

## Minutes

**Meeting name** CUSC Modifications Panel

**Meeting number** 223

**Date of meeting** 29 June 2018

**Location** National Grid House

## Attendees

Name	Initials	Position
Trisha McAuley	TM	Panel Chair
Joseph Henry	JH	Code Administrator
Shazia Akhtar	SA	Panel Secretary
Nadir Hafeez	NH	Authority Representative
Jon Wisdom	JM	National Grid Panel Alternate
Garth Graham	GG	Users' Panel Member
Robert Longden (dial-in)	RL	Users' Panel Member
Simon Lord (dial-in)	SL	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Laurence Barrett	LB	Users' Panel Member
Kate Dooley	KD	Users' Panel Alternate
Michael Jenner	MJ	User's Panel Alternate
Cem Suleyman (dial-in)	CS	User's Panel Alternate
Andy Pace	AP	Consumers' Panel Member
Harriet Harmon	HH	National Grid (Proposer)
Mike Oxenham	MO	National Grid (Presenter)

## 1 Introductions and Apologies for Absence

TM opened the meeting. Apologies were received from James Anderson, Paul Jones, Damien Clough and Louise Schmitz. Jonathan Wisdom, Michael Jenner and Kate Dooley attended as Alternates.

## 2 Approval of previous meeting Minutes

7564. The minutes from the CUSC Panel meeting held on 25 May 2018 were approved. JH confirmed they incorporated comments received from NH, PJ, PM, JA and GG.

## 3 Review of Actions

7565. **Minute 7294: CB to find out timescales for CMP285 legal text to be provided.**

JH confirmed that the Legal team have completed their review of the draft legal text and this will now be distributed to the members of the Workgroup ahead of the next meeting which will be taking place on the 17 July. This action can now be closed.

7566. **Minute 7380: Action placed on JM to reword phrase “Substantially Similar” in regards to CMP293/294.**

7567. **Minute 7383: JM to take provide further clarification to GG on inclusion of Transmission Owners in Section 5.**

7568. **Minute 7392: JM to resubmit Legal Text following Webinar should there be any amendments following the Webinar.**

JH confirmed that a Webinar will be arranged for July, following which actions 7380, 7383 and 7392 will be addressed. **Actions to remain open in the interim period.**

7569. **Minute 7436: UM to provide GG with further detail in regards to his questions around National Grid Forecasting.**

JH stated that UM circulated a response to these questions on the 14 June 2018 and this action can now be closed.

7570. **Minute 7449: CB to investigate Relevant Interruption Claims Report.**

SA confirmed that meetings are currently being arranged with the Customer Account Managers Team to discuss the accuracy of the Interruption Claims data that is being uploaded onto Share Point. An updated report will be circulated to the Panel in July as per the quarterly cycle. **Action to remain open in the interim period.**

7571. **Minute 7452: – NR to provide suggested amendments to minutes for incorporation to Code Administrator.**

JH confirmed that NR provided his suggested amendments on 6 June 2018 and they have now been incorporated into the May minutes. This action can now be closed.

7572. **Minute 7528: LS agreed as ESO to make sure the requisite information is fed into the ENA group to clarify what CMP298 will and will not cover.**

JW confirmed that the ESO will make sure the requisite information is fed into the ENA and this action can now be closed.

7573. **Minute 7541: CB and LS to check if draft legal text can be distributed for CMP285.**

See Minute 7294 above/ Action closed.

7574. **Minute 7543: Code administration to add priority stack to Headline Report, once this has been introduced to the industry.**

JH confirmed the Prioritisation stack was introduced to Industry at TCMF on the 13 June 2018. This will now be added to the monthly CUSC Panel Headline Report and the action can now be closed.

7575. **Minute 7554: GG requested that Code Administration circulate the Charging Futures Guidance document to the CUSC circulation list to prevent any confusion.**

JH confirmed the Charging Futures Guidance document has been circulated to the CUSC circulation list and the action can now be closed.

**Action – Code Admin to check with Proposers that any new modifications is in line with Ofgem’s Charging Futures Guidance Document. Action to remain open until the Authority publishes the outcome of the SCR/TCR in September.**

7576. **Minute 7555: NH to provide further clarity on the scope of the TCR/SCR and if this covers BSUoS.**

SA confirmed that NH has circulated a response to this and this action can now be closed.

PM requested further clarification on BSUoS embedded related benefits and if these are also out of scope.

NH confirmed as far as he has been made aware they were, yes.

7577. **Minute 7562: GG to draft a response on behalf of the Panel in relation to CACOP Principle 14 and circulate to the Panel for agreement via email.**

JH confirmed that GG had circulated a draft response in relation to CACOP Principle 14 to the Panel on the 29/05/2018. No amendments have been requested to this, therefore TM will submit this as an official response to Ofgem on behalf of the CUSC Panel. This action can now be closed.

7578. **Minute 7563: Mike Oxenham to attend June CUSC Panel to provide clarity on derogations, update on CACOP and how this will impact the work of the Panel.**

JH confirmed that Mike Oxenham will be attending the (June) Panel meeting later to provide an update and further clarity on the Sandbox. This action can now be closed.

#### **4 In Flight Modifications & CUSC Panel Recommendation Votes**

7579. **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.

7580. JH advised the Panel CMP275 was raised by UK Power Reserve and was submitted to the CUSC Modifications Panel for their consideration on 27 January 2017. JH provided the Panel with a background and summary of what CMP275 aims to deliver. JH advised the Panel that eleven responses were received to the Workgroup consultation which was issued on the 17 June 2017. The respondents reiterated the points and concerns raised by the Workgroup.

7581. JH advised the Panel that the Workgroup agreed to support one alternative option (proposed by NGET) to become a WACM. The Workgroup voted on the Original Proposal and WACM1 against the baseline. The majority of the Workgroup concluded that the baseline better met the applicable CUSC objectives over the Original Proposal or WACM1.

7582. JH advised the Panel that ten responses were received to the Code Admin Consultation which was issued on the 9 May 2018. The majority of respondents agreed with the Workgroup vote that the baseline better facilitated the CUSC objectives over the Original Proposal or WACM1.

7583. The Panel held a recommendation vote on CMP275 against the applicable CUSC Objectives. JH asked Panel members who had already submitted completed voting templates to confirm their vote was still the same; which those members did. JH then asked the remaining Panel members to confirm their vote along with the rationale for their decision. The Panel unanimously agreed that the current baseline better facilitated the CUSC Objectives over the Original Proposal or WACM 1 and recommended that neither should be implemented. The Panel agreed to supply the remaining voting statements to the Code Admin team within three working days. JH confirmed Code Admin will circulate an email to the Panel for them to confirm that their votes have been recorded correctly. Code Admin will then issue the Final Modification Report to the Authority on 12 July 2018.

**ACTION: Code Admin to circulate an email to Panel to confirm the outcome of all recommendation votes.**

**Vote 1: Does the original facilitate the objectives better than the Baseline?**

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Kate Dooley (Alternate for James Anderson)					
Original	No	No	No	No	No
WACM1	No	No	No	No	No
<b>Voting Statement:</b> In principle, I understand where the proposer is coming from when proposing this modification but I don't think it should be implemented, or makes practical sense. If this modification were to be implemented, it would decrease the number of parties participating in one service, therefore driving the price up (because there are less parties competing) and ultimately increase costs for consumers. It will also add complexity to National Grid's job which is unnecessary.					
Andy Pace					
Original	No	No	Neutral	Neutral	No
WACM1	No	No	Neutral	Neutral	No
<b>Voting Statement:</b> "Revenue stacking is an important feature in the electricity industry that is beneficial to both investors (by creating a diverse number of revenue streams) and the system operator (by enabling the procurement of services to manage the system in the most efficient manner). CMP275 is likely to result in higher costs for consumers by reducing the potential for revenue stacking. While we accept there may be issues around revenue stacking when some market participants are unable to compete for the provision of some ancillary services, the solution in CMP275 does not address this fundamental issue. CMP275 will result in a less efficient industry solution and therefore does not better facilitate CUSC charging objective (a) or (b). Overall, the baseline is better meets the existing CUSC charging objectives than the original proposal or WACM1."					
Laurence Barrett					
Original	No	No	Neutral	Neutral	No

WACM1	No	No	Neutral	Neutral	No
<b>Voting Statement:</b>					
Neither the original proposal or the WACM better facilitate the CUSC objectives, in particular being detrimental to competition and NGs ability to discharge its licence obligations to efficiently and economically procure ancillary services. Different ancillary products provide different services to the SO and therefore should be treated separately. Should a provider be able to offer more than one service, then it is efficient and economic for it to offer this at a price that includes other relevant income streams, including those from other ancillary services. This mod also introduces unnecessary complexity at a time when NG are going through a process to simplify, standardise and increase transparency in ancillary services.					
Garth Graham					
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No
<b>Voting Statement:</b>					
The Original proposal will be detrimental in terms of effective competition as it will impact on contractual certainty and place undue burdens on parties to comply with their contractual obligations whilst not getting paid for the provision of their contracted duties (the contract, in terms of payment(s) to be received, but not delivery of the requisite service(s), having been materially altered 'mid-contract').					
Jon Wisdom (Alternate for Louise Schmitz)					
Original	No	No	Neutral	Neutral	No
WACM1	No	No	Neutral	Neutral	No
<b>Voting Statement:</b>					
National Grid is committed to lowering barriers to new technologies and new business models in the provision of balancing services. We have been undertaking a wide-ranging programme to review and improve our suite of products and how we procure them. Our goals are to increase transparency, increase competition, reduce complexity and deliver greater value for the end consumer.					
Our view is that where the provision of one product does not adversely impact the provision of another product then there are valid economic reasons for allowing the stacking of those products. We consider that Black Start is a station service, availability payment for which will include for items which are beyond just the backup generators, and therefore is not equivalent to STOR availability payments, which are unit based. Furthermore the black start service will only be used in a situation where the normal commercial markets such as STOR have been suspended, and therefore they would not be used at the same time. We therefore do not support the modification or the alternative as better facilitating the relevant CUSC Objectives.					
However, if either were to be implemented we prefer WACM1 as this alternative will have a marginally positive impact on objective (b) in comparison to the original as it allows current arrangements to continue and will only become applicable to new agreements. This therefore does not put any existing parties at a disadvantage or ancillary service markets at risk.					
Michael Jenner (Alternate for Paul Jones)					
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No
<b>Voting Statement:</b>					
Black Start as a revenue stream can only be accessed by some market participants - others cannot compete in the market or even gain information on the current contracts in					

order to compete in the future because black start contracts are opaque. Whilst it should be recognised that there are problems with the current opaque and uneven procurement of Black Start contracts, overall the original modification and WACM 1 do not solve this issue in an appropriate fashion because revenue stacking is a legitimate activity within the electricity industry that ultimately has the potential to lower costs for consumers.

Simon Lord

Original	No	No	No	No	No
WACM1	No	No	No	No	No

**Voting Statement:**

The proposal fails to recognise the nature of the Black Start service being a station rather than a BM unit services that has significantly different technical requirements compared to the STOR services. The payment for black start capability relates to the design and operation power station which includes many items of equipment only one of which is the Gas Turbine (GT). The Gas Turbine requirement for black start is to start up independent of any external supplies and run at a relatively low load for extend periods of time but with the ability to start high power electrical loads and then run at light duty. The STOR service is different in both its technical and physical requirement requiring higher loads for shorter periods.

Robert Longden

Original	No	No	No	Neutral	Neutral
WACM1	No	No	No	Neutral	Neutral

**Voting Statement:**

The proposal would act to artificially restrict competition, hamper the provision of innovative stacked services and lead to higher costs for consumers.

Paul Mott

Original	No	No	No	No	No
WACM1	No	No	No	No	No

**Voting Statement:**

Do not accept that the stated defect, is a defect. No reason for plant not to earn from providing different non-conflicting services, at the prevailing rate for each service. This is like saying if a shop sells sweets, and the shop next door also sells cigarettes, the ciggies must be sold only at cost, or not at all; it makes no sense.

**Vote 2 – Which option is the best?**

Panel Member	BEST Option?
Kate Dooley (Alternate for James Anderson)	Baseline
Andy Pace	Baseline
Laurence Barrett	Baseline
Garth Graham	Baseline
Jon Wisdom (Alternate for Louise Schmitz)	Baseline
Michael Jenner (Alternate for Paul Jones)	Baseline
Simon Lord	Baseline
Robert Longden	Baseline
Paul Mott	Baseline

Breakdown of voting:

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	9 No
WACM1	9 No
Baseline	9 Yes

7584. **CMP280 ‘Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users’.** CMP280 aims to remove liability from Generator and Storage Parties for the Demand Residual element of the TNUoS tariff.

**And**

7585. **CMP281 ‘Removal of BSUoS Charges from Energy Taken From the National Grid System by Storage Facilities’.** CMP281 aims to remove liability from storage facilities for Balancing Services Use of System (BSUoS) charges on imports.

7586. JH advised the Panel that the Workgroup Consultation for CMP280 was issued to Industry on the 19 June 2018 and will close on the 10 July 2018.

7587. JH advised the Panel that the Proposer has been in discussions with Ofgem on CMP281 and they have requested some extra analysis. The Proposer did not have the requisite time to carry out this analysis ahead of the next Workgroup meeting which was scheduled for 2 July 2018. Therefore, this Workgroup was postponed and Code Admin are in the process of rearranging the Workgroup meeting for late July. The Workgroup Consultation will be issued thereafter.

7588. JH confirmed that a joint Workgroup will then be arranged to discuss the Workgroup Consultation responses for both CMP280 and CMP281.

7589. **CMP285 ‘CUSC Governance Reform – Levelling the Playing Field’.** CMP285 seeks to reform CUSC governance to enhance the independence and diversity of Panel members and ensure wider engagement from CUSC signatories.

7590. JH confirmed that the legal text had now been reviewed by National Grid’s legal team. This will now be distributed to the Workgroup ahead of the next meeting scheduled for the 17 July 2018.

7591. **CMP286 ‘Improving TNUoS Predictability through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process’.** The purpose of this modification proposal is to improve the predictability of TNUoS demand charges by bringing forward the date at which the target revenue used in TNUoS tariff setting is fixed to allow customer prices to more accurately reflect final TNUoS rates.

**And**

7592. **CMP287 ‘Improving TNUoS Predictability through Increased Notice of Inputs Used in the TNUoS Tariff Setting Process’.** The purpose of this modification proposal is to improve the predictability of TNUoS demand charges by bringing forward the date at which certain parameters used in TNUoS tariff setting (such as

demand forecasts) are fixed to allow customer prices to more accurately reflect final TNUoS rates.

7593. JH stated that the Request for Information (RFI) for disclosure of TNUoS risk premia had now been sent out to Industry. National Grid will anonymise this data before analysing it at the next Workgroup meeting on 6 July 2018. If substantial data is received it will be used to progress the modification forward, otherwise proxy data supplied by the Proposer will be used instead.

7594. LB questioned how many responses had been received to the RFI request.

7595. JW confirmed they had received a few responses but could not go into this detail at this stage and the Workgroup would also need to decide if late data can be incorporated.

7596. AP stated that while the RFI data may be useful it may be an incentive for people to submit data to make things appear more/less risky. Therefore, the proxy data should not just be disregarded, both sets of data should be considered together.

**Action - JW to feedback comments made by AP to proposer HH**

7597. **CMP288 ‘Explicit Charging Arrangements for Customer Delays’**. The purpose of this modification is to introduce explicit charging arrangements to recover additional costs incurred by Transmission Owners and TNUoS liable parties as a result of transmission works undertaken early due to a User initiated delay to the Completion Date of the works, or to facilitate a backfeed.

**AND**

7598. **CMP289 ‘Consequential change to support the introduction of explicit charging arrangements for customer delays and backfeeds via CMP288’**. The purpose of this modification is to introduce changes to non-charging sections of the CUSC to support the introduction of explicit charging arrangements to recover additional costs incurred by Transmission Owners and TNUoS liable parties as a result of transmission works undertaken early due to a User initiated delay to the Completion Date of the works, or to facilitate a backfeed. The changes to the charging element of the CUSC are covered under CMP288.

7599. JH advised the Panel that the second Workgroup for CMP288 and CMP289 had been held on the 22 June 2018. The third and fourth Workgroups are scheduled for 16 July 2018 and 6 August 2018.

7600. **CMP 291 ‘The open, transparent, non-discriminatory and timely publication of the harmonised rules for grid connection (in accordance with the RfG, DCC and HVDC) and the harmonised rules on system operation set out within the Bilateral Agreements’**. The purpose of this modification is to set out within the CUSC the obligations in the EU Connection Network Codes and System Operation Guideline as they relate to the harmonised rules for connection and system operation in GB.

**AND**

7601. **CMP295 - Contractual Arrangements for Virtual Lead Parties (Project TERRE)**. Under BSC P344 and GC0097, and future market arrangements, an aggregator will combine the export capabilities of SVA-registered embedded generation to participate

in the BM. In order to facilitate Grid Code compliance, and to ensure appropriate rights/obligations for Virtual Lead Parties (as to be defined in BSC P344), accession to the CUSC is necessary and entry into specific CUSC contracts is required.

7602. JH confirmed that as per previous Panel discussions CMP291 and CMP295 will be progressed together and the first Workgroup is scheduled to take place on the 12 July 2018.

7603. **CMP 292 ‘Introducing a Section 8 cut-off date for changes to the Charging Methodologies’.** The purpose of this modification is to ensure that the charging methodologies (all Charging Methodologies as defined in the CUSC) are fixed in advance of the relevant Charging Year to allow The Company – as Electricity System Operator - to appropriately set and forecast charges. Introducing a cut-off date for changes to the methodologies will help to reduce the risk of charges out-turning differently to the forecasts produced by the Company and created by users.

7604. JH confirmed Code Admin is looking to schedule the first Workgroup meeting for September as per prioritisation discussions.

7605. **CMP293: National Grid Legal Separation changes to CUSC sections, Exhibits & Schedules (non-charging).** This proposal seeks to modify the CUSC to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited (NGET). The specific CUSC references have been updated in order to ensure the System Operator and Transmission Owner obligations are clear.

**AND**

7606. **CMP294: National Grid Legal Separation Changes to CUSC Section 14.** This proposal seeks to modify the CUSC to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited (NGET). The specific CUSC references have been updated in order to ensure the System Operator and Transmission Owner obligations are clear.

7607. JH stated that a WebEx will take place on the 9 July 2018 and any legal text amendments required subsequent to this will be brought back to the Panel for approval in July. Upon Panel approval, the modification will then proceed to Code Admin Consultation.

**Action – Code Administrator to add modification summary title to slides**

7608. **CMP296 - Aligning the CUSC to the BSC post-P344 (Project TERRE) to exempt Virtual Lead Parties from BSUoS.** BSC Modification P344 introduces a new class of BMU, and a new class of BMU registrant to the BSC (“Virtual Lead Parties”); it is necessary to amend the CUSC to extend the BSUoS exemption to these Virtual Lead Parties;

7609. JH advised the Panel that CMP296 was raised by National Grid and was submitted to the CUSC Modifications Panel for their consideration on 27 April 2018. JH provided the Panel with a background and summary of what CMP296 aims to deliver. JH stated that the Panel decided to send the Proposal straight to Code Administration Consultation.

7610. JH advised the Panel that one response was received to the Code Admin Consultation which was issued on the 23 May 2018. The respondent agreed that the proposal better facilitated the applicable CUSC objectives.

7611. The Panel held a recommendation vote on CMP296 against the applicable CUSC Objectives. JH asked Panel members who had already submitted completed voting templates to confirm their vote was still the same; which those members did. JH then asked the remaining Panel members to confirm their vote along with the rationale for their decision. The Panel unanimously agreed that the Proposal better facilitated the CUSC Objectives and recommended that this modification should be implemented. The Panel agreed to supply the remaining voting statements to the Code Admin team within three working days. JH stated Code Admin will circulate an email to the Panel for them to confirm that their votes have been recorded correctly. Code Admin will then issue the Final Modification Report to the Authority on 12 July 2018.

**Vote 1: Does the original facilitate the objectives better than the Baseline?**

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Kate Dooley						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<b>Voting Statement:</b> This modification proposal aligns with the principle that a party should not be double charged for using the network. This modification is a consequential modification after the extensive work done on P344 under the BSC. Support industry view that there should be visibility of impacts of this mod on BSUoS.						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Andy Pace						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<b>Voting Statement:</b> This change modification better meets charging CUSC objective (a), (b) and (c) by exempting Virtual Lead Parties from BSUoS and thereby preventing double charging for this element. This facilitates effective competition in the generation and supply of electricity, results in more cost reflective charges and reflects developments in the transmission licensees' transmission businesses with regard to Project TERRE. This change modification better meets standard CUSC objective (d) by enabling Project TERRE to be implemented appropriately as required under European legislation.						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Laurence Barrett						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<b>Voting Statement:</b> This modification is required to facilitate the implementation of Project TERRE which creates virtual lead parties and secondary BMUs. Without this change to exempt secondary BMUs associated with VLPs, BSUoS would get recovered twice from the same BMU, which is not cost reflective and would inhibit competition. This mod is						

therefore better than the baseline against the CUSC objectives.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Garth Graham

Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
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**Voting Statement:**

This proposal better facilitates Applicable Objectives (a) and (b) as its introduction of the Project TERRE changes into the CUSC will be beneficial in terms of effective competition as well as in terms of ensuring cost reflective prices.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Jon Wisdom

Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
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**Voting Statement:**

The CUSC only exempts Interconnector BMUs and TUs from BSUoS liabilities; Virtual Lead Parties who participate in the BM may be involved directly in balancing actions taken by the ESO. The volumes associated to those VLPs are already accounted for in the relevant Supplier's SVAA volumes, and are already chargeable for BSUoS under the Supplier's liability. To then charge the VLP for the same volumes would not reflect the ESO's costs in taking the relevant balancing actions, and for that reason this proposal does better facilitate ACO b). I believe that this proposal is also marginally better than baseline in facilitation of ACO a) in that market participants should only face the costs which are relevant to them and their effect on the system, and currently, the volumes associated to the VLP are accounted for elsewhere and therefore the effect on the system of those volumes is also accounted for elsewhere (with the Supplier who has ultimate responsibility for MWh against which they are the Registrant, per the BSC). As the market develops it may be necessary to review this arrangement but I believe that this proposal is better than baseline in facilitating this emerging market.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Michael Jenner

Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
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**Voting Statement:**

CMP 296 is necessary to update the CUSC, supporting BSC P344, to introduce VLPs as a new class of BMU

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
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Simon Lord

Original	Neutral	Yes	Yes	Neutral	Neutral	Yes
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**Voting Statement:**

P344 introduces a new class of BMU, and a new class of BMU registrant to the BSC ("Virtual Lead Parties") and exempt the VLP from BSuOS. This modification achieves this

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Robert Longden						
Original	Yes	Neutral	Yes	Neutral	Neutral	Yes
<b>Voting Statement:</b> The proposal aims to align the CUSC and BSC to ensure consistency and correct treatment of VLPs. It is consistent with the CUSC objectives.						
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Paul Mott						
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
<b>Voting Statement:</b> It is not appropriate to charge BSUOS on the same metered volume twice, once through the VLP and once through the supplier. Doing so would be detrimental to competition, so the mod better facilitates a. Doing so would be detrimental to cost-reflectivity too, in that you are reflecting the same cost twice over, so the mod better facilitates b.						

Vote 2 – Which option is the best?

Panel Member	BEST Option?
Kate Dooley	Original
Andy Pace	Original
Laurence Barrett	Original
Garth Graham	Original
Jon Wisdom	Original
Michael Jenner	Original
Simon Lord	Original
Robert Longden	Original
Paul Mott	Original

**Breakdown of voting:**

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	9 Yes

7612. **CMP297: Aligning CUSC and BSC post-TERRE (Section 11) – consequential modification to introduce definition of Virtual Lead Party.** CMP297 aims to alter Section 14 of the CUSC such that the extant BSUoS exemption which applies to Interconnector BMUs can be extended to cover Virtual Lead Parties. This consequential CMP seeks to amend Section 11 to introduce a definition of ‘Virtual Lead Party’.

7613. JH advised the Panel that CMP297 was raised by National Grid and was submitted to the CUSC Modifications Panel for their consideration on 27 April 2018. JH provided

the Panel with a background and summary of what CMP297 aims to deliver. JH stated the Panel decided to send the Proposal straight to Code Administration Consultation.

7614. JH advised the Panel that one response was received to the Code Admin Consultation which was issued on the 22 May 2018. The respondent agreed that the proposal better facilitated the applicable CUSC objectives.

7615. The Panel held a recommendation vote on CMP297 against the applicable CUSC Objectives. JH asked Panel members who had already submitted completed voting templates to confirm their vote was still the same; which those members did. JH then asked the remaining Panel members to confirm their vote along with the rationale for their decision. The Panel unanimously agreed that the Proposal better facilitated the CUSC Objectives and recommended that this modification should be implemented. The Panel agreed to supply the remaining voting statements to the Code Admin team within three working days. JH stated Code Admin will circulate an email to the Panel for them to confirm that their votes have been recorded correctly. Code Admin will then issue the Final Modification Report to the Authority on 12 July 2018.

**Vote 1: Does the original facilitate the objectives better than the Baseline?**

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Kate Dooley					
Original	Neutral	Yes	Yes	Yes	Yes
<b>Voting Statement:</b> This modification is a consequential modification after the extensive work done on P344 under the BSC. This modification is necessary for the implementation of Project TERRE will ensure compliance with the European Balancing Guideline (EB GL).					
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Andy Pace					
Original	Neutral	YES	YES	Neutral	YES
<b>Voting Statement:</b> This change modification better meets standard CUSC objective (b) by exempting Virtual Lead Parties from BSUoS and thereby preventing double charging for this element. This facilitates effective competition in the generation and supply of electricity. This change modification better meets standard CUSC objective (c) by enabling Project TERRE to be implemented appropriately as required under European legislation.					
Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Laurence Barrett					
Original	Neutral	YES	YES	YES	YES
<b>Voting Statement:</b> This modification is required to facilitate the implementation of Project TERRE which creates virtual lead parties and secondary BMUs. Without this change to define					

VLPs, the related mod, CMP296, could not proceed and BSUoS would get recovered twice from the same BMU, which is not cost reflective and would inhibit competition. This mod is therefore better than the baseline against the CUSC objectives.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
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Garth Graham

Original	Neutral	YES	YES	YES	YES
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**Voting Statement:**  
 This proposal better facilitates Applicable Objectives (b), (c) and (d) with its introduction of the Project TERRE changes into the CUSC.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
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Jon Wisdom

Original	Neutral	YES	Neutral	YES	YES
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**Voting Statement:**  
 As the introduction of Virtual Lead Parties is being managed through Balancing and Settlement Code arrangements it is essential that the definitions across codes are the same; it is appropriate for the CUSC to use - consequentially of BSC P344 - the same definition as will be found in the BSC, and not to seek to define it itself. This proposal better facilitates competition in the market by ensuring that all parties have a common understanding of what will be classed as a Virtual Lead Party, and better facilitates efficiency in CUSC arrangements by removing the potential for duplication of effort in attempting to define separately VLPs.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
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Michael Jenner

Original	Neutral	Yes	Yes	Neutral	Yes
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**Voting Statement:**  
 CMP297 is necessary to alter Section 11 and 14 of the CUSC to introduce the definition of VLPs so that the extant BSUoS exemption which applies to Interconnector BMUs can be expanded to cover VLPs

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
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Simon Lord

Original	Neutral	Yes	Yes	Neutral	Yes
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**Voting Statement:**  
 This modification seeks to exempt VLP from paying BSuOS as part of the TERRE implementation this seems appropriate in this context .

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
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Robert Longden

Original	YES	Neutral	YES	Neutral	YES
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**Voting Statement:**

CMP 296 is consistent with the applicable CUSC objectives. This is a consequential modification. It should therefore be implemented

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Paul Mott					
Original	Neutral	Neutral	YES	Neutral	YES
<b>Voting Statement:</b>					
This change recognises the introduction of a new Market Participant, a VLP, into the CUSC. This facilitates the introduction of project TERRE which should stimulate more competition in the BM and will introduce a panEuropean replacement reserve market thus fulfilling the european balancing guideline					

*Vote 2 – Which option is the best?*

Panel Member	BEST Option?
Kate Dooley	Original
Andy Pace	Original
Laurence Barrett	Original
Garth Graham	Original
Jon Wisdom	Original
Michael Jenner	Original
Simon Lord	Original
Robert Longden	Original
Paul Mott	Original

**Breakdown of voting:**

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	9 Yes

7616. **CMP298: Updating the Statement of Works process to facilitate aggregated assessment of relevant and collectively relevant embedded generation.** This modification is needed due to increasing levels of embedded generation connections the process for assessing their overall impact on the transmission system needs to be revised allowing the System Operator to recognise the changes caused by multiple small scale connections and plan accordingly.
7617. JH advised the Panel that Workgroup members have been sourced and the first Workgroup will be organised for September 2018 in line with discussions on prioritisation.
7618. **CMP299: Consequential changes to the CUSC to facilitate the 2018-2021 ESO Incentive Scheme.** The aim of this modification is to update the CUSC (Section 14.30 onwards), in line with the new Electricity System Operator (ESO) Incentive Scheme which is detailed within National Grid's Licence. Changes have been approved and when implemented, they will be effective from on the 1 April 2018.
7619. JH advised the Panel that CMP299 was raised by National Grid and was submitted to the CUSC Modifications Panel for their consideration on 27 April 2018. JH provided the Panel with a background and summary of what CMP299 aims to deliver. JH

stated the Panel decided to send the Proposal straight to Code Administration Consultation.

7620. JH advised the Panel that two responses were received to the Code Administration Consultation which was issued on the 14 May 2018. Both respondents agreed that the proposal better facilitated the applicable CUSC objectives. One respondent identified two typographical amendments that were needed to the legal text. The Panel reviewed the typographical amendments and agreed they were typographical and were required. The Panel instructed Code Admin to make these changes to the legal text.

7621. The Panel held a recommendation vote on CMP299 against the applicable CUSC Objectives. JH asked Panel members who had already submitted completed voting templates to confirm their vote was still the same; which those members did. JH then asked the remaining Panel members to confirm their vote along with the rationale for their decision. The Panel unanimously agreed that the Proposal better facilitated the CUSC Objectives and recommended that this modification should be implemented. The Panel agreed to supply the remaining voting statements to the Code Admin team within three working days. JH stated Code Admin will circulate an email to the Panel for them to confirm that their votes have been recorded correctly. Code Admin will then issue the Final Modification Report to the Authority on 12 July 2018.

**Vote 1: Does the original facilitate the objectives better than the Baseline?**

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Kate Dooley (Alternate for James Anderson)						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> CMP299 better meets the objectives. It is necessary to ensure that changes to licenses are reflected in the CUSC. I would support this change being implemented as soon as possible given that the licence changes to incorporate the SO Incentive Scheme have already been introduced.						
Andy Pace						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> This change positively impacts charging objective (b) and (c) by properly accounting for changes in costs of the licensees business and properly takes account of developments in the licensees business. This new framework will impact incentive scheme payments for the ESO and so impact their business costs and how they operate. It will also have a positive impact on objective (e) as it removes complexity for Section 14 of the CUSC.						
Laurence Barrett						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> CMP299 better facilitates the CUSC objectives as it updates the CUSC to reflect the changes to the SO incentive scheme that have been agreed with Ofgem and incorporated into the Transmission Licensee's Licence.						
Garth Graham						
Original	Neutral	Yes	Yes	Neutral	Neutral	Yes
<b>Voting Statement:</b> The proposal better facilitates Applicable Objectives (b) and (c) by reflecting the recent						

Licence changes in respect of the SO Incentive Scheme into the CUSC.						
Jon Wisdom (Alternate for Louise Schmitz)						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> This modification seeks to ensure that the CUSC reflects the new ESO licence arrangements regarding its incentive. As such it is a straightforward change that should be approved as it takes into account developments in the licensee's business and promotes efficiency in the CUSC arrangements.						
Michael Jenner (Alternate for Paul Jones)						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> 299 updates the CUSC to reflect the agreed changes to the SO incentive scheme.						
Simon Lord						
Original	Neutral	Yes	Yes	Neutral	Yes	Yes
<b>Voting Statement:</b> CMP299 better reflects the payments which will flow under the new SO incentive Scheme agreed with Ofgem.						
Robert Longden						
Original	Neutral	Yes	Yes	Neutral	Neutral	Yes
<b>Voting Statement:</b> The modification is necessary to align the CUSC with the new ESO incentive scheme introduced by Ofgem. It is consistent with the applicable objectives.						
Paul Mott						
Original	Neutral	Yes	Yes	Neutral	Neutral	Yes
<b>Voting Statement:</b> This change better facilitates charging objectives (b) and (c) by reflecting changes in costs of the licensee's business and reflecting developments in the licensee's business (new incentive payments = new costs to reflect).						

**Vote 2 – Which option is the best?**

Panel Member	BEST Option?
Kate Dooley (Alternate for James Anderson)	Original
Andy Pace	Original
Laurence Barrett	Original
Garth Graham	Original
Jon Wisdom (Alternate for Louise Schmitz)	Original
Michael Jenner (Alternate for Paul Jones)	Original
Simon Lord	Original
Robert Longden	Original
Paul Mott	Original

Breakdown of voting:

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	9 yes

7622. **CMP300: Cost Reflective Response Energy Payment (REP) for Generators with low or negative marginal costs.** This proposal seeks to ensure that the Response Energy Payment paid to or by generators with respect to a BM Unit with low or negative marginal costs is reflective of the cost or avoided cost of energy production.

7623. JH advised the Panel that the first Workgroup will be scheduled for September 2018, in line with discussions on prioritisation.

7624. **CMP271 'Improving the cost reflectivity of demand transmission charges'.** This CUSC modification Proposal aims to improve the cost reflectivity of demand transmission charges.

**And**

7625. **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.

**And**

7626. **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.

7627. JH advised the Panel that CMP271, CMP274 and CMP276 were still on hold pending the outcome of the Targeted Charging Review (TCR) and Significant Code Review (SCR). The Code Administrator will continue to update the Panel on any progress in this area.

#### **4 New Modifications**

7628. **CMP301: Clarification on the treatment of project costs associated with HVDC and subsea circuits.** CMP213 introduced specific expansion factors for HVDC and subsea circuits however the existing legal text is open to interpretation – this proposal would cement the interpretation made by The Company to ensure consistency with onshore circuits.

7629. HH presented slides to the Panel outlining the scope of the defect and the reasons for the modification. HH explained that circuits are modelled in the transport model and are then effectively stretched by the expansion factor. Onshore circuits use a table of standard expansion factors defined with each price control. However, HVDC circuits and AC Subsea circuits have significantly different costs. CMP213 therefore introduced a specific calculation for expansion factors for these circuits.

7630. HH went on to explain that the wording introduced by CMP213 is quite broad and open to different interpretations. HH stated that currently the CUSC states that expansion factors are determined on a case by case basis using costs which are specific to individual projects. It then talks about actual project costs and only names the cost of convertors and cables as being included within the calculation. However, this is not a definitive list and when compared against the more prescriptive offshore wording is open to interpretation. HH explained to ensure consistency in

understanding and application further clarity was needed on exactly what project costs this was referring to.

7631. HH explained this could be done by amending section 14.15.76 to provide a definitive list of what can be used in the Calculation of HVDC and AC sub-sea circuit expansion factors. This list will include the cost of the converters (where applicable); and the cost of the cable; and a percentage of the total project overhead costs, defined as the combined costs of the cables and converters (as relevant) divided by the total capital cost of the project. This will provide greater certainty on future costs.
7632. HH confirmed that the modification will not affect calculations for OFTO owned offshore cables.
7633. HH advised that these changes were presented at the May TCMF. For transparency, it was agreed that these amendments should be carried out through a modification to the CUSC.
7634. HH requested that the modification proceed straight to Code Administrator Consultation followed by an Authority decision. HH argued that any changes to Section 14 of the CUSC which affect charging in future years, or could have a commercial impact on other parties should be made by the Authority.
7635. HH went onto state that the legal text had already been shared with industry and there was broad agreement that the wording seemed appropriate. HH stated that based on this feedback she did not anticipate any alternates to be raised or the need for a Workgroup. HH felt that any different opinions can be sufficiently expressed through the consultation before going to the Panel for a decision.
7636. LB stated that this modification is just a clarification and continuation of what National Grid are already doing in the CUSC.
7637. AP raised a concern that if there is currently some ambiguity in the current interpretation of the CUSC and this change may have a commercial impact, it should go to a Workgroup for deliberation and provide them with an opportunity to raise alternatives if necessary. AP went onto state other parties may have different views on how this should be interpreted.
7638. AM stated that at TCMF it was agreed that this modification should be raised for transparency reasons but there no challenge that the approach to proceed directly to Code Administration Consultation was incorrect.
7639. JW stated he felt the proposed approach was transparent and the amendments will reflect what National Grid are already doing. JW also highlighted that this had already been debated with parties directly impacted by the proposed change at TCMF.
7640. TM stated that the modification proposal form states it is not anticipated this will have a material effect on consumers. TM asked for further clarification on this as HH has also previously stated this may have a commercial impact.
7641. HH explained that currently there are no Island links within the scope of this modification which would be calculated in this way, but it will affect future anticipated links. The commercial impact is purely as a consequence of these links being available and not the modification itself.

7642. MJ questioned if there had been any previous debate on doing this in a different way.
7643. GG confirmed different approaches were considered in CMP213 and alternates were raised but not taken forward. The Authority made the final decision on the numerous CMP213 options.
7644. NH questioned why the modification was material and not self-governance.
7645. GG stated that if changes are being made to charging within the CUSC it is important we have transparency of this and it be raised as a modification and goes to the Authority for a decision even if a Workgroup is not required.
7646. LB and PM stated this should be self-governance as there is no material impact, nothing is really changing in relation to how the charge is calculated it is only being made clearer within the CUSC. LB also questioned if taking it down the route of non-self-governance was a good use of Code Administration time.
7647. GG stated he was happy for it to go to the Authority for a decision and they can always pass it back if they wish.
7648. NH stated it is self-governance until the Proposer or Panel state it is not, so effectively it is up to the Panel to decide.
7649. TM acknowledged the different views and asked the Panel to vote on how the modification should proceed. The majority of the Panel agreed it was not self-governance, the modification should go straight down the route of Code Administration Consultation and then to the Authority for a final decision.

**Action – TM requested that further clarification on the impact on tariffs/ consumers on Page 6 be made to the Proposal form before this is issued for Code Admin Consultation. JW agreed to feed this back to HH as an action.**

## **6 Discussion on Prioritisation Stack**

7650. JH presented the current work stack and requested that the Panel review the prioritisation order that was previously agreed. JH explained that as the new modification CMP301 would be going straight to Code Administration consultation it did not need to be added to the existing stack.

7651. No amendments were proposed by the Panel.

**Action – Code Admin Consultation for CMP301 to be sent out by Tuesday 3 July 2018.**

7652. TM highlighted that she had received three letters in relation to prioritisation from different industry groups since the May Panel meeting. These letters have been circulated to the CUSC Panel for their awareness. One of the letters made reference to CUSC modifications and claimed that prioritisation decisions were being led by certain CUSC parties and that Code Admin should be resourced for all modifications. TM stated that she will be responding to the letter in due course and increasing engagement with Industry groups. In the meantime, TM wanted to understand if the Panel had any ideas on how they could help elevate concerns raised within the letters and help parties understand how the Panel has reached its decisions on prioritisation.

7653. LB stated that for transparency it may be helpful to add an extra column on the prioritisation stack to explain why a modification is at that position and how the Panel have reached that decision.
7654. GG stated that a column could also be added to show the month when the modification was raised to ensure the Panel was aware, over time, as to how long a low priority proposal had been 'in process'.
7655. LB stated that the Code Admin Team could show the resource required for each in flight modification and the schedule of Workgroups they are holding a week. Parties can then see the levels of Workgroups increasing as resources increase.
7656. GG stated that we could introduce a formal Industry calendar which has all the cross-code Workgroup/Panel meetings documented within it.
7657. RL stated that there are some quite powerful accusations within these letters that need to be addressed urgently and re-assurances given to wider industry. RL stated that Code Modifications may be taking longer but the volume and complexity of modifications had also increased. RL wondered if there is any performance metric they could be used to assess the performance of the Code Admin Team.
7658. AP stated that we could introduce a feedback form/loop for parties to feedback if they are unhappy with how a prioritisation decision has been made. The forms can then be discussed at Panel meetings.
7659. GG stated that the form should state what timescale they believe the modification should be progressed by and why.
7660. MJ stated Industry Parties could get more involved and observe Panel discussions on prioritisation.
7661. TM thanked the Panel for their input and confirmed she would provide a further update on this at the next Panel meeting.

## **7 CACOP Sandbox Presentation**

7662. MO presented slides to the Panel to explain that Ofgem have an innovation link function which comprises a "Fast, frank feedback service and a regulatory sandbox process". During 2017 Ofgem encouraged other parties to examine the use of, and if appropriate, adopt sandbox solutions. Elexon subsequently raised P362 to introduce a code sandbox into the BSC. P362 is currently at the report phase consultation stage.
7663. MO stated that in early 2018 Ofgem hosted a cross-code workshop to encourage the development of a code sandbox in each of the other codes and has also suggested that a sandbox innovation function be incorporated into the code administrators' Code of Practice. Although this would facilitate an end-to-end process it would not define the specific Code process itself to enable a derogation to be granted.
7664. MO asked the Panel for their views on whether they agreed with Ofgem that CUSC would benefit from some kind of Sandbox process. MO wanted the Panel to consider how this would be implemented. Could it be implemented through a semi-formal Strawman approach, which was used for the Statement of Works (SOW) trial. Or would it need to take a more formal route similar to the BSC modification and go directly into the CUSC.

7665. The Panel discussed how a sandbox/derogation process could work for the CUSC and what would be required to implement it. The proposed process for P362 was reviewed. This is initiated via the Ofgem innovation link team; the Code Administrator then undertakes the necessary process steps, analysis and consultation to provide a recommendation to the Panel. The Panel will recommend to Ofgem whether the BSC Derogation should be granted and/or whether there are derogation conditions. Ofgem then makes a decision (including the option of send-back). The cumulative derogation and transition period will be a maximum of 3 years. The time period should be the shortest time necessary to test the proposal and a robust transition plan is required. For further information please refer to the BSC modification P362.
7666. The Panel noted that there are currently no codified derogation provisions within CUSC. Ofgem has previously allowed non-compliance with the CUSC in certain defined circumstances, notably the recent statement of works (SoW) trial. It is expected that there will not be a high volume of sandbox proposals for the CUSC. As such a potential way forward was presented for discussion by MO. Entry to and exit from the process would be a matter for Ofgem. Sandbox requests to be managed by the code administrator on an as required basis. The code administrator would undertake relevant analysis and provide collated trial information to the Panel. The Panel would provide a recommendation to Ofgem. If approved the process would use the template established under the SoW trial. Guidance on the process would be provided for potential applicants. The process would be documented and agreed as working practice by the relevant parties, rather than a code modification being raised to introduce a codified process for a 'CUSC Sandbox Derogation'.
7667. The Panel noted the points raised and identified some areas for further clarification. Under the CUSC the code administrator does not currently provide an analysis function. Given the potential for derogations to have a significant impact, it was important that any analysis on which a decision was made was in turn robust, appropriate, timely and had stakeholder buy in. Although the SoW trial had been positive, it would require additional consideration as to whether this process would be suitable or accommodate the potential range of proposals that might be brought forward. The CUSC governance process would need to be checked to ensure that the "working practice" suggestion was indeed the appropriate route to introduce any new process. MO was asked to consider the above points and to provide an update at a future Panel meeting.
7668. GG went on to question if it was legally permissible for us to have a sandbox in the context of the CUSC given that it deals with connection and access to transmission system, including charging, in terms of EU law. GG stated that, for example, the Third Package (2009/72) sets out what must be done with respect to transmission charging. It states that the methodologies for Transmission (and Distribution) charging should be cost reflective and applied to all users. Given this, GG wondered if Ofgem have the power to relieve parties of this cost reflective charging in terms of a sandbox approach. GG also noted, in the context of connections, that an EU derogation procedure would need to be applied, where relevant, rather than a sandbox approach.
7669. MJ stated that the Authority has the ultimate power to grant exemptions to all parts of the Third Package including charging.
7670. MO stated he will take this away to be clarified. But in the BSC there was nothing to suggest derogations were not possible but there were some exemptions within this.

MO advised that when it came to CUSC derogations he was thinking along the lines of projects like the SOW not charging. MO asked the Panel for their views on this.

7671. GG stated there were issues with the SOW trial and different stakeholders being impacted by it and it was not a trial that was risk free. GG explained that the trial was agreed between the DNO's and TSO's only with no input from generators, who were the parties impacted the most by what the DSOs and TSOs were agreeing. The generators were given no choice and had to accept the trial.
7672. JW stated that the CUSC Panel should be concerned about what it is within their gift to do. If parties need to satisfy themselves that they need to get derogations elsewhere and Ofgem will not hold them accountable for something, then that is on them to do. What we as a Panel need to decide is if we are happy for a party to do something bearing in mind the governance arrangements, laws and regulations within the CUSC.
7673. JW went onto state that in relation to the SOW, the Panel need to satisfy themselves that those sorts of impacts have been taken into account. Which is why we have the expertise around the table that we have, the Panel has a role to Code Admin and Ofgem to understand what the impact of derogations will be on other parties.
7674. GG stated that if a sandbox is to be introduced then this needs to be a formal process within the CUSC, so all parties have visibility and transparency of it. Panel members do not want to run the risk of later being accused of recommending derogations for their friends etc. If there is a formal process this is less likely to occur as there will be full transparency.
7675. PM asked for clarification on whether everyone would be able to use the derogation or only the applicant of it.
7676. MO confirmed only the applicant would benefit from a sandbox derogation during the trial period but the expectation would be that everybody would benefit at the end of the trial. Innovators would trial the project and then either raise a modification for it to continue or revert back to the old process.
7677. TM questioned whether the parties undertaking the trial could produce interim reports during the trial period to share their progress.
7678. GG stated that parties may lose their competitive advantage if they share this information to early and may not want to do this.
7679. MO stated that this could be introduced as a requirement even if the BSC does not currently have this. However, if it appears this may stop people from applying then we can decide how to deal with that.
7680. GG stated that they need to confirm which parts of the CUSC would be covered by the sandbox derogations. Would it be the entire document including the schedules and exhibits. Or is it only certain parts of the CUSC. GG stated that you do not want to give parties false expectations.
7681. MJ requested clarification on what was classed as innovative and who made that decision.

7682. MO confirmed that Ofgem acts as the gatekeeper and gets the paperwork from the party and only passes it to the Panel for consideration if they feel it meets the criteria for innovation.

7683. MO thanked the Panel for their views, he will take them away and explore them in more detail.

7684. The Panel asked if he would be raising a modification to create a CUSC sandbox.

**Action - MO to feedback on questions raised during Sandbox presentation and confirm if a modification will be raised.**

7685. MO stated they had not made a decision on this yet and it would probably be impacted by the outcome of the BSC modification P362. MO stated he would feedback to the Panel once a decision had been made.

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

**Governance Standing Group (GSG)**

7686. GG stated that GSG meet on the 4 June 2018 and are pressing on with their priority actions.

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

7687. JW stated that besides the regular modification updates they also discussed an update on the ESO Forward Plan. This was provided by the ESO Incentive and Strategy team and was in relation to how the targets within the incentive were calculated and how the performance metric would be defined. This satisfied general concerns about where the numbers had come from.

7688. JW confirmed they had also provided an update on the RFI for CMP286/287 to try and encourage more responses from industry.

7689. JW explained they also discussed appropriate charging for co-located generation. This is where generation technology types are fundamentally different and interact with the system differently. The CUSC and charging methodology is currently quite clear on how an intermittent non-carbon generator is treated and how a carbon non-intermittent generator is treated. However, those charging methodologies are fundamentally different so if they had some kind of storage behind a connection that already had some form of renewable generation at the connection, the charging arrangements would need to be adapted to make sure they come up with the right commercial result for the way they operate. JW confirmed they are looking at bringing forward some changes in relation to this but need a better understand of what will come out of the TCR/SCR first. They will also need to consider if it conflicts with the Access and Forward Looking Charges work that is also going on.

7690. JW stated they also provided a brief update the Open Letter that National Grid had published on their approach to ensure compliance with Regulation 838/2010.

7691. JW confirmed they also discussed the CUSC modification that was raised today (CMP301). They then gave a brief update on User Commitment and how National

Grid are intending to approach that in the future and how they will make sure it fits into the future direction of charging.

## 9. European Code Development

7692. NH confirmed that Ofgem received the Final Modification Reports for GC097 and GC104 earlier that week

7693. GG confirmed there had been no JESG meeting since the last CUSC Panel.

## 10. Authority Decisions

7694. NH confirmed that the Authority is continuing to progress CMP250 and CMP251. They have reached an advance stage and will be making a decision on both of these within the coming weeks.

## 11. Update on Industry Codes

None

## 12. A.O.B

None

## 13. Next meeting

It was confirmed the next Panel meeting will be held on **27 July 2018** at National Grid House.