

## Minutes

<b>Meeting name</b>	CUSC Modifications Panel
<b>Meeting number</b>	135
<b>Date of meeting</b>	27 April 2012
<b>Location</b>	National Grid House, Warwick

## Attendees

<b>Name</b>	<b>Initials</b>	<b>Position</b>
Mike Toms	MT	Panel Chair
Emma Clark	EC	Panel Secretary
Phil Hayward	PHa	Opus Energy (Presenter)
Ian Pashley	IP	National Grid Panel Member
Patrick Hynes	PH	National Grid Panel Member
Abid Sheikh	AS	Authority Representative
Bob Brown	BB	Users' Panel Member
Fiona Navesey	FN	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Simon Lord	SL	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Alex Thomason	AT	Code Administrator
Duncan Carter	DC	Consumers' Panel Member
Barbara Vest	BV	Users' Panel Member

## Apologies

<b>Name</b>	<b>Initials</b>	<b>Position</b>
Adam Lattimore	AL	ELEXON

*All presentations given at this CUSC Modifications 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

3089. Introductions were made around the group and apologies were received from AL.

## 2 Approval of Minutes from the last meeting

3090. The draft minutes from the meeting held on 30<sup>th</sup> March 2012 were approved by the Panel, subject to minor changes.

## 3 Review of Actions

3091. **Minute 3015: IP to provide an update to the Panel on progress of work regarding how the European Codes will interact with the domestic codes.** IP advised that a meeting had been held last week in order to provide some clarity on the changes and to discuss a mechanism on how to change. IP advised that it is still a work in progress and that another update would be provided at the Panel in May 2012. Further, it is expected that an update will be presented at the next European

Network Code stakeholder meeting with DECC and Ofgem, which is being arranged for June/July 2012. BV queried if this is something that National Grid and Ofgem would make a decision on in isolation. IP responded that discussions are currently focused on deciding the best way forward for GB as a whole and that it is expected that stakeholders will be able to feed into the process. AS noted that the timescales are critical but they are not yet clear, so it is important to gain a better understanding of when key events will occur. BV pointed out that fundamental changes do not happen overnight so it is imperative to include people who will be affected in the discussions.

3092. **Minute 3020: NG to contact BV to request a letter to be drafted to ENTSO-E highlighting concerns regarding meeting dates.** IP advised that he had recently emailed BV. BV advised that she was already aware of the issue and will take the appropriate action.
3093. **Minute 3011: AS to advise on the likely timescales for potential Project TransmiT proposals.** AS advised that a decision has been made but that there is no further information on timescales. GG acknowledged that the decision cannot be made until after the elections on 3 May 2012 in order to comply with clear civil service guidelines relating to announcements which could have a bearing on matters relevant to the election. GG pointed out that there should be no reason why a decision cannot be published on 4 May 2012 given that, by then, the Authority would have made its decision 2 weeks prior and there would have been enough time to prepare. MT asked what the process would be after a decision is issued. GG replied that the timetable will be set out in the Authority's direction. GG noted that there would be 2 weeks from 4<sup>th</sup> May 2012 to Papers day for the next Panel meeting. PH advised that there would be an expectation that the Authority would direct timescales and also that there could be a licence change required as a result, if for example the Applicable CUSC Objectives were changed. GG highlighted that Project TransmiT is the first SCR and therefore it would be a learning point for all. AT pointed out that it is possible that a direction will not follow until 28 days after the conclusion is published.
3094. **Minute 3039: GG to circulate extract from the House of Commons Defence Select Committee Report.** Complete.

#### 4 New CUSC Modification Proposals

3095. **CMP209 and CMP210 – Allow Suppliers' submitted forecast demand to be export.** PHa presented on CMP209 and CMP210 and advised that they seek to allow suppliers to submit a negative demand forecast for the year and receive the embedded benefit payments on a monthly basis within year. PHa explained that CMP209 and CMP210 addressed the same issue but had been raised separately as changes had been proposed to the Charging Methodologies in Section 14 of the CUSC, and to Sections 3 and 11 of the CUSC which require assessment against a different set of Objectives. PH suggested that the GSG could look at the issue of requiring separate proposals to be raised in these circumstances.

**Action: GSG to consider issue of requiring separate proposal forms where a charging methodology and a CUSC change is proposed.**

3096. PJ asked a question around the issue of export being accounted for on reconciliation, and queried whether this was an issue for all parties with embedded export. PH advised that parties would just wait for the meter data. PJ understood the benefit of the modification was to improve cashflows for the relevant suppliers and believed that similar issues would be felt by other suppliers if there was an error in their

forecast of embedded generation, even if they had a net import, if they had to wait until reconciliation for the payments to be corrected. This effect would be greater though for those who were not able to reflect a net export in the forecast. PM asked PH what National Grid do on a monthly basis, to which PH responded that forecasts are received and the charges are made on that basis. BB noted that the beneficiaries will be suppliers who are net export. BB pointed out that at one time there were perverse incentives to under-forecast but that this was dealt with, so CMP209 and CMP210 should be tested on the existing incentive arrangements.

3097. AS highlighted that reconciliation is meant to check accuracy of forecasts and felt that it was not clear what was going to happen in between, as a result of CMP209 and CMP210. PHa responded that it would likely be similar to how it works currently. GG advised that the difference is that the money is transferred to the party
3098. The Panel considered whether CMP209 and CMP210 met the Self-governance criteria. DC commented that the materiality of risk for consumers is enough for it not to be Self-governance. GG added that it is very clear that there is a charge to suppliers, and also that the Proposer indicated that it was not Self-Governance. The rest of the Panel agreed with this view. AS noted that it was difficult at this stage for Ofgem to provide a firm view as the proposals had not yet been developed. GG responded that it seemed clear from the justification against the Objectives that the proposals should not be treated as Self-governance.
3099. The Panel considered whether CMP209 and CMP210 had an interaction with the ongoing electricity transmission charging SCR and they all agreed that the proposals should be exempt. The Authority representative exempted both CMP209 and CMP210 from the SCR.
3100. The Panel discussed the items that should be included in the Terms of Reference for CMP209 and CMP210. GG felt that a Workgroup should look at whether perverse incentives would be created on suppliers to submit incorrect demand forecasts to improve their cashflow. PJ added that the Workgroup should also consider whether intermittent generation is able to submit accurate demand forecasts. GG suggested that the group could look at whether Feed in Tariff metering data could be used to justify supplier demand forecasts. PH advised that the group should review the credit arrangements for payments and should consider whether suppliers would have an obligation to provide the energy they would be paid for, and whether interest should be levied on over payment. PH added that the IS systems would need to be checked to ensure that they can cope with negative demand forecast data. Lastly, DC requested that the Workgroup explore how the current arrangements are a barrier to entry to embedded generators and / or to suppliers specialising in embedded generation.

**Action: EC to draft Terms of Reference for CMP209 and CMP210 and request Workgroup nominations.**

3101. The Panel moved on to discussing the timescales for CMP209 and CMP210 and this led on to a wider discussion about the current and potential CUSC related workload for the industry and the issues that this may cause. AT showed the Panel a table of the workload for the next few months and asked the Panel to consider if there is adequate industry expertise to cover all the proposals that are currently ongoing and are likely to arise in the near future. AS asked what steps could and are being taken so that the shortfall of industry expertise may be remedied given the fact that recently the various Workgroups may contain the same participants. AS advised that it was previously recognised that there may be a 'bottle-neck' of charging proposals following the implementation of the charging methodologies into the CUSC. AS asked if it was possible for the TCMF to encourage parties to raise issues at the

TCMF rather than raise modification proposals. PH responded that there have been examples recently where it has been demonstrated that some parties prefer not to raise potential modifications in these forums and prefer instead to raise it directly as CUSC proposals.

3102. GG suggested that there could be a number of charging modifications in the pipeline but that parties may be postponing raising them until the SCR has been concluded. Therefore, it is possible that many more proposals could be raised in the coming months. PH agreed with this view.
3103. PJ highlighted that in addition to CUSC changes, there are many other issues and changes ongoing for the industry, such as Electricity Market Reform, the Cash-out SCR, the European Network Codes and many more.
3104. MT asked AT if the Code Administrator was experiencing the same resource issues as the industry, to which AT replied that they were. PHa advised that he would ask around the small suppliers for possible resources but it was generally agreed that it was a difficult time for the industry to find more resources. AT asked for guidance from the Panel as to what, if anything, could be prioritised if there were issues with obtaining quorums for meetings or finding suitable dates and venues. GG suggested that the implementation of 1<sup>st</sup> April for charging proposals could provide a reason for postponing some proposals. AS noted that prioritisation could cause some parties to feel that they may have been treated unfairly. AS advised that there was a similar issue with workload under the DCUSA. DC commented that if the Panel do prioritise, then this needs to be set against clear criteria so as to avoid claims of discrimination. PJ pointed out that there may be a form of rationing in that it may be difficult to get quorums for all the Workgroups, which will then cause a natural prioritisation as there will be delays in starting off the Workgroup process. PJ added that he felt more comfortable dealing with the workload issues in a series of extensions, rather than delaying certain proposals. SL agreed with this view. GG had sympathy with letting the timetables naturally slip but also noted that it could be the case that the Authority do not agree and therefore refuse to allow the extensions. BB pointed out that as long as the process is transparent then the Code Administrator should not be subject to claims of discrimination. MT concluded the discussion by summarising that the Panel does not feel that it is appropriate to prioritise any of the proposals at this stage, and that the Code Administrator should inform the Panel if they experience resource issues and that the Panel will provide support where possible.
3105. DC asked for the Panel's views on informing the industry of the workload issues so that they have appropriate expectations. AS responded that he was comfortable with this message being highlighted to the industry. AT added that it would be fair to make Workgroup members aware that meeting dates may get changed due to the workload issues and clashes with other meetings.
3106. PH suggested that the GSG look at the prioritisation criteria. GG advised that the GSG is not due to meet until July 2012 but that he was happy to discuss further. BV requested that the JESG meeting dates are factored in when arranging Workgroup meetings, due to the potential cross-over of participants. AS suggested that more remote meetings are held to save on travelling costs and time. AT advised that teleconference facilities are always available, but that it would be made clear up front that parties have this option. PH commented that, specifically with the charging proposals, it is more beneficial to attend in person due to the complexity of the proposals and the use of flipcharts and diagrams in the room.

**Action: GSG to consider prioritisation criteria.**

3107. **CMP201 – Removal of BSUoS Charges from Generation PH** provided an update on the progress of CMP201 and advised that the most recent meeting was held on 17<sup>th</sup> April 2012, where the Workgroup and Ofgem agreed that further analysis was required which would take approximately two weeks, which would then have a knock-on impact on the timetable. PH therefore requested a 1 month extension to CMP201, resulting in the Workgroup Report being presented to the Panel in June 2012. The Panel agreed to the extension as did the Authority Representative.
3108. PH went on to describe an issue that had come about from CMP201. PH advised that some Workgroup members felt that there was an interaction with Residual Cashflow Reallocation Cashflow (RCRC) but that others felt that it was 'ultra vires'. As a result of this, PH advised that there had been a suggestion to raise the issue as a BSC issue, or for National Grid to raise a BSC modification. The Panel initially agreed that they would be happy for National Grid to raise a modification but BV felt that a BSC issues group tends to provide a better solution. IP felt that an issues group would be preferable if time allows. PH went on to say that there is an issue around how to progress CMP201 if a BSC modification or issues group is raised. GG also pointed out a possible interaction of the RCRC issue with the Cash-out SCR that is likely to be launched this year. The Panel generally agreed that CMP201 should continue to be progressed.
- Action: PH and BV to discuss possibility of a BSC issues group relating to CMP201.**
3109. **CMP202 – Revised treatment of BSUoS charges for lead parties of Interconnector BM Units.** EC presented the Workgroup Report to the Panel and reminded the Panel of the background to the proposal and progress so far. The Panel agreed that CMP202 should progress to the Code Administrator Consultation.
3110. **CMP203 – TNUoS Charging Arrangements for Infrastructure Assets subject to one-off charges.** AT provided an update to the Panel and advised that a Workgroup meeting had been held on 19<sup>th</sup> April 2012 and up to 7 possible Workgroup Alternative CUSC Modifications had been discussed. AT went on to say that a further meeting had been planned for 2 May 2012 to finalise the Alternatives and to hold the Workgroup Vote, and that the Workgroup Report will then be presented to the May Panel.
3111. **Governance Standing Group (GSG).** GG advised the Panel that no GSG meeting had been held since the last Panel meeting, and that the next GSG was scheduled to take place in July 2012.
3112. **Joint European Standing Group (JESG).** BV advised that although the last JESG meeting was held 23<sup>rd</sup> February, the industry has been working hard on EU Network Code issues including a CACM Workshop on the 15<sup>th</sup> March, a DCC workshop on the 26<sup>th</sup> April and a variety of meetings in the UK and Brussels. BV noted that the next JESG meeting is to be held on Tuesday 1<sup>st</sup> May at Elexon and will discuss progress on the Requirements for Generators, DCC, CACM, Operational Security Codes and the Framework Guideline on Electricity Balancing which was issued on 26<sup>th</sup> April 2012.
3113. **Transmission Charging Methodology Forum.** PH advised that there had been no TCMF since the last Panel meeting and that the next meeting is due to be held on 22 May 2012.
3114. **Frequency Response Standing Group.** IP advised that there had been a Workgroup meeting on 5 April 2012 where the draft frequency response consultation

document had been discussed, and that another meeting is scheduled to take place on 9 May 2012.

3115. **Commercial Balancing Services Group (CBSG).** EC advised the Panel that the CBSG had met on 25<sup>th</sup> April 2012 and had discussed Power Available Signal, which looks at addressing the issue of wind farms providing accurate physical notifications. EC highlighted that the general view of the CBSG was that the issue should be progressed into a joint Workgroup, whether that be as a sub-group of the CBSG or an entirely new group but that it would be discussed further at their next meeting on 13<sup>th</sup> June 2012. EC noted that there had also been a discussion on Wind Power Forecasting Service and that National Grid had published a consultation looking at whether National Grid should have an incentive to provide accurate forecasts.
3116. **Balancing Services Standing Group (BSSG).** EC advised that the BSSG meeting had taken place after the CBSG meeting and that further discussions were held on the compensation arrangements for CAP48 and CAP144. It was agreed at the BSSG to raise a modification to align the compensation arrangements across the different types of interruptions and also to raise a modification to introduce timescales for raising a claim and for National Grid to then confirm its validity. EC also advised the Panel that the BSSG had considered raising a proposal in relation to the BSC modification P276 (Introduce an additional trigger/threshold for suspending the market in the event of a partial shutdown) to clarify the scope of an interruption, but that it had been agreed to postpone this until P276 has been progressed further.
3117. BB pointed out that he had attended the BSSG and it appeared that they may have completed the list of items in their Terms of Reference.

## 6 European Code Development

3118. AS advised that an update had been provided in his email of 16<sup>th</sup> April 2012 and the only additional item to mention was the ACER Consultation that had recently been published on the Draft Framework Guidelines on Electricity Balancing, which closes on 25 June 2012.

## 7 CUSC Modifications Panel Vote

3119. None.

## 8 Authority Decisions as at 22 March 2012

3120. The Panel noted that CMP192 'Arrangements for Enduring Generation User Commitment' Workgroup Alternative CUSC Modification Alternative 5 was approved by the Authority on 30<sup>th</sup> March 2012 and implemented on the same day, commencing a transition period of one year. [Post meeting note: National Grid published a "CUSC Section 15 (CMP192) Guidance and Implementation Document" <sup>1</sup> on 1<sup>st</sup> May 2012.]

## 9 Update on Industry Codes / General Industry updates relevant to the CUSC

3121. AT advised that a Code Administrator Code of Practice (CACOP) Review meeting had taken place on 24<sup>th</sup> April 2012 which reviewed the responses to Ofgem's

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<sup>1</sup> [http://www.nationalgrid.com/NR/rdonlyres/16CC2A9D-6732-4C49-A78B-6A9557159AAB/53464/CUSC\\_15\\_CMP192\\_guidance\\_v1.pdf](http://www.nationalgrid.com/NR/rdonlyres/16CC2A9D-6732-4C49-A78B-6A9557159AAB/53464/CUSC_15_CMP192_guidance_v1.pdf)

CACOP Review survey and talked about code consistency. AT advised that she would circulate the minutes from the meeting once they had been published.

**Action: AT to circulate minutes from Ofgem's CACOP Review meeting.**

## 10 AOB

3122. GG asked if there was an update on CAP48 claims. EC responded that she did not have any further information from what had been provided previously but would endeavour to provide an update at the next panel meeting.

**Action: EC to provide update on CAP48 at next Panel meeting.**

3123. GG noted that dates and venues had been secured for possible Project TransmiT Workgroup meetings in early May that are unlikely to be needed. AT advised that the meetings would not go ahead in May and that the room bookings had been utilised for other meetings.

3124. AS advised that a letter had been sent from Ofgem on the second phase of the Code Governance Review and that responses are requested by 24<sup>th</sup> May 2012. BB pointed out that this may not be a priority for some and that perhaps Ofgem could allow more time for parties to respond. AS advised that late responses could be accommodated. MT suggested that this could be discussed at the next Panel meeting if required.

**Post meeting note: Ofgem has agreed to a late response from the CUSC Panel.**

3125. AS asked about the implementation date for CMP205 'Clarification to the Mandatory Services Agreement'. EC responded that the implementation date was 10<sup>th</sup> May 2012. AS noted that there is a period of time between the Panel meeting where the determination is made, and when the final report is sent out, which could cut in to the appeal window. GG advised that this issue had been raised during the Code Governance Review. AT asked AS about the appeals process and AS responded that no guidance is currently available on the appeals process as it is still under review within Ofgem but that he will discuss internally how soon it would be possible to issue guidance.

## 11 Next Meeting

3126. The next meeting will be held on 25<sup>th</sup> May 2012 at National Grid House, Warwick.