

**Minutes and Actions Arising from Meeting No.59
Held on 24 November 2006
At National Grid Office, Warwick**

Present:

Chris Bennett	CB	Panel Chairman
Beverley Viney	BV	Panel Secretary
Duncan Burt	DB	Panel Member (National Grid)
Hedd Roberts	HR	Panel Member (National Grid)
Malcolm Taylor	MT	Panel Member (Users Member)
Tony Diccio	TD	Panel Member (Users Member)
Garth Graham	GG	Panel Member (Users Member)
Simon Lord	SL	Panel Member (Users Member)
Simon Goldring	SG	Panel Member (Users Member)
Bob Brown	BB	Panel Member (Users Member)
David Edward	DE	Authority Representative
Hugh Conway	HC	Energywatch Representative

In Attendance:

John Morris	JM	BE Power & Energy Trading
Kathryn Coffin	KC	BSC Panel Representative
David Scott	DS	EDF Energy

1 Introductions/Apologies for Absence

817. Apologies were received from Simon Cocks, Paul Jones and Dick Cecil.

2 Minutes of the Meeting held on 29 September 2006

818. The minutes of the 58th Amendments Panel meeting held on 29th September 2006 were AGREED with a minor amendment.

3 Review of Actions

819. **Action 787** – All to highlight any outstanding issues relating to transitional legal disputes through responding to the consultation (re CAP128) – completed.

820. **Action 793** – CB to speak to Nigel Williams (Customer Agreements Manager) to see if more information can be published (re Application Fees) – ongoing.

821. **Action 795** – BaV to check reference and amend if possible (re CAP130) – CAP130 an agenda item later, it wasn't possible to amend the reference.

822. **Action 815** – BV to circulate and publish (Headline Report) – completed, sent 2nd October 2006.

Outstanding actions

- 823. Gas Control Room Visit – scheduled for 15 December CUSC Panel meeting
- 824. Offshore presentation by John Greasley – scheduled for 15 December

4 New Amendment Proposals (as at 16/11/06)

- 825. **CAP140:** Change to BSC Party Obligations – BB gave a presentation on behalf of Tony Cotton. The perceived defect is that some parties are obliged to sign onto the BSC as a consequence of signing onto the CUSC, and thus BSC membership is forced on Directly Connected Exemptable Power Stations (who are not Exempt) and that due to size there is discrimination between Scotland and England, and there is discrimination between directly connected and embedded.
- 826. PJ sent comments to the Panel via BV regarding CAP140 which said “Doesn't 6.29.2 only apply to those parties connected to or using the transmission system. Therefore, is there a defect to address in this instance, as exempt small and medium embedded generators do not fall into this category?”
- 827. The suggested legal text uses the defined term Exemptable which is only defined in the BSC. Therefore, the legal text will need to provide a definition of Exemptable too, even if it only refers back to the BSC.”
- 828. The wider issue of consistent treatment for identical power stations either side of the Scottish/English border was discussed. It was pointed out that this would not be covered by this amendment.
- 829. It was agreed to go to working group for 3 months, contribution from Elexon was requested. Concern was raised that a clear defect needed to be clearly “locked” down, along with the remit of the Working Group.
- 830. The CUSC Panel requested that the Terms of Reference of the Working Group should be well defined and the main focus of the first meeting of 14th December. It was also requested that an update of the Terms of Reference should be brought to the CUSC Panel on 15th December.
- 831. It was agreed that nominations for the CAP140 Working Group should be sent to BV by 1st December with the first meeting on 14th December. The chairperson will be provided by National Grid.
- 832. **Action** : Terms of Reference to be discussed at December Panel
- 833. **Action** : BV to circulate the presentations for all the new amendments to Panel Members (these were circulated with the November Headline Report)
- 834. **CAP141** – Clarification of the content of a Response to a Request for a Statement of Works. BB gave a presentation on behalf of Tony Cotton, the background was CAP097 which was implemented 14 July 2006, it formalises the connection application process for certain licence exempt embedded power stations and confirms that where necessary there will be a variation of the DNO's connection agreement and/or a construction agreement entered into. The relationship is

- exclusively between NGET and the DNO, but embedded generator is an interested party (CUSC 6.5.5.4).
835. The CUSC doesn't identify how National Grid should draft the Statement of Works, and 6.5.5 is unclear on NG obligations. There is also no obligation for DNO to pass on info to Generator.
836. A panel member questioned whether this proposal would mean that information would be provided to embedded generators prior to the same information being provided to directly connected generators.
837. A panel member questioned the DNO passing on details promptly as this can't be enforced within the CUSC, and also 6.5.5.3 – is it possible for the Company to do this within 28 days as 3 companies are involved.
838. A comment was made regarding the suggested text for 6.5.5.5 which was that the language was not constant in 6.5.5.5, and that this may have to lead to an alternative been raised to amend the legal text and add the required exhibit.
839. It was agreed that CAP141 would proceed to Working Group for 3 months and that National Grid would provide a Chairperson. All nominations should be sent to BV by 1st December with the first meeting scheduled for 7th December 2006.
840. **CAP142** – Temporary TEC Exchanges. JM gave a presentation on this new proposal. JM said that this amendment proposal was brought about by a real encounter of this issue. The proposed amendment is a within financial year exchange for variable period of time upto the buffer of the financial year. All agreed longer would result in less flexibility.
841. Users would need to apply to NG for an exchange rate and potentially this could result in access being granted in situations where LDTEC was not available.
842. It was made clear that the exchange rate should not exacerbate constraints and that this should be clear in the Terms of Reference. The seller would have to be connected to the system.
843. It would apply as soon as exchange rate has been established and contracts exchanged. The party transferring the TEC would continue to pay TNUoS charge.
844. The Exchanged TEC + TEC + any STTEC or LDTEC must be \leq CEC
845. PJ had sent in the following comments "We need to consider carefully how such a product would interact with TEC, LDTEC and STEC. In particular, whether and how it would interact with the process for allocating the other within year products.
846. As ever, the charging is the key issue. Does the proposed charging contradict the principles underlying the other products?"
847. The question was raised of whether a TEC register could be kept posting what TEC was available and also exchange rate.
848. It was said that the lead party should pay application fees rather than both parties putting in simultaneous applications.

849. The question was asked how the availability of TEC should be published, it was clarified that the obligation is on the person seeking TEC exchange to approach potential parties.
850. It was agreed to go to Working Group for 3 months with the following to be considered.
- Trading between 2 parties subject to NG exchange rate
 - Exchange rate shouldn't exacerbate constraints
 - TNUoS charging responsibility of party transferring TEC
 - It is within Financial Year – with the end of financial year as the buffer.
 - It should be looked at whether the 7 weeks at the start of the Financial year should be excluded as this would be the “start up” period, therefore only 45 week period i.e. To deliver a different exchange rate to enduring TEC trades, the assessment would need to be on an ‘operational’ basis, rather than a long term planning basis)
 - Specific consideration should be given regarding embedded
 - That it should not effect charging base
 - Sense check as to whether this is financially viable
 - National Grid would have to be clear on Grid Code requirements are met for the receiving party where a trade is carried out.
851. Nominations to be sent to BV by 1st December, MT to be chair of the Working Group. Date of the first meeting to be confirmed.

5 Standing/Working Group Reports

851. **CAP126:** Clarification of the applicability and definition of Qualifying Guarantee and Independent Security – HR gave an update on the CAP126 Working Group, Ofgem's best practice guidelines recommended that a number of additional collateral tools should be made available to users to cover credit requirements beyond unsecured credit limit. CAP099 implemented the use of:
- A Performance Bond (insurance company, not bank)
 - Bilateral Insurance
 - Independent Security
852. CAP126 proposes to amend CUSC to clarify definition and use of Independent Security it also proposes to clarify the definition and use of Qualifying Guarantees.
853. National Grid explained that Independent Security can currently be provided by a Parent Company as collateral to a direct subsidiary. The Working Group clarified and agreed that Independent Security could not be issued from a Parent Company to a direct subsidiary, it could only be issued by Parent Companies to non-subsidiaries and only used as a collateral tool.
854. National Grid explained that Qualifying Guarantees are currently being provided by parties which are not direct parents of the user, treated as collateral and not an allowance, and provided in excess of a parent company's maximum allowance. The Working Group clarified and agreed that Qualifying Guarantees could only be provided from a Parent Company, only be used as an allowance and in aggregate, all Parent Company Guarantees cannot exceed the Parent's maximum allowance.

855. SL expressed concern regarding the proposed definition of Parent Company. He is concerned that double counting is still possible.
856. A number of minor points associated with the proposed legal text were raised by GG and HR agreed to look at the legal text.
857. **Action:** HR to check proposed CAP126 legal text
858. **CAP127:** Calculation and Securing of Value at Risk – HR informed the Panel that the Final Working Group meeting had been held on 22nd November 2006, agreement on both the base level of security and a mechanism to deal with forecast error had been agreed. TD asked if the slides for CAP127 could be circulated to the CUSC Panel, this was agreed however HR explained that many of the slides are graphical and are unlikely to be particularly accessible on their own. The Working Group Report should be with the Panel for the meeting of 15th December.
859. **Action :** BV to circulate the CAP127 Working Group presentations to Panel Members (these were circulated with the November Headline Report)
860. **CAP131.** HR informed the Panel that four Working Group meetings have been held so far, with widespread discussion. There is concern over the cost reflectivity of the new arrangements and whether other proxy's would be better than TNUoS. Treatment of existing generators in negative zones is also an issue. A lot of progress has been made and the Working Group are working very well flushing out issues and moving forward. However it is not possible to provide a Working Group Report which fully meets the terms of Reference for the December Panel.
861. This was fully endorsed by MT, GG and BB who are members of the Working Group
862. A Formal request was made to Ofgem to extend the time period for the Working Group by a further 2 months, therefore the report will be due at the February 2007 Panel. This was agreed by DE.

6 Consultation Papers (as at 16/11/06)

863. CAP128 – Removal of Section 10 – Transitional Issues Consultation Alternative. DB reminded the Panel that the Consultation Alternative had closed on 22nd November 2006 and that this would be an agenda item on 15th December Panel for the CUSC Amendment Panel vote.

7 CUSC Amendment Panel vote

864. **CAP125 – Revisions Resulting from Interconnector Separation** The result of the Panel Recommendation Vote as to whether CAP125 BETTER facilitated the Applicable CUSC Objectives for the majority were as follows:

CAP125 original - YES - unanimous

Further details on these discussions can be found within the CAP125 Amendment Report.

865. **CAP129 – Removal of CUSC 6.17 and Section B from Exhibit F.** The result of the Panel Recommendation Vote as to whether CAP129 BETTER facilitated the

Applicable CUSC Objectives for the majority were as follows:

CAP129 original - YES - unanimous

Further details on these discussions can be found within the CAP129 Amendment Report.

866. **CAP130 – CUSC Connection Application Form - Fixed and Variable Application Fees.** The result of the Panel Recommendation Vote as to whether CAP130 BETTER facilitated the Applicable CUSC Objectives for the majority were as follows:

CAP130 original - YES - unanimous

Further details on these discussions can be found within the CAP130 Amendment Report.

8 Pending Authority Decisions (as at 16/11/06)

867. None

9 Authority Decisions (as at 16/11/06)

866. **CAP107 – Redefinition of Response Energy Payment (REP) for Mandatory Frequency Response**, WGAB was approved on 28th September 2006 and the implementation date is 28th December 2006.

867. **CAP132-139 – Housekeeping**, this has been approved and was implemented on 23rd November 2006.

10 Report on other Industry Documents (BSC, STC and Grid Code)

868. BSC – now have 4 zonal transmission losses amendment with the Authority and are conducting an impact assessment.

869. STC – nothing relevant to report

870. Grid Code – nothing to report, however Field Security Code had been raised as A.O.B at Grid Code on 23rd November 2006.

11 A.O.B

871. The dates for 2007 CUSC Panels issued with the November Panel Papers were agreed.

872. DE advised the Panel that the DCUSA secretary in place, and that NG have a non-voting place on the panel.

873. **Action;** BV to place DCUSA modification update in standing item on report on other industry documents.
874. BB raised the concern of whether a CUSC Panel Member who has participated in a Working Group should be allowed to vote on the same Amendment Proposal when it came before the CUSC Panel. Discussion was had and it was agreed that this would be an agenda item for the next Panel.
875. **Action:** Agenda item for December Panel
876. KC said she would inform the CUSC Panel of how the BSC and BSC Panel deal with this issue.
877. **Action:** KC to give update to December Panel

12 Record of Decisions – Headline Reporting

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

Action – BV to circulate and publish

13 Date of Next Meeting

879. The next meeting is scheduled for Friday 15 December 2006, at National Grid, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.