

Minutes and Actions Arising from Meeting No.93 Held on 27th February 2009

Present:

| | | |
|----------------|----|---------------------------------------|
| Alison Kay | AK | Panel Chair |
| Sarah Hall | SH | Secretary |
| David Smith | DS | Panel Member (National Grid) |
| Hêdd Roberts | HR | Panel Member (National Grid) |
| Paul Jones | PJ | Panel Member (Users Member) |
| Paul Mott | PM | Panel Member (Users Member) |
| Garth Graham | GG | Panel Member (Users Member) |
| Bob Brown | BB | Panel Member (Users Member) |
| Barbara Vest | BV | Panel Member (Users Member) |
| Tony Dicicco | TD | Panel Member (Users Member) |
| Simon Lord | SL | Panel Member (Users Member) |
| Dave Wilkerson | DW | Alternate Panel Member (Users Member) |
| Dipen Gadhia | DG | Ofgem Representative |
| Hugh Conway | HC | National Consumer Council |

In Attendance

| | | |
|-----------------|----|-----------------|
| Dorcas Batstone | DB | Elexon |
| Nigel Cornwall | NC | Cornwall Energy |
| Carol Hook | CH | National Grid |

All presentations given at this CUSC 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

1779. Apologies for absence were received from Bali Virk, Emma Carr, Mark Feather and Katherine Coffin.

2 Minutes of the Meeting held on 30th January 2009

1780. The draft minutes of the CUSC Amendments Panel meeting held on 30th January 2009 were AGREED subject to minor amendments and will be placed on the National Grid website shortly.

3 Review of Actions

1781. **Item 1754: HR to look at the provision of further pro-rata tables.** HR offered to provide pro-rata data by circulation.

4 New Amendment Proposals

1782. **CAP168 Transmission Access – Under-use and reallocation of TEC** – NC gave a presentation giving details of the proposer and describing the defect, the desired

outcomes and the Amendment Proposal.

1783. During his presentation NC described the current TAR proposals as risky. TD asked NC if he could be more specific about the risks he is concerned about regarding the other current Amendment Proposals. NC noted that the proposer supports the short-term TAR amendments but has concerns that the long-term Amendments are unproven, theoretical and poorly designed.
1784. The Panel considered whether or not the CAP168 Proposal should have Urgent status. TD asked why this proposal had not been put forward sooner. NC responded that the proposer had been overwhelmed by the TAR proposals. They had considered putting the proposal forward when CAP166 received an extension. At this stage the proposal would have been less well formulated and they took advice not to put the proposal forward.
1785. PJ asked why the under-run charge which is fundamental to the new proposal was not put forward by the proposer whilst the other amendments were being developed. NC responded that the proposals were high level; details were fleshed out towards the end of the Working Group.
1786. NC noted Ofgem's previous comments about the need for the TAR regulatory impact assessment to cover all options. BV asked about timescales for this impact assessment. DG responded that the current date for the impact assessment was April with a decision in summer.
1787. PJ noted that Urgent Amendments Proposals were required when a new issue had emerged not when a current proposal may work better where the new and current proposals were reviewed in line. GG agreed with PJ and was concerned about the precedent that could be set if Users could wait until the end of the amendment process before proposing additions or development to amendment proposals. He was concerned this behaviour would undermine CAP160. This specific case could delay the decision and implementation of the current amendment proposals. TD considered that the proposal could provide an alternative to some of the current proposals rather than an addition. GG was concerned that further Parties could bring forward additional TAR amendments and if the Panel gave this amendment Urgent status the Panel would also have to give any other TAR related proposals Urgent status.
1788. BV asked if NC considered the proposal was worked up enough to not have a Working Group. NC believed that a Working Group was necessary. BV suggested that the amendment could follow an Urgent amendment process with a short Working Group. SL suggested it would be more sensible to go down the normal assessment route. BB considered that it was unique for a CUSC Amendment Proposal to have such a dependency on an Authority timetable.
1789. HR noted that many aspects of this new proposal have already been discussed during the TAR Working Group process. Any new Working Group should not repeat all the previous work and should focus on the new aspects such as the under-run charge. NC agreed that previous discussions could be built upon but some elements of the proposal were different to the existing proposals.
1790. HR pointed out that National Grid is currently considering coming forward with a request for an Urgent amendment proposal related to TAR. This would be based on further analysis of WGAP1 from CAP166.

1791. HR noted there was no Working Group consultation under the Urgent process. HR considered that consultation on the proposal for a shorter time may be possible.
1792. The Panel reviewed paragraph 8.15.4 of the CUSC and discussed if CAP168 should be rejected based on its similarity to the pending TAR Amendment Proposals. The Panel AGREED the proposal was different enough not to be rejected on these grounds.
1793. The Panel voted as to whether CAP168 should have Urgent status. Five Panel members voted for CAP168 having Urgent status three Panel members voted against. By majority the Panel AGREED CAP168 should have URGENT STATUS.

The voting is detailed below:

Bob Brown URGENT – It would be most efficient to give CAP168 Urgent status. It would be helpful to include a consultation if feasible.

Tony Diccio URGENT – If time allows a consultation should be included.

Garth Graham NOT URGENT – The proposer has been aware of the other transmission proposals throughout the process. Uneasy with the precedent. Should follow a standard assessment process.

Paul Jones NOT URGENT – Concerned about precedent. The proposal is lacking in detail which could be developed through a longer Working Group. Could be added after a decision on the pending amendments.

Simon Lord NOT URGENT – Could follow standard process but should have a shorter consultation as some aspects have been consulted upon during other amendments.

Paul Mott URGENT – The proposal needs to be considered along side CAP165 and CAP166.

Hêdd Roberts URGENT – Believe the proposal is competing with CAP165 and CAP166 so if we are going to consider the proposal it needs to be done quickly.

Barbara Vest URGENT – Is glad to see that a Party has taken the time to read the transmission access reports, spotted a gap and developed a proposal. Would appreciate some consultation.

1794. PJ pointed out that there would need to be a charging change. HR noted this could be discussed in parallel.
1795. The Panel considered the next steps. The Panel must submit a request for Urgent status and a recommended timetable to Ofgem. Ofgem will make decision when a formal request has been made in writing. The Panel will also need to request nominations for the Working Group. The Panel agreed that HR should chair the Working Group. BB asked if the dates of the first working group meeting had been arranged, in view of the potential urgency. National Grid replied no.

Action: Panel Secretary

1796. **CAP169 – Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations** – CH gave a presentation outlining the Amendment Proposal. CH recommended that the proposal be considered via a Working Group and requested the standard four months with the intention to report back sooner if possible.
1797. GG noted that there could be an intense period of work in the coming months and there may be a resource constraint. It may be necessary to back load the work on this proposal.
1798. The CUSC Panel AGREED the request for a standard Working Group assessment of the proposal. The Panel Secretary will send out an invitation for Working Group members. The Panel considered that a formal invitation for a distribution representative to take part in the Working Group should be made.
Action: Panel Secretary
1799. **CAP170 – Category 5 System to Generator Operational Intertipping Scheme** – DS gave a presentation explaining the proposal. He requested that the amendment be Urgent due to the increase in constraints in the next weeks.
1800. GG asked when the increase in constraints became apparent. DS noted that whilst National Grid has been aware of the constraints for a while the recent letter from Ofgem¹ suggested that previous attempts at solving this issue had not been successful. This CAP is part of National Grid's new approach to solving the issue.
1801. GG argued that the Amendment Proposal was not Urgent as it was known about for some time and was concerned with the redistribution of money between users. PJ noted that it was mitigating against the amount of money increasing and therefore costs being put on consumers.
1802. GG asked if there will be a regulatory impact assessment. DG responded that the decision will depend on the proposal. This decision will be communicated when possible.
1803. BB noted that from his experience it would be worth having a quick Working Group. HR noted that in an ideal world we would do that but in the current timescales this would not be possible.
1804. The Panel voted as to whether the CAP170 should have Urgent status. Seven Panel members voted for CAP170 having Urgent status one Panel member voted against. By majority the Panel AGREED CAP 170 should have URGENT STATUS.

The voting is detailed below:

Bob Brown URGENT – Lack of foresight is not the test of urgency. It should be decided on the merits of the case. This case has a time related commercial impact.

Tony Diccico URGENT – Should be Urgent but we need to understand the impact on Users particularly those who currently don't have intertrips.

Garth Graham NOT URGENT – Concerned that what we do in haste could cause problems in the future. This issue has been known about for some considerable

¹ Managing Constraints on the GB Transmission System –
<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/20090217Managing%20constraints.pdf>

time. The commercial impact is from moving money from one party to another not affecting the overall costs.

Paul Jones URGENT – Believes the proposal is Urgent because of the commercial impact not because of any urgency implied by Ofgem’s letter.

Simon Lord URGENT - Should be Urgent but we need to understand the impact on Users particularly those who currently don’t have intertrips.

Paul Mott URGENT – The imminent outage will increase costs and have an effect on the consumer.

David Smith URGENT - Constraints on the boundary will increase significantly in the next few weeks. The proposal will limit the contribution of intertrips to constraint costs. The cost of constraints is largely passed onto consumers. The proposal has the potential to have significant commercial impact. DS also noted that SL and TD concerns regarding the impact on Users without intertrips would be covered in the consultation.

Barbara Vest URGENT – It is a shame this issue has had to come to this action but understands that Ofgem’s letter means the proposal is necessary. Would have liked there to be a Working Group but understands time constraints.

1805. The Panel must submit a request for Urgent status and the recommended timetable to Ofgem. Ofgem will make decision when a formal request has been made in writing.

Action: Panel Secretary

5 CUSC Amendment Panel Vote

1806. **CAP166 Transmission Access – Long-term Entry Capacity Auctions** – HR gave a presentation describing the Amendment Proposal, the Working Group discussions regarding price auctions and capacity/duration auctions, the Alternative Amendments, the industry views and representations received and National Grid’s view.

1807. The Panel discussed the implementation of CAP166. GG suggested that National Grid should not do any work towards implementation until the Authority has made a decision. TD considered that if implementation work did start it would be at National Grid’s risk.

1808. The Panel voted in relation to the Original and each of the Alternative Amendments as to which BETTER and BEST facilitated the Applicable CUSC Objectives. The outcome, and discussion was as follows:

| | |
|----------|--|
| Original | No – unanimously |
| WGAA1 | No – unanimously |
| WGAA2 | No – majority (7 No, 1 Yes) |
| WGAA3 | No – majority (7 No, 1 Yes) |
| Best | No majority (1 vote for WGAA2, 1 vote for WGAA3) |

The voting is detailed below:

Bob Brown NONE BETTER – Concerned about effect on security of supply and a fundamental disturbance in the market which increases risk to people in the market. The cons outweigh the pros. There are gaps in the report.

Tony Dicicco NONE BETTER, WGAA3 BEST – Too many interactions for auctions to give the right solution. There are better solutions on the table.

Garth Graham NONE BETTER – Under Objective a) has serious concerns regarding security of supply, implementation timescales and cost, discrimination and the administrative burden of daily network analysis. Under Objective b) believe proposal is anti competitive, creates barriers to entry and has significant industry implementation costs and administrative burden.

Paul Jones NONE BETTER – Concerned about complexity for participants particularly those with small numbers of plant. Not one new entrant has supported the proposals in their responses. The value of capacity does not come through the auction, which led to the creation of a reserve price based on TNUoS to create a signal. Is also concerned about the network design implications of the auctions, if the system goes through a daily redesign short cuts could lead to a less efficient network.

Simon Lord NONE BETTER – Doesn't believe there will be an optimal release of capacity.

Paul Mott NONE BETTER – Damaging to regulatory stability. If existing rights are taken away how can Users be sure their rights will not be taken away in the future. Existing generators will be incentivised to bid away competitors causing an over recovery. The surplus recovered from auctions would be a windfall tax.

Hêdd Roberts WGAA2 and WGAA3 BETTER, WGAA2 BEST – The proposals allow new users to connect sooner. Transmission investment signals are better when you have a finite access right backed by a commitment to pay for it.

Barbara Vest NONE BETTER – There has not been enough time to test the models. We don't understand the impact. Concerned about security of supply.

1809. The CAP166 Working Group recommended two dates in the Working Group Report for implementation; either 1st April 2011 or 1st April 2012, depending on whether the Authority decided by 30th September 2009 or 30th September 2010 respectively. . National Grid suggested that the implementation should not be limited to these two dates. The Panel voted on whether the implementation of CAP166 should be restricted to the two specific dates suggested in the Working Group Report. Three Panel members voted that the implementation should be open ended five Panel members voted that implementation should be restricted to the two dates in the report. By majority the Panel recommends that the implementation of CAP166 should be restricted to the two specific dates suggested in the Working Group Report.

6 Working Groups/Standing Groups Reports

1810. CH noted that the consultation response for Ofgem's consultations on the Role of Code Administrators and Small Participant/Consumer Initiatives and Major Policy Reviews and Self-Governance had been sent.

1811. GG pointed out that the reference to CAP148 in footnote suggested that it had been rejected but currently Ofgem were only minded to reject. CH agreed to update the footnote.

Action: CH

7 Authority Decisions

1812. There were no Authority decisions.

8 Update on Industry Codes

1813. DB noted that the Transmission Losses impact assessment is out and the procurement of the cost benefit analysis is underway. DB agreed to circulate a note to update the Panel on the findings of the BSC Issue 35 Group.

Action: DB

9 A.O.B

1814. The Panel decided to postpone the review of the process following Transmission Access CAP161-CAP165 till April.

1815. **Ofgem Open Letter – Managing Constraints on the GB Transmission System**
DS presented slides on constraint management. Ofgem has written an open letter requesting a review of constraint management¹. DS described the current issue, the options National Grid plan to take forward.

1816. GG asked if National Grid would be providing a response to Ofgem's letter. AK responded that National Grid would be responding to the letter next week. AK agreed to circulate a copy of National Grid response to the Authority.

Action: AK

1817. GG requested further information on constraints. DS noted National Grid can not give out too much information due to confidentiality. It was suggested that openness and transparency could mitigate the issue. The Panel considered a CUSC amendment may be required to stop this information being confidential.

1818. An extraordinary panel may be required to raise further amendments.

1819. **Frequency Response** - GG asked if the industry could be kept informed about National Grid's recently announced involvement in a study on the use of fly wheels for frequency response given that this was something that, currently, was provided via the competitive market. The Panel considered this would be more appropriately discussed at BSSG.

1820. **Coreso** - GG noted that National Grid has recently become involved in this group and asked if industry could be kept informed about issues associated with grid security forecasts discussed at Coreso. The Panel questioned if the CUSC Panel was the correct forum to discuss this.

10 Record of Decisions – Headline Reporting

1821. The Panel Secretary will circulate an outline Headline Report after the meeting and place it on the National Grid website in due course.

Action: Panel Secretary.

11 Date of Next Meeting

1822. The next meeting is scheduled for Friday 27th March 2009, at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.