

Minutes

Meeting name	CUSC Modifications Panel
Meeting number	200
Date of meeting	14 December 2016
Location	National Grid House, Warwick

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Heena Chauhan	HC	Panel Secretary
John Martin	JM	Code Administrator
Nikki Jamieson	NJ	National Grid Panel Member
James Anderson	JA	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Paul Mott (dial-in)	PM	Users' Panel Member
Cem Suleyman	CS	Users' Panel Member
Bob Brown	BB	Consumer Panel Member
Nadir Hafeez (dial-in)	NH	Authority Representative
Laura Nell (dial-in)	LN	Authority Representative - presentation
John Tindal (dial-in)	JT	CMP268 Proposer

1 Introductions and Apologies for Absence

Apologies were provided by Kyle Martin (KM), Paul Jones (PJ), Simon Lord (SL) and Nicolas Rubin (NR). PJ requested JA to carry his voting rights and SL asked PM to carry his voting rights.

All presentations given at this CUSC Modifications Panel meeting can be found in the CUSC Panel area on the National Grid website:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Panel-information/>

2 Approval of previous meeting Minutes

5904. The minutes of the CUSC Panel meeting held on 15 November 2016 and 25 November 2016 were approved subject to comments and are available on the National Grid website. (Comments were provided from PJ, GG, BB and minor changes from MT, JA and PM).

3 Review of Actions

5905. **Minute 5604: JM to ensure that the lessons learnt exercise carried out by CMP262 Workgroup to be shared at a future Panel meeting.** HC noted that this exercise had started and would be completed in January and the findings would be shared with the Panel at the January Panel meeting.

5906. **Minute 5654: JM and HC to assess the new CUSC Modification Proposal new template to ensure that details identifying the organisation of the Proposer are clearly identifiable.** HC confirmed that the new template does contain the organisation of the Proposer and also explained that the Summary section in future reports would contain standard information as per the previous report template including when the proposal was raised and discussed at the Panel. This action is closed.
5907. **Minute 5680: JM and HC to confirm process for late papers at next CUSC Panel meeting.** This action was raised following the inclusion of CMP274 as a late and potential urgent modification proposal which was issued to the Panel to read and consider the evening before it being presented at the October 2016 CUSC Panel meeting the following morning. MT noted that the Panel were concerned that this situation did not provide reasonable time for them to fully consider the paper and also did not give the Code Administrator the opportunity to assess the quality of the proposal ahead of the Panel meeting. NJ questioned what process should be followed to provide the Panel with sufficient time to read the proposal ahead of the meeting. GG suggested that as minimum, five working days would be required as this would enable an initial impact assessment to be carried out and would discourage parties frustrating the process by claiming urgency when they had missed the Panel papers day deadline. Following the initial assessment, Urgency could then be fully assessed by the Panel enabling them to decide if the proposal is urgent or not. In BB's view, the practice of raising an 'Urgent' proposal is a practice carried out across different codes, and Code Administrators should work together to drive a common process in the need for efficiency and consistency. BB would like the Panel to look at existing workload and processes such as this as part of the Forward Work Plan. BB also suggested that if a late paper is not urgent then it should be deferred to the next Panel meeting. GG noted that this was the process set out in the CUSC for a late submission of a Modification. JA noted that the Code Administrator as a Critical Friend would be best placed to be able to advise on the process that should be followed. JM and HC will present the process to the Panel at the January 2017 meeting.
5908. **Minute 5749: JM to consider initial assessment requirements for new modifications and identify what the Code Administrator can support.** JM noted that CMP272 would be presented at the meeting today as a new modification. JM also noted that the Code Administrator is working with NJ's team as the National Grid subject matter experts for future modification proposals. JM also confirmed that a template was being developed to capture key information. BB stated he would like to see the existing process to be more efficient. MT asked if the assessment would inform who the chair would be for the Workgroup. JM confirmed that it would, and that this would be a member of the Code Administrator team. BB stated it would be useful to highlight if a Trade Association representative would be required. GG highlighted it would be important to ensure that the contacts within the Trade Association are correct as there may be members with different levels of expertise which may not always be evident to the Code Administrator. This action is closed.
5909. **Minute 5757: Nick Pittarello to discuss process of appointing external consultants and funding requirements for Workgroups with NJ and NH to report back on whether the Code Administrator and the Authority should discuss funding arrangements for analysis under the current process.** NJ confirmed to the Panel that in National Grid's view funding for external consultants had not been included within the RIIO deal as it had not been identified as a requirement at the time of agreement. NJ also noted that she had started to progress this issue through the internal National Grid governance process to agree the funding process and would be able to provide an update at the January Panel meeting. NJ additionally noted that should funding be agreed and be enforced, then this would lead to the cost being picked up by end consumers at a rate of 53p for every pound spent. As an example, NJ had applied this rate across all modifications that had been processed over the last year and concluded that this could have potentially cost £1m.
5910. NJ also confirmed that as Chair for CMP250, she had met with the Proposer, CS from Drax a few weeks ago and also highlighted that she had challenged the CMP250 Workgroup to

understand what analysis Ofgem actually needed to assess with this proposal. NJ confirmed EDF have offered some additional analysis to support this modification. NJ will contact Ofgem to gain additional clarity. CS noted that as Proposer of CMP250 he would like a resolution as soon as possible.

5911. The Panel noted that NJ will not be responsible for taking this action forward and this action will be transferred to JM to resolve as Code Administrator. GG volunteered that this could also be addressed by the GSG and noted that if this is picked up in the Forward Work Plan, then this could be consulted on in spring 2017 to take this forward. BB noted that National Grid has a licence obligation to keep the charging arrangements under constant review and on a cost reflective basis and that a degree of analysis was required to support that responsibility NJ confirmed that this was exactly what she was trying to achieve by ensuring costs were adequately challenged and were kept down to protect the end consumer.
5912. **Minute 5767: Run a lesson learnt on CMP264/CMP265 and report back at January 2017 Panel meeting.** Action pending until January 2017 Panel meeting.
5913. **Minute 5828: Code Administrator to investigate the development of an online industry calendar to flag specific Workgroup meeting dates and industry meetings across industry to plan time.** JM confirmed that the Code Administrator is looking at different technologies and solutions. GG would like this to commence in January 2017. This action is complete.
5914. **Minute 5850: The Code Administrator to update and republish voting presentation based on non-material changes for CMP264/CMP265/CMP269/CMP270 on the website.** This action is complete.
5915. **Minute 5851: Panel members were requested to provide positive confirmation of their voting opinions and statements for CMP264/CP265/CMP269/CMP270 by 10am 28 November 2016.** This action is complete.
- Minute 5860: NH to confirm new timescales for CMP264/CMP265/CMP269/CMP270.** This action is complete.
5916. **Minute 5864: Code Administrator to ensure CMP261 Legal Text is amended to reflect one way payments.** This action is complete.
5917. **Minute 5865: Action: GG asked NH and NJ to confirm British Gas's assumption in their CMP261 Code Administrator Consultation response to Question 1 about whether enforcement action has been taken.** National Grid has confirmed back to GG that no enforcement action has been taken. NH was also able to confirm that no enforcement action was taken by Ofgem and no action was anticipated in the future. This action is complete.
5918. **Minute 5875: Positive confirmation by email required from all Panel members for all voting by 30 November 2016.** This action is complete.
5919. **Minute 5877: JM to share the practice of voting Panel members to provide their draft votes ahead of the Panel meeting with other Code Administrators as best practice.** This will be shared at the next Code Administrators meeting. This action is complete.
5920. **Minute 5878: HC to ensure that vote summaries clarify Vote 1 to demonstrate which options are considered better than the Baseline.** This action is complete.
5921. **Minute 5893: JM to investigate the possibility of a common database of trade associations between all Code Administrators.** This will be discussed at the next Code Administrators meeting. This action is complete.

5922. LN joined the Panel for this session. LN presented her slides to the Panel and noted that Ofgem was pleased with where CMA had landed for Code Governance. LN stated that this would mean that for the first time there would be a body responsible for delivering benefit to customer allowing Ofgem to play a more strategic role although she also noted that this will take a number of years to deliver.
5923. LN noted that there would be a stakeholder workshop on 12 January 2017 and the closing for responses to consultation would be 1 February 2017.
5924. GG asked LN if the EU Codes had been taken into consideration in Ofgem's deliberations. LN confirmed they had and if a model was in place today then EU Codes would be addressed by this Consultative Board. LN noted that the drivers for EU Codes and cross code changes had been considered. GG enquired if this model could heighten the risk of the process being challengeable if Ofgem was perceived as being 'judge jury and executioner'. LN confirmed that appropriate controls will be in place to ensure proper processes are in place to protect consumers.
5925. When reviewing the different models and licences, MT asked if Ofgem had any vision of what the TOR will look like, what would be the funding arrangements, and what would the governance arrangement look like. LN stated that roles and responsibility were being considered and that Ofgem had some ideas of how this would work in practice including an expansion to the current Code Administrator role across the codes and a requirement to carry out a Project management role. LN also noted that these areas would be discussed in more detail at the workshop in January and that it was important that roles and responsibilities are coherent and not fragmented as it is today.
5926. LN discussed funding models and explained that the permissive licence would leave things to carry on very much as they are run today. Ofgem would be presenting a light touch option and also noted that if the opposite were to be agreed then everything could be set in licences.
5927. NJ asked if Ofgem believed that parties understood what they are funded for today and did Ofgem understand what the baseline is. LN noted that Ofgem appreciated that there was disparity over how some codes were managed and that for some codes there were some SLAs allowing some sight, especially with some of the newer contracts.
5928. GG stated that it should be recognised that there are some governance aspects in codes that are generic but others which are different and that it would be useful to separate the core and non-core elements; i.e. a core element would be that all codes have a Panel. GG also stated it would be helpful to understand what the non-core elements would look like in the medium and long term. GG noted that it would be particularly useful for Panels to draw out what those lines look like when responding to the consultation.
5929. LN confirmed that licencing changes would mean changes required to the end to end process. NJ asked if Ofgem are assuming that existing Code Administrators are going to want to offer this service in the future as there is already a licence between National Grid and Ofgem.
5930. JM queried what the Panel's role would be in the future. LN confirmed that the Consultative Board has a role to provide a forum to progress the joint industry plan. LN also confirmed that Ofgem did not expect the current role of the Panel to change in the future and this change was more about the process of how modifications are progressed that impact multiple codes. Ofgem still need to clarify the scope of the role of Code Administration as the Critical Friend role currently provided is still considered an important part of this role going forward.

5931. GG noted that circa £3bn of value annually is covered within the multilateral contract that is the CUSC and if this not managed carefully this could cost more money to the industry and end consumers. LN stated that she would ensure that this is taken into consideration during the development of this process although noting also that cost is not primary goal for this initiative.
5932. LN confirmed that Ofgem would be consulting again in September 2017 on the strategic direction and that there would also be opportunity for a lot of informal engagement. The Panel considered the challenges of submitting a response to this initial consultation as there would only be one more Panel meeting before closing date. MT noted that this consultation would lead to signification changes and encouraged the Panel to take some time to seriously consider these and asked if they would be able to develop some key views. The Panel considered holding a workshop after the 12 January 2017 Ofgem Stakeholder workshop to consider the risks and opportunities and when a response could realistically be delivered.

ACTION: JM to request an extension to the deadline with Ofgem to 10 February 2017 on behalf of the Panel. This has been completed.

ACTION: JM and HC to organise and run a session on the afternoon of 26 January 2017 with the Panel. The Panel will be provided with the first draft of the response by 3 February 2017 and are required to provide their comments to this draft by 9 February 2017 so that JM can send the final consultation response by 10 February.

5 Forward Work plan

5933. JM shared the Forward Work Plan with the Panel and thanked NJ's team for providing content to enable the development of the plan.
5934. NJ noted that Ofgem had confirmed that they would be carrying out some strategic work in relation to CMP264 and CMP265 and queried if this should be added to the Plan. JM confirmed it should be as this could lead to subsequent modifications being raised.
5935. MT asked the Panel if further clarification would be required. GG stated that National Grid had recently identified that it would be processing seventy eight modifications to the GB industry codes as a result of European code development and although not all of these would be CUSC related, they should be on the plan. PM confirmed that he did not have anything further to add.
5936. CS asked if the Forward Work Plan placed an obligation on anyone to raise a modification. MT confirmed it did not and was just a view. NJ confirmed that the information contained within the plan was National Grid's view.
5937. NJ asked the Panel for their opinions and view on how National Grid could encourage parties to come forward and share their thinking at forums to further gain intelligence. BB noted that the last 12 months have been challenging, and the industry has been firefighting. BB also noted that a number of modifications have recently been rejected and are likely to be as a result of the pressure on industry resources to support these. BB suggested that the CUSC Code Administrator contact other Code Administrators to identify best practice regarding party engagement.
5938. GG would like to see the likely start dates for activities on the Forward Work Plan similar to those shown in the existing Plan on a Page and asked if this could be replicated for this plan.

ACTION: HC to develop future indicative Plan on a Page based on existing template and work with NJ to ensure that Flexibility, Balancing Services Changes, G/D split modifications and HH/NHH for TNUoS is included within the Plan.

5939. NJ highlighted that when Ofgem's targeted review does take place, the dates of the thirteen modifications identified on the Forward Work Plan may change.
5940. Ofgem will be publish their Forward Work Plan on 19 December 2016 which NJ can share at the next TCMF and can be included within the future indicative Plan on a Page.

6 New CUSC Modification Proposals

5941. One new modification was presented to the Panel at this meeting.
5942. **CMP272 'Aligning Condition C5 and C10 of the CUSC to the license changes introduced by the Code Governance Review Phase 3'**, This CUSC modification proposal seeks to implement the license changes to the CUSC arising from Ofgem's Code Governance Review (Phase 3).
5943. JM presented the proposal and noted that as part of Ofgem's CGR3 Final Proposals, Ofgem consulted on licence changes to introduce amendments to the Significant Code Review (SCR) process. JM confirmed that this modification has been raised to align the licence changes to the provisions set out in Section 8 and Section 11 of the CUSC and stated that the changes need to be introduced no later than 31 March 2017.
5944. JM also highlighted to the Panel that the changes relate to:
- Introducing the ability for the Authority to raise a CUSC Modification following the end of a SCR;
 - introducing the ability for the Authority to end a SCR;
 - Introducing the ability for the Authority to lead an end to end CUSC SCR Modification;
 - Backstop Direction.
5945. JM asked the Panel for approval to progress this modification as a Self-Governance as this would then be consistent with how other codes had managed this change. NH confirmed from Ofgem's perspective, the licence changes had been made and the CUSC needed to reflect this requirement and supported Self-Governance.
5946. GG did not agree that this Modification met the Self Governance criteria and believed the changes have a material impact and noted that not all codes had followed the Self Governance route to implement these changes into their respective codes.
5947. GG believed that CMP272 should be progressed through a Workgroup as this would enable broader views to be captured within the Final Modification Report as well as any potential alternative(s). BB confirmed the UNC had progressed this change though a Workgroup. The Panel also noted that although the UNC had progressed this change via a Workgroup, the UNC Panel still rejected this proposal.
5948. GG also noted that having reviewed the draft Legal text for CMP272 and looking at the significant red lines within this text that this was also a clear indication that the changes proposed were material.
5949. MT asked NH for his view on the matter. NH confirmed that he still believed that this should be progressed through the Self-Governance route. The Panel debated if the proposal could be treated as Self-Governance and agreed by majority that the proposal should not be Self-Governance and should be progressed by a Workgroup. The Panel also agreed that the proposal be treated as an Urgent modification with a reduced quorum of 4 members and 10 day consultation periods to meet the required timescales for implementation.

5950. JM formally requested the removal of CMP273 which had previously been provisionally been allocated for this suite of changes. The Panel approved this request.

7 Workgroups/Standing Groups and Review of Plan on a Page

5951. The Panel reviewed the Plan on a Page

ACTION: HC to update wording and republish.

5952. **CMP250 'Stabilising BSUoS with at least a twelve month notice period'**. CMP250 aims to eliminate BSUoS volatility and unpredictability by proposing to fix the value of BSUoS over the course of a season, with a notice period for fixing this value being at least 12 months ahead of the charging season.

5953. The Workgroup will meet again in January after discussions have taken place between Ofgem, the Proposer and National Grid.

5954. **CMP271 'Improving the cost reflectivity of demand transmission charges'**. This CUSC modification proposal aims to improve the cost reflectivity of demand transmission charges

And

CMP274 'Winter TNUoS Time of Use Tariff (TToUT) for Demand TNUoS'. This CUSC modification proposal aims to improve the cost reflectivity of demand transmission charges.

5955. JM shared the proposed timetable and highlighted that a pre-call had been arranged for all meetings between January 2017 and March 2017 meetings and that an Open letter would also be issued.

5956. GG asked when an external consultant could be appointed to carry out the required analysis. NJ confirmed that this would require a tender event to be invoked.

5957. JM asked for an extension to October 2017 which the Panel approved although NJ considered it would be likely that the Workgroup would ask for a further extension.

5958. NJ noted that any downstream analysis; i.e. how this impacts a Supplier and how they manage this within their contracts; would not be something that National Grid would be able to provide.

5959. GG agreed with BB that some form of generic 'consumer impact' analysis should be sought and although this may be costly initially, it would be more cost effective in the long run as it could be used for different modifications rather than having to commission this analysis repeatedly for each modification separately.

ACTION: JM and NJ with the Ofgem Policy lead to investigate if generic analysis could be identified and collected to better understand what the impact on consumers is so that it can be utilised for current and future modifications.

5960. **Governance Standing Group (GSG)**. GG noted that this group will be reformed in January 2017.

5961. **Transmission Charging Methodologies Forum (TCMF) and CUSC Issues Steering Group (CISG)**. NJ confirmed that feedback from the last TCMF had been positive and that her team had provided an overview of the work to be carried out for charging review followed by a stakeholder forum that looked at how more opportunities could be provided for more industry parties to participate and have a voice. The minutes from this meeting were due to be published imminently.

5962. **Commercial Balancing Services Group (CBSG) and Balancing Services Standing Group (BSSG).** The Panel agreed to remove these standing items from the agenda as these groups had not met for a while.

8 European Code Development

5963. NH confirmed he does not have an update to provide to the Panel.
5964. GG confirmed that the JESG had met on the previous day and had discussed the results from the recent European Interface Document stakeholder consultation.
5965. JM confirmed that he had been provided with a view of which EU modifications would be raised in 2017/18 and that there was a meeting scheduled on 16 December 2016 with Ofgem and other code administrator to discuss this matter further.

9 Authority Decisions as at 6 December 2016

5966. There have been two Authority decisions this month.
5967. The Authority has decided to send **CMP268 'Recognition of sharing by Conventional Carbon plant of Not-Shared Year-Round circuits' back** to the Workgroup.
5968. As Proposer of CMP268, JT joined the call at this point of the meeting to discuss this modification with the Panel.
5969. The Panel agreed that they did not believe that this proposal should follow an urgent timetable and did not want to be in a situation where Ofgem send this modification back to the Workgroup for a second time. GG noted that Urgency status had been originally granted by Ofgem for this proposal and should therefore be used should it be required to arrange any Special CUSC Panel meeting to progress this proposal.
5970. The Panel also agreed that there would need to be initial conversations between the National Grid representative, the Proposer and Ofgem to agree the scope of the work required and that the Workgroup should report back to the Panel in January with a new proposed timetable which would include one further consultation. MT noted it would be helpful if Ofgem could be as precise as possible to provide a steer to Workgroup. NJ requested that no timetable be issued until the Workgroup meet in January and understand the full scope of requirements. The Panel agreed that the Terms of Reference would not require any further changes.
5971. JT agreed with the proposals put forward by the Panel as being a sensible way forward.
- CMP267 'Defer the recovery of BSUoS costs, after they have exceeded £30m, arising from any Income Adjusting Events raised in a given charging year, over the subsequent two charging years'** has been rejected by the Authority. This proposal aimed to defer unforeseen increase in BSUoS costs arising from an Income Adjusting Event (IAE) by two years. This proposal only applied to IAE's which, in their total in any given charging year, have a combined effect on "raw BSUoS" of over £30m.
5972. NH confirmed that CMP266 was on track and that Ofgem expected to provide a decision aligned to the indicative timetable.

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

5973. BB asked the Panel if they knew about the TDI forum. NJ confirmed that this forum has been running a few years. GG noted that he had recently become aware of the forum and had raised questions around the lack of transparency around its work. BB noted that the forum appeared to be discussing charging matters and that there may be points to feed into the CUSC forward work plan.

11 AOB

5974. GG stated that he had been surprised that Ofgem has indicated that a regulatory impact assessment would be undertaken for CMP261 especially as seven consultations on this topic had previously been raised in the past three years.

5975. MT asked the Panel members for feedback on his role as Chair to the Panel.

ACTION: Panel member to email feedback to MT on his role as Chair to the Panel.

5976. BB confirmed that he will be leaving the Panel in January. His replacement will be announced in due course.

5977. HC received confirmation from the Panel to continue the practice of publishing the Workgroup agenda's on the website until they are replaced with another form of communication for the industry to refer to.

5978. It was noted that the Annual CUSC Panel dinner will be held on Thursday 26 January 2017 in the Leamington Spa area.

12 Next meeting

5979. The next meeting of the CUSC Modifications Panel will be held on 27 January 2017.
5980. The Panel are due to meet on the afternoon of 26 January 2017 to discuss the Ofgem consultation on the CMA related code governance changes.