

Meeting report

Meeting name	Transmission Charging Methodologies Forum and CUSC Issues Steering Group 80
Date of meeting	Wednesday 13 th December 2017
Time	10:30 – 13:30
Location	Webinar Only

Name	Initials	Company
Jon Wisdom	JW	National Grid (Chair)
Urmi Mistry	UM	National Grid (TCMF Technical Secretary)
Rachel Tullis	RT	National Grid (Presenter)
Sarah York	SY	National Grid (Presenter)
Harriet Harmon	HH	National Grid (Presenter)
Wayne Mullins	WM	National Grid (Presenter)
Rob Marshall	RM	National Grid (Presenter)
John Martin	JM	National Grid (Presenter)
Robert Longden	RL	Cornwall
Garth Graham	GG	SSE
Colin Prestwich	CP	Smartest Energy
Nicola Percival	NP	Innogy Renewables UK
Laurence Barrett	LB	EON
Paul Jones	PJ	Uniper
Andrew Mckenna	AM	Drax Power
Daniel Hickman	DH	Npower
Julia Haughey	JH	EDF
Aled Moses	AMo	Dong Energy
Sandip Sali	SS	Ampower
Nicola Fitchett	NF	RWE
Karl Maryon	KM	Haven Power
Harry Pick	HP	Brooke green supply
Sean Hennity	SH	Ofgem
James Anderson	JA	Scottish Power
Peter Bolitho	PB	Waters Wye
Joe Dunn	JD	Scottish Power

All presentations and supporting papers given at the TCMF meeting can be found at:
<http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

1 CUSC Modifications Update – Urmi Mistry, National Grid

1. UM provided a detailed update on existing CUSC Modification Proposals. During this section, the following questions and comments were noted:
2. CMP 251 – PB asked whether the noted date for a decision was realistic given the movement in industry at present. It was confirmed by SH that this was a matter of prioritisation and that the Authority could look at the Proposal but it had been de-prioritised until the CMA Appeal on CMP 261 is resolved. The date for resolution of that appeal is unknown however it was noted that there is a 15 week maximum lead time for conclusion of CMA Appeals and as such that a decision on CMP 251 was likely some time away;
3. CMPs 271/4/6 – PB asked what the date for the minded-to decision for the TCR outcomes was likely to be. JW confirmed that that information isn't currently known. PB stated that he did not consider that an open-ended timescale was appropriate and was concerned that Ofgem processes were being used to stifle legitimate CMPs raised in good faith. It was confirmed that the Modification Workgroup and the CUSC Panel had both agreed, with the Proposers of the relevant Modifications, to work to Ofgem's minded-to as the stage-gate for reconvening;
4. CMP 284 – The reasons for the Proposer withdrawing this Modification were requested; JW confirmed that a Proposer need not provide rationale for withdrawing their support for a Proposal.

2 Co-Location Guidance Note Overview – Sarah York, National Grid

5. SY gave some background and context as to why this note has been created. Then an overview of the note was given. It is due to be published at the end of January 2018 with an aim to provide more transparency and consistency. The note will cover connection, compliance and charging at a high level. This document will not be the final version and will be kept under review.
6. SY presented a summary table of key topics that are covered within each area of the note. It was highlighted that a guidance note on how transmission connected storage would be charged if it connected today (March 2017) however this did not specifically mention co-located sites. In the case of connections that are consolidated the current charging arrangements may need to be reconsidered. This led to some questions which SY posed to attendees and which would be asked within the guidance note.
7. PJ asked whether a spare bay would be considered a new or existing connection. **Action:** SY took an action to confirm the answer and come back to PJ.
8. GG raised whether there had been any reference to TAR (Transmission Access Review). He also questioned the legal status of this guidance note. JW responded that this note does not alter anything that is in the Codes or legal arrangements currently, rather it expands on guidance that is currently available for storage on how NG interpret the charging methodology. Additionally, the items explored within the paper highlight areas that National Grid are considering for potential future changes needed to the charging methodology.
9. GG wanted clarity as to whether any sites would fall under the scope of the issues discussed within this guidance note. **Action:** SY would take this away and confirm. Feedback from other attendees was supportive of the intent of the note to explain the methodology, how it applies and works for co-location, and highlighting areas that may need to change. Attendees supported altering the title of the paper to highlight

that it is more consultative in nature. **Action:** SY to take away how the document is framed and set the tone according to feedback received.

3 Financial Impact of Customer Delays – Wayne Mullins, National Grid

10. WM presented on the knock on effects of delaying customer connections and the issues around this which was previously looked at via CMP249. WM explained that there were two types of costs, incremental (e.g. demobilisation and remobilisation costs) and costs of financing investment undertaken earlier than required and that there are no explicit arrangements in the CUSC to recover these costs from delaying parties. To date, one off charges have been used to recover these costs, but stakeholder feedback has indicated that more clarity would be beneficial.
11. The impact of the delays was presented to attendees through two diagrams showing what happens with a delay and when there is no delay. These graphs show typical expenditure on a project and shows that if there is a delay there is also a delay in allowance for that project.
12. WM then gave an overview of the TO Totex Incentive Mechanism, on how the difference between annual TO Totex and the annual TO (transmission operator) allowance is split and a sharing factor applied such that TOs are allowed to cover part of the difference via TNUoS, and bear the cost of the remainder. Each TO price control is different therefore each cost of funding is also different. Each TO has a different weighted average cost of capital (WACC) which represents their expected cost of financing. Therefore this would be representative of the cost of financing investment which occurs ahead of the allowance. PJ questioned this mechanism and the percentage splits. He also asked if there is a delay currently there is no additional charge as funding will be received at some point so why is this now an issue. WM explained that this was meant to cover the financing costs associated with a delay in the allowance (i.e. due to differences in timing).
13. This led on to the draft proposal where the SO (System Operator) would recover the cost to both the TO and that recovered by customers in general through TNUoS. Attendees then raised some questions:
 - i. JD - In the current guidance note, the depreciation element has been removed, does this proposal put it back in? WM responded no - depreciation is about the asset value whereas this modification is about financing on investment.
 - ii. JD – charges should be negligible because TOs will be hedging their financing costs therefore charges should be low. WM replied that the WACC is designed to be representative of each TO's financing costs.
 - iii. There were queries as to whether the risk of additional costs due to delay were included within the WACC calculation agreed as part of the RIIO-T1 price control. WM explained that even if this were the case, there is now increased risk of delay due to things such as the capacity mechanism, where if a party does not get a contract they may serially delay a year until they do.
14. The intention is to take this proposal to the CUSC Panel in January. RL pointed out those conceptual points noted above should be presented to the panel to support this proposal. There was discussion around whether the defect should include costs associated with TO delays, but WM highlighted that a mechanism already exists to cater for this (Liquidated Damages).
15. A point was raised over TO's receiving allowances before the investment is made, and whether this gave a TO preferential treatment. WM highlighted that often spend is required in advance of allowances, but the purpose of the change was solely to address the difference caused by customer delays, as opposed to fix other differences between spend and allowances that TOs are funded for or have to fund.

4 CMP261 - Update – Rachel Tullis, National Grid

16. RT gave an update on the current position of CMP261 which was rejected by the authority in November 2017. This modification looked to reimburse generators for alleged over-payment of TNUoS in 2015/16.
17. RT then gave a view of next steps also noting that NG published a letter on the 8th of December 2017 providing an update on NGs approach to tariff setting. RT noted that NG is currently considering its position regarding the appeal process, the importance of NG remaining compliant with regulation 838/2010 and that they are keen to work with parties to develop options around the approach to TNUoS charges if they wish to raise them following conclusion of any legal proceedings.
18. PB mentioned that the note was what he expected however a direct link to the document would be more useful. NF then followed asking if there was the possibility of NG creating some scenarios showing the impacts on tariffs. As it could have a big impact on tariffs and this would be helpful for industry. **Action:** JW agreed to take this request away for consideration.
19. PB thought the best course of action would be to wait for the outcome of the appeal before more work is done, as there are areas of Ofgem's decision letter that opens up industry debate. PJ then mentioned that any work carried out on the G:D Split could fall under the residual and so any modification raised would fall under the SCR. JW added that any work would most likely be taken to a task force to discuss further.

5 Tariff Update – 5 year forecast – Jon Wisdom, National Grid

20. JW gave a brief tariff update. There was a webinar held on Friday 8th December regarding the 5 year tariff forecast that was published on the 30th November. The intention was still to publish draft tariffs for 2018/19 on the 21st December. Some attendees raised the issue that they may not be on the charging mailing list and so have been missing communications. **Action:** JW and RT took an action to explore if there is a way to identify mailing lists in email communications such that people know which mailing list that they are on. PB mentioned that there used to be a sign up option for mailing lists on the website and it seems like this has been removed.

6 Charging Futures Update – Rob Marshall, National Grid

21. RM presented an update following the delivery body meeting. The first Charging Futures Forum was held at the beginning of November; a summary of the forum has been published on www.chargingfutures.com and summary notes of Ofgem's working papers will be published in the coming weeks. Summary notes will be published on BSUoS, the TCR and Storage by Ofgem. Two task forces have been created looking at access and forward looking charges, each have key deliverables which are due between January and April 2018.
22. RM then mentioned that all papers can be found on the charging futures website and if anyone has any feedback, to get in contact. AM asked if there had been any feedback so far. RM responded that so far feedback has been positive with a number of people asking for summary notes on the areas of change which prompted the development of the summary notes mentioned.

7 Treatment of BSUoS due to introduction of Secondary BMUs – Harriet Harmon, National Grid

23. HH provided some background into this topic, in that it has come out of work on P344 which looks at EU TERRE arrangements in the GB market. This change introduces the concept of Virtual Lead Parties (VLP) which will accede to certain sections of the

BSC so they can participate in the Balancing Mechanism. Site registering to a VLP will be classed as a 'secondary BMU', where the VLP is not a Trading Party. If there is no change, within current arrangements, VLP and secondary BMUs will be charged BSUoS leading to a 'double-charging' of metered volumes.

24. Currently only interconnectors are excluded and this modification would look to also exclude VLPs. HH also discussed that Project TERRE looks to move to 15min settlement periods, however the way the calculation is in the CUSC currently there will be no need to change the BSUoS charging methodology, however this has to be confirmed with Elexon when the P344 solution is finalised. HH outlined that whilst NG doesn't expect a charging methodology change to BSUoS, NG is examining impact to billing methodology and can provide future update if anything changes.
25. Next steps are to raise the modification excluding VLPs, in January 2018. Project TERRE needs to be fully implemented by April 2019, so the view from a BSC perspective is to get all modifications to the Authority by June 2018. Therefore, to allow a joint approach these are the timescales the CUSC modification will align to.
26. PB asked if the processes for exempting interconnectors and VLP are distinct and not linked, HH confirmed this. GG then asked between a supplier and VLP, who is the balancing responsible party and how does this work with the Balancing Network Code. PJ explained that the supplier is the responsible party and the VLPs purpose is to act as a balancing services provider. P344 is providing a wider solution so that parties can provide balancing services in a wider context. Also that P344 has been taken forward in line with the Balancing Network Code. JW noted that any issues in respect of P344 and its interaction with other regulation should be discussed at the appropriate forum – in this case the BSC modification group.

CUSC Issues Steering Group

8 Accelerating Connection Update – Rachel Tullis, National Grid

27. RT gave a quick update on Accelerating Connections work as no modification was raised in November as previously planned (and presented to TCMF). Whilst engaging and gathering feedback National Grid have had some helpful queries raised about how the proposals work in practice (particularly across Transmission and Distribution) which has identified some complexities which weren't addressed through the workshops. National Grid are currently working through scenarios to understand how proposals work in practice and will be engaging with the TOs & DNOs to confirm. RT is planning to bring a revised timetable for the mod to January's TCMF. RT also mentioned to attendees that National Grid are mindful of the Charging Futures Access Task force and will be monitoring direction of travel of this work. PB asked if there was an anticipated date for the modification, RT replied that there would be more information in January.

9 SO/TO Legal Separation – John Martin, National Grid

28. JM presented to attendees on the SO/TO legal separation and how this could lead to code changes as the SO and TO become independent. JM then gave some background on what has been happening this year (2017). Industry codes will need to be modified. The aim is to raise a coordinated set of modifications, following the usual modification processes. The impact is anticipated to be minimal and open to cross code working. Regarding the CUSC, all sections will need changes including a majority of schedules and exhibits.
29. Next steps are to get draft legal text out to industry in late January/ early February 2018 with the modifications raised at March 2018 Panels. PJ questioned whether there needed to be changes to the CUSC as it is a System Operator (SO) document.

JM explained that there are areas in the CUSC where reference to 'The Company' will need to be split into SO and TO. GG then asked if there was going to be some consistency across the codes, regarding the company name for the SO, as this will futureproof the documents. JM responded that through cross code work, he will take on board feedback on having a generic name. GG then followed up that as there is going to be virtual separation from October 2018, what is NGs intention regarding workgroups and whether there will be two representatives from NG from this point. JM responded that this has not been defined yet but will be looked in to and further updates will be given next year.

AOB

30. PB raised concerns to changes to the NG website. Since the switch documents appear to have not made the switch to the new website. These documents are important and needed for historical reference; therefore all documents should be accessible and archived. **Action:** RT will make enquiries re missing website content specifically in relation to previous mods (TCMF members asked to advise when they come across any additional missing content).

Next meeting

Next meeting: Wednesday 10th January 2018

Time : **1030** (unless otherwise notified)

Venue : **Likely to be held as a webinar** (unless otherwise notified)

Appendix 1

Actions List

TCMF Month	Agenda Item	Action	Owner	Notes	Target Date	Status
Dec-17	Co-location Guidance Note	Confirm if a spare bay would be considered a new or existing connection	SY		Jan-18	
Dec-17	Co-location Guidance Note	Confirm if any sites are currently impacted by this guidance note.	SY		Jan-18	
Dec-17	Co-location Guidance Note	SY to take away how the document is framed and set the tone according to feedback received	SY		Jan-18	
Dec-17	CMP261 - Update	Look into the possibility of creating some scenarios around outcomes of CMP261 appeal	JW		Jan-18	
Dec-17	Tariff Update - 5 year forecast	Explore if there is a way to identify mailing lists in email communications such that people know which mailing list that they are on	JW & RT		Mar-18	
Dec-17	AOB	Make enquiries re missing website content specifically in relation to previous mods (TCMF members asked to advise when they come across any additional missing content)	RT		Mar-18	