nationalgrid

Stage 01: Initial Written Assessment

Connection and Use of System Code (CUSC)

CMP192 Enduring User Commitment

What stage is this document at?

01	Initial Written Assessment
02	Workgroup Consultation
03	Workgroup Report
04	Code Administrator Consultation
05	Draft CUSC Modification Report
06	Final CUSC Modification Report

This CUSC Modification Proposal adds a new section to the CUSC which will detail the methodology used to determine a generator's financial liabilities in relation to the provision of new or additional generation capacity.

This document is an Initial Written Assessment to support CMP192.

Published on: **01 March 2011**

The Proposer recommends:
CMP192 proceeds to a Workgroup

The Code Administrator recommends:
CMP192 proceeds to a Workgroup

High Impact:
Generators, Transmission Owners

Medium Impact:
Name of parties impacted

Low Impact:
Name of parties impacted

Contents

About this document

This document is an Initial Written Assessment to support CMP192 which will be presented by the Proposer to the Amendments Panel on 25 February 2011. The Panel will consider the Proposer's recommendation, and agree whether this Proposal should proceed to a Code Administrator Consultation or be referred to a Workgroup for development.

Any Questions?

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Proposer:

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National Grid

1 Why Change?

Background

Final Sums Liabilities (FSL)

Under the current security arrangements, electricity generators who wish to connect to the high voltage transmission system have to provide a level of financial security for the period from signature of a connection agreement to commissioning. This is a contractual obligation between the customer and National Grid who acts as the National Electricity Transmission System Operator (NETSO), once the connection offer has been signed by the customer.

This security which is known as Final Sums Liabilities (FSL) is intended to protect the Transmission Companies from the financial risk of a generator cancelling their project. This could lead to assets being built by the Transmission Owner (TO) being stranded as they are no longer being used by the original generator and the assets may not be reused.

FSL generally tracks the costs incurred by the TO in building the infrastructure to allow the generator to connect to the transmission system. However these costs are uncertain as the estimates can vary depending on factors such as the number of generators sharing the construction works required to connect each unit. The risk of this unpredictable cost is that generators could become liable for significant amounts of security compared with the cost of its own construction. As a result, this can create a barrier for smaller generators such as renewables to secure finance in order to connect to the Transmission Network.

Interim Generic User Commitment Methodology (IGUCM)

In order to address the issues within the current security arrangements, National Grid introduced an interim methodology called IGUCM. This was based on a fixed formula which took into account multiples of annual generation Transmission Network Use of System (TNUoS) charges which aimed to provide a more stable and predictable security regime for connecting generators.

In conjunction with IGUCM, National Grid also reviewed User Commitment for new and existing generators under CUSC Amendment Proposal 131 (CAP131) which was submitted to the Panel in 2006. However this was rejected by the Authority in 2008 as their view was that CAP131 discriminated between new and existing generators and there was not enough justification for the differing treatment. This was based on the principle that the closure of an existing generator has the same impact on transmission investment as the cancellation of a new generator.

In 2010 the Final Sums Liabilities were further reviewed which led to an agreement between National Grid and Ofgem that an interim solution could be implemented whereby National Grid did not require security for wider transmission investment works from generators. This agreement on the two interim arrangements was time-limited to 31st March 2011 (recently extended to 31st March 2012), and therefore National Grid is seeking to develop and introduce an enduring regime before this date.

Transmission Owner

There are several Transmission Owners within GB which is divided up geographically and also onshore and offshore. These are as follows:

Onshore

England & Wales – National Grid

Scotland –
SHETL
SSE

Offshore – there are various Offshore Transmission Owners who are known as OFTOs.

TNUoS

These are charges payable by generators to the TO in order to use the electricity Transmission System

2 Solution

CMP192 seeks to add a new section to the CUSC which will detail the new methodology used to determine a generator's financial liabilities in relation to the provision of new or additional generation capacity. This will also replace the current FSL (Local works only) and IGUCM security arrangements

To address the issue of pre-commissioning and post-commissioning generators affecting transmission investment by the TO, this proposal splits the user commitment into two parts:

1. Cancellation amount (pre-commissioning plant). This includes investment for local and wider works.

2. Closure amount (post-commissioning plant). This only includes investment for wider works.

There are also 8 aspects which must be taken into account:

1. Protecting the end consumer from undue risk
2. Minimum notice period required to alter TO investment before significant costs are incurred (historically it has been an average of 4 years)
3. Profile of TO investment costs
4. Likelihood of power stations either cancelling or closing
5. Total Value at Risk (VAR)
6. Level of transmission capacity sharing between power stations
7. Proportion of TO investment not at risk due to Connect & Manage regime
8. Level of transmission asset reuse

The minimum notice period required from existing generators to notify the TO of a change is to aid efficient and economic investment decisions. This is because any closures or reduction in capacity could affect the investment required to connect pre-commissioning plant and therefore have an impact on the financial liabilities for the new generator. The provision of timely information could prevent over investment and have less risk of asset stranding.

As there may be a different liability for both local and wider works, the level of security against these works will have to be balanced. This will be between the costs to end consumers versus the level of liabilities for generators. If the security level is set too high, then there is a risk of creating a barrier for new generators. Conversely if the level is too low, then there is a greater risk of passing costs to end consumers.

Pre-commissioning

New generators that have not connected to the electricity Transmission System

Post-commissioning

Existing generators which have already connected to the electricity Transmission System

Local and Wider works

Generally, the construction works required to connect a generator to the interconnected transmission system is considered to be local works. Wider works are those that are not local, i.e. reinforcements on main system boundaries.

3 Proposed Progression

The Proposer and Code Administrator both recommend that CMP192 proceeds to a Workgroup for further development.

The proposed CMP192 Workgroup Terms of Reference are attached as Appendix 2 to this IWA.

Please see the proposed full progression timetable below for CMP192:

25th February 2011	CUSC Modifications Panel Meeting Proposer to present CMP192 Panel to agree progression and Workgroup Terms of Reference, where relevant
7th March 2011	First CMP192 Workgroup meeting
21st March 2011	Second Workgroup meeting
4th April 2011	Third Workgroup meeting
18th April 2011	Fourth Workgroup meeting
9th May 2011	Fifth Workgroup meeting
23rd May 2011	Sixth Workgroup meeting
27th May 2011	Issue draft Workgroup Consultation for Workgroup comment (5 working days)
6th June 2011	Deadline for comments on draft Workgroup Consultation
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11th July 2011	Circulate draft Workgroup Report for comment (5 working days)
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29th July 2011	Present Workgroup report to CUSC Modifications Panel

Estimated Costs of Progressing CMP192

Estimated code administration costs based on proposed timetable	
Resource costs	**£10,890** - 6 Workgroup meetings **£384** - Catering
Total Code Administrator costs	**£11,274**

Indicative industry costs	
Resource costs	**£76,230** - 6 Workgroup meetings **£48,400** – 2 Consultations
Total Industry Costs	**£124,630**

The costs above are estimates and assume:

- 6 Workgroup meetings held at National Grid offices for which there are no room costs.
- Workgroup Chairman and Technical Secretary provided by National Grid.
- 14 Workgroup members
- Resource costs are based on National Grid's "Charge-Out Rates", published in Schedule 3 of The Statement of Use of System Charges, on National Grid's website at: http://www.nationalgrid.com/uk/Electricity/Charges/chargingstatementsapproval/index.htm;
- The published rates include overheads.
- Workgroup costs assume 1.5 man days effort per meeting
- Consultation costs assume 2.5 man days effort and 16 responses to be received.

5 The Case for Change

The proposer believes that CMP192 would better meet both Applicable CUSC Objectives:

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this license;

Given that the unexpected closure of a post-commissioning power station has the same impact on planned transmission investment as the unexpected cancellation of a pre-commissioning power station, the difference in treatment between the two could potentially have an adverse impact on competition and should be objectively and transparently justified. In introducing an enduring regime, codified under open governance, whereby all Generators are incentivised to provide information on their future connection to the system, this proposal is expected to better facilitate the development of an efficient co-ordinated and economical transmission system and also establish the applicable treatment under Licence Condition C7 – Prohibition on Discriminating Between Users.

This information will also allow the Transmission Owners to plan and develop the transmission system in a more effective manner, supporting main the duties under the Act and the requirements of Transmission Licence C17.

(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

Reducing the volatility and opacity of the current arrangements for User Commitment will allow users to more accurately forecast their securities and therefore increase confidence in obtaining project financing. This will reduce the perceived barrier to new generation connecting, and hence improve competition in the generation market. Introducing equitable treatment between pre- and post-commissioning users ensures fair competition between the two by accurately reflecting the transmission liability that they both impose.

These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1

6 Recommendation

The Proposer recommends that:

- This CUSC Modification Proposal proceeds to a Workgroup

The Code Administrator recommends that:

- The timetable set out within this IWA is adopted to progress the CMP.

7 Appendix

CUSC Modification Proposal Form	CMP192

Title of the CUSC Modification Proposal:

Arrangements for Enduring Generation User Commitment

Submission Date: **17/2/2011**

Description of the CUSC Modification Proposal ***(mandatory by Proposer)***

This Modification Proposal seeks to add a new section to the CUSC defining the principles of User Commitment as they pertain to electricity Generators. This section will detail the methodology that will be used to determine individual Generators' liabilities and the level of securities required against these liabilities.

As adding or removing generation from the system has an equal and opposite effect on the need for network capacity, it is clear that both pre- and post-commissioning power stations affect decisions on new transmission investment. Whilst the cancellation of a pre-commissioning power station could affect local and wider investment decisions, the closure of a post-commissioning power station will only affect new wider investment decisions. Therefore it is proposed that the Generator User Commitment liabilities are calculated using two terms; 1), a Cancellation Amount for pre-commissioning power stations that takes account of transmission investment for local and wider works; and 2) a Closure Amount for post-commissioning power stations that takes account of the investment for wider works.

National Grid is proposing eight main aspects that the enduring solution must take into account in determining the nature and level of Cancellation and Closure liabilities and the reasonable level of securities required against these liabilities:

1. Protecting the end consumer from undue risk
2. Minimum notice period required to alter TO investment before significant costs are incurred
3. Profile of TO investment costs
4. Likelihood of power stations either cancelling or closing
5. Total Value at Risk (VAR)
6. Level of transmission capacity sharing between power stations
7. Proportion of TO investment not at risk due to Connect & Manage regime
8. Level of transmission asset reuse

The consequence of a power station cancelling or closing is that Transmission Owner (TO) investment could be spent unnecessarily, with insufficient time to allow the TO to take action to avoid the new investment. The current and interim arrangements for User Commitment assume that a user's liability is proportional to the cost of this unnecessary investment (or a generic proxy for the cost), however it may be that changing this proportion still affords an acceptable risk for end consumers whilst reducing the financing barrier for new power stations connections.

The determination of the level of liabilities and the securities required against these liabilities must also be considered separately for both local and wider works in the context of end consumers accepting a reasonable level of risk. This determination must not be unduly discriminatory or prevent promotion of competition, and should seek to provide a secure and stable business environment. In order to provide values for Cancellation and Closure Amounts that effectively account for all potential Generators, it is

proposed that the definitions of local and wider works in the context of User Commitment are based on Sections 2 and 4 of the National Electricity Transmission System Security & Quality of Supply Standards (SQSS) as defined in the Transmission Licence.

One of the aims of this proposal is to provide the right incentive so that TOs receive accurate and timely information to aid efficient and economic investment decisions, allowing the efficient discharge of TOs obligations under the Act and Licence. It is therefore proposed that the time period within which a Generator has a liability to the TO is based on the notice period that TOs reasonably require to change investment plans with the lowest practicable cost impact. It is recognised that there must be a balance between Generators providing TOs with as much notice as possible of their intentions whilst not imposing an onerous and unmanageable requirement on Generators to guarantee a level of information that they practically do not have, which would impact upon effective competition. National Grid has determined from historic investment spend profiles that this optimum notice period is, on average, four years.

This Modification Proposal will replace the current interim Final Sums (Local Works Only) and Interim Generic User Commitment Methodology (IGUCM) arrangements for identifying Generators' liabilities and associated level of securities for pre-commissioning Generators and the Full TEC Reduction Notice Period and TEC Reduction Charge for post-commissioning Generators.

We recognise that the DECC and Ofgem fundamental reviews of both the market and charging arrangements (Electricity Market Reform and Project TransmiT) may interact with this proposal. However we believe there is significant merit in progressing this particular issue in parallel. This will ensure the timely implementation of a new regime which is intended to remove uncertainty for developers and thus better enable the achievement of the common objectives of these reviews.

Description of Issue or Defect that CUSC Modification Proposal seeks to Address: ***(mandatory by Proposer)***

When a Generator terminates they are liable for Final Sums and therefore have to provide security against the company's estimate of this liability. They represent a financial commitment from pre-commissioning Generators which falls away and is replaced with Use of System charges once a power station is connected. These "final sums" are based on the costs incurred by TOs in undertaking the transmission works to provide the connection to\use of system required by that user, which turn out to be unnecessary in the event of termination.

These costs are uncertain because although estimates are provided, the exact cost due on termination will not be known until after termination. The level of these costs also varies, generally increasing in significant steps during the construction programme as TOs progress the works. There are also issues in associating and sharing specific transmission construction works (and therefore the costs associated with these) to a particular user or group of users. This could result in a Generator, due to the timing of its application or Completion Date and the amount of transmission construction works now generally required to accommodate the level of requested capacity on the transmission system, becoming liable for significant amounts compared with the size and cost of its own development. The level of liability is also subject to change as the transmission construction works alter, and this can be significantly affected by the decisions of other Generators.

In order to address the above issues, National Grid introduced the Interim Generic User Commitment Methodology (IGUCM) which set the level of Generators' liabilities and associated securities based on a multiple of their TNUoS tariff. In conjunction with these arrangements, National Grid reviewed User Commitment for New and Existing Generators under CUSC Amendment Proposal 131, which sought to introduce a generic User Commitment methodology on an enduring basis. This was rejected by the

Authority as it considered there was insufficient justification put forward for the different treatment between pre- and post-commissioning power stations. Following the Transmission Access Review and further industry consultation and discussions with Ofgem (April 2010 Final Sums Liabilities consultation), it was agreed that National Grid would implement a further interim solution where liabilities and therefore the security required for wider transmission investment works are not sought. This agreement on the two interim arrangements was time-limited to 31st March 2011 (recently extended to 31st March 2012), and therefore National Grid is seeking to develop and introduce an enduring regime before this date.

National Grid believe that the review would be best conducted in partnership with the industry through a transparent and structured governance arrangement. This will allow the industry to engage actively in the development of the enduring regime.

The Modification Proposal seeks to address the following defects in the current User Commitment regime:

1. **The methodology for calculating user commitment requirements is not defined in the existing commercial framework, and as such is non-transparent to users.**

2. **The level and volatility of liabilities, and hence the level of security, determined through the existing methodology can represent a barrier to entry for new power stations.**

3. **Any difference in treatment of pre- and post-commissioning users should be objectively justified.**

4. **The existing arrangements do not take into account the perceived risk profile associated with cancellation and closure that changes throughout a power station's lifetime**

This would address the perceived barriers to entry, provide more confidence in the firmness of capacity applications, and be equally applicable to all Generators.

Impact on the CUSC *(this should be given where possible)*

The proposal suggests the inclusion of a new section or schedule to be added to the CUSC entitled "User Commitment". The new section will bring together in one place the calculation and processes applying to the derivation of what has been previously referred to as "final sums" and IGUCM, and will define the ongoing user commitment of existing generators to incentivise early notification of reductions in capacity.

In addition to the new section of the CUSC, changes may be applicable in the following areas:

- Removal of references to "Final Sums" and new definitions as required
- CUSC Section 2.14 – Connection Charges
- CUSC Section 3.9.1 – Use of System Charges
- CUSC Section 6.6 – Payment
- CUSC Section 6.30.1 – Decrease in Transmission Entry Capacity
- CUSC Section 6.30.2 – Increase in Transmission Entry Capacity
- CUSC Schedule 2 Exhibit 1 – Bilateral Connection Agreement
- CUSC Schedule 2 Exhibit 3 – Construction Agreement and Offshore Construction Agreement

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes

Implementation of this Modification Proposal is anticipated to reduce the barriers to connection, and as

such may be expected to improve the situation for developing low carbon projects. As these are expected to replace older more carbon intensive generation this proposal, along with wider market and framework reviews, should reduce the risk of not meeting the Government's Greenhouse Gas Emissions targets.

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information *(this should be given where possible)*

BSC ☐

Grid Code ☐

STC ☒

Changing the user commitment regime is expected to provide more information that will need to be shared with TOs under the STC.

Other ☒ Transmission Licence

(please specify)

National Grid as NETSO secures works on behalf of all TOs. Both the arrangements in the CUSC and the revenue restrictions in the transmission licenses should be consistent with those in the CUSC and bilateral agreements. Therefore any change to the liabilities and security arrangements in the CUSC and associated agreements could have a consequential impact, and both should be reviewed.

Urgency Recommended:

No

Justification for Urgency Recommendation

N/A

Self-Governance Recommended:

No

Justification for Self-Governance Recommendation

N/A

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

There are no ongoing SCRs that would be applicable to this CUSC Modification Proposal.

Impact on Computer Systems and Processes used by CUSC Parties: *(this should be given where possible)*

It is not anticipated that this proposal will affect the computer systems of CUSC parties. As part of the development National Grid will review the robustness of internal system for determining the liability and security requirements.

Details of any Related Modification to Other Industry Codes *(where known)*:

To be confirmed, when the proposals has been fully developed.

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:
(mandatory by proposer)

Please tick the relevant boxes and provide justification:

☒ **(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence**

Given that the unexpected closure of a post-commissioning power station has the same impact on planned transmission investment as the unexpected cancellation of a pre-commissioning power station, the difference in treatment between the two could potentially have an adverse impact on competition and should be objectively and transparently justified. In introducing an enduring regime, codified under open governance, whereby all Generators are incentivised to provide information on their future connection to the system, this Modification Proposal is expected to better facilitate the development of an efficient co-ordinated and economical transmission system and also establish the applicable treatment under Licence Condition C7 – Prohibition on Discriminating Between Users.

This information will also allow the Transmission Owners to plan and develop the transmission system in a more effective manner, supporting main the duties under the Act and the requirements of Transmission Licence C17.

☒ **(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.**

Reducing the volatility and opacity of the current arrangements for user commitment will allow users to more accurately forecast their securities and therefore increase confidence in obtaining project financing. This will reduce the perceived barrier to new generation connecting, and hence improve competition in the generation market. Introducing equitable treatment between pre- and post-commissioning users ensures fair competition between the two by accurately reflecting the transmission liability that they both impose.

These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1

Details of Proposer: (Organisation Name)	National Grid Electricity Transmission plc
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative:	**Adam Sims**
Name:	**National Grid Electricity Transmission plc**
Organisation:	**01926 655292**
Telephone Number:	adam.sims@uk.ngrid.com
Email Address:	
Details of Representative's Alternate:	
Name:	Ivo Spreeuwenberg
Organisation:	National Grid Electricity Transmission plc
Telephone Number:	01926 655897
Email Address:	**ivo.spreeuwenberg@uk.ngrid.com**
Attachments (Yes/No): **If Yes, Title and No. of pages of each Attachment:**	

8 Draft Workgroup Terms of Reference and Membership

TERMS OF REFERENCE FOR CMP192 WORKGROUP

RESPONSIBILITIES

1) The Workgroup is responsible for assisting the CUSC Modifications Panel in the development and evaluation of CUSC Modification Proposal CMP192, "Arrangements for Enduring Generation User Commitment", tabled by National Grid Electricity Transmission plc at the Modifications Panel meeting on 25th February 2011.

2) The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

   (a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; and

   (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

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) Protecting the end consumer from undue risk
   b) The minimum notice period required to alter TO investment before significant costs are incurred
   c) The profile of TO investment costs
   d) The likelihood of power stations either cancelling or closing
   e) How the Value at Risk (VAR) is identified from TO investment costs
   f) The level of transmission capacity sharing between power stations
   g) The proportion of TO investment not at risk due to Connect & Manage regime
   h) The level of transmission asset reuse
   i) The applicability of the user commitment arrangements for all users, including pre- and post-commissioning
   j) The definition of local and wider investment for user commitment
   k) Any alternative Modification Proposals
   l) The impact of the Modification Proposal and any alternatives on greenhouse gas emissions
   m) The process and costs of implementation of the Modification Proposal and any alternatives

6) The Workgroup is responsible for the formulation, development 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 8.17. The Workgroup Consultation period shall be for a period of **three weeks** 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.

12) 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.

13) The Workgroup is to submit its final report to the Modifications Panel Secretary on 21st July 2011 for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on 29th July 2011.

MEMBERSHIP

14) It is recommended that the Workgroup has the following members: *[to be updated once membership is established to reflect the actual membership]*

Role	Name	Representing
Chairman		
*National Grid Representative**	Adam Sims	The Company
*Industry Representatives**		
Authority Representative		
Technical Secretary	*to be provided by National*	

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	Grid	
Observers		

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.

15) 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 CMP192 is that at least **five** Workgroup members must participate in a meeting for quorum to be met.

16) 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.

17) 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.

18) 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.

19) 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.

20) The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

RELATIONSHIP WITH MODIFICATIONS PANEL

21) The Workgroup shall seek the views of the Modifications Panel before taking on any significant amount of work. In this event the Workgroup chairman should contact the Modifications Panel Secretary.

22) The Workgroup shall seek the Modifications Panel's advice if a significant issue is raised during the Consultation process which would require a second period of Consultation in accordance with 8.20.17 of the CUSC.

23) Where the Workgroup requires instruction, clarification or guidance from the Modifications Panel, particularly in relation to their Scope of Work, the Workgroup chairman should contact the Modifications Panel Secretary.

MEETINGS

24) The Workgroup shall, unless determined otherwise by the Modifications Panel, develop and adopt its own internal working procedures and provide a copy to the Panel Secretary for each of its Modification Proposals.

REPORTING

25) The Workgroup chairman shall prepare a final report to the June 2011 Modifications Panel responding to the matters set out in the Terms of Reference, including all Workgroup Consultation Reponses and Alternative Requests.

26) A draft Workgroup Report must be circulated to Workgroup members with not less than five Business Days given for comments, unless all Workgroup members agree to three Business Days.

27) Any unresolved comments within the Workgroup must be reflected in the final Workgroup Report.

28) The chairman (or another member nominated by him) will present the Workgroup report to the Modifications Panel as required.

Appendix 1: Indicative Workgroup Timeline

The following timetable is suggested for progressing the CMP192 Workgroup.

25th February 2011	CUSC Modifications Panel Meeting Proposer to present CMP192 Panel to agree progression and Workgroup Terms of Reference, where relevant
7th March 2011	First CMP192 Workgroup meeting
21st March 2011	Second Workgroup meeting
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23rd May 2011	Sixth Workgroup meeting
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6th June 2011	Deadline for comments on draft Workgroup Consultation
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29th June 2011	Deadline for responses to Workgroup consultation
4th July 2011	Post-consultation Workgroup meeting (to review consultation responses, confirm any alternatives and undertake Workgroup vote)
11th July 2011	Circulate draft Workgroup Report for comment (5 working days)
18th July 2011	Deadline for comment on Workgroup report
21st July 2011	Submit final Workgroup report to Panel Secretary
29th July 2011	Present Workgroup report to CUSC Modifications Panel

Notes:

1. Workgroup meetings are proposed at fortnightly intervals to allow sufficient time for actions to be progressed between meetings.

2. A three working week period has been proposed for the Workgroup Consultation, given the complexity and the breadth of the issues to be consulted upon by the Workgroup. This could be reduced to two working weeks if required.

3. The timescales may be reduced further if the standard CUSC timescale for reviewing Workgroup documents is reduced from 5 to 3 Working Days, in line with Section 8 of the CUSC

4. If more than one Workgroup meeting is required after the Workgroup Consultation closes (for example, for consideration of any WG Consultation Alternative requests), this is likely to prevent a Workgroup Report reaching the June Panel meeting.