

## Minutes

<b>Meeting name</b>	CUSC Modifications Panel
<b>Meeting number</b>	141
<b>Date of meeting</b>	26 October 2012
<b>Location</b>	National Grid House, Warwick

## Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Emma Clark	EC	Panel Secretary
Alex Thomason	AT	Code Administrator
Ian Pashley	IP	National Grid Panel Member
Patrick Hynes	PH	National Grid Panel Member
Abid Sheikh	AS	Authority Representative (by teleconference)
James Anderson	JA	Users' Panel Member
Bob Brown	BB	Users' Panel Member
Duncan Carter	DC	Consumers' Panel Member (by teleconference)
Michael Dodd	MD	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Simon Lord	SL	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Jennifer Doherty	JD	Presenter (Code Administrator)
Andrew Wainwright	AW	Presenter (National Grid)
Steve Lam	Sl	Presenter (Code Administrator)
Sheona Mackenzie	SM	Ofgem Observer (by teleconference)
Geoff Randall	GR	Ofgem Observer (by teleconference)

## Apologies

Name	Initials	Position
Robert Longden	RL	Alternate Users' Panel Member
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

3327. Introductions were made around the group; apologies were received from AL and RL.

## 2 Approval of Minutes from the last meeting

3328. The minutes from the meeting held on 28 September 2012 were approved, subject to the minor changes received.

### 3 Review of Actions

3329. **Ongoing Action: 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 these updates would be two-fold going forward and that National Grid would provide the details on the next steps and how the specifics are applied, and that Ofgem would be considering when it is appropriate for consultation and wider engagement. IP added that another meeting would be held towards the end of the year and AS noted that once the wider options had been considered, it would be sensible to then consult with stakeholders.
3330. **Minute 3303:** Clarification to be included within Section 6 of CMP209 and CMP210 Workgroup Report in respect to implementation timescales for WACM 1 and IT changes. **Complete.**
3331. **Minute 3309:** Circulate JESG feedback slides to Panel Members. **Complete.**
3332. **Minute 3312:** PM to provide slides from DECC meeting so that the Code Administrator can circulate to Panel Members. **Complete.**

### 4 New CUSC Modification Proposals

3333. **CMP214 – Implementation of TNUoS Charging Parameter Updates.** AW described the background to CMP214 and explained that it seeks to alter the implementation of any required updates to charging parameters and generation zones to the start of a charging year after the commencement of the new price control period.
3334. SL argued that updated values for charging parameters that National Grid provides are at their discretion and that they can give a best view, but that it does not have to be accurate. Therefore, SL made the point that National Grid could, in effect, provide updated values now based on their best forecast. PH advised that whilst there is some discretion with regard to the level of certain parameters, there is not with the timing of their introduction and the publication of final tariffs, and that CMP214 is solely about the timing.
3335. PJ raised the issue of charging volatility and questioned if volatility caused by these changes was of any greater magnitude than that caused by the general changes in allowable revenue that occur year on year. PJ went on to say that CMP214 could also introduce some uncertainty to 2013/14 TNUoS charges, which may outweigh the benefits of the proposal.
3336. MD made the point that CMP214 could affect generation zoning criteria. PJ questioned how much variation would be introduced to the generation zones through the update of the expansion constant alone, compared with those which would have occurred anyway from undertaking a rezoning exercise but retaining the charging parameters as they currently are. AW advised that the analysis presented in the proposal's annex indicated that re-zoning would result in an increase from the present 20 Generation TNUoS zones to around 26 zones, but that this could be as high as 30.
3337. PJ's concern was to ensure that this modification was seeking a consistent approach to charging volatility. PJ observed that previous changes in charges have not been delayed in this manner and as an example noted that such a process was not

followed in 2010 when there was a mid-year change to TNUoS tariffs due to changes to offshore revenues. PH advised that lessons had been learnt to this mid-year change and that such an approach would only be taken again as a last resort.

3338. MD highlighted the interaction with CMP213 (Project TransmiT TNUoS Developments) and asked if National Grid had considered this. AW responded that they were mindful of CMP213, but did not want to prejudge the outcome of that proposal. National Grid believed CMP214 stands on its own merits.
3339. AS asked AW if CMP214 was actually reducing volatility or just deferring it. AW responded that customers essentially want stable prices but that there will always be a certain amount of volatility, and that the key is to understand that any volatility is forecast and predictable. AW added that CMP214 is seeking to improve predictability, so in effect that will reduce the impact of volatility to some extent.
3340. GR asked about the impact for generators and suppliers. AW advised that the initial National Grid strategy of requesting a delay to the implementation of parameters via a letter of comfort from Ofgem was further developed following industry discussion at TCMF to progression via a CUSC Modification process, as this allows for the industry engagement. AW noted that, as a result, suppliers and generators can comment on the impact as part of the proposed consultation. Comments could then be used as evidence as to the merits of the proposal.
3341. MT confirmed that the Panel were happy that the CMP214 proposal had been fully worked up and following agreement, the Panel moved on to discussing the Proposer's recommendation that CMP214 meets the urgency criteria and therefore should be progressed as an urgent modification. MT asked AS if the Authority would be able to make a decision on urgency within the timescales suggested by the Proposer. AS advised that a decision would be made in due course. BB asked if a modification could be prevented from being urgent if there was evidence that it could have been raised earlier, to which AT responded that there is nothing in the criteria with regard to this. GG raised a concern that this should not mean that parties should be allowed to deliberately misuse the urgency process by purposefully delaying a proposal and then rushing it through the urgent route, potentially without a Workgroup and/or consultation. SL felt that the proposal was not an imminent issue and also not an issue for the CUSC. PJ was uncomfortable with CMP214 being granted urgency as if the materiality of the expected changes were deemed as significant, then parties who could expect reductions in charges under the status quo might be denied these as a result of a modification being rushed through the urgent assessment process. On the other hand if the expected changes in charges were not regarded as significant then PJ could not see why an urgent proposal would be required at all. MD agreed with the Proposer that CMP214 is urgent, but advised that he is uncomfortable with the proposal itself.
3342. BB noted that urgency is a truncated process that could be risky and that a precedent could be set by National Grid giving extra weight to predictability of charges. BB added that urgency does not allow for full debate or unintended consequences to be identified. GG echoed BB's comments and suggested that a Workgroup could possibly alleviate some of those issues, whilst noting that the proposed timeline would be extremely challenging if a Workgroup was formed. GG added that as CMP214 has a material effect on Users it is good governance for a Workgroup to assess it.
3343. PH advised that by raising CMP214, National Grid is reacting to what their customers are telling them, and that predictability will prevent windfall gains and losses. PJ suggested that if CMP214 was not raised, then parties would still be able to reasonably estimate what their charges would likely be. AW responded that charges

may be known in December, but not generation zones. PJ commented that the CUSC does not stipulate that a decision on generation zones is required on 31 January and this could be made earlier if necessary such as in the prior December. PJ felt that there could be more chance of errors if generation zones are drawn up in January 2013 and compared with the following December as proposed under CMP214.

3344. PM advised that he believes that CMP214 is a material issue and is imminent, and therefore does merit urgency and should be progressed in line with the timetable suggested by the Proposer. DC voiced a concern as to why this was not raised earlier and that a Workgroup would be useful in order to assess the impact on suppliers. JA felt that CMP214 is an imminent issue and has a significant commercial impact and that the suggested timetable should be followed.
3345. MT confirmed with the Panel their views on urgency and concluded that a majority of the Panel (7 to 2) felt that CMP214 should be progressed as an urgent modification.
3346. The Panel then moved on to looking at the timetable for CMP214 and noted that it is dependent on the time that Ofgem take to make their decisions. The Panel agreed that the timetable suggested by the Proposer does not allow for a Workgroup and reached the consensus that they are happy with CMP214 following the 'Urgent: No Workgroup' timetable as presented by AW.
3347. The Panel discussed what questions, if any, could be included in the Code Administrator Consultation and agreed the next steps to be taken following the meeting. The Code Administrator agreed to alert the industry to the Panel's views on how CMP214 should be progressed, and MT advised that he would send a letter to Ofgem on behalf of the Panel to request that CMP214 be treated as urgent. The Panel confirmed that in order to expedite the process, this letter could be sent without review by Panel Members.

**Action: MT to send Request for Urgency letter to Ofgem for CMP214.**

**Action: Code Administrator to inform industry of CMP214 developments.**

## 5 Workgroup / Standing Groups

3348. **CMP201 – Removal of BSUoS Charges from Generation.** PH advised the Panel that Ofgem had 'sent back' the Final Modification Report for CMP201 due to deficiencies in the report, in particular with regard to the analysis. Therefore, PH advised that it would be appropriate to reconvene the CMP201 Workgroup and compile a revised Final Modification Report in line with Ofgem's suggestions in their send back letter<sup>1</sup>. SM agreed that this was a pragmatic way forward. DC noted that it would be useful to gain Ofgem's views on the impact of CMP201 on competition. SM advised that Ofgem will engage with the Workgroup and if the Workgroup required any further clarity on specific aspects of the send back letter, Ofgem would be willing to provide this clarity and flag up any issues that arise. GR asked the Panel to consider how the relevant objectives should be interpreted and to be clear about this when voting. GR added that Ofgem is a GB Regulator and therefore its objectives relate to GB consumers. GG added that Ofgem should also be mindful of the obligations in EU Directives and Regulations.
3349. MT asked the Panel to consider the options for the next steps to be taken. GG suggested sending the report back to the Workgroup to debate and re-vote if

<sup>1</sup><http://www.nationalgrid.com/NR/rdonlyres/B2F90AF1-E255-457C-A5C0-F8123A47E41B/57216/CMP201OfgemSendbackletter.pdf>

necessary. PH agreed that the existing CMP201 Workgroup could be reconvened to look at this element. MT confirmed that the Panel were happy for CMP201 to go back to the CMP201 Workgroup and to conduct another Workgroup vote, re-issue the report for the Panel to assess and then carry out another Code Administrator Consultation. The Panel agreed with this approach. AT confirmed that the Code Administrator would contact the CMP201 Workgroup and start looking at availability. AT also suggested that a draft report could be submitted to Ofgem to check that they are satisfied that their concerns have been addressed, before submitting formally.

**Action: Code Administrator to reconvene the CMP201 Workgroup and make the necessary arrangements to hold a meeting.**

3350. **CMP208 - Requirement for NGET to provide and update forecasts of BSUoS charges each month.** AT presented the Workgroup Report to the Panel and ran through the key points and background to the proposal. PJ asked about the timelines outlined in the report with regard to the training required for new recruits. AT confirmed that the 9 month timescale highlighted in the report is specific to that particular role as it took that long for the recruits to achieve full authorisation. AS asked what the cost is for the Workgroup Alternative CUSC Modification (WACM) as only the Original had costs associated with the resource requirement. AT agreed to make this clear in the Code Administrator Consultation. The Panel discussed how the proposed seminars could be run and it was agreed that it seemed sensible to hold the seminars in conjunction with the existing Operational Forum meetings. The Panel accepted the CMP208 Workgroup Report and agreed for it to proceed to Code Administrator Consultation for a period of three weeks.

**Action: Highlight Panel comments in Code Administrator Consultation.**

3351. **CMP211 - Alignment of CUSC compensation arrangements for across different interruption types.** SLa presented the Workgroup Report to the Panel and ran through the key points and background to the proposal. The Panel accepted the CMP211 Workgroup Report and agreed for it to proceed to Code Administrator Consultation for a period of three weeks.

3352. **CMP212 - Setting limits for claim: submission, validation and minimum financial threshold values in relation to Relevant Interruptions.** SLa presented the Workgroup Report to the Panel and ran through the key points and background to the proposal. The Panel expressed a concern with regard to WACM 1, in that this could potentially give the Panel additional powers which could have a material impact on parties due to the introduction of a threshold for compensation claims. This led to the Panel questioning whether WACM1 could still be considered as Self-governance, as the Panel would be making a determination on their governance arrangements. One Panel Member also questioned whether it was appropriate for the Panel to make a decision on compensation thresholds under WACM1 as it was a change to how the Panel generally conducts its business. It was agreed to note this in the Code Administrator Consultation and ask for views on Self-Governance. The Panel accepted the CMP212 Workgroup Report and agreed for it to proceed to Code Administrator Consultation for a period of three weeks.

**Action: Highlight Panel views in Code Administrator Consultation and include question on Self-Governance.**

3353. **CMP213 - Project TransmiT TNUoS Developments.** PH provided an update on the progress of CMP213 and advised that due to the complexity of the proposal and the issues within it, a 2 month extension is required to be able to fully discuss the issues and carry out the required work. Therefore PH advised that the Workgroup Report would be presented at the February 2013 Panel, rather than December 2012.

MD highlighted a concern with regard to the time available to write and finalise the legal text. PH responded that the legal text will be written in a similar format to the rest of Section 14 of the CUSC and that the National Grid legal team will then check the text. PH advised that he did not envisage that this would cause a delay to the timetable. AS advised that Ofgem is supportive of the positive attitude displayed in the Workgroup so far and would be pleased to see this continue. The Panel agreed to a 2 month extension and the Ofgem Representative was satisfied with this approach.

3354. **Governance Standing Group (GSG).** GG advised that a meeting had taken place on 25 October 2012 during which the group discussed three main items: (i) the process and consistency for CUSC Panel sub-groups to report back to the CUSC Panel; (ii) the prioritisation criteria for progressing CUSC Modifications; and (iii) issues arising from Charging Methodologies governance. GG suggested that the minutes from the GSG could be circulated to the Panel for visibility on their discussions.

**Action: Circulate GSG minutes to Panel.**

3355. The Panel considered the updated Terms of Reference for the GSG to take into account changes in membership and a new item within the scope and objectives. The Panel accepted the updated Terms of Reference.

**Action: Publish updated GSG Terms of Reference on website.**

3356. **Joint European Standing Group (JESG).** GG advised that the JESG had reviewed and reflected on their first year or so of work and stakeholder feedback, via a short survey, at their September 2012 meeting and that overall the comments were positive. As a result of this, GG highlighted that the Terms of Reference had been updated to reflect the technical workshops that take place, the ongoing review of membership and the use of the actions and issues log. The Panel accepted the revised Terms of Reference.

**Action: Publish revised JESG Terms of Reference on website.**

3357. **Transmission Charging Methodologies Forum.** PH advised that no meeting had taken place since the last Panel meeting.

3358. **Frequency Response Working Group (FRWG).** IP noted that the Frequency Response Working Group Report is out for consultation for a period of six weeks, with a closing date of 30<sup>th</sup> October 2012. A working group meeting has been arranged for 5<sup>th</sup> November to consider responses to the consultation and next steps.

3359. **Commercial Balancing Services Group (CBSG).** EC advised that the CBSG had met on 17 October 2012 and discussed the outcome of the open letter sent by National Grid on Bilateral Embedded Licence Exemptable Large Power Station Agreement (BELLA) participation in the Balancing Mechanism. EC added that the responses received were supportive of the concept and that National Grid would be looking at communicating their intentions to the industry on how to enable this. BB asked what the next steps are and IP responded that National Grid will write out to the industry setting out their intentions, but confirmed that there are not currently any potential CUSC Modifications that may result from this.

## 6 European Code Development

3360. AS advised that details on EU developments had been circulated on 17 October 2012 and IP added that an update on the European Network Codes had also been circulated with the Panel papers.

## 7 CUSC Modifications Panel Self-Governance Vote

3361. **CMP206 - Requirement for NGET to provide and update year ahead TNUoS forecasts.** JD presented to the Panel on the background to CMP206 and key elements of the process it had gone through. JD highlighted that on 18 October 2012, Ofgem had directed that CMP206 be treated as Self-Governance, and therefore the vote by the Panel would be a final determination, rather than a recommendation to the Authority.

3362. The Panel voted unanimously that CMP206 better facilitates the Applicable CUSC Objectives and so should be implemented. The table below shows a breakdown of the votes:

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Overall (Y/N)
Simon Lord	Yes, it enables National Grid to meet its licence objectives.	Yes, it facilitates competition.	Neutral.	Yes.
James Anderson	Yes.	Yes.	Neutral.	Yes.
Paul Mott	Yes.	Yes.	Neutral.	Yes.
Bob Brown	Yes.	Yes.	Neutral.	Yes.
Michael Dodd	Neutral.	Yes.	Neutral.	Yes.
Paul Jones	Neutral.	Yes.	Neutral.	Yes.
Ian Pashley	Yes, a slight positive.	Yes.	Neutral.	Yes.
Garth Graham	Yes.	Yes, it best meets this objective.	Neutral.	Yes.
Duncan Carter	Yes, slightly better facilitates Objective (a).	Yes, it reduces risk to parties.	Neutral.	Yes.

3363. AT advised that the 15 Working Days Appeal Window opens on the day of the Panel vote, and will close on 16 November 2012. Further to that, pending any appeals raised, CMP206 will be implemented on 3 December 2012.

## 8 Code Governance Review Phase 2

3364. AS provided an update on the Code Governance Review (CGR) Phase 2 and advised that a workshop is taking place on 2 November 2012. AS advised that the Initial Proposals seek to extend some of the principles introduced under the first CGR into other codes. AS added that Ofgem are considering introducing a fast-track process for Self-Governance in order to make the process more efficient for straightforward proposals such as housekeeping changes. BB highlighted that there are differences between the way the CUSC and the BSC deal with modification reports and that the BSC Panel seem to have a more efficient process whereby they

can alter the final report if an error is identified. AT confirmed that the same process can be applied in the CUSC.

## **9 Authority Decisions as of 18 October 2012**

3365. There have been no Authority Decisions since the Panel last met.

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

3366. IP advised that the UK Government will be bringing into force the Transmission Constraint Licence Condition (TCLC) on 29 October 2012 and that Ofgem will be responsible for enforcing it. IP added that National Grid would inform CUSC parties of this shortly via email.

## **11 AOB**

3367. AS advised that Ofgem would welcome a Panel response on the CGR Phase 2 Initial Proposals.

## **12 Next Meeting**

3368. The next meeting will be held on 30 November 2012 at National Grid House, Warwick.