

<b>CUSC Amendment Proposal Form</b>	<b>CAP: 161</b>
<b>Title of Amendment Proposal:</b> <b>Transmission Access – System Operator Release of Short-term Entry Rights</b>	
<b>Description of the Proposed Amendment</b> <i>(mandatory by proposer):</i>  <p>It is proposed that National Grid would be permitted to release additional entry rights in operational timescales, the short term. These short-term entry rights would be released only when National Grid 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 buyback risk.</p> <p>National Grid would release short-term entry rights through auction(s) in operational timescales. The mechanics of the auction will be established in the assessment phase. The rights would be zonal with a duration optimised to best meet both User and System Operator requirements, to be agreed in the assessment. The additional entry rights may be offered through auctions in different timescales, e.g. x 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 System Operator release of short-term entry rights and existing short-term products, Limited Duration TEC (LDTEC) and Short-term TEC (STTEC), are that National Grid will be permitted to release short-term entry rights even if this increases the operational costs (because the risk of these costs will be factored into the reserve price); and the available volume will be released through an auction process.</p> <p>The construction of the reserve price, which does not form part of the CUSC, will be linked to the forecast cost and risk of releasing the short-term entry rights. Once granted, System Operator released short-term entry rights would generally confer the same right as any other entry access product (i.e. compensation if withdrawn). However, in order to maximise the potential volume offered consideration should be given to a codified buyback price. This would allow greater volumes at lower prices to be released.</p> <p>This amendment includes a revised process for ‘local only’ applications (connection without long-term entry rights for the wider system) and a change in the nature of long-term and short-term entry rights from nodal to zonal. The zones used would be consistent across all long-term and short-term products. The proposer suggests that in order to ensure equitable treatment of non locational asset costs that the residual charge should be commoditised.</p> <p>Appropriate credit will be required. The level required would be established in the assessment stage in accordance with the Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover.</p> <p>A more detailed description is provided in an attachment to this proposal form: System Operator release of short-term entry rights straw man.</p>	
<b>Description of Issue or Defect that Proposed Amendment seeks to Address</b> <i>(mandatory by proposer):</i>  <p>The lack of flexibility of short-term products and the application process for current entry access products can restrict the efficient use of spare capacity and redistribution of previously allocated capacity.</p> <p>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.</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 short-term entry 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. short term access right holdings applied for, recorded (and published) centrally through a new IS tool rather than being updated in 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):*

System release of short term access rights will interact with System Operator costs. The System Operator incentive arrangements will need to provide the appropriate incentives on the National Grid 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 proposed amendment would better facilitate the achievement of Applicable CUSC Objectives (a) the efficient discharge by the licensee of the obligations imposed upon it under the Acts and by the licence; and (b) facilitating effective competition in generation, by:

- o Promoting the more efficient use of the transmission system through allowing parties to connect in advance of wider transmission works.
- o Improving the signals for design of the transmission system through creating an alternative to firm long-term access products priced to reflect asset costs. This would particularly be the case against the forecast increase in plant margins and forecast increase in the use of generation from intermittent sources. This may suit a range of plant types.
- o Providing for the release of long-term entry rights from existing plant thus facilitating early entry in to the market for new plant.

<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> System Operator release of short-term entry rights straw man , 2 pages	

**Notes:**

1. Those wishing to propose an Amendment to the CUSC should do System Operator 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 System Operator 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.

## System Operator release of short-term entry rights straw man

### Introduction

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

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

**Nature of rights:** equivalent to rights purchased through longer term mechanisms (e.g. TEC), subject to any buyback cap. Therefore the rights are financially firm once granted i.e. the System Operator would need to accept Bids in the Balancing Market if the additional rights cannot be accommodated. The right 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 entry rights up to the sum of their local asset capabilities (i.e. CEC and “local” asset capability), taking account of other entry right holdings 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 System Operator it can be traded to the extent provided for in the CUSC. The working group should consider the impact of a buyback cap on secondary trading.

### Model description

System Operator release of short-term entry rights is designed to maximise the use of the system in real time and provides an additional tool for users to manage risk. Through an auction rights will be released if the bid is economic compared to the potential increase in operational costs, the reserve price. The zones in which the additional rights are released should be consistent with other entry products and their charging regimes.

Calculation of the volume available within each zone along with a forecast reserve price requires considerable study work. 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 National Grid accepting risk and facilitating the needs of a generator in the short to medium term. There may be an option of developing longer term auctions of System Operator released entry rights, however the forecast risk and therefore the risk mitigation strategy for the National Grid is likely to be significantly different as the lead time increases.

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 entry 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.

In the basic model Generators may only bid in zones where they have, or at the start or the right would have, a physical presence in the zone up to the volume requested, taking account of all bids and access holdings. However, the working group may wish to consider the pros and cons of allowing generators bid for access in adjacent zones i.e. the need for substitution rates, which by their nature are interactive with the final outcome.

### **High level assumptions**

1. Generators comply with the Grid Code, and volumes are capped by CEC.
2. Bids cannot be linked, although a generator could apply at multiple prices volumes, (all will be firm and should be physical).
3. 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
4. There will be a licence methodology for establishing and managing zones.
5. The zones will be the same as those used for other entry products and charges.