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| CUSC Amendment Proposal Form | CAP:### |
| Title of Amendment Proposal: Transmission Access - Entry Overrun | |
| Description of the Proposed Amendment <i>(mandatory by proposer):</i> Creation of a commercial mechanism for dealing with export above entry access capacity holding. It is proposed that users would be permitted to export in excess of their total entry access capacity product 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). For the purposes of this amendment, it is suggested that the charging arrangements (codified in the charging methodologies) for entry overrun would be related to the cost imposed in operating the system to accommodate overrun. The proposed modification allows an extremely small granularity of product (set by the users period of overrun) and reduces the transaction costs associated with gaining short term access. The credit arrangements in the CUSC should be developed to reflect any changes as a result of implementing entry overrun. This amendment includes a process for 'local only' applications (connection without wider access rights) and the introduction of zonal access rights (including any additional licence changes to facilitate zonal definitions). A more detailed description is provided in an attachment to this proposal form – Entry Overrun Straw Man. | |
| Description of Issue or Defect that Proposed Amendment seeks to Address <i>(mandatory by proposer):</i> The current entry access products restrict the efficient use of the system due to their granularity and the associated application process. In addition, under the current arrangements, users who release long-term entry access rights are committing not to export. This can lead to potential overbooking of long-term rights, delayed connection and a reliance on administered rules for determining the appropriate level of sharing of transmission capacity between users. Furthermore, if parties are operating in a more flexible manner, breach of CUSC for exceeding entry access capability is too draconian. | |
| Impact on the CUSC <i>(this should be given where possible):</i> The main impact on the CUSC will be on sections 2 and 3 in relation to the obligations on Users and National Grid with respect to the rights and obligations associated with export on to the transmission system. There may be also be impacts on the credit requirements in sections 2 and 3 to cover any additional liabilities associated with overrun charging. | |
| Impact on Core Industry Documentation <i>(this should be given where possible):</i> To be identified during assessment. Although not a core industry document, the charging methodologies through the development of changing arrangements for Entry Access Overrun consistent with the relevant objectives contained in the transmission licence. The Planning Code and Data Registration Code of the Grid Code to reflect the ability of a party to export in excess of their total entry access holding, and ensure that Connections conditions are maintained throughout the full range of operations. | |

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| <p>Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i></p> <p>It is envisaged that data would be required from the Balancing Mechanism / Settlement systems to feed into a new tariff settling and overrun billing system. Note that this impact is associated with the consequential charging change rather than Entry Access Overrun per se.</p> |
| <p>Details of any Related Modifications to Other Industry Codes <i>(where known):</i></p> <p>The Security and Quality Supply Standard to consider the implications for design of the transmission system of a short term product.</p> <p>Overrun will interact with System Operator revenues, normally charged to users through BSUoS along with the BSIS adjustments. The System Operator incentive arrangements that would be in place if overrun is introduced would need to provide the appropriate incentives on the System Operator to seek to accommodate overrun in an efficient and economic manner.</p> |
| <p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i></p> <p>The proposed amendments would:</p> <ul style="list-style-type: none"> o Promote the more efficient use of the transmission system through allowing parties to connect in advance of wider transmission works. o Improve the signals for design of the transmission system through creating an alternative to firm long term access products priced to reflect asset costs. This may suit a range of plant types. o Provide for the release of long-term entry access rights from existing low load factor plant thus facilitating new entry to the market. <p>Together these improvements will better facilitate effective competition in generation and the efficient discharge of the licensees obligations imposed through the Act and the electricity transmission licence.</p> |

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| <p>Details of Proposer: Organisation's Name:</p> | National Grid |
| <p>Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")</p> | CUSC Party |
| <p>Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:</p> | Patrick Hynes National Grid 01926656319 Patrick.hynes@uk.ngrid.com |
| <p>Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:</p> | Duncan Burt National Grid 01926656703 duncan.burt@uk.ngrid.com |
| <p>Attachments (Yes/No): Yes If Yes, Title and No. of pages of each Attachment: Entry Overrun Straw man, 2 pages</p> | |

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.

Entry Overrun Straw Man

Introduction

This straw man covers the main process for overrun, one of a number of proposed incremental changes to electricity access arrangements.

Based on key building blocks in the TAR report, overrun is described as:

Nature of rights: a power station may export up to its local access limit (local asset capability – see below). The right is enduring. The user has no **effective**¹ right to compensation if overrun cannot be accommodated by the System Operator.

Allocation: all users have the right to overrun up to any local asset capability.

Pricing: the right will be priced ex post based on the costs incurred by the system operator to facilitate the overrun. A user may set a ceiling bid through the BM, however the System Operator is not necessarily obliged to accept the bid.

Secondary trading: the right cannot be traded (NB consideration of ex post notification for sharing). Overrun itself is implicit secondary trading facilitated through the BM.

Model description

Any Generator will be permitted to export power on to the transmission system at any Power Station up to the local physical asset allocation (Power Stations CEC and local asset capability²). New Generators will need to have a completed compliant local connection prior to being able to overrun.

It is envisaged that the settlement and charging process will be based on zones, and be by company (registered CUSC party). Any output above contacted access level will be charged at the cost of facilitating that overrun by the system operator. Timescales for settlement will be broadly similar to BSUoS timescales (1/2 hour periods with a 28 day rolling settlement).

Overrun charges will be the zonal overrun price multiplied by the overrun volume. Simply, the overrun volume is the metered volume corrected for BOAs (should take back to PNs) minus the firm access right holding (either long-term or short term). The working group will establish the exact definition of overrun volume with respect to the pricing model. The methodology for establishing zonal overrun prices will be part of the charging methodologies. During the development stage National Grid will put forward a number of possible methodologies that vary the balance of cost reflectivity, simplicity, transparency, implementation cost and timescales. Initially, National Grid's central model is a derivation of the current internal costing tool as discussed at the TASG in 2007³. Subject to more detailed costing of the IS tools, implementation would be April 2010. To facilitate earlier implementation a two stage approach, with very limited IS development / coarse pricing, could be considered.

In National Grid's central pricing model the zonal overrun tariff is the volume weighted average price of all actions taken to accommodate overrun in a zone, along with the system cost of replacement actions and headroom⁴ issues. Marginal pricing will also be considered during development of the charging options. Local constraints are solved first, and zonal tariffs take account of cascade effects (where an action affects more than one boundary).

In order to allow a generator to limit financial exposure to the ex-post overrun charge and to allow the System Operator to maintain physical security of the system, parties who overrun will still 'participate' in the Balancing Mechanism. An individual Generator's overrun volume will be 'corrected' by its bid volumes (to ensure charges for overrun recover revenues paid through the BM, i.e. removing compensation paid to users who have no rights. An individual Generator who

¹ Whilst the users that overrun can submit bids in to the balancing mechanism (BM), these bids may also set the overrun charge. Therefore the charge effectively removes the compensation paid through the BM. In these circumstances, the charge and the bid may be exactly the same, subject to the development of the overrun pricing methodology.

² There may need to be a new term, local asset capability to reflect the intra zonal capacity beyond the local substation (e.g. local radial connecting lines).

³ <http://www.nationalgrid.com/NR/rdonlyres/7DFB1235-5741-4744-9C9F-54B8CBC2F1A1/19202/PresentationNationalGridIntrotoconstraintcostingan.pdf>

⁴ Headroom is unused generation, that could be used to provide reserve or response, which is sterilised by an active constraint.

overruns and has a bid accepted will be exposed to the net difference of bid income minus the overrun tariff. The overrun tariff includes replacement cost and may be an average and therefore there will be some residual exposure to the difference between bid price and overrun charge. This also allows the overrun generator to limit its exposure to post event pricing risk.

Assumptions

1. The price calculation methodology will be in the charging statements and be assessed on the existing charging relevant objectives.
2. Generators comply with the Grid Code. In particular, submission of accurate PNs on a unit basis in the prescribed timescales.
3. The TNUoS residual charge is commoditised, i.e. charged half hourly on a MWh basis. This provides fair allocation of non locational costs between system users holding both long term and short term access.
4. Acceptance of an offer in the BM does **not** confer any firm access right. Generators may still be exposed to overrun if the full output from an offer is not covered by firm rights and therefore would submit BM prices accordingly (i.e. including the risk of an overrun charge).
5. Credit will be in place for overrun. This may require a short term process of managing credit liability.
6. There will be a licence methodology for establishing and managing zones.
7. The zones will be the same as those used for TEC sharing and TNUoS tariffication.
8. There is no benefit paid to overrunning generation in an importing zone in the average price /cost recovery model.

Initial ex-post pricing model

The working group will develop the basic model described below, including the drafting of the overrun pricing methodology. The working group will also consider other pricing models that could better facilitate the applicable changing objectives.

The basic model is:

- o Overrun tariffs will be posted on working day +1 at 1600hrs (not posted weekends or Bank Holidays).
- o The methodology is based on an average price and set for cost recovery, including the
 - o the cost of constraining plant
 - o the cost of replacing plant
 - o the cost of reduced headroom
 - o the appropriate allocation of any contract costs.
- o Prices are calculated manually based on a published methodology. Compliance with the methodology may be subject to independent audit.
- o The methodology will be part of the licence obligation under the charging methodology i.e. subject to the same objectives and wider transmission licence requirements, including:
 - o Facilitating competition
 - o Reflect costs incurred
 - o Taking account of change to the transmission businesses
 - o Not unduly discriminating between a class or classes of users
- o The methodology will produce prices for each zone.
- o Entry zones will be established through a new licence methodology.
- o The overrun tariff will have a half hour resolution.
- o The settlement process / timing would be agreed in the assessment phase, for discussion:
 - o Receive metered information from IO14 after five days
 - o Calculate overrun charged and post indicative charges at D+7 (or alternative)
 - o 28 day settlement
- o It is envisaged that overrun revenues will be included within BSUoS and may be positive or negative.

The working group will consider:

- o the issues of providing more prompt price reporting.
- o Other pricing mechanisms, including:
 - o Simple single price
 - o Marginal pricing

National Grid may carry out a charging pre-consultation on all charging methodologies developed by the working group. Given the time constraints any pre-consultation may be limited to two weeks

during the working group process. Further full consultation on a preferred charging model and associated methodology will be complete alongside the formal CUSC consultation.