

CUSC Modifications Panel

Actions Arising from Meeting No. 122 Held on 6 May 2011

Present

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| 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) – via teleconference |
| Bob Brown | BB | Panel Member (Users' Member) |
| Paul Jones | PJ | Panel Member (Users' Member) |
| Fiona Navesey | FN | Panel Member (Users' Member) |
| Garth Graham | GG | Panel Member (Users' Member) |
| Barbara Vest | BVe | Panel Member (Users' Member) – via teleconference |
| Paul Mott | PM | Panel Member (Users' Member) |

In Attendance

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|----------------|-----|---|
| Abid Sheikh | AS | Ofgem representative – via teleconference |
| Alex Thomason | AT | National Grid |
| Andy Clay | AC | National Grid |
| Philip Hayward | PHa | Opus Energy |

Apologies

| | | |
|----------------|----|---------------------------|
| Richard Hall | RH | National Consumer Council |
| Kathryn Coffin | KC | Elexon |

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

2721. Apologies were received from Kathryn Coffin and Richard Hall. AK introduced Philip Hayward from Opus Energy who would be presenting CMP197.

2 Minutes of the meeting held on 25th March 2011

2722. The draft Panel minutes were approved by the Panel.

3 Review of Actions

2723. **Minute 2695: NGET to provide guidance on the NG website on how to report small errors within the CUSC.** SLa stated that the draft guidance had been discussed at the GSG on the 5th May 2011 and would be uploaded onto the National Grid website shortly.

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- 2724. **Minute 2697: SLa to issue draft CMP195 Terms of Reference to the Panel for approval. Complete.**
- 2725. **Minute 2701: NGET to provide European update at the Cross Codes Forum. Complete.**
- 2726. **Minute 2706: NGET to update Terms of Reference to CMP191 and circulate to Panel for approval. Complete.**

4 New CUSC Modification Proposals

- 2727. **CMP197 – Amendment to Qualifying Guarantor.** PHa gave a presentation on the new proposal which aims to allow companies who do not meet the current Approved Credit rating to provide guarantees. GG asked what the impacts would be if a guarantor's credit limit decreased and there were two parties dependent on the guarantor. For example party A provides a percentage to parties B and C. If the total limit decreased from A would the percentage reduce from party B or C? GG added that this would best be left to a Workgroup to discuss within their Terms of Reference. PJ added that the proposal was concerned with providing free credit allowance to a party and should be expressed as a value rather than a percentage. AS asked whether there was a minimum level that an entity had to provide. PHa replied that the counterparty would not have to provide a minimum 'deposit' as this would be covered by the guarantor and that the proposal was meant to level the playing field between small and large market participants. PJ added that it was still possible for large suppliers to not have a credit rating.
- 2728. GG asked what the impact would be to the counterparty if the guarantor had withdrawn their guarantee to party B and decided to provide it to party C. PH asked whether the guarantor had to be a CUSC Party. PJ replied that this was not a pre requisite for providing guarantees. BB stated that he was involved in the earlier credit modifications and that the principle of the Ofgem Best Practice guidelines was to balance the risk to National Grid and prevent barriers to entry, therefore it was worth reviewing the previous credit arrangements. AT responded that a wholesale review of credit arrangements would be too large and only specific parts of previous modifications would be relevant in respect of CMP197. BB responded that the current proposal form contained suggested legal text therefore there would most likely be alternatives which could be compared with previous credit modifications. PJ replied that the original legal text in the proposal should allow a certain degree of flexibility which could be developed within a Workgroup rather than automatically creating alternatives.
- 2729. BV asked how this related to current UNC modifications. AT responded that there are around 2 or 3 UNC modifications which relate to credit arrangements with one awaiting implementation. The Panel were unanimous in their decision to progress CMP197 as a **Standard CUSC Modification Proposal** and for it to be taken to a Workgroup. AK asked whether there were any Panel members who wished to become Workgroup members. PM, GG, and FN stated that they would arrange for someone to attend. PJ expressed an interest that he would like to become the chairperson for the CMP197 Workgroup to which there were no objections from the Panel. BB asked whether there would be an Ofgem representative at the meetings. AS responded that he would take the question back to Ofgem.

Action: AS to query whether Ofgem will provide a representative for the CMP197 Workgroup

2730. SLa presented a draft timetable for the CMP197 Workgroup and proposed that the Workgroup Report could be presented at the August 2011 Panel. There were no objections from the Panel. SLa further stated that the draft Terms of Reference would be circulated to the Panel for approval and would take into account the points raised by the Panel members.

Action: SLa to issue draft CMP197 Terms of Reference to the Panel for approval

5 Workgroup/Standing Groups

2731. **CAP189 - Standard Gas Insulated Switchgear Ownership Boundaries.** AT provided an update that the draft Workgroup Consultation for CAP189 had been issued to the Workgroup for comment and the Workgroup Report would be presented to the Panel on the 27th May 2011.
2732. **CAP190 - Two-Thirds Majority Voting requirement for CUSC Panel recommendations on Amendments arising from Licence obligations, Authority requests or obligations.** AT stated that CAP190 had been put on hold by the Panel until July 2011, pending the outcome of CMP196.
2733. **CMP191 - NETSO Consultation in relation to any potential changes to the CUSC which takes place in forums other than the CUSC Modifications Panel.** BV provided an update that the last Workgroup meeting was held in April 2011 but no material decisions had been made as the Workgroup were still progressing through the Terms of Reference. BV stated that the Terms of Reference were discussed for a potential Standing Group but the proposer was not in favour of setting up the Standing Group immediately. GG, the Proposer, added that setting up the Standing Group would mean that there would not be an obligation on National Grid to provide information to the group. DS responded that there were concerns from the industry that National Grid were not doing enough engagement with regards to potential European Network Codes and their view was that the Standing Group should be set up as soon as possible. GG stated that CMP191 could still proceed if the Standing Group was set up. BB responded that he shared the concerns from the industry that interim action was required without prejudice to CMP191.
2734. AT stated that the CMP191 Workgroup wanted to seek the views of the industry about setting up a Standing Group prior to CMP191 concluding, but AT also requested the view of the Panel Members. BV responded that National Grid would have to give their views as to how the Standing Group would be created. DS replied that the process would be straightforward and it would also require the involvement of Elexon. GG added that if the Panel agreed to the draft Terms of Reference being a late paper for the 27th May Panel, the Standing Group could be established shortly afterwards. AK clarified that there would be a draft Terms of Reference which the Workgroup would develop to accompany CMP191 and also a separate Terms of Reference for the Standing Group if one were established prior to CMP191 concluding. GG stated that these two sets of Terms of References would

realistically merge over time. AT added that the Terms of Reference would have to be agreed with the Grid Code Review Panel and the BSC Panel.

2735. BV explained that the Workgroup were making good progress, however they required a further Workgroup meeting to discuss the proposal further. AT presented a draft timetable for CMP191 to which the Panel agreed to a 1 month extension and there were no objections from AS, as Authority Representative.

Action: NGET to update Terms of Reference to CMP191 and circulate to Panel

2736. **CMP192 - Enduring User Commitment.** PH gave an update that since the last Panel meeting the Workgroup had met 2 times which was a total of 4 meetings out of the planned 6. PH explained that a majority of the time was allocated to developing the original modification rather than creating alternatives which was yet to be progressed. The legal drafting had also been started which would be presented at the sixth Workgroup meeting. PH added that the May TCMF had been cancelled due to lack of business in the agenda, therefore it would be used as an extra meeting for CMP192. PH stated that due to complexity of the proposal, it would require 2 extra Workgroup meetings which would lead to a month delay to the timetable. PJ and GG agreed that the extension was required. BB asked whether 1 month was enough. PH replied that it depended on the number of alternatives as some could be included in the original proposal but the timescales remained challenging. PJ added that it should be kept challenging otherwise it would increase the risk of User Commitment becoming the subject of a Significant Code Review. PH stated that the extension would mean that Ofgem could still make their decision before 1st April 2012; however there would be a transition period before implementation which could go beyond April 2012. PJ and GG agreed. AS agreed to an extension of 1 month. PJ noted that everything was being done to run extra Workgroup meetings without extending the timetable. AT stated that the Terms of Reference would be updated and circulated to the Panel.

Action: NGET to update CMP192 Terms of Reference and circulate to Panel

2737. **CMP193 - Housekeeping modifications to Section 14 of the Connection and Use of System Code (CUSC).** SLa provided an update that the Code Administrator Consultation had been published on 21st April 2011 for 3 weeks whereby the Self-governance Modification Report would be provided to the 27th May Panel.
2738. **CMP194 - Housekeeping modifications to Section 11 of the Connection and Use of System Code (CUSC).** SLa provided an update that the Code Administrator Consultation had been published on 21st April 2011 for 3 weeks whereby the Self-governance Modification Report would be provided to the 27th May Panel.
2739. **CMP195 - Housekeeping modifications to Section 11 of the Connection and Use of System Code (CUSC).** AT provided an update that the GSG had met on 5th May 2011 and had been used as the CMP195 Workgroup as agreed by the Panel. AT explained that the Workgroup page turned Section 8

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of the CUSC and progressed through Ofgem's comments provided on the 12th October 2010 and 2nd March 2011. The next step was for the Workgroup to provide comments to National Grid by 12th May 2011. AT also notified the Panel that Bob Longden did not wish to be part of the CMP195 Workgroup, but that it would still be quorate without his membership.

2740. **CMP196 - Revisions to "recommendations" in the final CUSC Modification Report.** AT reminded the Panel that CMP196 was raised as a result of CAP190 as the QC advice was that CAP190 may not be able to progress in the same way as the BSC equivalent modification, P264 due to the wording of the Statutory Instrument. GG noted that during CMP195, there were parts of Section 8 such as urgency, which referred to the word "recommendation" which could potentially be changed. AT responded that as these changes were not consulted upon, it would be up to the Workgroup to consider whether it was appropriate to include the changes and publish a second consultation. AS agreed that it would be beneficial to take account of the comments from CMP195.
2741. **Governance Standing Group.** GG stated that the GSG talked through the following topics:
- Proposer ownership – to bring in line with the BSC and UNC
 - How parties can raise code issues
 - Urgency criteria
 - GSG Terms of Reference. Peter Bolitho had requested to be replaced by Esther Sutton as GSG member. The Panel had no objections to this.
2742. **Frequency Response Working Group.** DS stated that the Group had not met since the last Panel therefore there were no updates.
2743. **Balancing Services Standing Group.** DS provided an update that the BSSG discussed interruption payments which contained multiple elements as follows:
- What can trigger an interruption
 - Compensation levels pre and post 24 hours
 - Compensation for post access restoration and whether it should be technology specific.
2744. SLa provided an update on a new proposed modification to the Grid Code in relation to reactive power. SLa explained that CAP169 had the unintended consequence of preventing National Grid from despatching embedded generators for reactive power if they were deemed to have a network restriction. The new proposal aimed to allow them to be despatched providing the generator could provide zero MVAR as this would prevent any unnecessary payments. However there was a concern from a DNO that it was unclear what would happen if a System Operator instruction conflicted with a DNO instruction. PJ asked whether there would be two different instructions. SLa responded that this situation was unlikely but possible. DS added that this was more of an issue in Scotland whereby DNOs instruct embedded generators to help control local voltages. SLa added that the network restrictions in Scotland were more dynamic and so it would be difficult for National Grid to assess whether the embedded generation could be despatched for reactive power.

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2745. DS stated that the BSSG also discussed the reactive power arrangements for offshore whereby the obligations for offshore generators and the OFTOs have been debated as there was a potential for generator and OFTO contribution to reactive power. A consultation paper had been published in February 2011 and the BSSG discussed the responses at the meeting.

6 European Code Development

2746. AS provided an update that a set of guidelines for capacity allocation and congestion management had been published by ENTSO-E, which had been circulated to CUSC Parties.

7 CUSC Modifications Panel Vote

2747. None

8 Authority Decisions as at 26th April 2011

2748. None

9 CUSC Key Performance Indicators – March 2011

2749. AT provided an update on the latest KPIs. FN asked what the target for timetable extensions was. PH responded that this should be a percentage of all modifications rather than a target. AT added that this should be discussed at the next Code Administrators Working Group (CAWG), which AS took an action to find out whether one had been planned. AS also stated that Ofgem's previous KPI of making a decision on a modification within 25 working days had been increased from 70% to 90% across all industry code modifications.

Action: AS to provide an update on when the next CAWG will be held

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

2750. PH stated that the TCMF had not met since the last Panel. DS added that the GCRP also had not met since the last Panel meeting.

11 AOB

2751. FN asked AS whether there were any plans to carry out the Electricity Cashout Significant Code Review as it had been put on hold due to the Electricity Market Reform. AS replied that the corporate plan stated that they would potentially progress Electricity Cashout as an SCR in the 2011/2012 financial year.

12 Next Meeting

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2752. The next meeting is scheduled for 27th May 2011 at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.