

CUSC Modifications Panel

Actions Arising from Meeting No. 120 Held on 25 February 2011

Present

Alison Kay	AK	Panel Chair
Steve Lam	SLa	Panel Secretary
David Smith	DS	Panel Member (National Grid Electricity Transmission)
Patrick Hynes	PH	Panel Member (National Grid Electricity Transmission)
Simon Lord	SL	Panel Member (Users' Member)
Bob Brown	BB	Panel Member (Users' Member)
Paul Jones	PJ	Panel Member (Users' Member)
Garth Graham	GG	Panel Member (Users' Member)
Barbara Vest	BVe	Panel Member (Users' Member)

In Attendance

Abid Sheikh	AS	Ofgem representative – via teleconference
Alex Thomason	AT	National Grid
Adam Sims	ASi	National Grid

Apologies

Fiona Navesey	FN	Panel Member (Users' Member)
Paul Mott	PM	Panel Member (Users' Member)
Richard Hall	RH	National Consumer Council
Jon Dixon	JD	Ofgem representative

All presentations given at this CUSC Amendments 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

2641. Apologies were received from FN, PM, RH and JD. GG confirmed that he would act on behalf of FN. BV confirmed that she would act on behalf of PM. RH chose not to appoint an alternate.

2 Minutes of the meeting held on 28 January 2011

2642. The draft Panel minutes were approved by the Panel, subject to minor changes.

3 Review of Actions

2643. **Minute 2603: PM to investigate whether the presentation on frequency response from electric vehicles can be provided to the Panel.** SL updated the Panel that a document on “battery system design” had been sent to him and that this could be circulated to the rest of the Panel members.

Action: SLa to circulate battery system design document to Panel

2644. **Minute 2607: AS to provide clarification over the level of detail that will be prescribed in the Network Codes.** AS provided an update that he had circulated a list of questions and answers to the Panel in relation to the European Network Code(s) developments. There were no further questions from the Panel.
2645. **Minute 2608: AS to provide clarification as to why the European Network Code is different to the Grid Code.** This action was completed as above within Action Minute 2607.
2646. **Minute 2612: AS to provide clarification on the process for industry engagement with ACER.** This action was completed as above within Action Minute 2607.
2647. **Minute 2613: NGET to clarify their role within ENTSO-E.** DS noted that this action would be updated under agenda item 6: European Code Development.
2648. **Minute 2622: PM to send relevant DECC contact details to AT – Complete.**
2649. **Minute 2623: NGET to report back to February 2011 Panel meeting on progress with CAP190.** AT stated that this would be covered under agenda item 5: Workgroups.
2650. **Minute 2624: NGET to circulate final QC advice to the Panel – Complete.**
2651. **Minute 2636: NGET to inform the industry of the potential change to the BSUoS methodology at the BSUoS Seminar.** DS stated that an update was given at the Seminar on 15th February 2011. BVe asked whether there were forecasts of the BSUoS charges at the Seminar. DS replied that the forecasts were presented and would also be available to view within the Q&A document which was circulated. DS added that the Q&As could be provided to the Panel for information.

Action: NGET to Circulate Q&As from the BSUoS Seminar

2652. **Minute 2638: PH to update TCMF Terms of Reference for approval at the February Panel.** PH updated the Panel that he had incorporated the views of the respondents to the draft Terms of Reference (ToR) and requested the Panel's approval. AK stated that as there were no Panel member objections, the ToRs were deemed to be approved.

4 New CUSC Modification Proposals

2653. **CMP191: NETSO Consultation in relation to any potential changes to the CUSC which takes place in forums other than the CUSC Modifications Panel.** A presentation was given by the proposer, GG, who gave an overview of CMP191. DS commented that he disagreed with one of the statements made in the proposal form that NGET did not intend to participate in stakeholder engagement relating to European Network Codes. DS stated that the European Network Codes should be discussed with GB stakeholders but there were different ways of achieving this. AT asked whether establishing a CUSC Standing Group could address the points raised in the

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proposal instead of formally inserting the provisions into the CUSC. GG responded that by placing the obligation in the CUSC, which would require Ofgem's approval, it would be clear what the remit of the Standing Group was along with National Grid's involvement.

2654. PH raised the concern that GG's justification of the proposal to satisfy licence condition C10 was not accurate as the Modification required National Grid to consult the Panel with drafts of any proposal concerning European Network Codes. However, the licence only requires National Grid to consult on CUSC Modification Proposals rather than any proposals. GG responded that changes to the European Network Codes would be likely to result in a CUSC Modification Proposal. PH stated that any drafting produced for the European Network Codes would not be an official proposal to modify the CUSC and was therefore unsure of the justification within CMP191 with regard to the licence condition quoted. BVe stated that she had spoken to the ENTSO-E drafting team and she was confident that there was a defect in the CUSC. PJ noted that the Modification Proposal form requires the proposal to address either an "issue" or a "defect" and that an issue clearly exists. Whether CMP191 addresses that issue would be for the working group to assess.
2655. BVe noted that the same modification was raised at the Grid Code Review Panel (GCRP) but a question was raised by John Norbury from RWE who asked whether the Grid Code was copyrighted. The reason was that it appeared the pilot code produced by ENTSO-E¹ had elements copied from the Grid Code. AT acknowledged the question but queried why it should be an issue, given that feedback received from GB stakeholders to date suggested that those stakeholders would prefer any European Network Code produced to be a direct copy of the GB code. DS stated that the question from John Norbury was not intended as a criticism but merely a check to see if the Grid Code could be used in this manner. Additionally, John made the point that the Pilot Code included elements such as synthetic inertia, which is not part of the Grid Code as it was still being debated in GB and he questioned whether NGET were seeking to make changes to the Grid Code via the Pilot Code first. However this was a separate discussion to the copyright issue in the Grid Code.

Action: NGET to check if Grid Code is copyrighted

2656. The Panel agreed for CMP191 to progress to a Workgroup and noted that BVe has been appointed as chairman of the equivalent Grid Code group. Given that the two Workgroups could run together for some of the meetings, it was proposed that BVe also chair the CMP191 Workgroup, which both BVe and the Modifications Panel agreed to. AT ran through the draft Workgroup Terms of Reference which the Panel asked to agree via correspondence post-meeting.
2657. AS asked if the aim of the proposal was to provide a way for stakeholders to contribute to the discussions on the European Network Codes or to oblige National Grid to take the GB views to ENTSO-E. GG responded that National Grid would not have to take all the views into account and could discount them if they so wished; the proposal seeks to put an obligation on National

¹ ENTSO-E is the European Network for Transmission System Operators for Electricity, formally established on 3rd March 2011. Please see <https://www.entsoe.eu/> for more information.

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Grid to take the views into consideration. AK stated that she was concerned how differences between generator views and National Grid views could be represented, but noted that this was an issue for the Workgroup to consider. AS added that he encouraged stakeholder engagement in the development process.

2658. AT ran through the proposed timetable for the Workgroup and GG suggested that the Panel should comment on the draft Terms of Reference by 4th March 2011. Panel Members suggested some minor changes to the draft circulated which AT agreed to update prior to circulating an updated draft to Panel Members for their comment after the meeting. BVe added that it would also be useful if DECC could be invited to the Workgroup.

Actions: NGET to invite DECC to the CMP191 Workgroup Panel Members to comment on CMP191 WG ToR by 4th March

2659. AK asked whether there would be separate meetings for the CUSC, Grid Code and BSC modifications (should the BSC Panel agree to P271 at its meeting on 10th March) as they all are essentially the same modification proposal. AT responded that a joint meeting would probably be more efficient. GG noted that an alternative would be to hold separate meetings on the same day / venue but have observers from each code attend the other code meetings to capture the debate.
2660. **CMP192: Enduring User Commitment.** ASi presented an overview of CMP192. GG questioned the risk profiles of generators and asked who perceived the risk. ASi responded that it was the generators' perception rather than other parties. SL asked ASi whether National Grid should wait until Project TransmiT completes before continuing with the Modification. ASi replied that any potential Workgroups would consider this but there was a signal from the industry that an enduring regime was required. GG commented on ASi's justification of the proposal, with respect to the incentive for users to provide information on future behaviour. GG's view was if the SO changed liabilities then they would also have to let the generator know, even if the information provided was five years ahead for example. PJ agreed that generators needed to know what was being spent for Final Sums and that this could be provided through the quarterly reports that National Grid is required to provide to Users under the Construction Agreements. GG noted that given the Proposer's comments about environmental impact that the Modification could require the assessment of environmental impacts which would be difficult to quantify as there would be a risk of double counting benefits with other changes. However, GG noted this would be for a Workgroup to consider.
2661. SLa presented the proposed Terms of Reference and timetable for CMP192 and stated that PH had volunteered to be the chairman for the Workgroup. BVe referred back to the TAR (Transmission Access Review) Modifications and asked whether there would be a conflict of interest. PH stated that the National Grid representative would be ASi, therefore there wouldn't be an issue. On this basis, the Panel did not object to PH being selected as chairman of the CMP192 Workgroup. GG suggested that security of supply issues due to plant closing should also be added to the ToR as these generators could potentially be facing a high level of liabilities. GG added that if an environmental cost benefit analysis was required then, based on the

industry experience with (BSC) P229, it could take longer than 4 months which would delay the proposed timetable. AS stated that ASi had identified there may be an environmental impact and asked whether there were any ideas as to how this would be assessed. ASi responded that this analysis had not yet been done and PH added that there were BSIS costing tools which could be used. PJ also added that there were different degrees of analysis that could be undertaken and that existing work and assumptions could be built on such as the National Grid "Gone Green" scenario.

2662. With reference to the timetable, PH stated that the first two suggested Workgroup meetings should take place and then the rest of the meetings could be reviewed. AT added that pressure would have to be kept on the Workgroup to maintain focus on the challenging timetable. SL was concerned that the suggested timetable was too intense; GG agreed. AT responded that the CUSC requires that Workgroups be no longer than 4 months and if additional time is required between meetings, it would require an extension to the Workgroup timetable which had to be agreed by the Panel and the Authority. The Panel and AS agreed for the standard Workgroup timetable to be extended by one month to a five month period, requiring a Workgroup report to the Panel in July 2011 and for Panel Members to send comments on the ToR by 2nd March 2011.

Action: NGET to revise CMP192 Terms of Reference and extend timetable

Action: Panel members to send comments on Terms of Reference by 2nd March 2011

2663. PJ asked AS whether Ofgem would be sending a representative to the CMP192 Workgroups and whether there would be consistency of representation throughout the Workgroup meetings. AS replied that there would be an Ofgem representative present.
2664. BB asked to nominate an independent Workgroup member, Peter Waghorn, who does not represent a CUSC Party, for inclusion in the CMP192 Workgroup. Panel Members did not object to this, the Code Administrator agreed to confirm relevant details for this membership with BB post-meeting.

5 Workgroups/Standing Groups

2665. **CAP181 - Consequential changes related to Grid Code Amendment A/10 (Compliance).** DS provided an update that the consultation for Grid Code Amendment A/10 had been published and CAP181 was no longer required, therefore the proposer would be drafting a letter to withdraw the proposal. There were no objections from the Panel.
2666. **CAP189 - Standard Gas Insulated Switchgear Ownership Boundaries.** AT provided an update that the original Workgroup meeting planned for 14th February was postponed as the members wanted to have a longer period to review the revised legal text. Therefore the next planned meeting would take place on 2nd March.

2667. **CAP190 - Two-Thirds Majority Voting requirement for CUSC Panel recommendations on Amendments arising from Licence obligations, Authority requests or obligations.** Following the Panel's agreement to a one month delay for the CAP190 Workgroup, AT provided an update that a letter had been sent to DECC regarding potential amendments to the Statutory Instrument for code modification appeals, but she was currently awaiting a response as the DECC contact was on annual leave. AT noted that, in terms of next steps, the Panel could either agree to a further one month extension to allow for a response from DECC or could suggest to the proposer that the proposal should be withdrawn pending an outcome. The Panel agreed to allow a further one month extension to the Workgroup to allow for a response from DECC.
2668. PJ raised an immediate concern, based on the QC's advice, that, pending a response from DECC, the ambiguity in the wording of the Statutory Instrument could result in an appeal to the Competition Commission on a CUSC Modification proposal decision being prevented. GG suggested that, in the interim period, a proposal could be raised to remove all references to "recommendations" (such as those from the Workgroup and The Company) in the CUSC Modification Report other than the Panel recommendation, which would prevent ambiguity when it came to appeal criteria. GG's reasoning was that a change to the Statutory Instrument could take many months; therefore by progressing a new Modification Proposal in parallel it could allow all current CUSC Modification Proposals which may reach the end of the modification process during this time, to be included in the appeal mechanism.

Action: NGET to explore whether a CMP should be raised to remove other recommendations from CUSC Modification Reports

2669. **Governance Standing Group (GSG).** GG provided an update on the topics discussed by the GSG at its meeting on 24th February. This included:
- Confidential responses – the group agreed that confidential responses would have to be clearly stated by the respondent rather than rely on standard email confidentiality disclaimers. PH queried what would happen if it were a non-CUSC Party who responded to a consultation; would they be captured by the CUSC provisions on confidentiality?
 - Deputy chair – the group agreed that the current CUSC wording allowed for a deputy CUSC Modification Panel Chairman to be supplied by The Company (National Grid) and did not require a change.
 - IWA costings – the group agreed a standard formula for calculating industry costs for progressing different modifications such as "standard" and "complex" within the Initial Written Assessment.
2670. **Frequency Response Working Group (FRWG).** DS gave an update that the FRWG were discussing three models of how FR would be provided in the future. The first option was discussed in detail at the last meeting as it was the most feasible. The group also discussed synthetic inertia. The three models were as follows:
- Tradeability (Grid Code obligation)
 - Day ahead auctions
 - Tender of bilateral contracts

2671. **Balancing Services Standing Group (BSSG)/ Commercial Balancing Services Group (CBSG).** DS gave an update that the group were looking at the following areas:
- Payments for planned and unplanned interruptions and the definition of a generator disconnection
 - Reactive compliance monitoring
 - Reactive Power from Offshore and OFTO payment models
 - Reactive Power – SLA gave an update that this was further discussed at the GCRP held on 17th February which addressed concerns from a DNO that there was confusion as to who had priority over reactive despatch instructions; the DNO or the System Operator. It was agreed at the GCRP that this would be further discussed with a view to raising the modification to the Grid Code in May, with a consequential CUSC change.
 - The CBSG is also continuing its work on information provision on constraint transparency for which there are no anticipated CUSC impacts.

6 European Code Development

2672. DS provided a presentation on the current developments within the European Network Codes, noting that Member States had made a commitment to get all European Network Codes implemented by the end of 2014. GG suggested that the CMP191 Workgroup could write to the EU Commission to ask what the process was to modify the European Network Codes once they came into effect as, based on past experience, the codes would not always be suitable post-implementation. BVe added that a robust derogation process was required if existing plant did not fully align with the new codes. DS responded that any derogations would have to go through the EU Commission first. AK asked when the final Framework Guidelines would be issued by ACER. DS replied that an official date had not yet been given.
2673. BVe stated that stakeholder engagement to date had been poor, with little transparency and only 2 meetings held with Eurelectric (European electricity trade association) after the Pilot Code drafting had been completed. AK responded that lessons had been learnt from the Pilot Code process, but the industry had to take into account the challenge of taking in all stakeholder views in the short space of time. GG agreed with BVe and stated that the time taken so far to state what the European Network Codes would be was inadequate. DS replied that the CMP191 Workgroup could focus on this issue and noted that stakeholder engagement earlier in the development process is important to avoid potentially massive changes being applied to the draft codes at the Comitology (approval) stage of the process, which would increase uncertainty.

7 CUSC Modifications Panel Vote

2674. None

8 Authority Decisions as at 17th February 2011

2675. None

9 CUSC Key Performance Indicators

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2676. AT presented the revised KPIs in line with the Code Administration Code of Practice guidelines which the Panel agreed for a review period of two weeks.

Action: Panel to review revised KPIs by 14th March 2011

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

2677. AS stated that a letter had been issued by Ofgem highlighting the importance of early provision of legal text, which also referenced the use of the send back powers if the text was deficient. AS added that a customer satisfaction survey was sent out by Ofgem and he welcomed responses from the Panel Members.

11 AOB

2678. GG stated that the SQSS were currently looking at governance procedures and the GSG would be available to help if required.

12 Next meeting

2679. The next meeting is scheduled for 25 March 2011 at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.