

**May 2001**

**NGC's Connection and Use of  
System Code: scope, content and  
associated licence conditions**

**An Ofgem/DTI conclusions  
document**

## Summary

This document sets out Ofgem/DTI's conclusions on the Connection and Use of System Code (CUSC) following extensive consultation with interested parties. The document also contains Ofgem/DTI's conclusions on the necessary CUSC related licence modifications which will apply to the National Grid Company Ltd (NGC), Public Electricity Suppliers (PESs), second tier suppliers, generators and, at a later date, all distribution companies operating in England and Wales. The CUSC will constitute a new contractual framework for connection to, and use of, NGC's high voltage transmission system in England and Wales. The CUSC will replace the existing contract, the Master Connection and Use of System Agreement (MCUSA), its Supplemental Agreements and certain ancillary services agreements.

The rationale for the introduction of the CUSC was set out in an Ofgem/DTI consultation document on the scope and content of the CUSC published in March 2000. In particular, the CUSC will introduce more flexible governance arrangements which will facilitate the introduction of new transmission access arrangements to enable the full benefits of the New Electricity Trading Arrangements (NETA), which were introduced in March 2001, to be realised. The CUSC will allow NGC's transmission access arrangements to develop over time as the wider electricity market develops and in the light of experience of operating under NETA. The CUSC will also clarify the appropriate route for the resolution of disputes relating to NGC's charges.

Ofgem/DTI's final proposals on the CUSC published in August 2000, set out proposals for the scope and content of the CUSC and invited NGC to draft the CUSC based on those proposals. A further consultation document, published in December 2000, stated that there was a potential need to make a number of relatively minor changes to the proposed licence conditions attached to the August 2000 document. These potential changes had been identified during the course of NGC's consultation on the draft CUSC.

In December 2000, following extensive consultation by NGC on its initial draft CUSC with customers and the industry, NGC provided Ofgem/DTI with a further CUSC draft. In February 2001, Ofgem/DTI published a consultation document inviting any further views from respondents on the drafting of the CUSC. Ofgem/DTI also included revised drafting of the proposed licence conditions necessary to implement the CUSC.

In this conclusions document, Ofgem/DTI have responded to views expressed by interested parties on the draft CUSC and licence conditions attached to the February 2001 document. We have highlighted the need to make further minor changes to the draft CUSC in response to comments received by respondents. We also conclude on the drafting of the licence conditions required to implement the CUSC.

Following the publication of this document, Ofgem/DTI will request that NGC makes the changes to the CUSC as set out in this document. We will then submit the CUSC and associated licence conditions to the Secretary of State with a recommendation that he designates and approves the CUSC and introduces the licence conditions using the 'NETA' power afforded to him under the Utilities Act 2000. This power allows the Secretary of State to amend licences as he considers necessary or expedient for the purposes of implementing or facilitating the operation of NETA.

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# 1. Introduction

## *Purpose of this document*

- 1.1 This document sets out Ofgem/DTI's conclusions on the Connection and Use of System Code (CUSC) which will constitute a new contractual framework for connection to and use of the National Grid Company's (NGC's) transmission system. It analyses the views of respondents to the Ofgem/DTI February 2001 document<sup>1</sup> and evaluates the content of the draft CUSC, provided by NGC to Ofgem/DTI on 19 December 2000 following consultation with interested parties by NGC. This document identifies final drafting changes that will be made by NGC before the draft CUSC is submitted by Ofgem/DTI to the Secretary of State with a view to him designating and approving it.
- 1.2 It also sets out Ofgem/DTI's conclusions on the changes to electricity licences required to implement the CUSC, and which will also be presented to the Secretary of State for him to introduce.

## *Process so far*

- 1.3 In December 1999, Ofgem issued a document (the December 1999 document)<sup>2</sup> which highlighted the need to review arrangements for use of, and connection to, NGC's transmission system under the New Electricity Trading Arrangements (NETA). Ofgem was concerned about the current Master Connection and Use of System Agreement (MCUSA) and its Supplemental Agreements which set out terms and conditions for connection to, and use of, NGC's transmission system. In particular, Ofgem was concerned that the procedures for modifying the MCUSA and its Supplemental Agreements were slow and cumbersome. There was concern that this inflexibility could delay the introduction of a new regime for transmission access and prevent the full benefits of NETA from being realised. Ofgem was also concerned that there was a lack of clarity in the process for resolving disputes relating to the MCUSA and its Supplemental Agreements.

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<sup>1</sup> NGC's connection and use of system code and associated licence changes. An Ofgem/DTI consultation document. February 2001.

<sup>2</sup> NGC's system operator incentives, transmission access and losses under NETA. An Ofgem/DTI document. December 1999.

- 1.4 Ofgem proposed that the MCUSA and its Supplemental Agreements, together with the Ancillary Services Agreements (to the extent relating to Mandatory Ancillary Services) should be replaced by a CUSC which would have a governance structure similar to that envisaged for the Balancing and Settlement Code (BSC) and which would clarify the appropriate route for the resolution of disputes.
- 1.5 The majority of respondents to the December 1999 document supported change to the MCUSA and its Supplemental Agreements in order to introduce more flexible governance arrangements. In the light of those responses, Ofgem/DTI proposed to proceed with the introduction of the CUSC.
- 1.6 In February 2000, Ofgem/DTI published a consultation document setting out our proposals on the licence conditions required to introduce NETA (the February 2000 document).<sup>3</sup> In that document, Ofgem/DTI stated that the interactions between the CUSC and the operation of NETA were such that it was appropriate to introduce the CUSC licence conditions by use of the power that was expected to be conferred on the Secretary of State through the Utilities Act 2000 (the Utilities Act). This power allows the Secretary of State to modify licences as he considers to be necessary or expedient to implement or facilitate the operation of NETA.
- 1.7 In March 2000, Ofgem/DTI published a consultation document on the form and content of the CUSC (the March 2000 document).<sup>4</sup> The March 2000 document also set out Ofgem/DTI's initial views regarding the necessary modifications to NGC's licence for the implementation of the CUSC. These proposed modifications included a new licence condition requiring NGC to develop, be party to and comply with a CUSC that must be designed to meet set objectives. In addition, a number of changes were proposed to the existing conditions 10, 10A, 10B and 10C of NGC's licence, which contain provisions relating to connection and use of system. The March 2000 document also proposed the inclusion of a new condition in the licences of generators, distributors and suppliers requiring them to be party to, and comply with the CUSC.

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<sup>3</sup> The New Electricity Trading Arrangements. Proposed licence conditions. An Ofgem/DTI consultation document. February 2000.

<sup>4</sup> NGC's connection and use of system code. An Ofgem/DTI consultation on the scope and content of the connection and use of system code. March 2000.



- 1.8 The March 2000 document was followed by a further Ofgem/DTI document published in June 2000 (the June 2000 document),<sup>5</sup> which included the detailed drafting of the proposed new CUSC licence conditions.
- 1.9 The August 2000 document considered responses to the March and June 2000 documents as regards the scope and content of the CUSC and licence changes required to implement the CUSC. It set out Ofgem/DTI's proposals in relation to the key areas of the CUSC (governance, disputes and codification). The document contained revised drafting of the proposed CUSC licence conditions.
- 1.10 In the document, Ofgem/DTI asked NGC to draft a CUSC in accordance with the proposals set out in the August 2000 document and consult with the industry and other interested parties on this drafting. NGC produced an initial draft of the CUSC documentation in September 2000 and this was posted on its website with an accompanying consultation document. MCUSA signatories and other interested parties were informed and invited to participate in a number of working group sessions which took place during October and December 2000. Ofgem attended all working group sessions and has received copies of all representations made during the course of this consultation.
- 1.11 Following this consultation, on 19 December 2000 NGC provided Ofgem/DTI with its revised draft CUSC which it also published on its web site. Copies of the draft CUSC, NGC consultation documents and policy papers on the CUSC, responses received during the course of NGC's consultation phase and other details of NGC's consultation process can be obtained from NGC's website: [www.nationalgrid.com/uk/library/documents/mn\\_system\\_code.html](http://www.nationalgrid.com/uk/library/documents/mn_system_code.html).
- 1.12 During the course of NGC's consultation on the draft CUSC, the potential need to make a number of changes to the proposed licence conditions was identified. In response to this, Ofgem/DTI issued a consultation document in December 2000 (the December 2000 document),<sup>6</sup> identifying these potential changes and invited comments from interested parties as to the desirability and effectiveness of the proposed changes.

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<sup>5</sup> Connection and use of system code. Proposed changes to the National Grid Company's licence. An Ofgem/DTI consultation document. June 2000.

<sup>6</sup> NGC's connection and use of system code: further proposed licence changes. An Ofgem/DTI consultation document. December 2000.

- 1.13 The February 2001 document set out Ofgem/DTI's initial views on the content and structure of the draft CUSC in the light of Ofgem/DTI's final proposals for the drafting of the CUSC published in the August document, the views of respondents to that document and the views of respondents to NGC's consultation on the CUSC. It also set out Ofgem/DTI's latest views on the changes to electricity licences required to implement the CUSC in the light of responses to Ofgem/DTI's proposals published in August and December 2000. It invited views of respondents on Ofgem/DTI's views set out in the document and on the draft CUSC which was set out on NGC's website.
- 1.14 Since the publication of the February 2001 document NGC has redrafted the section of the CUSC on interconnectors and undertaken a consultation on this section. NGC has also made some changes to the draft CUSC which would enable it to continue to work following the separation of supply and distribution licences. These changes have also been the subject of public consultation. In March 2001, Ofgem hosted a consultation session on the governance of the CUSC and changes to the drafting of the governance section of the CUSC resulting from that session have been subject to consultation. Ofgem has also written to NGC setting out some potential changes to the draft CUSC which we considered were necessary for example to amend typographical errors. This letter, as well as NGC's response, have been placed on NGC's website. Finally NGC has proposed some additional changes to the draft CUSC to improve codification and address typographical errors. Respondents have been invited to respond on these changes.

### ***Outline of this document***

- 1.15 Chapter two of this document summarises the current regulatory and legal framework governing connection to, and use of, NGC's transmission system. Chapter three looks at the scope and content, codification and objectives of the CUSC and issues regarding the codification of the MCUSA and its Supplemental Agreements into the CUSC. Chapter four considers the governance of the CUSC. Chapter five looks at the dispute resolution procedures contained within the CUSC. Chapter six looks at the necessary changes to licence conditions 10, 10A, 10B and 10C of NGC's transmission licence. Chapter seven looks at the necessary changes to the existing licences of generators, Public Electricity

Suppliers (PESs) and second tier suppliers (which following the separation of supply and distribution licences) will also apply to distribution companies). Chapter eight looks at issues relating to the implementation of the CUSC.

- 1.16 Appendix 1 sets out a list of respondents to the Ofgem/DTI February 2001 document and other consultations mentioned in 1.14. Appendix 2 contains a full list of the final changes Ofgem/DTI will be requiring NGC to make to the CUSC. Appendix 3 contains the necessary changes to NGC's licence conditions that Ofgem/DTI will be submitting to the Secretary of State with a view to him designating under his NETA power. Appendix 4 contains the necessary changes to the licences of PESs, second tier suppliers and generation licences as a result of implementing the CUSC.

### ***Related issues***

#### **Consultation on NGC's charging methodologies**

- 1.17 Under the proposed licence conditions as set out in Appendix 3 of this document, NGC will be required to produce charging methodologies for use of system and connection which must meet set Relevant Objectives and statements of these methodologies. These methodologies must be approved by Ofgem. In addition, Ofgem must approve the form of a statement of Use of System Charges determined in accordance with the relevant methodology. NGC submitted its draft charging methodologies and the associated statements to Ofgem in December 2000. On 9 January 2001, Ofgem issued a letter inviting the views of interested persons as to whether the charging methodologies meet the Relevant Objectives. Ofgem is currently considering these responses with a view to issuing our decision on whether to approve the methodologies following designation and approval of the CUSC and the introduction of the associated licence conditions by the Secretary of State.

## **New Electricity Transmission Access and Pricing Arrangements**

- 1.18 In December 1999, Ofgem issued a consultation document<sup>7</sup> setting out our initial thinking on a number of transmission and system operation issues for the electricity market. In this document, Ofgem argued that new arrangements for transmission access and pricing and the treatment of transmission losses were needed in order that the cost of transporting electricity on NGC's system is efficiently signalled.
- 1.19 Ofgem also argued that, in keeping with the principles underlying NETA, new transmission access and pricing arrangements should:
- ◆ rely, as far as possible, on market-based mechanisms;
  - ◆ avoid complex centrally administered solutions wherever possible; and
  - ◆ be open, transparent and non-discriminatory.
- 1.20 Ofgem's initial preference was for the development of an approach based around the allocation and trading of firm access rights. We suggested that the firm rights could be allocated through open auctions and then be traded in secondary markets. Under these arrangements, NGC would buy-back access rights from participants in order to resolve transmission constraints, and would be able to sell any rights made available but not purchased in the initial auction. These proposals would provide consistency with the gas regime.
- 1.21 Ofgem will be publishing a further consultation document on electricity transmission access, pricing and losses later this month. This will build on initial thinking presented in our December 1999 document and on feedback from an Ofgem seminar hosted in August 2000.<sup>8</sup>

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<sup>7</sup> NGC System Operator Incentives, Transmission Access and Losses under NETA, A Consultation Document, Ofgem, December 1999.

<sup>8</sup> Ofgem held an industry workshop in August 2000 (the "August Workshop") that focused on the issues concerning the proposed transmission access arrangements. In recognition of the responses received at the August Workshop, both that the issues were complex and that significant industry resources were being dedicated to NETA implementation, the publication of a further Ofgem document was postponed.

## **British Electricity Trading Arrangements (BETTA)**

- 1.22 Ofgem published in August 2000, a document outlining interim proposals for the reform of electricity trading arrangements in Scotland.<sup>9</sup> On 9 April 2001, Ofgem published the responses to that paper.<sup>10</sup> The consultation responses included support for:
- ◆ extending NETA through Great Britain;
  - ◆ developing GB-wide transmission access and pricing arrangements; and
  - ◆ a GB system operator.
- 1.23 Ofgem continues to work with interested parties to develop this further and intends to consult on developing British Electricity Trading Arrangements later in the year.

### ***Way forward***

- 1.24 Following publication of this document, Ofgem/DTI will be writing to NGC to ask it to make the drafting changes to the CUSC identified in this document and listed in Appendix 2. NGC will then furnish Ofgem/DTI with the draft CUSC. If the revised draft CUSC captures the revisions required, Ofgem/DTI will then submit the CUSC and accompanying documentation (and the necessary changes to licence conditions identified in Appendix 3 and 4 of this document) to the Secretary of State with a recommendation that he approves and designates them.
- 1.25 It is expected that when making the licence modifications, the Secretary of State will specify a date on which the new licence conditions, licence amendments and CUSC will take effect and the existing licence conditions 10, 10A, 10B and 10C will be deleted. It is expected that this date will be approximately two weeks following designation of the CUSC and modification of the licence conditions by the Secretary of State.

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<sup>9</sup> Interim proposals for the reform of Scottish Trading Arrangements: British Electricity Trading and Transmission Arrangements. Ofgem. August 2000.

<sup>10</sup> Reform of Scottish Trading Arrangements 'BETTA': A summary of responses to the August 2000 document. Ofgem. April 2001.

- 1.26 Following the designation, Ofgem will issue a direction to request NGC to migrate the MCUSA and accompanying documentation into the CUSC.

## 2. Regulatory and legal framework

### *Existing framework*

#### **Electricity Act 1989**

- 2.1 The Electricity Act 1989 (the Electricity Act) as currently amended by the Utilities Act sets out the functions and duties of the Authority<sup>11</sup> and the Secretary of State, including licensing to allow the supply, distribution, generation and transmission of electricity.
- 2.2 The Electricity Act also places particular duties onto certain licence holders including a duty on NGC and PESs to develop and maintain an efficient, co-ordinated and economical system of electricity supply and a duty on the Transmission Licensee in England and Wales to facilitate competition in the supply and generation of electricity.

#### **The Utilities Act 2000**

- 2.3 The Utilities Act received Royal Assent on 28 July 2000 and introduces a number of reforms to the gas and electricity markets and the regulation of these markets. Section 68 of the Utilities Act inserts a section in the Electricity Act allowing the Secretary of State to modify existing licences granted under the Electricity Act, where he considers it necessary or expedient for the purpose of implementing or facilitating the operation of NETA. This power is only exercisable within two years from the date of enactment, i.e. 28 July 2000. The Utilities Act also provides for the separation of supply and distribution licences and for the introduction of standard licence conditions for each type of electricity licence granted under the Electricity Act. It is currently envisaged that the separation of supply and distribution licences will take place at the same time as the standard licence conditions in August 2001.
- 2.4 The Utilities Act introduces other reforms to the gas and electricity markets and the regulation of these markets. These reforms include:

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<sup>11</sup> The Gas and Electricity Markets Authority established under Section 1 of the Utilities Act 2000.

- ◆ the introduction of a new principal objective on Ofgem to protect the interest of consumers in relation to electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with the generation, transmission, distribution or supply of electricity;
- ◆ arrangements to ensure continuity of supply to small customers in the event of a supplier failing or losing its licence;
- ◆ the creation of an additional power to enable the Authority to impose financial penalties on companies found to be in breach of their relevant licence or statutory obligations;
- ◆ the introduction of a duty on Ofgem to give reasons for any decisions made regarding: the revocation of a licence or modification of licence conditions; the giving of any directions or consents in pursuance of a condition included in a licence; the determination of a question referred in pursuance of a condition included in a licence; the determination of a dispute under section 23 of the Act; the making, confirmation or revocation of a final or provisional order.

### **Transmission licence**

2.5 NGC is the sole possessor of a transmission licence in England and Wales. It owns and operates the national grid, which transports electricity at high voltage from the generators to the PESs' local distribution systems and to customers connected directly to the transmission system. It has a licence condition requiring it to operate an efficient, co-ordinated and economical system of electricity transmission.

2.6 Conditions 10, 10A, 10B and 10C of NGC's transmission licence contain a number of requirements on NGC regarding connection to and use of its transmission system. These include:

- ◆ a requirement to publish a statement in a form approved by Ofgem, setting out the basis upon which charges for connection and use of system will be made (licence condition 10(1));



- ◆ a requirement not to discriminate in carrying out works for connection to, and use of the transmission system and interconnections with Scotland and France; and
  - ◆ a requirement to offer terms for connection and use of system (licence condition 10B).
- 2.7 The existing licence condition 10A requires NGC not to discriminate between any persons or class or classes of person in the provision of use of system or in the carrying out of works for the purpose of connection to the licensee's transmission system. It specifically requires NGC not to discriminate in the charges it levies for use of system as between class or classes of Authorised Electricity Operators.
- 2.8 It also requires NGC, in setting its charges for use of system, not to restrict, distort or prevent competition in the generation, transmission, supply or distribution of electricity.
- 2.9 Ofgem may settle any dispute where there has been a failure to enter into terms for connection and use of system, or at the request of NGC or any other party where a dispute arises following a proposal by NGC to vary the existing terms for connection and use of system.

#### **MCUSA and associated documentation**

- 2.10 The MCUSA is a multi-party agreement between NGC, the PESs, second tier suppliers, licensed generators and some non-licensed generators and a small number of customers who are directly connected to the transmission system. There are presently over 100 parties to the MCUSA. The MCUSA is the main means by which NGC fulfils its licence obligations not to discriminate in connection to and use of its transmission system.
- 2.11 The MCUSA, and its Supplemental Agreements, set out terms and conditions for connection to, and use of, the transmission system. These include payment methods, metering, modifications to the transmission system, variations to the MCUSA, compliance with the Grid Code and dispute resolution. Ofgem is not a party to the MCUSA or the Supplemental Agreements. It has limited powers for resolving disputes relating to the MCUSA and its Supplemental Agreements and

can only make such determinations in relation to specific types of disputes. In respect of variations of the MCUSA and its Supplemental Agreements, Ofgem has power to determine disputes in relation to variations proposed by NGC. The MCUSA makes provision for an arbitrator to settle any disputes which relate to provisions contained within the MCUSA and its Supplemental Agreements, except where otherwise expressly provided.

#### *Supplemental Agreements*

- 2.12 Parties to the MCUSA are also required to sign appropriate Supplemental Agreements. A separate Supplemental Agreement is in place between NGC and each user of a site connected to the transmission network. There are presently more than 400 such agreements in place. The Supplemental Agreements specify the equipment at each connection site and the basis for connection and use of system charging for that equipment.

#### *Ancillary Services Agreements*

- 2.13 Generators are also party to Ancillary Services Agreements with NGC to govern payment for the mandatory ancillary services of reactive power and frequency response required to be provided pursuant to the Grid Code and licence obligations, and also commercial ancillary services which the generator may agree to provide. Ancillary Services Agreements take the form of either a single Ancillary Services Agreement or a Master Ancillary Services Agreement and two or more Supplemental Ancillary Services Agreements (for portfolio generators).

### ***The future framework***

#### **Transmission licence**

- 2.14 In respect of NGC's licence, Ofgem/DTI are proposing to introduce a new licence condition (proposed condition 10F) requiring NGC to prepare a CUSC and be party to the CUSC Framework Agreement and comply with the CUSC. In addition, Ofgem/DTI have proposed a number of changes to the existing conditions 10, 10A, 10B and 10C of NGC's licence to complement the proposed new procedures for the referral of disputes relating to the CUSC and other changes consequential from the implementation of the CUSC. The significant proposed changes would require NGC to:

- ◆ produce two methodologies, for use of system charges and for connection charges and to keep them constantly under review as to whether they meet defined objectives;
- ◆ produce statements of the two methodologies, the form and content of the initial statements to be approved by Ofgem;
- ◆ consult on any changes to the methodologies and for Ofgem to have a power of veto over any such changes;
- ◆ produce a statement of use of system charges which must conform to the use of system charging methodology which allows any person to make a reasonable estimate of what their charges are likely to be, except in respect of the Balancing Services Activity;
- ◆ give notice to Ofgem of any changes in the charges contained in its statement of use of system charges; and
- ◆ provide copies of documents provided for by the new licence condition to any interested person on request.

2.15 There is also a need to make some consequential changes to other conditions of NGC's licence to reflect the changes in numbering of NGC's licence conditions.

### **Connection and Use of System Code**

2.16 The CUSC will constitute a new contractual framework governing connection to and use of NGC's system. The CUSC will constitute codified provisions of the MCUSA and its Supplemental Agreements and the Ancillary Services Agreements (so far as they relate to Mandatory Balancing Services) except where changes are required to implement new flexible governance and to clarify the dispute resolution procedures.

## **Use of the Secretary of State's NETA power**

- 2.17 Ofgem/DTI are proposing that the CUSC and its licence conditions will be approved, designated and introduced by the Secretary of State exercising the NETA power given to him by section 15A of the Electricity Act to modify the licences of NGC, Public Electricity Suppliers, generators and second tier suppliers. (The CUSC related licence condition which will be placed in licences of Public Electricity Suppliers, second tier suppliers and generators will be placed in both the licences of suppliers and distributors when these licences are separated).

### 3. Scope and content, codification and objectives of the CUSC

#### *Introduction*

#### **Scope, content and codification**

- 3.1 During the course of the CUSC consultation, Ofgem/DTI proposed that the CUSC should include terms relating to connection to, and use of, the NGC transmission system, mandatory balancing services<sup>12</sup> and the rules for commercial balancing services where market based solutions exist. It has been considered appropriate for the CUSC to be formed through the codification of the generic provisions contained in the MCUSA, its Supplemental Agreements and the Ancillary Services Agreements (so far as they relate to mandatory balancing services), except in the areas which Ofgem/DTI have highlighted as requiring change (governance, dispute resolution and charging). Ofgem/DTI considered that for completeness and transparency it would be appropriate for agreements containing provisions relating to the construction element of connection sites to be associated with the CUSC, but that such provisions would not be subject to the CUSC governance arrangements.

#### **Structure of the CUSC**

- 3.2 In relation to the structure of the CUSC, Ofgem/DTI considered it appropriate for the connection aspects of the CUSC to be contained in a different section from those which relate to use of system, so that parties will be clear as to the provision by which they will be bound. As stated above, it was envisaged that all generic provisions would be contained within the CUSC itself but Ofgem/DTI recognised that site specific information would need to be contained in separate bilateral agreements.

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<sup>12</sup> Mandatory balancing services are the balancing services that all licensed generators must be capable of providing if the system is to operate safely and reliably. They are restricted to specified capabilities for frequency response and reactive power. Commercial services are services that are essential but not mandatory and generators can refuse to provide them (eg reserve).

### **CUSC Parties**

- 3.3 Ofgem/DTI have considered that ideally all persons connected to or using NGC's transmission system should be parties to the CUSC to ensure that all parties are treated equally and to increase transparency in the use of, and connection to, NGC's transmission system.

### **Applicable CUSC Objectives**

- 3.4 Ofgem/DTI considered that the CUSC should be designed to facilitate the achievement of set objectives which would be set out in NGC's licence. We proposed that these Applicable CUSC Objectives should be:
- ◆ the efficient discharge by NGC of the obligations imposed upon it under the Electricity Act and by its transmission licence; and
  - ◆ the facilitation of effective competition in the generation and supply of electricity, and (so far as is consistent therewith) the facilitation of such competition in the sale, distribution and purchase of electricity.

### **Use of the Secretary of State's NETA power**

- 3.5 In view of the strong interaction between arrangements for connection or use of NGC's transmission system and NETA (for example, in respect of arrangements for transmission access), Ofgem/DTI proposed to introduce the CUSC and associated licence conditions under the NETA power granted to the Secretary of State under the Utilities Act. This power allows the Secretary of State to modify any licence condition where it is necessary or expedient to do so in order to implement or facilitate the effective operation of NETA.

### **NGC's draft CUSC**

- 3.6 NGC's draft CUSC was formed through a codification of the generic provisions (relating to connection, use of system, mandatory balancing services and the market for reactive power) that appear in the MCUSA, its Supplemental Agreements and the Ancillary Services Agreements. The draft CUSC contained separate sections relating to connection, use of system, mandatory balancing services and interconnectors, and a section detailing which sections would apply

to particular CUSC parties. General provisions relating to default, deenergisation, disconnection & decommissioning, confidentiality, governance, dispute resolution and interpretation & definitions were intended to apply to all CUSC parties. NGC pointed out that some Supplemental Agreements contained non-generic terms which differed from the generic provisions. NGC, and some participants in the consultation, were concerned that these provisions should remain to avoid altering existing rights to the detriment of the relevant user. NGC proposed that the treatment of such provisions should be set out within the transitional section of the CUSC. Under NGC's proposal, where such terms existed they would be set out in the relevant Bilateral Connection Agreement. Such terms would be capable of amendment pursuant to the CUSC amendment procedure.

- 3.7 NGC has drafted the CUSC so the main generic provisions appear in the CUSC, with separate individual Bilateral Agreements recording site specific information, in respect of connection and embedded generation.
- 3.8 NGC has drafted the CUSC so that it can apply to all categories of persons (generators, suppliers, distributors, non embedded customers and interconnector owners, users and the interconnector error administrator) who are connected to and/or using its transmission system.

### ***The February 2001 document***

- 3.9 In the February 2001 document Ofgem/DTI set out our initial views on the drafting of the CUSC. On the whole we considered that NGC's draft CUSC contained provisions in line with Ofgem/DTI's August 2000 document in relation to scope, content, codification and parties to the CUSC. Ofgem/DTI invited views on the detailed drafting of these provisions and highlighted certain areas for specific comments.

### **Scope, content and codification issues**

- 3.10 With regards to the codification of the existing agreements into the CUSC, Ofgem/DTI were concerned that there were some specific areas which had changed and we invited comments on what, if any, effect these changes would have on users. We highlighted specific provisions relating to:

- ◆ **Five minute reserve:** NGC did not codify the provisions of this service into the CUSC on the basis that it is an agreed ancillary service (albeit appearing within the provisions for mandatory frequency response) and as it no longer envisaged requiring this service. NGC proposed to put the provisions for five minute reserve into new Commercial Services Agreements if requested to do so by the generator in question;
- ◆ **Triennial Review:** Provisions relating to triennial review currently appear in Ancillary Services Agreements and provides for a triennial review in relation to prices, indexation, methods of calculation and changes to the monitoring system for frequency response. NGC proposed to only keep a triennial review in relation to prices;
- ◆ **Indexation:** NGC proposed to remove the specific dates set out in Ancillary Services Agreements and replace them with a written formula. NGC stated the change was necessary as a result of codification;
- ◆ **Redundant Provisions:** NGC proposed to place provisions that it considered to be redundant (for example capability payments for Balancing Mechanism units in Ancillary Services Agreements) or time expired (such as Matters for Review in Appendix 7 of MCUSA Schedule 5) in a separate Appendix in Schedule 3 of the CUSC;
- ◆ **Transmission Related Agreements:** These are clauses that currently appear in some Supplemental Agreements that NGC had not codified into the CUSC. The clauses are effectively transmission related and apply only to sites which have sub-standard connections.

3.11 In the February 2001 document, Ofgem/DTI also made general comments on the drafting of the CUSC, such as the inclusion of new paragraphs and definitions and asked respondents to notify us of any typographical errors identified.

#### **Interconnector section**

3.12 Ofgem/DTI recognised that the interconnector section of the draft CUSC had undergone less consultation than the rest of the CUSC and we requested NGC to



consult further on this section. NGC issued a revised section on interconnectors on 21 February 2001 for discussion at a seminar on 28 February 2001. As a result of that seminar NGC issued a revised interconnector section on 29 March 2001 and Ofgem/DTI requested further comments from industry on this second revised interconnector section. The consultation on interconnectors is discussed in detail below.

### **Separation of supply and distribution licences**

- 3.13 Ofgem/DTI also considered it appropriate for the CUSC to reflect the separation (which is expected to take place later this year) of supply and distribution licences. Ofgem/DTI asked NGC to identify, and produce drafting in respect of, any changes that would be needed to the draft CUSC to reflect this separation and consult further on this.

### **Structure of the CUSC**

- 3.14 Ofgem/DTI invited comments regarding the balance between the sections of the CUSC which relate to connection, balancing services and use of system and as to whether any provision currently contained within the general section of the CUSC would better be placed in these sections.
- 3.15 Ofgem/DTI also invited comments as to the balance between provisions contained in the CUSC and those contained in the Bilateral Agreements and in particular as to whether any provisions within the Bilateral Agreements could be moved into the CUSC.

### **Applicable CUSC Objectives**

- 3.16 Ofgem/DTI stated that we continued to believe the Applicable CUSC Objectives as set out in the August 2000 document were the appropriate objectives to follow.

### **CUSC Parties**

- 3.17 In the February 2001 document, Ofgem/DTI stated that we continued to believe that all parties connected to and using NGC's transmission system would ideally be party to the CUSC. In respect of non-embedded customers, Ofgem/DTI

considered it appropriate for such customers to sign onto the CUSC. The proposal to implement the CUSC through the migration of the MCUSA and accompanying documentation (see chapter 8 for more details) would help to ensure that this was the case as all such customers who are currently signatories to the MCUSA will automatically have their Supplemental Agreements converted into the CUSC documentation. Ofgem/DTI also pointed out that all customers requiring a direct connection to NGC's transmission system in the future would be required to conform to the CUSC. However, we recognised that there was a very small number of non-embedded customers who are not signatories to the MCSUA and its Supplemental Agreements. Ofgem/DTI stated that we were not intending at this time to take action to compel such customers in respect of existing connections to sign the CUSC.

### **Use of the Secretary of State's NETA power**

- 3.18 During the consultation on the CUSC, views had been expressed as to whether the power granted to the Secretary of State under the NETA power was wide enough to modify licence conditions to introduce the CUSC especially in relation to the proposed changes to the dispute resolution procedures (see chapter 5 for details of changes to the dispute resolution).

### ***NGC's consultation on interconnectors and the PES split following the publication of the February 2001 document***

#### **Interconnectors**

- 3.19 NGC included a section on interconnectors in the draft CUSC submitted to Ofgem on 19 December 2000. Following a request from Ofgem/DTI, as flagged in the February 2001 document, NGC issued a revised interconnector section for discussion at an interconnector seminar in February 2001. Following this seminar NGC issued a further draft of this section on 29 March 2001 which addressed some of the concerns raised at the seminar.
- 3.20 NGC has drafted the CUSC so that all provisions relating to connection to and use of NGC transmission system for interconnectors are set out in a separate section of the CUSC and these provisions rather than sections 2 and 3 are applicable to interconnectors.

- 3.21 NGC has based provisions in the interconnector section on the connection provisions as set out in section 2 of the draft CUSC and use of system provisions set out in section 3 of the draft CUSC.
- 3.22 NGC has drafted the CUSC so that the interconnector section of the CUSC is set out in two parts.
- ◆ **Part I:** this section sets out terms and conditions relating to connection by an interconnector to NGC's transmission system and hence would apply to an interconnector owner. This part contains provisions for events of default whereby NGC can request a user to cease or procure the cessation of the transfer of power. This section also makes provision for new connection sites.
  - ◆ **Part II:** this section provides for use of NGC's transmission system by Interconnector users and Interconnector Error Administrators. For parties who wish to use NGC's transmission system in the future this part contains a provision (linked into the Use of System application) which makes it a condition for them to become a party to the CUSC Framework Agreement. It also provides for the payment of Balancing System Use of System (BSUoS) charges.<sup>13</sup>

### **Separation of supply and distribution licences**

- 3.23 In response to Ofgem/DTI's request in the February 2001 document that NGC identify and produce drafting to reflect the impending separation of distribution and supply licences, NGC issued a revised draft CUSC on 15 February 2001 to reflect the changes that would be required. As the draft CUSC was already structured such that provisions relating to connection to NGC's transmission system were in a separate section from provisions relating to use of system, it was appropriate that distributors should comply with section 2 (provisions relating to connection), the general provisions and a Bilateral Connection Agreement and that suppliers should comply with section 3 (use of system) and the general sections. NGC also identified further changes required to facilitate the separation of the supply and distribution licences. For example, in relation

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<sup>13</sup> BSUoS charges are the mechanism by which NGC recovers both the internal and external costs it incurs as the System Operator. Under NETA, the BSUoS charge, is levied on all BSC parties with metered volumes.

to the separate licences that will be issued to the former PESs for supply and distribution there will be a need for changes to some definitions, such as the removal of the definition of second tier supplier and PES and the inclusion of new definitions for the new supply and distribution licences. These changes were discussed at the NGC seminar on 28 February 2001.

- 3.24 NGC has proposed that instead of using the CUSC amendment procedure to amend the designated CUSC post implementation to reflect the separation of the PES licences, it would draft the initial CUSC so that it would deal with separation and by doing so remove the need to amend the CUSC. NGC proposed to do this by identifying the parts of the CUSC that will need change to reflect the future separation of supply and distribution business. Therefore, the provisions relating to both pre separation of businesses and those relating to post separation of businesses will appear in the CUSC that is designated by the Secretary of State. The CUSC will provide for the latter of these provisions to take effect on the date that the PES licences are replaced by new supply and distribution licences.

#### **Specific drafting changes proposed by NGC**

- 3.25 NGC proposed further changes to the draft CUSC it submitted on 19 December 2000 to improve codification. These changes were put on NGC's website on 5 April 2001 and circulated to interested parties for comments.
- 3.26 These changes included:
- ◆ the insertion of an additional paragraph and Appendices to section 6. These deal with the provision of data to NGC for balancing mechanism purposes and they apply to all licensees. These provisions had been appended to the Supplemental Agreements as part of the changes required for NETA. NGC had originally proposed to place these provisions in the new Bilateral Agreements. However, it was recognised that suppliers, under the CUSC, would not have a Bilateral Agreement and therefore NGC proposed to put these provisions in section 6 so that all suppliers and CUSC Parties will be bound by them;

- ◆ the removal of part of a provision that provides for the replacement of an NGC asset with the approval of the user (except in limited circumstances) and allows NGC to vary the connection charges in accordance with the charging methodology. NGC proposed to remove a sentence of this provision that states the asset will be replaced at no additional cost to the user until the expiry of the original replacement date to prevent duplication in the Charging Statements which also deal with this issue.

### ***Respondents' views***

#### **Scope, content and codification**

- 3.27 One respondent commented that although it agreed in principle that the initial CUSC should contain terms relating to both connection and use of system, further consideration should be given to having two separate codes as the transmission sector develops. Another respondent restated a point it had raised in response to the August 2000 document which was that it supported the need for a Use of System Code but considered that connection arrangements were predominantly bilateral commercial issues which should be governed by contract law with recourse to arbitration and the courts. As such the respondent considered that connection provisions should remain outside the ambit of the CUSC. Two respondents were concerned that the inclusion of connection terms within the CUSC would introduce unnecessary regulatory uncertainty which would increase costs to customers in the long term.
- 3.28 One respondent said that energy balancing services should be included in the CUSC as an interim measure with the medium term aim to place the energy balancing services within the BSC. Another respondent was disappointed to note that Ofgem/DTI still proposed to include mandatory balancing services within the CUSC rather than the BSC. This respondent argued that it was inappropriate to put balancing services that allow the system operator to obtain energy at short notice in the CUSC. This respondent believed the purpose of the CUSC should be essentially about how the transmission owner manages and charges for his investment in the transmission system. Another respondent also said that there should be no requirement for the mandatory provision of

balancing services and argued that balancing services should be procured through market based arrangements. This respondent stated that if any such arrangements were to be introduced after NETA go live then they should be included in the CUSC and then removed as soon as practicable.

*Inclusion of additional obligations*

3.29 Two comments were received relating to the perceived extension of obligations on users:

- ◆ one respondent stated that the draft CUSC introduces an obligation to enter into a Mandatory Services Agreement and this was not a codification of the existing provision;
- ◆ one respondent was concerned about the inclusion of a new paragraph in the general section relating to provisions for confidentiality. This paragraph puts an obligation on a user to make sure its affiliates, undertakings, consultants and professional advisors observe the confidentiality provisions in the CUSC and that a user would be responsible for any failure of these persons to do so. This respondent was concerned that this paragraph could have wide ramifications and therefore considered that it should be considered through the CUSC amendment procedures post CUSC implementation.

*Provisions relating to the Commercial Services Agreements*

3.30 One respondent was concerned that the CUSC contained references to Appendix F1 (appendix to the Bilateral Agreements setting out the Agreed Ancillary Services). The respondent was concerned that such references could reintroduce Commercial Ancillary Services into the regulatory framework. This respondent stated that this would be inconsistent with Ofgem's view that Commercial Ancillary Services are a purely bilateral matter. The respondent was keen for all references to Appendix F1 contained within the CUSC to be checked to ensure that there was no duty within the CUSC to comply with the terms of the Commercial Services Agreements.

### *Security provisions*

- 3.31 One respondent was concerned that the draft CUSC could be interpreted as requiring users to provide security for termination amounts prior to commissioning. The respondent considered that this was inappropriate as before commissioning the user is required to provide security for final sums instead. Similarly the provisions for security for termination amounts where a user meets the credit rating and where a user does not meet the credit rating should only require security to be in place 45 days before commissioning.
- 3.32 One respondent was concerned about the provisions that appear in section 5 relating to security in the event of default where a user does not meet the credit rating. In the drafting this provision makes it an event of default for the purposes of the CUSC if the user defaults on any of its banking arrangements that have been put in place in connection for a project for which, under the CUSC, security is required by NGC. This respondent was concerned that the term 'banking arrangements' would not cover bond financing arrangements which some users have agreed with NGC to use in this situation under their existing Supplemental Agreements. This respondent suggested the term 'senior financing arrangements' should replace the term banking arrangements.
- 3.33 One respondent was concerned that in relation to specific events of default NGC should only give notice of termination to a user if the event of default is continuing, a provision that appears in several Supplemental Agreements.

### *Other codification issues*

- 3.34 One respondent listed other specific drafting points. For example, NGC requires parties connected to its system to have security in place to meet any termination amounts that may become due. This respondent was concerned about the types of security for termination amounts that are acceptable to NGC when a user does not meet the credit rating. The respondent also considered that the definition of Performance Bond was misleading as it was used in relation to something which is meant to be a parent guarantee. This respondent also considered that the definition of a Letter of Credit for a situation where the user does not meet the credit rating was too restrictive.

- 3.35 This respondent also commented that some areas needed clarification. For example, it considered that NGC's credit requirements for use of system and the provision of the maintenance of security cover for use of system charges needed to be adjusted to cater for the mixture of security situations provided under the existing arrangements.
- 3.36 One respondent questioned whether the provisions relating to the circumstances in which a user is required or permitted to disclose confidential information should extend to disclosure to an expert in the case of a dispute. The current provision allows for such information to be disclosed under the Electricity Act or to a Competent Authority; to comply with licence conditions; any requirement of law; any requirement of the stock exchange or regulatory authority or take over and mergers panel; or pursuant to the arbitration rules for the Electricity Arbitration Association or any judicial or other arbitral process or tribunal. The respondent was concerned that Connection Construction Agreements provide for certain disputes to be determined by an expert and therefore that a user may have to disclose confidential information in the course of such a dispute.
- 3.37 Some respondents identified various incorrect references and cross references, typographical errors and other minor adjustments. Following consideration of these a number of changes will be made to the CUSC. All such changes are included in the table of changes set out in Appendix 2.

*Specific points on codification raised in the February 2001 document*

- ◆ **Five minute reserve:** One respondent considered that balancing services should be governed by the BSC but if such arrangements are to be within the CUSC then five minute reserve should be codified into the CUSC as it may again become a service that has value to the system operator. Another respondent commented that this was a system operator function and therefore that it was appropriate for the requirements relating to the provision of this service to be set out in the system operator elements of the CUSC. A further respondent stated that five minute reserve was a non-mandatory Agreed Ancillary Service albeit embedded in the provisions for mandatory frequency response and hence it should not be contained within the CUSC;



- ◆ **Triennial Review:** One respondent commented that it was appropriate to review prices on a regular basis perhaps on the basis of arrangements to be consulted on annually by NGC and agreed by users. Another respondent was in favour of keeping triennial review for prices, indexation methods of charge calculation and monitoring. This respondent said a review was necessary as the index base may not take into account the underlying costs (e.g. change in fuel prices) therefore there should not be a protracted length of time before a review takes place. One respondent stated that the provisions for triennial review are currently NGC's only mechanism to propose changes to frequency response prices. This respondent said that these provisions could only be removed on the basis that NGC was given a reciprocal right to propose price changes which currently resides with generators;
- ◆ **Indexation:** One respondent stated that the removal of specific dates from the indexation provisions has no impact on the workings of them;
- ◆ **Redundant Provisions:** One respondent thought it appropriate to define provisions which are no longer of use and considered that these should not form a constituent part of the enduring CUSC. Another respondent said that the principle of codification suggested that any provision that does not appear entirely appropriate or which is capable of improvement should be retained in the initial CUSC and subsequently changed under the CUSC amendment process if required. A further respondent commented that NGC had originally deleted time expired or otherwise redundant provisions and the Appendix had been reinstated in respect of concerns expressed by participants at the working sessions. NGC has provided a table (below) to demonstrate why these provisions are truly time expired or redundant and hence should be removed as a result of codification;

Appendix 9 Provision	Time Expired	Redundant	Comment
Definitions: "Reactive Power Zone"	✓		<i>Contained in Paragraph 1.1 of MCUSA, Schedule 5</i> This definition time expired in April 2000 by virtue of a change in the basis of the default payment to 100% utilisation.
Definitions: "Relevant Zone"	✓		<i>Contained in Paragraph 1.1 of MCUSA, Schedule 5</i> This definition time expired in April 2000 by virtue of a change in the basis of the default payment to 100% utilisation.
Definitions: Transmission users group		✓	<i>Contained in Paragraph 1.1 of MCUSA, Schedule 5</i> The Transmission Users Group is not relevant for the purposes of the CUSC, with amendments to the CUSC being undertaken by the Amendments Panel under the provisions of Section 8 of the CUSC.
Variations and review	✓	✓	<i>Paragraph 2.5 of MCUSA, Schedule 5</i> The variation provisions will be replaced by Section 8 of CUSC. The matters to be reviewed in Appendix 7 of MCUSA Schedule 5 (as shown in Paragraph 7 of Schedule 3, Appendix 9 of the CUSC) have taken place and are therefore time expired.
Obligatory Reactive Power Service – Default Payment Arrangements:	✓		<i>Paragraph 4.2(a) of MCUSA, Schedule 5</i> This provision related to the 1994/1995 financial year and are therefore time expired.
Obligatory Reactive Power Service – Default Payment Arrangements:	✓		<i>Part of Paragraph 4.4 of MCUSA, Schedule 5</i> The review of the indexation factor as specified in Appendix 7 of MCUSA Schedule 5 has already taken place, and this provision has therefore time expired.
Obligatory Reactive Power Service – Default Payment Arrangements:	✓		<i>Part of Paragraph 4.5 of MCUSA, Schedule 5</i> This provision has time expired by virtue of the cessation of capability payments after 31 March 2000.
Obligatory Reactive Power Service – Default Payment Arrangements:	✓	✓	<i>Certain parts of Appendix 1 of MCUSA, Schedule 5</i> Paragraphs 1, 3 and 4 all relate to matters relevant to the calculation of capability payments and have time expired following the cessation of capability payments after 31 March 2000. Paragraphs 2 and 5 contain references to subparagraph 2.5 which is time expired (see above). Paragraph 9 relates to the 1997/1998 financial year, and is time expired.
Metering	✓		<i>Appendix 4 of MCUSA, Schedule 5 (Paragraph 2.5 and the references to it in paragraph 2.4)</i> This provision relates to loss adjustment factors pre-April 1998, and has therefore time expired.
Matters for review	✓		<i>Appendix 7 of MCUSA, Schedule 5</i> The matters to be reviewed have taken place and are therefore time expired. With respect to matter number 5, this is now a matter capable of review under the auspices of Section 8 of CUSC.
Charging Principles		✓	<i>Part of Appendix 8 of MCUSA, Schedule 5</i> The final sentence is no longer required in light of the provisions of Section 8 of CUSC.

- ◆ Transmission Related Clauses: There were no responses to this issue.

### *Interconnectors*

- 3.38 A number of comments in relation to interconnectors were raised by respondents to the February 2001 document, the interconnector seminar hosted by NGC and the subsequent revised interconnector section produced by NGC. A summary of these views are set out in this section.
- 3.39 One of the respondents was concerned that it would be required to sign the CUSC Framework Agreement in its capacities as supplier and generator in England and Wales and that there did not appear to be any way in which this could be done without, at the same time, implicitly accepting the provisions relating to interconnectors.
- 3.40 Another respondent requested clarification as to how the CUSC would apply to interconnectors that are connected via a distribution system and not directly connected to NGC's transmission system.
- 3.41 Several respondents were concerned that the role of the Interconnector Error Administrator (IEA) in the draft CUSC was wider than that envisaged under the BSC. One respondent put forward the view that the IEA had been created by the BSC in order to ensure payment for all energy which flows into or out of the England and Wales market. As such the IEA was a passive user of the interconnector, was not an Interconnector user under the BSC, and therefore did not use NGC's system as had been drafted in the CUSC and should not be charged BSUoS charges. This respondent argued that it is the Interconnector Parties who are using the system and who should pay BSUoS charges on their Balancing Mechanism metered volumes. The idea that the IEA should pay these charges to the party which causes some of the imbalance energy flow was not attractive to the IEA. The respondent added that it had argued in the recent consultation on BSUoS charging Methodology that it was incorrect to charge BSUoS on the basis of contractual flows and that BSUoS charges should be based on physical flows.
- 3.42 Respondents were concerned about the implications of the provisions in the draft CUSC as it has been drafted to reflect the internal relationship between NGC and its Interconnector Business. As NGC's Interconnector Business was not a separate legal entity but an internal arrangement within NGC, the existing

agreements were between interconnector users and NGC in respect of use of NGC's transmission system. Such interconnector users regarded the internal relationship between NGC and NGC's Interconnector Business as not relevant to the external relationship with them and hence believed that their contractual position should not be affected by the arrangements between NGC and its interconnector business as set out in Part 1 of the interconnector section. These respondents expected NGC to seek to avoid conflict between the provisions in the CUSC and those in the existing contractual agreements through:

- ◆ the inclusion of a clear statement that the current Use of Interconnector Agreement and the British Grid Systems Agreement take precedence over application of the CUSC to the internal relationship between NGC's interconnector business and NGC's transmission business;
- ◆ assurances that the deenergisation provisions should be compatible with the current interconnector agreements and the BGSA.

3.43 These respondents also pointed out that the provisions regarding the default by an Interconnector user under the CUSC required interconnector owners to apply sanctions to the Interconnector User on NGC's behalf. In the event that NGC terminated or suspended a user's rights under the CUSC both respondents would require NGC to indemnify them for any action they may have to take on NGC's behalf. There was also a concern that the draft CUSC would allow NGC to deenergise its own interconnector business for non-payment of bills. As a result of this, interconnector users could be penalised for an internal error by NGC.

3.44 Another respondent commented on the provisions in section 5 regarding Dormant Parties and in particular whether non licensed interconnector users could become such parties. NGC has drafted the CUSC so that CUSC Parties who retain a licence but have terminated all Bilateral Agreements, Mandatory Services Agreements and Construction Agreements and any other right to use NGC's transmission system, continue to be a CUSC Party but do not have further rights or obligations for the period of this inactivity. NGC has termed CUSC Parties in this situation as Dormant Parties. Once the Dormant Party revokes its licence and gives notice to NGC, it then ceases to be a CUSC Party. However, CUSC Parties who do not have a licence but all their agreements and/or rights to

use the system are terminated then cease to become a CUSC Party. This respondent questioned whether an occasional trader over the interconnector would have to re-sign the CUSC each time they traded.

3.45 This respondent was also concerned with the provisions in section 5 relating to emergency deenergisation. These provision allow NGC to deenergise its transmission system or a user's system, if, in its reasonable opinion, the condition or manner of operation of its transmission system, a user's system or interconnector poses an immediate threat of injury or material damage to any person or the total system (including a user's system or the transmission system). This respondent said that these provisions would be acceptable to them if they applied only to the interconnector assets themselves, rather than making reference to a user's system which they consider is too wide and leaves a possibility of a judgement being made about the reliability and security of another party's system. This respondent suggested that it would be acceptable if the provisions were limited to within England and Wales.

3.46 This respondent also had concerns about the provisions for generic events of default and deenergisation in section 5. These provisions stated the circumstances that are considered to be events of default (which would then allow NGC to instruct the owner of an interconnector to cease or procure the cessation of power across the interconnector). This respondent states that these provisions should be clarified to highlight the different treatment for interconnectors in this instance by adding to this section that prior to deenergisation *or* cessation of power the user may refer to the disputes procedure. This respondent also thought that the provision which allows NGC to disconnect the user's equipment at the connection site if the event of default still continues six months after deenergisation and the dispute has been made in NGC's favour, not to be applicable to interconnectors because of its references to deenergisation.

3.47 This respondent also raised a concern about provisions relating to site specific deenergisation in section 5. NGC can request an interconnector to cease or procure the cessation of transport of power on behalf of a user across an interconnector if the user is in breach of any provisions of its Bilateral Agreement, provisions of the CUSC in relation to that particular connection site

and/or use of NGC's transmission system or the provisions of the CUSC that enforce the provisions of the Grid Code. This respondent states that these provisions were appropriate in respect of Distribution Systems but not in respect of interconnectors.

3.48 One respondent had concerns regarding the provisions in the interconnector section. These were:

- ◆ that the right to remain energised and operational is subject to the other provisions of the CUSC; and
- ◆ that the references to the provisions for deenergisation should be consistent with section 5 and take into account the rights of existing users.

3.49 A respondent questioned why a provision had been deleted in the revised interconnector section. This provision provided that a user's right to use the system was subject to the user having an Interconnector User Agreement.

*Separation of distribution and supply licences*

3.50 During the consultation seminar on the separation of PES businesses several comments were raised:

- ◆ a participant stated that there should be no reference to distributors within section 3 and likewise no reference to suppliers in section 2. For example there is a reference to distributors in section 3 which indicates there is an obligation on a Public Distribution System Operator to notify a user of change to a Grid Supply Point. NGC stated that there were no substantial references to distributors in section 3 but agreed to consider taking out the references to distributors and replacing them with users details.
- ◆ NGC had proposed to remove the exemption for a Second Tier Supplier or a BSC Party (who is responsible for Small Power Stations which are Embedded and who is acting in that capacity and are also a Trading Party) to the provision which allows NGC to deenergise and disconnect a user for a site specific breach of the provisions of the CUSC enforcing

the Grid Code. This was considered by the participants as a change that was not required to reflect the separation of licences and so should not be made.

- 3.51 At the seminar NGC proposed to place the provisions identified as requiring change to reflect the position before the PES licences are separated into an annex to the CUSC that will be designated. This annex will then fall away when the separation of businesses takes effect. This proposal had the support of the seminar participants.

*Specific drafting points raised by NGC*

- 3.52 In respect of the proposed drafting changes put forward by NGC the following comments were received:
- ◆ one respondent questioned where the Appendices to Section 6 had come from and whether they had been consulted on before now.
  - ◆ another respondent considered that there was no need to remove the provision regarding the replacement of NGC's assets at no additional cost to the user until the expiry of the original replacement date. This respondent said the change would remove a protection for users and that the avoidance of duplication between the Charging Statements and the CUSC was not sufficient justification.

**Structure of the CUSC**

- 3.53 Generally respondents were content with the structure of the CUSC and were pleased that the connection and use of system provisions of the code were contained in clearly defined separate sections. Two respondents considered that both the drafting of the general section and the balance between the CUSC and the bilateral agreements were broadly acceptable and appeared to meet the objectives of codification. However, one respondent suggested that each section should be reasonably self contained and the general section should only cover boiler plate issues that are generic to all three areas. As an example this respondent said that payment arrangements should be separately described in each of the individual CUSC sections. One respondent suggested that the CUSC

should take into account the potential separation of NGC into transmission asset owner and system operator.

### **Applicable CUSC Objectives**

- 3.54 No respondents commented on this issue.

### **CUSC Parties**

- 3.55 Some respondents agreed with Ofgem/DTI that the CUSC should apply to all parties connected to, or using, NGC's transmission system and hence were concerned that Ofgem/DTI did not intend to compel directly connected customers who were non-MCUSA signatories to sign up to the CUSC. These respondents expressed concern that this would continue what they perceived to be the existing two-tier system and encourage discriminatory arrangements for connection to, and use of, NGC's transmission system. One respondent suggested that an obligation be imposed on such parties as a condition of the Exemption Order relating to non-licensed parties. Another respondent was pleased to note that directly connected customers who were not MCUSA signatories would not be compelled to sign the CUSC at this time. This respondent noted that there would be a requirement that arrangements for new connections would conform to the CUSC and requested clarification as to whether this would mean that customers would be required to sign the CUSC.
- 3.56 One respondent questioned whether traders would be required to sign the CUSC and if so what category they would fit under. The respondent was concerned that if the trader's principal should sign then this should be made clear to such parties. In relation to traders using the interconnectors this respondent stated that it was not clear from the draft CUSC whether they would have to sign the CUSC (although this respondent assumed they would because of the provisions contained in their existing interconnector agreements).

### **NETA power**

- 3.57 There were no specific comments raised in relation to the Secretary of State's intended use of the NETA power to implement CUSC. Comments were received regarding the use of the NETA power in relation to the changes to the



dispute resolution provisions as part of the implementation of the CUSC. These are discussed in detail in chapter 5 of this document.

### ***Ofgem/DTI conclusions***

#### **Scope and content of the CUSC**

- 3.58 Ofgem/DTI conclude that the CUSC should contain terms relating to connection to, and use of, NGC's transmission system. Ofgem/DTI consider that the definition of connection and use of system are interdependent and that connection provisions may be relevant to transmission access arrangements and so should be subject to the proposed flexible governance arrangements. Ofgem/DTI consider the CUSC to be flexible enough to respond to developments as the transmission sector develops, and hence Ofgem/DTI do not believe that the inclusion of terms for connection within the CUSC will detrimentally affect the development of competition in connections.
- 3.59 Ofgem/DTI conclude that for completeness and transparency it is appropriate for agreements containing provisions relating to the construction element of connections to be associated with the CUSC, but for these agreements not to be subject to the CUSC governance arrangements.
- 3.60 Ofgem/DTI conclude that terms relating to mandatory balancing services should be contained within the CUSC. As explained in the February 2001 document, the ideal solution can only be found if it were possible to draw a distinction between electricity balancing (the matching of overall supply and demand) and system balancing (which takes into account transmission constraints and system quality issues). Provisions relating to the former could then sit within the BSC and the latter within the CUSC. However, Ofgem/DTI recognise that it is not possible to clearly distinguish between the two and hence the post NETA System Operator incentive scheme, provides for incentives to be placed on the use of all balancing tools as a whole. Ofgem/DTI continue to believe that it is necessary, at this stage, for all of these activities to be contained in the same document. The BSC will not be used for the recovery of system balancing costs. These costs will be recovered through BSUoS charges, and hence contractually through the CUSC. Ofgem/DTI therefore consider it appropriate for terms relating to mandatory balancing services to sit within the CUSC.

### *Inclusion of additional obligations*

- 3.61 With regard to the obligation to enter into a Mandatory Services Agreement that appears in section 1 of the draft CUSC, Ofgem/DTI conclude that this is a result of the codification of generic provisions within MCUSA and the Ancillary Services in relation to mandatory services. In relation to reactive power there is an existing obligation in the MCUSA for a generator to enter into an ancillary services agreement to give effect to the default payment arrangements. Although there is no corresponding provision within the MCUSA for frequency response, in practice all existing generators have signed agreements for frequency response. The obligation is appropriate for both mandatory services of reactive power and frequency response because NGC is not able to pay for these services without reference to the site specific data which will appear in the new Mandatory Services Agreements. Ofgem/DTI conclude that for the new structure to work it is appropriate to have this provision contained in the CUSC. The CUSC provision will not work without there being a Mandatory Services Agreement in place.
- 3.62 The provision regarding the obligation on a user to make sure its affiliates, related undertakings, consultants and professional advisors adhere to the confidentiality provisions of the CUSC and be responsible for their failure to observe these provisions, was added as a result of the inclusion of a new paragraph that allows CUSC parties to disclose confidential information to such other parties. The provision to allow for disclosure of confidential information to these other parties was added because the industry considered the existing obligations regarding confidentiality were too restrictive and in practice were not adhered to. As there will be a licence obligation on licensed parties to comply with CUSC when implemented, parties were concerned that without such a change they would be in licence breach. Ofgem/DTI is satisfied that the inclusion of the new paragraph is needed to complement these disclosure provisions and hence concludes that the draft CUSC should remain unchanged in this area.

### *Commercial Services Agreements*

- 3.63 Ofgem/DTI continue to believe that the Commercial Services Agreements should be purely bilateral and hence should not form any part of the CUSC arrangements. However, the existing Supplemental Agreements contain a number of references to Agreed Ancillary Services which need to be considered:
- 3.64 First, there is an obligation on parties to provide any Agreed Ancillary Services listed in Appendix F1 of the Bilateral Agreements. NGC codified this obligation within the draft CUSC. Ofgem/DTI are concerned that this requirement duplicates the provisions in the Commercial Services Agreements and could potentially give Ofgem/DTI a regulatory role over those agreements. However, there are Commercial Services Agreements in respect of two companies which do not contain any obligation on the provider of the service to provide the service, but simply provide provisions relating to NGC's payment for such services. If all service obligations were removed from the CUSC there would be no clear contractual obligation on the parties in question to provide the service. To maintain the existing situation Ofgem/DTI consider it appropriate for NGC to retain the obligations regarding service provisions currently contained within the Supplemental Agreements of those particular parties within the new Bilateral Agreements.
- 3.65 Second, there is an obligation on parties to enter into Commercial Services Agreements which contain detailed provisions relating to payment for services listed in Appendix F1. This allows NGC to place an obligation in its connection offer to relevant parties for that party to have Black Start Capability. Any dispute as to whether such requirement is reasonable can be referred to Ofgem under the existing LC10C (new LC10E). Having determined whether the provision of this service is necessary, the parties are obliged by the MCUSA to agree terms with any dispute being capable of referral to arbitration. NGC has codified this provision within the draft CUSC.
- 3.66 Ofgem/DTI consider it appropriate to maintain this clause within the CUSC to ensure NGC can continue to meet its obligations relating to Black Start capability. In addition, to compensate for the removal of the obligation to provide services listed in Appendix F1, Ofgem/DTI consider it appropriate to

extend 4.2.3.2 so that it requires parties to enter into Commercial Services Agreements detailing terms relating to provision of, as well as payment for, the services listed in F1 (see rows 4.9 & 4.10, Appendix 2).

- 3.67 As Appendix F1 exists it is necessary for NGC or the other party to be able to modify the list of services contained in this Appendix. In order to do this it is necessary for changes to be proposed as Modifications and for disputes to be capable of referral to Ofgem under new Condition 10E. Ofgem/DTI consider that this will allow Ofgem to decide if it is appropriate to provide the service, but again any dispute over the terms would be covered by the provisions in the CSA and hence referable to arbitration. Ofgem/DTI therefore consider that the draft CUSC should remain unchanged in this area.
- 3.68 Finally, Ofgem/DTI are concerned that the draft CUSC provides that payment procedures for mandatory balancing services could also apply to other balancing services agreements if agreed between NGC and the relevant service provider. Although, Ofgem/DTI recognise that there could be benefits to both parties from consistency of such arrangements, we are concerned that by implication a failure to comply with payment provisions (where it has been agreed CUSC provisions should apply) could be considered to be a breach of the CUSC which is inappropriate. Ofgem/DTI therefore considers it appropriate to change the draft CUSC to clarify this point (see rows 4.11, 4.14 & 4.15, Appendix 2).

#### *Security provisions*

- 3.69 Ofgem/DTI agree with the respondent who stated that it was not clear that the obligation to provide security for termination amounts applies after commissioning or that security for termination amounts should only be in place 45 days before commissioning. Ofgem/DTI have requested NGC to clarify this and make the necessary changes (see rows 2.15, 2.21 & 2.22, Appendix 2).
- 3.70 Ofgem/DTI also agree with the respondent who said that NGC should only be able to give notice of termination if an event of default is continuing. Ofgem/DTI will request NGC to make the necessary changes to effect this (see row 5.21, Appendix 2).

*Other codification issues*

- 3.71 With regard to points raised by respondents relating to the drafting of the CUSC (discussed in paragraph 3.34 above), Ofgem/DTI are satisfied that the wording is a strict codification of the existing position and any changes to the current drafting should proceed as a CUSC amendment after CUSC implementation.
- 3.72 Ofgem/DTI recognise the point raised by a respondent regarding the use of the term banking arrangements. It is important that the initial CUSC maintains and provides for the existing finance arrangements and Ofgem/DTI therefore have requested NGC to clarify the position so the CUSC directly refers to the particular banking arrangements as more particularly described in the relevant Bilateral Agreement. This will protect the existing arrangements. (see rows 5.17 & 5.19A, Appendix 2). We do not consider it appropriate to replace the reference to banking arrangements to that of senior banking arrangements without full consultation on the implication of such a change. Once CUSC is implemented a proposal to amend the CUSC to this effect could be put forward. Such a process would enable full discussion and consultation on such a term.
- 3.73 Ofgem/DTI agree with the respondent who stated that the circumstances in which a user can disclose confidential information should extend to disclosure to an expert. Ofgem/DTI will request NGC to make the necessary changes so both NGC and users can disclose such information to an expert (see rows 6.9 & 6.14, Appendix 2).

*Specific codification points highlighted in the February document:*

- ◆ **Five minute reserve:** Ofgem/DTI accept that five minute reserve is a commercial service and therefore that it is not appropriate to place these provisions within the CUSC. Any existing agreements to provide five minute reserve will appear in the new Commercial Services Agreement. We therefore conclude that the draft CUSC should remain unchanged in this area.
- ◆ **Triennial Review:** Ofgem/DTI accept that the CUSC as drafted is the only mechanism that NGC has to propose changes to frequency response prices. With regard to indexation, methods of calculation and changes

to the monitoring system for frequency response, the new framework will require NGC to continuously keep the CUSC under review as to whether it facilitates the relevant objectives and therefore the need for a scheduled review of these provisions is unnecessary. We therefore conclude that the draft CUSC should remain unchanged in this area.

- ◆ **Indexation:** Ofgem/DTI are satisfied that there will be no adverse impact on the removal of the specific dates from the indexation formula and are content to leave the drafting of this provision as it currently stands.
  
- ◆ **Redundant Provisions:** After consideration of the Table provided by NGC, Ofgem/DTI are satisfied that provisions contained within Appendix 9 in Schedule 3 are truly time expired or redundant and hence should be removed as a result of codification. We consider it appropriate for purposes of transparency for the Appendix to remain within the initial CUSC. Ofgem/DTI were concerned that there was an outstanding referral to Ofgem regarding a review of indexation. The provisions for this review currently appear in MCUSA schedule 5 which provides for the Transmission User Group to review the indexation factor in relation to payments for the obligatory reactive power service and enhanced reactive power services by 1 October 2000 and for any disagreement on implementing the review to be referred to Ofgem. NGC had placed these provisions in Appendix 9 as they were time expired. Ofgem/DTI recognise that these provisions are time expired but consider it necessary for there to be a mechanism within the CUSC by which the outcome of the determination can be implemented. Ofgem/DTI have therefore requested NGC to provide for the outcome of the determination to be incorporated into the CUSC. (see row S1, Appendix 2).
  
- ◆ **Transmission Related Agreements** Ofgem/DTI conclude that it would not be appropriate for these clauses to be codified into the CUSC since they relate to individual connection sites. Instead it is considered appropriate for these clauses to be treated as a variation under the transitional arrangements with all details of the clause to be included in the new Bilateral Connection Agreement.

## Interconnectors

- 3.74 Ofgem/DTI recognises the internal business arrangements NGC has with its interconnector business and that it is NGC's Interconnector Business that owns the interconnector assets. We share the concerns of existing interconnector users with regard to the Interconnector section as drafted and the possibility of conflicting contractual obligations with existing agreements. Ofgem/DTI do not expect existing rights or obligations of parties (except in those areas highlighted by Ofgem/DTI as requiring change) to be altered as a result of the codification process. Ofgem/DTI agree with the respondents that it would be inappropriate for the existing rights and obligations of interconnector users to be affected by the CUSC (except in the areas identified as requiring change) and that it is therefore inappropriate for the CUSC to add an additional contractual layer, in respect of existing users. Therefore, in relation to Part 1 of the interconnector section, Ofgem/DTI conclude that the existing agreements between interconnector owners and NGC should remain as the agreements which govern connection to NGC's transmission system and will ask NGC to carve out all provisions in Part 1 for the existing French and Scottish interconnector owners (see row 9.1, Appendix 2).
- 3.75 Ofgem/DTI are however concerned that the rights of existing owners do not carry forward after the termination of the current agreements. Ofgem/DTI therefore conclude that once the existing agreements terminate any new agreements for connection to NGC's transmission system should conform to the CUSC. Ofgem/DTI have requested NGC to provide drafting to reflect this (see row 9.1, Appendix 2).
- 3.76 With regard to the point raised by a respondent regarding interconnector parties implicitly accepting the provisions relating to interconnectors because they are required to sign the CUSC Framework Agreement as a result of businesses in England and Wales, Ofgem/DTI believe this concern should be alleviated by the carve out of provisions in the interconnector section for existing agreements for current interconnectors.
- 3.77 Ofgem/DTI note the concern of one respondent relating to which sections of the CUSC would be applicable to an interconnector that is within a distribution

system. As the CUSC was drafted it was not clear which section such a party would need to comply with. An interconnector within a distribution system is not directly connected to NGC's transmission system and therefore Ofgem/DTI consider that it is not appropriate for such interconnectors owners to be subject to the connection provisions contained in section 2 of the CUSC. However, Ofgem/DTI consider that it is appropriate for these interconnector owner's to be subject to section 3 (which relates to Use of System) and the general provisions of the CUSC. Ofgem/DTI will therefore request NGC to change the CUSC to clarify the sections which these interconnectors would be bound by (see row 1.3, Appendix 2) and to ensure that distribution interconnector owners are included in all the relevant provisions of those sections which are applicable to it (see rows identified to deliver this effect in Appendix 2).

- 3.78 In relation to a person who is considered to be a lead party for the purposes of the BSC in respect of the BM unit for a distribution interconnector, Ofgem/DTI consider it appropriate for these parties to be subject to the provisions in Part II of section 9. Ofgem/DTI have requested NGC to make the necessary changes to effect this (see row 11.25, Appendix 2).
- 3.79 Ofgem/DTI were concerned that the revised interconnector section did not ensure that users of future interconnectors connected to NGC's transmission system would be required to sign the CUSC. Ofgem/DTI will therefore request NGC to provide drafting so that interconnector owners (who are party to the CUSC) are required to ensure that any party who uses their interconnector is also a party to the CUSC (see row 9.2, Appendix 2).
- 3.80 Ofgem/DTI share the concerns of existing interconnector users that some of the provisions contained in Part II of the interconnector section conflict with existing contractual arrangements. However, Ofgem/DTI are aware that users of the French Interconnector will be required to sign up to CUSC in respect of the provisions of Part II of section 9 and we expect that Interconnector users of the Scottish Interconnector will sign Accession Agreements on the CUSC Implementation Date. As a result, no special provisions will be required in respect of existing users of either the French or Scottish Interconnectors. However, Ofgem/DTI consider it appropriate for the provisions contained in Part II relating to disconnection and deenergisation to expressly state that they are



subject to the operational arrangements between NGC and the existing French and Scottish interconnector users have and we have requested NGC to make the necessary changes (see rows 9.21, 9.34 & 9.35, Appendix 2).

- 3.81 Ofgem/DTI note the concern raised by one respondent that non-licensed persons who use the interconnector will cease to be a party to the CUSC if all their agreements to use the system terminate and they do not have the option of becoming a Dormant Party under the current drafting. Ofgem/DTI agree with this respondent and request NGC to make the necessary changes in order to clarify that non licensed interconnector users will only cease to be a CUSC Party if formal notice to terminate use of system is given so that periods of non use will not affect their status (see row 5.2, Appendix 2).
- 3.82 Ofgem/DTI conclude that the removal of the provision in Part II that states it would be a termination event if a user ceased to have an Interconnector User Agreement has been removed because the current Interconnector User Agreements for the French interconnector states that they will terminate 10 days after implementation of the CUSC, or earlier by the IUA user signing the CUSC. The removal of this provision prevents a user who has just signed the CUSC terminating its use of NGC's system because its current IUA has subsequently terminated.
- 3.83 With regard to the role of the IEA under the CUSC, Ofgem/DTI have noted that the IEA is defined by reference to the definition in the BSC, under which it is responsible for settlement in respect of its allocated Interconnector BM units. The draft CUSC provides that any BSUoS charges associated with those BM units which are the responsibility of the IEA can be recovered. Since only persons using or connected to NGC's Transmission System are CUSC Parties, Ofgem/DTI consider it appropriate to deem the IEA to be a user in respect of the transport of energy registered by those units, (even if this has been caused by the Interconnector users) to ensure that BSUoS charges can be recovered in respect of those Units. It is for the IEA to make appropriate arrangements with the Interconnector users to provide for it to be reimbursed with any charges for which it is accountable. Ofgem/DTI have noted the concerns of the respondents to the role of the IEA within the CUSC but conclude that it is appropriate for the IEA to be deemed to be a user for the purposes of the CUSC. Ofgem/DTI have

requested NGC to clarify that the IEA is deemed a user for the purposes of the CUSC (see row 9.21, Appendix 2). Ofgem/DTI have also requested NGC to make sure that IEAs are included in all other applicable sections (see rows identified as to deliver this effect in Appendix 2).

*PES separation of business*

- 3.84 Ofgem/DTI agree with respondents that the removal of the exemption for site specific breaches of the Grid Code for second tier suppliers and a BSC party (who is responsible for Small Power Stations who are embedded and who are acting in that capacity and are also trading parties) is a change that is not required to reflect the separation of the PES licences. Ofgem/DTI consider that it is appropriate for this exemption to apply to all suppliers after the supply and distribution licence separation occurs as the distinctions between the types of suppliers (eg second tier suppliers) will no longer apply. Ofgem/DTI have requested NGC to extend this exemption to cover all suppliers (see row 5.7, Appendix 2).
- 3.85 In response to whether obligations are being placed on distributors within section 3 of the CUSC, Ofgem/DTI are satisfied that the Applicability section makes clear which sections are applicable to each category of user. Therefore Ofgem/DTI will not be requesting NGC to make any further changes in this area.
- 3.86 Ofgem/DTI are satisfied that the proposed way of dealing with the PES separation of licences in the CUSC achieves its purpose and that the proposal had the support of interested parties. However, Ofgem/DTI are concerned as to the status of the Appendix that provides for the PES separation and the link into the main body of the CUSC. Ofgem/DTI consider that there should be provisions within the Transitional section of the CUSC to make references to the PES separation of licences and to refer to the Appendix which contains these provisions. Ofgem/DTI will request NGC to provide the appropriate drafting to effect this change (see row 10.13, Appendix 2).
- 3.87 Ofgem/DTI will request NGC to make changes to the Exhibits to the CUSC (these relate to applications, offers and confirmation notices for connection to, use of and modification of NGC's transmission system) to make them consistent with the PES separation.

*NGC's further proposed changes*

- 3.88 With regard to the comment made about the Appendices for section 6, these appendices were originally attached to Supplemental Agreements in relation to provision of data for NETA. It is necessary to place these provisions within the CUSC (rather than the Bilateral Agreements as originally proposed) so that they will apply to suppliers who are bound by these provisions in their current Supplemental Agreements (but who will not have a Bilateral Agreement under the new arrangements). Ofgem/DTI are confident that there has been adequate consultation on these in the run up to the introduction of NETA and that they have been included within the CUSC by inclusion in the general provisions of the CUSC. Ofgem/DTI will request NGC to make these changes (see row 6.3, and Annex to, Appendix 2).
- 3.89 Ofgem/DTI do not agree with the respondent who said that the removal of the provision for the replacement of an asset at no extra charge to the user until expiry of the original replacement date on the grounds that it was duplicated in the Charging Statements was not sufficient justification for removing it. Throughout the development of the CUSC it has been considered important to remove duplication between the CUSC and the Charging Statements in order to increase flexibility of the arrangements. Ofgem/DTI will therefore request NGC to make this change (see rows 2.19 & 3.30, Appendix 2).
- 3.90 With regard to the rest of the further changes proposed by NGC Ofgem/DTI consider these to be appropriate and will request NGC to make these changes. All such changes are included in the table at Appendix 2.

**Structure of the CUSC**

- 3.91 Ofgem/DTI are satisfied that the draft CUSC has been structured to provide clarity between the different areas (for example payment provisions) and are pleased that respondents agree. We consider it appropriate that general provisions that apply to all users for connection to and use of system and Mandatory Balancing Services should be contained in separate sections, rather than be set out in each of the individual sections, to ensure consistency and avoid duplication. With regard to future development in NGC's transmission business (for example, the separation of the Transmission Asset Owner and

System Operator functions) Ofgem/DTI remain satisfied that changes to the CUSC to reflect such developments can be dealt with via the new flexible governance arrangements. We do not consider it is appropriate to make changes to the CUSC to reflect such a separation at this stage.

### **CUSC Objectives**

- 3.92 Ofgem/DTI note that no representations have been received in respect of the objections set out in the proposed licence condition 10F and conclude that they are appropriate as drafted.

### **CUSC Parties**

- 3.93 Ofgem/DTI conclude that licensed parties and other existing MCUSA parties should be obliged to sign the CUSC.
- 3.94 Ofgem/DTI conclude that it is not appropriate at this stage to compel the small number of non-licensed non-MCUSA persons directly connected to NGC's transmission system to sign the CUSC. Ofgem/DTI note that such persons could not be required to become parties under the Exemption Order since they are only interested as Customers who not need a licence or the benefit of an exemption. NGC's non discrimination obligations will apply to any arrangements in place in respect of such connections and for charges to be in accordance with the relevant Charging Statements. Existing non-MCUSA parties who want to enter into new connection to or use of system agreements will be required to sign the CUSC, since NGC is under a licence obligation to only enter into agreements which are in conformity with any relevant provisions of the CUSC.
- 3.95 Traders of electricity in the market within England and Wales will only be required to sign the CUSC if they have a physical presence on the transmission system.
- 3.96 People who trade electricity over the interconnector however are deemed to have a physical presence on the transmission system since they are buying electricity in one market and selling to another. They will own BM units for the purposes of the BSC and therefore be liable for BSUoS charges. Traders over the French interconnector currently have Use of Interconnector Agreements with

NGC. These agreements had been provisionally put in place until the CUSC is implemented. Once CUSC is implemented the Use of Interconnector Agreement makes provision for the existing interconnector traders to sign the CUSC (see chapter 8 for further details on this). Ofgem/DTI understand that similar arrangements will be implemented for the Scottish Interconnector.

- 3.97 The Applicability section within the CUSC states which sections of the CUSC a user is required to comply with. Parties to the CUSC will be bound by these sections (and to obtain and comply with any relevant Bilateral Agreements) in the capacity to which they are signing the CUSC, for instance a supplier of electricity will be bound by section 3 and the general provisions. Each Bilateral Agreement, Use of System Supply Confirmation Notice or Use of System Interconnector Confirmation Notice will set out the category of connection and/or use to which it relates. Ofgem/DTI conclude that it will be clearly set out in the CUSC documentation to which category a user has an obligation to accept the provisions in respect of the activities it is or intends to carry out. In future, parties who are already signatories to the CUSC in one capacity, for instance a generator, who then wish to start supplying electricity, will have to apply to use NGC's transmission system through the Use of System Application process. Ofgem/DTI conclude that there is no need to change the draft CUSC to clarify the position in this area.

### **NETA Power**

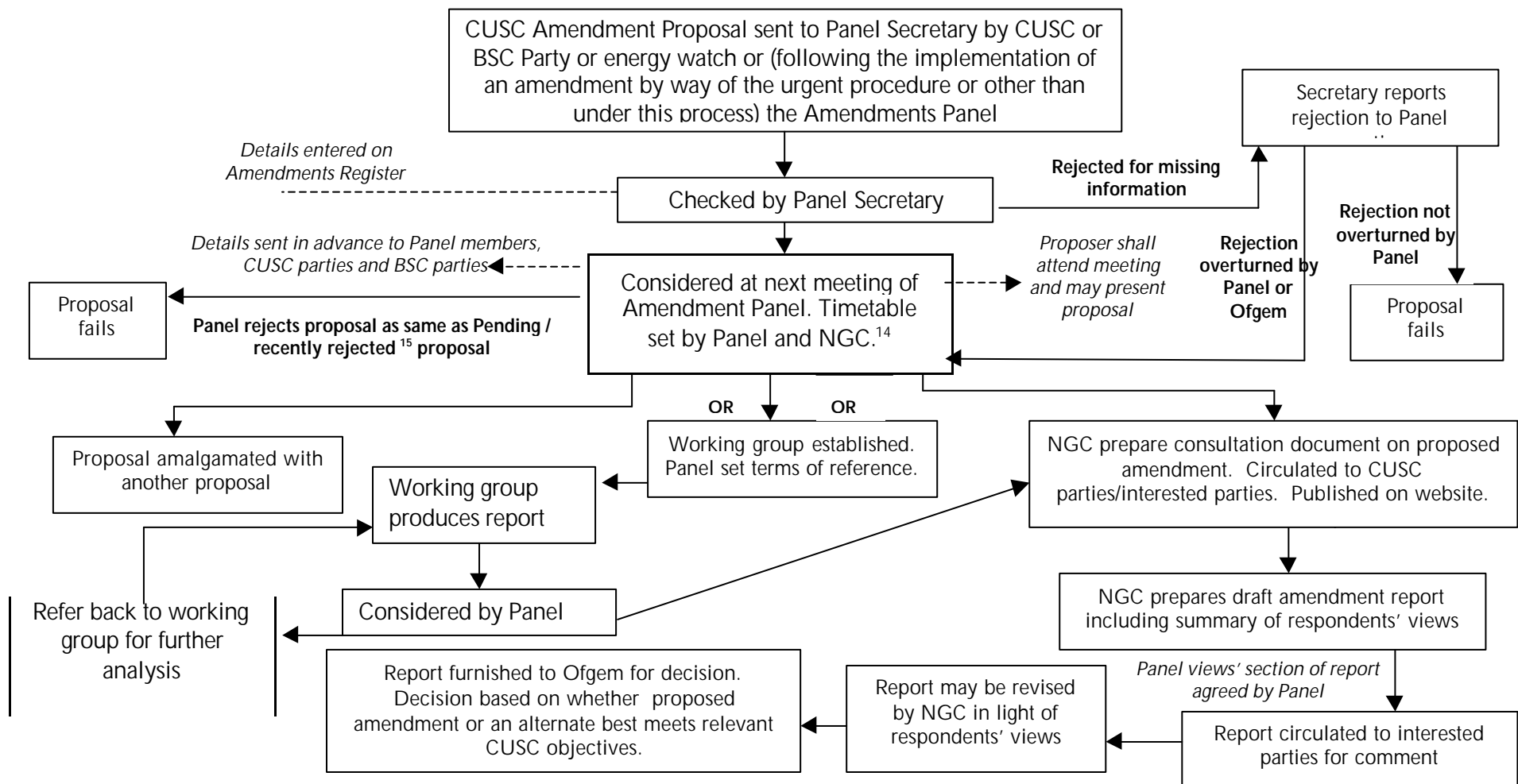
- 3.98 Ofgem/DTI are satisfied that the power granted to the Secretary of State under the Utilities Act is wide enough to modify licences to introduce the CUSC. The power given under the Utilities Act allows the Secretary of State to modify licences where he considers it is necessary or expedient to do so for the purpose of implementing or facilitating the operation of new arrangements relating to the trading of electricity. The new electricity trading arrangements that commenced on 27 March 2001, contain temporary provisions for transmission access. Ofgem/DTI have throughout the consultation process on CUSC and NETA, made clear their view that it is essential for the effective operation of these trading arrangements that new transmission access arrangements are put in place. The CUSC with its flexible governance arrangements will facilitate the operation of the new trading arrangements in a manner that MCUSA could not and therefore

it is considered that the CUSC can be introduced by the power in the Utilities Act.

## 4. Governance

### *Introduction*

- 4.1 One of the main objectives of implementing the CUSC was to enable flexibility of the arrangements for connection to, and use of, NGC's transmission system.
- 4.2 From the outset, Ofgem/DTI considered it to be appropriate for the CUSC to contain amendment provisions based on those in place for the network codes of gas transporters and the BSC setting out arrangements for the trading of electricity. To facilitate this, Ofgem/DTI proposed to place licence obligations on NGC regarding the establishment of the CUSC and minimum requirements for the CUSC amendment procedures. This would be done through the inclusion of a new licence condition 10F within NGC's licence.
- 4.3 Ofgem/DTI considered it appropriate for NGC to own the CUSC and to be given responsibility for the operation of the amendment procedures to reflect its interest in the CUSC as the main route by which it recovers its revenue.
- 4.4 The draft CUSC, provided to Ofgem/DTI by NGC on 19 December 2000, contained an amendment section based on Ofgem/DTI's August 2000 proposals. The following diagram follows the route of an amendment proposal under the provisions now set out in the draft CUSC.



<sup>14</sup> Default timetable of 3 months for consideration by a working group and two months for NGC's consultation contained within the CUSC. Panel can extend the timetable if it can justify such an extension. **Authority** has right of objection to such extension.

<sup>15</sup> In the absence of changed circumstances.



- 4.5 The draft CUSC envisages the setting up of an Amendments Panel, consisting of an NGC appointed Chairman, who is required to act independently, 2 NGC representatives, 7 members appointed by the industry, who are required to act independently and an energywatch representative. In addition, there is provision for Ofgem to appoint an additional industry representative if we consider that a particular group or class of persons is under-represented in terms of expertise on the Amendments Panel. A representative of Ofgem will attend meetings of the Amendments Panel as an observer. The Amendments Panel would have a role in ensuring that due process is followed in terms of consultation on each amendment proposal. The draft CUSC contains detailed rules regarding the election of Panel Members and the ability of Panel Members to appoint alternates.
- 4.6 Under the draft CUSC, an amendment proposal could be put forward by a CUSC party, a BSC party or energywatch. It was generally accepted during discussions in NGC working group sessions on the draft CUSC that this would give the opportunity to propose amendments to all parties directly or indirectly affected by the arrangements contained within the CUSC. The proposal would then be checked by the Panel Secretary to ensure that it contains the minimum information required by the CUSC amendment procedures. Providing this information was present the proposal would be considered by the next meeting of the Amendments Panel.
- 4.7 The Amendments Panel could choose to amalgamate the proposal with any other proposal currently being considered, to set up a Working Group to consider the proposal or to proceed directly to consultation by NGC. The draft CUSC specifies that consideration of an amendment by a Working Group should not extend beyond a maximum period of three months and that NGC's consultation stage should not extend beyond a maximum period of two months, unless, in either case, the Amendments Panel decides otherwise. Ofgem has a right of veto over any such decision to extend the timetable.
- 4.8 If the proposal is to be considered by a Working Group, the Amendments Panel should decide on the constitution and terms of reference of the group. The Working Group is then given a specified period of time to produce a report to the Amendments Panel. Following consideration of the report, the Amendments

Panel can send the proposal back to the Working Group for further consideration or proceed direct to NGC led consultation.

- 4.9 NGC's consultation stage would take the form of a consultation paper which would be published on NGC's website and emailed to parties who supply relevant details to NGC. The consultation paper should include the proposed legal drafting of the amendment proposal. However, where NGC is proposing to recommend to Ofgem that a proposed amendment or alternative proposal not be made, it has the opportunity to consult with Ofgem as to whether the Amendment Report should contain the proposed text. Some participants in the NGC led working groups did not consider it appropriate for this clause to be included as they considered it important for participants to have the opportunity to comment on the proposed legal drafting of all proposed and alternative amendments. However, other participants recognised its importance for efficiency reasons. It is possible for several alternative amendments to be considered in respect of one proposed amendment and, depending on the amendment proposal in question, the legal drafting required could be detailed, extensive and hence costly.
- 4.10 Following NGC's consultation on a proposed amendment, the draft CUSC requires NGC to prepare, and submit to Ofgem, an Amendment Report containing specified information. This information includes a description of the amendment proposal, a summary of representations made during the consultation process, the views of the Panel in relation to the proposal and NGC's recommendation as to whether the proposal should be made. The Amendment Report should be circulated in draft form and hence participants would be given the opportunity to ensure that their views have been adequately reflected in the report.
- 4.11 Following receipt of the Amendment Report Ofgem would need to decide whether the amendment proposal in question would better facilitate the achievement of the Applicable CUSC Objectives. If Ofgem considered that the amendment would better facilitate such achievement, we would direct NGC to make the change. Under the Utilities Act, Ofgem would be required to give reasons for any such decision reached.

- 4.12 The draft CUSC also contains obligations on NGC regarding the production of both an Amendment Register and a Progress Report. The Amendment Register must be established and maintained by NGC to record specified details of each amendment proposal and its current status. The Progress Report should be prepared and submitted to Ofgem monthly and include specified information relating to amendment proposals, including details of any decisions taken by the Panel in respect of amendment proposals, such as the priority afforded to proposals, scheduling and timetable for consideration of amendment proposals and details of decisions to amalgamate amendment proposals.

### ***February 2001 document***

- 4.13 In the February 2001 document, Ofgem/DTI set out our initial views that, on the whole, the proposed amendment procedures were in line with Ofgem/DTI's August 2000 proposals. Ofgem/DTI invited views on the detailed drafting of the amendment provisions of the CUSC and on the drafting of the proposed licence condition 10F which was set out in an Appendix to the February 2001 document. In addition, Ofgem/DTI highlighted specific areas of the provisions in which we either had concerns or specifically requested views from interested parties.

### **Alternate Industry Panel Members**

- 4.14 The first of these were the provisions regarding the appointment of Alternates for the industry Amendment Panel Members. During the course of NGC's consultation on the draft CUSC participants raised concerns that it was inappropriate to allow elected Panel Members to appoint a non-elected Alternate to attend Panel meetings and vote on their behalf. To alleviate these concerns NGC proposed that up to five Alternate Panel Members would be appointed at the same time as the Panel Members, by election in accordance with the procedures set out in the draft CUSC. The Alternates would then form a group from which industry Panel Members may select a person to act as their Alternate. As these provisions differed from the network codes and the BSC Ofgem/DTI specifically invited comments on the proposals.
- 4.15 Ofgem/DTI were concerned that any person nominated to the Panel by Ofgem, (under the power to nominate a representative to the Panel if Ofgem considered

that the Panel lacked expertise in relation to a class or category of person) would also have to select an Alternate from the pool of Alternates. Ofgem/DTI's initial view was that it was appropriate for any such member to be able to appoint his/her own Alternate.

### **Quorum provisions**

- 4.16 Ofgem/DTI were also concerned about the proposals in the draft CUSC relating to quorum. The draft CUSC stated that in order for an Amendments Panel to be quorate there should be six Panel Members present of whom at least one was appointed by NGC. Ofgem/DTI agreed that this was acceptable. However, the draft CUSC also stated that if a quorum was not present at a meeting it should be adjourned to the same day in the following week. If the revised meeting was still not quorate all business would be delayed until the next meeting of the Amendments Panel. Ofgem/DTI considered that this could lead to meetings being indefinitely delayed at the cost of efficiency. We therefore proposed that the quorum provisions should be in line with those in place in the BSC, such that if a quorum was not present at the revised meeting, the Panel Members present would be considered to be a quorum.

### **NGC Panel Members**

- 4.17 Ofgem/DTI also raised concern about the drafting of the proposals relating to the number of NGC's Panel Members who can vote. In the August 2000 document Ofgem/DTI proposed that although there should be two NGC representatives on the Panel, only one of these Members should have the ability to vote. Ofgem/DTI did not consider that the draft CUSC made this clear and hence suggested that there may be a need to revise some of the drafting of the sections which relate to voting to further clarify this issue.

### **Amendment Report**

- 4.18 In respect of the Amendment Report, Ofgem/DTI were persuaded by views raised at the NGC led Working Group sessions that it was appropriate for the views of the Panel to follow directly NGC's recommendation in the report and for the report to include, where possible, some indication of the costs that will be faced by CUSC parties following the introduction of a proposed amendment.

### ***CUSC Governance Presentation***

- 4.19 On 13 March 2001, in response to requests from industry for an Ofgem led session to discuss the involvement of industry within the CUSC amendment process, Ofgem led a seminar on the proposed arrangements. Ofgem gave a presentation describing its views on how the procedures would work in practice. Some respondents indicated that they were happy with the arrangements as presented by Ofgem but that they believed that the wording of the draft CUSC could be clarified in two main areas to ensure that it was in accordance with Ofgem's interpretation of the procedures.
- 4.20 In particular, Ofgem considered that the Working Groups would be the major part of the process and would be the appropriate vehicle for general discussion and development of an amendment proposal by the industry and other interested parties as a whole. It was our view that these Working Group sessions would normally be open to attendance by all interested parties.
- 4.21 In addition, it was felt appropriate for the Amendments Panel to be given a power to set up Standing Groups to look at specific areas of the arrangements in question. The Standing Group would be given objectives by the Amendments Panel and could be terminated by the Amendments Panel if the Panel considered that the Standing Group was no longer necessary. It was Ofgem/DTI's view that the current drafting of the CUSC would allow this to happen if an amendment proposal relating to a specific area that still required a considerable amount of work was put forward. However, participants at the session considered it appropriate to grant the Amendments Panel a specific power to set up Standing Groups.
- 4.22 Ofgem/DTI invited participants to identify areas of the CUSC drafting that it would be helpful to revise in order to ensure that the CUSC was in line with Ofgem's view of how the governance arrangements should work. After consideration of responses on this issue, Ofgem circulated revised drafting of section 8 of the CUSC for comment. In particular the drafting provided for:
- ◆ Working Group meetings to be open to attendance by representatives of CUSC Parties/BSC Parties/energywatch and any person invited by the Chairman or member of the Working Group unless the Amendments

Panel determined otherwise. Any person attending such a meeting could speak at the invitation of the Chairman or other member of the Working Group;

- ◆ a power to be granted to the Amendments Panel allowing it to set up Standing Groups to consider and make representations to the Amendments Panel on issues specified by the Amendments Panel relating to Connection and Use of System arrangements in England and Wales;
- ◆ the Amendments Panel to specify a time period within which the Standing Group is to report to it on the issue it is to consider;
- ◆ the Chairman of the Standing Group to attend the Amendments Panel meeting at which the report was to be discussed.

### ***Respondents' views***

#### **General comments**

##### *Proposed licence condition 10F*

- 4.23 Two respondents were concerned regarding the power contained within the licence condition 10F, for Ofgem to consent to NGC amending the CUSC outside the CUSC amendments procedure and without reference to the CUSC objectives. The respondents argued that there was no justification for this power and that the urgent amendment procedure contained within the CUSC meant that this power was unnecessary.
- 4.24 One of these respondents stated that if this power was to be included, any amendments made following use of the power should be subject to review as is the case for amendments made by use of the urgent procedure.

##### *Role of NGC*

- 4.25 There continued to be mixed opinions between respondents as to the appropriateness of NGC's role within the CUSC. Two respondents supported the proposals to establish NGC as owner and operator of the amendment

procedures, subject to there being checks and balances on NGC's influence to ensure that NGC does not have undue influence on the CUSC arrangements.

- 4.26 Two respondents did not believe that NGC should own and operate the CUSC amendment procedure. One said this may introduce distortions into the market and that NGC may have conflict of interests when expediting an amendment that may adversely affect its revenue. This respondent considered it to be appropriate for the Amendments Panel to be responsible for the amendment procedure. The other respondent said that users connected to NGC's transmission system incurred significant connection costs and for this reason should have greater control and influence over amendments to the CUSC. It stated that if users proposed amendments to the CUSC that compromised NGC's position, NGC would have recourse to Ofgem.

*Industry involvement in the CUSC amendment procedure*

- 4.27 There was a lot of comment from industry respondents to the February 2001 document regarding the perceived lack of industry involvement, lack of discussion of proposals before they enter the formal procedure and NGC's role in the process.
- 4.28 In particular, some respondents were concerned that the amendment process did not include a proper role for industry and that under the existing drafting of the CUSC it was impossible for industry views to be reflected into any proposed amendment before it goes into the amendment process. There was a concern that this could lead to large system modifications being required which would have a large aggregate cost across the industry. In order to address this, one respondent suggested that a Commercial Review Advisory Committee should be set up to advise on the potential commercial impact of proposed amendments. This proposal received the support of several other respondents.
- 4.29 Other respondents stated that they were not convinced of the need for a users' forum, either within or outside of the CUSC, and believed that the amendment process as currently drafted was sufficiently robust to determine the appropriateness of any proposed amendment and provides for more than adequate consultation of an amendment.

- 4.30 At the governance presentation hosted by Ofgem, participants seemed reassured by Ofgem's view of how the amendment process would work and in particular Ofgem's view of the importance of the Working Group sessions and the recognition that there would be opportunity for Standing Groups to be set up. Ofgem has since received written responses stating that a few amendments to the CUSC arrangements to clarify these points, as circulated by Ofgem following the governance presentation, would address most of the above concerns.
- 4.31 In respect of the proposed drafting changes circulated by Ofgem following the governance presentation, the following comments were received from respondents:
- ◆ one respondent questioned whether the wording should be changed to allow an amendment proposal to be considered by both a Working Group and a Standing Group;
  - ◆ three respondent considered it inappropriate for Standing Groups to be prohibited from commenting upon amendment proposals unless specifically appointed to do so;
  - ◆ one respondent considered that a member of a Standing Group should be able to attend Working Group sessions as a representative of that Standing Group rather than any other category;
  - ◆ two respondent considered that Standing Groups should be able to comment on the drafting of the CUSC if it relates to the matters detailed in the terms of reference set by the Amendments Panel;
  - ◆ one respondent suggested that the Amendments Panel should be required to provide Terms of Reference for the work of Standing Groups when establishing them. The respondent pointed out that this process was adopted for Working Groups and stated that it should equally apply to Standing Groups;
  - ◆ one respondent suggested that the views of the Standing Groups should be included within the Amendments Report as well as the views of the Working Groups and Amendments Panel. The respondent argued that



such provision is needed as it is possible for amendment proposals to be considered by Standing Groups in certain circumstances;

- ◆ one respondent suggested that there should be provision to appoint outside experts who are not CUSC Parties to assist in the deliberations of a complex or technical amendment or issue being considered by a Working Group or Standing Group, to better meet the Applicable CUSC Objectives;
- ◆ one respondent considered it inappropriate for NGC to chair the Standing Groups as a Group could be discussing issues on which NGC may naturally take a defensive position. The respondent suggested that the Standing Group itself should appoint the chair of the group;
- ◆ two respondents commented that, as Working Group and Standing Group meetings are open, there may be a need to place a requirement on the CUSC for parties to notify NGC of their intention to attend such meetings in order for NGC to ensure that necessary facilities are available at the meetings;
- ◆ one respondent considered that the CUSC should provide that the Amendments Panel should only be able to determine that Working Group meetings should not be open to attendance in exceptional circumstances; and when it makes such a decision it should be required to state its reasons.

#### *Constitution of CUSC Panel*

- 4.32 One respondent said that Amendments Panel Members should have a good understanding of the current and past transmission market arrangements to allow them to provide a balanced view of an amendment. The respondent stated that seven industry Panel Members seemed a sensible idea. The respondent also agreed that it was sensible for the industry Members to act in the interest of the industry as a whole, because the increasing number of industry companies merging or being acquired by other companies made it difficult to categorise companies as e.g. just suppliers or generators. Two respondents welcomed the creation of a fully independent Panel, with Members having due regard to the

Applicable CUSC Objectives, rather than the interests of the company they are employed by.

- 4.33 One respondent was concerned at the extent to which CUSC Panel Members needed to act independently. It suggested a combination of a commitment to act impartially and a declaration of interests would be adequate and realistic.
- 4.34 Other respondents considered that it was appropriate for the Amendments Panel representation to be based on the constitution of the current Transmission Users Group (TUG).
- 4.35 One respondent was concerned that the Amendments Panel should include Members from both supply and distribution companies. It considered it inappropriate for customers to be guaranteed representation when distributors and suppliers were not necessarily guaranteed a seat.
- 4.36 One company was concerned that the provisions in the draft CUSC requiring the Panel Members not to represent the company by which they are employed could prevail over his/her duties as an employee and hence bring an employee in conflict with his contract of employment and possibly the Companies Act. The respondent suggested that the clause was unreasonably restrictive and should be removed from the CUSC.
- 4.37 One respondent supported NGC acting as independent Panel Chairman. Another respondent remained concerned about the appointment of the Chairman by NGC and believed that the Panel should elect the Chairman from amongst the Panel Members, or that Ofgem/DTI should appoint the Chairman.

#### *Election of Panel Members*

- 4.38 Two companies considered it to be inappropriate to elect Members to the CUSC Amendments Panel on the basis of one member one vote, given the diversity of parties who will become subject to the CUSC. One of these respondents said that not all CUSC signatories or customers should have equal votes, as smaller parties can unduly influence the conditions and charges for connection and use of system for parties that have high strategic investment. The other respondent suggested that the methodology used for elections to TUG, which linked the number of votes of a company to its usage of the system, should be employed.

- 4.39 A further respondent was concerned that companies or groups of companies which were multiple signatories would get more than one vote for each capacity in which they were signed on to the CUSC, to the disadvantage of smaller companies.
- 4.40 Following the election of CUSC Panel Members carried out by NGC, Ofgem has received a letter asking us to consider using our power to elect additional representatives to the Panel in favour of a representative of interconnectors.

*Tenure of Panel Members*

- 4.41 One respondent pointed out that the term of office of the Panel Chairman and a Panel Member expire at different dates (30 March and 30 September, respectively). The respondent asked for clarification as to why these dates were different.

*Indemnity of Panel Members*

- 4.42 Two respondents pointed out that the wording of the indemnity clause for Panel Members in the draft CUSC was equivalent to the current drafting of the BSC. There has been a modification proposal put forward in respect of the BSC. The current indemnity covers actions undertaken in the proper exercise of the powers, duties, functions and discretions of that office in accordance with the BSC. If the proposed modification was implemented the indemnity would be extended to cover "actions undertaken in the proper or good faith purported exercise of those powers...". The respondents suggested that the indemnity for Panel Members currently set out in the draft CUSC should be extended in line with the proposed modification of the BSC.

*Amendment Panel Meetings*

- 4.43 One respondent noted that meetings of the CUSC Amendments Panel are drafted to occur on the first Business day of every month. The respondent argued that this was very inflexible. The respondent suggested that the wording should be changed to the following wording which is contained within the BSC: "Meetings of the Panel shall be held at regular intervals and at least every month at such time and such place as the Panel shall decide."

### *Amendments Proposals*

- 4.44 Two respondents commented on the proposals to allow CUSC parties, BSC parties and a customer representative to propose amendments to the CUSC. Both respondents considered that this drafting would allow all persons directly affected by the CUSC arrangements to propose an amendment to the CUSC.
- 4.45 One respondent pointed out that in certain situations it was necessary for the Amendments Panel to be able to trigger the Amendments Procedure. In particular, where an urgent amendment had been made it was necessary for the Amendments Panel to be able to trigger a review of the amendment through the amendment procedure, to determine whether any other amendment would have better facilitated the Applicable CUSC Objectives.

### *Amendment consultation*

- 4.46 Some respondents considered it inappropriate for NGC to elect the Chairman of the Working Groups. One respondent suggested instead that the Amendments Panel, or the Amendments Panel in consultation with NGC, should appoint the Chairman.
- 4.47 One respondent continued to be concerned that if NGC is not proposing to recommend the particular amendment, it may approach Ofgem to seek our view as to whether legal drafting should be provided for consultation. This respondent stated that as many amendments are likely to be detailed, users must have a chance to comment on the proposed wording for the consultation to be effective.

### *Urgent amendment process*

- 4.48 One respondent considered that amendment proposals should only follow the urgent amendment procedure if the Amendments Panel, the Members of the Amendment Panel that could be contacted or the Panel Chairman (if unable to contact other Panel Members) considers the proposal to be so urgent that it cannot wait for the full Amendment Procedures to be completed, rather than that such people consider that the Proposal should be treated as urgent.

- 4.49 One respondent considered that the views of the Amendments Panel as to whether an amendment should be treated as urgent should be paramount to the views of Ofgem.

*Progress Report and Amendments Register*

- 4.50 One respondent thought the maintenance of the Amendment Register and Progress Report was a sensible measure.
- 4.51 Two respondents questioned why it was necessary for Ofgem to retain a power to preclude NGC from publishing certain information in the Progress Report.

**Specific points raised by Ofgem**

*Alternates for industry Panel Members*

- 4.52 Two respondents commented on the proposals regarding the election of a pool of Alternates from which industry Panel Members could appoint an Alternate to attend particular Panel meetings. Both respondents considered that the proposals were advantageous in ensuring that Alternates will clearly be seen to be independent. NGC stated that the proposals had been given the broad support of the industry participants at the working group sessions. No respondents commented on the appropriateness of requiring the Amendment Panel member elected by Ofgem to appoint an Alternate from the Pool.
- 4.53 One respondent requested that the wording of the draft CUSC should be clarified to ensure that all Alternate Panel Members (including those in the Pool of Alternates) would be entitled to receive all communications provided to Panel Members.
- 4.54 One respondent requested clarification regarding the appointment of Alternates for industry Panel Members. In particular the respondent was confused as to how a Panel Member could choose any Alternate Member in a situation where all Alternate Members have already been appointed as Alternates by another Panel Member for a particular meeting. In addition, the respondent requested clarification as to how a Panel Member can also choose another Panel Member as their Alternate.

### *Quorum*

- 4.55 Two respondents supported Ofgem/DTI's view that the current drafting of the CUSC could lead to Amendments Panel meetings being delayed indefinitely and hence prevent discussions from being held. They supported bringing the drafting in line with the provisions of the BSC, so that if a rescheduled meeting still does not have the requisite number of Members required for a quorum the people present should be considered a quorum.
- 4.56 One respondent felt that the requirement on Members to act in the best interest of the CUSC would ensure that the circumstances in which a meeting is cancelled would be rare and therefore that the quorum provisions were not flawed.
- 4.57 Another respondent stated that the original quorum proposals had been changed to reflect concerns raised at the Working Group sessions regarding sufficient checks and balances being placed on NGC. In practice this respondent said that it would be difficult to conceive of circumstances in which Members would fail to attend both a scheduled and a rescheduled meeting so the quorum provisions are probably academic.

### *NGC Panel Members*

- 4.58 One respondent agreed that the current drafting of the amendment section of the CUSC did not make it clear that only one NGC Panel member should have the vote. Another respondent stated that the drafting appears to allow NGC to appoint two voting Panel Members. This respondent stated that this was not in line with his recollection of discussions at Working Group sessions where the drafting was discussed.
- 4.59 NGC commented that the two NGC Panel Members reflect the SO/TO split within NGC. It recommended that both Members should be entitled to vote to take advantage of the experience and knowledge in the two areas. NGC stated that this was not unreasonable, as there were now seven industry Panel Members.
- 4.60 One respondent did not consider it appropriate for the NGC appointed Chairman of the Amendments Panel to be given a casting vote.

### *Amendment Report*

- 4.61 Two respondents stated that they would welcome an indication of the costs that will be faced by CUSC parties following the introduction of an amendment being contained within the Amendment Report. NGC pointed out that it will often be the responsibility of users at the Working Groups, and in written responses, to estimate the potential cost that they will incur.
- 4.62 One respondent supported Ofgem/DTI's view that the views of the Panel should immediately follow the recommendation of NGC. One respondent continued to believe that NGC should not make any recommendation to Ofgem/DTI. Another respondent believed that the recommendation of NGC and the Amendments Panel should be included on the report with equal emphasis.
- 4.63 One respondent suggested that the CUSC should require Ofgem to undertake the approval within a stipulated time period. The respondent argued that this would assist the CUSC Parties and other interested parties in better understanding when Ofgem will reach its decision. The respondent suggested that the timeframe should be comparable to the Network Code or Balancing and Settlement Code modifications decision making process.

### ***Ofgem/DTI's conclusions***

- 4.64 Following consideration of the views of respondents to the February 2001 document, Ofgem/DTI continue to believe that the amendment procedures proposed by NGC do, on the whole, represent a flexible and transparent governance procedure with adequate involvement of all interested parties. However, Ofgem/DTI consider that there is a need to make some changes to the provisions in response to comments raised by respondents to the consultation and in line with Ofgem/DTI's conclusions as set out below. All the drafting for changes are included in the table at Appendix 2. Some changes to amend typographical errors as identified by respondents will be made. These are also set out in the table in Appendix 2 but are not specifically referred to in this chapter.

## General comments

### *Proposed licence condition 10F*

- 4.65 Ofgem/DTI note the concerns raised by respondents regarding the power in licence condition 10F for Ofgem to consent to NGC amending the CUSC without recourse to the CUSC amendment procedure. However, it is considered necessary for this power to be included. It is expected that this power will be used only in extreme circumstances where the security of the transmission system is at risk or to make non-material changes to correct typographical errors. Ofgem/DTI note that a similar power is included in the equivalent licence condition for Transco in respect of the network code.
- 4.66 Ofgem/DTI agree with the respondent who proposed that any amendment made following a consent given by Ofgem under this power should be able to be subject to post amendment review if the Amendments Panel consider it appropriate. This change was made as part of the changes consulted on following the CUSC governance presentation and no further changes are necessary (subject to para 4.80 below).

### *NGC's role in the CUSC*

- 4.67 Ofgem/DTI continue to believe that it is appropriate for NGC to own the CUSC and operate the amendment procedure to reflect its interest in the CUSC as the main vehicle by which it can recover its revenue. Ofgem/DTI believes that the draft CUSC as provided by NGC contains a number of checks and balances on NGC to ensure that this position is not abused. In particular, the role of the Amendments Panel is important in ensuring that due process is followed in relation to consultation on amendments. Although the Panel Chairman is appointed by NGC he/she is not only required by the CUSC to act independently but a number of important safeguards are included to prevent any advantage that may stem from the Chairman being appointed by NGC. There are also efficiency obligations on NGC set out in both the CUSC and its licence and a failure to carry out its role efficiently and effectively could result in licence enforcement action being taken.



*Industry involvement in the CUSC amendment procedure*

- 4.68 As explained at Ofgem's seminar on CUSC governance held on 13 March 2001, Ofgem/DTI believe that there is adequate scope for involvement for industry participants at every stage of the amendment procedure. In particular, the Amendments Panel has a key role in ensuring that due process is followed and in preventing NGC from unduly influencing the timetable of individual amendment proposals. Ofgem/DTI consider that there is potential for the Amendments Panel to use Working Groups or Standing Groups to fulfil the functions, in respect of individual amendment proposals, envisaged to be undertaken by the Commercial Review Advisory Group proposed by a respondent. We therefore consider that there is no need to constitute such a group within the CUSC.
- 4.69 However, Ofgem/DTI are persuaded by industry comments that there may be benefit in changing the drafting of the CUSC amendment provisions to clarify the importance of the Working Groups. In particular, Ofgem/DTI consider there is merit in ensuring that the wording makes clear that Working Groups should, in most instances, be open. As such, the changes to section 8 consulted on by Ofgem following the governance presentation, as amended reflect our conclusions set out in this document will be inserted to give the Amendments Panel power to constitute Standing Groups in particular instances, subject to the changes discussed below. Ofgem/DTI continue to believe that NGC should chair Working Groups and Standing Groups as it has obligations in relation to efficiency of the amendment process as a whole.
- 4.70 We are pleased that a number of respondents commented that the changes put forward by Ofgem would alleviate concerns raised in responses to the February 2001 document that industry would not have a proper role in the consultation process. In respect of the comments put forward by respondents in response to the redrafted sections of the draft CUSC circulated by Ofgem to fulfil the above, Ofgem/DTI have the following comments:
- ◆ we do not consider it appropriate for Working Groups and Standing Groups to be established/actioned to consider the same amendment proposal under section 8.17.1 of the CUSC. If it were possible for a

Working Group and a Standing Group to be established/actioned under this paragraph they would, in effect, both be undertaking the same work which would be inefficient;

- ◆ we do however consider that there may be situations in which it is appropriate for Standing Groups to comment on amendment proposals. This may be necessary where an amendment proposal impacts on the periphery of the work being undertaken by a Standing Group but not the main substance of the Standing Group's work. For example, the Standing Group may wish to comment on how an amendment proposal impacts on the work being undertaken by the Standing Group and point out changes to the amendment proposal which may aid its work. To enable this, Ofgem/DTI consider that the current wording, which prohibits a Standing Group from commenting on any amendment proposals unless specifically appointed to do so, should be changed to a prohibition on a Standing Group to comment on such proposals, unless a specific requirement to do so is included in the terms of reference set by the Amendments Panel. This will enable a Standing Group to make representations to the Amendments Panel that it should be able to consider such a proposal and help to ensure that the Standing Groups remains efficient. When considering an amendment proposal in such a way, we would expect the Standing Group to make representations to NGC as part of its consultation on the amendment. When carrying out this work, the Standing Group would be acting as a Standing Group and not as a Working Group, as it is when it has been directly actioned by the Amendments Panel in respect of an amendment proposal under section 8.17.1 of the draft CUSC. As such, the Standing Group representation would be included within the summary of responses contained within NGC's amendment report and appended to the Report. However, its view would not be set out in a separate section of the Report as is envisaged for the views of any Working Group and Amendments Panel (see rows 8.33, 8.44, Appendix 2);
- ◆ we do not consider it necessary for members of the Standing Groups to attend Working Group sessions as representatives of the Standing Groups. We do not consider that the overlap between the issues being

considered by the Standing Group and the work of any Working Group will be such as to justify the attendance of a member of the Standing Group at the Working Group meetings in that capacity. However, it would seem sensible that NGC and the Amendments Panel carry out a review of the way the governance procedures of the CUSC have operated after a period of time following CUSC implementation. At that time any changes required to the governance procedures would be considered;

- ◆ Ofgem/DTI agree that Standing Groups should be able to comment on the drafting of the CUSC so far as it relates to their terms of reference. We will therefore require NGC to remove the wording which prohibits this from taking place (see row 8.42, Appendix 2);
- ◆ Ofgem/DTI agree that the Amendments Panel should be required to set Terms of Reference for Standing Groups as and when such groups are established. Ofgem/DTI intend to require NGC to add a paragraph to draft CUSC to address this point. (See row 8.40, Appendix 2);
- ◆ the current drafting of the CUSC allows the chairman, and/or any member of a Working Group or Standing Group, to invite any person to attend meetings of the respective group. This would allow outside experts to be invited to meetings if considered necessary by the chairman or any other member of the group. We therefore consider it unnecessary to make direct provision for the appointment of outside experts to assist in deliberations of a complex or technical amendment or issue being considered by a Working Group or Standing Group;
- ◆ Ofgem/DTI continue to consider it appropriate for NGC to appoint the chair of Standing Groups. This is in keeping with NGC's licence obligations to operate the CUSC amendment procedures efficiently;
- ◆ Ofgem/DTI note the points raised by respondents regarding the perceived need to place mechanisms within the CUSC to help NGC with the practical arrangements of scheduling meetings which are subject to open attendance. Ofgem/DTI considers it unnecessary to place obligations relating to this within the CUSC at this time. In practice,

Ofgem/DTI envisage that it will be possible to ascertain which meetings will be well attended and would expect NGC to put working arrangements in place to plan for such meetings. If, after experience of the CUSC, difficulties are apparent it would be possible to propose amendments to address this issue;

- ◆ Ofgem/DTI consider it unnecessary to change the draft CUSC to state that the Amendments Panel should only determine that Working Group meetings should not be open to attendance in exceptional circumstances. We believe that there is sufficient protection in the constitution and duties of the Amendments Panel to ensure that reasonable decisions are made, following consideration of all representations. Any determination that Working Group meetings should not be open to attendance would need to be justified and would follow discussion at an Amendments Panel meeting, which will be open to attendance from all parties.

#### *Constitution of CUSC Panel*

- 4.71 Ofgem/DTI continue to consider it appropriate for the Amendments Panel to include representatives of NGC, the industry and customers. Ofgem/DTI continue to consider it appropriate to require the industry elected Members to act independently. This is because the increasing convergence of the market through mergers and acquisitions means that it is increasingly difficult to classify companies into particular constituencies. Ofgem/DTI believe that it is inappropriate to follow the TUG method of representation as this would result in an Amendments Panel of a scale greater than that which is needed to carry out its functions.
- 4.72 Ofgem/DTI consider that the provisions contained within the CUSC, relating to the requirements on Panel Members to act independently, ensure that a person is not in breach of his contract of employment since the giving of such a letter effectively varies the contract of employment to allow such activities. We accept that we cannot override a statutory duty on a director but the person, when a Panel Member, is not acting as a director but in his individual capacity. As a result the provisions are intended to protect the Panel Members from the

very point being raised by the respondent. Similar requirements are also contained within the BSC in respect of BSC Panel Members.

#### *Election of Panel Members*

- 4.73 Ofgem/DTI continue to consider it to be appropriate for all CUSC parties to have one vote on the election of industry Amendment Panel Members. It is not considered appropriate for the number of votes to be weighted according to the size of a company as this could be detrimental to smaller companies and hence to the development of competition.
- 4.74 Ofgem/DTI note that companies may have more than one vote if signed on to the CUSC in different constituencies. This is appropriate as company groups with more than one type will have different interests.
- 4.75 NGC has undertaken an election of the industry Members of the initial Panel Members and the Pool of Alternates, which includes members of supply and distribution companies. Ofgem has received a request to appoint a member to the Panel to represent Interconnectors. Ofgem will shortly be consulting on whether to exercise this power.

#### *Tenure of Panel Members*

- 4.76 Ofgem/DTI note the points raised by the respondent regarding the difference in dates of expiry of the terms of office of the Panel Chairman and Panel Members. The overlap of the Panel Chairman from one Panel to the next should help the new Panel to establish itself quickly and have benefits in terms of efficiency. Similarly, a new Chairman will be able to benefit from the experience of an established Panel.

#### *Indemnity for Panel Members*

- 4.77 Ofgem/DTI note the comments made by respondents regarding the proposed modification which is currently being considered in respect of the BSC to extend the protection of Panel Members. However, the consultation on this modification proposal to the BSC has not yet been concluded and Ofgem/DTI consider it inappropriate to prejudge the outcome of this consultation by changing the wording of the CUSC. We therefore conclude that it is appropriate

to leave the indemnity clause as currently drafted. If the proposed modification to the BSC is implemented, an equivalent amendment proposal to the CUSC could be put forward.

#### *Amendments Panel Meetings*

- 4.78 Ofgem/DTI agree with the respondent who stated that the requirement that Panel meetings be held on the first Business day of every month was overly restrictive. We therefore will require NGC to amend the draft CUSC to bring the wording in line with the BSC (see row 8.11, Appendix 2).

#### *Amendment proposals*

- 4.79 Ofgem/DTI is pleased that respondents agree that under the current draft CUSC all persons affected by the arrangements set out in the CUSC have the opportunity to propose an amendment to the CUSC.
- 4.80 Ofgem/DTI agree however that in certain situations under the CUSC the Amendments Panel has power to trigger the amendments process. Specifically, the Amendments Panel can trigger the amendments process where an amendment has been made either after following the urgent amendment procedure, or in response to a consent to amend made by Ofgem under its power set out in licence condition 10F. The provisions regarding who can make proposals need amending to reflect this and the CUSC will be amended to ensure that this is the case (see row 8.25, Appendix 2).

#### *NGC's consultation*

- 4.81 We consider that the phase of consultation led by NGC is an important part of the amendments process. We note the point raised by a respondent that participants should always be given the opportunity to comment on legal drafting which would be required to implement proposals and alternative proposals and therefore that there should be no mechanism for NGC to refer to Ofgem as to whether such drafting should be produced. However, Ofgem/DTI consider that in some instances it may be inefficient for NGC to produce such drafting, particularly where more than one alternative proposal has been put forward during the amendment process and hence legal drafting of several proposals is required for one report. The complexity of the legal drafting

required will differ between amendments and hence it is appropriate for NGC to be given the opportunity to seek Ofgem's views as to whether such drafting is required to be included in the amendment report. This is consistent with the provisions of the BSC.

#### *Urgent Amendment Proposals*

- 4.82 Ofgem/DTI does not consider it necessary to change the wording of the draft CUSC so far as it relates to urgent amendment procedures. It is not appropriate to define an urgent proposal within the CUSC and therefore it is sufficient that the Amendments Panel considers that a proposal should be treated as urgent. This is consistent with the urgent amendment procedures set out in both the BSC and the network codes.
- 4.83 Ofgem/DTI consider that where the Amendments Panel consider it appropriate for an Amendment Proposal to be treated as urgent, the matter should be referred to Ofgem for decision. This is in line with the provisions in both the BSC and the network codes.

#### *Progress Report*

- 4.84 Ofgem/DTI consider that there may be instances in which Ofgem may wish to direct NGC to preclude information from the Progress Report before publishing it. In particular, if there is confidential information contained within the report because it is considered that it may be useful to Ofgem, there may be a need to remove this before it is published widely.

#### **Specific points raised by Ofgem/DTI**

##### *Alternate for industry Panel Members*

- 4.85 Ofgem/DTI are pleased that the proposals put forward by NGC regarding the elected pool of Alternates have the support of respondents. Ofgem/DTI therefore proposes that this drafting should remain as currently provided. However, Ofgem/DTI continue to believe that any Panel member appointed by Ofgem under our power to elect an additional member if a particular area of expertise in relation to a class or category of persons is not represented on the

Panel, should be able to appoint his/her own alternate rather than choose from the elected pool (see row 8.6, Appendix 2).

- 4.86 Ofgem/DTI consider that all Alternate Members, whether or not they have been appointed to act at a particular meeting, should receive all papers sent to a Panel Member. Similarly, the Chairman and any Panel Member appointed by Ofgem should be able to appoint a 'standing' alternate who should receive all such papers. In each case, the alternate will only be able to attend, speak and vote at a Panel meeting when an appointing Panel Member has given appropriate notice to the Panel Secretary (see rows 8.7, 8.9 & 8.10, Appendix 2).
- 4.87 One respondent requested clarification of the appointment of an Alternate by an industry Panel Member in the situation where all Alternate Members have already been appointed by other Panel Members as their Alternates for a particular meeting. The CUSC provides that, in this situation, a Panel member can appoint an Alternate from the Pool or from among the other Panel Members, as long as that Alternate or Panel member has not been appointed as an Alternate by more than one other Panel member. Alternatively, the Panel member could appoint another Panel member as its Alternate. In this situation the Alternate member who has been appointed by two Panel Members, or the Panel member who is acting as a Panel member and as an Alternate for another Panel member, would be accorded one vote in respect of each Panel member he/she is representing, if voting is required on any issue at the meeting in question.

#### *Quorum*

- 4.88 Ofgem/DTI continue to believe that it is inappropriate to allow Panel meetings to be continuously delayed if a quorum is not present. We recognise that NGC included this drafting in response to requests as a check and balance on NGC's power. However, we consider that there are already sufficient checks and balances in the ability of Panel Members to appoint Alternates if they are unable to attend meetings, and it is possible for a member to attend a meeting for the purposes of voting, by telephone (see row 8.18, Appendix 2).



*NGC Panel Members*

- 4.89 Ofgem/DTI continue to consider that it is appropriate for the NGC Chairman to have a casting vote. Having considered views of respondents we do not consider it appropriate at this stage for both NGC Panel Members to be able to vote on decisions taken by the Amendments Panel. Although we consider that there may be justification for both NGC's representatives to have a vote we are concerned that this was not been raised with the industry in a detailed consultative way during the course of NGC's consultation on the draft CUSC. We therefore will be making changes to the draft CUSC to clarify that only one NGC Panel Member will be able to vote. If NGC continues to consider that both its representatives on the Panel should be given votes it can raise an amendment proposal to this effect (see row 8.19, Appendix 2).

*Amendment report*

- 4.90 Following consideration of respondents' views to the February document, we consider it appropriate for the amendment report to include an indication of the costs that would be incurred by CUSC parties should the amendment be made. We continue to believe that it is appropriate for the recommendation in the report to be that of NGC's. We believe this is consistent with the placing of obligations relating to the CUSC in NGC's licence and also with the provisions of the network codes in gas. We continue to consider it to be appropriate for the Panel's views section of the report to follow NGC's recommendation (see row 8.48 & 8.50, Appendix 2).
- 4.91 It is not possible for the CUSC to include obligations on Ofgem regarding the making of a decision regarding the approval of a modification. All obligations on Ofgem are set out in legislation and obligations cannot be imposed on Ofgem through licence conditions. There are no obligations on Ofgem regarding the length of time it takes to reach a decision on modifications to the network codes or BSC. However, Ofgem recognises the importance of its role in processing amendments in a timely manner.

## 5. Dispute resolution

### *Introduction*

- 5.1 The present commercial and regulatory framework allows NGC and users to refer disputes on a range of matters either to an arbitrator or, in certain circumstances, to Ofgem. Disputes relating to the proposed terms of an agreement for connection to, or use of, NGC's transmission system or proposed variations to such an existing agreement can be referred to Ofgem. There are also provisions in the MCUSA to enable parties to ask Ofgem to determine whether NGC has charged strictly in accordance with its charging statement. In addition, the MCUSA provides that, except where specifically stated otherwise, disputes should be referred to arbitration. A recent Court of Appeal decision found that under these provisions, disputes relating to whether a charge was in accordance with its charging statements could be referred to either arbitration or Ofgem for determination.
- 5.2 In the December 1999 document, Ofgem set out our concern that the current arrangements could result in disputes involving broad regulatory principles being decided through an arbitration procedure which focuses narrowly on the interpretation of contractual terms. This could potentially cause NGC to breach its licence conditions in order to comply with the decision of an arbitrator. As a result Ofgem stated in the December 1999 document that the CUSC should clearly define those issues which have a regulatory impact and therefore require determination by Ofgem, and those which are contractual, and hence can be resolved through arbitration, as well as how the two relate. Ofgem stressed that it was important for Ofgem to have a right of determination over disputes for which it has related duties under the Electricity Act regardless of who raises the disputes.
- 5.3 The proposals for resolving disputes have been developed through consultation documents published in March and August 2000. In summary, Ofgem/DTI proposed that the charging principles currently contained within the MCUSA should be moved to the charging statements that NGC is obliged to provide under its licence. This would prevent certain provisions relating to charging being contained in the CUSC and the charging statements and hence reduce the

possibility of delay in changing charging principles. To complement this change, a number of changes were proposed to the licence requirements on NGC regarding the production of, and regulatory control over, the charging statements. These are discussed in detail in chapter six of this document.

Ofgem/DTI also proposed that the draft CUSC should make clear that disputes which related to the interpretation of the charging methodologies should be capable of determination only by Ofgem and that all other disputes relating to provisions within the CUSC should be capable of referral only to arbitration.

5.4 The draft CUSC as submitted by NGC on 19 December contained an obligation for NGC to calculate and charge in accordance with the charging methodologies/statements and the new dispute resolution structure proposed by Ofgem/DTI. It provides that 'Charging Disputes' should be referred only to Ofgem. Under the draft CUSC, a 'Charging Dispute' is defined as whether connection and /or use of system charges have been applied and/or calculated in accordance with the Charging Statements (including in all cases whether the dispute or difference arises under, out of, or in connection with such issues). It provides that the decision of Ofgem in respect of a charging statement will be final and binding on the parties to the dispute (without prejudice to any ability to apply for Judicial Review) and will be enforceable in courts. It allows disputes over the quantification of the amounts to be calculated in accordance with the determination to be referred to arbitration, if the determination does not include such quantification.

5.5 The draft CUSC provides that all CUSC disputes that are not Charging Disputes should be referred to arbitration.

### ***February 2001 document***

5.6 In the February 2001 document Ofgem/DTI stated that we were pleased that NGC had narrowed the definition of charging disputes in order to capture only disputes that should be referred to Ofgem and that it has clarified within the CUSC areas that will not be capable of reference to Ofgem (but will be capable of reference to arbitration). Ofgem/DTI invited views from interested parties as to whether the definition of Charging Dispute is robust.

5.7 Ofgem/DTI also considered a number of points of principle which had been raised by respondents in relation to the proposals regarding dispute resolution. Many of these points had been raised consistently during the process of consultation on the CUSC. For completeness, the section on respondents' views below contains a summary of the arguments raised by respondents during the consultation on points of principle on the issue of dispute resolution as well as points on the drafting of the CUSC dispute resolution section. Ofgem/DTI's response to these points is set out in the Ofgem/DTI's conclusions section below.

### ***Respondents' views***

5.8 During the CUSC consultation process some respondents have supported Ofgem/DTI's proposals to clarify the dispute resolution procedures stating that any improvement in clarity in this area is welcome. Some respondents however have raised underlying concern over the rationale for the proposed changes. Many of these concerns were raised again by respondents to the February 2001 document.

5.9 The following points have been made:

- ◆ it is alleged that Ofgem/DTI have based their decision to clarify the dispute resolution procedures on a misinterpretation of the Court of Appeal decision. The current procedures are clear and therefore no action is needed;
- ◆ disputes on charging are essentially a contractual matter between commercial parties and the normal process for handling disputes is to go to court and/or arbitration. No regulatory principles are to be decided upon in determining whether a charge is correct where there is a published tariff or charging methodology. A regulator deciding if a charge has been calculated in accordance with the appropriate statement is unreasonably cumbersome;
- ◆ the only route for appeal of an Ofgem determination would be judicial review which is time consuming and costly;

- ◆ the changes to the dispute resolution procedures are not necessary for the implementation of NETA and hence it would be unlawful for them to be implemented through the use of the Secretary of State's NETA power. Therefore any changes should only be made following full consultation following introduction of the CUSC;
- ◆ matters referred for determination should be dealt with by an independent tribunal in accordance with principles set out in Human Rights Act legislation. Therefore, if Ofgem were to undertake this role it would be necessary for the Authority itself to hear evidence relating to the dispute and to make a decision expeditiously and the Authority must have the necessary legal expertise and resources and time to perform this role.

5.10 Some respondents commented on the drafting of the dispute resolution provisions within the draft CUSC. One respondent considered the drafting of the definition of Charging Dispute remained unclear. However, it did not specify how the definition was unclear or give any suggestions for improving the definition.

5.11 Another respondent was concerned that the proposed procedures could be expensive and confusing to operate. It was concerned that the delineation between construction and connection agreements was not clear and that this may lead to an arbitrator and the regulator deciding the same question depending on whether it was a construction agreement or a connection agreement. Two respondents considered that if Ofgem did take responsibility for deciding the dispute that we should complete the process and determine the magnitude of any over or under charge.

5.12 Finally one respondent considered it important for Ofgem to publish the procedures that it intended to adopt for resolving charging disputes and that these should include firm timescales.

### ***Ofgem/DTI's conclusions***

5.13 Ofgem/DTI have given careful consideration to the points of principle raised by respondents in relation to the dispute resolution procedures as set out above.

However, we continue to believe that there is a lack of clarity within the existing arrangements for dispute resolution within the MCUSA which we believe needs to be clarified in the CUSC. Our response to the points raised is set out below.

- 5.14 First, one respondent continues to state that Ofgem/DTI's view that the existing dispute resolution procedures are unclear is based on a misunderstanding of the Court of Appeal decision. It stated that the existing arrangements do not blur the jurisdiction of the regulator and the arbitrator or the courts.
- 5.15 Following further consideration of the Court of Appeal decision, however, Ofgem/DTI continue to believe that the Court of Appeal decision makes clear that certain disputes are capable of being referred to an arbitrator even after Ofgem has taken jurisdiction of a dispute. Although, the Court of Appeal decision makes clear that Ofgem would have overriding jurisdiction over any area which relates to its duties under the Electricity Act, this situation is undesirable as it places NGC at risk of double jeopardy and potentially at risk of licence breach, even though the effects of this second consequence may be time limited, as in certain situations, a subsequent decision of Ofgem could override the arbitrator's decision. The Electricity Act imposes duties on Ofgem where it is satisfied that a licence breach has occurred and these cannot be delegated to an arbitrator or overridden by the decision of the arbitrator.
- 5.16 Ofgem/DTI believe that the continuance of these arrangements causes confusion, could result in a lack of clarity over the interpretation of NGC's charging statements and blurs the jurisdiction of the arbitrator and the regulator.
- 5.17 The second point raised by respondents is that charging disputes are essentially commercial and therefore that they should be determined by arbitration. One respondent expressed the view that the interpretation of the charging methodologies once agreed by Ofgem should be a matter for the courts and/or arbitration.
- 5.18 Ofgem/DTI believe that disputes relating to the interpretation of the charging methodologies provided by NGC have regulatory implications. It is important that the methodologies are applied in the same way to all users of NGC's transmission system or parties who connect to the transmission system. A

difference in application of the methodologies between users could put NGC in breach of its non-discrimination obligations.

- 5.19 This was recognised when the MCUSA was drafted and provision was made in the MCUSA for disputes relating to whether a charge was in accordance with the charging statement to be referred to Ofgem for determination. The statutory framework of the Electricity Act and licences also allows for Ofgem to make such determinations. The clarification in the dispute resolution procedures is not therefore involving Ofgem in new areas or expanding Ofgem's role, but instead removes the potential for arbitrators to take jurisdiction in the same area as Ofgem.
- 5.20 Ofgem/DTI recognise that the only route of appeal against a determination by Ofgem would be judicial review. However the cost and time implications of this would not necessarily be greater than those encountered in appealing an arbitrator's decision. This is the usual route for appeal of decisions of regulators and should not be a reason to prevent the correct dispute resolution procedures from being implemented. The alternative, of allowing arbitrators to take jurisdiction in an area where Ofgem already has jurisdiction, does not overcome these problems but instead causes greater confusion. The Court of Appeal decision makes clear that in certain situations Ofgem could make a determination that overrides the decision of an arbitrator. This determination could only then be challenged through judicial review and as such the suggested dispute resolution procedures would avoid additional costs being incurred.
- 5.21 It is Ofgem/DTI's opinion that there is a need to clarify the dispute resolution procedures in order to facilitate the operation of NETA. Ofgem/DTI recognise that, even without the introduction of NETA and the subsequent implementation of the CUSC, it is likely that Ofgem would have wished to review the dispute resolution procedures set out in the MCUSA, to ensure that disputes relating to charging were not capable of referral to arbitration and to address the governance arrangements. However, there are a number of reasons why the need to change these procedures becomes greater with the implementation of NETA.

5.22 First, Ofgem/DTI believe that the increased flexibility in governance of various aspects of the electricity industry is likely to result in more frequent consequential changes to NGC's charging methodology and charges. As such there is a potential for an increased number of disputes over NGC's charging and this would exacerbate the problems associated with disputes being referred to both Ofgem and an arbitrator. Hence the CUSC needs to be able to respond to these changes and dispute resolution procedures need to be appropriately defined. Ofgem/DTI believe that changes to NGC's charging methodologies and charges could be a result of a number of factors:

- ◆ a crucial element of NETA is the BSC. Given the flexible governance arrangements of that code, it is possible that participants could propose changes to parts of the BSC that have a direct impact on the charging methodologies employed to calculate BSUoS charges. For example, if a participant were to propose a change in the Balancing Reserve Level,<sup>16</sup> this would change the level of electricity imbalance prices. Given that the parameters of the incentive scheme on NGC as system operator have been set on the basis of a given level of Balancing Reserve, this would affect the parameters of the incentive scheme and thereby the charging statement and charging methodology. Under the Pool, changes to variables involved in calculating Transmission System Use of System charges (which have been replaced by BSUoS charges under NETA) were unlikely given the Pool governance arrangements and the stable nature of the costs in question. In a more dynamic trading environment and with flexible governance arrangements the likelihood of changes to the BSC being proposed is higher. As there are more likely to be changes to the BSC under NETA than rule changes to the Pool, there is a higher probability of consequential changes to NGC's charging methodology and charges;
- ◆ under the CUSC and the new charging statements, NGC will be able to modify both its charges and the methods and principles underlying its charges more easily (subject to regulatory approval and following

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<sup>16</sup> Depending on the aggregate quantity accepted, some accepted bids and /or offers are excluded from the imbalance price calculations. The Balancing Reserve Level, set by the BSC panel, sets a limit on the quantity that may be excluded.



consultation). This is important for enabling new transmission access arrangements to develop and to ensure that the transmission arrangements can respond to changes in the BSC.

5.23 Ofgem/DTI believe that the introduction of the CUSC itself also requires immediate change to the dispute resolution procedures. The implementation of the CUSC will remove the current duplication between charging principles contained within the MCUSA and those set out in the charging statement by placing all the charging principles within the charging statements NGC is obliged to produce under its licence. This will ensure that NGC has increased flexibility over its charges as required under NETA. As such, it is necessary for the charges payable under the CUSC to be referenced to the charging statements and methodology. In order to retain involvement of an arbitrator over disputes relating to the interpretation of these statements it would be necessary for the arbitrator to look at the statements being provided under the licence. Ofgem cannot delegate its functions under section 25 of the Electricity Act and conflicting interpretations of the licence conditions and their effect would be unhelpful.

5.24 The final point of principle raised by respondents concerning Ofgem/DTI's proposals regarding dispute resolution, is that if Ofgem was to take on a dispute resolution role it would need to do so as an independent tribunal under Human Rights Act legislation. Any dispute under charging is potentially an enforcement matter and could be investigated as such. However, following the concept previously developed in the existing licence condition 10C, it has been instead treated as a question to be determined by Ofgem pursuant to specific provisions in a separate condition. In determining that question, Ofgem is performing a function by virtue of the provisions of the Electricity Act and can delegate the performance of that function, in accordance with the provisions of Schedule 1 to the Electricity Act, as amended by the Utilities Act. In performing that function, the provisions of section 3A – C of the Electricity Act will apply to Ofgem in the same manner as they would apply to the exercise of enforcement functions under Section 25. While the matter is referred to as the determination of a dispute, it is, as indicated above, in fact the determining of a question and is not an arbitration for the purposes of the Arbitration Act 1996. However, Ofgem

recognises that it will need to have appropriate procedures in place in relation to the exercise of these functions.

- 5.25 Ofgem/DTI therefore are satisfied that the grounds on which we have based our proposals for clarifying the dispute resolution procedures are sound. We believe that there is a lack of clarity over the existing procedures and that it is appropriate for Ofgem to retain sole jurisdiction over disputes that relate to NGC's charging statements. We are convinced that the reasons for clarifying the procedures at this stage are closely linked to the implementation of NETA and hence that there is strong justification for introducing the procedures by way of the Secretary of State's NETA power.
- 5.26 In terms of the drafting of the dispute resolution procedures within the CUSC, Ofgem/DTI note the views of the respondent who suggested that the current drafting of the definition was unclear. Ofgem/DTI further note that no alternative definition, or suggestions for clarification, were put forward by that respondent. No other respondents commented on the drafting of the definition. On further consideration of the definition, Ofgem/DTI consider that it is clear. We are pleased that it makes clear the link to the provision in section 7 of the Electricity Act providing the power for a licence condition to set out such a role for the regulator and hence ensures that only disputes that relate to regulatory functions are captured. We therefore do not propose to require NGC to make any changes to the definition.
- 5.27 There was also a concern raised that the proposed arrangements still left some room for conflicting decisions. In particular, there was a concern that provisions in the Construction Agreement could overlap with provisions in the connection agreement and hence arbitrators could determine the same question under the first of these agreements as Ofgem could determine under the second. Ofgem/DTI have considered this point and are satisfied that the demarcation between the Construction Agreement and the CUSC and Bilateral Connection Agreements are clear. The construction agreement contains provisions relating to the construction of the connection and includes building costs if the agreement is terminated (ie. Final Sums). Any dispute relating to the provisions in the construction agreement would be referred to arbitration. Upon connection the CUSC, along with the Bilateral Connection Agreement apply and any

dispute regarding whether charges are in accordance with the Connection Charging Methodology would be referred to Ofgem.

- 5.28 In response to the point raised regarding whether Ofgem should determine the magnitude of any over or under charge when making its determination, Ofgem is pleased that the current drafting of the CUSC does not prevent this from being the case. However, in some cases the point of principle that the dispute in question relates to may be several stages away from the calculation of the actual tariff. In this case, Ofgem/DTI would expect that the clarification of the disputed principle would resolve the dispute without the need for Ofgem to make the actual determination on the calculation. Ofgem will consider in each case whether it would be appropriate to carry out the calculation.
- 5.29 Finally, as Ofgem stated in the February 2001 document, we recognise that Ofgem will need to have appropriate procedures in place in relation to the exercise of our functions for dispute resolution and that it will be appropriate to develop and publish such procedures for the benefit of those who may need to invoke them.

## 6. Changes to licence conditions 10, 10A, 10B and 10C of NGC's transmission licence

### *Introduction*

- 6.1 Ofgem/DTI have proposed a number of changes to the existing licence conditions 10, 10A, 10B and 10C of NGC's transmission licence which contain a number of provisions relating to connection to, and use of NGC's transmission system. These changes are intended to increase the clarity of NGC's connection and use of system charges and to help ensure that the procedures contained in the CUSC for the resolution of disputes are clear. These changes would involve the replacement of the existing licence conditions 10, 10A, 10B and 10C with new licence conditions 10, 10A, 10B, 10C, 10D, 10E, 10F and 10G. Ofgem/DTI have also proposed that some existing definitions in NGC's licence conditions 1 and 1A will need to be changed and some additional definitions inserted as a consequence of the modifications to the licence conditions mentioned above. The need to make some minor changes to other conditions consequential on the changes to existing licence conditions 10, 10A, 10B and 10C has also been identified. The proposed new licence conditions were attached to the February 2001 document.

### **Condition 10**

- 6.2 Ofgem/DTI have proposed that the new licence condition 10 would place an obligation on NGC to determine a Use of System Charging Methodology that defines the principles on which, and the methods by which, use of system charges are to be determined. Thus, Ofgem/DTI proposed that the Use of System Charging Methodology should outline a set of principles which ensure that a particular charge is in accordance with the Relevant Objectives which are set out in the new licence condition 10A discussed below. NGC would also be required to furnish Ofgem with a Statement of the Use of System Charging Methodology.
- 6.3 It was proposed that the Use of System Charging Methodology and the Statement of the Use of System Charging Methodology would be approved by Ofgem in content and form. Ofgem would be able to place conditions on such

approval where it identifies areas of the Methodology that meet the Relevant Objectives but which could better meet the Objectives.

- 6.4 Finally, NGC would be required to furnish Ofgem with a Statement of Use of System Charges, the form of which would be approved by Ofgem. This would translate the methods and principles set out in the Statement of the Methodology into actual charges for generation and demand.
- 6.5 The new licence condition 10 would require NGC to enter only into use of system arrangements which conform to the Statement of Use of System Charges last published, either before it enters into the arrangements or before the charges in question fall to be made.
- 6.6 The proposed licence condition 10 contains obligations on NGC regarding the making of changes to the charges contained in the statement of use of system charges and the provision of the statement to interested parties.

#### **Condition 10A**

- 6.7 The proposed condition 10A sets out Relevant Objectives that the Use of System Charging Methodology should be designed to fulfil. The condition would require NGC to keep the Use of System Charging Methodology under review to ensure that it best meets its Relevant Objectives and, where appropriate, to make such modifications as are requisite for the purpose of better achieving these Relevant Objectives. Ofgem/DTI proposed that these Relevant Objectives should be:
- ◆ that compliance with the Use of System Charging Methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) the facilitation of competition in the sale, distribution and purchase of electricity;
  - ◆ that compliance with the Use of System Charging Methodology results in charges which reflect costs, so far as is reasonably practicable, incurred by the Licensee in its Transmission Business; and

- ◆ that so far as is consistent with the two previous objectives, the Methodology properly takes into account the developments in the Transmission Business, so far as is reasonably practical.

6.8 Ofgem/DTI also proposed to include, within Condition 10A, requirements regarding the way in which changes to the Use of System Charging Methodology could be made, including a requirement to consult on any changes to the Methodology.

### **Condition 10B**

6.9 The proposed condition 10B would oblige NGC to determine and conform to a Connection Charging Methodology. Ofgem/DTI proposed that the Connection Charging Methodology would be defined as the principles on which, and the methods by which, connection charges (which relate to both pre and post Vesting connections) are determined. The Connection Charging Methodology must be designed so as to enable NGC to recover the appropriate proportion of the costs directly or indirectly incurred in the carrying out of any works, the extension or reinforcement of NGC's transmission system, or the provision and installation, maintenance and repair or removal following disconnection of any electric lines, electric plant or meters; and a reasonable rate of return on the capital represented by such costs.

6.10 The proposed condition 10B would require NGC to keep the Connection Charging Methodology under review to ensure that it achieves its Relevant Objectives and to make any changes requisite for the purpose of better achieving these Objectives. Ofgem/DTI proposed that the Relevant Objectives of the Connection Charging Methodology should be:

- ◆ the Relevant Objectives of the Use of System Charging Methodology (as set out above); and
- ◆ the facilitation of competition in the carrying out of works for connection to NGC's transmission system.

6.11 The proposed condition contained similar requirements on NGC regarding the making of changes to its Connection Charging Methodology as those proposed

for the new licence condition 10A, relating to changes to the Use of System Charging Methodology.

- 6.12 NGC would also be required to produce a Statement of the Connection Charging Methodology and both the Connection Charging Methodology and its accompanying statement would require approval from Ofgem. As with the Use of System Charging Methodology, Ofgem would be able to attach conditions to its approval of the Methodology.

#### **The proposed condition 10G: Seven Year Statement**

- 6.13 Ofgem/DTI proposed that the requirements relating to the preparation of a seven year statement setting out details of circuit capacity, forecast power flows and loading on each part of NGC's transmission system and fault levels for each node, which are currently contained in the existing condition 10, should be contained in a separate condition to avoid confusion with the requirements relating to the Charging Methodologies and Statements.

#### **Condition 10C**

- 6.14 Ofgem/DTI proposed to retain the non-discrimination provisions contained in the existing licence condition 10A (which it was proposed should become the new licence condition 10C). Ofgem/DTI considered that this condition placed adequate obligations upon NGC to ensure that NGC operates a transmission and connection regime that will facilitate competition.

#### **Condition 10D**

- 6.15 Ofgem/DTI proposed that the new condition 10D should be based on the existing condition 10B. The new licence condition 10D should be identical to the present condition 10B in NGC's licence except for the following points:
- ◆ the new condition will require NGC to offer to enter into the CUSC Framework Agreement for use of system, on an application by an Authorised Electricity Operator, and for connection, on application by any person; and

- ◆ NGC will not be required to offer to enter into terms or to enter into any agreement if the person making the application does not undertake to be bound by the relevant terms of the CUSC, as well as the Grid Code.

### **Condition 10E**

- 6.16 Ofgem/DTI proposed replacing the old licence condition 10C with a new condition 10E. The new condition would be broadly similar to the existing condition 10C but would be expanded to reflect the new requirements relating to the CUSC arrangements (including the new dispute resolution measures) and therefore would allow matters relating to disputed terms of agreement or proposed agreements to be referred to Ofgem for settlement in specified situations.
- 6.17 The licence condition would also allow Ofgem to determine any dispute as to whether use of system charges were in conformity with the relevant Statement of Charges or whether use of system charges had been determined in accordance with the Use of System Charging Methodology, or whether connection charges had been determined in accordance with the Connection Charging Methodology.

### **Condition 1 and 1A**

- 6.18 In order to facilitate the proposed amendments to the existing conditions 10, 10A, 10B and 10C of NGC's licence there was a need to amend some of the definitions currently contained in NGC's licence and to create some new definitions. Ofgem/DTI proposed to do this through the inclusion of new definitions in licence conditions 1 and 1A.

### **Consequential changes to NGC's licence**

- 6.19 Ofgem/DTI have identified the need to make consequential changes to conditions contained in NGC's licence which refer to the existing licence conditions 10, 10A, 10B and/or 10C. As a result of this there is a need to make minor changes to condition 11C, paragraphs 2 and 5 and Schedule 3, Part A, paragraph A3.



### ***The February 2001 document***

6.20 In the February 2001 document, Ofgem/DTI continued to consider it appropriate to introduce new conditions 10, 10A, 10B, 10C, 10D, 10E and 10G as discussed above. On the whole, it was not considered necessary to make changes to the proposed conditions other than to amend some typographical errors. However, some substantive changes were made as discussed below.

#### **Condition 10**

6.21 In respect of the proposed condition 10, Ofgem/DTI recognised that it was inappropriate for NGC to be required to give a reasonable estimate of BSUoS charges within the Use of System Charging Statement and that it was not appropriate for NGC to be required to give 150 days notice of changes to use of system charges for BSUoS charges. This is to reflect the fact that BSUoS charges are calculated on a day by day basis depending on a number of external factors and it is therefore not possible to give parties a reasonable estimate of what their charge for BSUoS will be.

6.22 Ofgem/DTI also removed a requirement on NGC to review the Statement of its Use of System Methodology which had been present in the version of the proposed condition 10 attached to the August and December 2000 documents. Ofgem considered that although it was appropriate for NGC to have an obligation to review the Statement of Use of System Charges on an annual basis, it had an ongoing obligation to review and propose any changes to the Use of System Charging Methodology necessary to ensure that it meets its Relevant Objectives. Following the implementation of any such changes, NGC has an obligation to review the Statement of the Use of System Charging Methodology and hence an annual review was inappropriate.

#### **Condition 10E**

6.23 In the February 2001 document Ofgem/DTI considered that there was value in ensuring consistency in wording between the definition of a charging dispute in the draft CUSC and the categories of dispute that are defined in the licence as capable for being referred to Ofgem. Ofgem/DTI therefore reviewed the drafting of the condition and considered that the wording should be changed to ensure

that it was consistent with the requirements on NGC in the draft CUSC. As such, Ofgem/DTI changed the wording of the condition to allow disputes as to whether use of system or connection charges made conform with the relevant methodology statement (rather than whether they have been determined in accordance with the relevant statement). Ofgem/DTI considered that these changes would ensure that the condition is consistent with the proposed definition of charging dispute.

- 6.24 In the February 2001 document, Ofgem/DTI welcomed views on the proposals regarding the changes to NGC's licence required to implement the CUSC and on the drafting of the proposed conditions 10, 10A, 10B, 10C, 10D, 10E and 10G.

### ***Respondents' views***

#### **Condition 10 and 10B**

- 6.25 One respondent did not consider it to be appropriate to enable NGC to be able to amend its charges during a financial year. It stated that the electricity industry is highly capital intensive and it requires stability to enable cost recovery throughout the year and maintain an economic return on assets.
- 6.26 One respondent requested clarification on the circumstances in which Ofgem would consent to a shorter notice period with regard to changes to use of system charges. This respondent suggested that in order to ensure transparency and charging stability, an industry agreed set of criteria to test whether a shorter notice period is appropriate should be devised.
- 6.27 One respondent was concerned that Ofgem was able to approve the Methodologies subject to certain conditions which would require NGC to undertake further action so that the methodology better meets its objectives. The respondent was concerned that the term "better" is not defined and that there is not therefore a criterion to be able to quantify and measure the perceived improvements. It also stated that it is not clear how or if any such conditions will be subject to any form of consultation process.

### **Condition 10A**

- 6.28 One respondent requested clarification of the Relevant Objective of the Use of System Charging Methodology that required the methodology to keep in line with developments in the Transmission Business.

### **Condition 10C**

- 6.29 One respondent stated that the non-discrimination provisions should be extended to cover connection charges. The respondent argued that this would bring NGC's licence in line with Transco's public gas transporter's licence and the proposed standard electricity distribution licence (which covers use of system charges and connection charges in this respect). It argues that connection is still a monopoly NGC service. The respondent argued that the argument set out in the February 2001 document for not extending the non-discrimination provision to cover connection charges, that it was not necessary for the introduction of the CUSC as required under NETA, would not in itself prevent Ofgem/DTI from making the necessary modification.

### **Condition 10E**

- 6.30 One respondent did not consider it appropriate for Ofgem to be able to determine disputes relating to connection charges.

### ***Ofgem/DTI's conclusions***

- 6.31 Ofgem/DTI is pleased that the proposals regarding the changes to NGC's licence as described above have had wide support from respondents throughout the consultation process. Our response to the detailed points raised by respondents is set out below under the same headings as used above.

### **Condition 10 and 10B**

- 6.32 Ofgem/DTI note the view of the respondent who raised a concern regarding the ability of NGC to change its charges mid-year. However, the main objective of implementing the CUSC was to allow for greater flexibility in arrangements for use of system and connection. Ofgem/DTI have recognised that there is a need to review arrangements for transmission access under NETA and that without

such a review the medium to long term effectiveness of NETA will be threatened. In order to be able to review such arrangements there will be a need, not only to amend terms set out in the CUSC, but also fundamentally the charging principles on which use of system charges are based. Ofgem/DTI therefore consider that it is necessary to facilitate the operation of NETA to allow flexibility not only of the terms set out in the CUSC but the charging principles and hence charges set out in the Charging Statement. Ofgem/DTI believe that the requirement on NGC to ensure that the Charging Methodologies facilitate competition in generation and supply will require NGC to have regard to the effect that changes in charging more frequently than the normal one year interval would have on industry parties. As such, Ofgem/DTI consider that the requirements regarding the ability of NGC to change its charges, and the requirement to consult on any changes to its Charging Principles, will provide adequate protection to industry parties.

6.33 In respect of the concern raised by the respondent regarding the manner in which Ofgem can approve the methodologies, Ofgem/DTI consider it appropriate for Ofgem to be able to exercise flexibility in the manner in which we give our approval. The nature of the conditions will depend on the reasons for them, but could require specific action without the need for amendment of the draft licence condition. We do not consider it necessary to define the term “better” within the licence condition. If any conditions are attached to Ofgem’s approval of the charging methodology, they will make clear the actions required of NGC to satisfy them.

6.34 In respect of consultation on the Methodologies, Ofgem has already undertaken a consultation on the draft Methodologies put forward by NGC and will be taking a decision as to whether to approve the Methodologies based on the responses to that consultation. It is expected that Ofgem will issue our conclusions following a decision by the Secretary of State to introduce the new licence conditions.

#### **Condition 10A**

6.35 One respondent requested an explanation of the meaning of the Relevant Objective of the Charging Methodologies which relates to developments in the

Transmission Business. As explained in the February 2001 document, Ofgem/DTI consider it inappropriate to define the Relevant Objectives of the Methodologies any further. Ofgem/DTI consider it is necessary to have this broad condition in order to address issues which may not be covered by cost reflectivity or facilitation of competition, but which may be very important to the efficient running of the network, or how competition in related markets is operating.

#### **Condition 10C**

- 6.36 Ofgem/DTI consider it inappropriate to extend the requirement on NGC not to discriminate in respect of its connection charges through the CUSC consultation. We do not consider the extension of the non-discrimination provisions to connection charges to be necessary or expedient to facilitate the operation of NETA. We note the points raised by the respondent that the inclusion of such a requirement would bring the licence condition in line with the licences of PGTs. However, this does not overcome the test required to implement changes through the Secretary of State's NETA power which is being used to introduce the CUSC licence conditions and approve and designate the CUSC.

#### **Condition 10E**

- 6.37 Ofgem/DTI consider it to be appropriate for Ofgem to determine disputes which relate to whether a connection charge is in accordance with the Connection Charging Methodology. A full explanation of our policy on dispute resolution is set out in Chapter 5 of this document.

#### **'Switch on' provision**

- 6.38 The proposed condition 10F, as attached to the February 2001 document, contained a provision stating that the condition will not come into effect until the date specified in a direction to that effect made pursuant to paragraph 1 of Condition 1A, which effectively allows Ofgem to 'switch on' licence conditions. Such a provision was not contained within the other NGC CUSC licence conditions discussed in this chapter which will need to take effect at the same time as the condition 10F. On reflection, Ofgem/DTI consider that it would be simpler and more efficient for the modification of the licence conditions made

by the Secretary of State to include a date on which the licence conditions will take effect. We will therefore be removing this paragraph from the licence condition.

- 6.39 Ofgem/DTI consider it necessary to make minor amendments to the licence conditions attached to the February 2001 document to amend typographical errors and correct numbering. In addition, it is necessary to make changes to the proposed licence condition 1A to ensure that, where appropriate, definitions are being replaced and new definitions are being introduced. These changes are flagged up in the licence conditions contained in Appendix 3 of this document.
- 6.40 Ofgem/DTI therefore conclude that it is appropriate to recommend to the Secretary of State that he uses his NETA power to implement the new licence conditions 10, 10A, 10B, 10C, 10D, 10E, 10F, 10G and 1A as set out in Appendix 3 of this document and to make the necessary amendments to Condition 11C, paragraphs 2 and 5 and Schedule 3A,<sup>17</sup> Part A, paragraph A3 also set out in Appendix 3 of this document.

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<sup>17</sup> Schedule 3A is a new Schedule inserted for the price control.

## 7. New condition for distributors/suppliers and generators

### *Introduction*

- 7.1 In order to implement the CUSC it is necessary to introduce a licence condition within the licences of all licensed generators, PESs and second tier suppliers (and, following the separation of the supply and distribution licences, the licences of all distributors) operating in England and Wales.
- 7.2 In previous consultation documents, Ofgem/DTI have proposed that the licence condition should require the licensee to:
- ◆ be party to a CUSC Framework Agreement and comply with the CUSC; and execute such other documents as shall be necessary to enable the MCUSA and its Supplemental Agreements and Ancillary Services Agreements (as defined or referred to in the MCUSA) to be amended into the CUSC Framework Agreement, CUSC, Bilateral Agreements, Construction Agreements and, so far as is appropriate, associated agreements derived with the CUSC; and
  - ◆ take all reasonable steps to secure and implement (consistent with the procedures applicable under or in relation to such documents) and not to take any steps to prevent or unduly delay, changes to other Core Industry Documents to which it is a party (or in relation to which it holds rights in respect of amendments), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the CUSC.

### *The February 2001 document*

- 7.3 In the February 2001 document Ofgem/DTI stated that we continued to consider it appropriate to place such obligations on all licensees operating in England and Wales. As the CUSC will be a regulatory as well as a contractual document it was considered important that licensees have licence obligations in respect of compliance with the CUSC.

- 7.4 In respect of change co-ordination, Ofgem/DTI considered it unnecessary to have an implementation scheme in respect of ensuring necessary changes to industry documents which result from the implementation of the CUSC. We considered that the necessary changes to other documents to implement the CUSC were small in number and straight forward to achieve and therefore Ofgem/DTI consider that the obligation on licensees to facilitate the process of change will be sufficient. The proposed condition was appended to the February 2001 document for comment.

### ***Respondents' views***

- 7.5 Only one respondent commented on the new condition for generators and suppliers in response to the February 2001 document. This respondent continued to support the intention to include a new licence condition in all licences to require licensees to be party to the CUSC Framework Agreement and to comply with all the provisions of the CUSC.

### ***Ofgem/DTI's conclusions***

- 7.6 Ofgem/DTI are satisfied that the proposed licence condition contains appropriate requirements on licensed generators, suppliers and distributors operating in England and Wales. However, we will be making minor changes in two areas of this condition to improve its effectiveness. These changes do not substantially change the requirements on the licensees from the requirements contained in the condition attached to the February 2001 document.
- 7.7 First, the change co-ordination obligation currently contained in this condition requires respondents to modify, or not to obstruct the modification of, Core Industry Documents where such modifications are required to effect the CUSC. The definition of Core Industry Documents currently refers to a list of central industry documents designated by the Secretary of State which in his opinion relate to or are connected with the CUSC. On further reflection, Ofgem/DTI consider that the Core Industry Documents which have been designated by the Secretary of State for the purposes of the BSC are also the appropriate Core Industry Documents for the purposes of the CUSC. As such, we will amend the definition of Core Industry Documents in non NGC licences, such that it refers to the list of documents already designated by the Secretary of State for the BSC.



- 7.8 The proposed licence condition attached to the February 2001 document also contained a provision stating that the condition will not come into effect until the date specified in a direction to that effect made pursuant to paragraph 1 of Condition 1A, which effectively allows Ofgem to 'switch on' licence conditions. However, we consider that it would be simpler and more efficient for the designation of the licence conditions made by the Secretary of State to include a date on which the licence conditions will take effect. We will therefore be removing this paragraph from the licence condition.
- 7.9 The condition for inclusion in the licences of all Public Electricity Suppliers, second tier suppliers and generators (and later distributors) that Ofgem/DTI will be furnishing to the Secretary of State along with a recommendation that he modifies those licences accordingly is set out in Appendix 4 to this document.

## 8. Implementation

### *Introduction*

- 8.1 Ofgem/DTI considered that the CUSC would replace the MCUSA, its Supplemental Agreements, Ancillary Services Agreements (in so far as they relate to mandatory ancillary services) and any associated agreements. Ofgem/DTI asked NGC to consider how the MCUSA documentation could become the CUSC documentation.
- 8.2 NGC proposed to amend the existing MCUSA, Supplemental Agreements and Ancillary Services Agreements and any associated agreements by using Clause 25.1 of the MCUSA and the similar provisions in the Supplemental Agreements to become the new agreements.
- 8.3 NGC proposed to enter into a number of amending agreements with the various types of user. These amending documents would seek to:
- ◆ vary the MCUSA to become the CUSC Framework Agreement which will contractually bind a user to the relevant provisions in the CUSC;
  - ◆ vary the Supplemental Agreements (other than Type 5<sup>18</sup>) where not all the provisions (i.e. site specific information) have been codified into the CUSC so that any contractual terms which appear in the CUSC are terminated and the remaining terms become the appropriate Bilateral Agreement and if necessary the Construction Agreement;
  - ◆ vary the Ancillary Services Agreements containing the provisions of the mandatory ancillary services so that the provisions relating to those services which appear in the CUSC are effectively terminated and the remainder become the Mandatory Services Agreement, and leaving the remaining non mandatory ancillary services to be dealt with in commercial services agreements; and

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<sup>18</sup> MCUSA Type 5 Supplemental Agreements contain provisions relating to second tier suppliers acting in that capacity taking Energy through any Grid Supply Point and through a Distribution System owned or operated by any other person).

- ◆ in the case of a Type 5 Supplemental Agreement (where all the provisions have been codified and so are duplicated in the CUSC) to vary the Type 5 to reflect this.
- 8.4 In the December 2000 document, Ofgem/DTI considered that there is merit in amending the existing MCUSA documentation as it would prevent an unnecessary two-fold process of maintaining the MCUSA in line with the CUSC and avoid discriminatory contractual arrangements.
- 8.5 In order to effect this, Ofgem/DTI proposed to modify the proposed licence condition 10F of NGC's licence to include a clause conferring a power on Ofgem to issue a direction to NGC to make an amendment to the MCUSA and its Supplemental Agreements as well as the Ancillary Services Agreements (to the extent relating to Mandatory Services Agreements) to convert them into the CUSC documentation.
- 8.6 Ofgem/DTI also proposed to modify all other existing electricity licences (to add transparency into the amendment process) to make licensees who are MCUSA signatories execute documents to convert the MCUSA, its Supplemental Agreements, Ancillary Service Agreements and any associated agreements into the CUSC documentation.

### ***The February 2001 document***

- 8.7 The majority of respondents agreed with NGC's proposal to migrate the MCUSA and associated documentation into the CUSC and Ofgem/DTI considered that this is the appropriate method of proceeding.
- 8.8 Ofgem/DTI believed that it was important that, where some rights are to be retained, for example in Bilateral Agreements, CUSC users play an active role in the migration process to ensure, so far as possible, that they are correctly recorded.

### ***Respondents views'***

- 8.9 There were no responses to the migration proposals.

### **CUSC signatories**

- 8.10 Although NGC can, by virtue of clause 25.1 of MCUSA, sign on behalf of all parties to MCUSA to effect any variation to it, NGC has proposed to hold a signing ceremony. NGC will inform potential CUSC signatories when this ceremony will take place.
- 8.11 Users of the France/GB interconnector will be required by their existing Use of System Agreement (interconnector user) and under the Interconnexion France Angleterre Access Rules to become a party to the CUSC Framework Agreement. The Interconnexion France Angleterre Access Rules require a user as a condition of use of Interconnector Capacity to maintain a Use of System Agreement with NGC or, when CUSC is in force, and if required by NGC, to be party to the CUSC Framework Agreement. The current Use of System Agreement (interconnector user) will terminate either when the user signs the CUSC Framework Agreement or ten days after the implementation of CUSC, whichever first occurs. There is also a clause in the current Use of System Agreement (interconnector user) for the user if requested by NGC to become and remain a party to the CUSC Framework Agreement.

### ***Ofgem/DTI's conclusions***

- 8.12 Ofgem/DTI conclude that it is appropriate to implement the CUSC through migration of the MCUSA and accompanying documentation. NGC has sent out drafts of the relevant bilateral agreements to existing MCUSA signatories that will take effect when the CUSC is implemented.

## Appendix 1 List of respondents

### *Respondents to the February 2001 document: NGC's connection and use of system code: scope, content and licence changes*

<b>COMPANY</b>
Allen & Overy
Amerada (representing the views of Midlands Gas Ltd, Western Gas Ltd, amerada.co.uk, Amerada Hess (Domestic) Ltd and Amerada Hess Gas Ltd)
Barking Power
British Energy
British Gas Trading
BNFL Magnox
Corus
EdF (Generation) and EdF Trading
Edison Mission Energy Ltd
Entergy
Innogy plc
London Electricity
National Grid Company
Northern Electric Supply Business
Powergen
Scottish & Southern Energy plc
Scottish Power
Seaboard plc
TXU Europe Trading Ltd
United Utilities
Western Power Distribution

### *Respondents to the Ofgem governance seminar held on 13 March 2001*

<b>COMPANY</b>
Innogy plc
Northern Electric & Gas Ltd
London Electricity
SEEBOARD (2 responses)

***Respondents to further consultation on revised draft CUSC  
interconnector section (29 March 2001 draft) circulated for consultation  
on 30 March 2001***

<b>COMPANY</b>
EdF Trading Ltd
Scottish Power
Scottish & Southern Energy plc

***Respondents to NGC's proposed changes to draft CUSC (19 December  
2000 draft) circulated for consultation on 5 April 2001***

<b>COMPANY</b>
Allen & Overy
United Utilities

***Respondents to the revised draft of section 8 circulated for consultation  
on 11 April 2001***

<b>COMPANY</b>
Allen & Overy
British Energy
British Gas Trading
EdF Trading & EdF Generation
Innogy plc
London Electricity
National Grid Company plc
Northern Electric
Powergen
St Clements
Seeboard
Western Power

Except for those responses which have been marked as 'confidential' copies of the above respondents' views are available from the Ofgem library. Tel: 020 7901 7004.

## Appendix 2 Table of changes

- 2.1 This Appendix includes a table of changes which Ofgem/DTI will be requiring NGC to make to the draft CUSC submitted to Ofgem/DTI on 19 December (as modified by the inclusion of the interconnector section published on NGC's website on 30 March 2001, the changes required to facilitate the separation of distribution and supply licences as published by NGC on 15 February 2001 and the changes to section 8 of the CUSC published on NGC's website and circulated to interested parties by Ofgem on 11 April 2001). The paragraph numbers shown in the table refer to the above version (or section) of the CUSC and are not updated to reflect the insertion of new paragraphs as shown in the table. The version of the CUSC which will be sent to the Secretary of State will be a clean copy incorporating all of the changes referred to in this Appendix.
- 2.2 Where the symbol\* appears following the rationale for a particular change, Ofgem had identified the need for the change in its letter to NGC dated 7 March 2001 and which NGC responded to on 5 April 2001 with suggested drafting. Both Ofgem's letter and NGC's response have been published on NGC's website for comment and interested parties whose details were included on NGC's electronic CUSC mailing list were notified of this publication by email.
- 2.3 NGC also proposed a number of changes to the draft CUSC and these changes were published on NGC's website on 5 April 2001. Interested persons were invited to comment on these proposed changes by Ofgem on 9 April 2001. Where changes are being made in response to these proposals the rationale for change indicates that the change was proposed by NGC.
- 2.4 NGC will also:
- ◆ make necessary changes to ensure that each reference to a licence condition refers to the relevant Condition as now proposed to be introduced or as expected to be numbered as a standard or special licence condition;
  - ◆ where necessary, insert the appropriate punctuation at the end of paragraphs or sub paragraphs to follow the punctuation conventions normally followed in the draft;

- ◆ change any cross references to chapters 9, 10, 11 which have not been changed to reflect the reordering of these paragraphs which occurred at the same time as the redrafting of the interconnector and PES separation was issued by NGC and any other cross references that may be identified as being incorrect;
- ◆ any consequential changes identified as necessary after making the changes specified in this Appendix 2, including; renumbering paragraphs where new paragraphs are inserted or existing paragraphs deleted, amending or correcting cross references and amending or correcting contents pages and paragraph headings;
- ◆ delete the references shown in the draft CUSC which show the origins of particular paragraphs;
- ◆ amend typographical errors that are identified during the making of these final changes.

2.5 In the event that any change required by Ofgem/DTI is accidentally omitted from this Appendix but is included in the designated document, Ofgem/DTI will publish the relevant change on Ofgem's website as soon as practicable after the omission is discovered.

2.6 The Exhibits to the CUSC (with the exception of the Bilateral Connection Agreement, Bilateral Embedded Generation Agreement, Mandatory Services Agreement and Connection Construction Agreement) will be the Exhibits to the MCUSA with updated terminology to reflect the new arrangements.



Row No.	Change to be made in draft CUSC	Reason for change
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### General

G1	Ensure that all references to 'Go-live' are capitalised as shown.	Change needed to ensure consistency of use of capitals in term Go-live.
G2	Ensure word 'equipment' is not capitalised throughout document except where it forms part of a defined term.	Change needed as 'Equipment' is not a defined term within the CUSC.

### Introduction

11	<p>Para 2: Change to: 'This introduction does not form part of the <b>CUSC</b> and therefore has no <del>no</del> legally binding effect. <del>#-Other introductory paragraphs appearing in individual Sections of the CUSC do form part of the CUSC.</del> This introduction may be updated by <b>NGC</b> from time to time to reflect any amendments to the <b>CUSC</b> or related documents, or to correct any errors or inaccuracies which may be discovered. Further information on the structure of the <b>CUSC</b> and an outline of the <b>CUSC</b> Sections can be found in the <b>CUSC Summary</b> - "<u>CUSC Summary</u>", a copy of which can be downloaded from the <b>NGC Website</b>.'</p>	<p>Change needed to clarify status of introductory paragraphs in other sections of the CUSC.*</p> <p>Second change needed as 'CUSC Summary' is undefined.</p>
12	<p><b>Para 6.</b> Change to: 'Under the <b>Licences</b> and/or as required under the <b>Balancing and Settlement Code</b>, <b>Users</b> are required to be parties to the <b>CUSC Framework Agreement</b> and comply with the <b>CUSC</b>. <b>Users who are:</b></p> <p>(a) not licensed nor subject to the <b>Balancing and Settlement Code</b> <del>and</del> <u>but who are</u> connecting to the <b>NGC Transmission System</b> ; or</p> <p>(b) who are <b>Embedded</b> and required pursuant to Paragraph 6.5 <u>of the CUSC</u> to have an agreement with <b>NGC</b>;</p>	<p>Change needed to clarify those parties who need to become a party to the CUSC Framework Agreement*.</p>

	are also required to be parties to the <b>CUSC Framework Agreement</b> and comply with the <b>CUSC.</b> '	
13	Para 7(a): Change to: '...the "Licence Condition 10 Statement" the Ancillary Services <del>Agreement</del> <u>Agreements</u> ("ASAs"), the Master Ancillary Services <u>Agreements</u> ("MASAs") and Supplemental Ancillary Services <del>Agreement</del> <u>Agreements</u> ("SASAs"). There is also.....'	Change needed to rectify typographical errors.
14	Not used.	
15	Para 7(c) Change to: '.....parts of some of the <del>Ancillary Services Agreements</del> <u>ASAs</u> , <u>MASAs</u> and <u>SASAs</u> , the <b>CUSC Framework Agreement</b> . The <b>CUSC Framework Agreement</b> is the agreement which gives contractual effect to the licence based <b>CUSC</b> . It is entered into by persons connected to or using the <b>NGC Transmission System</b> . All persons who were party to the <b>MCUSA</b> as at the <b>CUSC Implementation Date</b> <del>date of amendment of the MCUSA to become the CUSC Framework Agreement</del> , continued as <b>Original Parties</b> to the <b>CUSC Framework Agreement</b> . The <b>CUSC Framework Agreement</b> must be acceded to by all new persons wishing to connect to and/or use the <b>NGC Transmission System</b> .	Changes needed to refer to ASAs, MASAs and SASAs (rather than just the Ancillary Services Agreements) for completeness, and to use defined term 'CUSC Implementation Date'.
16	Para 7(d) Change to: '....(other than for <del>Suppliers without a network</del> , <u>Interconnector Users</u> and <u>Interconnector Error Administrators</u> ). There is also a <b>Construction Agreement</b> which will need to be entered....'	Changes needed as suppliers will not have networks after the separation of supply and distribution licences take effect and to clarify that Interconnector Users and the Interconnector Error Administrator will not require Bilateral Agreements.
17	Para 7(e), second bullet. Change to: '..(as defined in Section K of the <b>Balancing and Settlement Code</b> ) of a person acting as a <del>Minor Independent Generating Plant</del> <u>Small Power Station Trading Party</u> , all as provided for in the <b>CUSC.</b> '	Change needed for consistency with meaning of defined term*.
18	Para 7(f). Change to: 'There is no specific <b>Bilateral Agreement</b> required for non-generation related <b>Use of System</b> for <b>Embedded Sites</b> or for <b>Interconnector Users</b> as all the provisions relating to <del>use</del> <u>Use of System</u> are set out in Section 3 (or Section 9 in relation to <b>Interconnector Users</b> and <b>Interconnector Error Administrators</b> ) of the <b>CUSC.</b> '	Change needed to use defined term*. Also changed to clarify that use of system terms relating to interconnector users and the interconnector error administrator are set out in Section 9 of the CUSC
19	Para 10. Change to: '... For ease of reference a list of the <b>Core Industry Documents</b> as at the <u>CUSC Implementation Date</u> is as follows.....'	First change needed for consistency of style with the rest of the CUSC. Second change

	(e) Change to 'Master Registration Agreements' (n) Relevant Replacement Documents ( <del>which includes the CUSC</del> )	needed to correct a typographical error. Final change necessary to ensure consistency with the definition of Core Industry Documents in NGC's (as well as generators, suppliers and second tier suppliers) licence(s) where neither the BSC or the CUSC are included as they have their own defined governance arrangements.
110	Para 11 Change to: 'The definition of " <b>Approved Credit Rating</b> " in the <b>CUSC</b> provides for such other lower rating as may be approved by <b>NGC</b> from time to time. <u>As at the <b>CUSC Implementation Date</b> Currently the rating approved by NGC is "<b>BBB</b>" by Standard and Poor's Corporation, and the equivalent in Moody's, customers are required to demonstrate that they have at all times a credit rating in respect of long term debt of not less than BBB- (Standard and Poor's rating group) or not less than Baa3 (Moody's Investors Services) or an equivalent rating from these or other reputable agencies approved by <b>NGC</b>.'</u>	Change needed to correctly codify the existing credit policy which previously appeared in the licence condition 10 statement of charges Also changed to use the defined term 'CUSC Implementation Date'.

## Section 1

1.1	<b>1.3.1 (b)</b> Change to: '..and/or in relation to a <del>Minor Independent Generating Plant</del> <b>Small Power Station Trading Party</b> and/or a <b>Distribution Interconnector</b> .....'	Change needed as result of change to defined term*.
1.2	<b>1.3.1(c)(ii)</b> Change to 'Exhibits 1 and 2 in Schedule 2 to the <b>CUSC</b> contain the forms of <b>Bilateral Agreements</b> contemplated to be entered into pursuant to this Paragraph 1.3, being: (ii) Exhibit 2 – <b>Bilateral Embedded Generation Agreement</b> : embedded use of system ( <b>Embedded Power Station</b> and/or in relation to a <b>Small Power Station Trading Party</b> <del>Minor Independent Generating Plant</del> and/or <b>Distribution Interconnector</b> ).'	Change needed as result of change to defined term*.

1.3	1.3.2 Change to: '... <b>NGC Transmission System</b> or <u>commence or modify use by an Embedded Power Station or <b>Distribution Interconnector</b></u> shall enter into....'	Change needed to rectify omission of reference to Distribution Interconnectors (see para 3.77 of this document)
1.4	1.3.3(b) Change to: '..... <b>Mandatory Services Agreement</b> . <b>NGC</b> shall not <b>Energise</b> the <b>User's Equipment</b> or in the case of an <b>Embedded Power Station</b> issue an <b>Operational Notification</b> until the said <b>Mandatory Services Agreement</b> shall have been entered into by both parties.	Change arose from consideration of comments from interested parties in the context of specific Bilateral Agreements and is a correction of the codification reflecting the existing Supplemental Agreement Type 4, Clause 8.1.

## Section 2

2.1	2.1.2: Change to: 'Part 1 of this Section 2 sets out general provisions relating to connection to the <b>NGC Transmission System</b> , Part II sets out <del>connection</del> provisions related to charging for connection and Part III sets out the credit requirements related to <del>connection</del> <b>Termination Amounts</b> . Section 3 which deals with <b>Use of System</b> will also be applicable in relation to a <b>Power Station</b> directly connected to the <b>NGC Transmission System</b> .	This change was proposed by NGC to increase the accuracy of references to connection charges.
2.2	2.2.2(b) Change to '...the rights under Paragraph 2.2.2(a) above and <del>2.4</del> <u>2.3</u> below are subject....'	Change needed to rectify an incorrect cross reference.
2.3	2.6 OUTAGES: Change to: Subject to the provisions of the <b>Grid Code</b> and the relevant <b>Bilateral Connection Agreement</b> , <b>NGC</b> and each <b>User</b> shall, as between....'	Change needed to reflect points raised by Users in the context of producing the Bilateral Agreements, reflecting more fully existing executed Supplemental Agreements.
2.4	2.11 Change to: '....but based substantially on the forms set out in <del>Schedule 2</del> <u>Exhibit O</u> to the <b>CUSC</b> as appropriate....'	Change needed to include the correct reference to the Exhibit.
2.5	2.12.1(b): Change to: '....the <b>NGC Transmission System</b> circuit or if a conventional busbar does not exist, <u>an equivalent isolator</u> . If no isolator exists an agreed bolted connection at or adjacent to the tee point shall be deemed to be an isolator for these purposes;'	This change was proposed by NGC required to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made

		pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
2.6	2.12.1(d) Change to: '.....located between the <b>NGC Transmission System</b> and the system of <del>the</del> a <b>Non-Embedded Customer</b> ....'	Change needed to amend typographical error.
2.7	2.13.5 Change to: ' <del>CUSC Parties</del> acknowledge that prior to so proceeding a person who is not already a party to the <b>CUSC Framework Agreement</b> must become a party to the <b>CUSC Framework Agreement</b> .'	Change needed to clarify meaning of paragraph*.
2.8	2.14.1 Introduction: Change to: 'Subject to the provisions of the <b>CUSC</b> , and the relevant <b>Bilateral Connection Agreement</b> , each <b>User</b> shall, as between <b>NGC</b> and that <b>User</b> , with effect from the <del>Transfer Date</del> in the case of a <del>Connection Site Commissioned</del> prior to the <del>Transfer Date</del> , and with effect from the relevant date set out in the relevant <b>Bilateral Connection Agreement</b> in the case of a <del>Connection Site Commissioned</del> after the <del>Transfer Date</del> , be liable to pay to <b>NGC</b> ....'	This change was proposed by NGC. The Transition Section deals with continuity of charges relating to the period prior to CUSC and hence this paragraph needs to deal only with commencement of charges from the date of the new CUSC Bilateral Agreements.
2.9	2.14.2 Change to: 'The <b>User</b> shall provide <b>NGC</b> with <b>Security Cover</b> in respect of <b>Termination Amounts</b> in respect of <b>NGC Assets</b> commissioned after the <b>Transfer Date</b> in accordance with the provisions of Part III <u>of this Section 2</u> .'	Change required to clarify where Part III is located*.
2.10	2.14.3 (c) Change to: 'As soon as practicable after the <b>Completion Date</b> and in any event within one year thereof <b>NGC</b> shall, as between <b>NGC</b> and that <b>User</b> , provide to the <b>User</b> a written statement specifying <u>the <b>Connection Charges</b> calculated in accordance with the <b>Charging Statements</b> based on the cost of carrying out the <b>NGC Asset Works</b> (the "<b>Cost Statement</b>")</u> . <b>NGC</b> shall be entitled to revise Appendix B to the relevant <b>Bilateral Connection Agreement</b> accordingly.'	This change is needed to expand on how the requirement relates to the Charging Statement*.
2.11	2.14.4: Change to: '(b) Each <b>User</b> shall forthwith on the <del>Charging Date</del> relevant date set out in the relevant <b>Bilateral Connection Agreement</b> be liable to pay to <b>NGC</b> the <b>One-off</b>	These changes were proposed by NGC to reflect the fact that the separation of

	<p><b>Charge</b> (if any) as set out in the relevant <b>Bilateral Connection Agreement</b>.</p> <p>(c) <b>NGC</b> shall invoice the <b>User</b> for an amount equal to <b>NGC's</b> estimate of the <b>One-off Charge</b> before, on or after the <del><b>Charging Date</b></del> <u>relevant date</u> set out in the relevant <b>Bilateral Connection Agreement</b> and the <b>User</b> shall pay to <b>NGC</b> the amount stated in the <b>NGC</b> invoice at the later of such <del><b>Charging Date</b></del> <u>relevant date</u> or 28 (twenty eight) days after the date of the said invoice.'</p>	<p>construction provisions into a separate Construction Agreement, will result in the relevant date for payment under the Bilateral Agreements not being the defined term "Charging Date" under the Construction Agreement.</p>
2.12	<p>2.14.5 (a) Change to: 'Each <b>User</b> shall be liable to pay to <b>NGC</b>, from and including the <del><b>Charging Date</b></del> <u>relevant date</u> set out in the relevant <b>Bilateral Connection Agreement</b>, the <b>Land Charge</b> (if any) set out in the relevant <b>Bilateral Connection Agreement</b>. The <b>Land Charge</b> shall be equal to the <b>Land Charge Base Amount</b> (set out in the relevant Appendix to the relevant <b>Bilateral Agreement</b>) as calculated and indexed in accordance with the <b>Statement of the Connection Charging Methodology</b> <u>or as otherwise provided for in the relevant <b>Bilateral Connection Agreement</b></u>.</p>	<p>Same as above.</p>
2.13	<p>2.14.5(c) Change to: 'As soon as reasonably practicable after the end of the <b>Financial Year</b> in which the <del><b>Charging Date</b></del> <u>relevant date</u> in paragraph (a) occurs <b>NGC</b> shall prepare and deliver to the <b>User</b> a statement of the <b>Land Charge</b>.'</p>	<p>Same as above.</p>
2.14	<p>2.14.6 Change to: 'The <del><b>Land Charge</b></del> <u><b>Connection Charges</b> (including the <b>Land Charge</b>) shall be paid as specified in paragraph 6.6.1(a) and shall be treated as a recurrent monthly payment.</u></p>	<p>This change is needed to reflect comments raised by an interested party to ensure codification of current Appendix B and Type 2 Supplemental Agreements</p>
2.15	<p>Add new paragraph after 2.14.6 '<u>The <b>User</b> shall be liable to pay <b>NGC Termination Amounts</b> in the event of the termination of the <b>User's Bilateral Connection Agreement</b> (or in the case of Paragraph 5.3.4 <b>Disconnection</b> of the <b>User's Equipment</b>) in accordance with Section 5 of the <b>CUSC</b>.'</u></p>	<p>This change is needed to reflect comments raised by an interested party that Termination Amounts are only payable once assets are commissioned and therefore helps clarify that security for termination amounts is due 45 days before commissioning. (see paragraph 3.69 of this document)</p>

2.16	<p>2.14.7 Change to: 'The <b>Connection Charges</b> (including the <b>Land Charge</b>) in the <b>Financial Year</b> in which <del>the Charging Date</del> <u>relevant date for charging set out in the relevant <b>Bilateral Connection Agreement</b></u> occurs shall be apportioned as follows:-</p> <p>For each complete calendar month from the <del>Charging Date</del> <u>that date</u> to the end of the <b>Financial Year</b> in which the <del>Charging Date</del> <u>date</u> occurs....'</p>	As above.
2.17	<p>2.15.3 Change to: 'Where in accordance with the Transmission Licence, the <b>Authority</b> requires <del>determines</del> a shorter period than 2 months for the implementation of revised charges, the notice period will be determined by the <b>Authority</b>. <u>Where <b>NGC</b> and the <b>User</b> agree a shorter period than 2 months for the implementation of revised charges, the notice period will be as agreed between the parties.</u> The notice of revisions issued by <b>NGC</b> will specify when the new charges are effective and the <b>User</b> shall pay any such revised charges and Appendix A and B shall be amended automatically with effect from the date specified in such notice.'</p>	Change required for clarification*. Also changed to allow parties to agree a shorter notice period if desired in accordance with existing practice.
2.18	<p>2.16.2 Change to: 'Where the <del>Charging Date</del> <u>relevant date for charging set out in the relevant <b>Bilateral Connection Agreement</b></u> in relation to <b>Connection</b> falls during a <b>Financial Year</b> the <b>User</b> shall on the date specified in writing by <b>NGC</b> to the <b>User</b> supply to <b>NGC</b> such data in respect of the <b>Financial Year</b> in which the <del>Charging Date</del> <u>charging date</u> falls....'</p>	Change needed to remove reference to defined term 'Charging Date' (see changes to paragraph 2.14 above)
2.19	<p>2.17.1 Change to: '....have the right to replace the <b>NGC Asset</b> <del>at no additional cost to the relevant <b>User</b> until expiry of its original Replacement Period. Upon expiry of such original Replacement Period</del> and <b>NGC</b> shall be entitled to vary the <b>Connection Charges</b> in accordance with the <b>Statement of the Connection Charging Methodology</b>.....'</p>	This change was proposed by NGC to remove a duplication with the Charging Statements which also deal with this issue. (see para 3.89 of this document)
2.20	<p>2.17.3(b) Change to: '....Provided that where <b>NGC</b> has reasonable grounds for concern in relation to compliance with its licence and statutory obligations, it may replace the <b>NGC Asset</b> notwithstanding any counter notice, and <u>this Paragraph 2.17 shall be read</u>.....'</p>	Change needed for consistency.
2.21	<p>2.18.1 Change to: 'The obligation on the <b>User</b> to pay <b>Termination Amounts</b> is contained in <u>Paragraph 2.14.7 and Section 5</u>....'</p>	Change needed to increase accuracy of cross reference. (see paragraph 3.69 of this document).

2.22	2.19.1 Change to: ‘...after the <b>Transfer Date</b> in accordance with this Paragraph 2.19. For the avoidance of doubt references to <b>Termination Amounts</b> in this Part III only relate to <b>Termination Amounts</b> payable in respect of such <b>NGC Assets</b> .’	Change needed in response to comment from interested party to clarify codification. (see paragraph 3.69 of this document).
2.23	2.19.2 Change to: ‘ Each <b>User</b> which has a connection to the <b>NGC Transmission System</b> shall provide security in respect of each of its <b>Bilateral Connection Agreement(s)</b> :- (a) in the case of a <b>User</b> which meets <del>NGC’s required</del> <u>the NGC Credit Rating</u> at the date of the <b>Bilateral Connection Agreement</b> , in accordance with Paragraph 2.20; and (b) in the case of a <b>User</b> which does not meet <del>NGC’s required</del> <u>the NGC Credit Rating</u> at the date of the <b>Bilateral Connection Agreement</b> or <u>thereafter.....</u> ’	Changes needed to include defined term.
2.24	<b><u>2.20 PROVISION OF SECURITY FOR TERMINATION AMOUNTS WHERE USER MEETS NGC CREDIT RATING.</u></b> Change to: 2.20.1 Each <b>User</b> shall, as soon as possible after entering into a <b>Bilateral Connection Agreement</b> and in any event no later than one (1) month after such date, confirm to <b>NGC</b> the position on whether it meets the <b>NGC Credit Rating</b> of which it advised <b>NGC</b> at the time that the offer was made by <b>NGC</b> <u>either:-</u> <del>(a) its credit rating for long term debt as set by Standard and Poor’s or Moody’s;</del> <del>(b) its indicative long term private credit rating as set by Standard and Poor’s or Moody’s as the basis of issuing senior unsecured debt; or</del> <b>(c) its short term ratings by Standard and Poor’s or Moody’s for as long as this rating implies a long term rating of A and A3 respectively (together called “NGC Credit Rating”).</b> Thereafter not less than 75 days before 1 April and 1 October in each year the User shall confirm its <b>NGC Credit Rating position</b> to <b>NGC</b> (which in the case of a long term private credit rating shall be confirmed by Standard and Poor’s or Moody’s within a period of 45 days prior to the date of confirmation). The User shall inform <b>NGC</b> in writing forthwith if it becomes aware of losing its <b>NGC Credit Rating</b> or if it is or is likely to be put on credit watch or any similar credit surveillance procedure which may give <b>NGC</b> reasonable cause to believe that the User may not be able to sustain its <b>NGC Credit Rating</b> for at least 6 months.	This change is needed as there was no backstop in the collective definition of “NGC Credit Rating” for (a) and (b)*. Changes also made to place definitions for this section within the Definitions section.



2.25	2.20.3(c) Change to: 'not having obtained <del>ing</del> from Standard and Poor's or Moody's within 30 days of the written notification under Paragraph 2.20.2 above an indicative long term private credit rating'	Change needed to rectify a typographical error*.
2.26	2.20.4 Change to: '...specified in Paragraph <del>2.22.2</del> <u>2.22.1</u> (whichever is the earlier), provide <b>NGC</b> with the security specified below to cover the <b>User's</b> payment obligations to <b>NGC</b> arising in the event of termination of the relevant <b>Bilateral Connection Agreement</b> . The security to be provided shall be in an amount not greater than such sums payable on termination and specified in writing by <b>NGC</b> to the <b>User</b> from time to time in accordance with the timescales specified in Paragraph 2.21.2. Such security shall be of a type set out in <del>2.22.2</del> <u>2.22.1</u> .'	Change needed to rectify incorrect cross references*.
2.27	2.21.1: Change to: '...of a type specified in Paragraph <del>2.22.2</del> <u>2.22.1</u> from time to time and for the time being to.....'	Change needed to rectify an incorrect cross reference.
2.28	2.21.2(f) Change to: '..., and without prejudice to <b>NGC's</b> right to recover or seek to recover such payment, be dealt with in the case of Paragraphs 2.21.2(e)(i) and 2.21.2(e)(ii) under Section <del>9</del> <u>7</u> as a <b>Charging Dispute</b> and, in the case of Paragraphs 2.21.2(e)(iii) and 2.21.2(e)(iv) be dealt with under Section <del>9</del> <u>7</u> as an <b>Other Dispute</b> .' , ...'	Changes needed to rectify incorrect cross references*.
2.29	2.22.2 (d) Change to 'The following provisions shall govern the maintenance of cash deposits in the <b>Bank Account</b> :- (i) The amount of the cas <u>h</u> e deposit to be maintained in the...'	Change needed to correct a typographical error*.
2.30	2.22.2(d)(ii) Change to: 'If the amount in the <b>Secured Amount Statement</b> as the amount to be secured from the following 1st April to 30 <sup>th</sup> September or <del>from</del> <u>from</u> the following 1 <sup>st</sup> October to 31 <sup>st</sup> March....'	Change needed to correct a typographical error*.

### Section 3

3.1	<p>3.1 Change to: ‘ Part 1A – GENERAL – GENERATION This Part 1A deals with rights and obligations relating to <b>Embedded Power Stations</b>, <del>and relating to <b>Minor Independent Generating Plant</b></del> <b>Small Power Station Trading Parties</b> and to <b>Distribution Interconnectors</b>. References to “<b>User</b>” in this Part 1A should be construed accordingly.’</p>	Change needed for consistency with definition*.
3.2	<p>3.2.2(a)(i) Change to: ‘... the <b>User</b> having provided (in a form reasonably satisfactory to <b>NGC</b>) proof of having entered into a <del>“<b>Distribution Agreement</b>”</del> with ...’</p>	Change needed to correct typographical error of quotation marks*.
3.3	<p>3.2.2(a)(iii) Change to: ‘...in the case of an <b>Embedded Small, Medium and Large Power Station</b>, in relation to a <del><b>Minor Independent Generating Plant Small Power Station Trading Party</b></del> and in the case of a <b>Distribution Interconnector</b> of the acceptance by the owner/operator of the <b>Distribution System</b> of any necessary <b>Modification Offer</b> relevant to the <b>Embedded Power Station</b> or <b>Distribution Interconnector</b> (as the case may be);’</p>	Change needed due to change to defined term. Also change needed to include reference to Distribution Interconnectors (see paragraph 3.77 of this document)*.
3.4	<p>3.2.2(b) Change to: ‘.....and under the <b>CUSC</b> in relation to relevant <b>Embedded Power Stations</b> or relevant <b>Distribution Interconnectors</b> shall cease.’</p>	Change needed to include reference to Distribution Interconnector (see paragraph 3.77 of this document)
3.5	<p>3.2.3(b) Change to: ‘...as between <b>NGC</b> and that <b>User</b>, shall not operate its <b>User’s Equipment</b> or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b>) such that any of it exceeds the value set out in Appendix C to the relevant <b>Bilateral Embedded Generation Agreement</b> save ...’</p>	Change needed to clarify that a Trading Party will only be responsible for User’s Equipment*.
3.6	<p>Add two new paragraphs following 3.2.5 as follows: ‘[3.x] Commissioning <b>NGC</b> agrees to assist the <b>User</b> (if requested by the <b>User</b>), with the commissioning and on-load testing of the <b>User’s Equipment</b> or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b>) and the <b>User</b> shall pay reasonable <b>NGC Charges</b> in connection therewith. The <b>User</b> must</p>	These changes were proposed by NGC. They are a codification of Clauses 3 and 4.4 of the Type 6 Supplemental Agreement. NGC initially intended that these should appear in the Construction Agreement. However, as they are generic it is considered more appropriate to place them within

	<p>ensure the commissioning programme for the <b>User's Equipment</b> or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b>) at the site of connection agreed between the <b>User</b> and the owner/operator of the <b>Distribution System</b> contains adequate provisions in respect of the timing of commissioning to ensure that the <b>User</b> can be in receipt of an <b>Operational Notification</b> before or during (as appropriate) the said commissioning programme.</p> <p><u>[3.x] Operational Notification</u></p> <p>Upon compliance by the <b>User</b> with the provisions of Paragraph 3.2.2(a) after the commissioning programme in Paragraph 3.2.[x] and subject, if <b>NGC</b> so requires, to the <b>NGC Reinforcement Works</b> being carried out and/or notification by the <b>User</b> that the site of connection of the <b>User's Equipment</b> or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b>) to the <b>Distribution System</b> is operational (any or all as appropriate) <b>NGC</b> shall forthwith notify ("<b>Operational Notification</b>") the <b>User</b> in writing that it has the right to use the <b>NGC Transmission System</b>. It is an express condition of the <b>CUSC</b> that in no circumstances will the <b>User</b> use or operate the <b>User's Equipment</b> or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b>) without receiving this <b>Operational Notification</b>.'</p>	the CUSC itself
3.7	3.3.3 Change to: '... technical attributes or facilities provided always that if the <b>User</b> wishes to modify, alter or otherwise change the same or ...'	Change required to improve punctuation*.
3.8	3.4.3 Change to: 'Subject to the provisions of the <b>Grid Code</b> , <b>NGC</b> shall be entitled to plan and ...'	Change required to improve punctuation*.
3.9	3.5 Change heading to: ' <del>SUPPLY USERS</del> <b>SUPPLIER CUSTOMER DETAILS</b>	Change needed to reflect better content of Paragraph.

3.10	3.5.1 Change to: 'Such written notice shall be given to <b>NGC</b> no later than 28 days prior to the commencement or cessation of use of any such exit point. If the <b>Grid Supply Point</b> referred to in (c) changes the <b>User</b> shall notify <b>NGC</b> forthwith after being notified of such change by the <b>Public Distribution System Operator</b> in question. If <b>NGC's</b> basis of charging changes pursuant to <del>Parts II and III below</del> or the <b>Charging Statements</b> or, subject thereto, <u>Parts II and III below</u> at any time, <b>NGC</b> shall be entitled to ask for other information it reasonably requires for charging purposes under this Paragraph 3.5.'	Change needed to avoid any conflict with licence obligations*.
3.11	3.6.3 Change to: 'The right in Paragraph 3.6.2 above is subject to:- (a) the <b>User</b> being authorised by a current <b>Supply Licence</b> <del>supply Licence granted pursuant to section 6 of the Act or by an exemption granted pursuant to section 5 of the Act</del> to supply electricity to the premises to be supplied with electricity through the <b>Connection Site</b> ; and.....'	This change is necessary as this paragraph should only apply to suppliers who are defined as being licensed*.
3.12	Add new paragraph after para. 3.6.3: ' <u>[3.6.[]] Where <b>NGC</b> agrees, the <b>Supplier</b> of a <b>Non-Embedded Customer</b> may be liable for payment of <b>Connection Charges</b> in relation to the <b>Metering Equipment</b> of a <b>Non-Embedded Customer</b>. The existence of such an arrangement shall be reflected in the relevant <b>Bilateral Connection Agreement</b> with the <b>Non-Embedded Customer</b> and the <b>Use of System Supply Confirmation Notice</b>. Where such an arrangement exists, the provisions of Section 2 Part II in relation to such charges shall be deemed incorporated within this Paragraph 3.6.4 and the <b>Supplier</b> shall comply with those provisions in relation to such charges as if references to the <b>User</b> were references to the <b>Supplier</b>.'</u>	This change was proposed by NGC to allow for the continuation of existing arrangements where a Supplier agrees to be liable for the metering equipment charges of a non-embedded customer.
3.13	3.6.4 Change to: 'The <b>User</b> acknowledges that breach of the provisions of the CUSC by the <b>Non-Embedded Customer</b> may give rise to <del>Deenergisation</del> <b>Deenergisation</b> of the....'	Change needed to correct a typographical error.

3.14	3.6.7 Change to: ‘...requiring it to cease supplying the <del>User</del> <b><u>Non-Embedded Customer</u></b> with electricity and instructs <b>NGC</b> to <b>Deenergise</b> the <del>User’s</del> <b><u>Non-Embedded Customer’s User’s Equipment</u></b> at the Connection Site, <b>NGC</b> shall as soon as reasonably practicable <b>Deenergise</b> the <del>User’s</del> <b><u>Non Embedded Customer’s User’s Equipment</u></b> at the <b>Connection Site...</b> ’	This change is needed to correct a typographical point arising from codification which was referred to as part of the general typographical points in NGC’s proposed changes.
3.15	3.7.3 Change to: ‘The <b>Use of System Offer</b> shall in the case of an application relating to an <b>Embedded Power Station</b> or to a <del>Minor Independent Generating Plant</del> <b><u>Small Power Station Trading Party</u></b> or to a <b>Distribution Interconnector</b> be in the form of a <b>Bilateral Embedded Generation Agreement</b> together with any <b>Construction Agreement</b> relating thereto. In the case of a <b>Supplier</b> , it shall be in the form of a <b>Use of System Supply Offer Notice</b> . The provisions of Condition [8D(6)] shall apply to an application by a <b>Supplier</b> as if the <b>Use of System Supply Offer Notice</b> and <del>Use of System Supply and Confirmation Notice</del> was an agreement for the purposes of that condition’	Change needed for consistency with definition and to reflect the development of the Exhibits*.
3.16	3.7.5 Change to: ‘...the <b>User</b> shall have the right to use the <b><u>NGC Transmission System</u></b> . Such right shall continue....’	Change needed for consistency with defined term.
3.17	3.7.6 Change to: ‘Such rights shall be conditional upon the <del>User</del> <b><u>Applicant</u></b> , if it is not already a party to the <b>CUSC Framework Agreement</b> , becoming a party to the <b>CUSC Framework Agreement.</b> ’	Change needed to clarify that a User cannot be a User unless it is a party to the CUSC Framework Agreement.
3.18	3.8.1 Change to: ‘Provisions relating to <b>Decommissioning</b> and/or <b>Disconnection</b> relating to <b>Users</b> who have <b>Bilateral <u>Embedded Generation</u> Agreements</b> are dealt with in Section 5.’	Change needed to increase clarification .
3.19	3.8.4 Change to: ‘In <u>addition, in</u> the case of a <b>User</b> in its category of connection and/or use as a <b>Supplier</b> ...’	Change needed to increase clarification.

3.20	3.9.1 Subject to the provisions of the CUSC, and any relevant <b>Bilateral Agreement</b> , together with the relevant <b>Charging Statements</b> , each <b>User</b> shall: <del>with effect from the Transfer Date in the case of a use in existence as at the Transfer Date, and with effect from the relevant date set out in the relevant <b>Bilateral Agreement</b> (or in the <b>Use of System Supply Confirmation Notice</b>) as otherwise notified to a User which does not need a <b>Bilateral Agreement</b>) in the case of a use which commenced after the Transfer Date,</del> be liable to pay to <b>NGC</b> the <b>Use of System Charges</b> in accordance .....	This change was proposed by NGC. As continuity of charges in relation to pre-CUSC charges is being dealt with in the Transition Section, the reference in this paragraph needs only to be to the date set out in the <b>Bilateral Agreement</b> or <b>Use of System Supply Confirmation Notice</b> , as the case may be.
3.21	3.9.5 Change to: '.....where those are to be payable by the relevant <b>User</b> as provided in the relevant <b>Bilateral Embedded Generation Agreement</b> . In that case, the relevant....'	Change needed to increase clarification.
3.22	3.10.2 Change to: 'Where the <del>Charging Date</del> relevant date for charging set out in the relevant <b>Bilateral Agreement</b> (or in the <b>Use of System Supply Confirmation Notice</b> ) in relation to <b>Use of System</b> falls during a <b>Financial Year</b> , the <b>User</b> shall on the date specified in writing by <b>NGC</b> to the <b>User</b> supply to <b>NGC</b> such data in respect of the <b>Financial Year</b> in which the <del>Charging Date</del> <u>charging date</u> falls and the following....'	Change needed as Suppliers will not have construction agreement and hence reference to Charging Date was incorrect. Instead the relevant date for charging will be set out in the <b>Bilateral Embedded Generation Agreement</b> or <b>Use of System Confirmation Notice</b> as appropriate.
3.23	3.10.4 Change to: 'Where the <del>Charging Date</del> relevant date for charging set out in the relevant <b>Bilateral Agreement</b> (or in the <b>Use of System Supply Confirmation Notice</b> ) in relation to <b>Use of System</b> falls during a <b>Financial Year</b> , the <b>User</b> shall on the date specified in writing by <b>NGC</b> to the <b>User</b> provide to <b>NGC</b> such forecasts (as appropriate) in respect of the <b>Financial Year</b> in which the <del>Charging Date</del> <u>charging date</u> falls which it would otherwise.....'	Change needed as Suppliers will not have construction agreement and hence reference to Charging Date was incorrect. Instead the relevant date for charging will be set out in the <b>Bilateral Embedded Generation Agreement</b> or <b>Use of System Confirmation Notice</b> as appropriate.
3.24	3.12.1(a) Change to: '....in accordance with Licence Condition 10 ( <u>as subsisting at the relevant date of publication</u> ) of the <b>Transmission Licence</b> ....'	Change needed to ensure that the reference to the Transmission licence condition is to the existing condition only.
3.25	3.12.7(a)(ii) Change to: 'whether the change represents...'	Change needed to correct a typographical error*.
3.26	3.12.7(c) Change to: '...shall affect the rights of the parties under the provision of Paragraph 7.3.5 <del>of the CUSC</del> '	Change needed for consistency.

3.27	3.13.2 Change to: '(as in force on the day prior to the <b>NETA Implementation Date</b> ) <b>Go-live Date</b> ) of the basis of calculation of .....	Change needed to bring definitions in line with defined term in the definitions section*.
3.28	3.13.5 Change to: 'with notice pursuant to <del>Clauses 2.1 and</del> <u>Clause 2.2</u> of Part 1 of Appendix E (as in force on the day prior to the <b>NETA Implementation Go-live Date</b> ) of its <b>Transmission Network Use of System Charge</b> , .....	Change needed to rectify incorrect cross references and to bring definitions in line with defined term.
3.29	<p>3.14.2 Change to: 'Notwithstanding the provisions of Paragraphs <u>6.6.1 and 6.6.2</u> the following provisions shall apply to the payment of the <b>Balancing Services Use of System Charges</b>.</p> <p>(a) <b>NGC</b> shall not later than <del>1700</del> <u>17.00</u> hours on the relevant <b>Notification Date</b> (and if this is not practicable as soon as possible thereafter as <b>NGC</b>, acting reasonably, considers is practicable) despatch an advice notice to the <b>User</b> in respect of the <b>Settlement Day</b> in relation to which the <b>Balancing Services Use of System Charges</b> are due on the relevant <b>Payment Date</b>.</p> <p>(b) The information on the advice notice in respect of each <b>Settlement Day</b> shall include the name of the <b>User</b> and the total amount payable to <b>NGC</b> in respect of <b>Balancing Services Use of System Charges</b> and in all cases together with any <b>Value Added Tax</b> thereon during each <b>Settlement Day</b>.</p> <p>(c) <b>NGC</b> shall, within a reasonable time thereafter provide a valid <b>Value Added Tax</b> invoice in respect of <b>Balancing Services Use of System Charges</b> identified on the advice note.</p> <p>(d) The <b>User</b> shall pay the <b>Balancing Services Use of System Charges</b> specified in the advice notice together with the <b>Value Added Tax</b> thereon to <b>NGC</b> no later than <del>1230</del> <u>12.30</u> hours on the <b>Payment Date</b> specified on the advice note in respect of such <b>Settlement Date</b> as if they were payments made in the manner specified in Paragraph 6.6.3 <del>of the CUSC</del>.</p>	Changes needed to increase accuracy of cross references and to bring formatting of times in line with the rest of the CUSC. Final change needed for consistency.
3.30	3.15.1 Change to: 'As soon as reasonably practicable after receipt by <b>NGC</b> of the <b>Final Reconciliation Volume Allocation Run</b> in respect of a <b>Settlement Day</b> <b>NGC</b> shall prepare and submit to each <b>User</b> a statement (which may form part of an invoice or other document) calculated <del>from the data contained in the Final Reconciliation Volume Allocation Run</del> in accordance with the data specified in the	This change was proposed by NGC to remove a duplication with the Charging Statements which also deal with this issue. (see paragraph 3.89 of this document)

	<b>Statement of the Use of System Charging Methodology</b> in respect of that <b>Settlement Day ("Balancing Services Use of System Reconciliation Statement")</b> , showing the new value (if any) ....'	
3.31	3.15.2 (a)(i) Change to: '...an invoice for the amount by which the <b>Reconciled Charge</b> exceeds the <b>Initial Charge</b> and interest thereon calculated in accordance with the provisions set out in <del>the</del> Paragraph 3.15.3; or....'	Change needed to correct a typographical error.
3.32	3.17 Change reference to Part IIB to Part IIC.	Change needed to rectify an incorrect cross reference.
3.33	3.20 Change to: '...Part 2 of <b>Appendix E</b> (as in force on the day prior to the <b>NETA Implementation Go-live Date</b> ) of the basis of calculation of...'	Change needed to use correct defined term.
3.34	3.22.2(e) Change to: 'interest on the amounts referred to in <del>(i), (ii), (iii)</del> <u>(a), (b), (c) and (iv) (d)</u> above.....'.	Change needed to rectify an incorrect cross reference
3.35	3.22.5 Change tailpiece after subparagraph (e) to: 'Provided always that the failure by <b>NGC</b> to notify the <b>User</b> pursuant to <del>this Paragraph</del> <u>Paragraphs 3.22.3, 3.22.4 or 3.22.5</u> shall not relieve the <b>User</b> of its obligations....'	Change needed to clarify interaction between this paragraph and paragraphs 3.22.3 and 3.22.4*.
3.36	3.23. Change to: 'If, by <del>1230</del> <u>12.30</u> hours on any <b>Use of System Payment Date</b> , <b>NGC</b> has been notified by a <b>User</b> or it otherwise has reason to believe that that <b>User</b> will not have remitted to it by close of banking business on the <b>Use of System Payment Date</b> all or any part ("the amount in default") of any amount which has been notified by <b>NGC</b> to the <b>User</b> as being payable by the <b>User</b> by way of either the <b>Transmission Services Use of System Charges</b> and/or <b>Balancing Services Use of System Charges</b> and/or <b>Transmission Network Use of System Demand Reconciliation Charges</b> on the relevant <b>Use of System Payment Date</b> , then <b>NGC</b> shall be entitled to act in accordance with the following provisions (or whichever of them shall apply) in the order in which they appear until <b>NGC</b> is satisfied that the <b>User</b> has discharged its obligations in respect of the <b>Transmission Services Use of System Charges</b> and/or <b>Balancing Services Use of System Charges</b> and/or <b>Transmission Network Use of System Demand Reconciliation Charges</b> (as appropriate) under <del>this</del> <u>the</u> <b>CUSC</b> which are payable in respect of the relevant <b>Settlement Day</b> (in the case of <b>Transmission Services Use of System Charges</b> or <b>Balancing Services Use of System Charges</b> ) or <b>Financial Year</b> (in the case of	These changes were proposed by NGC to ensure consistency of drafting and to make reference to TSUoS charges to reflect original clause in Appendix E.



	<b>Transmission Network Use of System Demand Reconciliation Charges):-</b> <b>(a) NGC may to the extent that the User is entitled to receive payment from NGC pursuant to this the CUSC (unless it reasonably believes that such set-off shall be unlawful) set off the amount of such entitlement against the amount in default;'</b>	
3.37	3.24: Change to: 'In addition to the provisions of Paragraph 3.23 above if <b>NGC</b> serves a notice of default under the terms of Paragraph <del>5.6</del> <u>5.5</u> ....'	Change to rectify an incorrect cross reference.
3.38	3.25(b) Change to: '.....to provide by way of security in accordance with <u>this</u> Part III <del>of Section 3.</del> '	Change needed for consistency of style with other such references.

#### Section 4

4.1	4.1.2.4 Change to: ' <b>NGC</b> shall have the right (but shall not be obliged) at any time to instruct a <b>User</b> by the issue of a <b>Reactive Despatch Instruction</b> to provide <b>Leading</b> and/or <b>Lagging</b> Mvars from some or all.....'	Change needed to correct a typographical error.
4.2	4.1.3.13 Change title of this paragraph to: ' <i><b>User's Request to Amend Levels of and/or Payment Rates for Response</b></i> '	Change needed for consistency with paragraph 4.1.3.13*.
4.3	4.1.3.15 Change title of this paragraph to: ' <i>Procedure for Amendments to Levels of and/or Payment Rates for Response</i> '	Change needed for consistency with paragraph 4.1.3.15*.
4.4	4.1.3.27: Change to: '...implementing appropriate amendments to <del>the CUSC or any relevant</del> <b>Mandatory Services Agreement</b> (as the case may be).	Change needed as CUSC amendments procedure laid out in section 8.
4.5	4.1.4.3 Change to: 'Upon termination of any <b>Bilateral Agreement</b> , the relevant <b>Mandatory Services Agreement</b> shall automatically be terminated to the extent that it applies to the <b>BM Units</b> or <b>CCGT Units</b> at and ....'	Change needed to include CCGT Units within this paragraph*.
4.6	4.1.4.6 Change tailpiece following paragraph (v) to: 'and in any such case within 28 days of appointment of the liquidator receiver, administrative receiver, administrator nominee or other similar officer, such person has not provided to the relevant <b>User</b> a guarantee of future performance by <b>NGC</b> of its obligations under this Paragraph 4.1 and Paragraph 4.3 and all ....'	Change needed to increase accuracy of cross referencing.
4.7	4.1.4.7 Change to: '...shall not affect any rights or obligations of <del>the</del> <b>NGC</b> and the relevant <b>User</b> ....'	Change to correct typographical error*.
4.8	Not used.	Not used.
4.9	4.2.3.1 Delete this sub-paragraph	Change required to reflect Ofgem/DTI's conclusions (see paragraph 3.66 of this document).

4.10	4.2.3.2 Change to: 'Each <b>User</b> and <b>NGC</b> shall enter into a <b>Commercial Services Agreement</b> providing for <u>the payment for and provision of the <b>Agreed Ancillary Services</b></u> (if any) set out in Appendix F1....'	Change required to reflect Ofgem/DTI's conclusions (see paragraph 3.66 of this document).
4.11	4.3.1 <b>Application</b> . Change to: 'The provisions of this Paragraph 4.3 shall apply to payments made by <b>NGC</b> to a <b>User</b> (and by a <b>User</b> to <b>NGC</b> ) pursuant to <b>Mandatory Services Agreements</b> in respect of the provision of <b>Mandatory Ancillary Services</b> , and, if agreed between <b>NGC</b> and a <b>User</b> ) may also be incorporated by reference into a <u><b>Balancing Services Agreement</b></u> as a term thereof so as to apply in respect of the provision of other <b>Balancing Services</b> (but for the avoidance of doubt not so as to thereby create any obligations on <b>NGC</b> and that <b>User</b> under the <b>CUSC</b> in respect thereof). <del>and also to payments made by <b>NGC</b> to a <b>User</b> (and by a <b>User</b> to <b>NGC</b>) in respect of the provision of other <b>Balancing Services</b> if so agreed between <b>NGC</b> and that <b>User</b> in a <b>Balancing Services Agreement</b>.'</del>	Change required to reflect Ofgem/DTI's conclusions (see paragraph 3.68 of this document).
4.12	4.3.2.8 Change to: '...reversed or modified by a final judicial decision <del>not subject to final approval</del> , after exhaustion of all appeals if this opportunity is taken, <b>NGC</b> shall adjust the account between itself and the.....'	Change needed to remove ambiguity in original drafting*.
4.13	4.3.2.19 Change to: '...in the absence of agreement to the contrary between the parties, by "19.00" hours on the <b>Business Day</b> concerned.'	Change needed to remove unnecessary quotation marks.
4.14	4.4.1 Application. Change to: 'The provisions of this Paragraph 4.4 shall apply to payments made by <b>NGC</b> to a <b>User</b> pursuant to <b>Mandatory Services Agreements</b> in respect of the provision of the <b>Mandatory Ancillary Service of Frequency Response</b> , and, (if agreed between <b>NGC</b> and a <b>User</b> ) may also be incorporated by reference into any other <u><b>Ancillary Services Agreement</b></u> as a term thereof so as to apply in respect of payments made by <b>NGC</b> to that <b>User</b> in respect of the provision of other <u><b>Ancillary Services</b></u> (but for the avoidance of doubt not so as to thereby create any obligations on <b>NGC</b> and that <b>User</b> under the <b>CUSC</b> in respect thereof), <del>and also to payments made by <b>NGC</b> to a <b>User</b> in respect of the provision of other <b>Ancillary Services</b> if so agreed between <b>NGC</b> and that <b>User</b> in an <b>Ancillary Services Agreement</b>.'</del>	Change needed to reflect Ofgem/DTI's conclusions (see paragraph 3.68 of this document).
4.15	4.5.1 Application. Change to: 'The provisions of this Paragraph 4.5 shall apply to payments made by <b>NGC</b> to a <b>User</b> pursuant to <b>Mandatory Services Agreements</b> in respect of the provision of the <b>Mandatory Ancillary Service of Frequency Response</b> , and (if agreed between <b>NGC</b> and a <b>User</b> ) may also be incorporated by reference into	Change needed to reflect Ofgem/DTI's conclusions (see paragraph 3.68 of this document).

	<p>any other <b>Balancing Services Agreement</b> as a term thereof so as to apply in respect of payments made by <b>NGC</b> to that <b>User</b> in respect of the provision of other <b>Balancing Services</b> (but for the avoidance of doubt not so as to thereby create any obligations on <b>NGC</b> and that <b>User</b> under the <b>CUSC</b> in respect thereof). <del>and also to payments made by <b>NGC</b> to a <b>User</b> in respect of the provision of other <b>Balancing Services</b> if so agreed between <b>NGC</b> and that <b>User</b> in a <b>Balancing Services Agreement</b>.</del>'</p>	
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## Section 5

5.1	<p>5.1.1 <u>Licensed CUSC Parties</u></p> <p>Upon either:</p> <p>(a) termination of all <b>Bilateral Agreements, Mandatory Services Agreements</b> and <b>Construction Agreements</b> entered into by a <b>User</b> and cessation of any other right to use the <b>NGC Transmission System</b> pursuant to Paragraph <del>3.8.2</del><u>3.8</u> or Paragraph 9.23; or</p> <p>(b) a <b>User</b> having a <b>Licence</b> but not yet being connected to or otherwise using the <b>NGC Transmission System</b>, until such time as the <b>User</b> accepts an <b>Offer to connect to or use the NGC Transmission System</b>,</p> <p>a <b>User</b> with a <b>Licence</b> shall <del>be or</del> continue to be a <b>CUSC Party</b> but shall <del>cease to</del> not have any further rights and obligations for the period of such dormancy under the <b>CUSC</b> (and shall be a "<b>Dormant CUSC Party</b>") until the execution (or other entering into) of a <b>Bilateral Agreement</b> or commencement / recommencement of its right to use the <b>NGC Transmission System</b> pursuant to the <b>CUSC</b>. Termination or expiry of a particular <b>Bilateral Agreement, Mandatory Services Agreement</b> or <b>Construction Agreement</b> shall not, of itself, cause the relevant <b>User</b> to become a <b>Dormant CUSC Party</b>.</p>	<p>This change was proposed by NGC. While the original paragraph deals with Users who cease to have a connection, or cease to use the system, becoming dormant, there is a possibility of new licensees being required to comply with the CUSC through their licences before becoming connected to or using the system. The suggested changes extend the concept of Dormant CUSC party to cover such persons. Also changed to include more accurate cross references.</p>
5.2	<p>5.1.3 Change to: '...entered into by a <b>User</b> and cessation of any other right to use the <b>NGC Transmission System</b> pursuant to Paragraph <del>3.8.2</del><u>3.8</u> or Paragraph 9.23, a <b>User</b> without a <b>Licence</b>....'</p>	<p>Change needed to reflect Ofgem/DTI's conclusions (see paragraph 3.81 of this document).</p>

5.3	5.2.1 Remove square brackets around the words 'or an <b>Interconnector</b> '	Change needed to remove square brackets from text.
5.4	5.3.1 <u>Generic Events of Default</u> . Change to: 'It shall be an <del>event</del> <b>Event of default</b> <del>Default</del> if: ....'	Change needed for consistency (all defined terms are capitalised in the rest of the CUSC)*.
5.5	5.3.2. Change to: '.....still exist <b>NGC</b> may having given 48 hours notice of an <del>event</del> <b>Event of default</b> <del>Default</del> <b>Deenergise</b> all of the <b>User's Equipment</b> which is the subject of a <b>Bilateral Agreement</b> with that <b>User</b> or may as appropriate instruct the operator of a <b>Distribution System</b> to <b>Deenergise</b> such <b>User's Equipment</b> or in the case of an <b>Interconnector User</b> or <b>Interconnector Error Administrator</b> request the <del>owner of the</del> relevant <b>Interconnector Owner</b> to cease or procure the cessation of the transport of power across the <b>Interconnector</b> by or on behalf of an <del>Interconnector User</del> that <b>User</b> provided that prior to <b>Deenergisation</b> the <b>User</b> may refer the matter to the <b>Disputes Resolution Procedure</b> .'	First change needed for consistency (all defined terms are capitalised in the rest of the CUSC). The second set of changes is needed to reflect existence of the Interconnector Error Administrator (see paragraph x of this document). The final change is to ensure that the correct defined term is used.
5.6	5.3.4 Change to: 'If the <del>event</del> <b>Event of default</b> <del>Default</del> under Paragraph 5.3.2 or 5.3.3 is still continuing six months after the later of <b>Deenergisation</b> and the conclusion of the <del>Disputes</del> <b>Dispute Resolution Procedure</b> in favour of <b>NGC</b> , <b>NGC</b> may <b>Disconnect</b> all that <b>User's Equipment</b> at each <b>Connection Site</b> where that <b>User's Equipment</b> is connection and:- (a) <b>NGC</b> and the <b>User</b> shall remove any of the <b>User's Equipment</b> and <b>NGC Assets</b> on the other party's land within 6 months or such longer period as <u>may be agreed</u> ....'	Change needed for consistency with other defined terms. Second change needed to correct typographical error.  The change to paragraph (a) was proposed by NGC required to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
5.7	5.4.1 Change to: '.... and/or use of the <b>NGC Transmission System</b> , or (other than in relation to a <b>Supplier, Small Power Station Trading Party, an Interconnector User or an Interconnector Error Administrator</b> ) of the provisions of the <b>CUSC</b> enforcing the provisions	Change needed to promote consistency in use of defined terms*. Also change to include reference to interconnector users which was missed during

	of the <b>Grid Code</b> (but subject always to <del>Sub-Paragraphs 6.3.3 and 6.3.4 of the CUSC</del> ), and such breach...'	the interconnector changes and interconnector error administrator (see paragraph 3.83 of this document).  This paragraph has also been changed to reinsert the supplier exemption that was removed when the supply/distribution licence separation changes were made. (see paragraph 3.84 of this document).
5.8	5.4.3(a) Change last line of (iv) to: ' <u>User's Customers</u> (as the case may be) <u>or</u> (v) in the case of an <b>Interconnector User</b> or <b>Interconnector Error Administrator</b> request the relevant <b>Interconnector Owner</b> to cease or procure the cessation of transport of power by or on behalf of that <b>User</b> across the <b>Interconnector</b> , - upon the expiry of at least 48 hours prior written notice to the <b>User</b> , provided that at the time of expiry of such notice the breach concerned remains unremedied and that neither party has referred the matter to the <b>Disputes Resolution Procedure</b> . In such event NGC may:....  (cc) Change to: 'in the case of an <b>Interconnector User</b> <u>or</u> <b>Interconnector Error Administrator</b> request the relevant <b>Interconnector Owner</b> to cease or to procure....'	New paragraph (v) needed for consistency. Other Change to tail piece needed to use defined term correctly. Changes to (cc) needed to include reference to Interconnector Error Administrator (see paragraph x of this document).
5.8A	5.4.4 (b) Add 'or ' at end of paragraph.	This change is needed to correct a typographical error.
5.9	5.4.4(c) Change to: 'request the <del>owner of an</del> relevant <b>Interconnector Owner</b> to cease or procure the cessation of the transport of power by or on behalf of that <b>User</b> across the <b>Interconnector</b> .'	Change needed to use defined term.
5.10	5.4.5(a) Change to: '.....is connected that it be <b>Re-energised</b> or to <del>the owner of the Interconnector</del> the relevant <b>Interconnector Owner</b> that transport of power across the <b>Interconnector</b> can restart....'	Change needed to use defined term.
5.11	5.4.5(a)(iii): Change to '.....cause a material adverse effect on the business or condition of <b>NGC</b> or other <b>Users</b> of the <b>NGC Transmission Licence System</b> , ...'	Change to correct drafting error*.
5.12	5.4.5(b) Change to: '(as defined in Section K of the <b>Balancing and Settlement Code</b> ) is connected that it be <b>Reenergised</b> , <u>or to the owner of the Interconnector</u> relevant <b>Interconnector Owner</b> that transport of power can restart, .....the <b>User</b> accepts any terms offered by <b>NGC</b> or <del>settled</del> determined by the <del>Disputes Resolution Procedure</del> <b>Authority NGC</b>	Change needed to clarify meaning of paragraph and to use defined term 'Interconnector Owner'*.

	shall <b>Reenergise</b> the <b>User's Equipment</b> .....or equipment for which the <b>User</b> is responsible (as defined in Section K of the <b>Balancing and Settlement Code</b> ) is/are connected to <b>Reenergise</b> the same <u>or the relevant <b>Interconnector Owner</b> to restart that transport of power,</u> forthwith after any request from the <b>User</b> for <b>NGC</b> to do so'	
5.13	5.4.6.1(a) Remove the hyphen from the term ' <b>De-energisation</b> '. Change (i) to: 'all disputes arising out of the subject-matter of this Paragraph 5.4 which are referred to the <del>Disputes</del> <b>Dispute Resolution Procedure</b> <del>has</del> <u>have</u> been finally .....	Changes needed to ensure consistency with defined term and to correct a grammatical error*.
5.14	5.4.6.1 (b) Change to: 'If any or all of the <del>events</del> <b>Events of default</b> <del>Default</del> in Paragraph 5.3.1 of the CUSC has or have occurred.'	Changes needed to ensure consistency with defined term, to promote consistency with the remainder of the CUSC and to include a more accurate cross reference.
5.15	5.4.6. Change all references to <b>Bilateral Agreement</b> to <b>Bilateral <u>Connection Agreement</u></b> .	Change needed to more accurately refer to the Bilateral Agreement.
5.16	5.4.6.2 Change to: 'In the case where a <b>User</b> meets the <del>credit rating requirements of NGC</del> <b>NGC Credit Rating</b> ....'	Change needed to use defined term.
5.17	5.4.6.2(c)(ii): Change to 'an event of default has occurred under any banking arrangements (as may be more particularly described in the relevant <b>Bilateral <u>Connection Agreement</u></b> ), .....	Change needed to reflect Ofgem/DTI's conclusions (see para 3.72 of this document)
5.18	5.4.6.2(c)(iii) Change to: ' any other indebtedness of the <b>User</b> for the repayment of <u>borrowed</u> money (in a principal <del>outstanding</del> <u>outstanding</u> amount of not less than £1,000,000 (pounds sterling one million) or such greater figure specified in any <b>Bilateral <u>Connection Agreement</u></b> ) has become due and payable prior to the stated date of maturity thereof by reason of any default or breach of the part of the <b>User</b> and the amount in question has not been paid by the <b>User</b> or re-financed by the <b>User</b> within a period of {28} days following the date upon which it was so declared...'	Changes needed for clarification, to correct a typographical error, to refer more accurately to the relevant Bilateral Agreements and remove square brackets from the text*.
5.19	5.4.6.3 Change to: 'In the case where a <b>User</b> does not meet the <del>credit rating requirements of NGC</del> <b>NGC Credit Rating</b> on signing a <b>Bilateral <u>Connection Agreement</u></b> .....'	Change needed to use defined term.

5.19A	5.4.6.3(a)(ii): Change to ' an event of default has occurred under any banking arrangements ( <u>as may be more particularly described in the relevant <b>Bilateral Connection Agreement</b></u> ), (an event of default ...'	Change needed to reflect Ofgem/DTI's conclusions (see para 3.72 of this document).
5.20	5.4.6.3(a)(iii) Delete [] from text.	Change needed to remove square brackets from text.
5.20A	5.4.6.3(b)(iii) '... or Paragraph 5.4.6.3 (a) <del>of this Section</del> or to renew or revise such security or to substitute any security with the required replacement security ... in breach of any of its obligations under Paragraph 2.22 <del>of Part III of Section 2.</del> '	Change is needed for consistency with rest of CUSC.
5.21	5.4.7 Change to 'Once <b>NGC</b> has given a valid notice of an event of default pursuant to 5.4.6 <u>provided that the <b>Event of Default</b> is continuing</u> <b>NGC</b> may give notice of termination....'	Change required in response to comment from interested party to reflect provisions contained in some existing Supplemental Agreements. (see paragraph 3.70 of this document)
5.22	5.4.7(a) Change to: ' <b>NGC</b> shall in relation to such an <del>event</del> <u><b>Event of default</b></u> <del>Default</del> ....'	Change needed for consistency with definitions.
5.23	5.4.7(b)(iii) Change to: ' <b>NGC</b> shall in relation to such an <del>event of default</del> <u><b>Event of Default</b></u> of a <b>User</b> acting as an <b>Interconnector User</b> or <b>Interconnector Error Administrator</b> request the <u>relevant <b>Interconnector Owner</b></u> <del>owner of the relevant <b>Interconnector</b></del> to cease or procure the cessation of the transfer of power across the <b>Interconnector</b> by or on behalf of that <b>Interconnector User</b> ; <u>and...</u> '	Changes needed to use defined terms Event of Default and Interconnector Owner accurately, to include reference to the Interconnector Error Administrator (see paragraph 3.83 of this document) and provide the appropriate link into the tail piece of the paragraph.
5.24	5.5.3 Capitalise and embolden term ' <b>Event of Default</b> '	Change needed for consistency with definitions.
5.25	5.5.5.1 Change to: ' <b>NGC</b> may terminate the relevant <b>Bilateral Agreement</b> and all others to which the <b>User</b> is a party ( <del>and any use of system not subject to a <b>Bilateral Agreement</b></del> ) and revoke the <u><b>Use of System Supply Confirmation Notice</b> and <b>Use of System Interconnector Confirmation Notice</b></u> forthwith by notice to the <b>User</b> ....'	Change needed to clarify position re termination of Suppliers which don't have Bilateral Agreements.
5.26	5.5.5.2 Change to: '...not relieve the <b>User</b> of its obligation under Paragraph 3.9.3 or <u>Paragraph 9.10</u> or any <b>Bilateral Agreement</b> to which the <b>User</b> is a party....'	Change required to include accurate cross reference.

5.27	5.9.2. Change to: '....NGC shall be entitled to <b>Deenergise the Non-Embedded Customer's User's Equipment:</b> "the <b>Supplier</b> being authorised by a current <del>private electricity supply licence granted pursuant to section 6(1)(d) of the Act or by an exemption granted pursuant to section 5 of the Act</del> <b>Supply Licence</b> to supply electricity....'	Change needed for consistency with definitions*.
5.28	5.9.4 In tailpiece change reference to " <b>Disputes Resolution Procedures</b> " to " <b>Dispute Resolution Procedures</b> ".	Change needed for consistency with definitions.

## Section 6

6.1	6.4 JOINT SYSTEM INCIDENTS Change to: This paragraph applies to all <b>Users</b> other than:- (a) <b>Users</b> acting as <del>Second Tier Suppliers</del> ; and (b) <b>Users</b> who are <b>Trading Parties</b> and are responsible (as defined in the <b>Balancing and Settlement Code</b> ) for <b>Embedded Power Station(s)</b> Each such <b>User</b> confirms to <b>NGC</b> ...'	Change needed to remove reference to Second Tier Suppliers that should have been removed as part of the PES separation changes.
6.2	6.6.1 Change as follows: '....(a) in the case of recurrent monthly charges other than the <b>Energy</b> related charges identified in the relevant <b>Charging Statements</b> <del>(or otherwise notified to the User where there is no Bilateral Agreement)</del> <b>NGC</b> shall..... (b) in the case of the <b>Energy</b> related recurrent monthly charges identified in the relevant <b>Charging Statements</b> <del>(or notified to the User where there is no Bilateral Agreement)</del> <b>NGC</b> shall..... (c) unless otherwise specified in the <b>CUSC</b> where charges are payable other than monthly <b>NGC</b> shall despatch an invoice not less than 30 days prior to the due date for payment <del>specified in the relevant Appendix to the Bilateral Agreement (or otherwise notified to the User where there is no Bilateral Agreement).</del>	Change made as charging statements are notified to all and hence the deleted wording was superfluous*.



6.2A	6.6.3 Change to: ' ... number, bank and branch <del>specified by NGC in Schedule 1 or in the case of sums payable to a User the account number, bank and branch of the User set out in Schedule 1 (or such other account and/or bank as NGC or a User may from time to time notify in writing to another).</del> '	This change is needed to reflect the custom exercised under the MCUSA where despite the requirement to do so NGC never provided the information specified within Schedule 1.
6.3	<p>Insert new Paragraph after Paragraph 6.7 as follows:</p> <p><b>'BALANCING MECHANISM REQUIREMENTS</b></p> <p><u>[6.x]. If the <b>User</b> is a <b>BSC Trading Party</b>, then the following provisions must be met:</u></p> <p><u>[6.x.y] Trading Point Electronic Data Transfer (CC6.5.8)</u>  <u>If required under <b>Grid Code</b> CC.6.5.8, the <b>User</b> must provide electronic data communication facilities approved by <b>NGC</b> to permit the submission of data required by the <b>Grid Code</b>, from the <b>User's Trading Point</b> (as defined in the <b>Grid Code</b>) to <b>NGC</b>. The <b>User</b> can elect to send data to two locations depending upon the level of diversity required by the <b>User</b>. <b>NGC</b> will provide the necessary 'router' connection equipment at both Wokingham and Warwick House.</u></p> <p><u>[6.x.z]. If the <b>User</b> chooses to participate in the <b>Balancing Mechanism</b>, then the following provisions must be met:</u></p> <p><u>(a) Control Telephony (CC.6.5.2 to CC.6.5.5)</u>  <u>The requirements of Control Telephony are specified in Appendix 1 of this Section 6. This encompasses Additional Communication Requirements (CC.6.5.7 and CC.6.5.9).</u></p> <p><u>(b) Operational Metering (CC.6.5.6)</u>  <u>(i) The Operational Metering requirements are contained in Appendix 2 to this Section 6. The Operational Metering Summator (OMS) is detailed in NGTS</u></p>	This change was proposed by NGC. The NETA Addendum to Appendix F5 of the Supplemental Agreements deals with communication requirements for Balancing Mechanism purposes and needs to apply to Suppliers. As Suppliers will no longer have a Bilateral Agreement, the addendum needs to be incorporated within the general section of the CUSC rather than be dealt with in the Bilateral Agreements, as was originally proposed. This will require the inclusion of two new Appendices to Section 6 as referred to in this new section. Appendices 1 and 2 to Section 6 are set out in the Annex to this Appendix. (see para 3.88 of this document).

3.9.11.

- (ii) **NGC** shall supply and install the OMS Front End (FE) unit in a position close to the high accuracy meters, to be agreed with the **User**, preferably within the high accuracy metering cubicle. The OMS FE links to the OMS Processing End (PE) unit via a serial data link and this may need to be connected via **User** supplied cabling depending on the agreed positions of the two units.
- (iii) Where **User's Equipment** or equipment for which the **User** is responsible (as defined in the **Balancing and Settlement Code**) is located immediately adjacent to the Grid Entry Point (**NGC** Substation), Telecoms Room accommodation shall be provided by the **User** for the **NGC** Marshalling Cubicles, Telemetry, System Monitoring, Signalling and Telephone equipment required to collect and return the information required, and to provide voice communication. This will require space for between three and five 600mm square cubicles to contain equipment, supplies (e.g. 48-volt dc) and marshalling. The equipment will be provided and installed by **NGC**. The **User** will be responsible for providing the site connections and cabling to the plant/peripherals. The **User** should ensure that signals are wired out to the appropriate cubicle.
- (iv) Where **User's Equipment** or equipment for which the **User** is responsible (as defined in the **Balancing and Settlement Code**) is located immediately adjacent to the Grid Entry Point (**NGC** Substation), and the two sites have their earthing bonded together, the data required by **NGC** (from the OMS-FE and other plant) will be cabled directly between the two sites and the **NGC** equipment located in the **User** bay in the **NGC** substation.
- (v) The requirements as specified in Appendix 2 to this Section 6 must be met for all generating plant, including any plant specifically installed for Black Start, that is the subject of bids or offers to the **Balancing Mechanism**.
- (vi) The requirements as specified in Appendix 2 to this Section 6, to the extent that they are applicable, must be met where reasonably required by **NGC** for demand supplied by the **User** that is the subject of bids or offers to the **Balancing Mechanism**. **NGC** will not require the requirements of Appendix 2

	<p><u>to this Section 6 to be met where it is impracticable or unreasonable to do so, for example where the demand is a disparate collection of small demands aggregated to form a <b>BM Unit</b>.</u></p> <p><u>(c) Control Point Electronic Dispatch &amp; Logging (CC.6.5.8)</u></p> <p><u>Electronic data communication facilities approved by <b>NGC</b> to permit the submission of Bid Offer Acceptance data from <b>NGC</b> to the <b>User's</b> Control Point (as defined in the <b>Grid Code</b>) and to permit the submission data required by the <b>Grid Code</b>, from the <b>User's</b> Control Point to <b>NGC</b>. <b>NGC</b> will provide the necessary communication links and "router" connection equipment at the <b>User's</b> Control Point. The requirements for Control Point Electronic Dispatch &amp; Logging are specified in Appendix 1 to this Section 6 (Communications Plant).</u></p>	
6.4	<p>6.8.4 Change to: "To the extent that the provisions of the Nuclear Site Licence Provisions Agreement (being an agreement dated 30<sup>th</sup> March 1990 between <b>NGC</b> and <del>British Energy Generation Limited on 26 March 1996</del> and <u>Nuclear Electric plc (now called Magnox Electric plc) and an agreement dated 31 March 1996 between <b>NGC</b> and British Energy Generation Limited or <del>Magnox Electric plc on 30 March 1990</del></u> and described as such) relate to...."</p>	Changes needed to clarify meaning of paragraph.
6.5	<p>6.10.4 Change to: 'The matters referred to in Paragraphs 6.10.1 and 6.10.3 above are any covenant, agreement, restriction, stipulation, instruction, provision, condition or notice contained, or referred to, in a licence for the time being in force, granted in accordance with the Nuclear Installations Act 1965 (or legislation amending, replacing or modifying the same) or <u>any consent, or approval issued, or to take effect from time to time under such licence, any emergency arrangements, operating rules or other matters from time to time under such licence, any emergency arrangements, operating rules or other matters from time to time approved by the relevant authority under, or pursuant to, any such agreements, restrictions, stipulations, instructions, provisions, conditions or notices.</u>'</p>	This change was proposed by NGC to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA Implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
6.6	<p>6.12.1 Change to: '.....Such admission shall take effect by way of a <del>CUSC</del> <u>an Accession Agreement</u> prepared by <b>NGC</b>....'</p>	Change needed to use defined term.

6.7	6.13.1.1 Change to: ‘...shall take effect by way of a <del>CUSC</del> <b>an Accession Agreement</b> prepared by <b>NGC</b> at the expense and cost of the <b>New CUSC Party</b> and to be executed by <b>NGC</b> for itself and on behalf of all other <b>CUSC Parties</b> . Upon execution of the <del>CUSC Accession Agreement</del> by <b>NGC</b> , subject to and in accordance with the terms and conditions of that <del>CUSC Accession Agreement</del> ....’	Change needed to use defined term.
6.8	6.14.1.1(b)(iv) Change to: ‘...belonging to or under the control of a <del>Supplier</del> <b>Public Distribution System Operator</b> ; or....’	Change needed to reflect the separation of distribution and supply licences. (This change was missed in the previous PES split changes).
6.9	6.14.1.2(c)(viii) Change to: ‘...or pursuant to any judicial or other arbitral process <u>including where determination is by an expert</u> or tribunal having....’	This change is needed to reflect Ofgem/DTI’s conclusions. (see paragraph 3.73 of this document)
6.10	6.14.1.2(d) Change to: ‘...information under the terms of any agreement or arrangement (including the <b>CUSC</b> , the <b>Grid Code</b> , the <b>Distribution Codes</b> and the <b>Fuel Security Code</b> ) with the <b>CUSC Party</b> to <del>{whose affairs such Protected Information relates}</del> .’	Change required to insert missing opening bracket and delete superfluous square brackets*.
6.11	6.14.1.4(a)(i) Change to: ‘authorised by licence or exemption to generate, transmit, <u>distribute</u> or supply electricity; or...’	Change needed to reflect that distribution will be a licensable activity. Change missed in the previous PES split changes.
6.12	6.14.4 Change to: ‘Without prejudice to Paragraph 6.14.1.3, <b>NGC</b> and each of its subsidiaries may use and pass to each other all and any <del>Period Metered Demand</del> <u>period metered demand</u> data supplied to or acquired by it <u>and</u> all and any information....’	Changes required for consistency and to amend a typographical error*.
6.13	6.14.7(b) Change Tailpiece to: ‘and in any case otherwise than as a result of a breach by the <b>User</b> of its obligations in Paragraph 6.14.6 or a breach by the person who <del>is</del> disclosed that <b>Confidential Information</b> ....’	Change needed to delete a superfluous “is”*.
6.14	6.14.7(c)(v): Change paragraph to: ‘pursuant to the Arbitration Rules for the <b>Electricity Arbitration Association</b> or pursuant to any judicial or other arbitral process ( <u>including where determination is by an expert</u> ) or tribunal...’	This change is needed to reflect Ofgem/DTI’s conclusions (see paragraph 3.73 of this document).
6.15	6.16 Change to: ‘..... the <b>User</b> must supply that data upon receiving that request. This Paragraph 6.16 shall not apply to a <del>User in its Utilisation Category</del> <u>acting as a Supplier</u> of a <b>Non-Embedded Customer</b> .’	Change needed as Utilisation Category is not a defined term*.

6.16	6.17 Change to: ' <del>Subject as provided elsewhere in the CUSC to Paragraph 8.15.7,</del> all <b>Intellectual Property</b> relating to the subject matter of the <b>CUSC</b> .....'	Change needed as initial words were too wide without a specific cross reference to paragraph 8.15.7*.
6.17	<p><b>6.19 WAIVER</b></p> <p>Change to: 'No delay by or omission of a <b>CUSC Party</b> in exercising any right power, privilege or remedy <u>under this <b>CUSC</b>, any <b>Bilateral Agreement</b> or any <b>Construction Agreement</b> or any <b>Mandatory Services Agreement</b> or the <b>Grid Code</b></u> shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof. Any single or partial exercise of any such right, power, privilege or remedy shall not preclude any other or future exercise thereof or the exercise of any other right, power, privilege or remedy.'</p>	This change was proposed by NGC to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA Implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
6.18	6.20.3 Change to: ' <del>This paragraph</del> <u>Paragraph</u> shall apply only to <b>Users</b> ....any notice or other communications to be served upon the <b>User</b> under the provisions of this Paragraph <del>6.20 5.4</del> shall in each case be served by any one of the senior managers of <b>NGC</b> ..... <del>the User to NGC</del> under the provisions of Section <del>5.4</del> .....'	Changes needed for consistency in formatting, to rectify an incorrect cross reference and to delete square brackets from the text.
6.19	6.20.2.4 Change to: ' <u>in the case of facsimile, on acknowledgement by the addressee's facsimile receiving equipment (where such acknowledgement occurs before 17.00 hours on the day of acknowledgement) and in any other case on the day of acknowledgement.</u> '	This change was proposed by NGC to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA Implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
6.20	6.22.2 Change to: 'Each <b>CUSC Party</b> irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any <del>Proceedings</del>	Change needed to ensure defined terms are

	<b>Proceedings</b> in any such court as is referred to in this Paragraph 6.22 and any claim that any such <del>Proceedings</del> <b>Proceedings</b> have been brought in an ....'	emboldened.
6.21	6.25 SEVERANCE OF TERMS Delete square brackets around the word 'any'	Change needed to remove square brackets from text.
6.22	6.27 Change to: 'The <b>CUSC Parties</b> agree that for the purposes of cross references in documents existing as at the date of the introduction of the <b>CUSC</b> , the <b>CUSC</b> , <b>Bilateral Agreements</b> , <b>Construction Agreements</b> and <b>Agreements to Vary</b> shall be regarded as the <del>"Master Connection and Use of System Agreement"</del> <b>MCUSA</b> and the relevant <b>"Supplemental Agreements"</b> and any relevant <b>Agreements for Construction Works</b> and relevant <b>Agreements to Vary</b> .	Change needed to fully explain meaning of paragraph*.
6.23	Insert Appendices 1 and 2 to section 6. Wording of the Appendices is set out in the Annex to this Appendix.	Consequential on introduction of new paragraph after 6.7 'BALANCING MECHANISM REQUIREMENTS' (see above)

### Section 7

7.1	Not used.	Not used.
7.2	7.2.3 Delete square brackets from text.	Change needed to remove square brackets from text.
7.3	7.2.4 Capitalise and embolden ' <b>Customer</b> '	Change needed for consistency of formatting.
7.4	7.3.1 Change to: '....including, by agreement, <del>on the</del> <u>by</u> telephone)...	Changed to improve grammatical accuracy of provision.

### Section 8

8.1	Change all provisions relating to the provision of information by the Panel Secretary or NGC to CUSC parties and any other persons to clarify that publication obligations will be met by placing the information on the website and, where relevant details have been provided to the Panel Secretary despatch by electronic mail. (e.g. 8.5.4, 8.6.4(b). 8.15.8(a), 8.23.2);	Change needed to reflect comment by interested party, to clarify obligation on Panel Secretary/NGC re provision of information.
8.2	8.1.2 Change to: 'There is a need to bring proposed amendments to the attention of <b>CUSC Parties</b> and others, to discuss such proposals and to report on them to the	Change needed to clarify meaning of paragraph*.

	<b>Authority</b> and in furtherance of <del>these</del> this Section 8 provides for the establishment of an <b>Amendments Panel, Working Groups</b> and <b>Standing Groups</b> and for consultation by <b>NGC</b> .	
8.3	8.2.4.1(b)(i) Change to: 'the <u>persons or</u> body of <del>person or</del> persons by whom he was appointed....'	Change needed to clarify meaning of sentence*.
8.4	Insert new sub-paragraph after 8.5.1(b) '(x) as provided for in Paragraph 8.2.4.4.'	Change needed to recognise existing additional circumstance in which a Panel Member or Alternate Member can be removed from office.
8.5	8.5.2 Change to: '...cast in favour of the resolution. <u>A copy of any such resolution shall forthwith be sent to the <b>Authority</b> by the <b>Panel Secretary</b>.</u> '	Change needed to ensure Ofgem is informed of resolutions (needed because Ofgem has ability to veto resolutions under 8.5.1(d).
8.6	8.6.2(b) Delete words 'or by the Authority'	Change needed to reflect Ofgem/DTI's conclusions (see para 4.85 of this document)
8.7	Add new paragraph 8.6.2(d): ' <u>All information to be sent by the <b>Panel Secretary</b> to <b>Panel Members</b> pursuant to this Section 8 shall also be sent by the <b>Panel Secretary</b> to each <b>Alternate Member</b> (whether or not currently selected as an alternate for a <b>Panel Member</b>) by electronic mail (where relevant details shall have been provided by each <b>Alternate Member</b>).</u> '	Change needed to reflect Ofgem/DTI's conclusions (see para 4.86 of this document)
8.8	8.6.5(a)(iii): Replace 'duty' with 'duly'	Change required to correct a typographical error
8.9	8.6.5(a)(iv): Change to: ' <u>...enjoy any of the rights transferred to the alternate <del>for the period of appointment of the alternate</del> at any meeting at which, or in relation to any matter on which, the alternate acts on his behalf.</u> '	Change needed to reflect Ofgem/DTI's conclusions (see para 4.86 of this document)
8.10	8.6.5(b) Change to: 'A person appointed as an alternate shall automatically cease to be an alternate: (i) if the appointing <b>Panel Member</b> ceases to be a <b>Panel Member</b> ; (ii) if any of the circumstances in Paragraph 8.5.1(b) applies in relation to such person,  <u>but, in the case of an <b>Alternate Member</b>, shall continue to be an <b>Alternate Member</b> available for appointment under paragraph 8.6.2.'</u>	Change needed to reflect Ofgem/DTI's conclusions (see para 4.86 of this document)

8.11	8.7.1 Change to: 'Meetings of the <b>Amendments Panel</b> shall <del>(subject to Paragraph 8.7.2 hold regular meetings on the first Business Day of each month of the year be held at regular intervals and at least every month at such time and such place as the</del> <b>Amendments Panel</b> shall decide'	Change needed to reflect Ofgem/DTI's conclusions (see para 4.78 of this document)
8.12	8.7.2(a) Change to: '...that there is <del>no</del> insufficient business for the <b>Amendments Panel</b> to conduct and requests the <b>Panel Secretary</b> ....'	Change needed as there will always be some business to discuss at Panel meetings (i.e. approval of previous meeting's minutes)*.
8.13	8.7.5 Change to: '...to each <b>CUSC Party</b> and each <b>BSC Party</b> at the same time at which notice is given to the <b>Panel Members</b> , and publication on the <b>NGC Website</b> and <del>or</del> despatch by electronic mail (if the relevant details are supplied to the <b>Panel Secretary</b> ) shall fulfil this obligation.'	To clarify the requirements regarding provision of information and to correct a typographical error
8.14	8.7.6 Change to: 'Any <b>Panel Member</b> <del>(or, at the Panel Member's request, the Panel Secretary)</del> may notify matters for consideration at a meeting of the <b>Amendments Panel</b> in addition to those notified by the <b>Panel Secretary</b> under Paragraph <del>8.7.5</del> <b>8.7.4</b> by notice to all .....	Change needed to allow for situation where a Panel Member is unable to contact all other Panel Members*. Second change needed to rectify an incorrect cross reference.
8.15	8.7.11 Change to: 'Where: (a) any matter (not contained in the agenda and not notified pursuant to Paragraph <del>8.7.7</del> <b>8.7.6</b> ) is put before a meeting.....'	Change needed to rectify an incorrect cross reference.
8.16	8.8.2 Change to: '...any person invited by the <b>Panel Chairman</b> and/or any <u>other</u> <b>Panel Member</b> .'	Change needed as Panel Chairman is also a Panel Member.
8.17	8.8.3 Change to: 'The <b>Panel Chairman</b> and any <u>other</u> <b>Panel Member</b> ....'	As above.
8.18	8.9.4 Change to: 'If at the adjourned meeting there is not a quorum present within half an hour after the time for which the meeting was convened, <del>the meeting shall be cancelled and the business which would have been transacted at the meeting will be dealt with at the next regular meeting or special meeting (called pursuant to Paragraph 8.7.3 of the</del> <b>Amendments Panel</b> those present shall be a quorum.'	Change needed to reflect Ofgem/DTI's conclusions (see para 4.88 of this document)



8.19	<p>Insert new paragraph after 8.10.4: 'The two <b>Panel Members</b> appointed by <b>NGC</b> pursuant to paragraph 8.2.1.2(c) shall together have one vote in relation to each matter which shall be cast jointly by agreement between them or, where only one of the <b>NGC Panel Members</b> is present at a meeting, by that <b>NGC Panel Member</b>.'</p> <p>Also include cross reference to this new paragraph in para 8.10.2.</p>	<p>Changes needed to reflect Ofgem/DTI's conclusions (see para 4.89 of this document)</p>
8.20	8.10.4 Delete 'in' between 'cast' and 'equally'	Change required to correct a typographical error.
8.21	8.10.5 Change to: '...as if it had been passed <del>as</del> at a duly convened .....	Change required to correct a typographical error.
8.22	8.13.1 '...such less often period if there is <del>a limited amount</del> <u>no material matter</u> arising to report)....'	Change required to clarify meaning of paragraph*.
8.23	8.13.2(c) (i) Change to: 'the priority proposed to be accorded or that is accorded to <del>the each</del> <b>Amendment Proposal</b> in the .....	Change needed to correct a typographical error.
8.24	8.14.2: Change to: '... <b>Core Industry Documents</b> consequent on an <del>Amendment</del> amendment .....	Change needed because 'Amendment' is not a defined term within the CUSC.
8.25	8.15.1 Change to: 'A proposal to modify the <b>CUSC</b> may be made by <del>either</del> a <b>CUSC Party</b> , by the <b>GECC</b> or by a <b>BSC Party</b> <u>or, under Paragraphs 8.21.8 and 8.23.5, by the <b>Amendments Panel</b>.</u>	Change needed to reflect Ofgem/DTI's conclusions (see paragraph 4.80 of this document)
8.26	8.15.2(i): 'Change to: '...on acceptance of the <del>Proposal</del> proposal for consideration by the <b>Amendments Panel</b> <del>the</del> a <b>Proposer</b> which is not a <b>CUSC Party</b> shall grant a licence in accordance with Paragraph 8.15.7.'	Change needed because 'Proposal' is not a defined term within the CUSC. Also changed to clarify that only proposers that are not CUSC Parties are required to give a licence in respect of a proposal. CUSC parties are deemed to have given such licence through raising the change as a party to the CUSC.
8.27	8.15.4 Change to 'Without prejudice to the development on an <b>Alternative Amendment</b> pursuant to Paragraph <del>8.19.2</del> <u>8.20.2</u> , a proposal shall be rejected by the <b>Panel Secretary</b> pursuant to Paragraph 8.15 if and to the extent that such proposal has, in the opinion of the <b>Amendments Panel</b> , substantially the same effect as: (a) a <b>Pending Amendment Proposal</b> ; or	Changes needed to correct an incorrect cross reference and for consistency.

	(b) a <b>Rejected Amendment Proposal</b> , where such proposal is made at any time within <del>{2}</del> <u>two (2)</u> months after....’’	
8.28	8.15.7: Change to: ‘It shall be a condition to the right to make a proposal to modify the <b>CUSC</b> under this Paragraph 8.15 that the <b>Proposer</b> : (a) grants a non-exclusive royalty free licence to all <b>CUSC Parties</b> who request the same covering all present and future rights, <b>IPRs</b> and moral rights it may have in such proposal (as regards use or application in Great Britain); <u>and</u> (b) warrants that, to the best of its knowledge, information and belief, no other person has asserted to the <b>Proposer</b> that such person has any <b>IPRs</b> or normal rights or rights of confidence in such proposal.  <u>and, in making a proposal, a <b>Proposer</b> which is a <b>CUSC Party</b> shall be deemed to have granted the licence and given the warranty in (a) and (b) above.</u>	Change needed to rectify omission of word ‘and’*.
8.29	8.16.1 Change to ‘This Paragraph 8.16 is subject to the <b>Urgent CUSC Amendment Proposals</b> procedures set out in Paragraph <del>8.20</del> <u>8.21</u> .	Change needed to rectify an incorrect cross reference.
8.30	8.16.2 Change to: ‘An <b>Amendment Proposal</b> made pursuant to Paragraph 8.15 shall, <u>subject to Paragraph 8.15.6,</u> be discussed ....’	Change needed to ensure that the existing provision stating that the Amendment Panel need not discuss proposals at a meeting if the proposals in question are not received more than 5 business days prior to that meeting is fully effective. (such proposals would be discussed at the next meeting)
8.31	8.16.4(f) Change to ‘...the <b>Authority</b> taking into account all those issues) adjust the <u>priority of the relevant <b>Amendment Proposal</b> accordingly.</u> ’	Change needed to clarify meaning of paragraph.
8.32	8.16.5 Change to ‘.....the <b>Amendments Panel</b> shall determine at <del>such any</del> <u>meeting of the <b>Amendments Panel</b>....</u> ’	Change needed to clarify meaning of paragraph.
8.33	8.17.1 Change to: ‘.....Unless specifically appointed pursuant to this Paragraph <u>or permitted pursuant to Paragraph 8.19,</u> a <b>Standing Group</b> shall not comment upon any <b>Amendment Proposal</b> ’	Change needed to reflect Ofgem/DTI’s conclusions (see para 4.70 of this document)
8.34	8.17.3 Change to: ‘A <b>Working Group</b> shall comprise at least five (5) persons ( <u>who may be <b>Panel Members</b></u> ) .....’	Change needed to clarify that Panel members can be members of working groups*.

8.35	8.17.4 Put words 'Amendments Panel' in bold	Change required to maintain consistency
8.36	8.17.8 Change reference to ' <b>Alternative Proposal</b> ' to ' <b>Alternative Amendment</b> '.	Change required to use defined term.
8.37	Reorder paragraphs 8.17.9 and 8.17.10	Change required to increase readability of CUSC.
8.38	8.17.11: Change paragraph as follows: 'The chairman or another member (nominated by the chairman) of the <b>Working Group</b> shall attend the next <del>following</del> <b>Amendments Panel</b> meeting <del>following delivery of the report and may be invited to present the findings and/or answer the questions of Panel Members in respect thereof.</del> Other members of the <b>Working Group</b> may also attend such <b>Amendments Panel</b> <u>meeting.</u> '	Change needed to clarify meaning of paragraph.
8.39	8.17.12: Change paragraph as follows: ' <u>At the meeting referred to in Paragraph 8.17.11 the <del>The</del> <b>Amendments Panel</b> shall consider the <b>Working Group's</b> report <del>at the next following Amendments Panel meeting....</del></u> '	Change needed to clarify meaning of paragraph.
8.40	8.18.1: Change to: '...England and Wales. The <b>Amendments Panel</b> may <del>notify changes-change</del> issues specified from time to time as it sees fit. In setting up a <b>Standing Group</b> , the <b>Amendments Panel</b> shall <u>determine the terms of reference of the <b>Standing Group</b> (and may change those terms of reference from time to time as it sees fit) and specify a time period within which....</u> '	Change needed to reflect Ofgem/DTI's conclusions (see para 4.70 of this document)
8.41	8.18.2: Change to: 'A <b>Standing Group</b> shall comprise at least five (5) persons (who <del>may</del> be <b>Panel Members</b> ) selected...'	Change needed to correct a typographical error
8.42	8.18.6: Delete words in brackets "(other than drafting changes to the CUSC or associated agreements, which shall be considered only pursuant to an Amendment Proposal)"	Change needed to reflect Ofgem/DTI's conclusions (see para 4.70 of this document)
8.43	8.18.6(d): The chairman or another member (nominated by the chairman) of the <b>Standing Group</b> shall attend the next <b>Amendments Panel</b> meeting following delivery of the report and may be invited to present the findings and/or answer the questions of <b>Panel Members</b> in respect thereof. Other members of the <b>Standing Group</b> may also attend such <b>Amendments Panel</b> <u>meeting.</u> <del>The <b>Amendments Panel</b> shall consider the <b>Standing Group's</b> report at the next <b>Amendments Panel</b> meeting following the presentation of the <b>Standing Group's</b> report..</del>	Change to make paragraph consistent with equivalent paragraph regarding working groups.

8.44	<p>8.19.1 Change to:  (ii) such other persons who may properly be considered to have an appropriate interest in it.</p> <p><u>Where following the establishment of a <b>Working Group</b>, or the decision of the <b>Amendments Panel</b> to proceed directly to consultation by <b>NGC</b>, in relation to an <b>Amendment Proposal</b>, the terms of reference of a <b>Standing Group</b> have been amended by the <b>Amendments Panel</b> to include the ability to comment on that <b>Amendment Proposal</b>, that <b>Standing Group</b> as a body shall be deemed to fall within sub-paragraph (ii) above and therefore shall be able to respond to <b>NGC's</b> consultation. It shall not, however, in so doing undertake the functions of a <b>Working Group</b>. In the absence of such a change in terms of reference, the <b>Standing Group</b> as a body shall have no ability to respond to any consultation.'</u></p>	Change needed to reflect Ofgem/DTI's conclusions (See paragraph 4.70 of this document)
8.45	8.20.2(g)(iv) Change to 'the changes and/or developments which would be required to central computer systems{and, <u>if practicable,</u> processes....'	Change needed to delete square brackets present in text and to recognise that the information required to fulfil this obligation may not be available.
8.46	8.19.4 Change term <b>Alternative Proposal</b> to <b>Alternative Amendment</b> .	Change needed to ensure consistency with definitions.
8.47	8.20.1 Cross reference should be to Paragraph 8.20 and not 8.19	Change needed to rectify an incorrect cross reference.
8.48	8.20.2: move 8.20.2 (g) to follow 8.20.2(b)	Change needed to reflect Ofgem/DTI's conclusions (see para 4.90 of this document)
8.49	8.20.2(e) Change to: 'the proposed date for implementation of the <b>Amendment Proposal</b> <u><b>Proposed Amendment</b> or <b>Alternative Amendment</b>;...'</u>	Change needed for consistency with definitions.
8.50	Add new sub-paragraph above 8.20.2(h): <u>'to the extent such information is available to <b>NGC</b>, an assessment of the impact of the <b>Proposed Amendment</b> and any <b>Alternative Amendment</b> on <b>CUSC Parties</b> in general (or classes of <b>CUSC Parties</b> in general), including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating</u>	Change needed to reflect Ofgem/DTI's conclusions (see paragraph 4.90 of this document)

	costs associated with implementing the changes to the <b>CUSC</b> and to <b>Core Industry Documents</b> ;	
8.51	8.21.1, 8.21.2, 8.21.4 and 8.21.5: References to Paragraph 8.20 or parts of that Paragraph should be to Paragraph 8.21 or parts of that Paragraph.	Change needed to rectify incorrect cross references.
8.52	8.21.3(a) Delete square brackets. Change tailpiece to ' the <b>Panel Chairman</b> <u>or, in his absence, the <b>Panel Secretary</b></u> shall forthwith consult....'	Change needed to remove square brackets. Second change needed to clarify situation where the Panel Chairman is unavailable*.
8.53	8.21.6 Change to '.... and the extent to which the procedure followed deviated from the <b>Amendment Procedures</b> (other than the procedures in this Paragraph 8.21)	Change needed as urgent amendment procedures form part of the Amendment Procedures*.
8.54	8.21.8 Change to: '...facilitate the <b>Applicable CUSC Objectives</b> in respect of the subject matter of <del>the original urgent amendment</del> <b>that Urgent Amendment Proposal.</b> '	Change needed to clarify meaning of paragraph.
8.55	8.22.2 Cross reference to Paragraph 8.21.1 should be to Paragraph 8.22.1	Change needed to rectify incorrect cross reference.
8.56	8.23.2 Change tailpiece to: '.. of the change so made <u>and the effective date of the change.</u> '	Change needed to ensure list includes effective date*.
8.57	8.23.3 Change to: <del>Subject to Paragraph 8.20.7, a</del> An amendment of the CUSC shall take effect from the time and date specified in the direction, or other approval, from the <b>Authority</b> referred to in Paragraph <del>8.22.1</del> 8.23.1 or, in the absence.....'	Change needed to delete superfluous wording and rectify an incorrect cross reference.
8.58	8A.1.1.2(a): Change to: 'in relation to each year (the <del>"election year"</del> "Election Year") in which the term of office.....'	Change needed for consistency with other definitions.
8.59	8.23.4 Change reference to Paragraph 8.22.1 to 8.23.1	Change to rectify an incorrect cross reference.
8.60	8A Capitalise and embolden word ' <b>Resigning</b> ' throughout . Change all references to 'preference votes' to ' <b>Preference Votes</b> ' throughout'.	Changes needed for consistency with other definitions.
8.61	8A.1.2.1 Change to: '...and a timetable for the election ( <del>"the election timetable"</del> the " <b>Election Timetable</b> "), setting out.....'	Change needed for consistency with other definitions.
8.62	8A.1.2.1(d) Change to: '...15 <sup>th</sup> September in the <del>election year</del> <b>Election Year.</b> '	Change needed for consistency with other definitions.
8.63	8A.1.2.2 Change to: '....completed before 1 <sup>st</sup> October in the <del>election year</del> <b>Election Year.</b> '	Change needed for consistency with other definitions.

8.64	8A.2.1.1 Change to: 'Nominations for candidates shall be made in accordance with the <del>election timetable</del> <b>Election Timetable</b> .	Change needed for consistency with other definitions.
8.65	8A.2.2.1 Change to: '...by the date specified in the <del>election timetable</del> <b>Election Timetable</b> .'	Change needed for consistency with other definitions.
8.66	8A.2.2.3 If <del>twelve (12)</del> <u>seven (7)</u> or fewer candidates are nominated (or where Paragraph 8A.4 applies only one such candidate is nominated), no further steps in the election shall take place and such candidate(s) shall be treated as elected as <b>User's Panel Members</b> <del>or Alternate Members (with the Panel Members being chosen from the 12 by lots)</del> and Paragraph 8A.3.2.4 shall apply in relation to such candidate(s).	Change needed to reflect practical issues. The previous wording would have involved lots being drawn to choose the CUSC Panel if 12 people had been nominated.
8.67	8A.3.2.6 Change to: '...which are invalid or are to be disregarded <u>(i.e. voting papers not made or submitted in accordance with the <b>CUSC</b>.)</u> '	Change needed to clarify meaning of paragraph.
8.68	8A.3.6 Change to: ' <b>Further provisions round</b> '	Change needed to increase clarification.
8.69	8A.3.6.1 Change to: 'If after any voting round the number of candidates achieving <del>the any Panel Member(s) or Alternate members remain to be elected</del> <u>the required Preference Votes threshold exceeds the number of persons remaining to be elected, the following tie-break provisions shall apply between the tied candidates. In addition, if after the third voting round any Panel Member(s) or Alternate Member(s) remain to be elected the following tie-break provisions shall apply between the remaining candidates. after the third voting round:....</u> <i>(a) the <del>then</del> tied or remaining candidates (as applicable) shall be ranked in order of the number of.....'</i>	First change: Change needed to reflect experience from the election which showed that there could be tie breaks prior to Round 3.  Second change: Change needed for consistency with other definitions.

## Section 9: Interconnectors

9.1	9.1 Change to: INTRODUCTION This Section 9 of the CUSC deals with <b>Interconnectors</b> other than <b>Distribution Interconnectors Owners</b> (which are dealt with in Section 3). Part 1 provides for.....	First change needed to reflect Ofgem/DTI's conclusions to clarify which sections apply to a Distribution Interconnector Owner.  Other changes needed to reflect Ofgem/DTI's
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	<p>Part 1 – CONNECTION TO THE NGC TRANSMISSION SYSTEM BY INTERCONNECTOR OWNERS CONNECTION INTRODUCTION</p> <p>This Part 1 deals with connection to the NGC Transmission System by an <b>Interconnector Owner</b>. The <b>User</b> for the purposes of this Part 1 will therefore be the <b>Interconnector Owner</b>. <del>Where the <b>Interconnector Owner</b> is the <b>Interconnectors Business</b> the User for the purposes of this Part 1 will be NGC.</del> Given that the <b>Existing Contractual Arrangements</b> in respect of the <b>Interconnectors</b> between England and Scotland and England and France are not as at the <b>CUSC Implementation Date</b> governed by the <b>MCUSA</b> there is no obligation for the <b>Interconnector Owner</b> in those cases to enter into Part 1 of Section 9 as at the <b>CUSC Implementation Date</b> provided always that upon termination of such <b>Existing Contractual Arrangements</b> any subsequent <b>Connection</b> to the <b>NGC Transmission System</b> shall be entered into and governed by the terms of this <b>CUSC</b>.'</p>	<p>conclusions (see paragraphs 3.74 &amp; 3.75 of this document).</p>
<p>9.2</p>	<p>9.2.3 Name existing paragraph sub paragraph (a). Change to: '...the <b>User</b> shall keep the <b>User's Equipment</b> at the <b>Connection Site</b> of an <b>Interconnector</b> <u>connected to the <b>NGC Transmission System</b></u> until <b>Decommissioning</b> .....</p> <p>Add sub-paragraph (b): 'For as long as the <b>User</b> is connected to the <b>NGC Transmission System</b> (and the <b>User's Equipment</b> is <b>Energised</b> and <b>Operational</b> ) the <b>User</b> shall ensure:</p> <p>(i) that there is an <b>Interconnector Error Administrator</b> appointed in respect of that <b>Interconnector</b>; and</p> <p>(ii) that any party with whom it enters into an agreement for use of that <b>Interconnector</b> is a party to the <b>CUSC</b> and is in receipt of a <b>Use of System Interconnector Confirmation Notice</b> prior to and during its use of that <b>Interconnector</b>.'</p>	<p>First change needed to reinsert text which was inadvertently deleted during Interconnector changes.</p> <p>Change needed to ensure Interconnector Owners are obliged to ensure that all users of that interconnector are party to the CUSC. (see paragraph 3.79 of this document).</p>

9.3	9.3 Change to: ‘...the relevant <b>Bilateral Connection Agreement</b> , the <b>Grid Code</b> and any <b>Operating Agreement</b> , <b>NGC</b> shall accept into the <b>NGC Transmission System</b> at the <b>Connection Site</b> of an <b>Interconnector</b> power up to the amount.....’	Change needed to clarify meaning of paragraph.
9.4	9.8.1 <b>CONNECTION CHARGES</b> . Change to: ‘Subject to the provisions of the <b>CUSC</b> , and the relevant <b>Bilateral Connection Agreement</b> , each <b>User</b> shall, as between <b>NGC</b> and that <b>User</b> : (a) with effect from the <del>Transfer Date</del> in the case of a <del>Connection Site Commissioned</del> prior to the <del>Transfer Date</del> , and (b) with effect from the relevant date set out in the relevant <b>Bilateral Connection Agreement</b> in the case of a <del>Connection Site Commissioned</del> after the <del>Transfer Date</del> be liable to pay to <b>NGC</b> the <b>Connection Charges</b> calculated and applied in accordance with the <b>Statement of the Connection Charging Methodology</b> .....’	Change needed for consistency with 2.14.1.
9.5	9.8.3(c) Change to: ‘a written statement specifying the <b>Connection Charges</b> calculated in accordance with the <b>Charging Statement</b> based on the cost of carrying out the <b>NGC Asset Works</b> (the “ <b>Cost Statement</b> ”). <b>NGC</b> shall be entitled to revise Appendix B to the relevant <b>Bilateral Connection Agreement</b> accordingly.	Change needed for consistency with change to 2.14.3(c)
9.6	9.8.4(b) Change to: ‘The <b>User</b> shall forthwith on the <del>Charging Date</del> <u>relevant date</u> set out in the relevant <b>Bilateral Connection Agreement</b> ’  (c) <b>NGC</b> shall invoice the <b>User</b> for an amount equal to <b>NGC’s</b> estimate of the <b>One-off Charge</b> before, on or after the <del>Charging Date</del> <u>relevant date</u> set out in the relevant <b>Bilateral Connection Agreement</b> and the <b>User</b> shall pay to <b>NGC</b> the amount stated in the <b>NGC</b> invoice at the later of such <del>Charging Date</del> <u>relevant date</u> or 28 ....’	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore this paragraph was confused. To clarify the term ‘Charging Date’ has been replaced with ‘relevant date’.
9.7	9.8.5(a) The <b>User</b> shall be liable to pay to <b>NGC</b> , from and including the <del>Charging Date</del> <u>relevant date</u> set out in the relevant <b>Bilateral Connection Agreement</b> , the <b>Land Charge</b> (if any) set out in the relevant <b>Bilateral Connection Agreement</b> . The <b>Land Charge</b> shall be equal to the <b>Land Charge Base Amount</b> (set out in the relevant Appendix to the relevant <b>Bilateral Agreement</b> as calculated and indexed in accordance with the <b>Statement of the Connection Charging Methodology</b> <u>or</u> otherwise provided for in the relevant <b>Bilateral Connection Agreement</b> .’	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore this paragraph was confused. To clarify the term ‘Charging Date’ has been replaced with ‘relevant date’.
9.8	9.8.5(c) Change to: ‘As soon as reasonably practicable after the end of the <b>Financial Year</b> in which the <del>Charging Date</del> <u>relevant date</u> in paragraph (a) occurs <b>NGC</b> shall prepare and deliver to the <b>User</b> a statement of the <b>Land Charge</b> .’	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore



		this paragraph was confused. To clarify the term 'Charging Date' has been replaced with 'relevant date'.
9.9	9.8.5(g) The <b>Connection Charges</b> (including the <b>Land Charge</b> ) shall be paid as specified in Paragraph 6.6.1(a) and shall be...'	Changed to ensure consistency with paragraph 2.14.6 (see earlier change).
9.10	9.8.7 Change to: '...2.16 (Data Requirements), 2.17 (Replacement of NGC Assets), 2.18 <del>Termination Amounts Re-use</del> and 2.19 to 2.22 inclusive (Security and <del>termination amounts</del> <b>Termination Amounts</b> ) of the <b>CUSC</b> shall apply to this Section 9 as if set out herein in full.'	Changes needed to correct typographical errors.
9.11	9.9.1 Change to: 'Subject to the provisions of the <b>CUSC</b> , and any relevant <b>Bilateral Agreement</b> , together with the relevant <b>Charging Statements</b> , the <b>User</b> shall <del>(a) with effect from the Transfer Date in the case of a user in existence as at the Transfer Date, and (b) with effect from the relevant date set out in the relevant <b>Bilateral Agreement</b> in the case of a use which commenced after the Transfer Date,</del> be liable to pay to <b>NGC</b> the ....'	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore this paragraph was confused. To clarify the term 'Charging Date' has been replaced with 'relevant date'.
9.12	9.9.2.2 Change to: 'Where the <b>Charging Date</b> relevant date for charging set out in the relevant <b>Bilateral Connection Agreement</b> in relation to <b>Use of System</b> falls during a <b>Financial Year</b> , the <b>User</b> shall on the date specified in writing by <b>NGC</b> to the <b>User</b> supply to <b>NGC</b> such data in respect of the <b>Financial Year</b> in which the <u>charging date</u> relevant date set out in the relevant <b>Bilateral Connection Agreement</b> falls....'	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore this paragraph was confused. To clarify the term 'Charging Date' has been replaced with 'relevant date'.
9.13	9.9.2.4 Change to: '...in respect of the <b>Financial year</b> in which the <b>Charging Date</b> <u>charging date</u> falls... <b>Transmission Network Use of System Charges</b> for the <b>Financial Year</b> in which the <del>Charging Date</del> <u>charging date</u> falls.'	Change needed as Charging Date was defined in the definitions as the date referred to in the Connection Construction Agreement and therefore this paragraph was confused. To clarify the term 'Charging Date' has been replaced with 'relevant date'.
9.14	9.9.4.1 Change to: '..statement published by <b>NGC</b> in accordance with Licence Condition 10 (as subsisting at the relevant date of publication)....'	Change needed to refer to the licence condition as in existence at the date of calculation.
9.15	9.9.7 Change to: '...relate to <b>Transmission Network Use of System Demand Reconciliation Charges</b> ...'	Change needed for consistency with defined terms.

9.16	9.13.1 Change to: '...The <b>User</b> shall ensure that, in the case of an <del>an Interconnector</del> a <b>Connection Site Commissioned</b> prior to the <b>Transfer Date</b> , on the <b>Transfer Date</b> , and in the case of a <b>Connection Site Commissioned</b> after the <b>Transfer Date</b> , on the <b>Completion Date(s)</b> , the <b>User's Equipment</b> complies with the site specific technical conditions set out in Appendix F5 to the relevant <b>Bilateral Connection Agreement</b> and/or in the relevant <del>other</del> <b>Operating Agreement</b> .	Change needed to remove unnecessary words 'an <b>Interconnector</b> ' (as section 9 only applies to Interconnectors) and to remove the superfluous 'other' before <b>Operating Agreements</b> .
9.17	9.13.2 Change to: '.....to that <b>Bilateral Connection Agreement</b> and/or in the relevant <del>other</del> <b>Operating Agreement</b> .'	Change needed to remove a superfluous 'other'.
9.18	9.16.1 Change to: '....between the <b>NGC Transmission System</b> and an <b>Interconnector</b> <u>at</u> the busbar clamp on the busbar side of the busbar isolators in the <b>Interconnector</b> transformer circuits at <del>an</del> <u>a</u> <b>Connection Site</b> .'	Changes needed to correct typographical errors.
9.19	9.17.1 Change to: '..... <b>User</b> to cease or procure the cessation of the transfer of power across the relevant <b>Interconnector</b> by or on behalf of that <b>Interconnector User</b> or <b>Interconnector Error Administrator</b> '	Change needed to include reference to Interconnector Error Administrator for consistency with beginning of paragraph (see paragraph 3.83 of this document).
9.20	9.17.3 Delete this clause.	Clause not needed in consequence of change to paragraph 9.1 above.
9.21	9.19 Change to: 'This Part II deals with rights and obligations relating to use of the <b>NGC Transmission System</b> by <b>Interconnector Users</b> and <b>Interconnector Error Administrators</b> (whether in respect of an <b>Interconnector</b> governed by the <b>Existing Contractual Arrangements</b> or otherwise). <u>An <b>Interconnector Error Administrator</b> is deemed to be using the <b>NGC Transmission System</b> because of its registered <b>BM Units</b> in respect of which it has an obligation to pay <b>Balancing Services Use of System Charges</b>.</u> The <b>User</b> for the purposes of this Part will therefore be an <b>Interconnector User</b> and/or <b>Interconnector Error Administrator</b> .....'	Change needed to clarify the position of the Interconnector Error Administrator (see paragraph 3.83 of this document). Also to clarify that terms apply to all Interconnector Users whether or not the relevant Interconnector Owner is party to the CUSC in that capacity.

9.22	9.20.1 Change to: ' Subject to the provisions of the <b>CUSC</b> , <del>and the <b>Grid Code</b></del> and any relevant <b>Operating Agreement</b> <b>NGC</b> shall as between <b>NGC</b> and that <b>User</b> transport a supply of power through the <b>NGC Transmission System</b> together with such margin as <b>NGC</b> shall in its reasonable opinion consider necessary having due regard to <b>NGC's</b> duties under the <b>Transmission Licence</b> except to the extent that <b>NGC</b> is prevented from doing so by transmission constraints or by <del>inefficiency</del> <u>insufficiency</u> of generation which, in either case, could not have been avoided....'	Change needed to include reference to Operating Agreement for consistency with rest of Section 9. Second change needed to rectify typographical error.
9.23	9.21.1 Change to: 'If a <b>User</b> wishes to use the <b>NGC Transmission System</b> in accordance with this <u>Part II Section...</u> '	Change to include more accurate cross reference.
9.24	9.21.4 Change to: '..... <b>Transmission Licence</b> , in which event the <b>Use of System Supply Interconnector Offer Notice</b> shall remain open for acceptance....'	Change needed to ensure correct defined term is used.
9.25	9.21.5 Change to: 'shall have a right to <del>Use</del> use the <b>NGC Transmission System</b> in accordance with this Section....'	Change needed to ensure correct defined term is used.
9.26	9.21.6 Capitalise and embolden word ' <b>Applicant</b> '	Change needed for consistency of formatting with rest of CUSC.
9.27	9.22.1 Change to: 'Subject to the provisions of the <b>CUSC</b> , together with the relevant <b>Charging Statements</b> , each <b>User</b> shall: (a) <del>with effect from the Transfer Date in the case of a use in existence at the Transfer Date, and</del> (b) with effect from the relevant date set out in the relevant <b>Use of System Interconnector Confirmation Notice</b> given to a <b>User</b> <del>in the case of a use which commenced after the Transfer Date</del> , be liable to pay to <b>NGC</b> ....'	This change is needed for the same reason as the change to 3.9.1 as continuity of charges in relation to pre-CUSC charges is being dealt with in the Transitional Section, the reference in this paragraph only needs to be to the date set out in the Use of System Interconnector Confirmation Notice.
9.28	9.22.4 Change to: 'Paragraphs 3.21 to 3.24 (Credit Requirements) as they relate to <b>Transmission Services Use of System Charges</b> and <b>Balancing Services Use of System Charges</b> shall apply as if set out herein in full and as if references to <b>Generator</b> were references to <b>Interconnector Users</b> and to <b>Interconnector Error Adminstrators</b> (as the case may be)'. <u>Adminstrators</u>	Change needed to clarify meaning of paragraph.
9.29	9.22.5(a) Change '1700' to '17.00'. 9.22.5(d) Change '1230' to 12.30'	Changes needed for consistency of formatting with the rest of CUSC.

9.30	9.22.6 Change to: '....calculated from the data contained in the <b>Final Reconciliation Volume Allocation Run</b> in accordance with the data specified in the <b>Statement of the Use of System Charging Methodology</b> ....'	This change is needed to remove a duplication with the Charging Statements (and for consistency with 3.15.1)
9.31	9.22.11 Change references to ' <b>Interconnector User</b> ' to ' <b>User</b> '.	Change needed so that provision also applies to the Interconnector Error Administrator (see paragraph 3.83 of this document).
9.32	9.22.12 Change to: 'If at any time prior to receipt by <b>NGC</b> of the <b>Final Reconciliation Volume Allocation Run</b> in respect of a <b>Settlement Day NGC</b> receives written notice from any <del>Interconnector User</del> ....'	Change needed so that provision also applies to the Interconnector Error Administrator (see paragraph 3.83 of this document).
9.33	9.23.2.1(a) Change to: 'There ceasing to be a <b>Bilateral Connection Agreement</b> for or termination of the <b>Existing Contractual Arrangements</b> for the <b>Connection Site</b> of the relevant <b>Interconnector</b> .'	Change needed to explain the position relating to connected Interconnectors who have contracts other than Bilateral Agreements.
9.34	9.23.2.1(b) Change to: 'disconnection of the <b>Connection Site</b> of the relevant <b>Interconnector</b> pursuant to Section 5 or in the case of the French or Scottish <b>Interconnectors</b> , pursuant to the <b>Existing Contractual Arrangements</b> .'	Changed to reflect that there will be existing contractual arrangements in place in respect of existing interconnectors.
9.35	9.23.2.2 Change to: 'Use shall be suspended for the period of any <b>Deenergisation</b> of the <b>Connection Site</b> of the relevant <b>Interconnector</b> pursuant to the <b>CUSC</b> , or in the case of the French or Scottish <b>Interconnector</b> , the <b>Existing Contractual Arrangements</b> .'	Changed to reflect that there will be existing contractual arrangements in place in respect of existing interconnectors.
9.36	9.23.3 Change to: '....a <b>User</b> under <u>Paragraph 9.23.1</u> above,.....'	Change needed for consistency with rest of CUSC and to include a more accurate cross reference.

**Section 10: Transitional Section** (NB this section was section 11 in the draft CUSC published on 19 December 2000. It became section 10 by virtue of the reordering of sections 9-11 at the time of the consultation on the revised wording on PES separation and Interconnectors was published).

10.1	10.1 Change to: 'This Section 10 deals with issues arising out of the transition from the <del>MCUSAMaster Connection and Use of System Agreement</del> , and associated documents to the <b>CUSC</b> . Each paragraph deals with an <del>issues</del> <u>issue</u> that arises, although.....'	Changes needed to use defined term and to correct a typographical error*.
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10.2	10.2.2 Change to: ' <b>MCUSA Dispute</b> A <b>MCUSA Dispute</b> will be dealt with in accordance with the provisions of the <del>current MCUSA</del> (and the equivalent provisions in the relevant <b>Supplemental Agreements</b> ).	Inclusion of the word 'current' was inappropriate*.
10.3	10.2.4 Change to: 'Where a dispute involves issues relating to both the pre <b>CUSC</b> and the <del>post CUSC</del> period and the period after the <b>CUSC Implementation Date</b> , then the issues relating to the <del>post CUSC</del> period after the <b>CUSC Implementation Date</b> shall be determined as a " <b>CUSC Dispute</b> ".	Change needed to clarify meaning of paragraph.
10.4	10.2.5 Change to: 'Generally, the introduction of the <b>CUSC</b> by amending the <b>MCUSA</b> into the <b>CUSC Framework Agreement</b> , the various <b>Bilateral Agreements</b> , the <b>Mandatory Services Agreements</b> ....'	Change needed to correct a typographical error
10.5	10.3 Change to: ' <b>OUTSTANDING OFFERS/CONSTRUCTION NOT COMPLETED</b> 10.3.1 <u>Outstanding Offer</u> This paragraph 10.3.1 applies where offers have been made for <b>Connection</b> and/or <b>Use of System</b> or for <b>Modification</b> of existing <b>Supplemental Agreements</b> prior to the <b>CUSC Implementation Date</b> <del>In that situation, acceptance of those offers would, if effective,</del> (an " <b>Outstanding Offer</b> "). Acceptance of an <b>Outstanding Offer</b> would if the <u>User signs and returns the Offer</u> after the <b>CUSC Implementation Date</b> <del>require the entering into of the CUSC Framework Agreement and the relevant Bilateral/Construction Agreement (if any) as prepared by NGC as an amendment to the existing offer, which will reflect the Site related details which would otherwise be within the Supplemental Agreements.</del> <u>11.3.2 Construction Not Completed This paragraph 11.3.2 result in the withdrawal of the original Offer and substitution of an Offer on the basis of the CUSC reflecting similar terms to the original Offer which Offer may be accepted within one month of the Offer being made.</u> 10.3.2 <u>Construction Ongoing</u> : This paragraph 10.3.2 applies to <b>Connection Sites</b> where construction has yet to start or is ongoing but not completed. <del>The usual position will be for</del> <u>In such cases</u> the existing <b>Supplemental Agreement</b> will be replaced with a <b>Construction Agreement</b> and a <b>Bilateral Agreement</b> . 10.3.3 <u>Construction Completed</u> Where construction is <del>ongoing or completed, as agreed between NGC and the relevant User,</del> completed there will not be a separate <b>Construction Agreement</b> , but	Outstanding Offers: These changes were proposed by NGC clarify the consequences of accepting an Outstanding Offer before/after the CUSC Implementation Date. Further, to give NGC sufficient time to change such agreements into the CUSC and Bilaterals under the Amending Agreement process in respect of an Offer accepted close to the CUSC Implementation Date, there is the need to introduce a special procedure to deal with acceptances 10 or less days prior to the CUSC Implementation Date. Other changes have been made to reflect actual practice and hence better codify existing arrangements. Construction Issues: These changes are needed to distinguish between situations where construction is completed and those where it is not. In the former situation the CUSC specifically refers to the continuance of the Supplemental Agreement in relation to the construction elements but we have (a) clarified that this extends to the provisions relating to Operational Notification as this may still be outstanding after completion of construction,

	the existing <b>Supplemental Agreement</b> (and any Agreement for Construction Works) in relation to construction elements <del>(and with certain necessary changes)</del> (including the Operational Notification, as that term is defined in the relevant <b>Supplemental Agreement</b> ) (and with any necessary changes to reflect that it solely reflects construction related issues) will be regarded as a continuing “deemed” <b>Construction Agreement</b> (and the definition of <b>Construction Agreement</b> shall be construed to include such deemed agreements), with the <b>User</b> also having a new <b>Bilateral Agreement</b> .’	and (b) also made references to the continuance of any agreement for construction works where this is separate to the Supplemental Agreement.
10.6	10.4 Change to: ‘In relation to certain existing <b>Supplemental Agreements</b> , variations to the standard <b>Supplemental Agreement</b> Type provisions have been agreed in accordance with the provisions of the <b>MCUSA</b> (which are different to those changes made pursuant to the NETA Implementation Scheme Part C). Accordingly.....’	Change needed to include a reference to the NETA Implementation Scheme*.
10.7	10.4.2 Change to: ‘..... <b>Bilateral Agreement</b> (or letter) would be so varied by that <b>CUSC Amendment</b> ’	Change needed as CUSC Amendment is undefined*.
10.8	10.4.3 Change to: ‘For the avoidance of doubt, the variations specified in <del>the</del> <u>this</u> section will only apply.....’	Change needed to clarify which section is being referred to.
10.9	10.6 Change to: ‘Notwithstanding Paragraph 10.2, <b>NGC’s</b> obligation to charge in accordance with the ....’	Change needed to avoid overlap in paragraph.
10.10	Insert new paragraphs before paragraph 10.6: <b>10.[] CONTINUITY OF CHARGES</b> <u>In relation to <b>Connection Sites</b> and uses of the <b>NGC Transmission System</b> existing as at the <b>CUSC Implementation Date</b>;</u> <u>10.[] the relevant <b>Bilateral Agreement</b> will set out the date from which charges are payable as being the <b>CUSC Implementation Date</b>;</u> <u>10.[] the relevant <b>Use of System Supply Confirmation Notices</b> will set out the date from which <b>Use of System Charges</b> are payable as being the <b>CUSC Implementation Date</b>;</u> <u>10.[] <b>Use of System Supply Confirmation Notices</b> will be issued to existing <b>Second Tier Suppliers</b> and to the <b>Supplier</b> part of the <b>Public Electricity Suppliers</b>.</u>  However, such a provision is without prejudice to any obligation in relation to charges under the <b>MCUSA</b> and relevant <b>Supplemental Agreements</b> in relation to the	CONTINUITY OF CHARGES and CONTINUITY OF PAYMENTS FOR MANDATORY ANCILLARY SERVICES: These changes were proposed by NGC. The Bilateral Agreements and Use of System Supply Confirmation Notices issued (or deemed issued) as at the CUSC Implementation Date will formally include the date of the CUSC as the relevant date for charging purposes. The first of these new paragraphs ensures that the existing obligations to pay charges up to the date of the CUSC arising under the Supplemental Agreements are unaffected by the start date for charging under the Bilaterals and Use of System Supply Confirmation Notices being the CUSC

period up to the **CUSC Implementation Date**, which obligation continues based on the provisions (including the relevant dates) in the **MCUSA** and the relevant **Supplemental Agreements**.

**10.[] CONTINUITY OF PAYMENTS FOR MANDATORY ANCILLARY SERVICES**

In respect of **Users** providing **Mandatory Ancillary Services** as at the **CUSC Implementation Date**, the relevant **Mandatory Services Agreement** will set out the date from which payments are made by **NGC** as being the **CUSC Implementation Date**. However, such a provision is without prejudice to any obligation on **NGC** under **Ancillary Services Agreements** to make payments in respect of **Mandatory Ancillary Services** in relation to the period up to the **CUSC Implementation Date**, which obligation continues based on the provisions in the **Ancillary Services Agreements**.

**10.[] OUTTURNING**

Under the provisions of the existing **Supplemental Agreements** and Agreements for **Construction Works** to effect a **Modification** at a **Connection Site NGC** is entitled to charge **Connection Charges** based on an estimate of the cost of the **NGC Asset Works**. **NGC** then has an obligation to carry out an outturn reconciliation process to determine the final cost of carrying out these works. Notwithstanding the provision in Paragraph 2.14.3(c) of the **CUSC** requiring the **Cost Statement** to be provided within one year of the **Completion Date NGC** and each relevant **User** acknowledge that this has proven impractical on a number of completed schemes and agree that the words "and in any event within one year thereof" shall not apply in respect of all schemes completed prior to 31 March 2000.

Implementation Date. Further, we have also set out drafting which allows for Use of System Supply Confirmation Notices to be deemed for existing Users and for the new supply companies formed as a result of the PES split, to avoid issuing a large number of notices.

OUTTURNING: NGC proposed this change. This provision is required as in practice it has not always been possible to provide a cost statement within one year. It is required as part of the codification process as NGC and the User could previously agree to a longer period for provision of the statement.

10.11	<p>10.7.1 Change to: 'The process undertaken immediately prior to the introduction of <b>CUSC</b> to put in place the <b>Industry Panel Members</b> and <b>Alternate Members</b> elected by <b>Users</b> of the first <b>Amendments Panel</b>, although undertaken before the relevant provisions were in force, is agreed by <b>CUSC Parties</b> to constitute the appointment of the first set of <b>Industry Panel Members</b> and <b>Alternate Members</b> elected by <b>Users</b> under the CUSC.</p> <p>10.7.2 Change to: ' The terms of office of such <b>Industry Panel Members</b> and <b>Alternate Members</b> elected by <b>Users</b> will be deemed to have begun on the <b>CUSC Implementation Date</b>.</p>	Change needed as Industry Panel members is not defined*.
10.12	<p>Insert new paragraph to follow PRE-CUSC VOTING OF AMENDMENTS PANEL paragraph:</p> <p>'CUSC IMPLEMENTATION DATE On the <b>CUSC Implementation Date</b>, the <b>MCUSA</b> and associated agreements will be deemed to be amended to become the <b>CUSC</b> and associated agreements and statements with effect from 00.01 hours on that date for all purposes.'</p>	Change needed to explain the position re migration of the MCUSA (and associated agreements) into the CUSC (and associated agreements).
10.13	<p>Insert new paragraph at the end of section 10: '<b>PES SEPARATION</b> <u>10.[x] Until the date <b>PES Separation Date</b> the <b>CUSC</b> shall be read together with the changes to the <b>CUSC</b> and <b>Bilateral Agreements</b> and Exhibits to the CUSC set out in the Appendix to this Section 10. From the <b>PES Separation Date</b>, the changes to the <b>CUSC</b> and <b>Bilateral Agreements</b> and Exhibits to the <b>CUSC</b> set out in the Appendix to this Section 10 shall cease to have effect and the Appendix to this Section 10 shall cease to form part of the <b>CUSC</b>. For the purposes of this Paragraph 10.[ ] and the Appendix to this Section 10 "<b>PES Separation Date</b>" means the date upon which schemes made under paragraph 13 of Schedule 7 to the Utilities Act 2000 comes into operation and each existing <b>Public Electricity Supply Licence</b> has effect as if it were a <b>Distribution Licence</b> and a <b>Supply Licence</b> under section 6(1) of the <b>Act</b> as substituted by section 30 of the Utilities Act 2000.'</u></p> <p>Insert following Appendix to section 10: <b>'APPENDIX – PUBLIC ELECTRICITY SUPPLIER LICENCE SEPARATION</b></p>	Appendix needed to allow the CUSC to function properly before the separation of distribution and supply licences take effect. All changes listed in the Appendix serve to bring the CUSC back in line with the draft CUSC as consulted on before the PES split changes were introduced. (see paragraph 3.86 of this document)



The changes are as follows:

Section 1 – Applicability of Sections and Related Agreements Structure

1. In Paragraph 1.2.4 of the **CUSC**:

(a) Insert a new row at the end of the table as follows:

<u>7.</u>	<u><b>Distribution System</b> directly connected to the <b>NGC Transmission System</b> with the <b>User</b> supplying within the <b>Distribution System</b></u>	<u>2 and 3</u>
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(b) In row 3 of the table after “**Distribution System** directly connected to the **NGC Transmission System**” add the words “without the **User** supplying within that **Distribution System**”.

2. In Paragraph 1.2.4, row 4 and Paragraph 1.4.1 add the words “**Second Tier**” before the word “**Supplier**”.

Section 3 – Use of System

3. In the contents list for Section 3 at paragraph 3.5 add the words “**Second Tier**” before the word “**Supply**”.

4. In the introductory text for Section3, Part IB – General Supply replace the words “**Suppliers** generally and, in relation to certain provisions” with “**Second Tier Suppliers** and”.

5. In Paragraph 3.5 add the words “**SECOND TIER**” before the word “**SUPPLIER**” in the heading and change all occurrences of “**Public Distribution System Operator**” to “**PES**” and “**Public Distribution System Operator’s**” to “**PES’s**”.

6. In Paragraph 3.6.3 replace the words “**Supply Licence**” with “supply **Licence** granted pursuant to section 6 of the **Act**”.

7. In Paragraph 3.7.3, 3.8.2, 3.8.3(a) add the words “**Second Tier**” before occurrences of the word “**Supplier**”.

Section 5 – Events of Default, Deenergisation, Disconnection and Decommissioning

8. In Paragraph 5.4.1 add the words **“Second Tier”** before the word **“Supplier”**.

9. In Paragraph 5.4.7(b)(ii) add the words **“Second Tier”** before the word **“Supplier”**.

10. In Paragraph 5.9.2 replace the reference **“section 6(1)(d) of the Act”** with **“section 6(2)(a) of the Act”**

Section 6 – General Provisions

11. In Paragraph 6.4 add the words **“Second Tier”** before the word **“Supplier”** in subparagraph (a) and after subparagraphs (a) and (b) add the following new subparagraph:

“and

(c) **Users** acting as **Suppliers** supplying **Non-Embedded Customers.**”

12. In Paragraph 6.15.1.1 replace the words **“Public Distribution System Operator”** with **“Supplier”**.

13. In Paragraph 6.15.1.4 delete **“, distribute”**.

Section 9 – Definitions

14. In Section 11 – Definitions, Paragraph 9.3:

(a) Add the following definitions:

**“Second Tier Supplier”** or **“STS”** a holder of a **Second Tier Supply Licence**;

**“Second Tier Supply Licence”** a licence granted under section 6(2)(a) of the **Act**;

**“Public Electricity Supplier”** or **“PES”** a holder of a **Public Electricity Supply Licence**;

(b) In the definition of **“Authorised Electricity Operator”** delete **“, distribute”**.

(c) Delete the definition of **“Distribution Licence”**, **“Public Distribution System Operator”** and **“Supply Licence”**.

(d) In the definition of **“Commercial Boundary”** change the words **Distribution**

	<p><u>System Operators” to “Public Electricity Suppliers”.</u></p> <p>(e) In the definition of <u>“Distribution Codes”</u> change the words <u>“Public Distribution System Operator”</u> to <u>“PES”</u>.</p> <p>(f) In the definition of <u>“Non-Embedded Customer”</u> change the words <u>“Public Distribution System Operator”</u> to <u>“PES”</u>.</p> <p>(g) In the definition of <u>“Public Electricity Supply Licence”</u> delete the words <u>“prior to the coming into force of section 30 of the Utilities Act 2000”</u>.</p> <p>(h) In the definition of <u>“Remote Transmission Assets”</u> change both occurrences of the words <u>“Public Distribution System Operator”</u> to <u>“PES”</u>.</p> <p>(i) Delete the definition of <u>“Supplier”</u> and substitute: <u>“Supplier” a Public Electricity Supplier or Second Tier Supplier;</u></p> <p>(j) In the definition of <u>“Use of System Supply Offer and Confirmation Notice”</u> add the words <u>“Second Tier”</u> before the word <u>“Supplier”</u>.</p> <p>(k) In the definition of <u>“Use of System Termination Notice”</u> add the words <u>“Second Tier”</u> before the word <u>“Supplier”</u>.</p> <p>(l) In the definition of <u>“User System”</u> change the words <u>“Public Distribution System Operator”</u> to <u>“PES”</u>.</p> <p>The Exhibits shall be read as if the references were to a pre <u>PES Separation Date CUSC</u> and associated Exhibits.</p> <p>References to Licence Condition C7</p> <p>15. Unless otherwise specified, references to Standard Condition C7, C7A, C7B, C7C, C7D, C7E, C7F or C7G or Special Condition A2 (or part of those conditions) of the <u>Transmission Licence</u> shall be changed to refer to the corresponding Condition (i.e. Condition 10, 10A, 10B, 10C, 10D, 10E, 10F, 10G or 12) (or the corresponding part of those Conditions) of the <u>Transmission Licence</u>.’</p>	
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## Section 11: Interpretation and definitions

11.1	11.1 Change to: ‘...It also set out <del>many of</del> the defined terms used by the <b>CUSC</b> (other than those defined elsewhere in the <b>CUSC</b> ) and other agreements.	Change needed to clarify the meaning of the paragraph*.
11.2	11.2.4 If such <b>Consent</b> is required <del>is required</del> from any <b>CUSC Party</b> ....’	Change needed to remove duplicate words*.

11.3	11.2.6(a) Change to 'unless the context otherwise requires all references to a particular Paragraph, <u>Part</u> , <u>Section</u> , <u>Schedule</u> or <u>Exhibit</u> shall be a reference to that Paragraph, <u>Part</u> , <u>Section</u> , <u>Schedule</u> or <u>Exhibit</u> in or to the <b>CUSC</b> and all references to a particular <u>Appendix</u> shall be a reference to that <u>Appendix</u> <del>or <u>Clause</u> to a <b>Bilateral Agreement</b>.....'</del>	Change needed to further clarify meaning of paragraph*.
11.4	Reorder definitions where necessary to ensure that they are in alphabetical order.	Change needed to improve readability of the section.
11.5	<del>"<u>Agreement</u> <b>Accession Agreement</b>"</del> an agreement in or substantially in <u>the form of</u> Exhibit A to the <b>CUSC</b> ....'	Change needed to clarify definition further*.
11.6	<b>"Additional Scheduling <del>Date</del> <u>Data</u>"</b> as defined in the <b>Grid Code</b> <u>on the day prior to the NETA Go-live Date:</u>	Changes needed to correct a typographical error and to clarify the definition further.
11.7	<b>"Affiliate"</b> in relation to <b>NGC</b> (and in relation to Paragraph 6.14 <u>and 8A.4.2.2</u> , any <b>User</b> ) means any holding company.....	Definition needs to cross refer to Paragraph 8A 4.2.2 as well as 6.14*.
11.8	<b>"Approved Credit Rating"</b> : a <del>long</del> <u>short</u> term <del>credit</del> <u>debt</u> rating of not less than <del>A-1</del> <u>A-1</u> by Standard and Poor's Corporation or a rating of not less than <del>A-3P1</del> <u>A-3P1</u> by <u>Moody's</u> Investor Services, or a long-term rating, which correlates to those short-term ratings, or an equivalent rating from any other reputable credit agency approved by <b>NGC</b> ; or such lower rating as may be reasonable approved by <b>NGC</b> from time to time;	Change needed in response to comment from an interested party to clarify the references to 'short' and 'long' and clarify the reference to the Moody's level. Change also clarifies that long term credit ratings may be accepted by NGC in line with the current credit policy.
11.9	Change <b>"Authorised Electricity Operator"</b> : '.....who is authorised to generate, transmit, <u>distribute</u> , or supply electricity....'	Change needed as distribution will be a separate licensable activity post the separation of supply/distribution licences.
11.10	<b>"Base Rate"</b> in respect of any day, the rate per annum which is <del>4% per annum equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding <b>Business Day</b> day (being a weekday other than a Saturday on which banks are open for domestic business in the City of London);</del> <b>"Base Rate"</b> in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank Plc as at the close of business on the	This change was proposed by NGC to include the definition of 'Business Day' to avoid duplication of text.

	<del>immediately preceding day (being a weekday other than a Saturday on which banks are open for domestic business in the City of London);</del>	
11.11	<del><b>Charging Date</b></del> in relation to a particular <del>User</del> , as defined in its <del>Construction Agreement</del> ;	This change was proposed by NGC as the definition is no longer required due to the changes to paragraphs 2.14 and 2.15 and equivalent provisions in section 9 (see above).
11.12	<del>Codes</del> <b>Code of Practice</b> as defined in the <b>Balancing and Settlement Code</b> ;	Change to ensure consistency with term in the BSC*.
11.13	<b>Commercial Ancillary Services</b> as defined in the <u>Grid Code</u> <del>GC8.2</del>	Change required for consistency with the Grid Code*.
11.14	<del><b>CUSC Accession Agreement</b></del> an agreement in or substantially in the form set out in Exhibit A whereby an applicant accedes to the <del>CUSC Framework Agreement</del> ;	Definition duplicates defined term 'Accession Agreement' (see above).
11.15	<b>CUSC Implementation Date</b> the date <del>specified by the Secretary of State in the relevant designation</del> on which the conditions in the <b>Transmission Licence</b> relating to <u>the Connection and Use of System Code</u> first come into effect;	Change needed to ensure that definition is consistent with the designation expected to be made by the Secretary of State.
11.16	<b>Detailed Planning Data</b> detailed additional data which <del>NGC required</del> <u>requires</u> under the <b>PC</b> in support of Standard Planning Data;	This change was proposed by NGC required to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the

		NETA <i>changes</i> to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.
11.17	<b>“Distribution Agreement”</b> an agreement entered into by a <b>User</b> with the owner/operator of the <b>Distribution System</b> for the connection of the <b>User’s Equipment</b> (or <del>Equipment</del> equipment for which the <b>User</b> is responsible (as defined in Section 4 K of the <b>Balancing and Settlement Code</b> ) to and use of such <b>Distribution Agreement System</b> ;	Changes needed to correct cross reference to BSC and to correct typographical error
11.18	<b>“Enhanced Rate”</b> in respect of any day the rate per annum which is 4% above the <del>base lending rate from time to time of Barclays Bank plc as at the close of business on the immediately preceding Business Day</del> <b>Base Rate</b> ;	Definition now refers to new <b>Base Rate</b> definition*.
11.19	<b>“Estimated Demand Charge”</b> the forecast <b>Demand (Active Power)</b> data filed with <b>NGC</b> pursuant to <del>Paragraph [1.2]</del> of the <b>Charging Statements</b> ;	Change needed to refer to the Charging Statements generally instead of a specific reference. This will allow the Charging Statements to change without needing subsequent changes to the CUSC.
11.20	<b>“Existing Contractual Arrangements”</b> shall mean in the case of the <b>Interconnector</b> between England and France existing as at the <b>CUSC Implementation Date</b> the <u>Interconnector Framework Agreement made between <b>NGC</b> and R.T.E dated 11 December 2000 as amended from time to time, the Operating Agreement known as the “Procedures for Operation of the Cross Channel Link Pink Version or Version Rose” dated 3 April 1989 as amended from time to time and the Protocol between CEGB and Electricite de France dated 16 June 1981 and in the case of the <b>Interconnector</b> between England and Scotland existing as at the <b>CUSC Implementation Date</b> the Use of Interconnector Agreement (Scotland) 1991 made between <b>NGC</b> and Scottish Power plc and Scottish Hydro Electric plc dated 30 April 1991 as amended from time to time and the <b>British Grid Systems Agreement</b>;</u>	Change needed to reflect change to paragraph 9.1 of section 9 discussed above.
11.21	Insert new definition: <b>“External Interconnection”</b> as defined in the Grid Code	Change needed to insert missing definition.
11.22	<b>“Final Demand Reconciliation”</b> as defined in Paragraph <del>9.4.8(a)</del> <u>3.12.17(a)</u>	Change needed to rectify incorrect cross reference*.

11.23	<p><b>“High Frequency Response”</b> <del>in relation to a Genset an automatic reduction in Active Power output in response to an increase in System Frequency above the Target Frequency as more particularly defined in an Ancillary Services Agreement released increasingly with time over the period 0 to 10 seconds from the time of the Frequency increase and must be fully achieved within 10 seconds of the time of the Frequency increase and must be sustained at no lesser reduction thereafter. The rate of reduction in Active Power output over the period 0 to 10 seconds shall at no point be less than constant as defined in the Grid Code.’</del>  Also make the same changes to the definitions of <b>“Primary Response”</b> and <b>“Secondary Response”</b>.</p>	<p>Definition also included within the Grid Code therefore consistency with other such definitions this definition (and the definitions of Primary Response and Secondary Response) should refer to the definition contained within the Grid Code*.</p>
11.24	<p><b>“High Voltage”</b> or <b>“HV”</b> a voltage exceeding 650 volts</p>	<p>Changes to ensure consistency with use of defined term within the CUSC*.</p>
11.25	<p><b>“Interconnector User”</b> <del>as defined in the Balancing and Settlement Code</del>(a) <u>in relation to an <b>Interconnector</b> connected to the <b>NGC Transmission System</b>, as defined in the <b>Balancing and Settlement Code</b>; and</u>  (b) <u>in relation to a <b>Distribution Interconnector</b>, a <b>Lead Party</b> (as defined in the <b>Balancing and Settlement Code</b>) in respect of a single <b>BM Unit</b> where under Section K5 of the <b>Balancing and Settlement Code</b> the <b>BM Unit</b> has been allocated in relation to that <b>Distribution Interconnector</b> or if there is no such allocation, as defined in the <b>Balancing and Settlement Code</b>;</u></p>	<p>Change needed to incorporate definition of Distribution Interconnector User (see paragraph 3.78 of this document)</p>
11.26	<p><b>“Joint System Incident”</b> Paragraphs (a) and (b) below are without prejudice to the application of Paragraph 6.4 to <b>Users</b> acting in capacities other than those detailed in Paragraphs (a) and (b),  (a) for <b>Users</b> in respect of their <b>Connection Sites</b> which were not <b>Commissioned</b> as at the <b>Transfer Date</b>, shall have the meaning given to that term in the <b>Grid Code</b>;  (b) for <b>Users</b> acting in their capacity as <b>Generators</b> with <b>Embedded Large Power Stations</b> or <b>Embedded Medium Power Stations</b> and who are passing power onto a <b>Distribution System</b> through a connection with a <b>Distribution System</b> which was not <b>Commissioned</b> as at the <b>Transfer Date</b>, means an event wherever occurring (other than on an <b>Embedded Medium Power Station</b> or <b>Embedded Small Power Station</b><del>Independent Generating Plant</del>) which, in the opinion of <b>NGC</b> or a <b>User</b> has or may have a serious and/or widespread</p>	<p>This change was proposed by NGC to aid consistency of drafting and for consistency with defined terms.</p>

	effect, being (in the case of an event on a <b>User(s) System(s)</b> ) (other than on an <b>Embedded Medium Power Station</b> or <b>Embedded Small Power Station</b> <del><b>Independent Generating Plant</b></del> ), on the <b>NGC Transmission System</b> , and (in the case of an event on the <b>NGC Transmission System</b> ), on a <b>User(s) System(s)</b> (other than on an <b>Embedded Independent Generating Plant</b> );	
11.27	<b>“Land Charge Base Amount”</b> in relation to a particular <b>User</b> , the sum specified in Appendix <del>[B2]</del> <b>B</b> to the relevant <b>Bilateral Connection Agreement</b> ;	Change needed to include a more accurate cross reference. Second change needed to increase precision of reference to the Bilateral Connection Agreement*.
11.28	<b>“Licence Standards”</b> the standards to be met by <b>NGC</b> under <u>Special Condition 12</u> <del>A2</del> of the <b>Transmission Licence</b> ;	Change needed to refer to the correct licence condition.
11.29	<b>“Maximum Export Limit”</b> as defined in the <del><b>Balancing and Settlement</b></del> <b>Grid Code</b> ;	The definition of this term within the BSC cross refers to the definition in the Grid Code. It therefore makes sense for this definition to cross refer directly to the Grid Code*.
11.30	<b>“<del>Minor Independent Generating Plant</del> Small Power Station Trading Party”</b> a <b>Trading Party</b> trading on behalf of one or more <b>Small Power Stations</b> whether owned by the <b>Trading Party</b> or another person;	Changes needed to improve clarity of defined term and to maintain alphabetical order of definitions.
11.31	<b>“NGC Assets”</b> the <b>Plant</b> and <b>Apparatus</b> owned by <b>NGC</b> necessary to connect the <b>User’s Equipment</b> to the <b>NGC Transmission System</b> at any particular <b>Connection Site</b> in respect of which NGC charges <b>Connection Charges</b> (if any) as listed or identified in Appendix A to the <b>Bilateral Connection Agreement</b> relating to each such <b>Connection Site</b> ;	Change needed to increase precision of reference to Bilateral Agreements*.
11.32	<b>“NGC Credit Rating”</b> <del>as defined in Paragraph 2.20.1; [New reference]</del> any one of the following:- <u>a) a credit rating for long term debt of A- and A3 respectively as set by Standard and Poor’s or Moody’s respectively;</u> <u>(b) an indicative long term private credit rating of A- and A3 respectively as set by Standard and Poor’s or Moody’s as the basis of issuing senior unsecured debt; or</u> <u>(c) a short term rating by Standard and Poor’s or Moody’s which correlates to a long term rating of A- and A3 respectively.</u>	The drafting in 2.20.1 will be changed as there was previously no backstop in the collective definition of “NGC Credit Rating” for (a) and (b) and stated for consistency that the definition should appear in the definitions section*.



11.33	<p><b>“Operating Agreement”</b> <del>the operating agreements or arrangements identified in the <b>Bilateral Connection Agreement</b> between <b>NGC</b> and the <b>Interconnector Owner</b> of the relevant <b>Interconnector</b> and made between either <b>NGC</b> and the relevant <b>Interconnector Owner</b> and/or <b>NGC</b> and the relevant <b>Interconnected System Operator</b>; in the case of the <b>Interconnector</b> between England and France in place at the <b>CUSC Implementation Date</b>, means the operating agreement known as the “Procedures for the Operation of the Cross Channel Link (Pink Version or Version Rose)” dated [ ] and last amended on [ ] [together with the protocol between <b>NGC</b> and Electricite de France dated [ ]] [<del>possible reference to other documents being considered</del>]; in the case of the <b>Interconnector</b> between England and Scotland in place at the <b>CUSC Implementation Date</b>, means the British Grid System Agreement dated 30 March 1990 and last amended on 26 March 2001 [<del>possible reference to other documents being considered</del>], and otherwise the operating agreements or arrangements identified in the <b>Bilateral Connection Agreement</b> between <b>NGC</b> and the <b>Interconnector Owner</b> of the relevant <b>Interconnector</b> and made between either <b>NGC</b> and the relevant <b>Interconnector Owner</b> and/or <b>NGC</b> and the relevant <b>Interconnected System Operator</b>;</del></p>	Change needed as definition of Operating Agreements will be included within Bilateral Connection Agreements with respective Interconnector Owners.
11.34	<p><b>“Operational Notification”</b> the notice of that name given to the <b>User</b> and <b>NGC</b> under Paragraph 3.2.[x]. [This cross reference will be to the new paragraph entitled Operational Notification inserted after paragraph 3.6.]</p>	Change needed to increase accuracy of definition*.
11.35	<p><b>“Public Electricity Supply Licence”</b> a licence issued under section 6(1)(c) of the <b>Act</b> prior to the coming in force of section <del>30-28</del> of the Utilities Act 2000;</p>	Change needed to include reference to correction section of the Utilities Act.
11.36	<p><b>“Qualifying Guarantee”</b> a guarantee in favour of <b>NGC</b> in <del>units of</del> a form proposed by the <b>User</b> and agreed by <b>NGC</b> (whose Agreement shall not be unreasonably withheld or delayed) and which is provided be an entity which holds an <b>Approved Credit Rating</b>;</p>	This is a change proposed by NGC to improve clarification.
11.37	<p><b>“Required Amount”</b> as defined in <del>2.21(c)</del> <u>2.21.2(c).</u></p>	Change needed to correct an inaccurate cross reference.
11.38	<p><b>“Secretary of State”</b> <del>as defined</del> <u>has the meaning given to that term</u> in the <b>Act</b>;</p>	Change needed as Secretary of State is not defined in the Electricity Act*.

11.39	<b>"Security Cover"</b> the aggregate amount for the time being which the <b>User</b> shall be required by <b>NGC</b> to provide and maintain by way of security in accordance with <del>Part III of Section 3</del> the <b>CUSC</b> ;	Security Cover definition is also used in Section 3.
11.40	<b>"Settlement Period"</b> as defined in the <b>Balancing and Settlement Code</b> ;	This new definition proposed by NGC is required to rectify an omission in the 19 December version of the CUSC in which the term was not defined.
11.41	<b>"Tendered Capability Breakpoints"</b> as defined in Paragraph 1.4 of Appendix 5 of Schedule 3, Part 1;	Change needed to be consistent with usage of term.
11.42	<b>"Undertaking"</b> as defined in section 259 of the Companies Act 1985 <del>as substituted by section 22 of the Companies Act 1989 and if that latter section is not in force at that date of the CUSC as if such latter section were in force at such date</del>	Deleted text removed as entirely historical*.
11.43	<b>"Urgent Amendment Proposal"</b> an <b>Amendment Proposal</b> treated or to be treated as <del>and</del> an <b>Urgent Amendment Proposal</b> in accordance with Paragraph 8.20;	Change needed to rectify a typographical error*.
11.44	<b>"Use of System"</b> use of the <b>NGC Transmission System</b> for the transport of electricity by any <b>Authorised Electricity Operator</b> , <del>or</del> <b>Interconnector User</b> or <b>Interconnector Error Administrator</b> ;	Change needed to include reference to the Interconnector Error Administrator (see paragraph x of this document)
11.45	<b>"Use of System Application"</b> Remove [] from around 'D' and 'F'	Change needed to remove square brackets from the text.
11.46	<b>"Use of System Interconnector Confirmation Notice"</b> <del>a notice in the form of Exhibit [] to the CUSC</del> the part of the <b>Use of System Interconnector Offer and Confirmation Notice</b> by which <b>NGC</b> confirms the use of the <b>NGC Transmission System</b> by an <b>Interconnector User</b> or an <b>Interconnector Error Administrator</b> ;	Change needed to reflect new definition of Use of System Supply Offer and Confirmation Notice and to include reference to Interconnector Error Administrators.
11.47	<b>"Use of System Interconnector Offer and Confirmation Notice"</b> the notice which combines the offer and confirmation in relation to the use of the <b>NGC Transmission System</b> by an <b>Interconnector User</b> or an <b>Interconnector Error Administrator</b> , in the form set out in Exhibit H to the <b>CUSC</b> ;	New definition added to refer to offer and confirmation notice in one and refer to the Interconnector Error Administrator.
11.48	<b>"Use of System Interconnector Offer Notice"</b> <del>the form of Use of System Offer to an Interconnector User or an Interconnector Error Administrator reflecting the use of the NGC Transmission System by that person, in the form set out in Exhibit [] to the CUSC;</del> the part of the <b>Use of System Interconnector Offer and Confirmation Notice</b> by which <b>NGC</b> offers an <b>Interconnector User</b> or an <b>Interconnector Error Administrator</b> use of the <b>NGC Transmission System</b> ;	Change needed to reflect new definition of Use of System Supply Offer and Confirmation Notice

11.49	<b>"Use of System Offer"</b> an offer made by <b>NGC</b> to a <b>User</b> pursuant to Paragraph <del>3.6</del> 3.7 or 9.21 substantially in the form of Exhibit <del>G</del> <del>H</del> ( <b>Use of System Supply Interconnector Offer</b> ) or Exhibit <del>E</del> <del>F</del> ( <b>Use of System Generation Offer</b> ) or Exhibit <del>H</del> ( <b>Use of System Interconnector Offer</b> ) to the <b>CUSC</b> ;	Changes needed to include correct cross references, correct Exhibit numbers and to refer to the Use of System Interconnector Offer.
11.50	<b>"Use of System Supply Confirmation Notice"</b> a notice in the form of Section <del>B</del> to Exhibit <del>F</del> the part of the <b>Use of System Supply Offer and Confirmation Notice</b> by which <b>NGC</b> confirms the use of the <b>NGC Transmission System</b> by a <b>Supplier</b> ;	Change needed to reflect existence of new definition of Use of System Supply Offer and Confirmation Notice.
11.51	<b>"Use of System Supply Offer and Confirmation Notice"</b> the notice which combines the offer and confirmation in relation to the use of the <b>NGC Transmission System</b> by a <b>Supplier</b> in the form set out in Exhibit J to the <b>CUSC</b> .	New definition added to refer to offer and confirmation notice in one
11.52	<b>"Use of System Supply Offer Notice</b> the part of the <b>Use of System Supply Offer and Confirmation Notice</b> by which <b>NGC</b> offers a <b>Supplier</b> use of the <b>NGC Transmission System</b> ; the form of <del>Use of System Offer</del> made to a <b>Supplier</b> , reflecting the use of the <b>NGC Transmission System</b> by that <b>User</b> , in the form set out in Section A to Exhibit <del>J</del> ( <b>Use of System Supplier Offer</b> ) to the <b>CUSC</b> ;	Change needed to reflect existence of new definition of Use of System Supply Offer and Confirmation Notice.
11.53	<b>"Use of System Termination Notice"</b> the notice to be given to terminate <b>Use of System</b> by a <b>Supplier</b> , or an <b>Interconnector User</b> , or an <b>Interconnector Error Administrator</b> in accordance with in the form set out in Section <del>C</del> to Exhibit <del>J</del> ( <b>Use of System Supplier Offer</b> ) to the <b>CUSC</b> ;	Change needed to include reference to Interconnector Error Administrator (see paragraph 3.83 of this document).
11.54	<b>"User"</b> a person who is a party to the <b>CUSC Framework Agreement</b> other than <b>NGC</b> <del>and Dormant CUSC Parties</del> ;	Change needed to remove inclusion of dormant CUSC parties within definition of User*.

11.55	<p><b>“User System”</b> any system owned or operated by a <b>User</b> comprising <b>Generating Units</b> and/or <b>Distribution Systems</b> (and/or other systems consisting (wholly or mainly) of electric lines which are owned or operated by a person other than a <b>Public Distribution System Operator</b>) and <b>Plant</b> and/or <b>Apparatus</b> connecting <b>Generating Units, Distribution Systems</b> (and/or other systems consisting wholly or mainly of electric lines which are owned or operated by a person other than a <b>Public Distribution System Operator</b>) or <b>Non-Embedded Customers</b> to the <b>NGC Transmission System</b> or (except in the case of <b>Non-Embedded Customers</b>) to the relevant other <b>User System</b>, as the case may be, including any <b>Remote Transmission Assets</b> operated by such <b>User</b> or other person and any <b>Plant</b> and/or <b>Apparatus</b> and meters owned or operated by such <b>User</b> or other person in connection with the distribution of electricity but does not include any part of the <b>NGC Transmission System</b>;</p>	<p>The following changes are required to rectify differences between the pre-NETA MCUSA and the NETA version of the MCUSA, (i.e. differences other than changes made pursuant to the NETA Implementation Scheme). As only the NETA changes to the MCUSA were designated pursuant to paragraph c, Part 3 of the NETA Implementation Scheme, any other discrepancies in the published version of the NETA MCUSA did not become part of the MCUSA as amended. Many of these discrepancies had already been picked up as part of the codification process.</p>
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### CUSC Framework Agreement

CF1	<p><b>CUSC FRAMEWORK AGREEMENT – RECITAL A</b></p> <p>Change to: (A) Pursuant to and in accordance with the <b>Transmission Licence, NGC</b> is required, <del>to have in force at all times</del> <u>to establish</u> a Connection and Use of System Code and only enter into arrangements for connection and use of system which are in conformity with any relevant provisions of the <b>CUSC</b>.</p>	<p>Change needed to ensure consistency with the requirements of NGC’s CUSC related licence condition.</p>
CF2	<p><b>CUSC FRAMEWORK AGREEMENT - RECITAL B</b></p> <p>(B) <u>Under the Licences and/or as required under the <b>Balancing and Settlement Code</b>, persons are required to be parties to the <b>CUSC Framework Agreement</b>, by which the <b>CUSC</b> is made contractually binding between the parties to that agreement, and to comply with the <b>CUSC</b>. Persons not licensed nor subject to the <b>Balancing and Settlement Code</b> and connecting to the <b>NGC Transmission System</b> or who are <b>Embedded</b> and required pursuant to Paragraph 6.5 of the <b>CUSC</b> to have an agreement with <b>NGC</b> are also required to be parties to the <b>CUSC Framework</b></u></p>	<p>This change was proposed by NGC to clarify the persons who are to sign the CUSC Framework Agreement. This description on paragraph 6 of the Introduction to the CUSC.</p>

	<u>Agreement and comply with the CUSC. Pursuant to a condition of every licence granted pursuant to section 6 of the Electricity Act 1989 as amended (the "Act"), the holder of each such licence is required to be a party.'</u>	
CF3	<b>CUSC FRAMEWORK AGREEMENT - NEW RECITAL TO FOLLOW RECITAL B</b>  <u>Persons who were parties to the Master Connection and Use of System Agreement dated 30 March 1990 as at the CUSC Implementation Date migrated to become Original Parties to the CUSC Framework Agreement.</u>	This change was proposed by to explain the position of parties who migrate over from the MCUSA - to indicate that they become parties on the date of the CUSC Framework Agreement, in order to provide further background to the position.
CF4	<b>RECITAL C:</b> Change to: 'The persons listed in <u>the Schedule 4</u> are <del>entering into</del> <u>parties to the CUSC Framework Agreement</u> for the purpose of giving effect to...'	Changes needed to reflect the fact that there is only one Schedule o the CUSC and that persons listed in the Schedule will be party to the CUSC Framework Agreement.
CF5	Insert following words following the definitions listed in the CUSC Framework Agreement: ' <u>Words and phrases not defined herein and defined in the CUSC shall have the meaning given to them in the CUSC unless the context requires otherwise.'</u>	Change needed to clarify interaction between the CUSC Framework Agreement and CUSC definitions.
CF6	<b>Paragraph 3 Discontinuing Parties:</b> Change to: 'A <b>CUSC Party</b> shall cease to <u>be</u> a <b>CUSC Party</b> in accordance with the terms of the <b>CUSC</b> ....'	Change needed to correct a typographical error.
CF7	Insert new paragraph after <b>7. Address for Service:</b> ' <u><b>Third Party Rights</b></u> <u>The parties hereby acknowledge and agree for the purposes of the Contracts (Rights of Third Parties) Act 1999 that no rights, powers or benefits are or shall be conferred on any person pursuant to this CUSC Framework Agreement, except for such rights, powers or benefits as are expressly conferred on the parties hereto subject to its terms;.</u>	This change is needed to make the CUSC Framework Agreement consistent with the main body of the CUSC and reflects the codification of the MCUSA into the Framework Agreement as well as the CUSC. This wording currently appears in the MCUSA.
CF8	<b>Paragraph 8: Governing Law.</b> Change to: 'This <b>CUSC Framework Agreement</b> shall be governed by and construed in accordance with the laws of England and Wales and the <u>CUSC Parties</u> hereby submit...'	Change needed for consistency with defined term.

### Schedule 3

S1	<p>Appendix 1</p> <p>3. <b>Indexation</b> Add the following paragraph after the paragraph: "The index used is the Retail Price Index (RPI) with 1987 = 100 base. The source of the RPI index is the monthly Department for Education and Employment "Employment Gazette".</p> <p>Save as may otherwise be determined by the <b>Authority</b> pursuant to a reference made by <b>NGC</b> under the <b>Transmission Licence</b> to settle a dispute arising out of the variation provisions of Schedule 5 to the <b>MCUSA</b> in respect of all periods from (and including) 1<sup>st</sup> April 2001 the indexation factor I applicable for the period from (and including) 1<sup>st</sup> April, 2000 to (and including) 31<sup>st</sup> March 2001 shall apply.</p>	Change required to reflect Ofgem/DTI's conclusions (see paragraph 3.73 of this document)
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### Bilateral Connection Agreement

BC1	<p><b>TITLE PAGE:</b></p> <p>Change to: '[FOR A DIRECTLY CONNECTED DISTRIBUTION SYSTEM WITH THE USER NOT SUPPLYING WITHIN THAT DISTRIBUTION SYSTEM] [FOR A DIRECTLY CONNECTED POWER STATION] [FOR A DIRECTLY CONNECTED DISTRIBUTION SYSTEM WITH THE USER SUPPLYING WITHIN THAT DISTRIBUTION SYSTEM] [FOR A NON-EMBEDDED CUSTOMER SITE] [FOR <del>INTERCONNECTORS BUSINESS</del> <u>AN INTERCONNECTOR OWNER</u>]'</p>	Change made to reflect PES licence separation and interconnector revisions.
BC2	<p>First Page.</p> <p>Change to: '.....<b>WHEREAS</b> (A) Pursuant to <del>paragraph 2 of condition 8</del> of the <b>NGC Transmission Licence</b>, <b>NGC</b> is required to prepare a Connection and Use of System Code (<b>CUSC</b>) setting out the terms of the arrangements for connection to and use of the <b>NGC</b></p>	Change to A needed to remove reference to specific condition of the Transmission Licence and replace with reference to the Transmission Licence generally. This will avoid difficulties when the Standard Licence conditions for Transmission

	<p><b>Transmission System</b> and the provision of certain <b>Balancing Services</b>.</p> <p>(B) <u>The <b>User</b> has applied for [<b>Connection</b> to] [and use of] [<b>Modification</b> of its existing <b>Connection</b> to [and use of]] the <b>NGC Transmission System</b> and pursuant to the <b>NGC Transmission Licence NGC</b> is required to offer terms in this respect</u></p> <p>(C) <u>The <b>User</b> has applied for connection [and use] in the capacity of a [ _____ ] as set out in Paragraph 1.2.4 of the <b>CUSC</b>.</u></p> <p>(D) <b>NGC</b> and the <b>User</b> are parties to the <b>CUSC Framework Agreement</b> (being an agreement by which the <b>CUSC</b> is made contractually binding between <b>CUSC Parties</b>).</p> <p><del>(E) Pursuant to paragraph [2] of condition [8D] of the NGC Transmission Licence in relation to Use of System and paragraph [3] of condition [8D] of the NGC Transmission Licence in relation to connection to the NGC Transmission System, NGC is required to offer terms for use of system and offer to enter into a This</del></p> <p><b>Bilateral Connection Agreement</b> for connection to or modification to an existing connection to the NGC Transmission System, as the case may be. <u>is entered into pursuant to the <b>CUSC</b> and shall be read as being governed by it.]</u></p> <p><u>[F) The parties are also on even date herewith entering into a <b>Construction Agreement</b>.]</u></p>	<p>Licences are introduced involving renumbering of conditions.</p> <p>Change to B needed for completeness.</p> <p>C needed to enable recording of capacity in which the Agreement is being signed.</p> <p>E deleted text removed because changes to B duplicates the intention of the text removed. Also changed to clarify interrelationship between the CUSC and the Bilateral Connection Agreement.</p> <p>F This has been inserted to record that there is a Construction Agreement associated with the Bilateral Connection Agreement.</p>
BC3	<p><b>1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION</b></p> <p>Change to: 'Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section <del>9</del> 11 of the <b>CUSC</b> have the same meanings, interpretations or constructions in this <b>Bilateral Connection Agreement</b> <u>and the following terms and expressions shall have the meaning set out below:-</u></p> <p><u><b>Construction Agreement</b>" the agreement made between the parties of even date herewith for the carrying out of construction works;</u></p> <p><u>"<b>Charging Date</b>" as defined in the <b>Construction Agreement</b>.]'</u></p>	<p>This change has been made to make reference to the construction agreement as a result of the separation of the previous supplemental agreement into a Bilateral Connection Agreement and separate Construction Agreement and in order to provide for continuity of charges.</p>
BC4	<p><b>4. Connection Charges</b></p> <p>Change to: 'The <b>Connection Charges</b> payable by the <b>User</b> <del>(including One Off Charges and Land Charges where applicable)</del> in accordance with the <b>CUSC</b> in</p>	<p>This change has been made as a result of the separation of the previous supplemental agreement into a Bilateral Connection Agreement and separate Construction Agreement and reflects the</p>

	respect of <b>NGC Assets</b> set out in Appendix A [(including the <b>One-Off Charge</b> and <b>Land Charges</b> )] are set out in Appendix B. The date from which These <b>Connection Charges</b> shall be payable by the User shall be [-] from the [ <b>CUSC Implementation Date</b> ] [or] the <b>Charging Date.</b> '	date from which the connection charges are payable from to provide for continuity of charges.
BC5	Insert new paragraph after paragraph 4 ' <b>USE OF SYSTEM (power station only)</b> The right to use the <b>NGC Transmission System</b> shall commence on [ ] and <b>Use of System Charges</b> shall be payable by the User from the [ <b>CUSC Implementation Date</b> or] the <b>Charging Date.</b> '	This provision has been added as a consequence of the PES separation of licences. Also needed to enable agreement to take effect as of the CUSC Implementation Date if so required.
BC6	9.1 Subject to Clause 9.2, 9.3 and 9.4 <del>9.3</del> below....'	Changed to increase accuracy of cross references.
BC7	9.3 Change to: ' <b>NGC</b> has the right to vary Appendices A and B in accordance with this <b>Bilateral Connection Agreement</b> and the <b>CUSC</b> including any variation necessary to enable <b>NGC</b> to charge in accordance with the <b>Charging Statements</b> , or upon any change to the <b>Charging Statements.</b> '	Change needed for clarification.
BC8	9.4 Change to: 'Appendices A and B shall be varied automatically to reflect any <del>variation</del> change to the <b>NGC Asset Works Works or NGC Assets</b> as provided for in the <b>Construction Agreement</b> made in accordance with its terms.*.'	A new definition of <b>NGC Assets</b> was added to the CUSC to increase the precision of reference in these connection agreements and the change here is a reflection of that increased precision.
BC9	Change format of Appendix A and B to reflect the possibility of one-off charges, land charges etc. being included in Appendix B as well as connection charges.	Change needed to ensure that allowing existing position in respect of some Supplemental Agreements to continue.
BC10	Appendix F5 Site Specific Technical Conditions: Load Shedding Frequency Sensitive Relays	The Addendum to this appendix has been removed and its provisions have been placed in section 6 of the CUSC.

### Bilateral Embedded Generation Agreement

BEG1	<b>TITLE PAGE:</b> Change to: '.....[ <b>USE OF SYSTEM FOR A MINOR INDEPENDENT GENERATING PLANT</b> ] <b>SMALL POWER STATION TRADING PARTY</b> ]	Change needed to reflect change in defined term.
BEG2	<b>RECITAL A</b> Change to: 'Pursuant to paragraph [2] of condition [8F] of the <b>NGC Transmission Licence</b> , <b>NGC</b> is required to prepare a Connection and Use of System Code....'	Change needed to remove reference to specific condition of the Transmission Licence and replace with reference to the Transmission Licence generally. This will avoid difficulties when the Standard Licence



		conditions for Transmission Licences are introduced involving renumbering of conditions.
BEG3	<b>RECITAL B</b> Renumber this Recital as Recital (D). Change to: ' <u>As at the date hereof, NGC and the User are parties to the CUSC Framework Agreement (being an agreement by which the CUSC is made contractually binding between the parties). This Bilateral Embedded Generation Agreement is entered into pursuant to the CUSC and shall be read as being governed by it.</u>	First change made to avoid need to duplicate date of agreement here. Second change needed to clarify the relationship between the Agreement and the CUSC.
BEG4	<b>RECITAL C</b> Renumber this recital RECITAL (B). Change to: ' <u>The User has applied for use of the NGC Transmission System and pursuant to paragraph [2] of condition [8D] of the NGC Transmission Licence in relation to Use of System and paragraph [3] of condition [8D] of the NGC Transmission Licence in relation to connection to the NGC Transmission System, NGC is required to offer terms for use of system and offer to enter into a Bilateral Embedded Generation Agreement for connection to and modification to an existing connection to the NGC Transmission System, as the case may be.</u>	Changed to remove references to specific conditions of NGC's Transmission Licence and replace with references to the Transmission Licence generally for the same reason as RECITAL A. Wording of paragraph changed for consistency with licence obligation.
BEG5	Insert new <b>RECITAL C</b> : ' <u>The User has applied for use of the NGC Transmission System in the capacity of [ ] as set out in Paragraph 1.2.4 of the CUSC.</u>	Change needed for completeness and to enable recording of capacity in which the Agreement is being signed.
BEG6	Insert new paragraph after 4. Charging Date. ' <b><u>USE OF SYSTEM</u></b> The right to use the <b>NGC Transmission System</b> shall commence on and <b>Use of System Charges</b> shall be payable by the <b>User</b> from the date hereof.'	Change needed to clarify date on which right to use the system takes effect.
BEG7	9.3 Change to: ' <u>NGC has the right to vary Appendix B in accordance with this Bilateral Embedded Generation Agreement and the CUSC including any variation...</u>	Change needed for clarification.
BEG8	Change the format of Appendix B to clarify the charges that may be included in the Appendix.	Change necessary to clarify codification.

## Mandatory Services Agreement

MSA1	<b>RECITAL (A)</b> Change to: Pursuant to paragraph 2 of condition [8] of the <b>Transmission Licence</b> , <b>NGC</b> is required to prepare a Connection and Use of System Code....'	Change to remove reference to specific condition of the Transmission Licence and replace with reference to the Transmission Licence generally.
MSA2	<b>RECITAL (B)</b> Change to: (B) As at the date hereof, <b>NGC</b> and the <b>User</b> are parties to the <b>CUSC Framework Agreement</b> (being an agreement by which the <b>CUSC</b> is made contractually binding between the parties) dated [ - ],	Change to refer to date of document rather than duplicate the date here.
MSA3	<b>RECITAL (C)</b> Change to: '(c) This <b>Mandatory Services Agreement</b> is entered into pursuant to the terms of the <b>CUSC</b> and shall be read as being governed by it and, as between <b>NGC</b> and the <b>User</b> , has priority over the terms of the <b>CUSC</b> in accordance with (and subject to) Paragraph 11.2.2 of the <b>CUSC</b> .	First change is to incorporate wording used in the Bilateral Agreement for consistency. Second change is to rectify an incorrect cross reference.
MSA4	3.3.1 Change to: 'The <b>Parties</b> agree that, for the purposes of <del>Appendix 1 to the Appendices to the</del> <b>CUSC Schedule</b> :-	Change needed as there is more than one Appendix to the CUSC Schedule of relevance here.
MSA5	<u>Appendix 3 – Further Definitions</u> Change as follows: '....." <b>Rated MW</b> " the meaning attributed to it in the <del>Grid Code</del> ; " <b>Reactive Power Zone</b> " means those separate areas of England and Wales identified as zones in the Seven Year Statement for 1997 for the purposes of specifying local <b>Reactive Power</b> capability and need; - " <b>Relevant Zone</b> " the <b>Reactive Power Zone</b> in which the <b>BM Units</b> are situated, which for convenience only shall be specified in Appendix 1, Section A, Part 1;.....'	Rated MW: this definition is used in CUSC itself and hence the definition should be moved to Section 1. Relevant Zone is a term used in the MSA and this definition is based on that used in the MCUSA Schedule 5. Use of this definition relies on a definition of "Reactive Power Zone" which is also taken from MCUSA Schedule 5.

## Connection Construction Agreement

CA1	First page Change to: ' <b>THE CONSTRUCTION AGREEMENT</b> is made on the [ ] day of 200[1] [ <del>and shall have effect from [ - ]</del> ]......	First change necessary to clarify intention of sentence.  Change to A needed to remove reference to
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	<p>.....WHEREAS</p> <p>(A) Pursuant to <del>paragraph 2 of condition 10F of the</del> <b>Transmission Licence</b>, <del>NGC is required to</del> has prepared a Connection and Use of System Code (<b>CUSC</b>) setting out the terms of the arrangements for connection to and use of the <b>NGC Transmission System</b> and the provision of certain <b>Balancing Services</b>.</p> <p><del>(B)</del> The <b>User</b> has applied for [connection to] [and use of] [modification to its connection to] [or use of] the <b>NGC Transmission System</b> and pursuant to condition 8 of the <b>Transmission Licence</b>, <b>NGC</b> is required to offer <u>terms in accordance with the CUSC in this respect</u>. <del>for Use of System and offer to enter into a Bilateral Agreement and associated Construction Agreement for connection to or modification to an existing connection to the NGC Transmission System, as the case may be</del> or [specific recital to reflect that the <b>Construction Agreement</b> is an amendment of an existing signed offer pursuant to the <b>CUSC</b> amending documents]</p> <p><del>(C)</del> <b>NGC</b> and the <b>User</b> are parties to the <b>CUSC Framework Agreement</b> (being an agreement by which the <b>CUSC</b> is made contractually binding between the parties) dated [ ]</p>	<p>specific condition of the Transmission Licence and replace with reference to the Transmission Licence generally. This will avoid difficulties when the Standard Licence conditions for Transmission Licences are introduced involving renumbering of conditions.</p> <p>Change to B needed for consistency with obligation in licence.</p> <p>Change to C deletes unnecessary wording.</p>
CA3	<p>2.3.2 Change to: '<b>NGC</b> shall be entitled to revise the <b>NGC Works</b> and all dates <del>and charges</del> specified in this <b>Construction Agreement</b> and the charges specified in Appendix B to the <b>Bilateral Connection Agreement</b>.'</p>	<p>Amendment required because of the separation into a Bilateral Connection Agreement and Construction Agreement. The clause gives the right to revise works and charges and so needs to cross refer to Appendix A (which specifies the NGC assets which are in turn based on the NGC Works) and B (which specifies the charges) which are now in the Bilateral Connection Agreement.</p>
CA4	<p>2.4.2 Paragraphs <del>9.2.3 to 9.2.5</del> 11.2.3 to 11.2.5 of the <b>CUSC</b> relating to <b>Consents</b> shall apply to the <b>Construction Agreement</b> as if set out her in full.</p>	<p>Changes needed to rectify incorrect cross references.</p>

CA5	2.11 Change to: 'If at any time prior to the <b>Completion Date</b> it is necessary for <b>NGC</b> or <b>NGC</b> in its reasonable discretion wishes to make any addition to or omission from or amendment to the <b>NGC Asset Works</b> and/or <b>NGC Reinforcement Works</b> and/or the <b>One off Works</b> and/or the <b>Third Party Works</b> <b>NGC</b> shall notify the <b>User</b> in writing of such addition, omission or amendment and Appendices [B1 (One Off Works), G ( <b>NGC Asset Works</b> ) and H ( <b>NGC Reinforcement Works</b> ) and N ( <b>Third Party Works</b> )] to this <b>Construction Agreement</b> and consequently Appendices [A ( <b>NGC Assets</b> ) and B ( <b>Connection Charges</b> , <del>B part 1 one off One Off works and charges</del> <b>Charges</b> and <del>B part 2 land charges</del> <b>Land Charges</b> )] to any the associated <b>Bilateral Connection Agreement</b> shall be automatically amended to reflect the change.'	Change needed to insert in One Off Works and Third Party Works omitted from previous draft. Also to Capitalise definitions and correct cross references.
CA6	2.13 Change to: '[The <b>NGC Reinforcement Works</b> are conditional on British Energy Generation <del>Limited</del> <b>Limited</b> and/or Magnox Electric plc (as the case may be) granting approval to the carrying out of the <b>NGC Works</b> in terms of the <b>Nuclear Site Licence Provisions Agreement</b> <del>being an agreement dated 30 March 1990 between NGC and Nuclear Electric plc (now called Magnox Electric plc) and an agreement dated 31 March 1996 between NGC and British Energy Generation Limited (and developed as such) entered into between NGC and British Energy Generation Limited on 26 March 1996 and between NGC and British Energy Generation Limited or Magnox Electric plc on 30<sup>th</sup> March 1990.</del> In the event...'	Changed to mirror the wording in Paragraph 9.4 of the CUSC.
CA7	5.2 Change to '... required under CC 7.5.3 and 7.5.5 <del>and, if necessary, Gas Zone Diagrams</del> referred to in CC 7.4.9 and 7.4.12.'	Words deleted because already covered in clause 5.1
CA8	5.3.1 Change to: 'each party shall submit to the other data within its possession needed to enable the completion of Appendices F3 and F4 to the <b>Bilateral Connection Agreement</b> <del>hereto</del> ;	Change needed to delete superfluous word.
CA9	5.3.2 ...and Paragraphs [ <del>2.10</del> 1.3.3(b), 2.9 and 6.7] of the <b>CUSC</b> .	Change to rectify incorrect cross references.
CA10	5.4.2 Change to: '... <u>competent pursuant to Operating Code 8</u> and a list of telephone numbers <b>for Joint System</b> incidents at which senior management representatives nominated for the purpose can be contacted; and....'	This change reflects the current obligation in the Grid Code.

CA11	8. Change to: 'The <b>User</b> shall ensure that on <del>[DATE]</del> the <b>Completion Date</b> the <b>User's Equipment</b> complies with the site specific technical conditions set out in Appendix F 1-5 to <del>any</del> the <del>associated</del> <b>Bilateral Connection Agreement</b> .'	Change needed to replace <b>DATE</b> with the defined term 'Completion Date'. Second change needed because Bilateral Connection Agreement will be necessary.
CA12	9. Change to: '... signing the <b>Construction Agreement</b> . <del>from the Completion Date</del> Details of the...'	Change needed to clarify when the Credit Rating requirements need to have been met.
CA13	9A.1.1 Change to: '.....confirm to <b>NGC</b> either: <del>(1) its credit rating for long term debt as set by Standard and Poor's or Moody's; (2) its indicative long term private credit rating as set by Standard and Poor's or Moody's as the basis of issuing senior unsecured debt; or (3) its short term ratings by Standard and Poor's or Moody's for as long as this rating implies a long term rating of A- and A3 respectively (together called whether it meets the <b>NGC Credit Rating</b>).</del> Thereafter not less than 75 days before 1 April and 1 October in each year <u>until (subject to Clause 9A.4) 28 days after the <b>Charging Date</b></u> the User ....	Changes needed to reflect change to definition of NGC Credit Rating.
CA14	9A.3.1 Change to: '...payment at <del>Barclays Bank PLC</del> ... <b>Base Rate</b> ....'	Change needed to reflect new definition of Base Rate within the CUSC.
CA15	9A.3.2 Change to: 'In respect of all capital items <del>of which NGC wishes.....</del> termination to the date of payment at <del>Barclays Bank PLC</del> <b>Base Rate</b> for the time being.....determined by reference to arbitration in accordance with <del>paragraph [7.2.3] of the</del> <b>Disputes Resolution Procedure</b> together with interest thereon calculated on a daily basis from the date of termination of this <b>Construction Agreement</b> to the date of payment at <del>Barclays Bank plc</del> <b>Base Rate</b> for the time being and from time to time.'	Changes needed to rectify a typographical error. To reflect new definition of Base Rate and to refer to the Disputes Resolution Procedure generally rather than a particular paragraph of the CUSC.
CA16	9A.3.3 Change to: '... the additional payments due by the User together with interest calculated thereon on a daily basis at <del>Barclays Bank PLC</del> <b>Base Rate</b> ...the excess paid together with interest on a daily basis at <del>Barclays Bank PLC</del> <b>Base Rate</b> ...'	Change needed for consistency with definitions.
CA17	<del>9A.4 The obligations to provide security under this Clause 10 shall continue until either all sums due under this Construction Agreement have been paid in full or security arrangements have been put in place under any associated Bilateral Agreement in accordance with Section 10 of the CUSC.</del> 9A.4 The obligations to provide security under this Clause 9A shall continue until either all sums due	This clause has been changed to increase clarification and also to provide that NGC can call against the credit under the Construction Agreement until credit under the CUSC is in place. This is necessary because of transition from

	<u>under this <b>Construction Agreement</b> have been paid in full or security arrangements have been put in place by the <b>User</b> under the Bilateral Connection Agreement in accordance with Section 2 Part III of the <b>CUSC</b>. Until such time as the security arrangements are put in place under the terms of this <b>Construction Agreement</b> for payment of <b>Termination Amounts</b> when due under the provisions of the <b>CUSC</b>.'</u>	construction phase to commissioned phase.
CA18	9B.1.1 Change to: ' and the <b>User</b> shall <del>at</del> until (subject to Clause 9B.8) 28 days after the <b>Charging Date</b> <del>all times thereafter</del> ...NGC in accordance with Clause <del>10</del> 9B.2 of this <b>Construction Agreement</b> ...'	Change needed to remove superfluous wording. Second change needed to rectify an incorrect cross reference.
CA19	9B.2.1 Change to: '... referred to in Clause 2.4 of this <b>Construction Agreement</b> . and the <b>One Off Charge</b> at the following times...'	One off charge is a concept under the CUSC/Bilateral Agreements as payable after commissioning and therefore it is not appropriate to include this within the Construction Agreement.
CA20	9B.2.3 ...later than the date specified in Clause <del>12.2.1</del> 9B.2.1 of this <b>Construction Agreement</b> , then the following shall apply.... has been or is to be provided pursuant to this Clause <del>12.2.3</del> 9B.2.3 in respect of the relevant period...	Changes needed to rectify incorrect cross references.
CA21	9B.5 Change to: '...be referred in the case of Clauses 9B.4.1 and <del>10</del> 9B.4.2 to the <b>Independent Engineer</b> (and, for the avoidance of doubt the provisions of this Construction Agreement relating to the <b>Independent Engineer</b> for the purposes of this Clause <del>10</del> 9B.5 shall survive termination) and, in the case of Clauses <del>10</del> 9B.4.3 and <del>10</del> 9B.4.4 be dealt with by referral to arbitration <sup>4</sup> in accordance with paragraph <del>7.2.3</del> of the Dispute Resolution Procedure.	Changes needed to rectify incorrect cross references.
CA22	9B.7.1 Change to: '... termination of this <b>Construction Agreement</b> to the date of payment at <del>Barclays Bank PLC</del> <b>Base Rate</b> .'	Change needed for consistency with definition.
CA23	9B.7.2 Change to: '... on a daily basis from the date of termination to the date of payment at <del>Barclays Bank PLC</del> <b>Base Rate</b> ... by reference to arbitration in accordance with paragraph <del>8.2.3</del> of the Dispute Resolution Procedure.... to the date of payment at <del>Barclays Bank plc</del> ....'	Change needed for consistency with definition. Also changed to cross refer to the Dispute Resolution Procedure generally.

CA24	9B.7.3 Change to: ‘...with interest calculated thereon a daily basis at Barclays Bank PLC Base Rate for the time being.....shall forthwith pay to the User the excess paid together with interest on a daily basis at <del>Barclays Bank PLC</del> <b>Base Rate</b> for the time being and from time to time...’	Change needed for consistency with definition.
CA25	<del>9B.8</del> The obligations to provide security under this Clause 9 shall continue until in the case of it terminating prior to <b>Commissioning</b> all sums due under this Construction Agreement have been paid in full or in all other cases security arrangements have been put in place under any associated <b>Bilateral Agreement</b> in accordance with Section 10 of the CUSC. <sup>6</sup> <u>The obligations to provide security under this Clause 9B shall continue until either all sums due under this <b>Construction Agreement</b> have been paid in full or security arrangements have been put in place by the <b>User</b> under the <b>Bilateral Connection Agreement</b> in accordance with Section 2 Part III of the <b>CUSC</b>. Until such time as the security arrangements are put in place in accordance with Section 2 Part III of the <b>CUSC NGC</b> shall be entitled to call upon the security put in place under the terms of this <b>Construction Agreement</b> for payment of <b>Termination Amounts</b> where due under provisions of the <b>CUSC</b>.</u>	Same as for 9A.4
CA26	10A.3 last paragraph: Change to: ‘..... require security at any time thereafter in the event of <del>either</del> <u>any</u> of the circumstances set...’	Changed to correct a typographical error
CA27	10B.1 last paragraph: Change to: ‘....This waiver is without prejudice to NGC’s right to return security at any time thereafter in the event of <del>either</del> <u>any</u> of the...’	Changed to correct a typographical error
CA28	<del>12.</del> Change to: ‘...12.1 Subject to the provisions for earlier termination set out in the <b>CUSC</b> this <b>Construction Agreement</b> shall continue until terminated in accordance with Clauses 2.5, 2.6 <del>and</del> 4.8 or 11 hereof. <del>or until the associated <b>Bilateral Agreement</b> is terminated in accordance with provisions of the <b>CUSC</b>. Any provisions for payment shall survive termination of this <b>Construction Agreement</b>.</del> Insert the following sub paragraphs: 12.2 In addition this Construction Agreement shall terminate upon termination of	Changes required to make clearer when termination occurs and what sums are payable.

	<p><u>the associated <b>Bilateral Connection</b> and in the event that this is prior to the <b>Charging Date</b> the <b>User</b> shall in addition to the amounts for which it is liable under Clause 2.4 hereof be liable to pay to NGC Final Sums and the provisions of Clause 11 shall apply.</u></p> <p>12.3 <u>The associated [<b>Bilateral Connection Agreements</b> or <b>Agreement to Vary the Bilateral Connection Agreement</b>] will automatically terminate upon termination of this <b>Construction Agreement</b> prior to the <b>Charging Date</b>.</u></p> <p>12.4 <u>Any provisions for payment shall survive termination of this <b>Construction Agreement</b>.</u></p>	
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## Annex to Appendix 2

1.1 These Appendices 1 and 2 to section 6 of the CUSC deals with communication requirement for Balancing Mechanism purposes. It was originally intended that these Appendices would be contained in the Bilateral Agreements. However, as the requirements also apply to Suppliers (who will not have Bilateral Agreements, it is necessary for it to be incorporated within the general section of the CUSC .

**Appendix 1 to Section 6 of the CUSC**  
**Communications Plant (CC.6.5)**  
**Power Station located adjacent to the NGC Substation**

<u>Description</u>	<u>Source</u>	<u>Work</u>	<u>Provided By</u>	<u>Notes</u>
<u>Control Telephone (CC.6.5.2).</u>	<u>NGC Substation Exchange.</u>	<u>User to install free issue handset on dedicated communications circuit. User to install wiring from User control room to NGC substation exchange.</u>	<u>Wiring to be provided by User.NGC to provide handset only.</u>	<u>Where the power station is located immediately adjacent to the NGC substation.</u>
<u>Extension Bell(CC.6.5.3).</u>	<u>NGC Substation Exchange.</u>	<u>User to install free issue handset on dedicated communications circuit (separate cores from the control telephone). User to install wiring from User control room to NGC substation exchange.</u>	<u>Wiring to be provided by User.NGC to provide bell only.</u>	
<u>PSTN (or other off-site communications circuits) for Telephony. (CC.6.5.2 to CC.6.5.5).</u>	<u>Public Telecommunications Operator (PTO).</u>	<u>The User shall provide their own off site communications paths. Data and speech required by NGC shall be cabled from the User site to the NGC Substation Exchange</u>	<u>Wiring to be provided by User.</u>	
<u>Telegraph Instructor (CC.6.5.7).</u>	<u>NGC Marshalling Cubicles.</u>	<u>Wire out and install free issue display unit and driver (free issue) and communication connections to the NG Marshalling Cubicles. NGC to commission.</u>	<u>Wiring to be provided by User. NGC to provide display unit and driver.</u>	

<u>Electronic Data Communication Facilities(Electronic Despatch &amp; Logging)(CC.6.5.8).</u>	<u>PTO.</u>	<u>User to install EDL terminal for submission of MEL and dynamics re-declarations and for bid and offer acceptance instructions.</u>	<u>User to provide EDL terminal.NGC to provide communications path to a site router associated with the EDL terminal in conjunction with the User.</u>	
<u>Facsimile Machine (CC.6.5.9).</u>	<u>PTO.</u>	<u>Install facsimile machine on dedicated communications circuit.</u>	<u>User to provide facsimile machine and wiring to PTO.</u>	

**Communications Plant (CC.6.5)**  
**Power Station not located adjacent to the NGC Substation**

<b>Description</b>	<b>Source</b>	<b>Work</b>	<b>Provided By</b>	<b>Notes</b>
<u>Control Telephone (CC.6.5.2).</u>	<u>Remote Telephone Equipment (RTE) unit.</u>	<u>User to install free issue handset on dedicated communications circuit. User to install wiring from User control room to NGC Marshalling Cubicles.</u>	<u>Wiring to be provided by User.NGC to provide handset only.</u>	<u>Where the Power Station is not located immediately adjacent to the NGC substation.</u>
<u>Extension Bell(CC.6.5.3).</u>	<u>RTE unit.</u>	<u>User to install free issue extension bell on dedicated communications circuit (separate cores from the control telephone). User to install wiring from User control room to NGC Marshalling Cubicles.</u>	<u>Wiring to be provided by User. NGC to provide bell only.</u>	
<u>PSTN (or other off-site communications circuits) for Telephony. (CC.6.5.2 to CC.6.5.5).</u>	<u>Public Telecommunications Operator (PTO).</u>	<u>Duplicate offsite communications are preferred for security of data and speech transmission. If two outlet cables do not exist then the matter must be resolved on a site specific basis, to the satisfaction of NGC.</u>	<u>User to provide own outlet cables.</u>	
<u>Telegraph Instructor(CC.6.5.7).</u>	<u>NGC Marshalling Cubicles.</u>	<u>Wire out and install free issue display unit and driver (free issue) and communication connections to the NGC Marshalling Cubicles. NGC to commission.</u>	<u>Wiring to be provided by User.NGC to provide display unit and driver.</u>	
<u>Electronic Data Communication Facilities (Electronic Despatch &amp; Logging) (CC.6.5.8).</u>	<u>PTO</u>	<u>User to install EDL terminal for submission of MEL and dynamics re-declarations and for bid and offer acceptance instructions.</u>	<u>User to provide EDL terminal. NGC to provide communications path to a site router associated with the EDL terminal in conjunction with the User.</u>	
<u>Facsimile Machine (CC.6.5.9).</u>	<u>PTO.</u>	<u>Install facsimile machine on dedicated communications circuit.</u>	<u>User to provide facsimile machine and wiring to PTO.</u>	

**Communications Plant (CC.6.5)**  
**Demand**

<b>Description</b>	<b>Source</b>	<b>Work</b>	<b>Provided by</b>	<b>Notes</b>
<u>Control Telephone (CC.6.5.2).</u>	<u>Remote Telephone Equipment (RTE) unit.</u>	<u>User to install free issue handset on dedicated communications circuit. User to install wiring from User control room to NGC Marshalling Cubicles.</u>	<u>Wiring to be provided by User. NGC to provide handset only.</u>	<u>Demand Control Points (as defined in the Grid Code).</u>
<u>Extension Bell (CC.6.5.3).</u>	<u>RTE unit.</u>	<u>User to install free issue extension bell on dedicated communications circuit (separate cores from the control telephone). User to install wiring from User control room to NGC Marshalling Cubicles.</u>	<u>Wiring to be provided by User. NGC to provide bell only.</u>	
<u>PSTN (or other off-site communications circuits) for Telephony. (CC.6.5.2 to CC.6.5.5).</u>	<u>Public Telecommunications Operator (PTO).</u>	<u>Duplicate offsite communications are preferred for security of data and speech transmission. If two outlet cables do not exist then the matter must be resolved on a site specific basis, to the satisfaction of NGC.</u>	<u>User to provide own outlet cables.</u>	
<u>Telegraph Instructor (if required by NGC)(CC.6.5.7).</u>	<u>NGC Marshalling Cubicles.</u>	<u>Wire out and install free issue display unit and driver (free issue) and communication connections to the NGC Marshalling Cubicles. NGC to commission.</u>	<u>Wiring to be provided by User. NGC to provide display unit and driver.</u>	
<u>Electronic Data Communication Facilities (Electronic Despatch &amp; Logging)(CC.6.5.8).</u>	<u>PTO</u>	<u>User to install EDL terminal for submission of MEL and dynamics re-declarations and for bid and offer acceptance instructions.</u>	<u>User to provide EDL terminal. NGC to provide communications path to a site router associated with the EDL terminal in conjunction with the User.</u>	
<u>Facsimile Machine (CC.6.5.9).</u>	<u>PTO.</u>	<u>Install facsimile on dedicated communications circuit.</u>	<u>User to provide facsimile machine and wiring to PTO.</u>	

**Appendix 2 to Section 6 of the CUSC**

**Operational Metering (CC.6.5.6)**

<b>Description</b>	<b>Source</b>	<b>Type</b>	<b>Work</b>	<b>Provided by</b>	<b>Notes</b>
<u>MW and MVA for Balancing Mechanism Unit.</u>	<u>Settlement Metering (FMS).</u>	<u>Unit per pulse.</u>	<u>Provide dedicated outputs from the FMS (Final Metering Scheme) 'check' meters. Supply and install wiring to the OMS-FE.</u>	<u>User.</u>	<u>Used for Despatch Instructions and Ancillary Devices Monitoring (ASM). For information, FMS meters are required under the Balancing and Settlement Code. Refer to the BSC.</u>
<u>Individual alternator MW and MVA (applicable to multi-shaft machines).</u>	<u>Transducer or high accuracy output from User metering.</u>	<u>Unit per Pulse.</u>	<u>Provide MW and MVA transducer or high accuracy outputs. Supply and install wiring to the OMS-FE /NGC Marshalling Cubicles.</u>	<u>User.</u>	<u>Used for Network Modelling and ASM. If the User chooses to use transducers, the quality is to be agreed with NGC. LV monitoring is acceptable.</u>
<u>Individual unit transformer MW and MVA.</u>	<u>Transducer of high accuracy output from User metering.</u>	<u>Unit per Pulse.</u>	<u>Provide MW and MVA transducer or high accuracy outputs. Supply and install wiring to the OMS-FE /NGC Marshalling Cubicles</u>	<u>User.</u>	<u>Used for Network Modelling. If the User chooses to use transducers, the quality is to be agreed with NGC.</u>
<u>Voltage for each generator connection to the NGC substation.</u>	<u>Single Phase VT (usually a CVT).</u>	<u>AC Waveform.</u>	<u>Provide VT secondary output (single phase). Supply and install transducer and wiring to the NGC Marshalling Cubicles</u>	<u>User.</u>	<u>For indication purposes. To feed substation voltage selection scheme. NGC to install Voltage Selection Scheme at NGC substation as required.</u>
<u>Frequency for each Balancing Mechanism Unit</u>	<u>High accuracy VT output (single phase).</u>	<u>AC Waveform.</u>	<u>Provide high accurate VT secondary output (single phase). Supply and install wiring to the NGC Marshalling Cubicles.</u>	<u>User.</u>	<u>Used for ASM.</u>
<u>All generator circuit(s) LV circuit breaker(s) and disconnector(s).</u>	<u>Double point off dedicated auxiliary contacts (1 n/o and 1 n/c).</u>	<u>Status Indication.</u>	<u>Wire out and cable between auxiliary contacts and NGC Marshalling Cubicles.</u>	<u>User, in switchgear.</u>	<u>Dedicated auxiliary contracts are required. Repeat relays are not normally acceptable.</u>
<u>Unit transformer circuit breaker(s).</u>	<u>Double point off dedicated auxiliary contacts (1 n/o and 1 n/c).</u>	<u>Status Indication.</u>	<u>Wire out and cable between auxiliary contacts and NGC Marshalling Cubicles.</u>	<u>User, in switchgear.</u>	<u>Dedicated auxiliary contracts are required. Repeat relays are not normally acceptable.</u>
<u>All generator circuit(s) HV circuit breaker(s) and disconnector(s)</u>	<u>Double point of dedicated auxiliary contacts (1 n/o and 1 n/c)</u>	<u>Status Indication.</u>	<u>Wire out and cable between auxiliary contacts and NGC Marshalling Cubicles.</u>	<u>User, in switchgear.</u>	<u>Dedicated auxiliary contracts are required. Repeat relays are not normally acceptable.</u>
<u>Each generator transformer Tap Position Indication (TPI).</u>	<u>Dedicated tap changer auxiliary contact arm.</u>	<u>Tap Position Indication</u>	<u>Provide &gt;one out of (up to) 19' position indications or TPI transducer indication. Wire out and cable between dedicated auxiliary contact arm and NGC Marshalling Cubicles</u>	<u>User, in transformer tap-changer.</u>	<u>Used for Network Modelling and ASM.</u>

## Appendix 3 Changes to NGC's licence conditions

- 3.1 This Appendix contains the new licence conditions to be included in the licence of NGC and necessary modifications to its existing licence conditions required as a result of the implementation of CUSC. Changes from the conditions attached to the February 2001 document are shown. Inserted text is shown in **bold**. Footnotes are included to explain changes. In some conditions numbering of paragraphs has changed to reflect changes made to the conditions during the course of the consultation.

<sup>19</sup>**Condition 1: Interpretation**<sup>20</sup>

“Authorised Electricity Operator”

means any person (other than the Licensee in its capacity as operator of the Licensee’s Transmission System) who is Authorised to generate, transmit or supply electricity and for the purposes of Conditions 10C to 10E inclusive shall include any person who has made application to be so Authorised which application has not been refused and any person transferring electricity to or from England and Wales across an Interconnector or who has made an application for use of Interconnector which has not been refused.

“Connection Charges”

means charges made or levied or to be made or levied for the carrying out (whether before or after the date on which the licence came into force) of works and provision and installation of electrical plant, electric lines and meters in constructing or modifying entry and exit points on the Licensee’s Transmission System together with charges in respect of maintenance and repair of such items in so far as not otherwise recoverable as Use of System Charges and in respect of disconnection and the removal of electrical plant, electric lines and meters following disconnection, all as more fully described in paragraphs 4, 5 and 6 and 8 of Condition 10B, whether or not such charges are annualised.

~~“Licensee’s Transmission System”~~

~~means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by the Licensee and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-~~

<sup>19</sup> The proposed condition 1A as attached to the February 2001 document contained some definitions which were designed to replace some existing definitions in condition 1 of NGC’s licence. For clarity, these definitions have now been separated into Condition 1. All new definitions are set out in the new condition 1A.

<sup>20</sup> The following definitions substitute the existing definitions of these terms.

~~stations or to any Interconnector, and includes any electrical plant and meters owned or operated by the Licensee in connection with the transmission of electricity but shall not include any Remote Transmission Assets.<sup>21</sup>~~

“Use of System Charges”

means charges made or levied or to be made or levied by the Licensee for the provision of Transmission Network Services and ~~or~~<sup>22</sup> in respect of the Balancing Services Activity, in each case as part of the Transmission Business, to any Authorised Electricity Operator as more fully described at paragraph A2 of Part A of Schedule ~~3~~ **3A**,<sup>23</sup> but shall not include Connection Charges.

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<sup>21</sup> Not needed as no change to existing definition.

<sup>22</sup> Changed to correct a drafting error.

<sup>23</sup> Changed to correct reference to new Schedule introduced for price control changes.

### **Condition 1A: Interpretation (Additional Definitions)**

“Bilateral Agreement”	means a Bilateral Connection Agreement and/or a Bilateral Embedded Generation Agreement; <sup>24</sup>
“Bilateral Connection Agreement”	means an agreement between the Licensee and a CUSC User supplemental to the CUSC relating to a direct connection to the Licensee’s Transmission System identifying the relevant connection site and setting out other site specific details in relation to that connection to the Licensee’s Transmission System, including provisions relating to payment of Connection Charges;
“Bilateral Embedded Generation Agreement”	means an agreement entered into between the Licensee and a CUSC User supplemental to the CUSC, relating to a generating station ( <b>or other connections provided for in the CUSC</b> ) connected to a Distribution System in England and Wales and the use of the Licensee’s Transmission System in relation to that generating station ( <b>or other connections provided for in the CUSC</b> ) identifying the relevant site of connection to the Distribution System and setting out other site specific details in relation to that use of the Licensee’s Transmission System; <sup>25</sup>
“Connection Charging Methodology”	means the principles on which, and the methods by which, for the purposes of achieving the objectives referred to in paragraph 9 11 of Condition 10B, Connection Charges are determined.
“Construction Agreement”	means an agreement between the Licensee and a CUSC User in respect of construction works required on the Licensee’s Transmission System and the associated construction works of the CUSC User in relation to a connection to the Licensee’s

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<sup>24</sup> Changed to correct drafting error.

<sup>25</sup> Changed to reflect change to the CUSC.



	Transmission System or in relation to a generating station connected to a Distribution System in England and Wales, whether for the initial connection or a modification of the connection.
“CUSC”	means the Connection and Use of System Code provided for in paragraph 2 of Condition 10F, as from time to time modified in accordance with that Condition.
“CUSC Framework Agreement”	means the agreement of that title, in the form approved by the Secretary of State, by which the CUSC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.
“CUSC Party”	means any person who is a party to the CUSC Framework Agreement.
“CUSC User”	means a CUSC Party other than the Licensee.
“Use of System Charging Methodology”	means the principles on which, and the methods by which, for the purposes of achieving the objectives referred to in paragraph 5 of Condition 10A, Use of System Charges are determined.

### ***Condition 10: Charges for Use of System***

1. The Licensee shall:
  - (a) by the date this Condition comes into effect determine a Use of System Charging Methodology approved by the Director; and
  - (b) conform to the Use of System Charging Methodology as modified in accordance with Condition 10A.
2. The Licensee shall by the date this Condition comes into effect:
  - (a) prepare a statement approved by the Director of the Use of System Charging Methodology, and
  - (b) prepare, other than in respect of a charge which the Director has consented need not so appear, a statement, in a form approved by the Director, of Use of System Charges determined in accordance with the Use of System Charging Methodology and in such form and in such detail as shall be necessary to enable any person to make (other than in relation to charges to be made or levied in respect of the Balancing Services Activity) a reasonable estimate of the charges to which he would become liable for the provision of such services,

and, without prejudice to paragraph ~~3~~ 5 of this Condition or paragraph 3 of Condition 10A, if any change is made in the Use of System Charges to be so made other than in relation to charges to be made in respect of the Balancing Services Activity, or the Use of System Charging Methodology, the Licensee shall, before the changes take effect, furnish the Director with a revision of the statement of Use of System Charges (or if he so accepts, with amendments to the previous such statement) and/or (as the case may be) with a revision of the statement of the Use of System Charging Methodology, which reflect the changes.

- ~~2A~~ 3. Approvals by the Director pursuant to paragraphs 1(a) and 2(a) may be granted subject to such conditions relating to further action to be undertaken by the Licensee in relation to the Use of System Charging Methodology better meeting the relevant objectives including, but not limited to, matters identified in any initial consultation by the Director, as the Director deems appropriate. Such conditions may include (but are not limited to) elements relating to the time by which action under the conditions must be completed.
- ~~2B~~ 4. Nothing in this Condition shall affect the ability of the licensee to charge according to the statement issued pursuant to paragraph 2(b).

- ~~3~~ 5. The Licensee:
- (a) shall give, except where the Director consents to a shorter period, 150 days notice to the Director of any proposals to change Use of System Charges other than in relation to charges to be made in respect of the Balancing Services Activity, together with a reasonable assessment of the effect of the proposals (if implemented) on those charges, and
  - (b) where it has decided to implement any proposals to change Use of System Charges other than in relation to charges to be made in respect of the Balancing Services Activity, shall give the Director notice of its decision and the date on which the proposals will be implemented which shall not, without the consent of the Director, be less than a month after the date on which the notice required by this sub-paragraph was given.
- 4 6. Unless otherwise determined by the Director, the Licensee shall only enter arrangements for Use of System which secure that Use of System Charges will conform with the statement last furnished under paragraph 2(b) either:
- (a) before it enters into the arrangements; or
  - (b) before the charges in question from time to time fall to be made,
- and, for the purposes of this paragraph, the reference to the statement last furnished under paragraph 2(b) shall be construed, where that statement is subject to amendments so furnished before the relevant time, as a reference to that statement as so amended.
- ~~5~~ 7. References in paragraphs 1, 2, ~~3~~, 4, 5 and 6 to charges do not include references to:
- (a) Connection Charges; or
  - (b) to the extent, if any, to which the Director has accepted they would, as respects certain matters, be so determined, charges determined by reference to the provisions of the CUSC.
- ~~6~~ 8. The Licensee may periodically revise the information set out in and, with the approval of the Director, alter the form of the statements prepared in accordance with paragraph 2 and shall, at least once in every year that this licence is in force, make such revisions as may be necessary to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
- ~~7~~ 9. The Licensee shall send a copy of any such statement, revision, amendment or notice given under paragraphs 2 or ~~3~~ 5 to any person who asks for any such statement, revision, amendment or notice.
- ~~8~~ 10. The Licensee may make a charge for any statement, revision, or amendment of a statement, furnished, or notice sent pursuant to paragraph ~~7~~ 9 of an amount reflecting the Licensee's reasonable costs of providing such statement, revision, amendment or notice which costs shall not exceed the maximum amount specified in directions issued by the Director for the purposes of this Condition.

### ***Condition 10A: Use of System Charging Methodology***

1. The Licensee shall, for the purpose of ensuring that the Use of System Charging Methodology achieves the relevant objectives, keep the Use of System Charging Methodology at all times under review.
2. The Licensee shall, subject to paragraph 3, make such modifications of the Use of System Charging Methodology as may be requisite for the purpose of better achieving the relevant objectives.
3. Except with the consent of the Director, before making a modification to the Use of System Charging Methodology, the Licensee shall:
  - (a) consult the CUSC Users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
  - (b) send a copy of the terms of the proposed modification to any person who asks for them;
  - (c) furnish the Director with a report setting out:
    - (i) the terms originally proposed for the modification;
    - (ii) the representations (if any) made to the Licensee;
    - (iii) any change in the terms of the modification intended in consequence of such representations;
    - (iv) how the intended modification better achieves the relevant objectives; and
    - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 4 expires; and
  - (d) where the Director has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Director may specify in the direction.
4. Where the Licensee has complied with the requirements of paragraph 3, it shall, unless the Director has within 28 days of the report being furnished to him given a direction that the modification may not be made, make the modification to the Use of System Charging Methodology.
5. In paragraphs 1, 2 and 3 "the relevant objectives" shall mean the following objectives:

- (a) that compliance with the Use of System Charging Methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
  - (b) that compliance with the Use of System Charging Methodology results in charges which reflect, as far as is reasonably practicable, the costs incurred by the Licensee in its Transmission Business; and
  - (c) that, so far as is consistent with sub-paragraphs (a) and (b), the Use of System Charging Methodology, as far as is reasonably practicable, properly takes account of the developments in the Licensee's Transmission Business.
- 6. The Licensee shall send a copy of any report furnished under paragraph 3 to any person who asks for any such report.
  - 7. The Licensee may make a charge for any report sent pursuant to paragraph 6 of an amount reflecting the Licensee's reasonable costs of providing such report which costs shall not exceed the maximum amount specified in directions issued by the Director for the purposes of this Condition.
  - 8. Nothing in this Condition shall impact on the application of Conditions ~~4A~~ **4B** to ~~4E~~ **4F**.

### ***Condition 10B: Connection Charging Methodology***

1. The Licensee shall:
  - (a) by the date this Condition comes into effect determine a Connection Charging Methodology approved by the Director; and
  - (b) conform to the Connection Charging Methodology as modified in accordance with paragraph ~~8~~ **10**.
2. The Licensee shall, for the purpose of ensuring that the Connection Charging Methodology achieves the relevant objectives, keep the Connection Charging Methodology at all times under review.
3. The Licensee shall, subject to paragraph ~~7~~ **9**, make such modifications ~~of to~~<sup>26</sup> the Connection Charging Methodology as may be requisite for the purpose of better achieving the relevant objectives.
4. The Licensee shall by the date this Condition comes into effect prepare a statement approved by the Director of the Connection Charging Methodology in relation to charges, including charges:
  - (a) for the carrying out of works and the provision and installation of electrical lines or electrical plant or meters for the purposes of connection (at entry or exit points) to the Licensee's Transmission System;
  - (b) in respect of extension or reinforcement of the Licensee's Transmission System rendered (at the Licensee's discretion) necessary or appropriate by virtue of providing connection to or Use of System to any person seeking connection;
  - (c) in circumstances where the electrical lines or electrical plant to be installed are (at the Licensee's discretion) of greater size than that required for use of system by the person seeking connection;
  - (d) for maintenance and repair (including any capitalised charge) required of electrical lines or electrical plant or meters provided or installed for making a connection to the Licensee's Transmission System; and
  - (e) for disconnection from the Licensee's Transmission System and the removal of electrical plant, electrical lines and meters following disconnection,

and the statement referred to in this paragraph shall be in such form and in such detail as shall be necessary to enable any person to determine that the charges to which he would become liable for the provision of such services are in accordance with such statement.

- 4A 5.** An approval by the Director pursuant to paragraphs 1(a) and 4 may be granted subject to such conditions relating to further action to be undertaken by the Licensee in relation to the Connection Charging Methodology better meeting the

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<sup>26</sup> Changed to correct drafting error.

relevant objectives, including (but not limited to) matters identified in any initial consultation by the Director, as the Director deems appropriate. Such conditions may include (but are not limited to) elements relating to the time by which action under the conditions need to be completed.

- ~~4~~ 6. Nothing in this Condition shall affect the ability of the Licensee to charge according to the statement issued pursuant to paragraph 4.
- ~~5~~ 7. Unless otherwise determined by the Director, the Licensee shall only enter into a Bilateral Agreement or a Construction Agreement which secures that the Connection Charges will conform with the statement of the Connection Charging Methodology last furnished under paragraphs 4 or ~~8~~ 10 either:
- (a) before it enters into the arrangements; or
  - (b) before the charges in question from time to time fall to be made.
- ~~6~~ 8. The Connection Charging Methodology shall make provision for Connection Charges for those items referred to in paragraph 4 to be set at a level for connections made after 30 March 1990 which will enable the Licensee to recover:
- (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the Licensee's Transmission System or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters; and
  - (b) a reasonable rate of return on the capital represented by such costs,
- and for connections made before 30 March 1990 the Connection Charging Methodology for those items referred to in paragraph 4 shall as far as is reasonably practicable reflect the principles in sub-paragraphs (a) and (b).
- ~~7~~ 9. Except with the consent of the Director, before making a modification to the Connection Charging Methodology the Licensee shall:
- (a) consult the CUSC Users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
  - (b) send a copy of the terms of the proposed modification to any person who asks for them;
  - (c) furnish the Director with a report setting out:
    - (i) the terms originally proposed for the modification;
    - (ii) the representations (if any) made to the Licensee;
    - (iii) any change in the terms of the modification intended in consequence of such representations;

- (iv) how the intended modification better achieves the relevant objectives; and
  - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph ~~8~~ **10** expires; and
- (d) where the Director has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Director may specify in the direction.

~~8~~ **10.** Where the Licensee:

- (a) has complied with the requirements of paragraph ~~7~~ **9**, it shall, unless the Director has within 28 days of the report being furnished to him given a direction that the modification may not be made, make the modification to the Connection Charging Methodology;
- (b) makes a modification to the Connection Charging Methodology, furnish the Director with a revised statement showing the changed Connection Charging Methodology and such revised statement of the Connection Charging Methodology shall supersede previous statements of the Connection Charging Methodology furnished under paragraph 4 or this paragraph ~~8~~ **10** from the date specified therein.

~~9~~ **11.** In paragraphs 2, 3 and ~~7~~ **9** “the relevant objectives” shall mean:

- (a) the objectives referred to in paragraph 5 of Condition 10A, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology; and
- (b) in addition, the objective, in so far as consistent with sub-paragraph (a), of facilitating competition in the carrying out of works for connection to the Licensee’s Transmission System.

~~10~~ **12.** A statement furnished under paragraphs 4 or ~~8~~ **10** shall, where practicable, include examples of the Connection Charges likely to be made in different cases as determined in accordance with the methods and principles shown in the statement.

~~11~~ **13.** The Licensee shall send a copy of any statement or revision of a statement or report furnished under paragraphs 4, ~~7~~ **9** or ~~8~~ **10** to any person who asks for any such statement or revision thereof or report.

~~12~~ **14.** The Licensee may make a charge for any statement or revision of a statement or report, furnished or sent pursuant to paragraph ~~11~~ **13** of an amount reflecting the Licensee's reasonable costs of providing such which costs shall not exceed the maximum amount specified in directions issued by the Director for the purposes of this Condition.

~~13~~ **15.** Nothing in this Condition shall impact on the application of Conditions ~~4A-4B~~ to ~~4E~~ **4F**.



### ***Condition 10C: Non-discrimination***

1. In the provision of Use of System or in the carrying out of works for the purpose of connection to the Licensee's Transmission System, the Licensee shall not discriminate as between any persons or class or classes of persons.
2. Without prejudice to paragraph 1 and subject to paragraph 3, the Licensee shall not make charges for provision of Use of System to any Authorised Electricity Operator or class or classes of Authorised Electricity Operator which differ in respect of any item separately identified in the statement referred to at paragraph 2(b) of Condition 10 from those for provision of similar items under Use of System to any other Authorised Electricity Operator or class or classes of Authorised Electricity Operator except in so far as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2, the Licensee shall not make Use of System Charges in respect of any item of charge separately identified in the statement referred to at paragraph 2(b) of Condition 10 on any Authorised Electricity Operator whose contract does not provide for him to receive the service to which such item of charge refers.
4. The Licensee shall not in setting Use of System Charges restrict, distort or prevent competition in the generation, transmission, supply or distribution of electricity.

### **Condition 10D: Requirement to offer terms**

1. Unless otherwise determined by the Director under Condition 10E, on application made by:
  - (a) any Authorised Electricity Operator in the case of an application for Use of System; and
  - (b) any person in the case of an application for connection,the Licensee shall (subject to paragraph 5 ~~6~~) offer to enter **into**<sup>27</sup> the CUSC Framework Agreement.
- 3 2. On application made by any person the Licensee shall (subject to paragraph 5 ~~6~~) offer to enter into a Bilateral Agreement and/or a Construction Agreement relating to connection or modification to an existing connection and such offer shall make detailed provision regarding:
  - (a) the carrying out of work (if any) required to connect the Licensee's Transmission System to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
  - (b) the carrying out of works (if any) in connection with the extension or reinforcement of the Licensee's Transmission System rendered (in the Licensee's discretion) appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;
  - (c) the installation of appropriate meters (if any) required to enable the Licensee to measure electricity being accepted into the Licensee's Transmission System at the specified entry point or points or leaving such system at the specified exit point or points;
  - (d) the date by which any works required to permit access to the Licensee's Transmission System (including for this purpose any works to reinforce or extend the Licensee's Transmission System) shall be completed (time being of the essence unless otherwise agreed by the person seeking connection);
  - (e) the Connection Charges to be paid to the Licensee, such charges:
    - (i) to be presented in such a way as to be referable to the Connection Charging Methodology or any revision thereof; and
    - (ii) to be set in conformity with the requirements of paragraph ~~6~~ 8 of Condition 10B and (where relevant) paragraph 4; and
  - (f) such further terms as are or may be appropriate for the purpose of the agreement.

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<sup>27</sup> Changed to correct drafting error.

- 4 3. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works under a Bilateral Agreement and/or a Construction Agreement, the Licensee will have regard to:
- (a) the benefit (if any) to be obtained or likely in the future to be obtained by the Licensee or any other person as a result of carrying out such works whether by reason of the reinforcement or extension of the Licensee's Transmission System or the provision of additional entry or exit points on such system or otherwise; and
  - (b) the ability or likely future ability of the Licensee to recoup a proportion of such costs from third parties.
- 5 4. The Licensee shall offer terms in accordance with paragraphs 1 and 3 2 above as soon as practicable and (except where the Director consents to a longer period) in any event not more than the period specified in paragraph 7 6 below after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
- 6 5. The Licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement if:
- (a) to do so would be likely to involve the Licensee:
    - (i) in breach of its duties under Section 9 of the Act;
    - (ii) in breach of the Electricity Supply Regulations 1988 or of any regulations made under Section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the Transmission Business;
    - (iii) in breach of the Grid Code; or
    - (iv) in breach of the Conditions of this licence; or
  - (b) the person making the application does not undertake to be bound insofar as applicable by the terms of the Grid Code and/or the CUSC from time to time in force; or
  - (c) in the case of persons making application for Use of System under paragraph 1, such person ceases to be an Authorised Electricity Operator.
- 7 6. For the purpose of paragraph 5 4, the period specified shall be:
- (a) in the case of persons seeking Use of System only and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such use, 28 days; and

- (b) in the case of persons seeking a Bilateral Connection Agreement or a Construction Agreement (and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such agreements) 3 months, and
  - (c) in any other case, 28 days.
- § 7. The Licensee shall within 28 days following receipt of a request from any person, give or send to such person such information in the possession of the Licensee as may be reasonably required by such person for the purpose of completing paragraph 8 of Part 1 and paragraphs 2(v) and (vi) of Part 2 of Schedule 2 of The Electricity (Application for Licences and Extensions of Licences) Regulations 1990 or such provisions of similar effect contained in any further regulations then in force made pursuant to Sections 6(3), 60 and 64(1) of the Act.

### ***Condition 10E: Functions of the Director***

1. If, after a period which appears to the Director to be reasonable for the purpose, the Licensee has failed to enter into an agreement with (as the case may be) any Authorised Electricity Operator or any person entitled or claiming to be entitled thereto pursuant to a request under Condition 10D, the Director may, pursuant to Section 7(3)(c) of the Act and on application of such Authorised Electricity Operator or such person or the Licensee, settle any terms in dispute of the agreement to be entered into between the Licensee and that Authorised Electricity Operator or that person in such manner as appears to the Director to be reasonable having (in so far as relevant) regard in particular to the following considerations:
  - (a) that such Authorised Electricity Operator or such person should pay to the Licensee:
    - (i) in the case of Use of System, Use of System Charges in accordance with paragraphs 1 and ~~4~~ **6** of Condition 10; or
    - (ii) in the case of Connection Charges in accordance with paragraphs 1 and ~~5~~ **7** of Condition 10B;
  - (b) that the performance by the Licensee of its obligations under the agreement should not cause it to be in breach of those provisions referred to at paragraph ~~4~~ **5** of Condition 10D;
  - (c) that any methods by which the Licensee's Transmission System is connected to any other system for the transmission or distribution of electricity accord (insofar as applicable to the Licensee) with the Grid Code and with the Distribution Code; and
  - (d) that the terms and conditions of the agreement so settled by the Director and of any other agreements entered into by the Licensee pursuant to a request under Condition 10D should be, so far as circumstances allow, in as similar a form as is practicable.
2. Insofar as any person entitled or claiming to be entitled to an offer under Condition 10D wishes to proceed on the basis of the agreement as settled by the Director, the Licensee shall forthwith enter into such agreement.
3. If in respect of any Bilateral Agreement or Construction Agreement entered into pursuant to Condition 10D or this Condition either the Licensee or other party to such agreement proposes to vary the contractual terms of such agreement in any manner provided for under such agreement, the Director may, at the request of the Licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Director to be reasonable.

4. Where the Licensee is party to a Relevant Agreement for connection and/or Use of System which is other than in conformity with the CUSC, if either the Licensee or other party to such agreement for connection and/or Use of System proposes to vary the contractual terms of such agreement in any manner provided for under such Relevant Agreement, the Director may, at the request of the Licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Director to be reasonable having (in so far as relevant) regard to the consideration that the terms so settled are, in so far as circumstances allow, similar to the equivalent terms in the CUSC.
5. If the Licensee and a CUSC User or other person party to a Relevant Agreement are in dispute as to whether:
  - (a) Use of System Charges made, or to be made, conform with the statement of the Use of System Charges furnished under paragraphs 2(b) or ~~8~~ of Condition 10 which applied or applies in relation to the period in respect of which the dispute arises;
  - (b) Connection Charges made, or to be made, conform with the statement of the Connection Charging Methodology furnished under paragraphs 4 or ~~9~~ **10** of Condition 10B which applied or applies in relation to the period in respect of which the dispute arises,

such dispute may be referred to the Director for him to determine whether, in the case of sub-paragraph (a), the charges made, or to be made, conformed with the relevant statement(s) furnished under Condition 10, or whether, in the case of sub-paragraph (b), the charges conformed with the relevant methodology.

6. For the purposes of this Condition:

"Relevant Agreement"	means an agreement in respect of which paragraph 3 of Condition 10C of this Licence, as such applied immediately prior to the taking effect of the modification giving effect to this Condition, had effect.
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### ***Condition 10F: Connection and Use of System Code***

1. The Licensee shall establish arrangements for connection and Use of System in respect of matters other than those to which Conditions ~~7-8~~ **8A** and 10A - E relate which are calculated to facilitate the achievement of the following objectives:
  - (a) the efficient discharge by the Licensee of the obligations imposed upon it under the Act and by this Licence; and
  - (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity,and the Licensee shall be taken to comply with this paragraph by having a document setting out the arrangements for connection and Use of System designated by the Secretary of State for the purposes of this Condition by the date this Condition comes into effect and by modifying such document from time to time in accordance with the provisions of paragraphs 6 and 7.
2. The Licensee shall prepare a Connection and Use of System Code setting out:
  - (a) the terms of the arrangements made in pursuance of paragraph 1;
  - (b) the procedures established in pursuance of paragraph 6; andsuch other terms as are or may be appropriate for the purposes of the CUSC.
3. The Licensee shall only enter into arrangements for connection and Use of System which are in conformity with any relevant provisions of the CUSC.
4. The CUSC shall provide for:
  - (a) the Licensee and each CUSC User to be contractually bound insofar as is applicable by the terms of the Grid Code from time to time in force;
  - (b) the Licensee and each CUSC User to enter into an agreement or agreements, supplemental to and in a form prescribed by the CUSC, setting out site specific details in respect of each site at which the CUSC User's electrical lines or electrical plant is connected to the Licensee's Transmission System;
  - (c) there to be referred to the Director for determination such matters arising under the CUSC as may be specified in the CUSC; and
  - (d) a copy of the CUSC to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.

5. The provisions of paragraphs 4 and 10 shall not limit the matters which may be provided for in the CUSC.
6. The Licensee shall establish and operate procedures for the modification of the CUSC (including procedures for modification of the modification procedures themselves), so as to better facilitate achievement of the Applicable CUSC Objectives, which procedures shall provide:
  - (a) for proposals for modification of the CUSC to be made by the Licensee, CUSC Users and such other persons and bodies as the CUSC may provide;
  - (b) where such a proposal is made:
    - (i) for bringing the proposal to the attention of CUSC Users and such other persons as may properly be considered to have an appropriate interest in it;
    - (ii) for proper consideration of any representations on the proposal;
    - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable CUSC Objectives, provided that so far as any such evaluation requires information which is not generally available concerning the Licensee or the Licensee's Transmission System, such evaluation shall be made on the basis of the Licensee's proper assessment (which the Licensee shall make available for these purposes) of the effect of the proposed modification on the matters<sup>28</sup> referred to in paragraph 1(~~e~~) **(a) and (b)**;
    - (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the Applicable CUSC Objectives;
    - (v) for the preparation of a report:
      - setting out the proposed modification and any alternative;
      - evaluating the proposed modification and any alternative;
      - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable CUSC Objectives;

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<sup>28</sup> Changed to correct drafting error.



- assessing the impact of the modification on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification;
  - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
- (vi) for the submission of the report to the Director as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (v); and
- (c) for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Director has directed such modification to be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Director.
7. (a) If a report has been submitted to the Director pursuant to procedures described in paragraph 6(b)(vi), and the Director is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the CUSC and any alternative modifications set out in such report, better facilitate achieving the Applicable CUSC Objectives the Director may direct the Licensee to make that modification.
- (b) The Licensee shall only modify the CUSC:
- (i) in order to comply with any direction of the Director pursuant to sub-paragraph (a); or
  - (ii) with the consent of the Director,
- and it shall not have the power to modify the CUSC in any other circumstance; and the Licensee shall furnish the Director with a copy of any modification made.
- (c) Only the Licensee shall have the power to modify the CUSC.
8. The Licensee shall prepare and publish a summary of the CUSC as modified or changed from time to time in such form and manner as the Director may from time to time direct.

9. The Licensee shall be a party to the CUSC Framework Agreement and shall comply with the CUSC
10. The CUSC Framework Agreement shall contain provisions:
  - (a) for admitting as an additional party to the CUSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the CUSC) on which accession to the CUSC Framework Agreement is offered; and
  - (b) for referring for determination by the Director any dispute which shall arise as to whether a person seeking to be admitted as a party to the CUSC Framework Agreement has fulfilled any accession conditions; and if the Director determines that the person seeking accession had fulfilled all relevant conditions, for admitting such person to be a party to the CUSC Framework Agreement.
- ~~10A~~ **11.** The Director may issue a direction to the Licensee to make such amendments to the agreement known as the Master Connection and Use of System Agreement ("MCUSA") and the Supplemental Agreements and Ancillary Services Agreements (as defined or referred to in MCUSA) and any associated agreements derived from MCUSA as shall be ~~necessary~~ **stated as required to be made**<sup>29</sup> to amend them appropriately into the CUSC Framework Agreement, CUSC, Bilateral Agreements, Construction Agreements and associated agreements derived from CUSC so as to maintain continuity of contractual relationships.
- ~~11~~ **12.** The Licensee shall take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the Core Industry Documents to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the CUSC.
- ~~12~~ **13.** For the avoidance of doubt, paragraph ~~10A~~ **11** is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph ~~11~~ **12** which the Director may have.
- ~~13~~ **14.** The Licensee shall comply with any direction to the Licensee made pursuant to this Condition.

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<sup>29</sup> Changed to better reflect section 25.1 of MCUSA.

14 15. In this Condition:

“Applicable CUSC Objectives”

means:

- (a) in relation to a proposed modification of the modification procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 1); and
- (b) in relation to any other proposed modification, the objectives set out in paragraph 1.

~~15. This Condition or parts of it shall not come into effect until the date specified in a direction to that effect made pursuant to paragraph 1 of Condition 1B.<sup>30</sup>~~

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<sup>30</sup> Switch on provision deleted as date on which licence conditions will take effect will be specified in the designation made by the Secretary of State.

### ***Condition 10G: Information about the Licensee's Transmission System***

1. The Licensee shall by not later than 31 March in each Financial Year prepare a statement in a form approved by the Director showing in respect of each of the seven succeeding Financial Years circuit capacity, forecast power flows and loading on each part of the Licensee's Transmission System and fault levels for each transmission node, together with:
  - (a) such further information as shall be reasonably necessary to enable any person seeking Use of System to identify and evaluate the opportunities available when connecting to and making use of such system; and
  - (b) a commentary prepared by the Licensee indicating the Licensee's views as to those parts of the Licensee's Transmission System most suited to new connections and transport of further quantities of electricity.
2. The Licensee shall include in every statement prepared under paragraph 1 above the information required by that paragraph except that the Licensee may with the prior consent of the Director omit from such statement any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Director, seriously and prejudicially affect the commercial interests of the Licensee or any third party.
3. The Licensee may periodically revise the information set out in and, with the approval of the Director, alter the form of the statement prepared in accordance with paragraph 1 and shall, at least once every year that this Licence is in force, revise such statement in order that the information set out in the statement shall continue to be accurate in all material respects.
4. The Licensee shall send a copy of any such statement or revision given under paragraphs 1 or 3 to any person who asks for one.
5. The Licensee may make a charge for any statement or revision sent pursuant to paragraph 4 of an amount reflecting the Licensee's reasonable costs of providing such which costs shall not exceed the maximum amount specified in directions issued by the Director for the purposes of this Condition.

### ***Consequential changes to Condition 11C and Schedule 3A<sup>3132</sup>***

#### *Condition 11C, paragraph 2*

Any entity applying in connection with transit for an agreement for Use of System shall be treated for the purposes of 10C, 10D and 10E as an Authorised Electricity Operator.

#### *Condition 11C, paragraph 5*

If, in relation to an application for transit by any entity, the Director has been requested to exercise his powers under Condition 10E or 11B, the Director may delay the exercise of his said powers until the terms have been considered by the body set up under Article 3.4 of the Directive and the Director may give such weight to the opinion (if any) of that body as he thinks fit in exercising his said powers.

#### *Schedule 3A, Part A, paragraph A3*

The whole or an appropriate proportion (as the case may be) of the charges of the type described in paragraph ~~3~~ **4**<sup>33</sup> of Condition 10~~B~~<sup>34</sup> and borne by any person as Connection Charges in respect of connections made after the grant of this licence may be treated as excluded services.

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<sup>31</sup> Changed to reflect new Schedule introduced for price control changes.

<sup>32</sup> Paragraphs will be substituted for relevant sections of the existing licence conditions.

<sup>33</sup> Changed to correct a typographical error.

<sup>34</sup> Changed to correct a typographical error.

## Appendix 4 Changes to Public Electricity Suppliers; second tier suppliers; generators and distribution licences

**4.1** This Appendix contains the new condition to be included in the licences of generators, suppliers and distributors with changes from the condition attached to the February 2001 document. Inserted text is shown in **bold**. Footnotes are included to explain changes.

**Public Electricity Suppliers, Second Tier Suppliers, Generators and Distributors Licence Condition<sup>35</sup>**

1. The Licensee shall be a party to the CUSC Framework Agreement and shall comply with the CUSC and, if it is party to the agreement known as the Master Connection and Use of System Agreement ("MCUSA"), execute such other documents as shall be necessary **stated as required to be made in any direction issued by the Director<sup>36</sup>** to enable the MCUSA and its Supplemental Agreements and Ancillary Service Agreements (as defined or referred to in MCUSA) and any associated agreements derived from MCUSA to be amended appropriately into the CUSC Framework Agreement, CUSC, Bilateral Agreements, Construction Agreements and, so far as is appropriate, associated agreements derived from CUSC so as to maintain continuity of contractual relationships.
2. The Licensee shall take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to those documents as modified or replaced from time to time), and shall not take any steps to prevent or unduly delay, changes to the Core Industry Documents to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the CUSC.
3. For the avoidance of doubt, paragraph 2 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the Core Industry Documents which the Director may have.

4. In this Condition:

"CUSC" means the connection and use of system code required to be in place pursuant to the Transmission Licence granted to the Transmission Company, as from time to time modified.

"Core Industry Documents" means those documents which:

- ~~(a) in the Secretary of State's opinion are central industry documents associated with the activities of the Licensee and Authorised Electricity Operators, the subject matter of which relates to or is connected with the CUSC or connection and use of system arrangements; and~~

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<sup>35</sup> Numbering shall be specified in a direction addressed to each licensee.

<sup>36</sup> Changed to better reflect section 25.1 of MCUSA.

(b) have been designated by the Secretary of State **as such**.<sup>37</sup>

“CUSC Framework Agreement” means the agreement of that title, in the form approved by the Secretary of State, by which the CUSC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.

~~5. This Condition or parts of it shall not come into effect until the date specified in a direction to that effect made pursuant to paragraph 1 of Condition 1A.<sup>38</sup>~~

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<sup>37</sup> Change needed to ensure that definition of Core Industry Documents relates to Core Industry Documents designated by the Secretary of State for the purposes of the CUSC.

<sup>38</sup> Switch on provision deleted as date on which licence conditions will take effect will be specified in the designation made by the Secretary of State.