

## Minutes

<b>Meeting name</b>	CUSC Modifications Panel
<b>Meeting number</b>	140
<b>Date of meeting</b>	28 September 2012
<b>Location</b>	National Grid House, Warwick

## Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Louise McGoldrick	LM	Panel Secretary
Ian Pashley	IP	National Grid Panel Member
Patrick Hynes	PH	National Grid Panel Member
Abid Sheikh	AS	Authority Representative – teleconf
James Anderson	JA	Users' Panel Member
Bob Brown	BB	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Michael Dodd	MD	Users' Panel Member
Simon Lord	SL	Users' Panel Member – teleconference
Paul Jones	PJ	Users' Panel Member
Alex Thomason	AT	Code Administrator
Duncan Carter	DC	Consumers' Panel Member
Sheona Mackenzie	SM	Authority Observer for CMP201
Heena Chauhan	HC	Observer – National Grid
Robyn Jenkins	RJ	Observer – National Grid
Antony Badger	AB	Observer – Haven Power

## Apologies

Name	Initials	Position
Adam Lattimore	AL	ELEXON
Emma Clark	EC	Panel Secretary

## Alternates

All presentations given at this CUSC Modifications 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

3292. Introductions were made around the group; apologies were received from AL and EC.

### 2 Approval of Minutes from the last meeting

3293. The minutes from the meeting held on 31 August 2012 were approved, subject to the minor changes received and comments made by AS at the meeting.

### 3 Review of Actions

3294. **Ongoing Action: IP to provide an update to the Panel on progress of work regarding how the European Codes will interact with the domestic codes.** IP advised that no further meetings had taken place since the last Panel meeting. It was agreed to discuss “GB determination of the detail of the European Network Codes” paper raised by GG under AOB. Due to time constraints this was carried forward to the next meeting.

**Action: Panel to discuss “GB determination of the detail of the European Network Codes” at next meeting.**

3295. **Minute 3270: AT to send revised wording in CMP206 Workgroup Report to CUSC Panel.** Complete.

3296. **Minute 3270: Panel to discuss Self- governance criteria at next meeting.** See item 7. Complete.

3297. **Minute 3280: National Grid to check clash with TCMF and Energy UK meeting.** TCMF held on the 26<sup>th</sup> September 2012. Complete

3298. **Minute 3283: National Grid to advise Industry on position of BSSG.** Complete.

### 4 New CUSC Modification Proposals

3299. There were no new CUSC Modification Proposals raised this month.

### 5 Workgroup / Standing Groups

3300. **CMP208: Requirement for NGET to provide and update forecasts of BSUoS charges each month.** AT advised that a second post-consultation meeting had been held on the 12<sup>th</sup> September 2012, to discuss the analysis which demonstrated how the additional resource might impact the accuracy of the models used to assess BSIS cost targets. Various scenarios had been presented assuming perfect hind sight for both the CMP208 original and proposed CMP208 Workgroup Alternative CUSC Modification (WACM). AT confirmed the Workgroup's preference for the proposed CMP208 WACM and the Workgroup Report for CMP208 is due to be presented to the October Panel.

3301. **CMP207: Limit increases to TNUoS tariffs to 20% in any one year.** IP presented the Workgroup report to the Panel and ran through the background to CMP207. IP confirmed that eight responses had been received during the Workgroup Consultation which closed on the 30<sup>th</sup> August 2012. IP noted that 4 WACMs had been put forward and as a result of the Workgroup vote that there was unanimous support for the WACMs over the Original Proposal, but not over the baseline and therefore the majority preference was for the CUSC baseline.

3302. MT confirmed with AB (the Modification Proposer) that due process had been followed, the Panel accepted the CMP207 Workgroup Report and agreed for CMP207 to progress to the Code Administrator Consultation for a period of three weeks.

3303. **CMP209 and CMP210: Allow Suppliers' submitted forecast demand to be export.** AT presented the Workgroup report and advised that following closure of the Workgroup Consultation, a meeting had been held on 6<sup>th</sup> September 2012 to discuss the 5 responses that had been received. AT noted that there were mixed views on

the original and the potential alternatives. As discussed by the Workgroup, CMP209 and CMP210 may potentially create perverse incentives relating to negative forecasts along with credit issues and as a result National Grid may need to put in place mitigation measures. Of the four potential options considered by the Workgroup and taking account of the Workgroup Consultation respondents, it had been agreed to progress only one WACM for CMP209 and CMP210 which takes account of the reconciliation process. AT confirmed that the Workgroup vote was against the Use of System Charging Methodology Objectives. 5 Workgroup Members had voted resulting in a 3 to 2 majority that both CMP209/210 Original and WACM1 better facilitate the Objectives and a majority 3 to 2 preference for the Original. Following a review of the CMP209 and CMP210 timetable, the Panel requested that IT implementation timescales for WACM1 required further clarification in Section 6. The Panel accepted the CMP209 and CMP210 Workgroup Report, pending this clarification, and agreed for CMP209 and CMP210 to progress to the Code Administrator Consultation for a period of three weeks.

**Action: Clarification to be included within Section 6 of CMP209 and CMP210 Workgroup Report in respect to implementation timescales for WACM 1 and IT changes.**

3304. Following the discussion on Workgroup voting, AS noted that, on first reading, it appeared that the Workgroup voting for CMP209/210 was inconsistent, however on closer inspection, it appeared to be correct. AT confirmed that she had reviewed the voting and that it was consistent and correct.
3305. **CMP211: Alignment of CUSC compensation arrangements for across different interruption types.** AT advised that a post-consultation meeting is due to be held on 2nd October 2012 to discuss the 6 responses received to the Workgroup Consultation. AT confirmed that NG had carried out some analysis on recent claims and if this was applied retrospectively the costs would be approximately £200k. AT noted from the Workgroup consultation that 4 of the 6 respondents were supportive of self-governance and this will be discussed at the next Workgroup meeting. AT confirmed that the Panel had already given its view on self governance. Panel members agreed to discuss their concerns relating to self governance as part of agenda item 7.
3306. **CMP212: Setting limits for claim: submission, validation and minimum financial threshold values in relation to Relevant Interruptions.** AT advised a post-consultation meeting is due to be held on the 2nd October 2012 to discuss the 7 responses received to the Workgroup consultation. AT confirmed that respondents were supportive of the general changes in respect to putting the process issues e.g. the frequency and report content into the CUSC, but not all respondents were supportive of the minimum claim level. No alternatives had been put forward.
3307. **CMP213: Project Transmit TNUoS Developments.** PH advised that the Workgroup had held nine meetings and are progressing three main areas of the modification, supported by some 15 papers produced by Workgroup members, bringing together the differing views. PH confirmed that the Workgroup would not be ready to issue its consultation, scheduled for October, and that the CMP213 timetable would be reviewed following the next three Workgroup meetings. PH advised that the Workgroup is not yet seeking an extension to the December deadline for submitting the Workgroup report and that the aim is for a 2014 implementation for changes to the Charging Methodology. AS fed back that Ofgem considered that good progress had been made by the Workgroup. The Panel briefly discussed the merits of taking forward the 3 main elements of the modification in three sub groups but recognised that the issues are complex and interact. GG highlighted that, due to the complexity of the modification, a longer consultation

period which may include a stakeholder workshop could be beneficial rather than the normal three week consultation period. MD suggested that a six week consultation period might be more appropriate.

3308. **Governance Standing Group (GSG).** GG advised that no meeting had been held since the last Panel and that the next meeting is planned to take place in October 2012.

3309. **Joint European Standing Group (JESG).** GG advised that the JESG had met on 18th September and the Requirements for Generators (RfG) Network Code had been discussed and that ACER are currently reviewing the Network Code submitted by ENTSO-E against the requirements of the Framework Guidelines deciding on whether to submit it to the European Commission for progression through the "Comitology" approval process. GG confirmed that the Demand Connection Network Code consultation had now closed. As the JESG has been running for a year, the JESG reviewed feedback from a stakeholder survey, reviewed Code Administrator activities and the JESG Terms of Reference. The Panel asked for the feedback to be circulated to Panel Members.

**Action: Circulate JESG feedback slides to Panel Members**

3310. **Transmission Charging Methodologies Forum.** PH advised that a meeting had been held on 26th September 2012 and summarised the ongoing actions currently being considered by the TCMF:

- Application Fees: the overlap of BEGA and Modification Application fees.
- Integrated Offshore: a future non CUSC modification to be raised.
- RIIO implications: initial views, impacts and forecasts have been discussed relating to the changes to charging parameters due to the forthcoming RIIO (Transmission) Price Control. This has highlighted that some generator tariffs and zones will change significantly in comparison to the year on year changes. PH raised concerns about updating the charging parameters for the outcomes of RIIO from 1<sup>st</sup> April 2013, being mindful of the CUSC governance process. PH confirmed that approaches to this are currently being discussed with the Code Administrator, e.g. whether it is possible to progress a CUSC Modification proposal using the standard process for implementation from 1<sup>st</sup> April 2013.

3311. **Frequency Response Working Group (FRWG).** IP advised that the Workgroup Consultation for Frequency Response was issued on 18<sup>th</sup> September 2012 with a longer-than-usual 30 day consultation period ending on 30<sup>th</sup> October 2012 due to the quantity of data contained in the report. The next FRWG meeting is scheduled for 5<sup>th</sup> November 2012. PM mentioned that DECC had held a frequency response seminar to discuss a real time parameter and how it could be used. GG requested that the slides from this seminar are circulated.

3312. **Action: PM to provide slides from DECC meeting so that the Code Administrator can circulate to Panel members.**

3313. **Commercial Balancing Services Group (CBSG).** LM confirmed that no meeting had been held since the last Panel and that the next meeting is planned to take place on 17<sup>th</sup> October 2012.

**6 CMP213 Workgroup membership**

3314. AT advised that a Workgroup nomination had been received in September 2012 for a Workgroup member for CMP213. AT confirmed that the Workgroup had been established by the Panel in June 2012; that following the nomination process the

Workgroup has 17 Workgroup members in addition to 2 Code Administrator representatives and an Ofgem representative. 7 meetings had been held at the point the nomination was received. It was noted by the Panel that CMP213 is unusual in terms of potential impact on the industry, complexity of the Modification Proposal, and the size of the Workgroup.

3315. The provisions under the CUSC were outlined by AT, noting that there is a minimum requirement for a Workgroup of 5 Workgroup members and that they are selected by the CUSC Panel for their relevant experience and/or expertise and that the Panel should ensure an appropriate cross-section of representation. AT confirmed that the nominee had attended 2 Workgroup meetings as an observer since his nomination was received.
3316. The Panel concluded that the nominee should continue to be invited to attend CMP213 Workgroup meetings as an observer, rather than join it as a Workgroup Member. The Panel's decision was based on the fact that the Workgroup had already been established for a number of months and had already made a considerable amount of progress; that many of the issues had already been identified and that the 17 members already represented an appropriate cross-section of the industry. The Ofgem representative confirmed that he agreed with this approach.

## **7 Self-Governance Criteria**

3317. AT advised that Ofgem published their final licence modifications resulting in code modifications being raised for the Connection and Use of System Code (CUSC), Balancing and Settlement Code (BSC) and the Uniform Network Code (UNC) to implement a Self-Governance process in December 2010. AT stated that the CUSC requires the Panel to evaluate each new Modification Proposal against the Self-Governance Criteria which relates to the material impact of the Proposal. Where the Panel considers a proposal meets the Self-Governance Criteria, it sends a Self-Governance statement to the Authority (Ofgem). However, the Authority may disagree with the Self-Governance Statement and request the Proposal to progress down the standard route or vice versa.
3318. GG confirmed that during the initial Self-Governance discussions, Ofgem estimated that a high proportion of Proposals would meet the Self-Governance Criteria. However, since Self-Governance has been introduced this has not been the case; this may be due to the nature of the modifications being raised or the provisions of the Self-Governance Criteria. PH mentioned that since the Self-Governance Criteria had been introduced that Charging Modifications are now subject to CUSC governance and that these would rarely be expected to meet the Self-Governance Criteria. PJ mentioned the subjective nature of evaluating the materiality of the Modification Proposals.
3319. AS mentioned that the Self-Governance process seems to be working and noted the CUSC Panel's relatively cautious approach in assessing Modifications' materiality against the Self-Governance Criteria. AT made an observation that under the current arrangements, a Self-Governance Modification would only progress 2 weeks quicker than those following a standard modification route. MT concluded that no further action is required at this time but this issue may be raised again following the publication of the Code Governance Review Phase 2 Initial Proposals consultation.

## **8 European Code Development**

3320. MT confirmed that AS's update had been circulated to the Panel.

3321. **CMP201 Removal of BSUoS Charging Arrangements from Generation.** LM presented CMP201 and ran through the background to the proposal and progress so far. PH highlighted that there had been a number of discussions relating to the uncertainty of the analysis and confirmed that the analysis had explored market entry and market exit and considered GB behaviour in joining the two markets together. PH confirmed that NG had shared their analysis concerns with Ofgem and that the assumptions have been reviewed and that the cost is more likely to be towards the greater end of the £16 million to £180 million range, rather than the lower end. SM raised Ofgem's concerns relating to the analysis and the assumptions. Some Panel members considered that the market is going to change and therefore it is difficult to predict with any certainty the outcome and as a result did not put much emphasis on the analysis when making their vote. GG summarised the governance process by which the Panel could proceed, concluding that the only option open to the Panel at this point in the process is to vote and send the Modification Report to the Authority. As a result the Panel decided to vote on CMP201 with Ofgem requesting confirmation on whether the Panel members' vote was impacted by the analysis conducted.
3322. The Panel voted by majority that the CMP201 Original and both WACMs better meets the Applicable CUSC Objectives and so should be implemented. A majority of the Panel expressed a preference for the Original.
3323. The tables below show a breakdown of Panel members' voting on whether each proposal better facilitates the Applicable CUSC Objectives and the rationale for such votes. The table also includes a column on the views in relation to the analysis provided. A number of the members of the Panel noted the uncertainties surrounding the assumptions in the impact analysis but no member of the Panel considered that further quantitative analysis models would be useful.

**Original**

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	views in relation to the analysis provided in Annex 13 and 14. <b>Overall (Y/N)</b> (plus views in relation to the analysis provided in Annex 13 and 14).
Bob Brown	No. Noted concerns regarding credit requirements flagged by some Supplier responses and also had concerns whether Generators would pass on the full reductions in their costs. Noted that section 4.13 of the report appears to acknowledge concerns regarding adverse impact on competition. Regards consumer costs as an indication of the success of competition. The report states that costs to GB consumers will increase so BB considers that this supports the view that competition will not be improved. Noted that the Proposer had acknowledged, when introducing CMP201 to	Neutral	Neutral	No. (Analysis does not impact decision.)

	<p>the Panel in December 2011, that it was not required to be raised as part of the Third Package. Noted that Charging Methodology ACOs are different from CUSC ACOs in that they do not require the Panel to take into account relevant legally binding decisions of the Commission. Not convinced, on the evidence presented in the Report, that EU customers should be regarded as more important than GB customers when reaching a view against Charging Methodology ACOs.</p>			
Garth Graham	<p>Yes. Noted that the removal of BSUoS charges on interconnector users meant that two identical generators one in GB and one in France (or Holland) could be competing in the GB market; however the GB generator would pay BSUoS whilst the other generator would not. This would result in a distortion in competition which CMP201 seeks to address. Therefore CMP201 better facilitates competition, in particular, in generation. Noted that the requirements of the EU Third Package was a valid matter to take into consideration as it was law applicable to GB. In terms of the impact on Suppliers noted that evidence had not been forthcoming (although parties may provide it to Ofgem) as to contract volumes over time.</p>	Neutral.	Yes.	Yes. (Analysis does not impact decision.)
Simon Lord	<p>Yes. [For the reasons given by GG above]</p>	Neutral.	Yes.	Yes. (Analysis does not impact decision.)
Michael Dodd	<p>Yes. [For the reasons given by GG above]</p>	Neutral.	Yes.	<p>Yes. (Considers outcome of analysis is likely to be closer to £16m, and that the range is as a consequence of the assumptions. Competitive pressure in the market should result in Generators passing through BSUoS savings.)</p>
James Anderson	<p>Yes. There is a drive to implement due to the Third Package, the reduction in prices will be passed through, considered that there is no particular issue for non vertically- integrated participants. There is no</p>	Neutral.	Yes.	Yes. (Analysis does not impact decision.)

	quantitative evidence that contracts extend beyond 2 years and 2 years is sufficient time for participants to resolve any credit issues.			
Paul Jones	No. Some benefit for GB generation by improving competition. However, original could undermine competition in the retail market as some fixed price customer contracts extend to three years and would be affected by a two year implementation.	Neutral.	Neutral.	No. (Decision not based on analysis.)
Paul Mott	Yes. Drive to implement due to the Third Package, so that GB power stations compete on level basis with continentals (same cost base)	Neutral.	Yes.	Yes. (Decision not based on analysis.)
Duncan Carter	No. There is no requirement under EU legislation to adopt CMP201. This is gold plating of EU legislation, with material impact on GB consumers, at worst equalling £276m per annum (A13.27). This indicates diminished competition in the GB market. There is only qualitative analysis to support the claim that GB consumers may see reduced bills at an unspecified point in the future, which could be decades away. Effective subsidy of continental electricity consumers by GB consumers could be politically unsustainable, which may result in increased investor uncertainty and increase investment capital costs, reducing competition. Likely to reduce competition in GB supply market. Increasing electricity exports to the continent is also likely to reduce the GB's security of supply.	Neutral.	Neutral.	No. (Materiality is key but no benefit in doing any further analysis as all modelling has limitations. Basic economic theory states that a reduction in (GB electricity) supply will inevitably increase prices (of electricity in GB). Analysis clearly shows that GB consumers will be materially worse off post implementation – up to £276m. There is no timescale for when GB consumers will (or indeed if) obtain any material benefit from liberalisation of the EU energy market. Thus the disbenefit to GB consumers is quantified, while there is only weaker qualitative evidence for the benefits. There is insufficient transparency in the GB market arrangements to demonstrate that BSuOS savings for Generators are passed onto Suppliers and ultimately consumers.)
Patrick Hynes	Yes. The status quo position acts as a barrier to generation investment in GB compared to similar arrangements prevalent in continental Europe.	Neutral	Yes	Yes. (Noting the worse case scenario within the analysis of £178m on GB consumers, but also the overall benefit to GB and whole European market. The principle of the proposal is robust in that converging markets is beneficial and that it also promotes the establishment of an efficient functioning IEM.)



**WACM 1**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Bob Brown	No.	Neutral.	Neutral.	No.
Garth Graham	No. The Original is better as it introduces the change without unreasonable delay. Given that there is a minimum two year implementation period plus the notice parties have had to factor in this change the change should be implemented as soon as reasonably practical.	Neutral.	No.	No.
Simon Lord	Yes.	Neutral.	Yes.	Yes.
Michael Dodd	Yes.	Neutral.	Yes.	Yes.
James Anderson	Yes.	Neutral.	Yes.	Yes.
Paul Jones	Yes. Three year implementation would prevent undermining competition in retail.	Neutral.	Neutral.	Yes.
Paul Mott	Yes.	Neutral.	Yes.	Yes.
Duncan Carter	No.	Neutral.	Neutral.	No.
Patrick Hynes	Yes.	Neutral.	Yes.	Yes.

**WACM 2**

<b>Panel Member</b>	<b>Better facilitates ACO (a)</b>	<b>Better facilitates ACO (b)?</b>	<b>Better facilitates ACO (c)?</b>	<b>Overall (Y/N)</b>
Bob Brown	No. 5 years creates uncertainty and delays any benefit to an unacceptable degree.	Neutral.	Neutral.	No.
Garth Graham	No. The Original is better as it introduces the change without unreasonable delay. Given that there is a minimum two year implementation period plus the notice parties have had to factor in this change the change should be implemented as soon as reasonably practical.	Neutral.	No.	No.
Simon Lord	Yes.	Neutral.	Yes.	Yes.
Michael Dodd	Yes.	Neutral.	Yes.	Yes.
James Anderson	Yes	Neutral	Yes	Yes
Paul Jones	Yes, marginally, although 5	Neutral.	Neutral.	Yes.

	year implementation would significantly erode the value of benefit available.			Marginally better than baseline
Paul Mott	Yes.	Neutral.	Yes.	Yes.
Duncan Carter	No.	Neutral.	Neutral.	No.
Patrick Hynes	No.	Neutral.	No.	No.

### **BEST**

Bob Brown	Baseline
Garth Graham	Original
Simon Lord	Original
Michael Dodd	Original
James Anderson	Original
Paul Jones	WACM1
Paul Mott	Original
Duncan Carter	Baseline
Patrick Hynes	Original

### **8 Authority Decisions as at 28<sup>th</sup> September 2012**

3324. The Panel noted that CMP203 WACM1 TNUoS Charging Arrangements for Infrastructure Assets subject to One-Off charges had been approved on 18<sup>th</sup> September 2012 and would be implemented on 1<sup>st</sup> April 2013.

### **9 Update on Industry Codes / General Industry updates relevant to the CUSC**

3325. None discussed.

### **10 AOB**

3326. Due to time constraints it was agreed to carry forward "GB determination of the detail of the European Network Codes" paper raised by GG to the next meeting.

### **11 Next Meeting**

3327. The next meeting will be held on 26<sup>th</sup> October 2012 at National Grid House, Warwick.