

Meeting report

Meeting name Transmission Charging Methodologies Forum and CUSC Issues Steering Group 86

Date of meeting Wednesday 13th June 2018

Time 10:30 – 13:00

Location National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA

Name	Initials	Company
Rachel Tullis	RT	National Grid (Chair)
Jon Wisdom	JW	National Grid
Urmi Mistry	UM	National Grid (TCMF Technical Secretary)
Jennifer Groome	JG	National Grid
Harriet Harmon	HH	National Grid (Presenter)
Paul Wakeley	PW	National Grid (Presenter)
Joseph Henry	JH	National Grid (Presenter)
Richard Smith	RS	National Grid (Presenter)
Joseph Donohoe	JD	National Grid (Presenter)
Stephen McAllister	SM	National Grid (Presenter)
Paul Lowbridge	PL	National Grid
Robert Longden	RL	Cornwall Insight
Grace Smith	GS	UKPR
Paul Youngman	PY	Drax
Garth Graham	GG	SSE
Andrew Ho	AH	Orsted
Simon Vicary	SV	EDF Energy
Peter Bolitho	PB	Waters Wye
Daniel Hickman	DH	NPower
Paul Mott	PM	EDF Energy
Lorraine Nicholson	LN	ESB
Paul Jones	PJ	Uniper
Laurence Barrett	LB	E.ON
Nicola Fitchett	NF	RWE
James Anderson	JA	Scottish Power
Colin Prestwich	CP	SmartestEnergy
George Moran	GM	British Gas
Kyran Hanks	KH	Waters Wye
Leigh Gooding	LG	South Tees Site Company
John Thoulons	JT	
Sara Armstrong	SA	

All presentations and supporting papers given at the TCMF meeting can be found at:
<https://www.nationalgrid.com/uk/electricity/charging-and-methodology/transmission-charging-methodology-forum-tcmf>

1 Introduction, meeting objectives and review of previous meeting's actions - Rachel Tullis, National Grid

1. RT suggested to remove the last action from the list – Updating the Statement of Works Process, as a commitment had been made to update the document at the end of the modification process. This was agreed. GG asked if there was a date for completion, RT responded that a date would be hard to define as the workgroup process has not started yet.

2 CUSC Modifications Update - Joseph Henry, Code Admin

2. JH gave an update on all on going and new CUSC modifications. A new modification, CMP300 was presented by DRAX to CUSC Panel on 25/05/18. The panel decided this would follow a standard workgroup and authority decision route, for which the code administrator now seeks workgroup members. It is scheduled to commence in Autumn.
3. A workgroup consultation for CMP280 was due to be released [19th June]. A further workgroup is needed for CMP281, to be held in July 2018.
4. RL asked whether the Code Admin team were going to ask WG members their availability before workgroups for CMP300 are arranged. JH's response was that yes there will be an email out on this.
5. See slide 12 in the pack for a new dashboard of CUSC modifications showing number of: new modifications, in-flight modifications, modifications out for consultation, modifications on hold, workgroups held in month, authority decisions and scheduled workgroups.
6. RL fed back that slide is a helpful addition. RL also suggested adding a column showing 'number of modifications subject to prioritisation'. It was confirmed that all modifications are subject to prioritisation. GG made the point that there are fewer workgroup meetings than previously and would prefer more meetings. There was discussion that the slide promotes attendees to ask why there are a high/low number of workgroups held in month. This led to discussion that it may be helpful to provide commentary around why the number of workgroups held was high/low.
7. This brought us on to the topic of CUSC Modification Prioritisation. JH talked through how this works (slide 15) and the current table of modifications (slide 16). PB asked whether the prioritisation process was an ongoing or temporary measure. Other attendees commented that there is now an increased number of modifications so there is need to prioritise. It is written into the CUSC to prioritise and even with more resource in the Code Admin team the prioritisation stack is still needed for the foreseeable future due to the volume and complexity of CUSC modifications.
8. PJ stated that it is not just Code Admin resource that is stretched but also in industry in general, however prioritisation shouldn't become the norm.
9. There was generally good feedback on the new CUSC modification update format.

3 Action Update - ESO Forward Plan Joseph Donohoe, National Grid

10. **JD presented on the new ESO Forward Plan.** From 2019/20 the ESO is operating under a new performance evaluation framework. Ofgem / Panel reviews the ESO Plan to ensure it is comprehensive, challenging and reflective of stakeholder views. The panel will review performance mid-year and year-end by evaluating the ESO's performance across 7 principles, based on ex-ante criteria. Following this a decision is made on financial payment/penalty by Ofgem. For 2018/19 there is a maximum cap/floor of +/-£30m. JD then explained the 7 principles (slide 19) and five criteria (slide 20).

11. Of the 5 criteria one of which is performance metrics. JD explained that it is important to make the point that externally, people have been focusing on performance metrics and numbers, however these are only part of the big picture. JD emphasised the importance of stakeholder feedback in this framework. This forward plan attempts to combine qualitative data such as feedback as well as quantitative metrics to assess NG's performance across the matrix of principles and criteria.
12. NG published a suite of 18 performance metrics alongside the Forward Plan in March. Since, feedback has been taken on regarding the metrics and some aspects have been changed. They will continue to be changed based on feedback.
13. **SM presented on the BSUoS related incentivised metrics.** SM explained the ESO proposed measures on BSUoS forecasting and billing (slides 22-25). Forecasting measures are based on timeliness of forecasts. Billing measures are based on query response time, query resolution time and timeliness. In the context of the overall holistic assessment against the 5 criteria, the ESO would only be considered for an incentive payment if it exceeded baseline targets, not for meeting them. Similarly, as part of the holistic assessment the ESO could be facing a penalty if performance is below baseline.
14. SV questioned that there might be a way to game it, and whether a metric around producing to time might impact the quality. JD responded to this, that even if the ESO outperformed on this metric we wouldn't necessarily get a payment. We must perform against all 5 criteria of the assessment to qualify for a payment for that principle. RL asked if there will be a process to discuss the accuracy of forecasts with stakeholders. JD noted this and suggested webinars might be used for this. SM explained that there is a monthly metrics report which is analysed by Ofgem and scrutinised monthly. Also, he mentioned if we were to perform similarly to last year we would be having penalty conversations with Ofgem, noting that NG have raised the bar this year considerably. GG commented that the proposed query acknowledgement system wasn't very ambitious. GG questioned if NG would start to get rewarded at 85%. JD clarified that reward discussion only starts at 95% or above for that metric (slide 23).
15. PM asked whether National Grid can appeal Performance Panel decisions and LB asked how Ofgem's panel is formed, SM responded that Ofgem have published a document called ESO Reporting Guidance which explains this. PB asked what we are assuming for on target performance currently, JW responded that this will be covered in AOB.
16. PB asked what level of costs recovered for this was. This was answered later by Paul Lowbridge. See item 10 (AOB).

4 RFI Open Letter for CMP286/7 - Harriet Harmon, National Grid

17. HH has released an RFI on behalf of the ESO for CMP286/287 and highlighted 3 main reasons for doing so. 1) There is a need for information to be able to accurately quantify the benefits case on premia reduction, 2) NG has no commercial interest in knowing PPU risk premia, so is an appropriate party to aggregate risk premium data, 3) One of NG's core roles in the ESO Forward Plan is to facilitate competitive markets, in a variety of ways, including analysis industry cannot undertake itself. HH appealed to the group to respond to the open letter for which the deadline to respond is 30 June 2018.
18. National Grid are volunteering to conduct this analysis. HH highlighted the commercially sensitive nature of this, and assured attendees that there is no risk to sharing data for this purpose. Harriet is happy to sign a Non-Disclosure Agreement on behalf of NG. Harriet confirmed that what will go back to the workgroup, panel and Ofgem is anonymised

average data. The only time we'd ever share is if we're compelled to - to comply with the law.

19. RL asked if there can be a clause that it will be erased from the database after x number of months. Harriet confirmed this and JW commented that there could be a line to confirm it in the final FMR.
20. LB asked how many responses were required to conduct enough analysis the data. HH responded between 10 and 20 on the basis that it's a reasonable cross section of the market. Currently NG are struggling for response so urge people to respond to the RFI. It was agreed that the data would only be used if the agreed minimum number of responses was reached. SV asked if Ofgem have been engaged on this. JW responded that we do have regular catch ups with Ofgem and we will discuss it at our next one and get their feedback. PJ discussed that not all suppliers refer to their calculation for risk as "risk premia". It may or may not be done by a formal process. This mechanism could be ignored or used to go around a discussion of principles. HH stated that she was being consistent with the naming conventions in the original proposal. HH explained that the aim of the RFI was to get a number for the benefits case. This would help the report give a fuller picture to panel.

5 TNUoS Charging of Co-Located Generation - Urmi Mistry, National Grid

21. UM explained the defect, that current TNUoS charging arrangements are set up in a manner that do not allow for cost reflective charging of multiple technologies behind a single connection. UM explained that currently, generators are charged on a fuel type and TEC basis per Power station and that an issue arises when there are multiple fuel types within one Power Station. The diagram on slide 35 shows the defect in the current charging methodology, using the example of a storage and wind consolidated connection. This highlighted, within the methodology, where tariff and transport categorisations differ. UM highlighted the importance of this due to an increased number of co-located applications, the need to ensure a level playing field and NG's role in facilitating market competition.
22. UM then asked attendees for their feedback on the options in the table on slide 37. These were to 1) define the dominant fuel type in Code, 2) Pro-rata charging, 3) Forecast/Output MWh charging. UM pointed out that a 'do nothing' approach was looked at but was not considered as the issue needs to be addressed. RL asked who is impacted by this issue. JW responded that there are very few connected parties with this set-up now, but it looks like there will be more in future. It is important to highlight the potential change in this area now to prospective developers.
23. PJ commented that this could be considered as a unique technology type and how it drives behaviour should be looked at. A fundamental change might be required to the 213 modification. There was general agreement with this.
24. Attendees were asked if this topic was something that could be developed through TCMF or a separate workshop. RL commented that this is our first chance to look at the issue and queried whether TCMF is the best place for this to be considered further, as it isn't representative of all stakeholders. GG commented that there will be a lot of alternatives that could be raised on this and that a workgroup should be set up. This will also ensure that it is under industry governance. UM responded that the aim of looking at this via another route was due to the current workload of industry and to be able to refine proposal before it is submitted as so streamline the process. LB questioned whether bringing this to TCMF was saving time and resource and whether a workgroup might take

a similar amount. UM suggested a pre-workgroup workshop to begin looking at the issue which RL agreed would be useful to set the scene. There was general agreement that a modification should be raised.

6 Open Letter - Compliance with EU Regulation 838/2010 Jon Wisdom, National Grid

25. JW explained that NG have released an [open letter](#) on Compliance with European Regulation 838/2010 Part B 'Guidelines for A Common Regulatory Approach to Transmission Charging'. The letter includes the implications of Ofgem's decision on CMP261 and NG's current expectation of the way to take things forward. The letter encourages industry to get in touch with their thoughts.
26. PB questioned whether CMP261 was being taken any further. He added the CMA made their decision 4 months ago, and usually parties have 3 months to make a judicial decision. There was general agreement that this was a reasonable assumption. PB followed asking if anyone was aware if there would be a challenge raised. SV and GG stated they were not aware of any.
27. PB spoke about a cost order published by Ofgem on the cost recovery of CMP261 – JW stated that no costs will be recovered though use of system charges.

7 Five Year Indicative View of TNUoS Tariffs August 2018 - Paul Wakeley, National Grid

28. PW explained that we want to make the next Five Year View of TNUoS more useful to customers. PW talked through the proposal of improvements and asked TCMF attendees for feedback on this. He also explained that he is sending out an open letter to industry to appeal for feedback, with a closing date for responses by 6 July 2018.
29. PW then talked through the impact of the next price control on Tariffs, when a number of parameters need to be recalculated at price control. See slide 49.
30. PM asked when the new generation zone calculation will be at the start of the new price control. PW stated currently this occurs when there is enough data. JW followed that there is a general list of changes to the charging methodology that require further thought and potential change before the next price control. National Grid will share this list and ask for feedback later in the year.
31. GG commented that it would be helpful to see if £1/kW criteria used for rezoning should be updated for inflation. There was a general discussion that this has been looked at before. PJ commented that in previous discussion there was a reason for not inflating it with RPI.
32. Slide 50 shows the individual sensitivities which will be considered to show the effect on tariffs split by residual and locational. RL fed back that this was extremely valuable.
33. GS asked if these scenarios are linked to the FES. LB commented that these aren't scenarios they're sensitivities to inputs, which was agreed by the room. PW added that to come up with scenarios for TNUoS, based on FES data, is very complicated.

8 CUSC Modification to clarify calculation of circuit specific expansion factors for HVDC and subsea circuits - Paul Wakeley, National Grid

34. PW explained the defect in the CUSC wording introduced under CMP213, which currently could lead to potential different interpretations for the treatment of circuit expansion factors for HVDC circuits and AC Subsea circuits.
35. This modification was agreed to be put forward at May TCMF. This will be raised at the June CUSC Panel, with a recommendation to proceed straight to Code Administration Consultation. PW highlighted that this does not affect the calculation for OFTO owned offshore cables.
36. PW shared the draft proposed legal text to amend CUSC section 14.15.76 (slide 58). Attendees had no objections to the proposed. The proposal will be tabled at the June panel.
37. PJ asked a question on consistency with bootstraps and how they are treated in the model. PW responded that this is how we treat the existing HVDC link (e.g. Western HVDC and Caithness-Moray) and that the aim is to provide clarity rather than change how we treat anything. PJ raised a more general query about how HVDC is treated in the transport model. PW responded that if they are radial local circuits, then they are treated as any other circuit (the marginal MW has only one route). If the HVDC is in parallel to other AC circuits the impedance is calculated, in accordance with the methodology agreed in CMP213, to pro-rata the flows on the HVDC to be consistent with the other circuits on the boundaries.

CISG

9 User Commitment Open Letter, Richard Smith, National Grid

38. RS gave attendees the opportunity to discuss the open letter which National Grid has sent out to industry on user commitment. NG has already received feedback that there is the potential for overlap with the work of Charging Futures. RS clarified that the intent of the letter was not to start a wide review or overlap with that work, but rather identify if there are any specific areas where further engagement leading to possible change would be useful.
39. RS highlighted the suggested areas identified in the letter and invited discussion.
40. RS asked if there were any other areas attendees wished to raise. GS suggested that some users choose to fix to avoid the risk associated with volatility often experienced with 6 monthly updates and suggested if this was an area worth looking at.
41. RS indicated that we've had an early response questioning fairness of securities when user works are under construction and another party comes along later in the build. The consequence is that the later party signs for attributable with quite high securities. RS also noted that SSEN have been consulting on an alternative approach for Orkney and that this discusses User Commitment issues.

10A AOB and close

PL - BSUoS Incentive Recovery

42. PL from the NG BSUoS team came in to give a recap on how incentive payment is being reflected in this year's BSUoS charges. This year NG has moved from a mechanistic approach to an evaluative approach. He pointed to [a document which was sent out on 25 May](#) to read about the changes.

43. 5 May on the website. GG asked if the £15 million is what stakeholders are paying National Grid or what NG pays them. In response PL said it is stakeholders paying National Grid. GG questioned what happens to the interest. JW responded that it is base rate either way.
44. GM asked whether this is broken down by principles. PL responded that it is a view taking everything into account, including some unknowns. This is run through internal finance sign off committees who then take a best view. Throughout the year, the view improves. PJ commented that £15 million seems fair. LB furthered to say he appreciates it is a balancing act. RL asked how much National Grid could be liable for in penalties in a worst-case scenario. PL responded that it's + - £30 million (reward/penalty).
45. The final decision about incentive performance is made by the GEMA panel which happens on 25 May, a month after RF runs are billed. If GEMA panel decides something different to those assumptions this will be an additional variable to feed into the RF runs. NG are starting discussion with Ofgem about potential licence change which would be a way of proactively mitigating the impact of any variation between RF and SF for customers.

JW - CACM Recovery

46. JW gave an update that NG will be responding to a letter from Ofgem on Cost Sharing Recovery Approach and encouraged others to do so if they have input. He explained there is an element within it which talks about TNUoS, potentially with material effects on TNUoS payers.

DH - Effect of outcome of judicial review on current methodology

47. DH raised the point that the outcome of the judicial review in relation to CMP264/5 might mean the TNUoS tariffs don't match the current methodology and questioned whether there might be any other methods which might be less disturbing to industry. He suggested leaving the demand tariffs as they are currently and recover any differences in the following year. Others questioned whether this was possible. GG and PJ discussed that the JR documentation states that the methodology would revert to baseline if the JR was successful. If any changes were to go through this would have to be done through a CUSC modification. There was debate around when the judge's decision would be and when a definitive position will be reached. Some thought this was confirmed to be at the hearing on 22nd June as stated by an Ofgem representative at DCMDG.
48. SV raised the point that this is a big issue for suppliers who may not have budgeted for this change. However, PJ provided a counter view that this risk should already be accounted for as the JR has been known about for some time. There was discussion around the potential need to raise an 'urgent' modification.

Next meeting

Next meeting: Wednesday 11th July 2018

Time : 1030 (unless otherwise notified)

Venue : Webex (unless otherwise notified)

Appendix 1 - Actions List

TCMF Month	Requestor	Agenda Item	Action	Owner	Notes	Target Date	Status
Dec-17	PJ	Co-location Guidance Note	Confirm if a spare bay would be considered a new or existing connection	SY	SY and MO are going to pull together a brief response which can be circulated to TCMF members in January.	Jan-18	Complete
Dec-17	GG	Co-location Guidance Note	Confirm if any sites are currently impacted by this guidance note.	SY		Jan-18	Complete
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	Complete
Dec-17	NF	CMP261 - Update	Look into the possibility of creating some scenarios around outcomes of CMP261 appeal	JW	Not possible ahead of the conclusion of the appeal.	Jan-18	Complete
Dec-17	All	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	Feedback and suggestion given to teams internally (including central customer team who have been asked to share more widely).	Mar-18	Complete
Dec-17	PB	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	We are planning to get get all archived modifications available on the website, however this will take some time due to the volume of material. Proposal forms, Workgroup reports, FMRs and decision letters will be uploaded. In the meantime any specific requests can be sent to the cusc.team@nationalgrid.com .	Oct-18	On-going

Jan-18	-	Electricity System Operator Incentives 2018-2021	Circulate DB's contact details to attendees	UM		Jan-18	Complete
Apr-18	GG	CUSC Modification Update	Check that TAR Modifications are available on NG's website.	JH	These are now available on NG's website	Jun-18	Complete
Apr-18	PM	Updating the Statement of Works Process	Query was raised around a guidance document on small embedded generation, that is currently available on NG's website. NG was asked to look into the content.	RT	We will update the guidance document following modification process to reflect any changes to the CUSC.	End of CMP298 Mod Process	Closed
May-18	-	Ofgem's views following decision to reject CMP261	It was requested by the presenter to ensure a link to the letter is added to material following the meeting	UM	Link has been added to Minutes documents	Jun-18	Complete
Jun-18	RL	CUSC Modification Update	Add 'number of modifications subject to prioritisation' to dashboard slide.	JH		Jul-18	