

Minutes

Meeting name	Special CUSC Modifications Panel (teleconference)
Meeting number	191
Date of meeting	19 July 2016
Location	National Grid House, Warwick

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Heena Chauhan	HC	Panel Secretary
Caroline Wright	CW	Code Administrator
Nikki Jamieson	NJ	National Grid Panel Member
Cem Suleyman	CS	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Simon Lord	SL	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Bob Brown	BB	Consumers' Panel Member
Abid Sheikh	AS	Authority Representative
Binoy Dharsi	BD	EDF Energy (CMP267)

Apologies

Apologies were provided from John Martin, Garth Graham, James Anderson, Nicholas Rubin

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

5444. The Chair noted that the Special CUSC Panel meeting had been arranged to discuss the CMP262 Workgroup Report and an Urgent modification raised by EDF Energy. Introductions were made around the group. CW from National Grid joined the meeting as John Martin's alternate representing the Code Administrator. BD joined the teleconference to discuss CMP267.

2 Workgroups / Standing Groups

5445. **CMP262 'Removal of SBR/DSBR costs from BSUoS into a 'Demand Security Charge''.** CMP262 was proposed by VPI Immingham and aims to create a new cost recovery mechanism, a 'Demand Security Charge' specifically for recovery of all SBR/DSBR costs, which is only levied on demand side Balancing Mechanism Units (BMUs).
5446. HC presented a high level summary of Workgroup findings noting that sixteen responses had been received to the CMP262 Workgroup Consultation. The Workgroup voted on the Original Proposal and the three Workgroup Alternative CUSC Modifications (WACMs). Overall, the Workgroup supported WACM2 by majority as it better facilitates the applicable CUSC

objectives. Four votes supported WACM2, two Workgroup members supported the Original and one Workgroup member supported WACM3.

5447. BB highlighted that the Proposer had noted in their response to the Workgroup Consultation that they had been disappointed that the report had contained only the Proposer's analysis and lacked analysis by National Grid. HC confirmed that this had been addressed and National Grid had provided this analysis which had reviewed by the Workgroup after the Workgroup Consultation. This analysis has been included within the Workgroup Report presented to the Panel.
5448. AS noted concerns had been raised after the Workgroup Consultation by the Workgroup Authority Representative, highlighting that responses appeared polarised and that the report appeared to lack quantitative evidence that would make it difficult to assess the distributional impact of the modification.
5449. The Panel discussed these concerns and noted that in some instances, providing quantitative evidence would not be possible by a Workgroup as this could be reliant on information that could be of a commercially sensitive nature which the Workgroup would not have access to. In this instance providing any quantitative analysis could be misleading due to it being based on subjective assumptions.
5450. SL noted that a broad range of views had been provided by the industry and were included within the report and did not agree that the report appeared biased.
5451. The Panel suggested that the Authority could provide a suite of questions to the Code Administrator to be included within the Code Administrator consultation to address their concerns. AS considered this and confirmed to the Panel that, following a discussion with the Workgroup Authority Representative, they would be comfortable with the standard questions asked by the Code Administrator and no further questions were required.
5452. The CUSC Panel agreed that the report should proceed to Code Administrator Consultation.

3 New CUSC Modification Proposals

5453. One new modification requesting Urgency was presented to the Panel at this meeting.
5454. **CMP267 'Defer the recovery of BSUoS costs, after they have exceeded £30m, arising from any Income Adjusting Events raised in a given charging year, over the subsequent two charging years'**. This proposal aims to defer unforeseen increase in BSUoS costs arising from an Income Adjusting Event (IAE) by two years. This proposal only applies to IAE's which, in their total in any given charging year, have a combined effect on "raw BSUoS" of over £30m.
5455. BD presented his proposal to the Panel noting that National Grid had notified the Authority of an IAE in relation to the 2016-2017 System Operator Incentive Scheme. Approval of the IAE would lead to the recovery of up to £113m, through 2016-2017 BSUoS charges.
5456. BD explained to the Panel that historically, Black Start contracts have been a relatively small component of Balancing Services costs at £20m to £40m per year for approximately 16-18 plants. The recovery of up to £113m for two plants is an unprecedented amount and if the IAE is approved, will have a significant commercial impact on market participants, and ultimately customers.
5457. The Panel recognised that the Authority has to determine on the level of cost pass-through by 24 August 2016 (i.e. 3 months from the date of National Grid's notification) and as such the proposal is time sensitive as Ofgem's determination is not likely to be deferred to a later date.

5458. The Panel noted the Proposer's concern regarding the significant additional within-year BSUoS costs incurred which could lead to customers experiencing higher risk premia as a result of the IAE.
5459. NJ confirmed that there are ongoing discussions between National Grid and the Industry regarding this issue and that National Grid have already made a commitment to work with the Industry on this matter and that they did not intent to raise any charges in the immediate future and would continue to engage with stakeholders on when any charges may start to be included in BSUoS invoices.
5460. The Panel agreed that the proposal should be developed by a Workgroup and that it had met the criteria for Urgency in Ofgem's guidance. The Panel asked HC to develop a timetable which would need to be approved by the Panel for inclusion in the Panel's view on Urgency letter to be issued to the Authority.

ACTION: HC to develop Code Administrator timetable and develop a Terms of Reference document for CMP267 for Panel comment and approval.

4 Next meeting

5461. The next meeting of the CUSC Modifications Panel will be held on 29 July 2016.