

<b>CUSC Amendment Proposal Form</b>	<b>CAP:###</b>
<b>Title of Amendment Proposal:</b> <b>Transmission Access – SO release of short-term rights</b>	
<b>Description of the Proposed Amendment</b> <i>(mandatory by proposer):</i>	
<p>It is proposed that the System Operator would be permitted to release additional entry access rights in operational timescales. Short-term rights will be released when the SO believes there is spare capacity, where spare capacity is defined in economic terms as capacity for which the ex ante reserve price exceeds the associated buy-back risk. Once granted, short-term rights would confer the same right as any other entry access product (i.e. compensation if withdrawn).</p> <p>Users would gain these rights through a form of auction, to be designed by the working group, hosted by the system operator. The duration of the rights could be optimised to meet users and system operator requirements, to be agreed by the working group. The product may be offered through auctions in different timescales, e.g. weeks ahead for a weekly right or year ahead for a quarterly right. Close to real time there may be a preliminary stage of the auction to ascertain interest and justify the analysis involved in producing the auction information and to allow auction zone volumes to be allocated more efficiently.</p> <p>The two main differences between SO release of short-term rights and existing short term products, Limited Duration TEC (LDTEC) and Short-term TEC (STTEC), is that the SO will be permitted to release short-term rights even if it increases the operational costs because the risk of these costs will be factored into the reserve price for the short-term rights; and the available volume will be released via an auction process.</p> <p>The construction of the reserve price, which does not form part of the CUSC, would be linked to the forecast cost and risk of releasing the short-term rights. In order to maximise the potential volume offered consideration should be given to a codified buyback price i.e. to avoid buyback exposure of £99999/MWh.</p> <p>The ability for the SO to release short-term access rights will provide additional options for users seeking earlier access and a more flexible access holding on an enduring basis.</p> <p>This amendment includes a revised process for 'local only' applications (without wider long-term access rights) and a change in the nature of long and short-term access rights from nodal to zonal.</p> <p>Appropriate credit will be required to cover SO released short-term access rights liability.</p> <p>A more detailed description is provided in an attachment to this proposal form – SO release of short-term access rights straw man.</p>	
<b>Description of Issue or Defect that Proposed Amendment seeks to Address</b> <i>(mandatory by proposer):</i>	
<p>The process for assessing and releasing the current short term entry products, LDTEC and STTEC, restricts the efficient use of the system due to the limitations in the assessment and release processes. For example, the SO does not release STTEC where it believes there is any likely increase in Constraint costs.</p> <p>It should be noted that the associated inflexibility in the charging mechanism for these products contributes to this problem, although this does not form part of the CUSC.</p> <p>The restriction to the practical options for gaining access encourages generators to apply for long-term access rights, when short-term access rights may be more economic and efficient.</p>	

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

This amendment will most likely require amendment to Section 6 (General Provisions) and Section 11 (Interpretation and Definition) of the CUSC. There will also be changes to Section 2 (Connection), Section 3 (Use of System), Section 4 (Balancing Services) and Section 9 (Interconnectors).

Furthermore, the process for granting SO release short-term access rights may require changes to the individual bilateral agreements or the development of new CUSC forms, however the working group should seek to minimise these e.g. SO released short-term access right holdings applied for, recorded (and published) centrally through a new IS tool rather than being updated in the individual bilateral agreements.

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

To be identified during assessment.

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

There may be a requirement for new tools for submitting tenders. If required, it is envisaged that this will be via secure web based technology. Confirmation and publishing of accepted bids is likely to be through the same web based process and systems.

Systems for recording and charging will also be required. These will be required to interface with existing charging systems.

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

SO release of short-term access rights will interact with System Operator costs, charged to users through BSUoS. The System Operator incentive arrangements in place if SO release of short-term access rights is introduced would need to provide the appropriate incentives on the System Operator to release short-term access rights in an efficient and economic manner.

The Security and Quality Supply Standard may need to be reviewed, particularly in respect of local only works, if the changes to the background are considered material. The transmission licensees may also need to apply for derogations.

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

The development of a more flexible short-term product would provide an alternative route to market for generation. This would provide more efficient and economic development of the transmission system, particularly against the forecast increase in plant margins and forecast increase in the use of generation from intermittent sources.

Improving the options for access to the transmission system in a more timely and flexible manner, through an auction based mechanism, with cost reflective reserve pricing will better facilitate competition in generation of electricity.

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

**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](mailto: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.

## SO release of short-term access rights straw man

### Introduction

This straw man describes a draft process for SO release of short-term access rights, one of a number of proposed incremental changes to electricity access arrangements.

Based on key building blocks in the TAR report, SO release of short-term access rights is described as:

**Nature of rights:** provide equivalent rights as those purchased through longer term mechanisms (e.g. TEC). Therefore the rights are financially firm once granted i.e. the System Operator would need to accept Bids if they could not be facilitated in real time. The right is a closed right i.e. has a defined start and end time. The length of the right is as per the auctioned product, to be agreed with at the working group. All users have the right to bid in an auction for short-term access rights, within the zone where they have a power station, up to the sum of their local asset capabilities (i.e. CEC or "local" asset capability), taking account of other access holdings associated with the local asset capabilities i.e. envisaged to be physical and zonal.

**Allocation:** through an auction process, based on zones and volumes with a cost reflective reserve price, to highest bidder. Depending on the lead time and duration of product, the auction may be largely computer based.

**Pricing:** Pay as bid, with a cost reflective reserve price (incl. forecast risk). The reserve price may be stepped with volume blocks.

**Secondary trading:** Released as a firm zonal right so it can be traded to the extent provided for in the CUSC.

### Model description

SO release of short-term access rights is designed to maximise the use of the system in real time. Through an auction it will be released providing the bid is economic compared to the potential increase in operational costs, the reserve price. These zones in which the access is released are consistent with the zones used under revised charging arrangements

Calculation of the volume available within each zone at a forecast price requires considerable study work to ascertain the impact of each bid and forecasting of potential cost to the system operator if the access is provided above what the system can cater for without addition operational costs. The working group will consider attributes of an auction that avoid repetitive and unnecessary analysis

### Initial process proposal

The proposed process below is one of a number of options that the working group may consider. This initial proposal represents a reasonable balance between the System operator accepting risk and facilitating the need of a generator in the short to medium term. There may be an option of developing longer term auction of short-term access rights, however the forecast risk and therefore the risk mitigation strategy for the System Operator is likely to be significantly different.

1. The product would be a weekly block of access in a predefined zone.
2. Bids for access would be submitted five weeks ahead of the period being auctioned (there may be a pre auction process to determine interest)
3. Generators would submit bids for volumes on a zonal basis.
4. The bid structure would reflect the maximum and minimum volume of plant and may have an incremental price with volume (stepped price).
5. Bid volume and prices for access will be firm, and subject to product restrictions and any local restriction (local access capability or technical limits in bilateral agreements).

6. Rights will be granted if the forecast cost of accommodating the additional volume on the system is efficient taking account of additional operational costs and system operator incentive regime reflected in the published price and volume information, and taking account of the best information available at the time.
7. As the volumes allocated to zones are interactive, National Grid may transfer unsold volume to other zones to increase the volume sold, subject to maximising the total revenue from the auction.
8. National Grid will have maximum of one week to make the assessment and publish the results of the auction.
9. Pay as bid before real time, if payment is not made the right is invalidated.
10. Appropriate credit will be required; this may need to be updated after each auction.
11. The successful Generator retains liability for payment even if it subsequently trades the right onwards after the auction or does not use that short-term access rights in real time.

The working group will consider the timescales of the auction process and granularity of the product. For example, an annual auction for a quarterly access product. Furthermore, the working group may also wish to consider if peak and off-peak products should be included for both the weekdays and weekends to maximise access to the system.

### **High level assumptions**

1. Generators comply with the Grid Code, and volumes are capped by CEC.
2. The TNUoS residual charged 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, particularly if rights are granted at near to zero cost
3. There will be a licence methodology for establishing and managing zones.
4. The zones will be the same as those used for entry access overrun and TNUoS tariffication.