



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER CONSULTING

Inside this issue...

- Modification P201 & P202 which sought to insulate parties with small imbalances from the impact of the new "chunky marginal" imbalance prices, due to be implemented in November, have both been rejected
- Zonal losses Modifications P198, P200 and P203 were considered at the September meeting of the BSC Panel; the Panel recommended that all should be rejected

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This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on September 2006.

The newsletter aims to assist electricity market participants who already have a good broad understanding of the GB electricity trading arrangements, and the key documents that underpin them, 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; the EU Emissions Trading Scheme; consultations and reports by National Grid (NGET), 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 Consulting on 0131 240 0840.

HEADLINES

- Modification P201 & P202 which sought to insulate parties with small imbalances from the impact of the new “chunky marginal” imbalance prices, due to be implemented in November, have both been rejected. P205, which seeks to address the same problem by increasing the volume of energy included in the calculation of prices, is with the Authority for decision. The BSC Panel recommended that P205 should be implemented.
- Zonal losses Modifications P198, P200 and P203 were considered at the September meeting of the BSC Panel; the Panel recommended that all should be rejected.



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Ofgem Issues and Consultations

Issue/Title: Regulatory arrangements for the new Dutch-GB electricity interconnector

Issued: 5 September
Response due: 17 October

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16677_163_06.pdf

Ofgem is consulting on BritNed Development Limited's (BritNed) application for an interconnector licence for the GB/Netherlands interconnector and its request that it should be exempted from the requirement to offer terms for third party access and obtain regulatory approval for their charging methodologies and use of revenues (SLCs 9, 10 & 11) and an exemption from relevant parts of the EC Regulation.

The consultation indicates that Ofgem's initial view is that BritNed meets the criteria for exemption and it is minded to grant the exemption – a parallel process is being conducted with the Dutch authorities. If Ofgem decides to grant the exemption, it will need to be sent to the EC who have the authority to amend or withdraw it.

The consultation also gives information on the process BritNed plan to employ to market the new capacity and seeks views on this and other related issues.

Issue: Development of National Grid's forecast for gas and electricity supply-demand balance for winter 2006/7

Title: Winter 2006/07 Consultation Report

Issued: 21 September
Response due: comments invited on an ongoing basis

Links:
Consultation:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf
Ofgem cover letter:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf

Ofgem has published NGET's winter 2006/07 consultation under open cover letter from Alistair Buchanan. This is the final consultation prior to

producing the gas and electricity supply-demand outlooks for winter 2006/07.

From an electricity perspective, there are relatively minor changes compared to the July consultation (the headline plant margin is 22%). NGET indicate that "the projected level of generation availability would be sufficient to meet demand associated with Average Cold Spell conditions. Under 1 in 50 cold winter conditions, the projected level of generation would also be sufficient to meet demand provided that:

- we do not experience unusually high levels of plant breakdowns; and
- sufficient non-power generation gas demand response is provided by industry such that adequate CCGT generation remains available."

Issue/Title: Transmission Price Control Review: Updated Proposals

Issued: 25 September
Response due: 24 October

Links:
Updated proposals:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16855_170_06.pdf
Analysts' presentation:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16852_Analysts_Presentation.pdf
Supplementary Appendices:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16857_170_06a.pdf
Cost of capital analysis:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16853_smithers_co.pdf

Ofgem has published its revised proposals for the price controls for the transmission companies that are due to come into effect in April 2007; final proposals will be published in December.

This consultation provides an update on the initial (June) proposals.

The key themes identified are:

- **"Investment to support new sources of gas and electricity"** – which foreshadows a need for significant investment in new network infrastructure.

Allowances for capital investment over the next five



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years are £4.5 billion (in 2004/05 prices); a 76 per cent increase over the allowances set during the last major price control reviews.

- **“Investment to support high levels of network performance”** - the need to replace network assets to maintain high levels of reliability (particularly for electricity transmission networks).
- **“Flexibility to respond to new developments”** – Ofgem’s aim is to establish a regulatory regime which is flexible and can respond effectively to events, but is sufficiently robust to remain in place for a five year period.

The proposals include mechanisms to adjust the revenue allowances automatically, either up or down, in response to the actual needs of users of the system – with a different approach being proposed for the two Scottish electricity transmission companies and NGET (with zonally differentiated revenue drivers being suggested for NGET).

- **“The right allocation of risk”**- ensuring an appropriate balance of risk between the transmission companies, network users and consumers.

The initial proposals allow a real post tax return of 4.2 per cent on the regulated asset value of the companies.

Ofgem is also considering measures to safeguard consumers in the event that companies’ investments fall significantly below their allowances.

- **“A continuing focus on efficiency”** – with the objective of delivering a high standard of performance at an efficient cost.

There is also an environmental/sustainability element with consideration being given to a new incentive to target the reduction of leakage of the greenhouse gas sulphur hexafluoride.

Issue: NGET’s System Operator Incentive Scheme includes reopeners that calculation of the incentivised costs to be adjusted in the light of unanticipated events (Income Adjusting Events, IAEs). NGET is claiming two IAEs for 2005/06.

Title: NGET’s external System Operator incentive scheme 2005/06: Determination under Special Condition AA5A Part 2(i), paragraph 12(a) of National Grid Electricity Transmission plc’s Transmission Licence in respect of Scottish Constraints and CAP047

Issued: 25 September
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16850_IAE_Decision_Letter_FINAL.pdf?wtfrom=/ofgem/index.jsp

Ofgem has published its decision on NGET’s request to reopen its System Operator Incentive Scheme for 2005/06 to allow the calculation of incentivised costs to be reset in the light of two events (claimed Income Adjusting Events). Ofgem has determined that the two claims should be treated as Income Adjusting Events but has made a smaller allowance for these events than NGET had proposed.

Ofgem’s approval will mean that NGET incurs a loss of £4.04m under this scheme rather than the £9.94m it would have lost had the IAEs not been approved. This compares to a loss of £2.79m had Ofgem accepted NGET’s proposed allowances in full.

Issue/Title: Treatment of the early replacement of prepayment meters in the electricity metering price controls

Issued: 29 September
Response due: 10 November

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16895_175_06.pdf

Ofgem has published a consultation on changing the way DNOs are protected from stranded asset risk cost when prepayment meters are replaced early. This follows problems that have been identified following application by a DNO for protection under the current regime.

Issue/Title: Public Interest Disclosure (Whistleblowing)

Issued: 29 September



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Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16882_Whistleblowers_Policy_for_Ofgem_websiteREVfinal_\(2\).pdf?wtfrom=/ofgem/work/index.jsp§ion=/aboutofgem/whistleblowing](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16882_Whistleblowers_Policy_for_Ofgem_websiteREVfinal_(2).pdf?wtfrom=/ofgem/work/index.jsp§ion=/aboutofgem/whistleblowing)

Ofgem has published a new policy covering whistle blowing by individuals who do not work for Ofgem but who wish to disclose certain information to Ofgem about the activities of companies or individuals operating in the electricity and gas industries.

Issue/Title: Decision on the designation of the distribution connection and use of system agreement (DCUSA) which will occur on 5 October 2006.

Issued: 29 September

Response due: DCUSA will come into effect on 5 October

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16900_177_06.pdf

Ofgem has issued an open letter giving notification of its intention to give effect to the DCUSA from 5 October.

Electricity Licences and Licence Modifications

NOTICES OF LICENCES GRANTED IN SEPTEMBER

The following companies had an electricity licence granted in September:

Haven Power Limited was granted a non-domestic supply licence on 20 September.

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16793_Haven_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationgrantednotices

BizEnergy.com Limited was granted an electricity

supply licence, to supply any premises in Great Britain, on 27 September.

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16872_Bizenergy_website_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationgrantednotices

OTHER LICENCE NOTICES

Issue: Change to NGET's revenue restriction (price control) Transmission Network Reliability Incentive Scheme (Special Condition AA5 F)

Notices: Notice under Section 11 (2) of the Electricity Act 1989

Date issued: 5 September
Responses due: 3 October

Links:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16543_Section_11\(2\)_Notice.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16543_Section_11(2)_Notice.pdf)

Ofgem is proposing changes to allow the continuation of the network reliability incentive scheme.

Issue: Changes to the licences of the two Scottish distribution companies to remove provisions relating to the run off of the SAS following implementation of BETTA that are no longer required.

Notices: Modification of the Distribution Licence granted or treated as granted under Section 6(1)(C) of the Electricity Act 1989 to SP Distribution Ltd and Section 49A of the Electricity Act 1989

Notice of reasons for the decision of the Gas and Electricity Markets Authority to Modify the Distribution Licence granted or treated as granted to SP Distribution Limited

and

Notices: Modification of the Distribution Licence granted or treated as granted under Section 6(1)(C) of the Electricity Act 1989 to Scottish



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Hydro Electric Power Distribution Ltd and Section 49A of the Electricity Act 1989

Notice of reasons for the decision of the Gas and Electricity Markets Authority to Modify the Distribution Licence granted or treated as granted to Scottish Hydro Electric Power Distribution

Date issued: 5 September
Effective from: 6 September

Links:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16583_164_06.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16584_165_06.pdf

Ofgem has issued a notice modifying the licences of the two Scottish Distribution Companies to remove provisions relating to the run off of the SAS (Settlement agreement for Scotland), Special Conditions H and I, following the implementation of BETTA

Issue: Further changes to the IDNO licence for UK Utilities (Electricity) Ltd

Notices: Notice under Section 8A(3) of the Electricity Act 1989

Date issued: 12 September
Response due: 10 October

Links:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16665_166_06.pdf

Ofgem is consulting on a further proposed change to the distribution licence for UK Utilities (Electricity) Ltd to extend the time period under which Ofgem would not review price control arrangements for IDNOs until 2011.

Issue: Changes to the SC's of TRANSMISSION Licences to extend the deadline for the Authority's decision on the charging methodologies where it is carrying out an Impact Assessment.

Notice: Modification of Standard Conditions of Electricity Transmission Licences granted or treated as granted under Section 6(l)(b) of the Electricity Act 1989

Date issued: 27 September

Effective from: 27 September

Links:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16870_174_06.pdf

Ofgem has issued a notice amending the Standard Conditions of Transmission Licences to extend the deadline for the Authority's decision on the charging methodologies where it is carrying out an Impact Assessment from the current 28 days to three months. The default of 28 days is retained in all other circumstances.

DTI

Issue: Participation in the new Energy Institute

Title: New investment in energy initiative launched today

Issued: 14 September
Response due: EOIs requested by end November

Link:
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=227095&NewsAreaID=2>

The DTI has issued a press release announcing the publication of a prospectus that sets out the vision and proposals for the planned Energy Technologies Institute and inviting expressions of interest from the private sector by the end of November.

The PR indicates that the Government is offering to commit £500m to the Institute over the next decade and is looking for the same level of commitment from the private sector. The intention is for the Institute to be fully operational by 2008.

SCOTTISH EXECUTIVE

Issue: Statutory Consultation by the Scottish Executive on its proposed support mechanism for wave and tidal power under the Renewables Obligation Scotland

Title: Statutory consultation on review of ROS



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(support for wave and tidal power) 2006.

Issued: 20 September
Response due: 12 December

Link
consultation:

<http://www.scotland.gov.uk/Topics/Business-Industry/infrastructure/19185/ROSConsWaveTidal06Order>

draft statutory order:

<http://www.scotland.gov.uk/Topics/Business-Industry/infrastructure/19185/ROSConsWaveTidal06Order>

The Scottish Executive has issued a consultation on changes to the Scottish Renewables Obligation Order to enable it to give effect to its proposed support mechanism for marine (wave and tidal) technologies, the Marine Supplier Obligation (MSO), in Scotland. The consultation indicates that the Executive is very supportive of proposals set out within the Energy Review to introduce banding but it is concerned that support for marine technologies is needed sooner than could be delivered under this new mechanism and so the Scottish Executive is pressing ahead with its own scheme.

The Executive describes the key elements of its proposals as being:

- “MSO to form part of existing ROS;
- Capacity cap of 75 MW under phase I;
- MSO based on realistic capacity forecasts;
- MSO to operate on headroom principle;
- Separate obligations for wave and tidal power;
- High buy-out payment levels;
- Buy-out fund recycled on basis of compliance with MSO;
- Commissioning period for phase I of 2008-2015.”

DEFRA

Issue: DEFRA has announced the formation of a new organisation – the Office of Climate Change (OCC) to support Government work in tackling climate change

Title of PR: Office of Climate Change starts work

Issued: 22 September

Link: <http://www.defra.gov.uk/news/2006/060922b.htm>

DEFRA has issued a press release announcing that a new office – the Office of Climate Change (OCC) – has been established to support Government work in tackling climate change.

The notes to the PR state that:

“1 The Office of Climate Change will be governed by a Ministerial Board, which is a working subgroup of the Ministerial Committee on Energy and the Environment. An Officials' Board, chaired by Defra's Permanent Secretary and comprising relevant Directors-General from across government, the Chief Micro Economist from the Treasury and a representative from the Office of the Prime Minister, will oversee the day-to-day running of the body.

2. It will be staffed by around 15-18 permanent staff supported by 12-18 staff temporarily recruited for project work.

3. The Office of Climate Change will address international issues but will not be involved in international negotiations or in drawing up negotiation strategies”

The EU ETS

Issue/Title: EU Emissions Trading Scheme Process for Appeals Against Allocation Of Allowances From The Missing And Late Reserve Decisions

Issued: 31 August

Response due: appeals must be lodged within 10 working days of the date of the notification letter

Link:

<http://www.defra.gov.uk/environment/climatechange/trading/eu/nap/late-entrants.htm>

DEFRA has published its procedures for operators seeking to appeal the allocation of allowance in certain circumstances.

The European Union

The European Union - Electricity industry related press releases (titles & links only)



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Andris Piebalgs (Energy Commissioner) Speech: Towards a New European Energy Policy Public Hearing on Green Paper on a European Energy Policy

Brussels, 22 September 2006

Link:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/524&format=HTML&aged=0&language=EN&guiLanguage=en>

GB SO REPORTS AND CONSULTATIONS

Issue/Title: Proposed changes to the Statement of the Use of System Charging Methodology as a result of Charging Conditions 2 and 4.

Issued: 1 September
Response due: 30 September

Link:

<http://www.nationalgrid.com/NR/ronlyres/403BAD41-F0BF-4C69-A024-D927B06AFB6B/9938/ProposedchangestotheUoSMethodologyStatementforcond.pdf>

NGET has published a report summarising the changes it is proposing to make to the Statement of the Use of System Methodology following its work on charging conditions 2 (Incremental Cost of Capacity) and 4 (Long Term Fixed Access Products).

NGET indicates that it considers that the proposed changes to the Statement of the Use of System Charging Methodology are intended to improve the transparency of the methodology and do not represent a change to the methodology. Consequently, National Grid intends to include any changes in the annual update to the statement by April 2007.

Issue/title: Proposed revisions to the Procurement Guidelines, Balancing Principles Statement and the Balancing Services Adjustment Data Methodology Statement
Incorporation of BM Start-up Service

Issued: 6 September
Response due: the Authority has 28 days to veto the proposed changes

Link:

<http://www.nationalgrid.com/NR/ronlyres/6072F530-40BD-4043-ACF4-499D273B2547/10290/LC16statementsSep06Reportdoc.pdf>

NGET has published its final report to the Authority proposing changes to the PGs, BPS and BSADMS to accommodate its proposed new BM Start up service. The report notes that NGET is reviewing the draft contract terms that would cover these services in the light of comments made on its consultation on the proposed changes.

Issue: Ofgem's approval of NGET's BETTA use of System Methodology included six conditions. This report covers Condition 6 – the calculation of charges relating to the maintenance of site specific connection assets

Title: Charging Condition 6 "Charging Arrangements for Site Specific Maintenance".

Issued: 11 September
Response due: 9 October

Link:

<http://www.nationalgrid.com/NR/ronlyres/53FD72BF-B79D-4152-AB46-84AC9C3E864A/10969/ChargingCondition6SSM.pdf>

National Grid has issued a draft report on its review of the calculation of site specific maintenance cost – for industry comment prior to submission to Ofgem. NGET has concluded that no changes should be made but that this should be kept under review and that the methodology should be reviewed in the light of the conclusions from Ofgem's competition in connections review will be considered, are available.

Issue: This report covers Condition 5 - the requirement for NGET to publish a forecasts of future movements in TNUoS Charges

Title: Condition 5 – Publication of Long-Term Tariffs

Issued: 13/27 September
Response due: n/a (information paper – NGET invite comments)

Link:



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Paper:

<http://www.nationalgrid.com/NR/ronlyres/E1C7183E-7C31-4C18-8A8F-309A87FB459C/10765/InformationPaperFINALv2.pdf>
2006 DCLF data (spreadsheet):
<http://www.nationalgrid.com/NR/ronlyres/24D91C1D-B14E-454D-853C-48FC7AF64DAA/10930/2006PublishedData.xls>

National Grid has published its forecast of future path of locational TNUoS charges under a range of scenarios for the next five years. The document foreshadows the need for a consultation exercise on zoning criteria (see below). It has also published a spreadsheet giving the 2006 DCLF data.

Title: Consultation Document

Regarding the application of the Transmission Network Use of System charging methodology for determining generation charging zones for the price control period beginning 2007/8

Issued: 14 September

Response due: Friday 13 October 2006

In the light of the above Condition 5 report giving forward looking information on locational TNUoS charges, NGET has issued a consultation seeking industry views on the application of the current TNUoS methodology for determining generation charging zones for the price control period beginning 2007/08 (and how they might change over the five year period).

Issue/Title: Conclusions Report GB ECM-05 Modification Proposal to the Transmission Network Use of System charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs

Issued: 22 September

Implementation date: (subject to Authority veto) 20 October 2006

Link:

<http://www.nationalgrid.com/NR/ronlyres/A5259A99-9CC5-4B6C-B175-3690693A8936/10840/GBECM05ConclusionsReportFINAL.pdf>

Cover

letter:

<http://www.nationalgrid.com/NR/ronlyres/1C0B5E85-DE0F-44F1-94B7->

[BDA2518B354A/10841/GBECM05Coveringletter.pdf](http://www.nationalgrid.com/NR/ronlyres/BDA2518B354A/10841/GBECM05Coveringletter.pdf)

Following its consultation last month, NGET has now issued its final report of proposed changes to the TNUoS methodology to introduce a mechanism to allow TNUoS charges to be reconciled if there is a manifest error which results in a material change to a User's annual TNUoS charges (a material change is one where there is an error in the TNUoS tariff of +/- £0.50/kW or greater, or an error in a User's TNUoS tariff which results in an error in the annual TNUoS charge of +/-£250,000 or greater).

NGET proposes that, provided the modification proposal is not vetoed by the Authority, the change should come into effect on 20 October 2006.

THE BSC AND CUSC

The BSC

BSC Panel members

Ben Graff, NGET's representative on the BSC Panel, will be replaced by Duncan Burt from 1 October 2006.

Joiners and leavers

AES Barry Limited (Party ID: AESB1) withdrew from the BSC from **21 September 2006**.

New Modifications

- **P207** (Introduction of a new governance regime to allow a risk based Performance Assurance Framework (PAF) to be utilised and reinforce the effectiveness of the current PAF)

Raised on: 29 September

By: Energywatch

The Modification proposes introduction of new governance arrangements within the performance assurance arrangements for Supplier Volume Allocation. The proposal indicates that the proposed changes build upon work undertaken in the recent PAF review.

Rejected Modifications

- **P201 (Energy Imbalance Tolerance Band)**



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&

- **P202 (Energy Imbalance Incentive Band)**

Date rejected: 8 September

Panel recommendation: rejection

The Authority has rejected P201 and P202 and the alternatives that had been developed for both Modifications. The Modifications had sought to insulate suppliers with relatively small imbalances from the impact of P194 (Revised derivation of the main energy imbalance price) which is due for implementation in November 2006 and would have made imbalance prices more extreme. P201 only applied to imbalances where a party was short; P202 applied to imbalances in both directions. The Alternatives to both Mods had sought to widen the protection to all parties but also proposed a smaller tolerance band.

BSC Panel Modification recommendations

The BSC Panel considered the Zonal losses Modifications P198, P200 and P203 at its meeting in September and recommended that all the proposed modifications and their alternatives should be rejected. P204 is a little further behind in the process but should be considered at the October Panel meeting.

The Panel also recommended that modification P205, which seeks to increase the volume of energy used in calculating imbalance prices under P194, should be implemented.

CUSC Amendment

New Amendments

- **CAP 125 (Revisions Resulting from Interconnector Separation)**

Raised by: NGET

The CAP seeks to remove some of the provisions in the CUSC that relate to the French Interconnector following the transfer of ownership from NGET to National Grid Interconnectors Ltd (“NGIL”) on 14 August 2006 as part of the process of interconnector licensing. The changes seek to reflect the consequential effects of this separation on the CUSC obligations relating to the roles of Interconnector Error Administrator and Interconnector Owner.

- **CAP 126 (Clarification of the applicability and definition of Qualifying Guarantee and Independent Security)**

Raised by: NGET

The CAP proposes changes to the security provisions within the CUSC by making two elements (‘**Qualifying Guarantee**’ and ‘**Independent Security Arrangement**’) mutually exclusive such that a company will only be able to provide one or the other to a user and various related changes.

- **CAP 127 (Calculation and Securing of Value at Risk)**

Raised by: NGET

The CAP proposes two changes to the CUSC’s treatment of VAR (Value at Risk) within the security provisions.

- **Cap 128 (Removal of Section 10 – Transitional Issues)**

Raised by: NGET

The CAP proposes deleting Section 10 (Transitional Issues) of the CUSC which relates to issues dating back to the transition from the MCUSA and is no longer required.

- **Cap 129 (Removal of CUSC 6.17 and section B from Exhibit F)**

Raised by: NGET

The CAP proposes removing certain requirements for data provision that apply only to users who were parties to the MCUSA in March 1990 and which NGET report is currently causing confusion for new applicants.

- **CAP 130 (CUSC Connection Application Form – Fixed and Variable Application Fees)**

Raised by: NGET

The CAP seeks to amend the CUSC Connection application form to allow applicants to specify their preference for fixed or variable charges to cover the cost of NGET’s Engineering Charges associated with a connection application (in line with the provisions in the



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Statement of Use of System Charges).

- **CAP 131 (User Commitment for New and Existing Generators)**

Raised by: NGET

The CAP proposes to address three perceived deficiencies in the way access is granted that affect, in particular, distributed renewable generation. The three deficiencies that are identified are described as:

- “1. Final sums arrangements are not defined in existing commercial frameworks
2. The level and volatility of final sums are perceived as a barrier to entry
3. There are difficulties in network planning given the volume of connection applications and uncertainty in power station closures”

Changes are proposed to replace the current “final sums” liability with a form of non-refundable termination charge and to create an incentive on generators to give more notice of reductions in their requirement for TEC (Transmission Entry Capacity). The CAP proposes that where a generator reduces its TEC without providing National Grid with the requisite notice (2 years is proposed as the default), the generator would be liable to pay twice its generation TNUoS tariff (or modulus of the tariff in negative charging zones) multiplied by the reduction in capacity.

The CAP indicates that the changes would apply to “new applications for generation capacity, those applications currently being processed, generators with existing construction agreements and existing generators”.

- **CAPs 132 – 139 (Housekeeping Amendments)**

Raised by NGET

The CAPs propose a number of changes which NGET indicate fall within the definition of “Housekeeping Amendments”.

Approved Amendments

- **CAP124** (Clarification of the withholding of payments for operational intertrips). Alternative Amendment B.

Date Approved: 6 September
Implementation date: 20 September 2006

Panel Recommendation: Approve Alternative Amendment B

The approved alternative will amend the CUSC to clarify that generators will not receive certain payments (a Restricted Export Level Payment or Intertrip Payment) if an intertrip operates when a generator has not disarmed an operational intertripping scheme, as soon as reasonably practicable, in accordance with an instruction from NGET.

- **CAP107** (Redefinition of Response Energy Payment (REP) for Mandatory Frequency Response) Alternative Amendment B

Date approved: 28 September
Implementation date: 28 December 2006

Panel Recommendation: Approve Alternative Amendment B

The approved alternative amendment will change the calculation of the Response Energy Payment (REP – the payment made for the change in energy produced as a result of providing mandatory frequency response services required by the Grid Code). Under the new arrangements, generators will be paid (or pay) a multiple of the Market Index Price (MIP). Generators will be paid MIP*1.25 for increasing energy output when called for low frequency response and will pay MIP* 0.75 for reducing energy output when called for high frequency response.

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SUMMARY OF SEPTEMBER 2006 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 LAST EDITION...		Issued	Response Due
DTI	<p>Title: The Energy Challenge</p> <p>Link to review: http://www.dti.gov.uk/files/file31890.pdf Link to consultation on policy framework for nuclear build: http://www.dti.gov.uk/files/file31931.pdf Link to the initial regulatory impact assessment of the policy framework: http://www.dti.gov.uk/files/file31906.pdf Link to: nuclear power generation cost benefit analysis: http://www.dti.gov.uk/files/file31938.pdf Link to <u>Overview of modelling of the relative electricity generating costs of different technologies</u>: http://www.dti.gov.uk/files/file31936.pdf</p> <p>Links to all the annexes and supporting information can be found at: http://www.dti.gov.uk/energy/review/</p>	11 July	consultation on the policy framework for new nuclear build by 31 October 2006
DEFRA	<p>Title: The Energy Efficiency Commitment April 2008 to March 2011: Initial consultation</p> <p>Link:: http://www.defra.gov.uk/corporate/consult/eec3/index.htm</p>	31 July	23 October
Ofgem	<p>Title: Review of Competition in Gas and Electricity Connections & Gas and Electricity Connections, Industry Review results 2005 - 2006</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16480_159_06.pdf Link to review: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16481_160_06.pdf</p>	31 August	31 Oct
<p>New in September... (this does not include all the details of licence notices/modifications/ applications/revocations/licences granted)</p>			



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DEFRA	<p>Title: EU Emissions Trading Scheme Process for Appeals Against Allocation Of Allowances From The Missing And Late Reserve Decisions</p> <p>Link: http://www.defra.gov.uk/environment/climatechange/trading/eu/nap/late-entrants.htm</p>	31 Aug	Response due: appeals must be lodged within 10 working days of the date of the notification letter
NGET	<p>Issue/Title: Proposed changes to the Statement of the Use of System Charging Methodology as a result of Charging Conditions 2 and 4.</p> <p>Link: http://www.nationalgrid.com/NR/ronlyres/403BAD41-F0BF-4C69-A024-D927B06AFB6B/9938/ProposedchangestotheUoSMethodologyStatementforcond.pdf</p>	1 Sept	30 September
Ofgem	<p>Title: Regulatory arrangements for the new Dutch-GB electricity interconnector</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16677_163_06.pdf</p>	5 September	17 October
NGET	<p>Title: Proposed revisions to the Procurement Guidelines, Balancing Principles Statement and the Balancing Services Adjustment Data Methodology Statement Incorporation of BM Start-up Service</p> <p>Link: http://www.nationalgrid.com/NR/ronlyres/6072F530-40BD-4043-ACF4-499D273B2547/10290/LC16statementsSep06Reportdoc.pdf</p>	6 Sept	
NGET	<p>Title: Charging Condition 6 “Charging Arrangements for Site Specific Maintenance”.</p> <p>Link: http://www.nationalgrid.com/NR/ronlyres/53FD72BF-B79D-4152-AB46-84AC9C3E864A/10969/ChargingCondition6SSM.pdf</p>	11 Sept	9 Oct



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NGET	<p>Title: Condition 5 – Publication of Long-Term Tariffs</p> <p>Link: Paper: http://www.nationalgrid.com/NR/rdonlyres/E1C7183E-7C31-4C18-8A8F-309A87FB459C/10765/InformationPaperFINALv2.pdf 2006 DCLF data (spreadsheet): http://www.nationalgrid.com/NR/rdonlyres/24D91C1D-B14E-454D-853C-48FC7AF64DAA/10930/2006PublishedData.xls</p>	13 Sept	
NGET	<p>Title: Consultation Document Regarding the application of the Transmission Network Use of System charging methodology for determining generation charging zones for the price control period beginning 2007/08</p>	14 Sept	13 Oct
DTI	<p>Title: New investment in energy initiative launched today</p> <p>Link: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=227095&NewsAreaID=2</p>	14 Sept	Response due: EOIs requested by end November
Scot Exec	<p>Title: Statutory consultation on review of ROS (support for wave and tidal power) 2006.</p> <p>Link consultation: http://www.scotland.gov.uk/Topics/Business-Industry/infrastructure/19185/ROSConsWaveTidal06Paper draft statutory order: http://www.scotland.gov.uk/Topics/Business-Industry/infrastructure/19185/ROSConsWaveTidal06Order</p>	20 Sept	12 Dec
Ofgem/NGET	<p>Title: Winter 2006/07 Consultation Report</p> <p>Links: Consultation: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf Ofgem cover letter: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf</p>	21 September	On-going through winter 2006/7
DEFRA	<p>Title of PR: Office of Climate Change starts work</p> <p>Link: http://www.defra.gov.uk/news/2006/060922b.htm</p>	22 Sept	



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<p>NGET</p>	<p>Title: Conclusions Report GB ECM-05 Modification Proposal to the Transmission Network Use of System charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs</p> <p>Link: http://www.nationalgrid.com/NR/rdonlyres/A5259A99-9CC5-4B6C-B175-3690693A8936/10840/GBECM05ConclusionsReportFINAL.pdf</p> <p>Cover letter: http://www.nationalgrid.com/NR/rdonlyres/1C0B5E85-DE0F-44F1-94B7-BDA2518B354A/10841/GBECM05Coveringletter.pdf</p>	<p>22 Sept</p>	<p>Implementation date: (subject to Authority veto) 20 October 2006</p>
<p>Ofgem</p>	<p>Title: Transmission Price Control Review: Updated Proposals</p> <p>Links: Updated proposals: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16855_170_06.pdf Analysts' presentation: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16852_Analysts_Presentation.pdf Supplementary Appendices: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16857_170_06a.pdf Cost of capital analysis: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16853_smithers_co.pdf</p>	<p>25 Sept</p>	<p>24 Oct</p>
<p>Ofgem</p>	<p>Title: NGET's external System Operator incentive scheme 2005/06: Determination under Special Condition AA5A Part 2(i), paragraph 12(a) of National Grid Electricity Transmission plc's Transmission Licence in respect of Scottish Constraints and CAP047</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16850_IAE_Decision_Letter_FINAL.pdf?wtfrom=/ofgem/index.jsp</p>	<p>25 Sept</p>	<p>n/a</p>
<p>Ofgem</p>	<p>Title: Treatment of the early replacement of prepayment meters in the electricity metering price controls</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16895_175_06.pdf</p>	<p>29 Sept</p>	<p>10 Nov</p>



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Ofgem	Title: Decision on the designation of the distribution connection and use of system agreement (DCUSA) which will occur on 5 October 2006. Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16900_177_06.pdf	29 Sept	DCUSA will come into effect on 5 October
Ofgem	Title: Public Interest Disclosure (Whistleblowing) Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16882_Whistleblowers_Policy_for_Ofgem_websiteREVfinal(2).pdf?wtfrom=/ofgem/work/index.jsp&section=/aboutofgem/whistleblowing	29 Sept	n/a

BSC Mods & Decisions September 2006.....			
New Mods			
		Raised on:	Raised by:
P207	Introduction of a new governance regime to allow a risk based Performance Assurance Framework (PAF) to be utilised and reinforce the effectiveness of the current PAF	29 September	Energywatch
Mod decisions			
		Rejected on:	Effective:
P201	Energy Imbalance Tolerance Band Panel recommendation: rejection	8 September	n/a
P202	Energy Imbalance Incentive Band Panel recommendation: rejection	8 September	n/a
New CAPs			
CAP 125	Revisions Resulting from Interconnector Separation	NGET	
CAP126	Clarification of the applicability and definition of Qualifying Guarantee and Independent Security	NGET	
CAP127	Calculation and Securing of Value at Risk	NGET	



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CAP128	Removal of Section 10 – Transitional Issues	NGET	
CAP129	Removal of CUSC 6.17 and section B from Exhibit F	NGET	
CAP130	CUSC Connection Application Form – Fixed and Variable Application Fees	NGET	
CAP131	User Commitment for New and Existing Generators	NGET	
CAP132 - 139	Houskeeping Amendments	NGET	
CAP Decisions			
	Approved Amendments	Approved on:	Effective from:
CAP124	Clarification of the withholding of payments for operational intertrips. Alternative Amendment B. Panel Recommendation: Approve Alternative Amendment B	6 September	20 September
CAP107	Redefinition of Response Energy Payment (REP) for Mandatory Frequency Response Alternative Amendment B Panel Recommendation: Approve Alternative Amendment B	28 September	28 December

