

Response to the Ofgem Document: Conclusions on amendments to the STC and Consultation on Schedule 10 Charges 18/01/05

Introduction

1. We welcome the opportunity to comment on “The Conclusions on amendments to the STC and Consultation on Schedule 10 Charges” document – 18/01/05’.
2. This response is divided into two sections, covering NGC Comments on the:
 - Conclusions on amendments to the STC; and
 - Consultation on Schedule 10 Charges.

Conclusions on amendments to the STC

3. In general, we support the amendments made to the STC.
4. However, we believe that an STC amendment previously agreed at the Control Room User Group has been omitted. This amendment is required to ensure consistency between STCP 3-1 and the STC (the definition of Significant Incident and text within STC section C, paragraph 4). Specifically:
 - the definition of Significant Incident needs to remove the reference to NGC and cross-refer to paragraph 4.1.3 and not 4.1.2. The definition would therefore read: ‘an Event which any Party determines, pursuant to Section C, Part Three, paragraph 4.1.3, has had ... ‘
5. Although not specifically discussed in the document we would like to draw Ofgem’s attention to our response to the ‘Transmission Price Controls and BETTA: Amendments to the STC’, regarding the recording and reporting of Outage costs and change outcomes, dated 28/01/05. We believe further consideration of the practical implementation of these proposals may be necessary.
6. With respect to the Ofgem views expressed:
 - We support the CAP048 incentive arrangements being progressed as part of the work to develop NGC’s System Operator incentives.
 - Currently CAP076 is being progressed through the CUSC amendment process. NGC believe that it is likely that a corresponding modification may be required to the STC. NGC will take such an amendment forward through the enduring STC amendment process.
 - A number of amendments related to emergency instructions are currently being progressed through the BSC amendment process. If NGC believes that amendments are subsequently required to the STC, we shall take these forward through the enduring STC amendment process.

- With regard to the deletion of G3.4 we continue to believe that this clause is required in some form. We agree that the words from the beginning of the clause to “Code” on the second line are unnecessary but deleting the remainder appears to result in the situation where the indemnity from a nuclear generator to CUSC Parties under 6.11.5 of CUSC in respect of actions taken under 6.11.3 is limited to physical damage etc by 6.11.6 but NGC is giving an indemnity to the TO’s for unlimited loss or damage etc as a result of action under G3.1.

Consultation on Schedule 10 Charges

7. We agree with Ofgem’s view that Schedule 10 is now redundant and that the proposed wording for STC Schedule 10 is appropriate given the revised framework currently being developed by Ofgem for TO-SO charging. However these charges are fundamental to National Grid’s commercial arrangements and, whilst we understand Ofgem’s decision with regard the TO charging methodologies, we are concerned with the process that has been followed to reach the current position. For example, we were regularly seeking clarity from Ofgem on Schedule 10 through the Summer and Autumn but it only became clear in November that Schedule 10 was not going to be used to define TO charges. Furthermore, Schedule 10 has now been replaced by a process that is far from visible.
8. We would now like clarity on the next stages in the approval of the TO-SO charging arrangements. Whereas an industry wide consultation would have been undertaken for Schedule 10, the TO charging methodologies are currently being drafted by the TOs, and it is not clear what external consultation will take place before these TO charging methodologies are approved. We believe that it is important that there is an opportunity for all interested parties to record their views on the TO methodologies, and for Ofgem to respond. This would assist in the transparent development of the TO charging regime. We would therefore welcome clarification from Ofgem regarding the process and timetable for the approval of the TO charging methodologies.

Conclusion

9. We look forward to receiving further clarity on the next stages in the approval of the TO-SP charging arrangements and the outstanding STC issues, and to working with Ofgem to resolve these issues.