

## Minutes and Actions Arising from Meeting No.52 Held on 16<sup>th</sup> December 2005 At Brandon Hall Hotel, Brandon, near Coventry

### Present:

Richard Court	RC	Panel Chairman
Lindsey Paradine	LP	Panel Secretary
Ben Graff	BG	Panel Member (National Grid Rep)
Guy Phillips	GP	Panel Member (National Grid Rep)
Steve Mackay	SM	Authority Representative
Rupert Judson	RJ	Panel Member (Users Member)
Malcolm Taylor	MT	Panel Member (Users Member)
Bob Brown	BB	Panel Member (Users Member)
Tony Dicicco	TD	Panel Member (Users Member)
Garth Graham	GG	Panel Member (Users Member)
Paul Jones	PJ	Panel Member (Users Member)
Simon Goldring	SG	Panel Member (Users Member)
Simon Lord	SL	Panel Member (Users Member)

### In Attendance:

Emma Carr	EC	National Grid
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### Introductions/Apologies for Absence

583. Guy Phillips was introduced to the Panel as National Grid Representative in place of John Greasley.
584. Apologies for absence were received from David Edward, Hugh Conway, Dick Cecil, Kathryn Coffin and Steve Drummond.

### 1 Minutes of the Meeting held on 28<sup>th</sup> October 2005

585. The minutes of the 50<sup>th</sup> Amendments Panel meeting held on 28<sup>th</sup> October 2005 circulated on 14<sup>th</sup> November 2005 were AGREED subject to minor amendments.
586. The minutes of the special teleconference held on 9<sup>th</sup> November to agree the implementation date for CAP092 were AGREED subject to minor amendment.

### 2 Review of Actions

587. All the outstanding actions from the previous meeting had been completed or were the subject of agenda items.

### 3 New Amendment Proposals

#### **CAP107 – Redefinition of Response Energy Payment (REP) for Mandatory Frequency Response**

588. PJ gave the Panel a presentation on E.ON's proposed amendment, he explained that the intent was to reduce the risk that Generators faced by replacing the Average

Reference Price for response energy with the first Bid Price.

589. It is proposed that the Average Reference Price does not reflect the wide range of costs applicable to individual generation plant and is not indicative of the real time position of generators. This means that generators are likely to build a risk premium into the Holding Payments they submit. CAP107 proposes a solution to address these issues in the most cost effective manner by utilising an existing variable. PJ proposed that CAP097 should be considered by a Working Group, and felt the BSSG would be well placed to conduct further investigations.
590. MT asked what the intent was of the price that was chosen as he felt this was the heart of the issue and needed to be clear. PJ confirmed that it was purely a choice based on a view of what was least likely to impair the normal usage of the generator, he considered that the full solution of a separate response product would be more costly and time consuming, so a minimal impact was the intent. PJ acknowledged that the proposal was not the full solution and that perfection was not being proposed, hence the Working Group should consider the intent of using an existing variable to minimise implementation issues. He also clarified that the choice of the first Bid Price was a purely a suggested solution and recommended that the Working Group consider the most appropriate variable to use.
591. GP highlighted some further issues that a Working Group would need to consider
- The impact on the ancillary market and the use of energy prices and whether this would result in lower Holding Prices.
  - Complexity of optimisation and pricing decisions, impact on costs and incentives.
  - Implementation issues

GP proposed that these be added to the Working Group Terms of Reference.

592. The Panel AGREED that CAP107 should be considered by the BSSG acting as a Working Group for a period of 3 months. The BSSG should present their final Working Group Report to the Panel being held on 31<sup>st</sup> March 2006.
593. BG took an action to Chair the BSSG acting as a Working Group in relation to CAP107 and requested that any proposals for new members were notified to him.
- ACTION: BG**

### **CAP108 – 112 – Housekeeping Amendments**

594. EC gave the Panel a presentation on this amendment. She explained that all the proposed amendments were consistent with the definition of a Housekeeping Amendment and would improve the accuracy of CUSC.
595. The Panel AGREED that CAP108 – 112 should proceed directly to wider industry consultation. Using the provisions under paragraph 8.21.2 of CUSC, the Consultation Document was to be circulated via e-mail and placed on the National Grid website on 23<sup>rd</sup> December (to allow for greater visibility over the Christmas period) for a duration of 10 working days.

## **4 Standing/Working Group Reports**

- **Governance Standing Group – Chair**

596. MT tendered SD's resignation of the post of Chair to the Governance Standing Group.
597. The Panel extended their thanks to SD for the significant work he had undertaken during his time in the role. It was agreed that the Panel would appoint a new Chair of the Governance Standing Group when the Group was next called upon by the Panel.

## 5 Consultation Papers

- **CAP097 – Revision to the Contractual Requirements for Small and Medium Embedded Power Stations under CUSC 6.5**

598. BG informed the Panel that Consultation Alternatives had been raised. The Panel discussed how this could be dealt with given the Christmas period and noted that it would be helpful if the publication of the new Consultation Document could be delayed until 23<sup>rd</sup> December to allow visibility beyond the Christmas period.
599. The Panel noted the developments for CAP097 and AGREED the circulation of the Consultation Alternative Document on 23<sup>rd</sup> December.
600. BG raised the general issue of raising Consultation Alternatives. Generally he felt that it was not always clear when Consultation Alternatives are being proposed and sometimes they lack sufficient detail as to what the Alternatives actually are, which could slow the process down.
601. The PANEL noted the issue raised. It was suggested that additional points were put into the Guidance Document prepared by EC to assist respondees in proposing Consultation Alternatives.

**ACTION: EC**

## 6 Authority Decisions

602. MT informed the Panel of the decision he had taken to raise concerns about the decision by the Authority to approve the Original Amendment Proposal for CAP099. In an e-mail to both the CUSC Panel Chairman and to the Authority, MT had cited several issues, for example:
- The Ofgem Decision Letter referred directly to the Best Practice Guidelines, however, the CAP099 Working Group had found distinct weaknesses in the documents proposals.
  - The view of the industry had been transposed and therefore, was not accurately reflected.
  - Practical implementation of CAP099 was not possible and the Authority had appeared to recognise this, despite approving the proposal.
  - Due to these and other issues, MT considered that the version of CAP099 that was approved should have been rejected.
603. SM responded to the issues raised by MT:

- The decision to cite the guidelines was intended to indicate the inclusive approach to the development of the guidelines and the fact that there had been a significant level of industry debate prior to the Amendment Proposal being raised.
  - SM commented that, as with all decisions relating to amendment proposals, the Authority's decision had been reached solely on the basis of the applicable CUSC objectives. As such, he refuted the suggestion that the CAP099 decision was a transposition into the CUSC of the guidelines developed in conjunction with the industry. SM noted that whilst the CAP099 decision was made against the backdrop of the development of the credit guidelines and it was reasonable for the decision letter to acknowledge this, the decision was taken solely under the decision making framework provided by the Applicable CUSC Objectives and Ofgem's statutory duties.
  - On the subject of implementation, Ofgem considered the operation of the provisions introduced was not impossible, and that if the industry believed additional work was needed to make them more effective, further amendments could be raised.
  - The Authority had considered rejection of the Amendment, but considered the Original Amendment better facilitated the Applicable CUSC Objectives when compared to both the WGAA and the current baseline.
604. BG said that as the Chair of the CAP099 Working Group, many members had felt the Guidelines were flawed and ignored implementation issues. He felt that the Working Group had acknowledged this and the large majority view was that the Alternatives addressed those concerns. He was then concerned from a process perspective of how the Amendments were assessed against the Applicable CUSC Objectives and that the Authority had not taken sufficient account of comments received.
605. SM responded that in Ofgem's view the guidelines were not defective, noting that they needed to aid the development of credit cover policy in other network operator led contracts, rather than being solely focussed on the CUSC. SM stressed that the Authority appreciated the work carried out by the Groups and by NGET during the assessment of the amendment and his hope that any difficulties could be resolved through the combined efforts of Ofgem and the industry. SM recognised that the inclusion of references to Ofgem's Guidelines in the decision letter for CAP099 may have raised concerns such as those discussed at the meeting, but stressed these inclusions were made solely with the intention of acknowledging the work carried out previously.
606. BG highlighted issues created by CAP105 and the Authority's decision to approve the Alternative name change proposal of "The Company". This would give rise to a large number of Housekeeping Modifications mainly consisting of "the The Company".
607. SM informed the Panel that decisions were expected on CAP089/090/091, CAP100/101 and CAP103 before the Christmas break.
608. BG proposed, that were CAP100/101 to be approved guidance would be issued on the new process, prior to the next Panel Meeting, to enable the Panel to conduct any new role arising from CAP100/101 at that meeting.

**ACTION:BG**

## **7 Report on Other Industry Documents**

### **BSC**

609. MT noted the BSC had reached their 100<sup>th</sup> formal Meeting. The Authority had approved the idea of a Power Park Module. Of further interest was the publication of the Elexon Business Plan for the period 2006-2009, this was to be available via the Elexon website and comments would be appreciated by Elexon.

### **STC**

610. BG noted that work to date had mainly centred around the STCP's and that any potential interaction between CAP097 and the STC would be discussed at the next STC Committee Meeting.

### **Grid Code**

611. BG noted that the revised Governance of Electrical Standards had now been approved by the GCRP.

## **8 Any Other Business**

612. EC presented a Guidance document to the Panel intended to assist in the completion of CUSC Amendment Proposal Forms. The Panel NOTED the content of the Guidance Document and thanked EC for the information, it was agreed that the document was presented in an easy to read, friendly format and would be an asset to proposers. Due to difficulties experienced previously, MT raised the issue of including indicative legal text as an attachment. MT suggested that the guidance on legal text should be amended to include a warning that indicative legal text should cover all areas of CUSC potentially affected, otherwise it should not be included.
613. SM drew the Panel's attention to the format of the Decision and Direction letters issued by the Authority. Currently these are issued as two separate documents, however, a decision had been made internally to combine these into one document. GG asked if a separate document would be issued in instances where Ofgem had excluded a CUSC amendment from the right of appeal conferred by section 173 of the Energy Act 2004 on the basis of the power conferred on it by Article 12 of the Electricity and Gas Appeals (Designation and Exclusion) Order 2005 (as had been the case in relation to a recent decision in the gas sector UNC044). SM noted that no analogous decision had yet been made under the CUSC, but suggested that Ofgem would seek to adopt a consistent approach.
614. The proposed dates for 2006 CUSC Panel were AGREED by the Panel. SG requested that maps be circulated for the proposed locations of National Grid House, Warwick and National Grid, Northampton. GG further suggested that details of preferred hotels in the surrounding area should be circulated.

**ACTION: LP**

**9 Record of Decisions – Headline Reporting**

615. The Panel Secretary would circulate an outline Headline Report after the meeting and place it on the National Grid website in due course.

**10 Date of Next Meeting**

616. The next meeting will be held on Friday 27<sup>th</sup> January 2006 at National Grid, Lakeside House, Northampton