

**The National Grid Company plc**

**Use of System Charging Methodology**

**Report on:**

**UoSCM-M-01**

**Clarification Modification to  
The Statement of the Use of System Charging Methodology  
&  
The Statement of Use of System Charges**

26 September 2001

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## 1. INTRODUCTION

Paper UoSCM-M-01 set out for consultation National Grid's proposed modification to the Statement of the Use of System Charging Methodology (Issue 1.0 Revision 0) to improve its accuracy and clarity, as obliged under paragraph LC10(8) of the Transmission Licence.

Ofgem has requested that National Grid follow a consultation process for these changes. The Authority has directed National Grid to consult CUSC Users on the proposed modification and allow them a period of not less than seven days within which to make written representations. The consultation process ran from 19-25 September 2001.

Following the consultation period, this report sets out Users' responses to the proposed Modification to the Statement of the Use of System Charging Methodology (Issue 1.0 Revision 0) and the Statement of Use of System Charges (Issue 1.0 Revision 0) and the changes to the proposal resulting from those responses.

Subject to the Authority's power to veto this modification proposal, National Grid intends to make the changes to the Statement of the Use of System Charging Methodology (Issue 1.0 Revision 0) and the Statement of Use of System Charges (Issue 1.0 Revision 0) for implementation on **1 October 2001**.

## 2. Terms Of The Original Proposed Modification

### UoSCM-M-01 (a)

<b>Description of proposed modification to the Use of System Charging Methodology</b>
None
<b>Explanation of the issue</b>
To clarify the parties liable for Supplier demand charges, within the UoS Charging Methodology Statement. The current description of parties liable for "charges for Supplier demand" is over complex.
<b>Justification for proposed modification</b>
To improve clarity of the Statement.
<b>Suggested alternatives</b>
None.
<b>Implementation date</b>
Effective from 1 October 2001.
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>
Page 20, Paragraphs 4.1 and 4.2 <del>"For the purpose of this section Trading Units that are liable for Transmission Network Use of System Demand Charges are termed Suppliers.</del>  Licensed Parties that form Trading Units that contain <b>The Lead Party of a Supplier</b> BM Units that are classed as consumption are <b>is</b> liable for demand charges <b>for the Trading Unit it belongs to</b> . For the purposes of this document we have defined the above parties as Suppliers. <b>Appendix TN-5: Classification of parties for charging purposes and what Transmission Network Use of System charges they will be liable for</b> provides an illustration, for information purposes, of how a party is classified and <b>for</b> what charges they will be liable for.
<b>Proposed changes to the Statement of Use of System Charges</b>
None.
<b>Impacts on existing Use of System charges</b>
None.
<b>Impacts on other Industry Documents</b>
None.

**UoSCM-M-01 (b)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>
None
<b>Explanation of the issue</b>
To clarify the rules regarding generators' liability for demand charges. The current description of the liability does not explain that where generators import over Triad, it is the average import over the three settlement periods of the Triad that forms the basis of the demand charges.
<b>Justification for proposed modification</b>
To improve clarity of the Statement.
<b>Suggested alternatives</b>
None.
<b>Implementation date</b>
Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>
Page 23, Paragraph 5.4 "If a Trading Unit is a net importer during any Settlement Period of the Triad then the BM Units within it will also be liable for Transmission Network Use of System Demand charges for that <b>the average</b> import <b>over the Triad</b> . The only exception to this criteria <b>criterion</b> is if the Trading Unit is comprised solely of the Station Load of a Licensed Power Station and that the Power Station is a net exporter at the Triad. For the avoidance of doubt, if the Power Station is a net importer at Triad it will be liable for Transmission Network Use of System Demand Charges."
<b>Proposed changes to the Statement of Use of System Charges</b>
None.
<b>Impacts on existing Use of System charges</b>
None.
<b>Impacts on other Industry Documents</b>
None.

**UoSCM-M-01 (c)**

<p><b>Description of proposed modification to the Use of System Charging Methodology</b></p> <p>None</p>
<p><b>Explanation of the issue</b></p> <p>To clarify the definition of the Chargeable Generation Capacity for negative charging zones. The current description of the Chargeable Generation Capacity for negative charging zones omits the fact that the comparison of the maximum Generation Capacity and metered output is done separately for each of the three settlement periods and before being averaged.</p>
<p><b>Justification for proposed modification</b></p> <p>To improve clarity of the Statement.</p>
<p><b>Suggested alternatives</b></p> <p>None.</p>
<p><b>Implementation date</b></p> <p>Effective from 1 October 2001</p>
<p><b>Proposed changes to the Statement of the Use of System Charging Methodology</b></p> <p>Page 24, Paragraph 5.9 "Chargeable Generation Capacity for negative charging zones is <b>the average of:</b> the lower of,</p> <ul style="list-style-type: none"><li>i.) The sum of the highest Generation Capacity submitted for settlement purposes for each BM Unit within the Trading Unit from the beginning of April until the end of February for that Financial Year; and</li><li>ii.) The sum of BM Unit Metered Volumes (<math>3Q_{m_{ij}}</math>) for each BM Unit within the Trading Unit (converted to average capacity over the half hour, i.e. volume divided by 0.5 hour);</li></ul> <p>during <b>for each of the three settlement periods described below.</b></p> <p>The three settlement periods <del>that</del> are those of the highest <math>3Q_{m_{ij}}</math> and the two half hour settlement periods of the next highest <math>3Q_{m_{ij}}</math> which are separated from the highest <math>3Q_{m_{ij}}</math> and each other by at least 10 clear days between November 2001 and February 2002 inclusive. These settlement periods do not have to coincide with the Triad."</p>
<p><b>Proposed changes to the Statement of Use of System Charges</b></p> <p>None.</p>

<b>Impacts on existing Use of System charges</b> None.
<b>Impacts on other Industry Documents</b> None.

**UoSCM-M-01 (d)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>
None
<b>Explanation of the issue</b>
To clarify the capping of the useable Triad Benefit. There is a need to clarify that the total useable Triad Benefit for a Supplier is limited to its total demand charge liability. The capping of Triad Benefit is applied consistently to all modes of Triad Trading (both CVA and SVA). The current wording describing the rules for Triad Trading for SVA registered Licence Exemptable Generators need to be made clearer to avoid any confusion.
<b>Justification for proposed modification</b>
To improve clarity of the Statement.
<b>Suggested alternatives</b>
None.
<b>Implementation date</b>
Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>
Page 27, Paragraph 5.30 "The output of generators not registered as BM Units will have already been accounted for in the Supplier(s) demand figures upon which NGC Transmission Network Use of System Demand charges are based; <del>therefore no further adjustments will take place.</del> <i>For avoidance of doubt, if the Triad Benefit resulting from the total output of the generators (whether or not registered as separate BM Units) belonging to a Trading Unit exceeds the total TNUoS demand charge for the Supplier BM Unit in the same Trading Unit, then the residual will be disregarded.</i> There is nothing in these arrangements that precludes Suppliers and Generators from establishing contracts that enable the separate trading of energy and Triad benefits. These contracts can be facilitated through the Triad Trading Code of Practice. Further details on the Code of Practice are available from the <b>Charging Team.</b> "
<b>Proposed changes to the Statement of Use of System Charges</b>
None.
<b>Impacts on existing Use of System charges</b>
None.

**Impacts on other Industry Documents**

None.

**UoSCM-M-01 (e)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>
None
<b>Explanation of the issue</b>
To correct typographic errors in Transport Model example.
<b>Justification for proposed modification</b>
To improve accuracy of the Statement.
<b>Suggested alternatives</b>
None.
<b>Implementation date</b>
Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>
Page 38, Paragraph (ii) "sum the generation <b>demand</b> weighted nodal shadow cost to give a zonal figure. For zone 8- <del>12</del> this is shown in the above table and is <del>-261.39km</del> <b>261.39km</b> ."
<b>Proposed changes to the Statement of Use of System Charges</b>
None.
<b>Impacts on existing Use of System charges</b>
None.
<b>Impacts on other Industry Documents</b>
None.

**UoSCM-M-01 (f)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>  None
<b>Explanation of the issue</b>  To correct typographic errors in figures for Bpext. Figures shown are in £,000s. Need to add three zeros at the end.
<b>Justification for proposed modification</b>  To improve accuracy of the Statement.
<b>Suggested alternatives</b>  None.
<b>Implementation date</b>  Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>  Page 52, Table 4, second column <b>Bpext</b> £358,500,000 £471,000,000 £0 £500,000,000 £625,000,000
<b>Proposed changes to the Statement of Use of System Charges</b>  None.
<b>Impacts on existing Use of System charges</b>  None.
<b>Impacts on other Industry Documents</b>  None.

**UoSCM-M-01 (g)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>  None
<b>Explanation of the issue</b>  To correct typographic errors in units shown for FSOINT in BSUoS example. No need for £k in title.
<b>Justification for proposed modification</b>  To improve accuracy of the Statement.
<b>Suggested alternatives</b>  None.
<b>Implementation date</b>  Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>  Page 62, Table BS2, first column. <b>FSOINT (<del>£k</del>)</b> FSOINT < £50,000k FSOINT = £50,000k FSOINT > £50,000K
<b>Proposed changes to the Statement of Use of System Charges</b>  None.
<b>Impacts on existing Use of System charges</b>  None.
<b>Impacts on other Industry Documents</b>  None.

**UoSCM-M-01 (h)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>
None
<b>Explanation of the issue</b>
To correct the erroneous reference to MCUSA in the introductory text of Glossary. Change MCUSA to CUSC.
<b>Justification for proposed modification</b>
To improve accuracy of the Statement.
<b>Suggested alternatives</b>
None.
<b>Implementation date</b>
Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>
Page 74, first paragraph. "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, Transmission Licence, Grid Code, Balancing and Settlement Code and Master Connection and Use of System Agreement Code take precedence."
<b>Proposed changes to the Statement of Use of System Charges</b>
None.
<b>Impacts on existing Use of System charges</b>
None.
<b>Impacts on other Industry Documents</b>
None.

**UoSCM-M-01 (i)**

<b>Description of proposed modification to the Use of System Charging Methodology</b>  None
<b>Explanation of the issue</b>  To correct typographic errors in figures for Bpext in the Statement of Use of System Charges. Figures shown are in £,000s. Need to add three zeros at the end.
<b>Justification for proposed modification</b>  To improve accuracy of the Statement.
<b>Suggested alternatives</b>  None.
<b>Implementation date</b>  Effective from 1 October 2001
<b>Proposed changes to the Statement of the Use of System Charging Methodology</b>  None.
<b>Proposed changes to the Statement of Use of System Charges</b>  Page 12, Table of Incentivised External SO Costs, second column. <b>Bpext</b> £358,500,000 £471,000,000 £0 £500,000,000 £625,000,000
<b>Impacts on existing Use of System charges</b>  None.
<b>Impacts on other Industry Documents</b>  None.

### **Proposed Changes to the Use of System Charging Methodology**

The Use of System Charging Methodology is not affected by these modifications.

### **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 (Issue 1.0 Revision 0) be modified as indicated above.

### **Proposed Changes to the Statement of Use of System Charges**

It is proposed that the Statement of Use of System Charges (Issue 1.0 Revision 0) be modified as indicated above.

### **Indicative Impact on the Use of System Charges**

None.

### **Impacts on Other Industry Documents**

None.

### 3. RESPONSES TO THE MODIFICATION PROPOSAL

Comments and views were invited on all the issues raised in the Modification Proposal up to 25 September 2001.

National Grid has received one response on this Modification Proposal:

#### Slough Energy Supplies Ltd

UoSCM-M-01(d)

This proposed modification should not be allowed to proceed:

- 1.It restricts the ability of Licence Exemptable generators to freely conclude contracts
- 2.It is contrary to the proposals of Mod P7
- 3.The approval of Mod P7 means that an alternative CUSC mod is preferable
- 4.CUSC mod M-03 does not fully replace this Mod since it has a later implementation date.
- 5.CUSC mod M-03 is still preferable to this mod.

#### British Energy

Further to the above consultation documents issued in respect of the above proposed modifications, British Energy are pleased to advise that having reviewed the proposals, it is clear that there is no material effect on the UoS Charging Methodology and therefore charges to NGC customers, and therefore we have no substantive objections to the proposals going forward for approval by the Authority.

However, we note that there are a number of 'Process' issues which arise from these proposals which require clarification for future proposal modifications:-

- We note the separate email of 19th September "Charging Statement Modifications Issued" (letter from Richard Court) in which the much reduced timetable for consultation is outlined as 'agreed by Ofgem.' It would be helpful if such information is also published on the relevant NGC 'information microsite' in the future in the event of variations to the 28-day consultation period for the avoidance of any doubt.
- We note too that of the three proposed modifications listed under M-01 and M-02, the 'Justification for the proposed modification' is to make the relevant documents 'materially correct.' We think therefore that there is a need to clarify the basis upon which these fairly minor changes are to be made and provide a distinction between NGC's licence requirement to make '**revisions**' to the Charging Statements to keep them "accurate in all material respects" and '**modifications**' which are subject to significantly increased, albeit largely subjective and undefined, criteria to satisfy (the "better" meet/achieve hurdles)

Perhaps there is merit in defining a distinction and therefore a separate 'revision' route?

#### **4. CHANGES TO THE PROPOSAL IN LIGHT OF REPRESENTATIONS MADE**

##### **UoSCM-M-01 (a)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

##### **UoSCM-M-01 (b)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

##### **UoSCM-M-01 (c)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

##### **UoSCM-M-01 (d)**

As with all the other items in UoSCM-M-01, item (d) seeks to clarify, not to modify, the existing rule of limiting the maximum useable Triad Benefit in a Trading Unit to the demand charge liability in that Trading Unit. This rule is consistently applied for all Triad Benefits generated by Licence Exemptable Generators, no matter whether CVA or SVA registered.

The BSC Modification P7 would change the rules on Trading Unit configuration. Its aim is to maximise the useable embedded benefits, including the Triad Benefit, under the existing limits for a Trading Unit, rather than to change these limits. After the approval of BSC Modification P7, the same principle of limiting the maximum useable Triad Benefit within a Trading Unit is to be maintained.

For the avoidance of doubt, there is no CUSC modification relating to this modification to the BSC. However, there is a proposed modification to the Use of System Charging Methodology, UoSCM-M-03 (which we assume is the "CUSC mod M-03" referred to by Slough Energy Suppliers Ltd), the subject of which is to devise new rules for allocating the Triad Benefit within a Trading Unit.

It is clear, therefore, UoSCM-M-01(d) is independent of BSC Modification P7 and UoSCM-M-03, neither of the latter two serving to modify, contradict, or replace the principle that UoSCM-M-01 seeks to clarify.

We believe that the originally proposed text clarifying the unchanged principle is still necessary and therefore propose not to make any changes to it.

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

##### **UoSCM-M-01 (e)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

#### **UoSCM-M-01 (f)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

#### **UoSCM-M-01 (g)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

#### **UoSCM-M-01 (h)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

#### **UoSCM-M-01 (i)**

In the light of the responses received, National Grid does not intend to make any changes to the Modification Proposal.

### **Consideration of responses**

In relation to the comments raised regarding the process for these "clarification" modifications to the Charging Statements:

The Modifications page of the Charging web-site shows the timetable for all live modifications. In normal circumstances we would expect the default timetable of 28 days consultation to apply. When a shorter time-scale is required, we will endeavour to inform Users either at the TCMF or through the notification of the modification. The web-site shows reports of the TCMF meetings and any presentations made for those who cannot attend.

Ofgem have requested that National Grid follow a similar consultation process for changes to the Charging Statements (clarifications / updates) as that which we are required to follow for changes to the charging methodologies (i.e. underlying principles and methods). This is not strictly required under the Transmission Licence. However, following this process allows Users to see and comment on all changes that are to be made to the Charging Statements even those which are not affecting the charges or the principles and methods behind their calculation. For example, we would assume Users may have comments on the form of the words used in clarifications to ensure they are understandable to all.

The four issued modifications UoSCM-M-01, UoSCM-M-02, CCM-M-01 and CCM-M-02 are all clarification/updates to the Charging Statements and none of them are modifications to the underlying charging methodology. Hence the Relevant Objectives are not relevant.

We appreciate this may cause confusion and we will endeavour to make it clearer in future reports which are "clarifications" to the Statements and which are "modifications" to the charging methodologies to better meet the Relevant Objectives in the licence. This perhaps could be initiated by a different naming and numbering convention.

In future, we will name these type of changes to the Statements as "clarifications" with numbering as follows:

**UoSCM-C-xx**            **For clarifications/updates to the Statement of the Use of System Charging Methodology**

**CCM-C-xx.**            **For clarifications/updates to the Statement of the Connection Charging Methodology**

**UoSC-C-xx**            **For clarifications/updates to the Statement of the Use of System Charges**

Modifications to the charging methodologies will be named and numbered with an M and be clearly marked as relating to the methodology

**UoSCM-M-xx**            **For modifications to the Use of System Charging Methodology**

**CCM-M-xx**            **For modifications to the Connection Charging Methodology**

Obviously if the methodology is being modified then this will require changes to the Statement of that methodology. These changes will be included within the methodology modification process.

## **5. HOW THE PROPOSED MODIFICATIONS BETTER MEET THE RELEVANT OBJECTIVES**

The proposed modifications do not make any changes to the methodology and therefore have no impact on the Relevant Objectives.

## **6. TIMETABLE FOR IMPLEMENTATION**

Subject to the Authority's power to veto this modification proposal, National Grid intends to make the changes to the Statement of the Use of System Charging Methodology (Issue 1.0 Revision 0) and the Statement of Use of System Charges (Issue 1.0 Revision 0) for implementation on **1 October**.

The new Statement of the Use of System Charging Methodology and the Statement of Use of System Charges will be numbered Issue 1 Revision 1.