

Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP 271 WORKSHOP

CMP271 aims to improve the cost reflectivity of demand transmission charges. It is proposed that the transmission charging methodology should include a Peak Security demand tariff levied at Triad, a Year Round demand tariff and revenue recovery levied on year round supplier demand.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal **CMP271 'Improving the cost reflectivity of demand transmission charges'** tabled by RWE at the Modifications Panel meeting on 30 September 2016.
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' 'User specific' (based on the average of the three peaks of their demand on the system during the course of the year). Clarity sought on this area and whether it should be broader
 - 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 or commodity basis.
 - g) The allocation of sunk / fixed costs, including for storage and 'behind the meter' generation.
 - h) Impact on supplier billing systems, industry systems, processes and National Grid
 - i) Assess the cost recovery of Peak and Year Round elements of demand tariffs
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 20 April 2017 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 28 April 2017.

Membership

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

Role	Name	Representing
Chairman	John Martin	National Grid

<i>National Grid Representative*</i>	Rob Marshall	National Grid
<i>Industry Representatives*</i>	Bill Reed Garth Graham William Chilvers Helen Inwood Mike Davies Graz Macdonald Laurence Barrett Simon Lord Karl Mayron James Anderson Robert Longden Christopher Granby Lisa Waters George Moran Jonathan Graham Paul Mott Paul Jones Sam Wither	RWE SSE ESB Npower Eider Reserve Power Green Frog Power EON Engie Haven Power Scottish Power Cornwall Energy Infinis Waters Wye British Gas THE ADE EDF Energy Uniper UK Power Reserve
<i>Authority Representatives</i>	Dominic Green	Ofgem
<i>Technical secretary</i>	Chrissie Brown	National Grid
<i>Observers</i>	Matthew Tucker	Welsh Power
	Chris Webb	Linde Gas c/o BOC Limited

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 CMP271 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 – Indicative Workgroup Timetable

Workgroup Timetable

20 September 2016	CUSC Modification Proposal submitted
30 September 2016	CUSC Modification tabled at Panel meeting
5 October 2016	Request for Workgroup members (10 Working days)
W/c 31 October 2016	First Workgroup meeting (subsequent meetings to be scheduled every 2 to 3 weeks)
w/c 30 January 2017 w/c 13th March 2017.	Workgroup meeting prior to Workgroup Consultation Workgroup meeting prior to Open letter publication
<u>6 April 2017</u>	<u>Issue Open letter</u>
<u>9 May 2017</u>	<u>Hold Workshop to discuss analysis required</u>
<u>w/c 13 May 2017</u>	<u>Workgroup meeting post open letter and workshop</u>
<u>22 May – 17 August 2017</u>	<u>Analysis on consumer impact instructed and carried out</u>
<u>w/c 20 August 2017</u>	<u>Workgroup meeting to discuss analysis carried out and Workgroup Consultation</u>

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9 February 2017 <u>3 September 2018</u>	Workgroup Consultation issued (15 Working days)
3 March 2017 <u>24 September 2017</u>	Deadline for responses
w/c 3 October 2017 <u>13 March 2017</u>	Workgroup meeting post Workgroup Consultation
w/c 3 April 2017 <u>October 2017</u>	Workgroup meeting to vote
20 April 2017 <u>19 October 2017</u>	Workgroup report issued to CUSC Panel
28 April 2017 <u>27 October 2017</u>	CUSC Panel meeting to discuss Workgroup Report

Post Workgroup modification process

10 November 2017 <u>4 May 2017</u>	Code Administrator Consultation issued (15 Working days)
28 May 2017 <u>1 December 2017</u>	Deadline for responses
12 June 2017 <u>11 December 2017</u>	Draft FMR published for industry comment (5 Working days)
19 June 2017 <u>18 December 2017</u>	Deadline for comments
18 January 2018 <u>22 June 2017</u>	Draft FMR circulated to Panel
30 June 2017 <u>26 January 2018</u>	CUSC Panel Recommendation vote
5 July 2017 <u>31 January 2018</u>	FMR circulated for Panel comment (5 Working days)
12 July 2017 <u>7 February 2018</u>	Deadline for Panel comment
14 July 2017 <u>9 February 2018</u>	Final report sent to Authority for decision
18 August 2017 <u>16 March 2018</u>	Indicative Authority Decision due (25 Working days)
25 August 2017 <u>1 April 2021</u>	Implementation date (<u>Implementation date proposed to be three charging years after decision by Authority</u>) <u>(5 Working days later)</u>