

Meeting report

Meeting name	Transmission Charging Methodologies Forum
Date of meeting	Thursday 9 th February 2017
Time	13:00 – 14:00
Location	Webinar

Name	Initials	Company
Andy Wainwright	AW	National Grid (Chair)
Urmi Mistry	UM	National Grid (TCMF Technical Secretary)
John Martin	JM	National Grid (Presenter)
Joseph Donohoe	JD	National Grid (Presenter)
Paul Wakeley	PW	National Grid
Rob Marshall	RM	National Grid
Kate Dooley	KD	Energy UK
Ian Tanner	IT	UKPR
Colin Prestwich	CP	SmartestEnergy
Garth Graham	GG	SSE
Nicola Fitchett	NF	RWE
John Harmer	JH	Alkane
Paul Mott	PM	EDF Energy
Lynda Carroll	LC	Ofgem
John Tindall	JT	SSE
Fruzsina Kemenes	FK	Innogy
Herdial Dosanjh	HD	Npower
Zoltan Zavody	ZZ	Electricity Storage
Paul Brennan	PB	

All presentations and supporting papers given at the TCMF meeting can be found at:
<http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

1 Modifications and CUSC Panel Update – John Martin, National Grid

1. Ongoing CUSC modification proposals were presented with updates/ information for each. The forum was updated that information on CMP 271/274 will be brought back to a future TCMF for industry feedback.
2. An update on the new modification proposal CMP275 was mentioned briefly as there was a more detailed update being given in a later agenda item. JM also mentioned that nominations for CMP275 Workgroup will end on the 10th February.

2 Future Arrangements for the System Operator - Joseph Donohoe, National Grid

3. JD presented a summary of the future arrangements for the System Operator (SO). This included looking at the changing energy system and the increasing difficulty around operating such a system. This is due to the fact that the situation has changed where events such as winter peak are not the only issue on the system, there are events over summer which incurs costs also. There has been a paradigm shift in system operation therefore change needs to happen to continue to deliver value to the consumer.
4. On 12th January, Ofgem released a consultation for [future arrangements for electricity system operator](#) to look at greater independence. It set out proposals on the role of the SO, however JD noted that this is not just about the role of the SO but also, importantly, about all industry needing to engage, that all stakeholder needs are met so we as an industry can deliver consumer value and view holistically.
5. JD then went on to define the different work streams that will help develop the role of the SO:
 - i. Flexibility: Focuses on ensuring all players in the market are able to participate through information provision, product simplification (there are 26 balancing services and products currently which increases complexity) and optimising the use of DERs (distributed energy resources).
 - ii. Network Competition: This area is focused on ensuring efficient investment in networks, looking into introducing network competition into the transmission system and through the evolution of the NOA (Network Options Assessment) process; making it more transparent and taking a more whole system perspective. Working with Ofgem, ENA and other industry groups to develop policy and models. Also via stepping up requirements to network competition by for example, having a role in supporting onshore competition.
 - iii. Whole System: Aims to work with Distribution Network Operators (DNOs) as they transition to Distribution System Operator (DSO) roles to make the best use of all resources available to decrease costs and optimise utilisation of capacity. National Grid is currently working with UKPN and Western Power Distribution on Regional Development Programmes to address hotspots. Learnings will be shared with industry, in particular through the ENA TSO-DSO working group.
 - iv. A question was raised as to the relationship between Whole System regional trials and EU work on regional markets. It was explained that regional trials were focused solely on arrangements within GB. Level Playing Field: JD highlighted how important this work stream is as a key enabler of the outcomes of all of the other work streams. A point was noted that learning points from previous industry initiatives such as Transmission Access Reform would be useful. It was also clarified that National Grid's charging review work would be progressed through this work stream.

6. JD then bought together the four work streams, where all are aimed to deliver three key outcomes.
7. The SO needs to be separate from all other NG businesses to provide industry with confidence that the SO can discharge its enhanced roles in a neutral manner. Legal separation is how National Grid can deliver independence and this is through five key areas; Governance, finance & credit worthiness, employee, information and physical. It was noted that the Ofgem consultation on this subject noted 6 areas rather than five (Business Change being missing); JD agreed to take this point away.
8. A question was asked regarding the finance & credit worthiness and whether there will be internal funding by National Grid; also do we expect to show where SO income comes from. JD explained that Ofgem has released a consultation on future incentives, which has been recommended to be read in conjunction with the future role of the SO consultation. Remuneration should be covered in there as well as the SO role in charging and balancing services.
9. JD then gave an overview of the proposed timeline and deliverable, where the consultation closes on the 10th March 2017. JD explained that NG does not want to wait two years to deliver what industry needs.
10. It was clarified that DER stood for Distributed Energy Resource. It was noted that under the Whole System work stream care needed to be taken to ensure appropriate arrangements were in place to manage the constraining off of DER. JD agreed to take away.

3 CMP275 – Transmission Generator Benefits – Ian Tanner, UKPR

11. IT described and explained the defect and reasoning behind UKPR raising CMP275. The Proposer has identified a defect of balancing products, where Black Start contracted units can also participate in the STOR market. In the Proposer's opinion this defect potentially leads to the end consumer paying double and generators using this additional income to discount tenders into other services and that this could also lead to NG taking inefficient dispatch decisions. The Proposer believes that the scale of the defect is difficult to identify due to the bilateral nature of certain contracts. The proposed solution is based around the introduction of financial mutual exclusivity, where for example, if a unit tenders into other services they will need to include the price of their black start contract and so net this off which will remove the distortion.
12. IT continued to detail how Black Start was a hot topic; however, the Proposer is not just targeting black start and fast start. In the Proposer's opinion the appropriate method to correct this is broad and applicable to everyone in the market, BM and Non-BM. This modification was originally planned for urgency but this has been rejected by Ofgem.
13. Explanation of double revenue on utilisation payments was asked for. IT detailed that this is where services overlap, for example a unit can get a utilisation fee for fast start and also get another utilisation fee in another service e.g. STOR. This modification aims to be neutral on BM and Non-BM units. A view was provided that a party cannot contract into two services on the same unit as NG would not allow them to tender into both if the services as similar (like fast start and STOR), however IT replied that he thought it could happen.

4 Proposal – CMP276 – John Harmer, Alkane

14. JH noted other existing proposals looking in similar areas but went on to detail that with these earlier mods the defect has been defined too narrowly, whereas CMP276 aims to look at the scope more widely so that a more reasonable set of solutions can be considered. It also aims to ensure that the competitive distortion is not pushed to

another part of the industry; specifically it includes a change to generator charging so could not be considered as a WACM to CMP271.

15. JH explained that this proposal is more cost reflective than the current situation and future proof as you can change the value of the elements described within the modification. The proposed structure and benefits were listed. JH detailed why this mod would be easier to implement than any of the earlier proposals; no major system changes are required, meaning it should be decreased cost to industry as well as consumers. A staged implementation is proposed allowing the impact and changes to be phased. It would address all issues arising from any of the proposed solutions to CMP264/265. There were no comments or questions raised.

5 AOB – Andy Wainwright, National Grid

16. No additional items were raised.
17. AW informed attendees of the dates for the next three TCMFs which will be updated on the website as soon as possible. AW noted the move to monthly Forum meetings to ensure issues are discussed, however depending on the content, the need for a forum would be reviewed and alternatives such as a webinar or even cancellation would be considered. In any event National Grid would let industry know as soon as possible.

6 Next meeting

Next meeting: Wednesday 8th March 2017

Time : 1030am

Venue : National Grid House, Warwick