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9<sup>th</sup> October 2009

Dear Jenny

## **Code Governance Review: Governance of charging methodologies Initial Proposals**

I am writing to you as the CUSC Amendments Panel Chair on behalf of the CUSC Amendments Panel. Thank you for the opportunity to respond to the above consultation. The Amendments Panel would like to provide Ofgem with its experience of assessing CUSC Amendment Proposals which have an associated charging element and have, therefore, not provided answers to the specific questions posed in the consultation document.

As you will be aware, the Amendments Panel was recently responsible for the assessment of a number of CUSC Amendment Proposals relating to reform of Transmission Access arrangements. At the September 2009 meeting of the CUSC Amendments Panel, Panel Members undertook a review of the CUSC processes followed to assess the Transmission Access related Amendment Proposals.

Panel Members agreed that one of the key difficulties the Amendments Panel faced in assessing the Amendments Proposals related to the differences in governance between the CUSC Amendment Proposals and the associated charging methodology changes. A strong effort was made by National Grid, in its role as administrator of the CUSC and the charging methodology statements, to run any related consultations in parallel to provide transparency and facilitate comparison; however, this proved to be very difficult due to variations in the pace of progress between the CUSC and the charging proposals.

Therefore, Panel Members agreed that any initiative which facilitates the ability of the industry and the Amendments Panel to consider CUSC Amendments Proposals and associated charging methodology change proposals together would be beneficial. With this in mind, Panel Members consider that Option 3 described in Ofgem's Initial Proposals consultation would be an effective solution.

However, Panel Members wish to highlight some practical issues that may arise from implementation of Option 3, namely that it may result in a series of change proposals which seek to redistribute money between participants within a "zero sum game". While it is not possible to anticipate the number of Amendment Proposals relating to charging methodologies that will be submitted, the introduction of charging methodologies into the CUSC governance process will put pressure on those processes and will increase the workload of the CUSC Amendments Panel. Any increase in the number of change proposals would also increase the burden on all industry participants who wish to consider and respond to such proposals.

Therefore, the Amendments Panel is mindful that it will be required to review the processes and resources associated with considering Amendment Proposals related to charging methodologies to ensure that they are fit for purpose.

If you wish to discuss further please do not hesitate to contact me or Alex Thomason on 01926 656379 or [alex.thomason@uk.ngrid.com](mailto:alex.thomason@uk.ngrid.com).

Yours sincerely

*pp. Mark Ripley, by email*

**Alison Kay**