

CUSC Modifications Panel

Actions Arising from Meeting No. 119 Held on 28 January 2011

Present

Mark Ripley	MR	Panel Chair
Steve Lam	SLa	Panel Secretary
Patrick Hynes	PH	Panel Member (National Grid Electricity Transmission)
Simon Lord	SL	Panel Member (Users' Member)
Bob Brown	BB	Panel Member (Users' Member)
Paul Jones	PJ	Panel Member (Users' Member)
Fiona Navesey	FN	Panel Member (Users' Member)
Garth Graham	GG	Panel Member (Users' Member)
Richard Hall	RH	National Consumer Council - via teleconference
Paul Mott	PM	Panel Member (Users' Member) – via teleconference

In Attendance

Abid Sheikh	AS	Ofgem representative – via teleconference
Alex Thomason	AT	National Grid

Apologies

Alison Kay	AK	Panel Chair
Jon Dixon	JD	Ofgem
David Smith	DS	Panel Member (National Grid Electricity Transmission)
Barbara Vest	BVe	Panel Member (Users' Member)
Kathryn Coffin	KC	Elexon

All presentations given at this CUSC Amendments Panel meeting can be found in the CUSC Panel area on the National Grid website: <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/Panel/>

1 Introductions/Apologies for Absence

2597. Apologies were received from AK, JD, DS, BVe and KC. GG confirmed that he would be acting as BVe's alternate for any voting that may take place.

2 Review of Actions

2598. **Minute 2641 (2617): Ofgem to provide examples or guidance as to which Amendments should follow the consent to modify process.** AT stated that this was highlighted by BVe who questioned when the consent to modify process would be used as opposed to the Self-governance process. AT noted that page 4 of the CAP184 Authority decision letter provided a short summary of when each route could be used. AS clarified that the consent to modify route could be available if there were circumstances which warranted it such as trivial housekeeping changes. However, the purpose of self-governance is to provide the Panel with greater ownership of the change process when non-material changes are identified.

2599. **Minute 2642 (2634): DS to discuss manual workaround for STOR at the CBSG and provide an update at the Panel.** AT stated that GG had highlighted that there was a lack of manual workaround for Short Term Operating Reserve (STOR) which contrasted with the manual workaround proposed for CAP182. In the recent STOR consultation, National Grid had received 15 responses, of which 12 supported the concept of a manual workaround to allow all reserve providers to reduce their offer prices within day. Currently, STOR providers who do not use the Balancing Mechanism (BM) are not able to reduce their prices within day, in contrast to BM providers who can do so. PJ noted that BM STOR providers have additional costs associated with participating in the BM over non-BM providers and that it was therefore not unreasonable for BM providers to take advantage of the additional functionality that they are paying for. GG clarified that the original question arose because the industry were told that there was not a manual workaround available (for STOR) but National Grid appeared to have allowed it for itself (for CAP182) therefore a question arose about equality of treatment for all Users. MR responded that manual workarounds were considered on a case by case basis. AT stated that a further STOR consultation would be issued later in the year and the discussions from the Panel would be taken back to the CBSG for consideration.
2600. **Minute 2646: AT to provide update on CAP189 legal text.** AT stated that there had been a delay to the CAP189 legal text as the legal resources had been concentrated on implementing the refinements to the enduring offshore regime in relation to generator self build. AT confirmed that the CAP189 legal text would be circulated to the Workgroup within the next two weeks.
2601. **Minute 2649: AT to circulate draft QC advice to CAP190 Working Group members – Complete.**
2602. **Minute 2650: Panel Members to provide feedback on Initial Written Assessments (IWAs).** AT stated that this action originated from the GSG which sought feedback on whether IWAs should continue. There was a general consensus from the industry that the IWAs provided a useful summary of a modification but it should be kept concise. There were no further comments from the Panel.
2603. **Minute 2652: DS to liaise with the National Grid representative in relation to frequency response from electric vehicles.** PM noted that William Hung from National Grid presented at a recent event on frequency response from electric vehicles. GG asked whether the presentation could be circulated. PM responded that there were no links to the presentation but there was a possibility that it could be digitally scanned and circulated to Panel Members.
- Action: PM to investigate whether the presentation on frequency response from electric vehicles can be provided to the Panel**
2604. **Minute 2670: AT to explore hosting the cross code forum with the Customer Seminars.** AT provided an update that the next National Grid Customer Seminars would be in March 2011 (London and Glasgow) and that GG had previously suggested that there could be an opportunity to host the cross codes forum on the same dates / venues to gain greater exposure, for the forum, amongst CUSC Parties who attend the Seminars. AT noted that,

this year, the Customer Services team who organised the Seminars have introduced "round table" sessions on a variety of topics in the morning of the Seminar for market participants who were new to the industry. One of the round table sessions focuses on Electricity Codes and therefore the cross codes forum could be advertised there. GG added that the number of cross codes forum participants had declined and so engaging the industry at the Seminars would be beneficial, especially to smaller market players.

2605. **Minute 2672: Panel members to agree moving the April 2011 Panel date to 6 May 2011.** This was agreed by the Panel.

2606. **Minute 2673: NGET to cancel December 2010 Panel by subject to Panel approval – Complete.**

3 European Third Package Code Impact

2607. AS provided a presentation to the Panel in relation to the European Third Package. GG asked what the process was for changing the European Network Codes after the Comitology process as they would not remain perfect on an enduring basis. AS responded that the European Network Codes would be a set of principles rather than detailed codes like the CUSC. GG disagreed and stated that the draft pilot connection code was detailed. FN agreed with GG and stated that the draft pilot connection code was very technical and from a commercial perspective, it was difficult to comment on the draft. FN was concerned that in practice, there could be impacts to existing generation as the European Network Codes would be applied retrospectively. AT noted that National Grid had arranged a European Network Codes workshop for 31st January 2011 and the questions raised by the Panel could be answered by the Ofgem, DECC and National Grid teams at the workshop. AS agreed to take these concerns back to the European team at Ofgem and report back to the next Panel.

Action: AS to provide clarification over the level of detail that will be prescribed in the network code.

2608. GG was concerned that the European Network Codes development process could potentially result in these codes being drafted over the next 4 to 5 years and the later codes may require changes to be made to the earlier codes, therefore there may be an impact on efficiency. PJ added that efficiency of the process would require early engagement with market participants. SL asked why the pilot European Network Code on generator requirements was different to the GB Grid Code as it seemed more onerous than the current GB code. AS responded that he would take this question back to the European team but believed that the reason was the European Network Codes deal with cross border issues and are not limited to Great Britain. AT noted that the draft pilot connection code was drafted by a team of representatives from member states, all of whom will have had different views as to the optimum solution for the pilot code.

Action: AS to provide clarification as to why the European Network Code is different to the Grid Code

2609. GG suggested that the Panel, as "custodians" of the CUSC may wish to respond to the European Network Code consultations in that capacity. PH

responded that the Panel are custodians of the CUSC Modification Process and not of the content of the CUSC itself and that caution would therefore be required in the drafting of any Panel responses. PM warned that the Panel members had to be careful that they were not representing the views of their respective companies. MR stated that it may be worth the Panel reflecting what happened during the development of the pilot code. GG agreed that this engagement would be beneficial as it would provide the Panel with more credibility if a future issue arose which affected the CUSC for example.

2610. AS continued that the aim of the process was to gain individual responses and Ofgem's role was to advise DECC on the implementation and development of the European Network Codes. Therefore Ofgem could be viewed as an individual stakeholder in the process. GG noted that Ofgem was the GB member on ACER (Agency for the Cooperation of Energy Regulators) and believed that Ofgem's role was to represent GB stakeholders in the process as only they could achieve that as a participant in the development process. GG noted that he did not expect a regulator from another member state to represent GB stakeholder views at ACER. AS responded that it was not possible for Ofgem to represent a collective GB view as each individual party could have conflicting views, therefore it was up to the individuals to state their views. FN agreed that you could not please all parties; however there may be principles such as GB position on retrospective which represented a majority view. AS stated that the role of Ofgem was to be the national regulator at ACER. BB noted the comment regarding Ofgem being unable to represent stakeholder views but pointed out that customers were stakeholders and that Ofgem had a duty to protect their interests.
2611. MR summarised that the views of Panel Members were that Ofgem should try to represent the collective views of GB at ACER. However, MR noted from the TOs' perspective, interests may also not be fully aligned with the wider industry. MR added that the presentation given by AS had been useful and frequent updates at the Panel would be appreciated. GG also added that if presentations were provided, it would increase the visibility to interested parties as they would be made available as Panel papers. PJ agreed and stated that historically the EU arrangements were not too relevant to the CUSC but the situation had changed and so the industry needed to be aware. PH clarified to avoid confusion that the discussions taken place so far had been about the first draft pilot code which related to the Grid Code not the CUSC. GG noted that future pilot codes would deal with matters referred to in both the CUSC and BSC as well as the Grid Code.
2612. BB questioned what the process was for industry's engagement with Ofgem's discussions with ACER. AS took an action to provide an answer to this question.

Action: AS to provide clarification on the process for industry engagement with ACER

2613. AS added that the development process for the pilot European Network Codes had not finished and there would be an opportunity to comment at stakeholder events. SL stated that it would be useful to find out what the role of National Grid was as a member of ENTSO-E and the dialogue from the development of the first pilot code.

Action: NGET to clarify their role within ENTSO-E

4 GSG Recommendation Paper on Appointment Process for Independent CUSC Modifications Panel Chairman

2614. AT gave an update that CAP185 introduced the requirement for an independent Panel Chairman to be appointed from October 2011 and that GSG had developed a process for this with a consultation issued in December 2010. The consultation responses had been discussed at the January GSG meeting which recommended to the Panel the appointment of a selection advisor and also the creation of a Panel subcommittee to aid in candidate selection. The subcommittee would consist of 2 Panel members plus the existing Panel Chairman and a National Grid Code Administrator representative. Further details were provided in the consultation paper under option 1:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/gsg/>

2615. SL questioned whether the 2 National Grid representatives would be independent as they could select their own employees. GG explained that no National Grid members could be appointed as the Panel Chairman and it would be the Panel who provided the recommendation to the Authority, not the subcommittee. GG clarified that the chair would have to be employed by National Grid but had to remain independent of the company. AT added that the Code Administrator representative would ensure that the Terms of Reference would be followed and would carry out the administration of the process. FN queried how the candidates would be agreed if no firm attributes were determined. AT responded that the attributes were kept flexible as suggested by the consultation responses and the subcommittee would set the job description.

2616. RH asked whether the new chair would have a casting vote. AT clarified that they would only have a vote on matters other than a Panel determination and also a vote during a Self-governance voting deadlock. BB asked why more than one candidate could be presented by the subcommittee to the Panel. GG responded that the number of candidates didn't require limitation to just one as there may be some with different attributes who are worth consideration by the Panel. However, GG noted that the GSG recommended limiting the number of candidates provided by the Panel to the Authority to three in total. BB also asked whether the chair would be paid per attendance and what would happen if they did not attend. GG responded that the GSG recommended it should be payment per attendance to provide an incentive for the chair to attend. In the event that the chair was not able to attend, the CUSC allowed for the chair to appoint a deputy or for the Panel itself to appoint from those in attendance. AS added that there were no provision for the Authority to identify the candidates for chair and that Ofgem expected National Grid to run a robust and cost effective selection process.

2617. PJ asked who would appoint the selection advisor. AT responded that she would consult the National Grid HR team to identify any existing selection processes and advise the subcommittee of the findings. MR asked the Panel for volunteers to be part of the subcommittee. GG and PJ volunteered,

although PJ suggested that National Grid ask BVe whether she would like to be involved, given her experience on the BSC Panel and her absence from the Panel meeting. PJ stated that he was happy for BVe to be the second Panel Subcommittee member in his place.

5 New Modification Proposals

2618. There were no new Modification Proposals.

6 Workgroups/Standing Groups

2619. **CAP181 - Consequential changes related to Grid Code Amendment A/10 (Compliance).** AT stated that the defect for the CUSC may fall away depending on the second consultation on Grid Code Amendment A/10. Therefore CAP181 may be withdrawn by the Proposer.

2620. **CAP189 – Standard Gas Insulated Switchgear Ownership Boundaries.** AT provided an update to CAP189 in the earlier action (Minute 2600) and asked Panel Members and the Ofgem representative to approve the revised timetable set out in the Terms of Reference circulated. There were no Panel disagreements to the revised timetable, which proposes the next Workgroup meeting on 14th February 2011 and Ofgem did not veto. AS asked about delays in the timetable and was referred to the earlier response (Minute 2600) about legal resource issues which had contributed.

2621. **CAP190 - Two-Thirds Majority Voting requirement for CUSC Panel recommendations on Amendments arising from Licence obligations, Authority requests or obligations.** AT reminded the Panel that National Grid and ELEXON, on behalf of the CAP190 and P264 Workgroup members, had procured legal advice from a QC as to whether the Statutory Instrument (SI) on appeals prevents CAP190 (and P264) from having any effect if implemented. Representatives of the two Workgroups met with the QC who confirmed that, in her view, P264 could proceed but CAP190 could not, due to a difference in wording of the SI for each code. The issue for the CUSC relates to the Amendment Report containing more than one "recommendation" on which the appeal rights are based. AT stated that the Proposer decided not to withdraw CAP190 and requested that the Workgroup be put on hold for 3 months whilst the SI issue was investigated.

2622. RH asked whether the 3 month delay would be used to approach DECC. AT responded that this was possible, provided that a relevant contact could be located. PM added that he could help with regards to the contact and would send the details to AT.

Action: PM to send relevant DECC contact details to AT

2623. AS was concerned that the delay to progressing the CAP190 proposal was inefficient and suggested that it could be withdrawn and then raised again if necessary after the discussions with DECC concluded. PJ asked why the change had to be made to the SI. GG responded that it was always the intention that CUSC Modification Proposal decisions by the Authority could be appealed, in certain circumstances, but the QC advice received suggests the SI wording may prevent it. PJ suggested an alternative approach, which would be easier than a change to the SI, would be to remove the National

Grid recommendation from future Amendment Reports, as it was the Panel recommendation which was required for appeal purposes. AT pointed out that the National Grid recommendation was required by the transmission licence. PJ believed that it would still be easier to change the licence than the SI. MR added that changing the SI could take longer than 3 months and queried whether the Panel could recommend withdrawal of CAP190. GG stated that only the proposer could formally withdraw a proposal. However, if not withdrawn then CAP190 would presumably proceed rapidly through the Workgroup Report phase and then come to the Panel, be consulted upon and then voted upon. PH noted that it struck a balance of efficiencies; whether to consult first or withdraw. RH questioned whether the Panel should be writing to DECC as there appeared to be reluctance from the electricity and gas industry to speak to them. AT responded that the right person in DECC had to be found and suggested that CAP190 should be put on hold for one month, instead of three, to see what progress could be made in that time. Panel Members agreed to this approach.

Action: NGET to report back to February 2011 Panel meeting on progress with CAP190

2624. FN asked whether the Workgroup agreed with the QC's advice. GG responded that the Workgroup did ask for further clarification on the draft advice when they met the QC earlier in January and the final version of the QC's advice would be issued shortly.

Action: NGET to circulate final QC advice to the Panel

2625. On a separate issue to CAP190, AT stated that the QC advice appeared to contradict the industry's understanding of appeal rights. The QC's view is that one interpretation of the SI is that, if the Panel recommended rejection and the Authority agreed and rejected the Modification Proposal, the decision could be appealed. MR asked whether this was the same across the UNC. AT replied that it was a cross code issue for the CUSC, BSC and the UNC and the UNC Code Administrator would be notified. PJ noted that this anomaly actually gave parties wider rights of appeal and did not disadvantage them. GG responded that the QC had noted that all the supporting documentary evidence indicated that the intent, if not the actual words, of the SI was that there would be no appeal where the Panel and Authority were in agreement and therefore it was unlikely that an appealing party would be successful even if the SI suggested otherwise, but that it was worth highlighting the issue to DECC and seeking to clarify the SI.
2626. **Governance Standing Group (GSG).** GG gave a brief update of the new Panel Chairman protocol which was covered under the earlier agenda item 4. The GSG also conducted a page turn exercise for Sections 8 and 11 of the CUSC to address any housekeeping changes as a result of the implementation of the Code Governance Review and Ofgem's comments on the legal text for CAPs 183 to 188.
2627. **Frequency Response Working Group (FRWG).** AT gave an update that the FRWG were currently developing 3 models:
- Tradeability (Grid Code obligation)
 - Day ahead auctions
 - Tender of bilateral contracts

The first option represents the least change and is being developed the most quickly, in time for the next meeting on 10th February. AT also noted that the FRWG now has a technical subgroup which has been tasked with working out the total future volume of Frequency Response required and is also discussing synthetic inertia.

2628. **Balancing Services Standing Group (BSSG)/ Commercial Balancing Standing Group (CBSG).** AT gave an update that the BSSG was looking at 4 areas:

- Payment arrangements under CAP048, CAP144 and CAP076 – planned and unplanned generator disconnections
- Reactive Power – SLA informed the Panel that this was currently being developed at the BSSG and would likely result in a Modification Proposal being raised for February's Panel meeting.
- Reactive Power from Offshore and OFTO payment models
- Reactive Compliance Monitoring

The CBSG is continuing its work on Constraint Transparency, has concluded its consultation and reviewed the responses. National Grid is drafting a report on behalf of the CBSG which it aims to circulate to the industry at the end of February. There is currently no anticipated CUSC impact.

7 CUSC Modifications Panel Vote

2629. None.

8 Authority Decisions as at 20 January 2011

2630. AT noted that the Authority decisions to approve had been made on the following proposals:

- CAP183: Significant Code Review
- CAP184: Self-governance
- CAP185: Role of Code Administrator and Code Administration Code of Practice
- CAP188: Governance of Charging Methodologies
- CAP179: Prevention of Timing Out of Authority Decisions on Amendment Proposals

2631. CAP183-188 had an implementation date of 30th December 2010. CAP179 had an implementation date of 31st January 2011. GG noted the helpful clarification in the CAP179 Authority decision letter that the Authority would not seek an extension to the timetable if the 25 working day KPI had lapsed. AS noted that Ofgem's proposed Corporate Strategy and Plan 2011-16 consultation put forward a proposal that the Authority would be looking to make 90% of code modification decisions within their self imposed 25 working day KPI (previously it was 70%).

9 CUSC Key Performance Indicators (KPIs) – December 2010

2632. AT informed the Panel that the KPIs were reviewed at the last GSG meeting, with a view to incorporating the new ones contained in the Code Administration Code of Practice. The new set of KPIs will be updated

pending a comparison across the KPIs from the BSC and UNC Code Administrators.

10 Update on Industry Codes/General Industry Updates relevant to the CUSC

2633. GG informed the Panel that he attended the E3C meeting which discussed what might happen with plant margin etc., when coal plant etc., closed in the next 4-5 years due to forthcoming industry changes arising from, for example, Project TransmiT, Electricity Market Reform, User Commitment and the Large Combustion Plant Directive.
2634. AT provided an update from the Grid Code Review Panel (GCRP) and explained that an extraordinary GCRP meeting was held in December due to the agenda not being fully completed in November. The main concern from the GCRP was over the new European pilot code, which the (CUSC) Panel had discussed earlier in the meeting.
2635. AS informed the Panel that an Authority decision to not veto the charging proposal GB ECM-27 (BSUoS – Removing End of Scheme Year Reconciliation Process) had been made with a retrospective implementation date of 1st April 2010.

11 AOB

2636. **Potential change to BSUoS Methodology for 1st April 2011.** AT provided an update that the consultation on the SO Incentive scheme from 1st April 2011 was still ongoing and one of the proposed changes would cause a change to an equation in the licence. As the CUSC also includes this equation, any changes made to the licence would have to be reflected in the CUSC (BSUoS Methodology in Section 14). AT added that given Ofgem's views on the use of the self-governance route versus Consent to Modify, this was likely to be a Self-governance Modification Proposal but there was a potential to progress it through the Consent to Modify route due to the nature of the change and the scheme being due to be implemented in April. This short timescale means that a quick implementation of a change to the BSUoS methodology would avoid confusion for the industry. GG commented that people may be surprised if it was suddenly changed in April and so suggested the details of the change could be flagged early to the industry. MR agreed that this could be stated at the BSUoS Seminar on 15th February 2011.

Action: NGET to inform the industry of the potential change to the BSUoS methodology at the BSUoS Seminar

2637. **Charging.** PH provided a presentation in relation to the Charging Methodologies being part of the CUSC and stated that a Standing Group could be set up when required to assess Modification Proposals related to the Charging Methodologies but there was no need to rush in setting one up immediately. PJ agreed with this approach. AS added that the DCUSA have a standing issues group and also have the TCMF equivalent (DCMF). PH confirmed that TCMF updates would now be a standing Panel agenda item. PH also stated that the methodology statements would be reviewed to ensure consistency with the CUSC which would be progressed via a housekeeping exercise and possibly a Self-governance CUSC modification.

2638. FN queried how National Grid planned to incorporate the charges for OFTOs at go live as those dates could change. PH responded that National Grid would provide an update to TCMF where charging assumptions had changed and would subsequently update the statement. PH added that they would seek to minimise potential mid year changes and stated that it would be impractical to have more than one in any case. BB asked what the impact of a mid year change was. PH responded that it affected all parties as highlighted by the tariffs being too high in 2010 and so they were adjusted for 2011. PH concluded the presentation by stating that the revised Terms of Reference for the TCMF would be circulated to the charging contacts for comment and then taken to the next Panel for approval.

Action: PH to update TCMF Terms of Reference for approval at the February Panel

2639. **SCRs.** FN asked AS whether the Panel would receive a view of potential SCRs and aspirations re: timescales for the next 1-2 years. There appeared to be 5 or 6 topics mentioned in the public arena but the assumption had been only 1 or 2 SCRs would be initiated per year. FN advised she raised the question because there was some confusion with the communication process: Ofgem's open letter on SCRs on 17th Dec 10 had advised gas security would be the first SCR but Ofgem's corporate plan stated that electricity cashout would be the first. AS responded that EMR had been launched by DECC which could affect whether a potential SCR on electricity cashout is launched and that the corporate plan was not the final position on Ofgem's scope of SCRs, it just contained potential candidates which may or may not be launched as SCRs. GG asked whether there would be 1 or 2 SCRs per year. AS replied that he expected there would be no more than 2 and Ofgem would need to consider the use of the SCR process in the round before launching one.

12 Next meeting

2640. The next meeting is scheduled for 25 February 2011 at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.