

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP276

CMP276 proposes a reduction in the demand residual element of the TNUoS £/kW ("Triad") charge by creating two new charge lines for all demand offtakes:

- (i) with the level of charge based on a fixed charge per MPAN (or alternatively the import meter size of each consumer) and;
- (ii) a simple per kWh charge on all consumers.

Currently demand residual is the cost bucket which is left to capture all TO costs that cannot be otherwise allocated. Unless there is change to the current methodology this is forecast to lead to high demand TNUoS payments at the time of Triads, which are widely recognised to be unacceptable and unsustainable. Modifications CMP264 and CMP265 deal with a subset of the symptoms only, because they define the defect too narrowly. Their definition prohibits the full range of potential solutions being considered, and by excluding certain types of meter and treating some meters differently to others, this inevitably leads to a discriminatory outcome. This modification is defined to address the underlying cause of the escalation in demand residual and proposes a simple, non-discriminatory approach to its resolution which addresses equitable competition in ALL markets, domestic and international, reduces total cost to consumers and has the structure to form an enduring solution.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP276 tabled by **Alkane Energy Ltd** at the Modifications Panel meeting on 10 February 2017.
2. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

Use of System Charging Methodology

(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;

(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and

accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);

(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses*;

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and

(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:
 - a) This mod could potentially provide a different price signal to the market from the existing arrangement that could impact market behaviour including that of customers.
 - b) Identify the distributional impacts, including an indication of materiality, on the various types of market participants both present and emerging, including consumers who respond to price signals and those who do not.
 - c) Also include, where material, the potential impact on the transmission systems and distribution networks, system demand and balancing/cashout costs.
 - d) If some or all of the demand charge(s) should be based on individual Users' 'Smart Triad' (based on the average of the three peaks of their demand on the system during the course of the year).
 - e) If the some or all of the demand charge(s) should be on a Net or Gross basis.

- f) If the some or all of the demand charge(s) should be on a capacity basis.
- g) The allocation of sunk / fixed costs, including for storage and 'behind the meter' generation.
- h) The appropriateness of the time duration per day and the days of the week.
- i) The impact on domestic customers of recovering more costs via a fixed charge which cannot be avoided including the impact on customers in fuel poverty and vulnerable customers.

j) Implementation approaches

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k) Effect on Transmission connected Generation when from a Tariff perspective G=0

l) The signal that Negative Generation would have on Residual

6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of **15 working days** as determined by the Modifications Panel.
11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on **17 August 2017** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **25 August 2017**.

Membership

13. It is recommended that the Workgroup has the following members:

Role	Name	Representing
Chairman		
Technical Secretary		
National Grid Representative		
National Grid Representative*		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Industry Representatives		
Authority Representatives		

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP276 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of

those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise]. There may be up to three rounds of voting, as follows:

- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
- Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;
- Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.
18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
19. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

Appendix 1 – Recommended Standard Workgroup Timetable

The following standard timetable is indicative for CMP276 as per the determination of the Authority.

6 February 2017	CUSC Modification Proposal and request for Urgency submitted
10 February 2017	CUSC Panel meeting to consider proposal and urgency request
10 February 2017	Panel's view on urgency submitted to Ofgem for consultation
10 February 2017	Request for Workgroup members (10 Working days) (responses by 24 February 2017)
17 February 2017	Ofgem's view on urgency provided (5 Working days)
24 February 2017	CUSC Panel meeting to consider Terms of Reference for CMP276
w/c 6 March 2017	Workgroup meeting 1
w/c 27 March 2017	Workgroup meeting 2
w/c 24 April 2017	Workgroup meeting 3
8 May 2017	Workgroup Consultation issued (15 days)
30 May 2017	Deadline for responses
w/c 12 June 2017	Workgroup meeting 4
w/c 1 July 2017	Workgroup meeting 5
w/c 7 August 2017	Workgroup meeting 6 (agree WACMs and Vote)
17 August 2017	Workgroup report issued to CUSC Panel
25 August 2017	CUSC Panel meeting to approve WG Report

Post Workgroup modification process

30 August 2017	Code Administrator Consultation issued (15 Working days)
20 September 2017	Deadline for responses
3 October 2017	Draft FMR published for industry comment (5 Working Days)
10 October 2017	Deadline for comments
19 October 2017	Draft FMR circulated to Panel
27 October 2017	Panel meeting for Panel recommendation vote
1 November 2017	FMR circulated for Panel comment (3 Working day)
6 November 2017	Deadline for Panel comment
8 November 2017	Final report sent to Authority for decision
13 December 2017	Indicative Authority Decision due (25 working days)
20 December 2017	Implementation date