IPA MONTHLY BRIEFING PAPER
April 2008

The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER ECONOMICS

Inside...

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Ofgem has published an "analytical document" which analyses the building blocks of different transmission access models and National Grid has raised a suite of access reform CUSC Amendment proposals.

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IPA
Energy + Water Economics

The Pace of Change in Great Britain

This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on April 2008.

The newsletter aims to assist electricity market participants to keep track of the major consultations that affect the development of the wholesale electricity market. A number of other consultations/decisions that may be relevant are also noted.

This issue covers: Ofgem consultations; publications/announcements by a number of government and other bodies and new BSC and CUSC Modifications, decisions, and related matters. This edition also identifies press releases from the EU that may be relevant to the British electricity wholesale sector.

If readers need further information on any of the issues raised in this briefing note, or would like advice on how these changes and other market developments might affect their company, please contact IPA Energy + Water Economics on 44 (0) 131 240 0840.

Headlines

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- The Scottish Executive is consulting on implementing the RO banding proposals within Scotland with different ROC entitlements to those proposed by BERR for some technologies.

- Ofgem has published its proposed modification to the standard conditions of the Distribution licence following its distribution licence review.

- The EC has issued a public consultation on "EU Action to promote Offshore Wind Energy".

- National Grid has published a "Summer Outlook" along the lines of its Winter Outlook.

OFGEM PUBLICATIONS

Issue: Facilitating the introduction of new street lighting technology

Title: Open letter - new technology in public lighting

Published: 1April
Response due: 9 May

Link:
http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Comp/Elec/Documents1/Public%20lighting%20open%20letter%20-%20FINAL.pdf

Ofgem has published an open letter seeking views on facilitating the introduction and use of new technology for street lighting, know as Central Management Systems (CMS), for systems that have a measuring capability.

Issue: Proposal for new licence conditions to require DNOs to develop and implement cost reflective charging methodologies before 1 April 2010, when the new price control comes into effect

Title: Delivering the electricity distribution structure of charges project

Published: 2 April
Response due: 14 May

Link:
http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/Sof%20C%20Project%203608.pdf

Ofgem has published a consultation on making changes to Distribution Network Operators' licences to require them to develop and implement methodologies for setting cost reflective DUoS charges. Ofgem notes that it had asked DNOs to develop and implement such arrangements on a voluntary basis but, given the repeated delays, "it is no longer appropriate for this project to continue on a voluntary basis". It now proposes to place a formal licence condition on DNOs to deliver appropriate charging methodologies ahead of April 2010, the start of the new price control period. Ofgem also notes that, if it can't get agreement to the licence amendments, it would consider a reference to the Competition Commission.

Issue: Customer switching levels in 2007

Title: Switching rate hits 5.1 million in 2007

Published: 2 April
Response due: n/a

Link:
http://www.ofgem.gov.uk/Media/PressRel/Documents1/Switching%20figures%202007.pdf

Ofgem has issued a press release quoting statistics on switching rates in 2007. The PR also quotes the potential savings available to customers that switch and gives details of a new pilot campaign "Energy Best Deal" to train advisers from Citizens Advice, housing associations, and other organisations that deal directly with people on low incomes, to help customers reduce bills by explaining how they can switch.

Issue: Publication of Version 4 of the Price Control Revenue Reporting Regulatory Instructions and Guidance (revenue reporting rigs)

Title: Electricity Distribution Price Control Revenue Reporting: Regulatory Instructions and Guidance - Version 4

Published: 3 April
Response due: n/a

Link:
http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntrls/RevandPrice/Documents1/Revenue%20Rigs%20V4%20_new%20template%20draft_.pdf

Ofgem has published Version 4 of the Price Control Revenue Reporting Regulatory Instructions and Guidance (the "revenue reporting rigs") to be used, by DNOs, when reporting price control information to ensure common formats and accuracy.

Issue/Title: Consultation on modifications to Statements of the Basis for Transmission Owner Charges

Published: 4 April

Response due: 2 May

Link:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/draft%20consultation%20letter.pdf

Ofgem is consulting on the revisions being proposed by the Scottish transmission owners (Scottish Hydro-Electric Transmission Limited (SHETL) and Scottish Power Transmission Limited (SPTL)) to the statements required under their licences that set out the basis of the charges they make to National Grid for Transmission Owner services, connections to their transmission systems, and outage charges. The changes follow the annual reviews of these documents required under their licences.

Issue/Title: Ofgem launches Competition Act investigation into Scottish Power Limited and Scottish and Southern Energy plc

Published: 8 April
Response due: n/a

Link:
http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem%2012.pdf

Ofgem has issued a press release announcing that it has launched an investigation into Scottish Power Limited and Scottish and Southern Energy plc (under section 18 of the Competition Act 1998 (the Chapter II prohibition) and Article 82 of the EC Treaty). The press release states that the decision to launch an inquiry "*was based on a formal complaint alleging abuse of a dominant position in the electricity generation sector arising from constrained capacity on the transmission network, as well as informal enquiries*".

Issue: Complaint handling standards, regulations and enforcement

Title: Complaint Handling Standards Decision

Published: 9 April
Response due: 21 May

Link:
http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/Complaint%20handling%20standards%20decision.pdf
Ofgem's accompanying press release can be found at:
http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem13.pdf

The document describes Ofgem's proposals for complaints handling standards and how the standards will be enforced, and seeks views on its proposed complaint handling standards regulations.

Ofgem expects the new standards to be operational from 21 July this year.

Issue: National Grid's outlook for gas and electricity supply in summer 2008

Title: Summer Outlook Report 2008

Published: 15 April
Response due: comments invited

Link:
http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/Outlook/Documents1/Summer%20Outlook%20Report_final.pdf

National Grid has produced a summer outlook report similar to that it produces for the winter. The report notes that although National Grid is undertaking a less formal process for its summer report than for its winter report, comments are invited.

For electricity the report concludes, among other things, that provided the electricity market continues to make plant available in response to appropriate price signals, demand should be met in full.

Issue: Ofgem guidance to Code Panels on assessing the effect of code decisions on carbon emissions

Title: Proposed Guidance - Environmental Issues and the Code Objectives

Published: 15 April
Response due: n/a

Link:
https://www.nationalgrid.com/NR/rdonlyres/7BA321A0-29F4-4524-B21C-

A9580BC45B71/25092/Ofgem_Environmental_Letter.pdf

Ofgem has written to code panels to give guidance on the assessment of the impact on carbon emissions costs of code changes/decisions – particularly in relation to objectives governing economic and efficient network operation within the industry codes. This includes requiring panels to assess the carbon implications of modification proposals and, where there is an impact, to develop a range of cost scenarios using both the price of carbon under the EU ETS, as well as the shadow price of carbon (set out in guidance from Government).

Issue: Analysis of strawmen options for development of new model of access rights under the Transmission Access Review

Title: Transmission Access Review – Analytical Discussion Document

Published: 17 April
Response due: 15 May

Link:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/080416%20TAR%20Access%20Discussion%20Document_FINAL.pdf
Link to IPA stawman report:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/IPA%20TAR%20Strawmen%20Report%20FINAL.pdf
Link to Poyry building Blocks report:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/Poyry%20TAR%20Building%20Blocks%20Report%20FINAL.pdf
Link to Poyry strawmen report:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/Poyry%20TAR%20Strawmen%20Report%20FINAL.pdf

Ofgem has published a further step in the Transmission Access Review, kicked off in the energy white paper, to better support the connection of renewable generation.

The analytical discussion document considers three straw men produced for Ofgem, with the objectives of enabling more efficient use of existing and future transmission capacity and substantial investment in new capacity.

The three strawmen are listed as:

- Model A – which uses a "connect and manage" approach;
- Model B – which is a development of a model (Evolution) previously proposed by National Grid; and
- Model C – locational marginal pricing.

The models are built up from the key building blocks identified in an earlier part of the review, with some refinements. The refinements include an expectation that all existing access rights will transition to whatever new arrangements are put in places at some stage in the future and an extra building block related to the drivers for network investment.

Ofgem stress that these models are produced for them by consultants and that Ofgem is not tied to recommending one strawman and that they "may see benefits in a range of different key features".

The document also refers to work to produce a detailed cost benefit analysis of the strawmen described in the document which will be published in the Final Recommendations document to be published in May which will also include the Impact Assessment.

See also the suite of CAPs (CAPs 161 – 166), raised by National Grid, proposing changes to the access regime under the CUSC.

Issue: Consumer research reports into switching behaviour of vulnerable customers

Titles:
Vulnerable Customer Engagement with the Energy Market Research
MORI report on switching rates for vulnerable customers

Published: 21 April/23 April
Response due: n/a

Link: market research report:
http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/vulnerable%20customer%20engagement%20with%20the%20energy%20market%20research%20report.pdf
MORI Poll:

http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/MORI%20report%20switching%20rates.pdf

Ofgem has published two reports of research, which it commissioned, on supplier switching by vulnerable customers. The first covers research to explore the market behaviour of vulnerable customers and barriers to switching, the second provides quantitative research on switching rates and behaviour which confirmed previous results that switching rates among lower income groups and older people are slightly lower than for the population as a whole.

Issue: Ofgem consultation on the procedure it proposes to follow when it receives requests from generation licensees to be able to use their right, subject to Authority approval, to enter land to see if it is suitable for generation

Title: Proposed Procedure – SLC 15 Electricity Generation Licence and Authority Procedure for Consent Requests - Open Letter Consultation

Published: 23 April
Response due: 8 May

Link:
http://www.ofgem.gov.uk/Licensing/Work/Documents1/SLC15%20consultation%20letter23April.pdf

Ofgem is consulting on its proposals for the procedure it plans to use when considering requests, under SLC 15 of the generation licence, from a licensee for Authority approval to enter land to determine whether or not it is suitable for the construction/extension of a generating station.

Issue: Grounds for Judicial Review of the Authority's decision to delay reaching a decision on six losses modifications

Titles: Detailed grounds of resistance re Judicial Review Challenge against the Authority's decision not to take its final decisions concerning mod proposals to the Balancing and Settlement Code

Witness statement of Sarah Harrison to the High Court re judicial review challenge against the Authority's decision not to take its final decisions concerning mod proposals to the Balancing and Settlement Code

Published: 24 April
Response due: n/a

Link to detailed grounds of resistance:
http://www.ofgem.gov.uk/Licensing/ElecCodes/BSCode/BSC/Documents1/Teesside%20Power%20v%20Ofgem%20-%20Detailed%20Grounds%20FINAL.pdf
Link to Sarah Harrison's witness statement:
http://www.ofgem.gov.uk/Licensing/ElecCodes/BSCode/BSC/Documents1/Teesside%20-%20SH%20Witness%20Statement%20FINAL.pdf

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Issue: revisions to the Distribution Licence following the Electricity Distribution Licence Review

Title: Electricity Distribution Licence Review: Conclusions and Statutory Consultation

Published: 29 April
Response due: 27 May

Link:
http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/DLR%20Conclusions_letter.pdf
Link to Appendix: containing proposed distribution licence conditions:
http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/Appendix%201%20-%20DLR%20Proposed%20Licence%20Conditions.pdf

Links to Statutory Consultations on proposed licence changes:
(SHEPD's licence):
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_%20Notice_SHEPD1.pdf
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_Notice_A1%20(2).pdf
Special Condition A1 of all DNO's licences:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_Notice_A1%20(2).pdf
Central Networks licences:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_CN.pdf

All of IDNOs:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_%20Notice_BAs.pdf
Cover to proposed licence conditions:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11A_notice%20(2).pdf
Proposals:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section%2011A%20-%20Schedule%201.pdf
Schedule of changes:
http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section%2011A%20Schedule%202.pdf

Ofgem has published an open letter setting out the changes it is proposing to make to the standard licence conditions within the Electricity Distribution Licence. The letter also sets out a number of potential future policy changes that were identified as part of the review. The letter is accompanies by a number of statutory consultations on the proposed licence modifications. If these are approved the changes will come into effect on 1 June 2008.

LICENCES

NOTICES OF ELECTRICITY LICENCES APPLIED FOR IN APRIL

Company/Licence: EDF Energy (West Burton Power) Limited - electricity generation licence

Notice issued/licence extension applied for: 11 April/ 22 Februray

Link:
http://www.ofgem.gov.uk/Licensing/Work/Notices/AppNotices/Documents1/edf%20WB%20Ltd%20egen%20application%20.pdf

NOTICES OF ELECTRICITY LICENCES ISSUED IN APRIL

Company/Licence: **Imera Hydragrid Limited - electricity interconnector licence**

Notice issued/licence granted: 1 April/27 March

Link:
http://www.ofgem.gov.uk/Licensing/Work/Notices/Licences/Documents1/imera%20noticeef1and2.pdf

GOVERNMENT AND OTHER BODIES

BERR

Issue/Title: Robin Bidwell re-appointed to Gas and Electricity Markets Authority

Published: 31 March
Response due: n/a

Link:
http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=363882&NewsAreaID=2

BERR has issued a press release confirming the reappointment of Robin Bidwell to the Gas and Electricity Markets Authority.

Issue: Grant of planning permission for a prototype tidal stream generator in the Humber Estuary

Title: Hutton waves ahead tidal energy project in the Humber

Published: 7 April
Response due: n/a

Link:
http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=364658&NewsAreaID=2

The Secretary of State for Energy has given planning permission for a prototype tidal stream generator, with a capacity of 0.15MW, to be tested in the Humber Estuary near Grimsby.

Issue: Suppliers to increase funds for social programmes

Title: 100,000 households could be lifted out of fuel poverty by an extra £225 million to help with rising fuel bills

Published: 11 April
Response due: n/a

Link:

http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=365248&NewsAreaID=2&NavigatedFromDepartment=True

BERR has issued a press release announcing the agreement, by the big six domestic energy suppliers, to increase funding to tackle fuel poverty by £225m over the next three years.

Issue: Government decision on smart metering and other consumer information provision

Titles:
Energy Billing and Metering: Changing Customer behaviour Government response to consultation
Appraisal of Costs & Benefits of Smart Meter Roll Out Options: Final Report

Published on: 29 April
Response due: n/a

Link to decision document:
http://www.berr.gov.uk/files/file45996.pdf
Link to costs and benefits of smart metering:
http://www.berr.gov.uk/files/file45997.pdf

Government has published its decisions in respect of increasing information provision to customers as set out in the Energy White Paper.

The decision document states that, in summary, Government will:

- require historical consumption data to be provided on all domestic customers' electricity and gas bills and statements;
- request electricity suppliers to provide on a voluntary basis real-time display devices to particular customer segments, but will not pursue proposals for provision of such devices when a meter is replaced or newly-installed or for provision 'on-request';
- require electricity and gas suppliers to provide smart meters to all business customers above a certain usage threshold by 2013; and
- to complete further economic assessment work and consultation to finalise policy position in respect of smart metering for small businesses and domestic consumers.

In addition, "*Metering and billing changes are not envisaged for heating schemes or in respect of unlicensed supply, but this situation will be kept under review in respect of the ongoing Heat Call for Evidence.*"

Government has also published a final report by Mott MacDonald providing an appraisal of the costs &
Benefits of Smart Meter Roll Out Options

SCOTTISH GOVERNMENT

Issue: Consultation on ROC banding levels in Scotland

Title: Introduction of Banding to the Renewables Obligation (Scotland)

Published: 11 April
Response due: 4 July

Link: http://www.scotland.gov.uk/Topics/Business-Industry/Energy/19185/ROSCons08BPR

The Scottish Government has issued a consultation on the implementation of the RO banding proposals in Scotland. The consultation states that the SG is planning to implement all of BERR's proposals within Scotland, subject to the necessary legislation being passed, but that it is contemplating applying a different number of ROCs/MWh for some technologies, to those proposed by BERR. It is also proposing to discontinue the Marine Supply Obligation (MSO) when the banding proposals are introduced.

The differences in banding levels being considered are:

- wave and tidal stream technologies, that do not have access to specified grant schemes, should receive more than 2 ROCs/MWh (views are invited on what level is appropriate);
- EfW plants with, advanced conversion technologies, should only receive the higher banded level (2 ROCs/MWh is proposed by BERR) if they incorporate good quality CHP / meet an established efficiency standard: and
- allowing Island based on-shore wind to access a higher level of support than other on shore wind because of the higher costs of infrastructure and system charges – the SG calls for evidence and invites views on this.

The consultation also notes that consultees are free to comment on any other aspects of BERR's

proposals that they believe are flawed or merit different treatment in Scotland.

DEFRA

Issue: Announcement of availability of EU ETS submitted verified 2007 emissions data

Title: EU ETS: Release of 2007 emission results

Published:1/2April 2008
Response due: n/a

Link:
http://www.defra.gov.uk/environment/climatechange/trading/eu/operators/compliance.htm
Link to CITL announcement:
http://ec.europa.eu/environment/ets/welcome.do

DEFRA has published an announcement advising that submitted verified 2007 emissions data can be obtained from the Community Independent Transaction Log (CITL).

Issue/Title: Consultation on draft Marine Bill

Published: 3 April
Response due: 26 June 2008

Link:
http://www.defra.gov.uk/marine/legislation/index.htm

DEFRA has published a consultation on its proposed Marine Bill that will cover:

- *"the creation of the Marine Management Organisation (MMO);*
- *planning in the marine area;*
- *licensing activities in the marine area;*
- *marine nature conservation;*
- *managing marine fisheries;*
- *reform of inland and migratory fisheries;*
- *modernisation and streamlining of enforcement powers;*
- *administrative penalties scheme for domestic fisheries offences; and*
- *access to coastal land."*

Issue: Government notice that it is canceling remaining allowances within the New Entrant Reserve

Title: EU ETS Phase I – New Entrant Reserve

Published: 25 April
Response due: n/a

Link:
http://www.defra.gov.uk/news/2008/080425a.htm

DEFRA has issued an "Information Bulletin" confirming that it will cancel the remaining allowances in the Phase I New Entrant Reserve. The total number of allowances remaining after all applications had been received, was approximately 5.9m allowances. The Bulletin states that…

"Given the over-allocation of allowances in Phase I and the current market conditions Ministers do not consider that it would be appropriate to sell those left in the New Entrant Reserve. These allowances will be cancelled at the beginning of May in the same way as all other Phase I allowances."

GB SO

Workshop Invitation: 'Network Output Measures Methodology'

Where /when: Ramada Hotel, Solihull/ 8 May (09:30 and 14:00)
Contact: leon.walker@uk.ngrid.com by 6 May

European Commission

Issue/Title: Public consultation on "EU Action to promote Offshore Wind Energy"

Published: 24 April
Response due: 20 June

Link:
http://ec.europa.eu:80/energy/res/consultation/offshore_wind_energy_en.htm

As part of its process of preparing an Action Plan on offshore and coastal water wind energy. The EC has published a consultation, with accompanying questionnaire, seeking views on the:

- *"most important barriers* related to the future development of offshore energy in Europe,
- *actions that might be taken* to address these barriers, *especially at EU level*."

The Pace of Change in Great Britain

THE EUROPEAN UNION - ELECTRICITY INDUSTRY RELATED PRESS RELEASES (TITLES & LINKS ONLY)

Brussels, 15 April 2008
Commissioner Piebalgs underlines the role of nuclear energy in the transition towards a low carbon economy

Link:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/575&format=HTML&aged=0&language=EN&guiLanguage=en

Brussels, 25 April 2008
Commission launches consultation to prepare an EU Offshore Wind Energy Action Plan

Link:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/645&format=HTML&aged=0&language=EN&guiLanguage=en

Brussels, 28 March 2008
Climate change: Continued momentum needed as formal negotiations on new UN climate agreement get under way

Link:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/475&format=HTML&aged=0&language=EN&guiLanguage=en

THE BSC AND CUSC

BSC – joiners and leavers in January

Joiners…

Koch Supply & Trading, LP as a Non-Physical Trader & ECVNA

Endesa Trading SA, Sociedad Unipersonal as a Non-Physical Trader & Interconnector User

Other BSC Business

Increase in the Credit Assessment Price (CAP)

CAP will be increased to **£61/MWh** from **30 April 2008**

New Modification Proposals

P223 : Improvements to the Profile Administrator Service

Raised: 10 April
By: BSC Panel

Link:
http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/223/P223.pdf

The Mod proposes the introduction of a new process for recruiting new customers/ Metering System Identifiers (MSIDs) to participate in the profile sample/data collection processes that support profiles.

P224: Reactive Power Flows Associated with Exemptible Generating Plant

Raised: 28 April
By: E.ON UK plc

Link:
http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=244

The Mod proposed changes to section K of the BSC that would allow other Parties, rather than just Licensed Suppliers, to take responsibility for reactive power flows absorbed by Exemptible Generating Plant.

BSC Modification Decisions

P219: Consistency between Forecast and Out-turn Demand

Decision: APPROVE
Date of decision: 2 April
Implementation date: 6 November 2008

Panel recommendation: approve

Link:
http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/219/P219_D.pdf

The change will require NGET to report to two sets of Demand Forecast and Demand Out-turn to the Balancing Mechanism for publication on the BMRS and changes some BSC definitions to align them with Grid Code definitions.

P220: Provision of New Data Items for Improving Market Information

Decision: APPROVE Alternative
Date of decision: 2 April
Implementation date: 6 November 2008

Panel recommendation: approve alternative

Link:
http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/220/P220_D.pdf

The change requires National Grid to publish additional data items on the BMRS and to provide trend data for daily energy volumes transported across the transmission system as well as real time transmission system frequency data.

P215: Revised Credit Cover Methodology for Generating BM Units

Decision: APPROVE Alternative
Date of decision: 23 April
Implementation date: 25 June 2009

Panel recommendation: Approve Alternative

Link:
http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/215/P215D.pdf

The modification changes the calculation of CEI (Credit Assessment Energy Indebtedness) for generators classed as Credit Qualifying Balancing Mechanism (BM) Units so that CEI calculations for CVA Registered Qualifying BM generators would be calculated using a combination of FPNs for the first 2 Settlement Days only and Metered Volumes for Settlement Days 3-5 of the 29 days of the EI (Energy Indebtedness) period.

P216: Audit of LLF Production

Decision: APPROVE Alternative
Date of decision: 25 April
Implementation date: 20 April 2009

Panel recommendation: Approve Alternative

Link:
http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/216/P216D.pdf

The alternative modification introduces a new set of principles that methodologies used to determine LLFs (Line Loss Factors) must be consistent with and requires the methodologies to be audited against these principles. Once set, LLFs will not be changed mid year except for site specific LLFs when there has been a material change affecting the site and the revised LLFs have been approved by the Panel.

New BSC Issues

Issue 34 - Distribution Losses

Raised by: ScottishPower Energy Networks

Raised: April
Link:
http://www.elexon.co.uk/documents/issues/34/Issue_34-Distribution_Losses.pdf

ScottishPower Energy networks has raised an issue to investigate the cause of the fluctuations it has observed in the level of calculated losses on its two distribution networks (it quotes from 7.2% in May to 2.8% in November 2007 for SP).

CUSC

CUSC Amendments – decisions

CAP149: Transmission Entry Capacity with Restricted Rights Decision

Decision: APPROVE Consultation Alternative Amendment 2 (CAA2)

Decision date: 23 April
Implementation date: 24 May 2008

CUSC Panel recommendation: Both CAA2 and WGA1 (Working Group Alternative Amendment 1) were improvements but WGA1 is better the better

of the two

Link to decision:
http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=CAP149_Decision_Final.pdf&refer=Licensing/ElecCodes/CUSC/Amend

The amendment makes changes to the "Connection Offer Form" that enables a generator applying for a connection to obtain information on both standard connection and a design variation non-firm connection to enable it to make an informed decision on the time and cost implications of their choice of connection and any consequential access restrictions that might result. Existing generators would be able to opt for a Modification Application to convert to the new form of connection agreement.

The approved amendment also gives National Grid the right to update the relevant clauses of the bilateral agreement that contains any output restrictions if changes to the transmission system result in a design variation connection no longer being compliant with the GBSQSS – with provisions to refer any disputes to the Authority.

The amendment also introduces an intermediate step before the initiation of an Event of Default where a generator fails to comply with any access restrictions in the relevant bilateral agreement.

New Amendment Proposals

CAP160: Improvements to the assessment of Amendments

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/3777B022-2ED0-4A32-87A7-311444EB3F20/25162/CAP160ImprovementstotheassessmentofAmendments.pdf

The CAP proposes changes to the governance process for considering CAPs that would be "broadly in line with the BSC".

CAP161: Transmission Access – System Operator Release of Short-term Entry Rights

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/1F7B5B14-37E4-4612-9708-84DCADB2A94C/25084/CAP161SystemOperatorReleaseofShorttermEntryRights.pdf

The CAP proposes changes that would allow National Grid to release additional short term entry rights, through auctions, in operational timescales when there is spare capacity (what constitutes "spare capacity" is defined). As in the CAPs that follow, entry rights would be zonal.

The CAP states that 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 Gird will be permitted to release short-term entry rights even if this increases the operational costs; and the available volume will be released through an auction process.

The CAP also proposes a revised process for 'local only' applications (connection without long-term entry rights for the wider system) and that the residual charge should be commoditised.

Credit cover will be required.

CAP162: Transmission Access – Entry Overrun

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/82F19134-169A-4130-8697-3B140D5D6BE2/25085/CAP162TransmissionAccessEntryOverrun.pdf

The CAP proposes the creation of a commercial mechanism to deal with generation above existing entry access capacity holdings. Under the proposed arrangements, generators would be able to export in excess of their total entry access capacity holding (currently the sum of TEC, LDTEC, STTEC) up to the "local" rather than "wider" system capability limits, subject to continued Grid Code compliance.

The CAP suggests that the additional capacity (the 'Entry Overrun') would be subject to charges that relate to the cost of accommodating Entry Overrun and would require credit cover to be provided.

The CAP also 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 rights with the zones being consistent for all long-term and short-term access products. It is suggested that the "residual charge" should be commoditised.

CAP163: Transmission Access – Entry Capacity Sharing

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/7FDEF40B-5E3B-45C0-94AC-0A9A687E1169/25086/CAP163EntryCapacitySharing.pdf

The CAP proposes the introduction of a "zonal access product" that would establish access rights on a zonal rather than nodal basis allowing generators to share access rights on a 1:1 basis within a zone. It would also allow generators to access the wider system, before any 'wider' infrastructure works are completed using a "local only" application to connect. The 'local' works would be those needed to facilitate the efficient exchange of entry rights between users within a zone on a 1:1 basis.
The CAP states that zonal access rights *"will be achieved by monitoring / settling access on a zonal company level*" such that *"zonal access rights will implicitly introduce intra zonal access sharing on a 1:1 basis for an individual user"*. "*Entry capacity sharing will also extend this concept of sharing to multiple users*."

The CAP also introduces a new "Zonal Definition Methodology" that would establish and govern the definition of the zones.

CAP164: Transmission Access – Connect and Manage

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/6A22B692-C388-4489-80F8-2F669D5209DF/25087/CAP164ConnectandManage.pdf

The CAP proposes changes that would give generators wishing to connect to the system the option to request a fixed date by which generators receive Transmission Entry Capacity (TEC). This will be set by the later of the completion of "local" transmission works or an agreed fixed lead time (subject to 'force majeure' provisions as currently defined in the CUSC).

The CAP also suggests that the charging arrangements should be the same as for existing TEC.

Where the generator requests a fixed date, the generator would be required to pay TNUoS charges for a minimum period irrespective of readiness of the generator to physically connect (also subject to force majeure provisions).

CAP165: Transmission Access – Finite Long-term Entry Rights

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/DFE9AE1F-F316-4641-819E-8C4E27A72ADB/25088/CAP165_Finite_Longterm_Entry_Rights_v10.pdf

The CAP proposes changes to the treatment of access rights held by existing generators, requiring them to nominate the number of years they require long-term entry access rights to the GB transmission system and give a commitment to pay the associated charges (and provide financial security) on a zonal basis.

New generators, or existing generators seeking to extend their rights, would be required to book a defined number of years of entry access rights and provide the associated user commitment.

Separate arrangements would apply for infrastructure generators' local connections to the wider system.

Zonal allocation of rights would allow a user to share capacity between its power stations on a real time basis at a 1:1 exchange rate.

CAP166: Transmission Access – Long-term Entry Capacity Auctions

Raised on: 22 April
Raised by: National Grid

Link:
https://www.nationalgrid.com/NR/rdonlyres/CE07170E-8E98-47BF-A48D-E2E83854BE49/25089/CAP166_Longterm_Entry_Capacity_Auctions_v10.pdf

The CAP proposes that long term zonal entry rights should be auctioned with incremental capacity released in specified circumstances by the GB SO. Separate arrangements would apply for charging and security for local infrastructure and the residual element of the entry Transmission Network Use of System (TNUoS) capacity charge.

CUSC Panel Election

National grid has announced the results of the CUSC Panel election. Barbara Vest (AEP) has appointed as a member and Dave Wilkerson (Centrica) as an Alternate Panel Member

Link:
http://www.nationalgrid.com:80/uk/Electricity/Codes/systemcode/Panel/Elections/result+of+mid+term+election.htm

IPA News….

Hot Off the Press – IPA have just completed PowerReview 2007-08, our report which provides comprehensive analysis of GB Power Market data covering:

- Supply & Demand;
- Generation Operation & Reliability;
- Portfolio Operation;
- Market Prices; and
- Balancing Mechanism operation, prices and revenues.

More details of PowerReview can be found in the flyer, contents and sample pages, which accompany this briefing paper.

IPA Disclaimer

IPA Energy + Water Economics cannot be held accountable for the accuracy of the information nor can IPA be held responsible for the consequences of any actions or decisions taken on the basis of the information published here. Parties must refer to the formal documents to confirm the official position.

IPA Energy + Water Economics, 41 Manor Place, Edinburgh EH3 7EB. Tel: +44 (0) 131 240 0840
Fax: +44 (0) 131 220 6440
Email: contact@ipaeconomics.com

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SUMMARY OF April 2008 CONSULTATIONS & NEW BSC AND CUSC MODS AND DECISIONS

Please note that whilst considerable effort is made to keep this up to date some, possibly important, consultations and announcements will inevitably have been missed. Readers should also refer to the relevant documents to confirm response dates.

Carried forward from previous editions….		**Issued**	**Response Due**
BERR	**Title: Clean up fund is precondition for new nuclear – Hutton/Consultation on funded decommissioning programme guidance for new nuclear power stations** Link to PR: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=354629&NewsAreaID=2 Link to consultation: http://www.berr.gov.uk/consultations/page44784.html	**22 February**	**16 May**
Ofgem	**Title: Electricity Distribution Price Control Review Initial Consultation Document** Link: http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntrls/DPCR5/Documents1/Initial%20consultation%20document.pdf	**28 March**	**23 June**
BERR	**Title: Next step taken towards new nuclear power with start of justification process** Link to PR: http://www.gnn.gov.uk/environment/fullDetail.asp?ReleaseID=363848&NewsAreaID=2&NavigatedFromDepartment=True Link to BERR webpage: http://www.berr.gov.uk/energy/nuclear-whitepaper/justification/page45386.html	**31 March**	**7 June**
New in April … **(this does not include all the details of licence notices/modifications/ applications/revocations/licences granted or EU press releases or code issues)**			
BERR	**Issue/Title: Robin Bidwell re-appointed to Gas and Electricity Markets Authority** Link: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=363882&NewsAreaID=2	**31 March**	**n/a**

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Ofgem	**Title: Open letter - new technology in public lighting** Link: http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Comp/Elec/Documents1/Public%20lighting%20open%20letter%20-%20FINAL.pdf	**1 April**	**9 May**
DEFRA	**Title: EU ETS: Release of 2007 emission results** Link: http://www.defra.gov.uk/environment/climatechange/trading/eu/operators/compliance.htm Link to CITL announcement: http://ec.europa.eu/environment/ets/welcome.do	**½ April**	**n/a**
Ofgem	**Title: Delivering the electricity distribution structure of charges project** Link: http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/Sof%20C%20Project%203608.pdf	**2 April**	**14 May**
Ofgem	**Title: Switching rate hits 5.1 million in 2007** Link: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Switching%20figures%202007.pdf	**2 April**	**n/a**
Ofgem	**Title: Electricity Distribution Price Control Revenue Reporting: Regulatory Instructions and Guidance - Version 4** Link: http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntrls/RevandPrice/Documents1/Revenue%20Rigs%20V4%20_new%20template%20draft_.pdf	**3 April**	**n/a**
DEFRA	**Title: Consultation on draft Marine Bill** Link: http://www.defra.gov.uk/marine/legislation/index.htm	**3 April**	**26 June**
Ofgem	**Title: Consultation on modifications to Statements of the Basis for Transmission Owner Charges** Link: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/draft%20consultation%20letter.pdf	**4 April**	**2 May**

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BERR	**Title: Hutton waves ahead tidal energy project in the Humber** Link: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=364658&NewsAreaID=2	**7 April**	**n/a**
Ofgem	**Title: Ofgem launches Competition Act investigation into Scottish Power Limited and Scottish and Southern Energy plc** Link: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem%2012.pdf	**8 April**	**n/a**
Ofgem	**Title: Complaint Handling Standards Decision** Link: http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/Complaint%20handling%20standards%20decision.pdf Ofgem's accompanying press release can be found at: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem13.pdf	**9 April**	**21 May**
Scot Exec	**Title: Introduction of Banding to the Renewables Obligation (Scotland)** Link: http://www.scotland.gov.uk/Topics/Business-Industry/Energy/19185/ROSCons08BPR	**11 April**	**4 July**
BERR	**Title: 100,000 households could be lifted out of fuel poverty by an extra £225 million to help with rising fuel bills** Link: http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=365248&NewsAreaID=2&NavigatedFromDepartment=True	**11 April**	**n/a**
Ofgem	**Title: Summer Outlook Report 2008** Link: http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/Outlook/Documents1/Summer%20Outlook%20Report_final.pdf	**15 April**	**Comment invited**
Ofgem	**Title: Proposed Guidance - Environmental Issues and the Code Objectives** Link: https://www.nationalgrid.com/NR/rdonlyres/7BA321A0-29F4-4524-B21C-A9580BC45B71/25092/Ofgem_Environmental_Letter.pdf	**15 April**	**n/a**

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Ofgem	**Title: Transmission Access Review – Analytical Discussion Document** Link: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/080416%20TAR%20Access%20Discussion%20Document_FINAL.pdf Link to IPA stawman report: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/IPA%20TAR%20Strawmen%20Report%20FINAL.pdf Link to Poyry building Blocks report: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/Poyry%20TAR%20Building%20Blocks%20Report%20FINAL.pdf Link to Poyry strawmen report: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/Poyry%20TAR%20Strawmen%20Report%20FINAL.pdf	**17 April**	**15 May**
Ofgem	**Titles:** **Vulnerable Customer Engagement with the Energy Market Research** **MORI report on switching rates for vulnerable customers** Link: market research report: http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/vulnerable%20customer%20engagement%20with%20the%20energy%20market%20research%20report.pdf MORI Poll: http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/MORI%20report%20switching%20rates.pdf	**21/23 April**	**n/a**
Ofgem	**Title: Proposed Procedure – SLC 15 Electricity Generation Licence and Authority Procedure for Consent Requests - Open Letter Consultation** Link: http://www.ofgem.gov.uk/Licensing/Work/Documents1/SLC15%20consultation%20letter23April.pdf	**23 April**	**8 May**

Ofgem	**Titles: Detailed grounds of resistance re Judicial Review Challenge against the Authority's decision not to take its final decisions concerning mod proposals to the Balancing and Settlement Code** **Witness statement of Sarah Harrison to the High Court re judicial review challenge against the Authority's decision not to take its final decisions concerning mod proposals to the Balancing and Settlement Code** Link to detailed grounds of resistance: http://www.ofgem.gov.uk/Licensing/ElecCodes/BSCode/BSC/Documents1/Teesside%20Power%20v%20Ofgem%20-%20Detailed%20Grounds%20FINAL.pdf Link to Sarah Harrison's witness statement: http://www.ofgem.gov.uk/Licensing/ElecCodes/BSCode/BSC/Documents1/Teesside%20-%20SH%20Witness%20Statement%20FINAL.pdf	**24 April**	**n/a**
EC	**Title: Public consultation on "EU Action to promote Offshore Wind Energy"** Link: http://ec.europa.eu:80/energy/res/consultation/offshore_wind_energy_en.htm	**24 April**	**20 June**
DEFRA	**Title: EU ETS Phase I – New Entrant Reserve** Link: http://www.defra.gov.uk/news/2008/080425a.htm	**25 April**	**n/a**

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Ofgem	**Title: Electricity Distribution Licence Review: Conclusions and Statutory Consultation** Link: http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/DLR%20Conclusions_letter.pdf Link to Appendix: containing proposed distribution licence conditions: http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/Appendix%201%20-%20DLR%20Proposed%20Licence%20Conditions.pdf Links to Statutory Consultations on proposed licence changes: (SHEPD's licence): http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_%20Notice_SHEPD1.pdf http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_Notice_A1%20(2).pdf Special Condition A1 of all DNO's licences: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_Notice_A1%20(2).pdf Central Networks licences: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_CN.pdf All of IDNOs: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11_%20Notice_BAs.pdf Cover to proposed licence conditions: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section_11A_notice%20(2).pdf Proposals: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section%2011A%20-%20Schedule%201.pdf Schedule of changes: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Section%2011A%20Schedule%202.pdf	**29 April**	**27 May**
BERR	**Titles:** **Energy Billing and Metering: Changing Customer behaviour Government response to consultation** **Appraisal of Costs & Benefits of Smart Meter Roll Out Options: Final Report** Link to decision document: http://www.berr.gov.uk/files/file45996.pdf Link to costs and benefits of smart metering: http://www.berr.gov.uk/files/file45997.pdf	**29 April**	**n/a**
New BSC Mods		**Raised by:**	**On:**

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P213	**Improvements to the Profile Administrator Service** Link: http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/223/P223.pdf	**BSC Panel**	**10 April**
P224	**Reactive Power Flows Associated with Exemptable Generating Plant** Link: http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=244	**E.ON UK plc**	**28 April**
P215	**Revised Credit Cover Methodology for Generating BM Units** Decision: APPROVE Alternative Panel recommendation: Approve Alternative Link: http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/215/P215D.pdf	**23 April**	**25 June 2009**
P216	**Audit of LLF Production** Decision: APPROVE Alternative Panel recommendation: Approve Alternative Link: http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/216/P216D.pdf	**25 April**	**20 April 2009**
BSC Mod Decisions APPROVE		**On**	**Implement**
P219	**Consistency between Forecast and Out-turn Demand** Decision: APPROVE Panel recommendation: approve Link: http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/219/P219_D.pdf	**2 April**	**6 Nov 08**

P220	**Provision of New Data Items for Improving Market Information** Decision: APPROVE Alternative Panel recommendation: approve alternative Link: http://www.elexon.co.uk/Documents/Change_and_Implementation/modifications/220/P220_D.pdf	**2 April**	**6 Nov 08**
New CAPs		**By:**	**On:**
CAP 160	**Improvements to the assessment of Amendments** Link: https://www.nationalgrid.com/NR/rdonlyres/3777B022-2ED0-4A32-87A7-311444EB3F20/25162/CAP160ImprovementstotheassessmentofAmendments.pdf	**22 April**	**National Grid**
CAP 161	**Transmission Access – System Operator Release of Short-term Entry Rights** Link: https://www.nationalgrid.com/NR/rdonlyres/1F7B5B14-37E4-4612-9708-84DCADB2A94C/25084/CAP161SystemOperatorReleaseofShorttermEntryRights.pdf	**22 April**	**National Grid**
CAP 162	**Transmission Access – Entry Overrun** Link: https://www.nationalgrid.com/NR/rdonlyres/82F19134-169A-4130-8697-3B140D5D6BE2/25085/CAP162TransmissionAccessEntryOverrun.pdf	**22 April**	**National Grid**
CAP 163	**Transmission Access – Entry Capacity Sharing** Link: https://www.nationalgrid.com/NR/rdonlyres/7FDEF40B-5E3B-45C0-94AC-0A9A687E1169/25086/CAP163EntryCapacitySharing.pdf	**22 April**	**National Grid**
CAP 164	**Transmission Access – Connect and Manage** Link: https://www.nationalgrid.com/NR/rdonlyres/6A22B692-C388-4489-80F8-2F669D5209DF/25087/CAP164ConnectandManage.pdf	**22 April**	**National Grid**
CAP 165	**Transmission Access – Finite Long-term Entry Rights** Link: https://www.nationalgrid.com/NR/rdonlyres/DFE9AE1F-F316-4641-819E-8C4E27A72ADB/25088/CAP165_Finite_Longterm_Entry_Rights_v10.pdf	**22 April**	**National Grid**

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CAP 166	**Transmission Access – Long-term Entry Capacity Auctions** Link: https://www.nationalgrid.com/NR/rdonlyres/CE07170E-8E98-47BF-A48D-E2E83854BE49/25089/CAP166_Longterm_Entry_Capacity_Auctions_v10.pdf	**22 April**	**National Grid**
CAP decisions (approve)		**Approved on:**	**Implement on:**
CAP 1459	**Transmission Entry Capacity with Restricted Rights Decision** Decision: APPROVE Consultation Alternative Amendment 2 (CAA2) CUSC Panel recommendation: Both CAA2 and WGA1 (Working Group Alternative Amendment 1) were improvements but WGA1 is better the better of the two Link to decision: http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=CAP149_Decision_Final.pdf&refer=Licensing/ElecCodes/CUSC/Amend	**23 April**	**24 May 08**