

Minutes

Meeting name	CUSC Modifications Panel
Meeting number	167
Date of meeting	31 st October 2014
Location	National Grid House, Warwick

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Jade Clarke	JC	Panel Secretary
Abid Sheikh	AS	Authority Representative
Ian Pashley	IP	National Grid Panel Member
James Anderson	JA	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Bob Brown	BB	Consumers' Panel Member
Michael Dodd	MD	Users' Panel Member
Simon Lord	SL	Users' Panel Member
Dave Corby	DC	National Grid (CMP238 Proposer)
Christopher Granby	CG	Infinis (CMP239 Proposer's Alternate)
Andrew Wainwright	AW	National Grid Panel Member's Alternate

Apologies

Name	Initials	Position
Alex Thomason	AT	Code Administrator
Patrick Hynes	PH	National Grid Panel Member
Paul Jones	PJ	Users' Panel Member
Kyle Martin	KM	Users' Panel Member
David Kemp	DK	ELEXON

All presentations given at this CUSC Modifications Panel meeting can be found in the CUSC Panel area on the National Grid website:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Panel-information/>

1 Introductions/Apologies for Absence

4229. Introductions were made around the group. Apologies were given from Alex Thomason, Patrick Hynes, Paul Jones, Kyle Martin and David Kemp.

2 Approval of Minutes from the last meeting

4230. The minutes from the last meeting held on 26 September 2014 were approved subject to changes and are now available on the National Grid website.

3 Review of Actions

4231. There were no actions from the previous meeting.

4 New CUSC Modification Proposals

4232. **CMP238 ‘Application of Statement of Works Process when a modification application is made’.** DC presented on the background and key points of CMP238. CMP238 seeks to change the CUSC so that when a Distribution Network Operator (DNO) receives a distribution connection application and the DNO knows this will impact the Transmission System, the DNO may directly submit a Modification Application, omitting the Statement of Works process. DC stated that at recent Ofgem led forums, the Statement of Works process has been described as time consuming, expensive and non-transparent. This is because currently a DNO is required to use the Statement of Works process even if they know that a generator connecting to their network will have an impact on the Transmission system. As a result of this, Ofgem have written a letter of comfort which expires in May 2015 which allows National Grid to run a trial of the proposed process. DC noted that National Grid Electricity Transmission Plc is proposing this Modification in order to provide an enduring solution to this defect after May 2015.
4233. DC noted that CMP238 would speed up the application process for generators and reduce costs, therefore better facilitating competition as it eases entry to the market.
4234. AW noted that in some cases, a new connection within a Distribution Network could trigger the need for a new connection application, although this is being treated as a separate issue.
4235. SL questioned how this will change the relationship between the System Operator and various Transmission Owners, as there is a transfer of information between these two parties. AW noted that the Statement of Works process will not change this relationship and that the trial has been successful in Scotland as most connections to the Distribution Network have an impact on the Transmission System. SL noted that there are many constraints that could restrict information flows between the SO and the TO and that it was important to make sure that this Modification does not make this worse.

ACTION: AW to determine CMP238 impact on SO TO relations.

4236. The CUSC Panel agreed unanimously that CMP238 does not meet the Self-Governance criteria and that it should proceed directly to Code Administrator Consultation. There are no ongoing Significant Code Reviews.
4237. GG noted that there is a report released on the effectiveness of this trial on 12 November and requested that this be included within the Code Administrator Consultation. MD agreed that this would be helpful as it is difficult to fully understand the impact of this modification without first seeing the report on the trial.
4238. **ACTION: JC to include trial report within the Code Administrator Consultation.**
4239. BB noted that wider issues had been identified as part of the trials of revised applications process, such as the performance of individual DNOs in processing applications, and encouraged National Grid and Ofgem to consider the matter further. AW noted that there are wider views and it is envisaged that these will be dealt with separate to this Modification, but it could be important to note this within the Code Administrator Consultation.
4240. The Panel noted that there would be a delay in publishing the Code Administrator Consultation until after 12 November 2014 to ensure that the report on the Statement of Works trial can be included.

4241. AS suggested that National Grid may wish to present the findings from the Statement of Works trial report to the Transmission Charging Methodologies Forum on 12 November 2014.
4242. **ACTION: AW to present on SoW trial report at November TCMF.**
4243. **CMP239 'Grandfathering Arrangements for the Small Generator Discount'**. CG represented the Proposer Fred Olsen Renewables and presented on the background and key points of CMP239. CMP239 aims to implement grandfathering arrangements in the CUSC from the date of expiry of Standard Licence Condition C13 of the Transmission Licence on 31 March 2016. The proposed arrangements would apply to those generators that currently receive the small generator discount and also to those generators that will connect by 31 March 2016 that would be eligible to receive the small generator discount. It is proposed that these arrangements will continue until the 132kV network within Scotland is classed as distribution. CG noted that these generators make commercial decisions on the basis that there would be a lower cost for generators connecting to the distribution network and that this will currently affect 25 generators onshore and 5 generators offshore. CG noted that CMP239 aims to better facilitate Applicable CUSC Objectives (a) and (c).
4244. SL stated that, with the current CUSC baseline, we are looking towards a lower generator charge in the G:D split, and questioned how this would change the value of the small generator discount which is based on an average of the generator and demand residual. CG noted that he was uncertain of this impact and suggested that if this modification proceeds to a Workgroup, it is a question the Workgroup should consider.
4245. AW also noted that National Grid conducted an informal review of the embedded generation benefit arising from transmission charges in 2013/2014. National Grid concluded, based on analysis and evidence received, that charges for Transmission connected generation in Scotland and Distribution connected generation in England and Wales were broadly the same, and therefore that Licence Condition C13 should expire in 2016. GG questioned whether these comparisons were like for like and, if not, this should also be considered by a potential Workgroup.
4246. AW noted that, during National Grid's informal review, it was difficult to obtain data from DNOs for this analysis. GG questioned whether Ofgem would be able to request information from the DNOs to allow the Workgroup to conduct a more robust comparison and BB suggested that Ofgem could help the process by encouraging DNOs to provide relevant information to assist the Workgroup. AS stated that this is something Ofgem could consider if this Modification was to proceed to a Workgroup.
4247. BB noted that SLC13 had been introduced at a time when it considered that there may have been a tilt in the charging playing field between Scotland, England and Wales. There was a clear difference in views from the Proposer and National Grid's informal review conclusion regarding the present level of the playing field and that the justification for this discount would be a key area for a Workgroup to re-examine. GG stated that the issue of future developers is separate and this should also be considered.
4248. The Panel unanimously agreed that CMP239 should not be considered as Self-Governance and should be developed by a Workgroup; there are currently no ongoing Significant Code Reviews. The Panel gave the Workgroup an initial period of six months to develop this Modification. The Workgroup are due to report back to the April 2015 CUSC Panel. The Panel outlined areas for discussion by the Workgroup, these are:

- A) Grandfathering in relation to the small generator discount;
 - B) The possible precedent and implications of accepting the principle of grandfathering in the charging provisions in the CUSC.
 - C) The need for the small generator discount.
 - D) Interactions with Contracts for Difference;
 - E) Consider changing G:D split's impact on the small generator discount;
 - F) Cost per home if CMP239 is implemented.
4249. The Panel requested that Ofgem engages with the CMP239 Workgroup and encourages discussion and analysis in areas in which they are required to make an informed decision in order to avoid send back from the Authority. The Panel also suggested that information is requested from DNOs as early on in the process as possible so as to not cause delay to this Modification.

5 Workgroups / Standing Groups

4250. **CMP227 'Change the G:D split of TNUoS charges, for example to 15:85'**. CMP227 seeks to change the Generation/Demand split of TNUoS charges, reducing the proportion of TNUoS charges paid by generators. JC updated the Panel on the Workgroup's progress and stated that the Workgroup had met on 22 October and had discussed the eighteen responses which were received in response to the Workgroup Consultation. Of the eighteen responses received, just over half the responses were in favour of the Modification with the remainder either not stating a preference or against it. JC also stated that there was a mixture of views about whether there should be a shorter or longer notice period for implementation.
4251. JC noted that before the last Workgroup meeting, the Ofgem representative suggested that the Workgroup may wish to further consider issues in terms of potential consumer impact of CMP227. The Workgroup had discussed this and decided that further analysis should be done and included within the Workgroup Report to the Panel and in the Final Modification Report to the Authority. JC noted that the majority of the Workgroup felt that either National Grid or an external company would be best placed to conduct this analysis for the Workgroup Report.
4252. JC stated that National Grid had since updated the Ofgem representative on the Workgroup's discussions and National Grid had agreed to conduct the analysis on behalf of the Workgroup to submit for inclusion within the Workgroup Report. JC noted that the Workgroup are requesting a three-month extension to the Workgroup process for CMP227. The Panel accepted this request and the Workgroup are now due to report back to the February 2015 CUSC Panel.
4253. **CMP235/CMP236 'Introduction of a new Relevant Interruption type / Clarification of when Disconnection Compensation payments can be expected under Relevant Interruption'**. CMP235/CMP236 aims to amend the description of an Interruption to include a type of Emergency De-energisation and seeks to clarify that where station suppliers are disconnected solely by National Grid plant or apparatus and the effect of this is to lose the generating units' output, that this is a Relevant Interruption and, that under the CUSC, Interruption payments can include these situations. JC noted that the Workgroup met for the first time on 30th October 2014 to discuss the Workgroup Terms of Reference and that the National Grid representative took away actions to provide data and modelling to aid further discussion and development of this Modification. The Workgroup will meet again on the 18th November.
4254. **CMP237 'Response Energy Payment for low fuel cost Generation'**. CMP237 aims to take into account the different financing approaches of generators with low or

negative energy costs of those that receive additional financial incentives, by settling the Response Energy Payment at £0/MWh. JC noted that the Workgroup will meet for the first time on 7 November 2014 to discuss the Workgroup Terms of Reference.

4255. **Governance Standing Group (GSG).** GG advised that there had been no GSG meeting since the last CUSC Panel meeting.
4256. **Joint European Standing Group (JESG).** GG advised that there had been a JESG meeting on 15 October 2014 and that there had been discussions on the various codes and noted that the Capacity Allocation and Congestion Management (CACM) Network Code should be finalised by the end of the year. There was also an update on Project TERRE and two Workshops scheduled on the Emergency and Restoration Network Code; one for GB stakeholders on 3 November and 4 November in London and another, hosted by ENTSOe in Brussels, on 12 November. Consultation responses on the Emergency and Restoration Network Code are due in by 7 December 2014.
4257. BB questioned when work would start on GB codes as a result of the EU Network Codes. GG noted that for codes such as CACM which will be finalised soon, we could expect changes to GB codes later in 2015.
4258. **European Code Coordination Application Forum (ECCAF).** GG stated that there had been no ECCAF meeting in October.
4259. **Transmission Charging Methodologies Forum (TCMF).** AW advised that there had been no TCMF meetings since the last CUSC Panel meeting.
4260. **Commercial Balancing Services Group (CBSG).** JC stated that there had been no CBSG since the last CUSC Panel meeting.
4261. **Balancing Services Standing Group (BSSG).** JC advised that there had been no BSSG since the last CUSC Panel meeting. This group is currently in abeyance.

6 European Code Development

4262. AS noted that an EU Update had been circulated to Panel members.

7 CUSC Modifications Panel Vote

4263. **CMP234 'Incorporation of Biddable Indexation of OFTO revenues in TNUoS'.** CMP234 is a Self-Governance Modification and seeks to change the indexation of local Offshore Transmission Network Use of System (TNUoS) tariffs to match the rate applied to each Offshore Transmission Owner's revenue under their licence instead of Retail Price Index (RPI). The CUSC Panel voted unanimously to approve CMP234 as it remains cost reflective and takes account of the new charging regime. Details of this vote are outlined below:

Panel member	(a)	(b)	(c)	(d)	Overall
Garth Graham	Yes	Yes	Yes	Neutral	Yes
Bob Brown	Yes	Yes	Yes	Neutral	Yes
Michael Dodd	Yes	Yes	Yes	Neutral	Yes
Paul Jones	Yes	Yes	Yes	Neutral	Yes
Ian Pashley	Yes	Yes	Yes	Neutral	Yes
Paul Mott	Yes	Yes	Yes	Neutral	Yes
Simon Lord	Yes	Yes	Yes	Neutral	Yes
James Anderson	Yes	Yes	Yes	Neutral	Yes

4264. A 15 day appeals window commenced on 31st October 2014 and closes on 21st November 2014. Subject to any appeals, CMP234 will be implemented at the start of the next charging year on 1st April 2014.
4265. GG noted that in Scottish Power's response to the CMP234 Code Administrator Consultation they recommended 'a review of the outcome (as soon as practicable following implementation and available information) of the appetite and use of 'biddable indexation' and the proportion of fixed (non-indexed) versus not and how this compares with the current status quo over the lifetime of the assets'. GG suggested that there is a presentation to the CUSC Panel three months following implementation of CMP234 on its practical effect.

ACTION: AS to discuss with industry colleagues about possible reporting on CMP234 tender round.

ACTION: JC to note discussion on CMP234 reporting in Final Modification Report.

8 Authority Decisions as at 23 October 2014

4266. The Panel noted that on 2nd October 2014, Ofgem had announced their decision to reject **CMP201 'Removal of Balancing Services Use of System (BSUoS) Charges from Generation'**. AS stated that there was a factual error within the CMP201 decision letter regarding the date on which the CUSC Modification Proposal was raised and that this would be corrected and an updated version of the decision letter will be published on the Ofgem website.
4267. BB noted that CMP201 had been a very long process, which has resulted in market uncertainty which could potentially have an impact on consumers. BB questioned if there could be any lessons to be learnt from CMP201. AS stated that there were two influencing factors with CMP201 which delayed a decision, these were: 1) The Authority had to send back the Modification following the Panel's original submission of the Final Modification Report as they were unable to make a decision based on the evidence provided and; and 2) there was an issue with resourcing when the CMP201 Final Modification Report was re-submitted as CMP213 'Project Transmit TNUoS Developments' was with the Authority for decision at the same time and there was a need to prioritise Ofgem's work on the modifications about which the Panel was informed. In reference to 1), AS noted that Ofgem are already taking actions to prevent this situation from happening again by early engagement with Workgroups to address any analysis requirements needed for authority decisions, for example, suggesting that the CMP227 Workgroup may wish to provide additional analysis within the Workgroup Report. AS noted that with 2) CMP213 was a complex industry Modification which took up a lot of resources, this will sometimes happen, and Ofgem try to manage resources as effectively as possible to ensure that decisions are made in a timely way.
4268. GG also noted that it would be useful to have Ofgem's decision on whether the Panel should give precedence over European consumers (which included GB Consumers) or just GB consumers when making a recommendation on a Modification to the Authority as this will be a frequent situation over the next few years with the introduction of the EU Network Codes into the GB codes, such as the CUSC, via Modification proposals. AS stated that currently it is Ofgem's primary objective to protect the interests of GB consumers. GG while considering the implications of any relevant EU legislation requested that Ofgem share its thinking on this matter at a discussion at a future Panel meeting, Panel members supported this suggestion. AS

agreed to discuss further with colleagues and to participating in a future Panel discussion on this matter.

4269. It was also questioned whether Ofgem will be conducting post-implementation appraisal on their decisions. GG highlighted the recommendation made some time ago by the House of Lords Select Committee on this matter, which noted that such reviews should be undertaken more frequently but also cautioned that for such reviews to be meaningful, the target for success needed to be set at the time of the decision to implement and not sometime after the implementation of the change being assessed. AS stated that he will check with colleagues how many post-implementation reviews are conducted by the Authority.

ACTION: AS to check with colleagues how many post-implementation reviews are conducted

4270. The Panel noted that on 21 October 2014, the Authority had announced its decision to approve **CMP222 'User Commitment for Non-Generation Users'** WACM1 and that this will be implemented on 1 April 2015.

4271. GG questioned that, based on the Authority's wording on page 5 of its decision letter, which states that 'We recognised that interconnectors will not necessarily face the same risks as generators', whether it would be mindful of reviewing the cap and floor Weighted Average Cost of Capital (WACC) for interconnectors.

ACTION: AS to check with colleagues on whether Ofgem would review the cap and floor WACC.

4272. The Panel also noted that on 8 October 2014, the Authority had announced its decision to approve **CMP224 'Cap on the total TNUoS target revenue to be recovered from generation users'** Original Proposal. This was implemented on 22 October 2014.

4273. The Panel questioned that should Ofgem receive a challenge against their decision on CMP213, whether they could advise the Panel on any actions required. It was noted that there were no actions from the Panel at this point, however the Panel noted that Ofgem should be mindful of how any consequential modification(s) may be raised to deal with any consequential effect on the implementation date from a challenge.

ACTION: AS to discuss with colleagues the process around a Modification raised to ensure 1 April 2016 implementation of CMP213.

4274. SL asked what the timeline for Judicial Review would be. GG suggested that this could take longer than 3 months and SL asked AS if Ofgem could put a notice on their website informing the industry that a JR had been raised. BB encouraged this action as he felt it important that the whole market should be aware of the situation, not only a selected group.

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

4275. There were no further updates at this meeting.

10 Relevant Interruption Claims Report

4276. JC reported on the recent Relevant Interruption Claims and stated that in the last quarter, only 1 claim was received. This claim is valid and is currently being processed.

4277. JC gave an update of four claims that had been submitted within the previous quarter, stating that one of these claims was rejected and three are currently pending payment.

11 Authority send back of CMP223

4278. The Panel noted that on 23 October 2014, the Authority sent back **CMP223 'Arrangements for Relevant Distributed Generators under the enduring Generation User Commitment'** to be revised and resubmitted, stating that a revised Final Modification Report should:
- a. Provide a detailed overview of the debt collection process and how this would be implemented for the original and alternative proposals.
 - b. Set out this process in a clear and easy to understand manner so that stakeholders are clear on what would be required of them
4279. BB stated that CMP223 should also be used as a case study for lessons learnt for new modifications as sending back Modifications will delay a decision and cause uncertainty within the market.
4280. AS stated that the Authority is sending this Modification back as there is a lack of clarity around the debt collection process. GG noted that Ofgem would be in a better position to request information about debt collection from DNOs than the Workgroup would be. The Panel determined that CMP223 should be sent back to the Workgroup to clearly set out details of the debt collection process. However, the Ofgem representative in the Workgroup should clearly set out what is required from the Workgroup and how Ofgem will be able to help with information gathering for the Workgroup report.

12 AOB

4281. GG noted that earlier in October he had asked a question about the post implementation evaluation of CMP228 to National Grid and asked whether National Grid could answer this question and provide an update by the end of the year and then a 6 monthly update.

ACTION: AW to discuss with colleagues about reporting on CMP228.

4282. AS noted that an Authority decision had been made, taking effect on 16 December 2014, on changing references to the Seven Year Statement (SYS) and the Offshore Development Information Statement (ODIS) to the Electricity Ten Year Statement (ETYS) within the Transmission Licence and asked whether consequential Modifications would be made to the CUSC to reflect these changes. AS noted that STC changes are being made as a consequence of the decision to change the Licence. JC advised that National Grid were currently looking at what changes need to be made to the CUSC and that the Panel should expect a Modification Proposal within the next few months.
4283. AS noted that Ofgem's Christmas publishing Moratorium will run this year from Friday 19 December 2014 up to (and not including) Monday 5 January 2015 and that, during this period, there will be no publications on Ofgem's website other than on an exceptional basis. AS advised the Panel to be mindful that the Moratorium period will be excluded when calculating the 25 Working day period for making Authority decisions.

4284. JC advised that she had attended the Code Administration Code of Practice annual review meeting on 6 October 2014, in which Code Administrators had discussed potential changes to the CACoP based on responses received to an open letter published in July 2014. JC noted that some minor changes had been made to the CACoP which will be published by Elexon in a Consultation in late 2014. JC also noted that National Grid, as Code Administrator for the CUSC, Grid Code and STC had taken an action to provide information on its website on the CACoP and to proactively discuss cross-code issues and possible consequential code changes with other Code Administrators.

13 Next meeting

4285. The next meeting will be held on 28 November 2014 at National Grid House, Warwick.