

Minutes

Meeting name	CUSC Modifications Panel
Meeting number	149
Date of meeting	26 April 2013
Location	National Grid House, Warwick

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Emma Clark	EC	Panel Secretary
Alex Thomason	AT	Code Administrator
Abid Sheikh	AS	Authority Representative (via teleconference)
Patrick Hynes	PH	National Grid Panel Member
James Anderson	JA	Users' Panel Member
Bob Brown	BB	Users' Panel Member
Michael Dodd	MD	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Simon Lord	SL	Users' Panel Member (via teleconference)
Paul Mott	PM	Users' Panel Member
Rob Hill	RH	Consumer Focus Panel Member
Louise McGoldrick	LM	National Grid (part meeting)
John-Paul Hunt	JPH	National Grid (part meeting)
Andrew Poppleton	AP	National Grid (part meeting)
Rob Wilson	RW	National Grid (part meeting)

Apologies

Name	Initials	Position
Robert Longden	RL	Alternate Users' Panel Member
David Kemp	DK	ELEXON
Ian Pashley	IP	National Grid Panel Member

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

3562. Introductions were made around the group. Apologies were received from IP, DK and RL. RH was welcomed as the new Panel Member for Consumer Focus.

2 Approval of Minutes from the last meeting

3563. The minutes from the CUSC Modifications Panel meeting held on 22 March 2013 and from the Special CUSC Panel meeting for CMP213 held on 9 April 2013 were approved, subject to minor comments received.

3 Review of Actions

- 3564. **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.** Please see item 8.
- 3565. **Minute 3517: Forward Consumer Focus email containing the link to the tender for the Panel.** Complete.
- 3566. **Minute 3520: AS to send questions on CMP218 to LM and answers to be provided prior to the Code Administrator Consultation being published.** Please see item 5.
- 3567. **Minute 3525: Questions on CMP218 to be address and discussed at the next Panel meeting and timetable revised.** Please see item 5.
- 3568. **Minute 3525: Send CMP218 Self-Governance Statement to Ofgem.** Complete.
- 3569. **Minute 3529: CUSC Panel to consider any communication that may be required in addition to the CMP213 Code Administrator Consultation.** Complete.
- 3570. **Minute 3529: Circulate the latest timetable for CMP213.** Complete.
- 3571. **Minute 3541: NGET to consider wider review of compensation under EU arrangements.** PH advised that this will be conducted later in the year.

4 New CUSC Modification Proposals

- 3572. None.

5 CMP218 'Changes required for use of new banking product to hold Users' cash securities'.

- 3573. LM ran through the background to CMP218 and discussed the external legal advice that had been sought. AS queried the issue of how the money is held in trust and the fact that it is not recorded as an asset of National Grid. AT advised that it is not a requirement of the CUSC for National Grid to constitute protected trust account facilities. GG suggested that this could be made clear in the Proposal. GG added that he is encouraged by the legal advice provided and that it would be useful to communicate this in some way to stakeholders in order to provide some comfort. BB noted that the key information should be contained within the Proposal itself.
- 3574. SL asked about the tripartite agreement in terms of off-setting National Grid's liabilities. GG advised that there is a letter from Barclays to National Grid that covers this issue and SL suggested that this letter is published. AT suggested that approval would be required from Barclays in order to publish. SL suggested that the CUSC could require the letter to be made public as it would provide comfort around the legalities. MT noted that this issue applies to the current arrangements and not just the new arrangements. SL responded that this is correct, but that it would be more important under CMP218, as there would not be individual accounts and therefore larger sums of money would be held in fewer accounts. GG suggested that if the letter cannot be made public, then perhaps National Grid could share the letter with Ofgem. MT clarified with AS that Ofgem have the powers to ask to see the letter anyway to which AS responded that he believed this is correct.

3575. GG suggested that it would be helpful to resolve these issues prior to the Code Administrator Consultation being published. MD raised a query around the definition of a Trust/Trustee and asked whether the proposal needs widening to ensure that National Grid is acting in the interests of users whose money is held within the accounts. AP replied that as a trustee, there is an obligation to act in the best interests at all times, and that common law covers this, therefore it is not necessary to stipulate this in the proposal as it does not add any value.

Action: Finalise CMP218 queries prior to publishing Code Administrator Consultation.

6 CMP213 'Project Transmit TNUoS Developments'

3576. EC ran through a proposed approach to the Panel Vote on CMP213 at the next meeting in May. Due to the volume of Workgroup Alternative CUSC Modifications (WACMs), there were concerns around efficiency and the time it would take to vote on each WACM. Therefore it was proposed that prior to the Panel meeting on 31 May, voting members would be sent a spreadsheet detailing the CMP213 options and the vote. Members would be asked to use this spreadsheet to prepare their draft views and/or votes. Then at the meeting, each Panel Member would be requested to provide their overall views on the CMP213 main options. In order to be efficient, it was suggested that the Panel vote on the Applicable CUSC Objectives as a whole, rather than on each specific one and to then choose a preference for the Original Proposal or one of the WACMs if they wish. Their views and votes would then be recorded in the Final Draft CUSC Modification Report and circulated to Panel Members for comment prior to being sent to Ofgem.
3577. PJ felt that this was a sensible approach and that it is more important to gain the overall views as previous votes in Workgroups had been unclear on the overall outcome due to the voting on the individual Objectives. PJ also added that it is vital to prepare beforehand for a vote such as this. AS advised that he is happy with the proposed approach and that it is important for the Panel to clearly articulate their views and to provide clarity on why they have particular views and to give an appropriate level of justification. MT noted that he is keen for Ofgem to make sure that the Final Report covers everything that they require and for there to be no risk that anything is missed out, therefore it would be helpful if Ofgem could attend the Panel meeting in person when the vote is conducted. AS advised that he will discuss with his colleagues and there would be a decision on whether the Ofgem representative on the CMP213 Workgroup will attend the meeting.
3578. PH raised a concern that Panel Members may be asked to provide additional information that is not part of the CUSC process. GG agreed and noted that Ofgem have wider statutory duties and therefore may well have further queries, but that the Panel's remit is to consider the Applicable CUSC Objectives only.
3579. The Panel confirmed that they are happy with the proposed approach for the CMP213 vote in May. PH suggested sending out the voting process that had been agreed by the Panel and Ofgem and the voting spreadsheet to give Panel members a chance to comment or suggest any changes.

Action: Send out CMP213 voting spreadsheet to Panel Members.

7 Workgroup / Standing Groups

3580. **Governance Standing Group (GSG).** GG advised that the meeting planned for 25 April 2013 had been postponed until May 2013. AT added that the GSG will be

looking at the changes resulting from the Code Governance Review Phase 2, particularly the proposed 'fast-track' process. AT noted that a CUSC proposal had already been drafted in relation to this and that once the Licence Directions are published by Ofgem, the proposal can be finalised and likely raised at the June Panel meeting in order to meet the proposed December 2013 deadline set out in the Transmission Licence drafting. AT added that the GSG are also considering a solution for the issue with Charging Modifications and the different set of Objectives compared with non-charging CUSC Modifications.

3581. **Joint European Standing Group (JESG).** GG advised that the JESG had met on 17 April 2013 and had discussed a number of items including Grid Connection Network Codes and Implementation of REMIT and Transparency Guidelines. GG noted that the Load Frequency Control and Reserves (LFCR) Consultation had closed and that a third of responses had been from GB. GG also mentioned that the JESG had discussed the NWE Market Coupling update and the Application of the European Network Codes to the GB Framework, where it had been agreed that transparency is key. GG advised that there are forthcoming workshops on 7 and 8 May 2013 in Brussels.
3582. PJ asked if it is clear what processes will be used to implement these codes in GB. GG advised that there is an upcoming meeting with Ofgem to specifically discuss this. GG felt that a full consultation is required on this subject.
3583. **Transmission Charging Methodologies Forum (TCMF).** PH advised that a workshop on CMP213 had taken place on 16 April 2013 in place of the TCMF. BB advised that he had attended this meeting and that it was very helpful. PH noted that some concerns had been raised around timescales and transparency of tariffs, and that it may be worth conducting a post-implementation review.
3584. **Commercial Balancing Services Group (CBSG).** EC advised that the meeting planned for 24 April 2013 had been cancelled and that the next meeting is due to take place on 5 June 2013.
3585. **Balancing Services Standing Group (BSSG).** EC advised that the meeting planned for 24 April 2013 had been cancelled and that the next meeting is due to take place on 5 June 2013.

8 European Code Development

3586. The Panel noted that an update on EU developments had been provided by Ofgem and circulated on 16 April 2013. An update from National Grid on European Network Codes had been circulated with Panel papers.
3587. RW presented on the implementation options for the Requirement for Generators (RfG) code into the Grid Code. RW noted that overall timescales for implementation of the European Codes were between 6 and 36 months. RW advised that two options were being considered for the RfG Code, one to write a new code to cover the requirements, whilst still maintaining the existing Grid Code, and the other option to completely re-write the Grid Code. PJ felt that there will be a need to focus the areas of work to specific level of expertise, as it is such a large and complex piece of work. PJ commented that it is vital to coordinate the work appropriately. GG also noted that there is an issue around the definitions, as some European Network Codes refer to definitions in other codes. RW responded that some of these coordination issues may be resolved by the European Commission during the Comitology process. MD asked if the other Transmission System Operators (TSOs) are as advanced as GB in developing the codes, to which RW advised that GB were

ahead in this area. MD suggested that it may be preferable to wait, and implement at the same time as other TSOs, which may then provide the time to resolve the consistency issues. PJ agreed that there is some scope to put this to one side in terms of cross-border trade. RW advised that the priority is to look at the main objective of a single market and that the advice from Ofgem is not to do too much until the outcome is confirmed, as changes may occur. RW added that if GB does not implement the European Network Codes, then GB could be non-compliant with EU law; in addition the Transmission Licence would potentially be breached where the Third Package has been transposed into GB law. AS noted that once the codes are in force, there will be an implementation timeframe and it is critical to ensure compliance. GG noted that the RfG code has a 3 year implementation which should give plenty of time to go through the change process. PH highlighted that there could be a significant level of detail if system changes are required.

3588. MT asked if there has been Code Administrator representation so far, in order to ensure that the correct process can be followed in the timescales. RW advised that this will be addressed in the next phase.

9 CUSC Modifications Panel Vote

3589. **CMP201 - Removal of BSUoS Charges from Generation.** EC presented on the background and key elements to CMP201. The Panel voted by majority that the CMP201 Original and both Workgroup Alternative CUSC Modifications Proposals better facilitate the Applicable CUSC Objectives, with a preference for the Original. Details of the vote can be found in the tables below.

Original

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
Paul Mott	Yes as it creates a level playing field and removes discrimination on GB generation. No impact on competition in supply. Implementation timescales are generous.	Neutral as BSUoS will be as cost-reflective as before.	Neutral – consistent with the spirit and intent of the Third Package but not mandated.	Yes.
James Anderson	Yes for generation within GB and across Europe as it removes a barrier for trade. Will help develop internal market in electricity and implementation date will allow suppliers' sufficient time for contracts.	Neutral - no change to the cost-reflectivity of BSUoS.	Marginal yes due to the implied objective for National Grid to facilitate the spirit of the Third Package.	Yes.
Bob Brown	No. It supports pan-European generation but there is no benefit to GB generation in the GB Market. There is a negative impact on supply as increased costs will be passed to suppliers. There is no firm argument to encourage investment, and any increased risk is a detriment to new entrants. Short-term price increases to customers and uncertainty over long-term modelling.	Neutral.	Neutral – cannot see a link to the requirements of the Third Package and nothing in report to suggest that it is a requirement on NGET's business.	No.
Paul Jones	Yes, it is better for generation as it improves competition. The previous concerns around implementation have been removed as retailers have had time to adjust and prepare.	Neutral.	Neutral.	Yes.
Rob Hill	No. It will improve competition in Europe but will risk competition in GB supply due to the short-term impact in terms of passing through costs. WG process demonstrated that there could be a disadvantage to GB consumer. Risks damaging competition in GB supply and	Neutral.	Neutral, not necessarily a requirement of the Third Package.	No.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
	may result in an increase in tariffs for customers which will therefore impact new entrants.			
Michael Dodd	Yes for generation as it removes an artificial barrier to trade across countries so there is a greater degree of indigenous competition. For supply, it improves competition as an additional cost is removed, but concede that cost could go up in the short-term, so overall it is neutral against ACO (a) for supply.	Neutral / marginally better. Shift of relatively arbitrary split in high level calculation.	Yes as it reflects the changing nature of the generation market in which National Grid facilitates.	Yes.
Garth Graham	Yes for generation as it enhances competition. Mindful of the analysis in Annex 9 of the report which details how costs are recovered. For supply, it is neutral against this Objective as the change will be equal for suppliers – reductions in BSUoS from generation will be reflected in the wholesale market price which will be reflected back to suppliers.	Neutral.	Yes due to the drive to implement the Third Package.	Yes.
Patrick Hynes	Yes as competition for GB generation will be improved across Europe. Retaining status quo leads to GB being a less attractive place for generation investment for a European generation company. Supply will be affected but will be the same impact for all, so therefore does not impact competition.	Neutral. BSUoS is not a signal which differentiates between generation and supply	Yes, GB has duties through directives and regulation and NGET should be supporting implementation of a single European market.	Yes.
Simon Lord	Yes. It improves European competition which is a benefit for the UK consumer. Competition between suppliers and between generators will not be affected as it is simply a cost recovery exercise. No benefits or dis-benefits to consumers for costs collected from either group.	Neutral.	Yes due to changes in European market.	Yes.

WACM 1

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
Paul Mott	Yes, same reasoning as for Original.	Neutral.	Neutral.	Yes.
James Anderson	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.
Bob Brown	No. Same reasoning as for Original.	Neutral.	Neutral.	No.
Paul Jones	Yes, same reasoning as for Original.	Neutral.	Neutral.	Yes.
Rob Hill	No. Same reasoning as for Original.	Neutral.	Neutral.	No.
Michael Dodd	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.
Garth Graham	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.
Patrick Hynes	Yes, same reasoning as for Original. It would allow suppliers to develop BSUoS charges.	Neutral.	Yes.	Yes.
Simon Lord	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.

WACM 2

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
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Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
Paul Mott	Yes, same reasoning as for Original.	Neutral.	Neutral.	Yes.
James Anderson	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.
Bob Brown	No. Same reasoning as for Original.	Neutral.	Neutral.	No.
Paul Jones	Marginal yes, but the net present value gets eroded with time.	Neutral.	Neutral.	Yes.
Rob Hill	No. Same reasoning as for Original.	Neutral.	Neutral.	No.
Michael Dodd	Neutral, due to length of implementation.	Neutral.	Neutral.	Neutral.
Garth Graham	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.
Patrick Hynes	No, it is too far ahead and therefore the assumptions are too far out so the benefits cannot be guaranteed.	Neutral.	Neutral.	No.
Simon Lord	Yes, same reasoning as for Original.	Neutral.	Yes.	Yes.

BEST

Paul Mott	Original
James Anderson	Original
Bob Brown	Baseline
Paul Jones	Original
Rob Hill	Baseline
Michael Dodd	Original
Garth Graham	Original
Patrick Hynes	Original
Simon Lord	Original

10 Authority Decisions as at 18 April 2013

3590. There were no Authority decisions. AT asked AS when the conclusions of Ofgem's consultation on further Licence changes following the implementation of the Third Package would be published. AS advised that there is a delay in publishing as Ofgem is still considering the proposed legal text and that it would be published some time in May.

11 Update on Industry Codes / General Industry updates relevant to the CUSC

3591. **CGR Phase 2:** PM noted that the CGR Phase 2 consultation document referred to 5 days as a deadline for CUSC Code Administrator, following a Panel vote on a self-governance CUSC Mod, to produce the final modification report. Given that it made clear that this was intended to leave 10 working days out of 15 working days, prior to automatic implementation if not appealed, PM noted that it meant 5 working days. He also noted that this year, Panel had met on Maundy Thursday, which in the "days" interpretation, would only have given the Code Administrator 1 working day to produce the FMR.

3592. **Electricity Ten Year Statement:** EC informed the Panel that National Grid had published a consultation on the Electricity Ten Year Statement and Network Development Policy, and that responses to this are requested by 16 May 2013.

3593. **Embedded Review:** AT advised that nominations are currently being sought for a review group on embedded generation. MD asked how wider stakeholders could contribute to this group if they cannot resource attendees. PH advised that the purpose of the group is to obtain further knowledge on this subject, rather than develop anything and that the request for nominations has asked for experts on this subject in order to provide this knowledge.
3594. **EMR:** MD advised the Panel that he has been informed that an education process with Electricity Market Reform (EMR) is ongoing with the government with regard to the change process. AT advised that she had highlighted the concern around code changes and timescales to the relevant team in National Grid and that they are liaising with DECC. GG noted the potential interaction with the European Capacity Allocation and Congestion Management Code (CACM) and that the CACM has to take precedence.

12 AOB

3595. GG advised that SSE had raised some CAP048 claims with National Grid and that some had been accepted but that they had been advised that in order for National Grid to make the payment, in accordance with the CUSC requirements, SSE are required to become a vendor, which takes longer than the 28 day CUSC limit for National Grid making payment. GG advised that this is currently being investigated with the relevant people.
3596. EC advised that an error had been identified in the Code Administrator Consultation and the Final CUSC Modification Report for CMP215 'Removal of references to TNUoS charges for Interconnector BM Units and requirement to provide Security Cover for BSUoS', in that the full version of the legal text was omitted by mistake. EC asked the Panel for their views on how to rectify this issue and whether the Final Report could be updated, or whether it was necessary to re-consult. PH raised a concern about the audit trail and that it is important to follow the correct process. GG pointed out that an Urgent Modification Proposal could be raised. The Panel felt that this was not necessary. AS suggested postponing the implementation date and re-issuing the report to give industry an opportunity to comment on the revised report. The Panel agreed with this approach and EC advised that she would update the report with the full legal text and email the industry to inform them of the developments and to provide them with an opportunity to comment. It was agreed that if no responses were received, the Panel were happy to continue with implementation, 10 days after the deadline for comments. Any issues raised would be dealt with appropriately.

Action: Update and re-publish CMP215 Final CUSC Modification Report.

13 Next Meeting

3597. The next meeting will be held on 31 May 2013 at National Grid House, Warwick.