

CUSC Amendment Proposal Form	CAP:###
<p>Title of Amendment Proposal:</p> <p>Transmission Access – Finite Long-term Entry Rights</p>	
<p>Description of the Proposed Amendment <i>(mandatory by proposer):</i></p> <p>Introduction of temporally defined finite long-term entry access rights, and associated user commitment.</p> <p>It is proposed that existing generators would nominate the number of years for which they require long-term entry access rights to the GB transmission system. This would be underpinned by user commitment in the form of a liability to pay associated charges and a requirement for financial security to be put in place, in accordance with the Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover.</p> <p>New generators (and any existing generators requesting an increased level of long-term entry access) would be required to book a defined number of years of entry access rights (“the trigger period”), and provide the associated user commitment (which would be approximately equivalent to 50% of the cost of providing the incremental capacity). This would replace the existing “final sums” regime.</p> <p>The above requirements would apply to access to the wider transmission system. Separate arrangements would be put in place for infrastructure comprising generators’ local connections to the wider system, including user commitment approximately equivalent to 100% of costs.</p> <p>It should also be noted that the concurrent proposal to remove the residual element of the entry Transmission Network Use of System (TNUoS) capacity charge in the Use of System Charging Methodology means that the duration of the trigger period would need to be calculated on the basis of this revised charging regime. Consideration will additionally need to be given to the security arrangements to be put in place for the residual charge.</p> <p>It is further proposed that long-term entry access rights be defined on a zonal basis, such that each User can share capacity between its power stations on a real time basis at a 1:1 exchange rate within defined zones.</p>	
<p>Description of Issue or Defect that Proposed Amendment seeks to Address <i>(mandatory by proposer):</i></p> <p>The current entry access arrangements for existing generators do not provide any certainty for National Grid and Transmission Owners, in that such users have a rolling option to renew their rights to access the transmission system on an annual basis. Should they wish to decline this option, they have the ability to give as little as five days’ notice. This uncertainty can lead to inefficient investment signals, in that the planning of incremental capacity currently can take little, if any, account of the potential future release of existing capacity. Additionally, existing generators are not required to put in place any financial security, even for the one year’s worth of charges they currently incur a liability for.</p> <p>In contrast, new generators are required to fully secure the costs of any reinforcements required to provide incremental access capacity ahead of commissioning. Whilst giving full user commitment, these arrangements are not explicitly defined in the existing commercial frameworks, and it has been suggested that the level and volatility of final sums are perceived as a barrier to entry.</p> <p>The proposer believes that both of the above issues would be addressed through the introduction of temporally defined finite long-term entry access rights, with associated user commitment. Existing and new generators would be required to provide equivalent levels of user commitment, ensuring the equitable treatment of the two groups and providing efficient investment signals. In addition, replacement of the current final sums methodology with the booking of a trigger period of years’ worth of entry capacity access rights would promote transparency and certainty. This would address the</p>	

perceived barriers to entry, and would provide more confidence in the firmness of capacity applications.

Impact on the CUSC *(this should be given where possible):*

The impact on the CUSC would include, but may not be limited to, changes to Sections 2 (Connection), 3 (Use of System), 6 (General Provisions) and 9 (Interconnectors). There would also be consequential changes required to Section 11 (Interpretation and Definitions), and potentially to the CUSC Schedules and Exhibits.

Impact on Core Industry Documentation *(this should be given where possible):*

No impact on Core Industry Documentation has been identified, but it is suggested that this would be reviewed during the assessment of the proposed amendment.

Impact on Computer Systems and Processes used by CUSC Parties *(this should be given where possible):*

CUSC Parties' models of the financial viability of new and existing power stations and interconnectors would need to take into account the revised arrangements.

Details of any Related Modifications to Other Industry Codes *(where known):*

Related modifications to the Use of System Charging Methodology would be proposed to cost reflectively charge local infrastructure; to remove the residual element of the entry (generation) TNUoS capacity charge (and instead recover this through a commodity charge); and to revise the zoning criteria for generation TNUoS charges. It is proposed that such zones would be set by reference to a zonal definition methodology which would be described in a separate statement (and it is further proposed that a requirement for such a methodology would be contained in National Grid's electricity transmission licence).

Consideration would be given to the wider locational charges (i.e. those remaining after the separation of the local infrastructure and residual charges) to apply over the period for which generator long-term entry access bookings were made, including fixed, and index linked, tariffs. Any changes in this area would also be progressed through a modification to the Use of System Charging Methodology, and would include any mechanisms required to resolve under- or over-recoveries resulting from fixed tariffs.

Changes to the System Operator – Transmission Owner Code (STC) would be required in order that generators' long-term bookings (and the expiry of such rights) are taken account of by Transmission Owners when planning to accommodate additional capacity requests. Additional STC changes may be required to "back-off" in Scotland any other changes to National Grid's User facing obligations.

Justification for Proposed Amendment with Reference to Applicable CUSC Objectives**
(mandatory by proposer):

National Grid believes that the proposed amendment would better facilitate the achievement of Applicable CUSC Objective (a), the efficient discharge by the licensee of the obligations imposed upon it under the Act and by the licence, in that the more efficient investment signals that would result, and the consequentially reduced risk of stranding, would better allow National Grid as the licensee to discharge its obligation under the Act to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

National Grid also believes that the proposed amendment would better facilitate the achievement of Applicable CUSC Objective (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, as:

- Existing and new generators would be required to provide equivalent levels of user commitment, thereby ensuring the equitable treatment of the two groups;
- Existing capacity could be released with certainty to new entrants as result of the firm bookings made by existing generators; and

- The enhanced transparency in the commercial frameworks of required user commitments and increased certainty would address the perceived barriers to entry, thereby providing more confidence in the firmness of capacity applications, and increasing competition.

Details of Proposer: Organisation's Name:	National Grid Electricity Transmission plc
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Andrew Truswell National Grid 01926 656369 andrew.truswell@uk.ngrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Duncan Burt National Grid 01926 656703 duncan.burt@uk.ngrid.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment:	

Notes:

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.
2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Beverley Viney
Panel Secretary
Commercial Frameworks
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Or via e-mail to: Beverley.Viney@uk.ngrid.com

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives** - These are defined within the National Grid Electricity Transmission plc Licence under Section C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.