

## **DTI's consultation on a proposed extension to the implementation date for the Connection Use of System Code (CUSC) – Ofgem's response**

Ofgem is grateful for the opportunity to respond to the DTI's consultation paper on the possible delay in implementation to the CUSC. We firmly believe that any delay would not be in customers' interests and could prevent the continuing success of the NETA reforms. Any delay would add significant and unnecessary costs and risks to the industry whilst returning no benefits.

Ofgem does not agree with the argument put forward by certain companies that more time is required to check the consistency and accuracy of the CUSC and associated documents before the CUSC is implemented. The joint Ofgem/DTI consultation on the development of CUSC has run for 18 months. It has been full and thorough and has included several stages:

1. Ofgem/DTI consultation documents on scope, content of the CUSC and associated licence conditions: December 1999, March 2000, June 2000, and August 2000.
2. NGC draft the CUSC in line with Ofgem/DTI's proposals and consult on the draft: September – December 2000.
3. NGC present Ofgem/DTI with its final draft CUSC: December 2000.
4. Ofgem/DTI consultation documents on further licence changes and on the draft CUSC: December 2000 and February 2001.
5. Ofgem/DTI conclusions document: April 2001.

In light of the extensive consultation which has already taken place Ofgem does not consider that there is any need for a further stage. We are also surprised that the DTI is now taking this view having jointly consulted with Ofgem at each stage in the development of the CUSC and having agreed at the end of this period to implement the CUSC in line with our recommendations.

There are real and potentially large costs to the industry and therefore consumers in the delay. With the introduction of NETA, there is the need for transmission arrangements to be able to change in response to developments in the electricity trading market. As I am sure you are aware, since NETA went live there have been a number of urgent modification proposals raised under the Balancing and Settlement Code (BSC) to modify the market rules in the light of operational experience. Ofgem is aware that certain companies already require amendments to the CUSC. Any proposal to delay could prevent such modifications being made in a timely manner, as under the current Master Connection and Use of Systems Agreement (MCUSA) framework, modifications require the consent of over 100 parties to the agreement. This could prejudice the efficient operation of the wholesale market, distort competition and/or raise costs. This would clearly not be in customers' or the industry's interests. Ofgem considers that the question of delay is separate to any subsequent proposed amendments to the CUSC.

A further consequence of delaying the introduction of the CUSC is that the implementation of the associated licence conditions in NGC's transmission licence relating to charging methodologies will also be delayed. These methodologies have already been approved by Ofgem subject to certain conditions, which are to be satisfied by April 2002, using the procedures set out in the new conditions. The two-month delay will materially affect

NGC's ability to meet these conditions or to initiate changes it may require for revised charges to apply from 1 April 2002.

In light of the outlined difficulties, Ofgem considers that it is neither necessary nor expedient to facilitating NETA that the CUSC is delayed and that therefore there is no case for the Secretary of State to use his powers under Section 15A of the Electricity Act 1989 to delay implementation of the CUSC.