required Generators to 'discover' volume and price. An alternative approach to this would be to provide Industry with more information prior to it bidding i.e. National Grid publishes available volume and possibly even a reserve price. National Grid reiterated that volumes between the zones interact, and so in order to publish capabilities significant assumption were required. The group considered whether more information could be available on system capability which would assist with Generator bidding, particularly for spare capacity. National Grid noted that to a greater or lesser degree that system capacity would only be known in real time. System capacity is not just related to system availability but also displacement and operation both generation and demand. In any event SO release was economic spare capacity rather than physical spare capacity i.e. it include capacity that could be facilitated through SO arbitrage. The working group discussed that making more information available may not be useful to all players, e.g. this may disadvantage small players.
- 4.21 While greater transparency may have advantages it was noted it would also be of value to a Generator seeking to profit from scarcity of access. Ofgem noted that whilst they have powers to deal with abuse, these were not envisaged to be used regularly and so proposals should not deliberately create inappropriate incentives.
- 4.22 National Grid confirmed that SO release allocation did not remove or take access from existing holders. Existing users would still be free to sell access and this was an important counter to National Grid pricing. It was asked if the two types of SO release could co-exist. National Grid indicated that at this stage it would prefer to focus on a single solution; however this could include some features that were more flexible. It was recognised that SO release interacts strongly with bilateral trading, however

some members of the working group indicated it would be preferable to keep SO release as a separate.

4.23 It was also noted that a reserve price may be useful in managing revenue surpluses.

4.24 In summary there appeared to be a number of competing areas for an SO release model: Lead time and risk management – who commits first (generator or SO) and when? Duration – single product of a weekly block (concatenated if required) or a variety of blocks (up to 12 months)? Allocation – first come first served or through some form of auction (blind or varying degrees of information made available in advance, although not necessarily firm).

**Close to real time release**

4.25 The working group were concerned that five weeks before real time was a considerable period. In order to understand the issues of releasing access closure to real time National Grid presented possible day ahead strawman.....

4.26 .....

**Summary of straw men**

	5 weeks ahead	CLDTEC	Close to real time
Lead time			
Product duration			
Application and allocation			
Risk management			

4.27 The working group discussed the various characteristics of the above straw man and agreed .....

*Note sure if the following section should come before or after the CLDTEC and Short term product, or it should be the discussion on the agreed way forward (if there is one) 4.28 down to 4.45*

**The auction process**

4.28 The working group

**Temporal definition of the product(s)**

4.29 All of the products discussed, apart from day ahead, would be sold in blocks of a set period, of one week. The longer term product would be a made up of a bundle of weekly access (priced weekly). This does not restrict the users from sub dividing the access in accordance with trading arrangements in the CUSC once granted.

4.30 It was also noted that the process may be better aligned with the settlement timescales of 0500 to 0500 and also with OC2 Wednesday to Wednesday. It was noted that payment before start was interactive with security requirements.

4.31 The day ahead product would be [a 24 hour product starting at 0500 the next day to 0500 the following day.]

**Transparency of information required before and after auction**

4.32 Many members of the working group expressed concern with the apparent lack of transparency of the original proposal. National Grid indicated that the volume on offer was not limited as it was a right rather than physical capacity (i.e. National Grid based the volume and pricing on operational costs).

4.33 Fixing the volume prior to the auction process would restrict the efficiency of release as the volumes release and the boundary capabilities were non linearly interactive. This would force the SO to be overly conservative. In terms of the price, this is largely based on the spread of bids and offers National Grid expected on the day. National Grid believed it would be inappropriate to influence the market price by publishing what it thought it could resolve a constraint for. Such information could be used to enhance regional market power, which in practice was very hard to establish. It was noted if extra restriction only bidding practices were introduced or users fixed prices earlier then it may be more reasonable to release more information. Some member felt that the potential abuse issue was overplayed and an issue for Ofgem and not the SO. Ofgem noted that whilst they have powers to deal with abuse, these were not envisaged to be used regularly and so proposals should not deliberately create inappropriate incentives.

**The process for recording contractual holding or access rights**

4.34 The working group

**The payment process [assuming pay as bid is not a charging issue]**

4.35 The working group

**Requirement for and implications of any restrictions to the product e.g. a buyback price cap**

4.36 The working group considered the merits of a buy back cap. National Grid indicated that such restrictions would enable it to release more access as this mitigated some of the risk. It was also noted that buy back could be offered on a voluntary basis.

4.37 A buy back price could be offer by a generator or set by National Grid. The working group considered that.....

**Ensuring that the arrangements do not unduly discriminate against any particular plant type or range of plant types**

4.38 The working group

**Consistency with European regulations**

4.39 The working group

**The need for a short term baseline for zonal release**

4.40 The working group

**Economic release criterion**

4.41 National Grid indicated that the original proposal was based on the principle that the users would bid for access and that the SO would accept the most economic bids and include it in the background. The SO would move on to the next bid, and so on. This

process would continue until the point at which the price offered did not cover the forecast cost of accepting the bid.

- 4.42 Members of the working group noted that such a process maximised auction revenue and not access released. National Grid indicated that it believed the process maximised the benefit for consumers from releasing access, which retaining a reasonable risk margin. In assessing the bids National Grid would assume that the access could be transferred anywhere within the zone. It was noted that the zonal nature of the product also restricted the volume of access National Grid could release.
- 4.43 National Grid noted that the risk profile increased further from real time and the five weeks had been chosen as a pragmatic time which balanced the volume and the price which National Grid could release whilst maximising access based on a relatively fixed outage plan and a reasonable assumption about grid code availability submissions. Closer to real time there is not any firmer information from generators until gate closure, therefore the risk profile remained reasonably flat until very close to gate closure. It was accepted that other influencing factors, such as plant failure and demand, did reduce as timescales approached real time. National Grid indicated that the most significant factor in costing and volume of release was generator pricing.
- 4.44 It was discussed that there could be different objective functions in releasing capacity. For example, to clear the highest bid first, or alternatively to take all bids providing that the overall SO costs were covered. In these examples it was noted that whilst the volume was greater in the second example there was a form of cross subsidy and the value of the access was reduced. It was noted that a buy back feature would complicate the assessment of bids.
- 4.45 It also discussed whether the auction could be two way, i.e. users bidding in access as well as bidding for access. The central function would then optimise the trade between users and release additional capacity. Concern was expressed that this approach confused SO release and bilateral trading

#### **Application process and impact on bilateral agreements for short-term access**

- 4.46 The working group

#### **The impact on System Operator costs, internal and external**

- 4.47 The working group

#### **Revenue flows and SO incentives**

- 4.48 The working group

#### **A cost benefit analysis, including market impacts and the cost of carbon<sup>3</sup>**

- 4.49 The working group

#### **Efficient investment signals [generation, transmission & interconnectors]**

- 4.50 The working group

#### **Definitions, including the interaction with other codes and methodologies**

- 4.51 The working group

<sup>3</sup> Taken account of Ofgem guidance with respect to:  
<http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20objectives%20letter%20-%20final%20for%20external%20publication.pdf> (note link to CUSC WG established on carbon analysis)

- Offshore arrangements**  
4.52 The working group
- Applicability to embedded generation**  
4.53 The working group
- Credit and security requirement implications**  
4.54 The working group
- Impact on the demand (exit) arrangements**  
4.55 The working group
- Overall revenue recovery (TNUoS, BSUoS and other charges)**  
4.56 The working group
- Impact assessment on all users and licensees**  
4.57 The working group
- The CUSC linkages to the charging methodologies**  
4.58 The working group
- Impact of short term access on existing CUSC Parties long term rights**  
4.59 The working group
- Impact on Security of Supply**  
4.60 The working group
- Impact on Maintenance of the Reliability, Safety & Operation of the Grid**  
4.61 The working group
- Limiting participation to physical players**  
4.62 The working group
- WG1 discussion on CAP162 – Overrun**  
4.63 The working group recognised that the main issue with overrun would be the charging methodology. Allowing parties to exceed capacity holding had a number of impacts on other processes with the CUSC and framework documents.
- Local allocation and physical asset capability limits**  
4.64 [WG3]
- Interaction with the provision of Balancing Services (including services such as frequency response, MaxGen Service and black start)**  
4.65 National Grid's original assumption was that all bids and offers would also need to be exposed to overrun. In the case of bids this is because overrun parties do not have access so should not have compensation from payments for removal of access. In the case of offers National Grid suggested that if overrunning parties did not face access overrun they would effectively be provided with an advantage in the BM over parties who had purchase access rights. Relaxation of this principle would have negative effect on competition and ramifications for all services provided to the SO. Whilst most of the group accepted this point, concern was expressed that under

emergency conditions it may not be appropriate to limit provision of additional plant through access charging.

- 4.66 The working group agreed that for emergency instructions (as defined in the Grid Code), that access rights should be deemed as granted with the instruction. It was recognised that with much more flexible access the need for MaxGen may actually reduce.

**Settlement process, including resolution of settlement (e.g. half hour)**

- 4.67 The proposal is that access settlement should be carried out on a half hourly basis. The working group agreed. Although there may be sub half hour issues these effectively existed now with TEC and so should not be viewed as a barrier in themselves. Changing to a sub half hour regime would have extremely significant implications for Settlement metering process, and is unlikely to be justified.

**Lessons learnt from (and interaction with) cashout in the BSC**

- 4.68 The working group

**Ensuring that the arrangements do not unduly discriminate against any particular plant type or range of plant types**

- 4.69 The working group

**Additional information transparency**

- 4.70 The working group

**Application process and impact on bilateral agreements for short-term access**

- 4.71 The working group

**The impact on System Operator costs, internal and external**

- 4.72 The working group

**A cost benefit analysis, including market impacts and the cost of carbon<sup>4</sup>**

- 4.73 The working group

**Efficient investment signals [generation, transmission & interconnectors]**

- 4.74 The working group

**Definitions, including the interaction with other codes and methodologies  
Offshore arrangements**

- 4.75 The working group

**Applicability to embedded generation**

- 4.76 The working group

**Credit and security requirement implications**

- 4.77 The working group

**Impact on the demand (exit) arrangements**

- 4.78 The working group

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<sup>4</sup> Taken account of Ofgem guidance with respect to:  
<http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20objectives%20letter%20-%20final%20for%20external%20publication.pdf> (note link to CUSC WG established on carbon analysis)

- Overall revenue recovery (TNUoS, BSUoS and other charges)**
- 4.79 The working group
- Impact assessment on all users and licensees**
- 4.80 The working group
- The CUSC linkages to the charging methodologies**
- 4.81 The working group
- Impact of short term access on existing CUSC Parties long term rights**
- 4.82 The working group
- Impact on Security of Supply**
- 4.83 The working group
- Impact on Maintenance of the Reliability, Safety & Operation of the Grid**
- 4.84 The working group
- Limiting participation to physical players**
- 4.85 The working group
- WG1 discussion on CAP163**
- 4.86 WG3 focused on the definition of local and definition of a zonal access right and WG1 focused on the process for notifying sharing. Under the TCMF, WG3 also dealt with most of the charging issues associated with CAP163, such as local charging and charging of the residual. Those aspects of WG3 work that relates to CAP163 are contained [ in Section 4 below / in Annex [x].
- Notification process**
- 4.87 National Grid presented three options for notifying access sharing agreements:
- o Codified,
  - o ex ante and
  - o ex post.
- 4.88 It was recognised that sharing is ultimately a trade between two parties, the codified approach seeks to formalise the arrangements between the parties and so minimise the interface required with National Grid and the short term transaction costs. The ex-ante and ex-post arrangements are essentially trades notified in different timescales.
- 4.89 It was suggested for the ex ante and ex post options that a central system could facilitate the trades between parties, also notifying the SO and managing the financial risks associated with trades. It was also suggested that the SO could offer access in to this central market, thereby facilitating SO release. Furthermore the SO could remove access from the market through the central system. The advantage for the SO would be that the central system is anonymous, thereby limiting the opportunity for market abuse. While National Grid did not need to know before the event who had access, individual generators would need to agree between themselves before gate closure.
- 4.90 The group discussed the interaction between sharing and overrun at length. The key issue from the discussion was that a Generator could not practically 'back off' licence obligations. So without overrun, when output above contracted access level

represented licence breach, the value of sharing was significant limited. Overrun addressed this by making output above contracted level a commercial issue. It was noted that the breach provisions of the CUSC could be amended in some way to address the breach issue should overrun not be introduced in parallel.

- 4.91 In the context of ex post notification, in an overrun model a Generator would be managing exposure, without overrun the Generator would be a distressed buyer given the consequences (breach). This would place access holders ('the donor') in a very strong position and possibly create or exacerbate a market power issues. From a process perspective ex post notification made little difference to the SO apart from possibly delaying the production of overrun costs, however from a participant behaviour position it could have significant downsides. Ex post notification interacted with production of overrun costs, depending on the overrun model it may delay calculation.
- 4.92 As volumes were traded post event a small number of remaining parties could face increasing costs as a result of not trading, depending on the overrun pricing model. Divorcing the access product in the BM could create some negative incentives, and further consideration was required as to how ex post trading impacts on constraint actions in the [GBSO] Control Room. For example, when the SO constrains a party off to facilitate overrun, the constrained off party can further benefit from selling its access to a party overrunning, suggesting that bids from the [GBSO] control may need to explicitly remove access rather than just adjusting the output.
- 4.93 In terms of timescales it was questioned how useful a short period of ex post notification would actually be, given the need for parties to manage a trade and the interaction with metered flows. Some members of the group expressed concern that the disadvantages of ex post trading outweighed the potentially small incremental benefit providing parties with further flexibility. In terms of a transaction fee, the general view was this should be avoided subject to the proportionality of the variable cost it introduced.
- 4.94 Further issues highlighted were:  
what happens if the notification process fails?
- 4.95 Then working group discussed how under a codified approach National Grid would be able to identify who was responsible for overrun, the lead party or the donor? National Grid's indicated that this would be derived from rule in the 'code'. It was envisaged that the code would contain a hierarchy such as: if party A 'the donor' is not using it, party B receives it. It could be a fixed amount or a variable amount. The intention was that the parties avoided notifying National Grid of the exact holding at any time and so had maximum flexibility on use close to real time. It was noted that this issue was similar to the reallocation process in the BSC.
- 4.96 Single notification by the donor (or exchange) was considered reasonable. It was suggested parties would require a notification confirmation (possibly to both parties), although at least to the donor. The minimum time for ex ante notification could be right up to gate closure, to ensure alignment with contracted and PNs. Systems should also be capable of allowing notification up to 7 days in advance, and these could be changed by counter notification. The expectation is that all trades (volumes, donor, recipient & period) would be published soon after real time. The minimum trade period would be ½ hour.

**Open sharing model**

- 4.97 An alternative, previously discussed at TASG was presented<sup>5</sup> to the working group, open sharing model. In this model existing parties would release unused access to the system operator at the commoditised long run price, the system operator would then reallocate this access. The key to this model is that the parties releasing access and receiving access have no relationship, the trade is facilitated through the system operator, and the trade price is cost not value. It was noted that in negative zones users would have to pay to give up unused capacity. The WG was mindful that access is not generally restricted in these negative zones. If generators could trade access at value in advance this model becomes the last chance trade at a default rate - UIoLI with an administered payment if the access is taken up.

**Summary of options**

Criteria	Codified	Ex ante	Ex post	Open
<b>Timescales</b>				

The working group agreed

**The transition arrangements for moving towards a sharing product**

- 4.98 The working group

**Breach issues detail and options**

- 4.99 The working group

**Application process and impact on bilateral agreements for short-term access**

- 4.100 The working group

**The impact on System Operator costs, internal and external**

- 4.101 [WG3]

**A cost benefit analysis, including market impacts and the cost of carbon<sup>6</sup>**

- 4.102 The working group

<sup>5</sup> <http://www.nationalgrid.com/NR/rdonlyres/D99361C9-F96E-4B58-8B5F-AD7AE3B6C404/26732/Opensharing23062008.pdf>

<sup>6</sup> Taken account of Ofgem guidance with respect to: <http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20objectives%20letter%20-%20final%20for%20external%20publication.pdf> (note link to CUSC WG established on carbon analysis)

**Efficient investment signals [generation, transmission & interconnectors]**  
4.103 The working group

**Definitions, including the interaction with other codes and methodologies**  
4.104 The working group

**Offshore arrangements**  
4.105 The working group

**Applicability to embedded generation**  
4.106 The working group

**Credit and security requirement implications**  
4.107 The working group

**Impact on the demand (exit) arrangements**  
4.108 The working group

**Overall revenue recovery (TNUoS, BSUoS and other charges)**  
4.109 The working group

**Impact assessment on all users and licensees**  
4.110 The working group

**The CUSC linkages to the charging methodologies**  
4.111 The working group

**Impact of short term access on existing CUSC Parties long term rights**  
4.112 The working group

**Impact on Security of Supply**  
4.113 The working group

**Impact on Maintenance of the Reliability, Safety & Operation of the Grid**  
4.114 The working group

**Limiting participation to physical players**  
4.115 The working group

***WG1 discussion on CAP164***

4.116 The working group agreed that the main issue with CAP164 was the justification for socialisation of additional costs that are expected to occur. The working group agreed to set up a sub groups to discuss this process for carbon costing in detail. The subgroup presented an agreed process<sup>7</sup>.

4.117 National Grid carried out the process agreed by the WG, the results are discussed.....

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<sup>7</sup> <http://www.nationalgrid.com/NR/rdonlyres/B3F2D152-B064-4DDC-B0F0-BE218A3F31AC/27048/Suggestedprocessforcarboncostanalysisfinal.pdf>

- 4.118 During the assessment phase the Regulatory Impact Assessment for CAP 148, Deemed access for renewables, was published. The WG.....

#### **Eligibility criteria**

- 4.119 The WG also set up a sub group to confirm eligibility criteria for CAP164. In summary this working group proposed:

- 4.120 The sub group report is available at:  
Web address

The WG...

#### **The lead time for connection**

- 4.121 The working group discussed the lead time for fixed access. It was understood that under CAP148 3 years was proposed as an equitable balance between risk to consumers users and the delay for the generator. The CAP 148 alternatives also had a four year lead time. This was based on the average connection time being approximately 4 years, so limiting the cost to just major consenting issues.
- 4.122 The working group discusses the lead time and agreed ...

#### **Consider the transparency of bilateral changes to the connection date, including consideration of pre-defined circumstances by which this would be possible**

- 4.123 The working group

#### **The appropriateness of the symmetry in rights and obligations**

- 4.124 The working group

#### **The transition arrangements for existing contracts**

- 4.125 The working group

#### **Interaction with other short term products**

- 4.126 The working group

#### **Application process and impact on bilateral agreements for short-term access**

- 4.127 The working group

#### **The impact on System Operator costs, internal and external**

- 4.128 The working group

#### **A cost benefit analysis, including market impacts and the cost of carbon<sup>8</sup>**

- 4.129 The working group

#### **Efficient investment signals [generation, transmission & interconnectors]**

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<sup>8</sup> Taken account of Ofgem guidance with respect to:  
<http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20objectives%20letter%20-%20final%20for%20external%20publication.pdf> ( note link to CUSC WG established on carbon analysis)

4.130 The working group

**Definitions, including the interaction with other codes and methodologies**

4.131 The working group

**Offshore arrangements**

4.132 The working group

**Applicability to embedded generation**

4.133 The working group

**Credit and security requirement implications**

4.134 The working group

**Impact on the demand (exit) arrangements**

4.135 The working group

**Overall revenue recovery (TNUoS, BSUoS and other charges)**

4.136 The working group

**Impact assessment on all users and licensees**

4.137 The working group

**The CUSC linkages to the charging methodologies**

4.138 The working group

**Impact of short term access on existing CUSC Parties long term rights**

4.139 The working group

**Impact on Security of Supply**

4.140 The working group

**Impact on Maintenance of the Reliability, Safety & Operation of the Grid**

4.141 The working group

**Limiting participation to physical players**

4.142 The working group

4.143 [WG3 discussion to be inserted by WG3 for Cap161, 162 and 163 reports]

- Zonal access rights
- Local only applications
- Zoning criteria
- Local asset charging
- Residual charging
- Credit requirements for TNUoS charges based on a kWh element.

## 5. WORKING GROUP ALTERNATIVE AMENDMENTS

5.1 Following the assessment discussion summarised above, members considered possible Working Group Alternative Amendments (WGAA). The

5.2 .

## 6. ASSESSMENT AGAINST APPLICABLE CUSC OBJECTIVES

6.1 The Assessment against Applicable CUSC Objectives by the working group is summarised below:

6.2 Efficient Discharge of Licence Obligations:

6.3 Facilitation of Competition:

## 7. PROPOSED IMPLEMENTATION AND TRANSITION

7.1 The Working Group proposes that if approved by Ofgem CAP148 Original or the WGAA's should be implemented [from April 1<sup>st</sup> 2010] subject to the timescales for implementation of any consequential changes to the Grid Code, SQSS and any other documents. It is envisaged that the use of system charging changes could be progressed after approval of CAP16[1/2/3/4], if appropriate, by the Authority for implementation [from April 1<sup>st</sup> 2010] (application fees would need to be agreed prior to application, National Grid indicated these would default to a TEC application fee if no action was taken).

7.2 The provisions would not be implemented retrospectively.

### Interim measures

7.3 In recognition of the Final TAR report the working group proposed that the following measures could be implemented to deliver benefits prior to the introduction ...

### Transition

7.4 In order to facilitate implementation in the above timescales the following.

## 8. IMPACT ON THE CUSC

8.1 The text required to give effect to the original and WGAA xx is contained in annex yy

- o Impact on bilateral agreements (BCA, BEGAs, CONSAG, Offers etc.)

8.2

## 9. IMPACT ON INDUSTRY DOCUMENTS

### Impact on Core Industry Documents

9.1 Grid Code: CAP 16[ ]

9.2 STC: Cap 16[ ]

9.3 BSC: Cap16[ ]

9.4 SQSS: CAP 16 [ ]

**Impact on other Industry Documents**

[161]

9.5 Charging Statements:9.6 Impact on Licences:9.7 Balancing Principles Statement (BPS) & Procurement Guidelines (PGS):9.8 DCUSC & Distribution Code:

[CAP162]

9.9 Charging Statements:9.10 Impact on Licences:9.11 Balancing Principles Statement (BPS) & Procurement Guidelines (PGS):9.12 DCUSC & Distribution Code:

[CAP163]

9.13 Charging Statements:9.14 Impact on Licences:9.15 Balancing Principles Statement (BPS) & Procurement Guidelines (PGS):9.16 DCUSC & Distribution Code:

[CAP164]

9.17 Charging Statements: *The original proposal is based on retaining the existing charging principles, i.e. the parties who gain earlier access are treated, for the purposes of charging, no differently to any other connected party of the same class.*

9.18 Impact on Licences: *CAP 164 original may require changes to National Grid's Licence and to the Transmission Licensees' Licences. . The impact on C17, transmission system security standard and quality of service, is noted above....*

9.19 Balancing Principles Statement (BPS) & Procurement Guidelines (PGS): *None expected[, unless the volume of parties connected accelerated to the extend that existing processes and assumption no longer held.]*

9.20 DCUSC & Distribution Code:  
None expected.

**Impact on computing systems**

- o Impact on computing systems, central and individual CUSC party

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## **ANNEX 1 – GLOSSARY AND ACRONYMS**

NOT USED

{Suspect we are going to need this!!}

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## ANNEX 2 – PROPOSED LEGAL TEXT TO MODIFY THE CUSC

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## **ANNEX 3 – WORKING GROUP TERMS OF REFERENCE AND MEMBERSHIP**

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## Working Group Terms of Reference and Membership

### TERMS OF REFERENCE FOR CAP161-164 WORKING GROUP 'ACCESS WORKING GROUP 1'

#### RESPONSIBILITIES

- 4 The Working Group is responsible for assisting the CUSC Amendments Panel in the evaluation of CUSC Amendment Proposals CAP161, 162, 163 and 164 tabled by National Grid at the Amendments Panel meeting on 25<sup>th</sup> April 2008.
- 5 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.
- 6 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

- 7 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.
- 8 In addition to the overriding requirement of paragraph 4, the Working Group shall consider and report on the following specific issues:
  - o Impact on bilateral agreements (BCA, BEGAs, CONSAG, Offers etc.)
  - o Impact on core industry documents and other documents (incl. Transmission Licence)
  - o Impact on computing systems, central and individual CUSC party
  - o Application process and impact on bilateral agreements for short-term access
  - o Implementation and transition requirements, including timescales
  - o The impact on System Operator costs, internal and external
  - o A cost benefit analysis, including market impacts and the cost of carbon<sup>9</sup>

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<sup>9</sup> Taken account of Ofgem guidance with respect to:  
<http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Code%20objectives%20letter%20-%20final%20for%20external%20publication.pdf> (note link to CUSC WG established on carbon analysis)

- Efficient investment signals [generation, transmission & interconnectors]
  - Definitions, including the interaction with other codes and methodologies
  - Offshore arrangements
  - Applicability to embedded generation
  - Credit and security requirement implications
  - Impact on the demand (exit) arrangements
  - Overall revenue recovery (TNUoS, BSUoS and other charges)
  - Impact assessment on all users and licensees
  - The CUSC linkages to the charging methodologies
  - Impact of short term access on existing CUSC Parties long term rights
  - Impact on Security of Supply
  - Impact on Maintenance of the Reliability, Safety & Operation of the Grid
  - Limiting participation to physical players
- 5a. For CAP161, System Operator Release of Short-term Entry Rights, the working group shall also consider and report on the following specific issues:
- Impact on existing short term products, LDTEC and STTEC
  - The auction process
  - Temporal definition of the product(s)
  - Transparency of information required before and after auction
  - The process for recording contractual holding or access rights
  - The payment process [assuming pay as bid is not a charging issue]
  - Requirement for and implications of any restrictions to the product e.g. a buyback price cap
  - Ensuring that the arrangements do not unduly discriminate against any particular plant type or range of plant types
  - Consistency with European regulations
  - The need for a short term baseline for zonal release
  - Economic release criterion
  - Who should run the auction
- 5b. For CAP162, Entry Overrun, the working group shall also consider and report on the following specific issues:
- Local allocation and physical asset capability limits
  - Interaction with the provision of Balancing Services (including services such as frequency response, MaxGen Service and black start)
  - Settlement process, including resolution of settlement (e.g. half hour)
  - Lessons learnt from (and interaction with) cashout in the BSC
  - Ensuring that the arrangements do not unduly discriminate against any particular plant type or range of plant types
  - Additional information transparency
- 5c. For CAP163, Entry Capacity Sharing, the working group shall also consider and report on the following specific issues:
- The notification process
  - The transition arrangements for moving towards a sharing product

- 5d For CAP164, Connect and Manage, the working group shall also consider and report on the following specific issues:
- The lead time for connection
  - Consider the transparency of bilateral changes to the connection date, including consideration of pre-defined circumstances by which this would be possible
  - The appropriateness of the symmetry in rights and obligations
  - The transition arrangements for existing contracts
  - Interaction with other short term products
- 5e This working group shall have a sub group, to be known as “Access Working Group 3”. The Terms of Reference for Access Working Group 3 shall be agreed by the Amendments Panel and shall include the consideration of a number of enabling changes, principally:
- Zonal access rights
  - Local only applications
  - Zoning criteria
  - Local asset charging
  - Residual charging
  - Credit requirements for TNUoS charges based on a kWh element.
- 9 The Working Group is responsible for the formulation and evaluation of any Working Group Alternative Amendments (WGAAs) 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.
- 10 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.
- 11 There is an obligation on the Working Group Members to propose the minimum number of Working Group Alternatives where possible.
- 12 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.

- 13 The Working Group is to submit their final report to the CUSC Panel Secretary on **17<sup>th</sup> July 2008** for circulation to Panel Members. The conclusions will be presented to the CUSC Panel meeting on **25 July 2008**.

#### MEMBERSHIP

- 14 It is recommended that the Working Group has the following members:

Chair	Hêdd Roberts (National Grid)
National Grid	Patrick Hynes (Proposer)
Industry Representatives	James Anderson
	Bob Brown
	Graeme Cooper
	Tony Diccico
	Richard Ford
	Garth Graham
	Paul Jones
	Simon Lord
	Paul Mott
	Rekha Patel
	Rob Rome
	Tim Russell
	Helen Snodin
Merel van der Neut Kolfshoten	
Barbara Vest	
Authority Representative	David Hunt
Technical Secretary	Kathryn Sorrell
	Jeremy Caplin (Technical Advisor)
	STC (Technical Advisor)

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

- 15 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 CAP161, 162, 163 and 164 is that at least 5 Working Group members must participate in a meeting for quorum to be met.
- 16 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. Working Group Members will be given not less than five business days notice of the meeting at which the vote will take place. The results from the vote shall be recorded in the Working Group Report.
- 17 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.

- 18 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.
- 19 The membership can be amended from time to time by the CUSC Amendments Panel.
- 20 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.
- 21 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

- 22 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 Chair should contact the CUSC Panel Secretary.
- 23 Where the Working Group requires instruction, clarification or guidance from the Amendments Panel, particularly in relation to their Scope of Work, the Working Group Chair should contact the CUSC Panel Secretary.
- 24 The working group shall maintain a register of assumptions and issues, which shall be published and reported to the Amendments Panel and other Transmission Access working groups on a regular basis.

#### MEETINGS

- 25 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.
- 26 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

- 27 The Working Group Chair shall prepare final reports to the **25<sup>th</sup> July** Amendments Panel responding to the matter set out in the Terms of Reference.
- 28 A draft Working Group report will be produced individually for each of CAP161, 162, 163 and 164. Each draft working group report will include the relevant information from Access Working Group 3.
- 29 A draft Working Group Report must be circulated to Working Group members with not less than five business days given for comments.
- 30 Any unresolved comments within the Working Group must be reflected in the final Working Group Report.
- 31 The Working Group Chair (or another Working Group member nominated by him) will present the Working Group report to the Amendments Panel as required.

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## ANNEX 4 – Work plans of working group

The work plan was agreed and updated as the assessment progressed. The final version is provided below. This provides an overview of the issues discussed.

Working group 1

***For discussion at meeting 6. Based on 'bottom up' assessment of outstanding work. Subject to Ofgem agreeing an extension at CUSC Panel***

### **Meeting 1: Introduction and Work Plan**

- Presentation of the CUSC amendments and Charging Methodology modifications
- CUSC Panel and TCMF minutes
- Questions & points of clarity
- Discussion of ToR
- Discussion of the defect identified
- Discuss and agree scope of analysis required
- Agree future work plan & scope of analysis

### **Meeting 2: Charging arrangements for overrun 28<sup>th</sup> May NGH**

- Targeted costs:
  - Simplified approach
  - Short-run average cost
  - Short-run marginal cost
- Socialised costs: Justification against CUSC objectives
- Socialised costs: Eligibility criteria
- Revenue Flows
- Consideration of constraint costs and carbon savings

### **Meeting 3: Allocation of SO released short-term access rights and sharing 10<sup>th</sup> June Elxon**

- Developments from previous meeting
  - Discuss analysis
  - Draft legal text
- Short-term access product definition
  - Temporal definition
  - Consideration of floored bid price
- Auction process
  - Timescales
  - Transparency
  - Basis of allocation (cost-benefit analysis, etc.)
- Impact on BSUoS charges (including consideration of revenue recovery from generation)

### **Meeting 4: Alternatives, Wider implications & Implementation 23 June NGH**

- Developments from previous meeting
- Alternatives for SO release
- Sharing notification arrangements
  - Codified
  - Ex ante
  - Ex post
- 

### **Meeting 5: 8<sup>th</sup> July AEP**

- Presentation of findings contained in TAR final report
- Sub-group report: Carbon costing principles and assumptions
- Sub-group report: Development of average cost pricing model for overrun

**Meeting 6: 18<sup>th</sup> July NGH**

- Introduction of marginal cost pricing model for overrun
- Revenue flows associated with short-term access
- Recap of sharing notification options
- Further development of SO release of short-term rights process (including transparency issues)
- Identification and discussion of alternative amendments

**Meeting 7: 6 August AEP**

- Sub-group report: Development of marginal cost and simple overrun pricing models
- Assessment of overrun pricing methodologies against applicable objectives
- Assessment of SO release of short-term rights process against applicable objectives
- Further development of sharing notification arrangements (including estimate of IS impact)
- Identification and discussion of alternative amendments
- Impact on core industry documents (Grid Code, BSC, STC)
- Impact on other documents (SQSS, licence)
- Impact on systems (pricing, settlement, etc.)

**Meeting 8: 20 August NGH**

- Sub-group report: Connect & manage eligibility criteria
- Presentation of carbon costing and constraint cost analysis
- Cost-benefit analysis of CUSC amendments and Charging Methodology modifications
- Assessment of Connect & manage against applicable objectives
- Identification and discussion of alternative amendments
- Discuss and agree working group report and legal text
- Implementation
- Transition issues

**Meeting 9: 3 September AEP**

- Assessment of sharing arrangements against applicable objectives
- Discuss and agree working group report and legal text

CAP160 rejected: Working Group Report submitted to 26 September CUSC Panel meeting (18 September).

CAP160 approved: Working Group consultation document published by 18 September (to allow for 4 week consultation and time for Working Group to consider responses prior to October CUSC Panel meeting (31 October).

**Working group 3**

**ANNEX 5 RECORD OF REPRESENTATION AT MEETINGS**

**Working group 1**

	13 May	28 May	10 June	23 June	8 July	18 July
<b>Members</b>						
James Anderson	✓	✓	✓	✓	6	
Bob Brown	✓	✓	✓	✓	✓	
Graeme Cooper		✓		✓	✓	
Tony Diccico	✓	1	✓	✓	✓	
Richard Ford	✓	✓	✓	✓	✓	
Garth Graham	✓	✓	✓	✓	✓	
Paul Jones	✓	✓	✓	✓	✓	
Simon Lord	✓	2	✓	✓	✓	
Paul Mott	✓		✓	✓	✓	
Rekha Patel	✓	✓	✓		✓	
Rob Rome	✓	✓	✓	✓	✓	
Tim Russell	✓	✓		✓	✓	
Helen Snodin	✓	3	✓	✓	✓	
Merel van der Neut Kolfshoten	✓	4	✓	✓	✓	
Barbara Vest	✓	✓	5	✓	✓	
Patrick Hynes	✓	✓	✓	✓		
Hêdd Roberts (Chair)	✓	✓	✓	✓	✓	
Kathryn Sorrell (Tec Sec)	✓	✓	✓			

<b>Alternates / Observers / Experts</b>						
	13 May	28 May	10 June	23 June	8 July	18 July
Jeremy Caplin (NG)	✓	✓	✓	✓		
David Hunt (Ofgem)		✓	✓	✓	✓	
Deborah MacPherson (STC)	✓	✓		✓	✓	
Min Zhu (Ofgem)	✓					
Brian Taylor (NG)	✓					
Andy Rimmer		2				
Fiona Navesey		4				
Dennis Timmins		1				
Nigel Scott		3				
Ian Moss			5	✓	✓	
Emma Luckhurst						
Stuart Cook (Ofgem)					✓	
Gerry Hoggan					6	
Paul Hurlock (National Grid)					✓	

**Working group 2**

DRAFT

**ANNEX 6 – AMENDMENT PROPOSAL FORM**