

The National Grid Company plc

**Use of System Charging Methodology
Modification Proposal**

UoSCM-M-02

**Update Modification to The Statement of the Use of
System Charging Methodology and Statement of Use
of System Charges**

19 September 2001

Table of Contents

EXECUTIVE SUMMARY	1
Outline of Proposed Modification	1
UoSCM-M-02 (a)	1
UoSCM-M-02 (b)	3
1. INTRODUCTION	4
2. BACKGROUND TO THE ISSUES	4
3. EXPLANATION OF THE ISSUES	4
4. PROPOSED MODIFICATIONS	4
Proposed Changes to the Use of System Charging Methodology	4
Proposed Changes to the Statement of the Use of System Charging Methodology	4
Proposed Changes to the Statement of Use of System Charges	5
Indicative Impact on the Use of System Charges	5
Impacts on Other Industry Documents	5
5. RESPONSES TO THIS CONSULTATION	5

Executive Summary

This paper sets out for consultation National Grid's proposed modification to Statement of Use of System Charges and the Statement of the Use of System Charging Methodology to make them materially correct.

Outline of Proposed Modification

UoSCM-M-02 (a)

Description of proposed modification To update the terminology in the Statement of Use of System Charges and the Statement of the Use of System Charging Methodology in line with the new Standard Licence Conditions (electricity & gas) which come in to effect on 1 October 2001.
Explanation of the issue To replace the wording "Licence Condition 10A" with "Licence Condition C7A" and add the "Utility Act 2000" were relevant.
Justification for proposed modification To make the Statement of Use of System Charges and the Statement of the Use of System Charging Methodology materially correct.
Suggested alternatives None
Implementation date 1 October 2001
Proposed changes to the Statement of the Use of System Charging Methodology <u>About this Document, paragraph 3:</u> "This document has been published by NGC in accordance with Condition 40A- C7A of NGC's Transmission Licence and its form has been approved by the Gas and Electricity Markets Authority (the Authority)." <u>General Introduction, title changed on page 1 to:</u> " Licence Condition 10 Obligations Licence Condition Objectives " <u>General Introduction, page 1, paragraph 1 :</u> "The Use of System Charging Methodology, has the following objectives as set out in Licence Condition 40A- C7A which requires:" <u>Glossary page 74, paragraph 1:</u> "The following definitions are intended to assist the reader's understanding of this document. In the event of conflict with definitions given elsewhere, those used in the

Electricity Act 1989 *(as amended by the Utility Act 2000)*.....”

Proposed changes to the Statement of Use of System Charges

Foreword, second paragraph:

“This document is part of a new suite of documents that replace the Licence Condition 10 Statements of Charges that NGC has previously published on an annual basis. This statement is published in accordance with the new Licence Condition 40-C7 of NGC’s Transmission Licence.”

About This Document, last paragraph:

“The document has been published by NGC in accordance with Condition 40-C7 of NGC’s Transmission Licence and it is approved by the Gas and Electricity Markets Authority (the Authority).”

Transmission System, page 2, paragraph 3:

“The provision, operation and maintenance of the transmission system are the main functions of NGC. These activities are conducted within the provisions of the Electricity Act 1989, *as amended by the Utility Act 2000*, and the Transmission Licence.”

NGC’s Licence Obligations, page 2, paragraph 1:

“As the holder of the Transmission Licence for England and Wales, NGC is required by the Electricity Act 1989, *as amended by the Utility Act 2000*, to develop and maintain.....”

Impacts on existing Use of System charges

None.

Impacts on other Industry Documents

None.

UoSCM-M-02 (b)

<p>Description of proposed modification</p> <p>To update terminology in Statement of Use of System Charges and the Statement of the Use of System Charging Methodology in line with the PES split in to separate supply and distribution licences.</p>
<p>Explanation of the issue</p> <p>The Utilities Act 2000 means that the supply and distribution activities of the PES companies shall be separated as 1 October 2000. The term PES will no longer be accurate and has to be updated to Licensed Supplier.</p>
<p>Justification for proposed modification</p> <p>To make Statement of Use of System Charges and the Statement of the Use of System Charging Methodology materially correct.</p>
<p>Suggested alternatives</p> <p>None.</p>
<p>Implementation date</p> <p>1 October 2001</p>
<p>Proposed changes to the Statement of the Use of System Charging Methodology</p> <p>Amend in Glossary: "Supplier: <i>a holder of an electricity supply licence</i>"</p>
<p>Proposed changes to the Statement of Use of System Charges</p> <p>None.</p>
<p>Impacts on existing Use of System charges</p> <p>None.</p>
<p>Impacts on other Industry Documents</p> <p>None.</p>

1. Introduction

National Grid is obliged under the Transmission Licence:

- (i) to make revisions to the Charging Statements in order that the information set out in these statements shall continue to be accurate in all material respects;
- (ii) to keep the Use of System Charging Methodology at all times under review;
- (iii) to make such modifications of the Use of System Charging Methodology as may be requisite for the purpose of better achieving the relevant objectives, which are:
 - a. to facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
 - b. to result in charges which reflect, as far as reasonably practicable, the costs incurred by National Grid in its Transmission Business; and
 - c. to take account of the developments in National Grid's Transmission Business.

Before making a modification to the Use of System Charging Methodology, National Grid is also required by the Transmission Licence to consult with CUSC Users on the proposed modification and allow them a period of not less than 28 days within which to make written representations. The Authority can consent to a shorter consultation period.

The purpose of this document is to set out for consultation National Grid's proposal to update the Statement of Use of the System Charges and the Statement of the Use of System Charging Methodology.

2. Background to the Issues

See details in each of the individual modifications in the Executive Summary.

3. Explanation of the Issues

See details in each of the individual modifications in the Executive Summary.

4. Proposed Modifications

Proposed Changes to the Use of System Charging Methodology

The Use of System Charging Methodology is not affected by the modification.

Proposed Changes to the Statement of the Use of System Charging Methodology

It is proposed that the Statement of the Use of System Charging Methodology be modified as indicated in the Executive Summary.

Proposed Changes to the Statement of Use of System Charges

It is proposed that Statement of Use of System Charges be modified as indicated in the Executive Summary.

Indicative Impact on the Use of System Charges

None.

Impacts on Other Industry Documents

None.

5. Responses to this Consultation

Comments and views are invited on all the issues raised in this consultation document. In order that your comments and views are included in National Grid's report to the Authority, responses must be received by **25 September 2001**. If you wish to provide comments on this review, then responses are welcome via e-mail to:

Min.zhu@uk.ngrid.com

Or alternatively, written comments may be addressed to:

Min Zhu
Senior Charging Analyst
Commercial and System Strategy
The National Grid Company plc
Kirby Corner Road
Coventry
CV4 8JY

If you have further queries, please do not hesitate to contact Min Zhu on: **02476 423076**.