

Minutes

Meeting name	CUSC Modifications Panel
Meeting number	209
Date of meeting	30 June 2017
Location	National Grid House, Warwick

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Caroline Wright	CW	Code Administrator (alternate)
Heena Chauhan	HC	Panel Secretary
Louise Schmitz	LS	National Grid Panel Member
Simon Lord (dial-in)	SL	Users' Panel Member
Cem Suleyman	CS	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
James Anderson (dial-in)	JA	Users' Panel Member
Paul Mott (dial-in)	PM	Users' Panel Member
Kyle Martin (dial in)	KM	Users' Panel Member
Andy Pace	AP	Consumer Panel Member
Nadir Hafeez (dial-in)	NH	Authority Representative
Nicholas Ruben	NR	ELEXON
Rupert Steele	RS	CMP280 and CMP281 Proposer (Scottish Power)
Damian Clough	DC	CMP282 Proposer (National Grid)
Urmi Mistry (dial-in)	UM	CMP283 Proposer (National Grid)

1 Introductions and Apologies for Absence

Apologies were provided by John Martin (JM) and Garth Graham (GG). Caroline Wright attended as the alternate for JM. GG had confirmed that James Anderson (JA) would act as his alternate and hold his voting rights.

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/>

2 Approval of previous meeting Minutes

6476. The minutes from the CUSC Panel meeting held on the 26 May 2017 were approved subject to comments received and are available on the National Grid website. Comments were received from PJ for the CUSC Panel meeting on 26 May 2017.

3 Review of Actions

6477. **Minute 6079:** GG to address the issue of modifications being raised by parties following their proposals being rejected as WACMs by Workgroups at GSG.

6478. HC noted that this item had been raised at the last GSG meeting and that this had also been added to the GSG Future Work Plan.

6479. **Minute 6277:** CW to clarify when the start of the 'Pending Modifications' period would be e.g. is it at the point that a Proposal has been raised or when the FMR had been sent to the Authority.

6480. CW noted that this action is still outstanding and awaiting confirmation from National Grid's legal department.

6481. **Minute 6384:** GG to discuss CMP261 process issues including the circulation of documents by non-Panel members and late paper submissions at the next GSG meeting and provide guidance back to the Panel.

6482. HC noted that this item had been raised at the last GSG meeting and that this had also been added to the GSG Future Work Plan.

6483. **Minute 6415:** HC to update the CMP250 timetable to accommodate a 15 Working day Code Administrator consultation.

6484. This action is complete.

6485. **Minute 6422:** HC to ensure that the Code Administrator and National Grid Representative contact NR to discuss CMP271/CMP274 and their impact on the BSC.

6486. This discussion has taken place and it has been noted that it is still too early in the process to identify if there an impact on the BSC. This action is complete.

6487. **Minute 6428** HC to request the Code Administrator to review the requirements for CMP271/CMP274 and CMP276 again with the Proposers to address the Panel's concerns in terms of the scope and efficiency of CMP276 and to try and coordinate all three proposals to ensure stakeholders are able provide a view in a timely manner.

6488. HC noted that the Code Administrator envisages that whilst the CMP271/CMP274 Open Letter is out with Industry, work can continue on CMP276 and that the modifications should be able to join together at the Workgroup Consultation stage of the process. More detail will be discussed this in more detail at the July Workgroup meeting and a suggested way forward will be submitted to the CUSC Panel in July.

6489. **Minute 6429:** HC to ensure that a revised CMP276 timetable is developed after the next Workgroup meeting and shared at the June Panel meeting.

6490. This action is outstanding, a revised timetable will be provided at the July Panel meeting.

4 New Proposals

6491. **CMP280 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users'**

6492. RS from Scottish Power joined the Panel to present the first of his Proposals to the CUSC Panel. RS explained that that under the current Charging Methodology, Generator and Storage parties contribute to both the Generation and Demand TNUoS Residual tariff elements; these parties are therefore contributing more towards the residual cost of the network when compared with other Users.

6493. RS also highlighted that Storage Users in particular, who compete with Generators in the provision of Ancillary Services, may therefore be at a competitive disadvantage due to their much higher exposure to TNUoS Demand Residual tariff elements. This is because in the case of Storage, imports typically exceed exports, whereas for Generators imports are typically a small proportion of exports.

RS explained that Generators and electricity Storage Operators generally should be able to avoid exposure to Demand TNUoS charges by minimising demand at times of peak system demand (Triad) through generating at these times in order to help balance the system. However, should they import over the Triad (e.g. due to plant outage or instruction to store energy from the System Operator) or should changes in the charging of Demand Residual make it harder to avoid incurring the costs, they would be exposed to potentially significant Demand TNUoS charges. This defect therefore aims to remove liability from Generator and Storage Parties for the Demand Residual element of the TNUoS tariff.

6494. RS noted that Ofgem had also highlighted a requirement for the Industry to address the current issues with Storage charges in its TCR document issued in March 2017, which stated that these charges should not be paid. PM questioned if this included Generation demand. RS responded and clarified that this would only be for when importing at Triad.

6495. RS concluded that although his proposal outlined Scottish Power's initial views on a potential solution to this defect, he envisaged that it was likely that additional WACMs would be raised by the Workgroup during the development of this Proposal.

6496. PJ noted that it might be more difficult to resolve import TNUoS Storage charges than for generation. PM considered that demand TNUoS is likely to be different in the future due to a different charging base. RS believed his modification to be self-standing and did not think it would need to be modified in the future.

6497. MT asked RS if CMP280 and CMP281 should be considered jointly. RS noted that both modifications in his opinion should be treated separately but could be considered by one Workgroup.

6498. NR asked RS if his Proposal was relevant to only CVA Storage or did it cover all forms of Storage. RS confirm that this only applied to CVA Storage.

6499. AP asked if the Proposal addressed double charges and charges for embedded generation. NR noted that if the Proposal were to extend to SVA than this would impact other areas. PJ asked if an additional BMU would be required. NR confirmed that it would and stated that this would be a simple solution.
6500. NR asked if this Proposal impacted the DCUSA, in particular Distribution Embedded Storage Generators. RS noted that this was possibility. NR stated that he would also like to understand if there is a cross code implication. RS was not sure and stated that a Distribution Owner would need to consider this and that this could not be addressed by this forum. RS also noted that embedded plants may require broader consideration, in particular on their import at Triad.
6501. LS queried the implementation date of the Proposal, seeking clarification of whether April 2018 related to the date the changes need to be reflected within code or within the charges. RS responded and confirmed that this would be depending on the progress of the Workgroup. LS highlighted to the Panel that they would need to consider the practical aspect of what the implementation date may look like as tariffs are required to be published in December and therefore a decision would be required in November in order to meet this date as there should only be minor changes from the draft to final publication of tariffs. LS also highlighted that tariffs take approximately 6 weeks to produce but if a system change is required there will be a longer lead time to implement any approved change.
6502. MT asked the Panel to consider the Terms of Reference for the Workgroup. CW captured the draft Terms of Reference for the Workgroup and the Panel agreed these changes in the Panel meeting.
6503. Overall, the Panel considered that the Workgroup's Terms of Reference should consider the practical implications of a solution. KM noted that the Workgroup should consider interactions with other participants such as distribution storage to enable an informed decision to be made. PJ asked that the Workgroup consider wider Industry issues, especially charging review, demand residual. PM suggested that locational charges would also need to be considered. The Panel also noted the development of the modification would need to consider the requirements of Ofgem's TCR and the associated timings of Ofgem's TCR.
6504. CW presented the standard timetable to develop this Proposal and highlighted that a considerable amount of pre-work would be carried out between the Code Administrator, the National Grid Representative and the Proposer to start developing the workgroup Report and identify pre-reading material and analysis requirements for the Workgroup ahead of the first Workgroup meeting. This would mean that by the first Workgroup meeting, the Workgroup would have a full understanding of the context of the modification, a consistent understanding of the baseline and a clear understanding of the scope of the Terms of Reference. The Panel supported this approach and approved the timetable.
6505. **CMP281 'Removal of BSUoS Charges from Energy Taken From the National Grid System by Storage Facilities'**
6506. RS presented his second Proposal to the CUSC Panel explaining that under the current Charging Methodology, Storage providers pay BSUoS on both their import and export volumes (in addition to the BSUoS costs implicit in their 'fuel cost'). Storage

providers are therefore contributing more towards the cost of balancing the system than other users. Storage providers, who compete with Generators in the provision of ancillary services, are therefore at a competitive disadvantage, which is likely to distort market outcomes and so disadvantage consumers.

6507. The modification therefore aims to remove liability from storage facilities for Balancing Services Use of System (BSUoS) charges on imports.

6508. When reviewing the proposed changes to the legal text, PJ noted that the term 'Exemptible' should not be used in in the Proposal as this was already a defined term.

6509. NR asked if the modification would require any consequential change to the BSC and RCRC. RS confirmed that this would be considered.

6510. KM queried the impact the proposal would have on assets that are co-locational.

6511. NR noted that National Grid would have an opportunity to make the Grid Settlement Group aware of this proposal.

6512. LS noted that if the Proposal was likely to impact IS systems then the implementation date may also be impacted due to the lead time required to make system changes. RS confirmed that this defect would need to be addressed quickly, and if possible be reflected in the 2018 charges but noted that the Workgroup will need to consider any system changes.

6513. PJ highlighted the interaction with CMP250 and CS confirmed that these proposals are linked.

6514. CS asked if the Workgroup could look at different services such as High Frequency Response and fuel equivalency.

6515. NR noted that Ofgem's TCR had considered Storage but understood this to more broad and had envisaged a more thorough Storage framework across all codes.

ACTION: NH to review the TCR and in particular the requirements for Storage and report back at a future Panel meeting.

6516. CW shared the proposed timetable with the Panel and noted that implementations would not be applicable until Charging Year 2019/20. RS confirmed that IS system constraints were unknown presently, however, if these proved to be immaterial then implementation could be applicable in 2018.

6517. The Panel considered that the Workgroups Terms of Reference. CW captured the draft Terms of Reference for the Workgroup and these were agreed by the Panel in the meeting.

6518. The Panel agreed that the Proposal be further developed by a Workgroup following the standard timetable proposed by the Code Administrator.

6519. **CMP282 'The effect Negative Demand has on Zonal Locational Demand Tariffs'**

6520. DC joined the Panel as the Proposer for CMP282 to present his modification. DC explained the defect noting that the Transport part of the DCLF model calculates a locational signal for each node on the network and the locational signal reflects the effect on total flows on the system of adding 1MW of Generation at particular location. DC highlighted that Demand locational signals are the inverse of Generation and that to create stability locational signals are weighted to create a zonal locational charge. Negative Demand in Scotland has the effect of increasing the locational tariff in the opposite direction which the underlying locational signals indicate.
6521. DC clarified that this defect had initially been noticed when producing the 18/19 tariffs explaining that this is an issue across the network and not just in Scotland.
6522. DC requested that the Panel support Urgency to meet Draft publication of TNUoS tariffs, explaining that even though tariffs are finalised at the end of January, and the feedback from Industry indicates that Draft tariffs are a key publication and a decision would be required by December to enable the setting of draft tariffs. DC also noted that there is likely to be more than one option to solve this defect.
6523. MT confirmed that the Panel understand the CMP282 Proposal and asked if the Proposal was likely to have a monetary impact. DC confirmed that it would for Generation and Demand tariffs.
6524. CS questioned the impact on underlying locational Demand and nodes which go into export node. DC confirmed that this would only be applicable to nodes that are impacted in each Demand zone.
6525. PJ noted that the solution identified in the proposal was not the only possible way of addressing the issue. Additionally, the impact on exporting zones would need to be addressed by the Workgroup, as well as how this proposal would interact with CMP264, CMP265 and CMP276.
6526. NR noted that in their assessment of the Final Modification Report, the Authority would assess the impact of the proposal against competition and cost reflectivity but considered cost reflectivity would be affected.
6527. The Panel considered the Terms of Reference the Workgroup would need to address for this Proposal. The Panel asked that the Workgroup consider the interaction of this proposal with other modifications and the impact the proposal would have on locational signals. CW captured the draft Terms of Reference for the Workgroup and the Panel agreed these in the meeting.
6528. AP noted that he was concerned about the Urgent timetable and that the suggested implementation date was likely to impact Suppliers with fixed prices negatively. LS expressed that the defect which has been identified is not creating locational signals which are appropriate for demand users where there is negative demand. LS fully supported that this defect needed to be addressed as soon as possible. AP agreed with LS but was concerned that this would impact customers risk premium and that Suppliers would need to be made aware of this situation as soon as possible. LS confirmed that a publication would be issued today highlighting this situation. AP also considered that by following an Urgent timetable, smaller players would also be impacted by the early implementation of this modification.

6529. MT asked NH if he had a view on Urgency for this Proposal. NH confirmed that if the Panel agreed to recommends Urgency then Ofgem would review this on receipt of the letter from the Panel.
6530. LS confirmed that Andrew Self at Ofgem was aware of this issue.
6531. The Panel agreed by majority to recommend that this proposal follow an Urgent timetable to Ofgem.
6532. **CMP283 ‘Consequential Changes to enable the Interconnector Cap and Floor regime’**
6533. UM joined the Panel meeting via WebEx to present her Proposal and explained to the Panel that the modification aims to facilitate the Interconnector Cap and Floor regime through creating the process for data provision between Interconnectors and National Grid within the CUSC to meet licence requirements.
6534. UM explained the aim of the interconnector Cap and Floor regime is to limit the monies that Interconnectors can make by establishing a cap, and limit any losses by placing a floor. Any additional monies Interconnectors require, to meet the floor, will come from Customers via TNUoS and excess revenue, over the cap, will also be paid via TNUoS; with a corresponding increase or decrease in consumer bills.
6535. UM clarified that Condition 26 of the standard Interconnector Licence has the purpose of setting out when the licensee should provide values relating to revenue adjustment to the GB System Operator and the Authority and points to the CUSC. Currently, these requirements are not stated in the CUSC and so there is no procedure for data provision for this regime of the ‘Use of Revenue’ framework for IFA.
6536. This modification will create a consistent process of data provision and revenue flows for all TOs and give practical effect to the changes made to Interconnector Licences. UM noted that the modification defines a process for data and money flows, and clarified that it did not, and cannot change TNUoS tariffs, as it is not a change to Section 14. The proposed Licence changes have already dictated that revenues associated with cap and floor should pass through TNUoS.
6537. UM clarified that without making a change to the CUSC, there would be no alternative practical way to make the necessary licence condition changes.
6538. MT asked if this modification is likely to lead to any alternative solutions. UM confirmed that as the solution would be aligned to existing processes, there would not be any alternatives.
6539. PJ noted some minor errors within the legal text and asked UM to resolve these prior to the consultation being issued out to the Industry.
- ACTION: HC to confirm that the CMP283 Proposer has corrected the legal text prior to the consultation being issued out to the Industry.**
6540. NR asked if the proposal required additional data to be collected. UM confirmed Interconnectors already provided the required data.

6541. The Panel agreed to the proposed timetable and to treat this proposal as a standard modification to be issued out to Code Administrator consultation without forming a Workgroup.

5 Workgroups/Standing Groups & Review of Plan on a Page

6542. The Panel reviewed the CUSC Plan on a Page.

6543. **CMP250 'Stabilising BSUoS with at least a twelve month notice period'**. CMP250 aims to eliminate BSUoS volatility and unpredictability by proposing to fix the value of BSUoS over the course of a season, with a notice period for fixing this value being at least 12 months ahead of the charging season.

6544. HC requested a two month extension from July to September Panel for the Workgroup Report to be presented back to the Panel. The Panel noted that National Grid are in discussions with Ofgem and will be looking at options to mitigate the funding risk to the SO following future licence changes for the SO and TO in order to avoid the risk of send back for this Proposal.

6545. **CMP268 'Recognition of sharing by Conventional Carbon plant of Not-Shared Year-Round circuits'**. CMP268 proposes to change the charging methodology to more appropriately recognise of the impact of "Conventional Carbon" generation on transmission network investment costs in areas with low diversity of generation ideally ahead of the December 2016 Capacity Auction.

6546. HC confirmed that seven responses had been received to the Code Administrator Consultation. It was also noted that two of these came from non-Workgroup members. HC advised that the Draft Final Modification Report was on track to be issued after the CUSC Panel meeting.

6547. **CMP271 'Improving the cost reflectivity of demand transmission charges'**. This CUSC modification proposal aims to improve the cost reflectivity of demand transmission charges.

And

6548. **CMP274 'Winter TNUoS Time of Use Tariff (TToUT) for Demand TNUoS'**. This CUSC modification proposal aims to improve the cost reflectivity of demand transmission charges.

6549. HC noted that the Open Letter for these Proposals is currently being drafted. The Code Administrator will be setting up a meeting to discuss and share this with the wider Workgroup; this is likely to be at the start of July.

6550. MT commented that following discussions with Lesley Nugent of Ofgem, this Proposal may have elements that are impacted by the SCR. At this stage, the Workgroup would be advising the Panel and then the Panel in turn would provide a recommendation to the Authority.

6551. **CMP275 ‘Transmission generator benefits in the provision of ancillary and balancing services – levelling the playing field.’** CMP275 seeks that a principle of financial mutual exclusivity is introduced to prevent BM units from accessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset.

6552. HC noted that this workgroup is on track and that the Workgroup consultation will close on 4 July 2017.

6553. **CMP276 Socialising TO costs associated with "green policies".** 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.

6554. HC noted that a WebEx meeting was held on the 28th June 2017. The Workgroup discussed the tariff impact of the proposed solution. Another meeting is due to be held in July where the Workgroup will work on the timetable and the full mechanics of the modification. Following the CMP264/65 decision the Proposer is still supporting the progress of his modification.

6555. **CMP279 ‘Housekeeping modification to amend typographical errors in the CMP272 legal text.’** This proposal seeks to address the Authority’s recommendations for CMP272. The Authority when making its decision to approve the implementation of CMP272 noted three legal text errors in the Final Modification Report and recommended that these should be corrected via a Housekeeping Modification.

6556. HC noted that this modification was implemented in the CUSC on the 31 May 2017.

6557. **CMP277 ‘Special License Condition 4J’** CMP277 seeks to update Section 14.30.6 and 14.32 of the CUSC to reflect the changes made to the terms of the external BSUoS charges recoverable by the SO due to new License Condition 4J and changes to Special License Condition 4C.1.

and

CMP278 ‘BSIS 2017 Housekeeping’ CMP278 seeks to update CUSC sections 14.30.11 and 14.32 to reflect the changed cap and collar and sharing factors of the Balancing Services Incentive Scheme as detailed in the current Ofgem Statutory License Consultation and; update 14.32 example BSUoS calculation to reflect changed terms within external BSUoS costs detailed in License change.

6558. CA noted that there had been a query on the legal text around CMP278, which resulted in the Code Administrator delaying the implementation for CMP277 and CMP278. A recommendation on these proposals would be provided to the Panel at its Special CUSC Panel meeting on 4 July 2017.

6559. **Governance Standing Group (GSG).**

6560. HC shared the GSG future Work Plan with the Panel and noted that the GSG had met 19 June 2017.

6561. **Transmission Charging Methodologies Forum (TCMF) and CUSC Issues Steering Group (CISG).**

6562. LS noted that at the June 2017 TCMF meeting an update had been provided to the Industry on current modifications, the CUSC User Panel Election process and presentations from the Proposers of the four new modification proposals tabled at the June Panel meeting.

5 European Code Development

6563. NH did not have an update to provide to the Panel this month.

6564. **Joint European Stakeholder Group (JESG)**

6565. HC noted that National Grid had provided an update on TSOG followed by Ofgem providing an update on TSO methodologies focusing on Regional Design of Long Term Transmission Rights.

7 Authority Decisions as at 18 May 2017

6566. NH confirmed that there had been an Authority decision on CMP264/265/269/270 and the consequential BSC modifications. NH also confirmed that CMP261 will be considered alongside CMP251 as planned.

8 Update on Industry Codes/General Industry Updates relevant to the CUSC

6567. CW provided an update to the Panel regarding CUSC Panel Chair appointment and CUSC Panel Election process.

6568. CW advised that a number of candidates had been reviewed and interviews were due to take place week commencing 10 July 2017. AP requested a copy of the list of candidates and CW confirmed that she would share this with him.

9 AOB

6569. PJ highlighted to the Panel that as there was a lot of change going on with the Industry and could the use and purpose of the BSSG be reviewed again as this forum might be useful to the Industry.

ACTION: LS to review the BSSG within National Grid and report back to the Panel.

6570. NR highlighted that under the BSC, the BM Lite Balancing Mechanism P355 was in process of being raised. This modification will impact the CUSC and Grid Code in the future.

6571. NH noted that he would be attending the July Panel in person.

6572. The Panel agreed to hold its annual dinner in September 2017.

10 Next meeting

6573. The next normal Panel meeting will take place on 28 July 2017 at National Grid House, Warwick. A Special CUSC Panel meeting will take place 4 July 2017 to vote on CMP268.