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Abid Sheikh
Industry Codes Manager
Ofgem
By email

26 July 2016

Dear Abid

CUSC Modifications Panel Views on Urgency for 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.’

On 18 July 2016, EDF Energy raised CMP267, with a request for the proposal to be treated as an Urgent CUSC Modification Proposal. The CUSC Modifications Panel ("the Panel") considered CMP267 and the associated request for urgency at the Special CUSC Modifications Panel meeting held on 19 July 2016. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

Request for Urgency

The Panel considered the request for urgency with reference to Ofgem's Guidance on Code Modification Urgency Criteria. The majority view of the Panel is that CMP267 SHOULD be treated as an Urgent CUSC Modification Proposal.

In the discussion, members of the Panel noted a few concerns over not granting urgency, set out below;

- Ofgem 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.
- The CUSC Panel recognise that there is ongoing discussions between National Grid and the Industry regarding this issue however it was also recognised that Ofgem's determination date is not likely to be deferred to a later date..

Procedure and Timetable

Having decided to recommend urgency to Ofgem, the Panel discussed an appropriate process for CMP267. The Panel agreed that the CMP267 proposal would require a Workgroup and careful consideration due to its potential implications.

The Panel agreed that CMP267 subject to Ofgem's decision on Urgency should follow the attached Code Administrators proposed timetable (Appendix 1). This was supported by majority view.

The Proposer is keen to resolve this issue as soon as possible and did not agree with the Code Administrators indicative timetable and has proposed an alternative timetable which removes a consultation stage from the process. For completeness,

we are also including the Proposer's timetable and their justification for a shorter timetable for you to consider (Appendix 2). Although Panel members understand the Proposer's concerns, they do not think that this timetable is feasible and have expressed concern that by removing a consultation stage that this could significantly increase the risk of an inadequate report which would be rejected on the basis of insufficient quantification of detail.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Toms', written in a cursive style.

Michael Toms
CUSC Panel Chair

Appendix 1 – Indicative Workgroup Timetable (Urgent) – Proposed Code Administrator Recommended Timetable

The following urgent timetable is following is indicative for CMP267 as per the recommendation of the Code Administrator

18 July 2016	CUSC Modification Proposal and request for Urgency submitted
19 July 2016	CUSC Panel meeting to consider proposal and urgency request
25 July 2016	Panel's view on urgency submitted to Ofgem for consultation
19 July 2016	Request for Workgroup members (5 Working days) (responses by 25 July 2016)
28 July 2016	Ofgem's view on urgency provided (3 Working days)
2 August 2016	Workgroup meeting 1
9 August 2016	Workgroup meeting 2
16 August 2016	Workgroup meeting 3
19 August 2016	Workgroup Consultation issued (5 days)
26 August 2016	Deadline for responses
5 September 2016	Workgroup meeting 4
8 September 2016	Workgroup meeting 5 (agree WACMs and Vote)
16 September 2016	Workgroup report issued to CUSC Panel
20 September 2016	Special CUSC Panel meeting to approve WG Report

Post Workgroup modification process

22 September 2016	Code Administrator Consultation issued (5 Working days)
29 September 2016	Deadline for responses
4 October 2016	Draft FMR published for industry comment (2 Working Days)
6 November 2016	Deadline for comments
4 October 2016	Draft FMR circulated to Panel
11 October 2016	Special Panel meeting for Panel recommendation vote
13 October 2016	FMR circulated for Panel comment (3 Working day)
18 October 2016	Deadline for Panel comment
19 October 2016	Final report sent to Authority for decision
2 November 2016	Indicative Authority Decision due (10 working days)
7 November 2016	Implementation date

Appendix 2 – Proposed EDF Workgroup Timetable (Urgent without Workgroup Consultation)

The following timetable has been suggested by EDF Energy. EDF also provide the following reason for this;

'EDF Energy believes its Proposal merits progress via an urgent modification process, as the nature of the proposal exhibits the following characteristics:

- The proposal is linked to an imminent date related event (on the 24th August 2016, after 3 months of consideration, Ofgem will make a determination as to the validity of the IAE that was raised by National Grid). Moreover a very large volume of customers (both domestic and non-domestic) will re-contract with suppliers this autumn. Uncertainty on allocation of this large cost will impact those contracts to the detriment of consumers.
- There is a significant commercial impact on CUSC parties and their customers.

We understand that, after the Authority's decision, National Grid is planning to engage with the industry to decide how best to recover these costs. Consultation and implementation could add a few months to this process – which during this time there is a significant amount of further uncertainty on how to treat the allocation of £113m of costs and what it means for suppliers and their customers.

Customers who are currently contracting with suppliers face uncertainty as to how much of the IAE event they will end up picking up. Those customers on pass-through terms may end up unfairly picking up a proportion of the Black Start costs based purely on the profiling of costs allocated by National Grid without due thought on the impact it will have to those organisations. If we are unable to obtain an implementation date within September 2016 then certain customers will continue to bear the full risk on the eventual outcome. We do not believe there is any point in extending the process further as there is unlikely to be material value gained and certainty is very critical in this case. '

18 July 2016	CUSC Modification Proposal and request for Urgency submitted
25 July 2016	CUSC Panel meeting to consider proposal and urgency request
25 July 2016	Panel's view on urgency submitted to Ofgem for consultation
19 July 2016	Request for Workgroup members (3 Working days) (responses by 22 July 2016)
25 July 2016	Ofgem's view on urgency provided (3 Working days) (response back by 28 July 2016)
2 August 2016	Workgroup meeting 1
9 August 2016	Workgroup meeting 2
16 August 2016	Workgroup meeting 3 (including legal text)
26 August 2016	Issue Workgroup Report to CUSC panel (5 days – deadline 5th Sept 2016)
6 September 2016	Issue Code Admin Consultation Report (6 days)
15 September 2016	Deadline for responses (15th September 2016)
20 September 2016	Special CUSC Panel meeting to approve WG Report and vote on CMP267
23 September 2016	Final report sent to Authority for decision
30 September 2016	Indicative Authority Decision due (5 working days)
5 October 2016	Implementation date