

Meeting minutes

Transmission Charging Methodologies Forum and CUSC Issues Steering Group 89

Date: 12/09/2018 **Location:** National Grid House, Warwick

Start: 10:30 AM **End:** 14:00 PM

Participants

Attendee	Company	Attendee	Company
Rachel Tullis (RT)	National Grid ESO (Chair)	Colin Prestwich (CP)	SmartestEnergy
Jon Wisdom (JW)	National Grid ESO (Presenter)	George Moran (GM)	British Gas
Jennifer Groome (JG)	National Grid ESO (TCMF Technical Secretary)	Nicola Fitchett (NF)	RWE
Joseph Henry (JH)	National Grid ESO (Presenter)	Robert Longden (RL)	Cornwall Insight
William Goldsmith (WG)	National Grid ESO (Presenter)	Peter Bolitho (PB)	Waters Wye
Rob Marshall (RM)	National Grid ESO (Presenter)	Laurence Barrett (LB)	E.ON
Harriet Harmon (HH)	National Grid ESO	Paul Jones (PJ)	Uniper
Lee Wells (LW)	Northern Powergrid (Presenter)	Christopher Granby (CG)	Fred. Olsen Renewables
Simon Lord (SL)	Engie (Presenter)	Lorraine Nicholson (LN)	ESB
Simon Vicary (SV)	EDF Energy (Presenter)	Claire Campbell (CC)	Scottish Power
James Thomson (JT)	Ofgem	James Anderson (JA)	Scottish Power
Karl Maryon (KM)	Haven Power	Paul Youngman (PY)	Drax
Garth Graham (GG)	SSE	Grace Smith (GS)	UKPR

Agenda

Note – the agenda for the meeting can be found here:

<https://www.nationalgrideso.com/sites/eso/files/documents/TCMF%20Agenda%20September%202018.pdf>

Slides

Note – the slide pack from the meeting can be found here:

<https://www.nationalgrideso.com/sites/eso/files/documents/TCMF%20Slides%20September%202018.pdf>

Discussion and details - CUSC Issues Steering Group

- 1. Introduction, meeting objectives and review of actions - Rachel Tullis, National Grid ESO**
 - RT gave an update on actions.
 - JG took an **action** (ID 15) for GS to get in touch with GG to clarify his question regarding Loss of Mains.
 - 2. Applying Power Available to the CUSC GC63 - William Goldsmith, National Grid ESO**
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Slides 10 – 13

- WG talked attendees through the material on slides 10 – 13 which explain the background, related Grid Code modification and ESO intention of way forward.
- WG intends to raise a modification which will apply the Power Available Grid Code change to the CUSC. This will help to facilitate Mandatory Frequency Response from intermittent generation by allowing correct cost and settlement calculations.
- The method discussed was by replacing Maximum Export Limit (MEL) with Power Available for Power Park Module De-Load calculations. The proposed route of change is for this to proceed straight through to consultation.

Questions and Feedback

- GG queried the other reserve services referred to on slide 10. WG responded STOR and Fast Reserve.
 - In response to a question from PM, WG confirmed only some wind farms are providing Power Available signals currently. The signals lack in accuracy and further work is progressing to develop this.
 - In response to a question from JA, WG confirmed that the signals are provided in a megawatt figure. LB clarified it is also a dynamic figure.
 - WG explained that a workgroup was set up in 2012 to look at this, and this was one of the 3 options which were discussed. GG queried why a workgroup is not being set up now. WG responded that the calculation principles stay the same, and so this is a case of applying the intention in the Grid Code to the CUSC. GG highlighted that a workgroup would allow the ESO to seek stakeholder views and alternative options. JW reiterated that the purpose of bringing it to TCMF was to get stakeholder views.
 - GG queried how types ABC and D are calculated. RW stated that it is the commercial solution in discussion now rather than the Grid Code solution which has been implemented.
 - There were some queries about the process for modifications which go straight to consultation. LS clarified that these can be withdrawn.
 - GG queried whether this would affect the standard contract terms for STOR and other reserve services. LB clarified that the arrangements for those are outside the CUSC. The calculation in question is in the CUSC because it is a mandatory service.
 - PM asked for clarification on which BM units would be affected. WG responded that providing a Power Available signal a Grid Code requirement that specifically applies to Power Park Modules.
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Discussion and details - Transmission Charging Methodologies Forum

3. CUSC Modifications Update - Joseph Henry, Code Administrator

Slides 14 - 23

- JH gave an update on new and current modifications in progress. See slides 14 - 23.
- JH raised that the workgroup for CMP300 is struggling for numbers and appealed for members.

Questions and Feedback

- LB queried the length of time Ofgem require to make a decision on the “Urgency” rating of a modification. It was generally agreed that timescales can differ from modification to modification.
- PB observed that CMP305 has gone straight to consultation and CMP304 had gone to workgroup. JH stated that the CUSC panel came to consensus on this route. PB added further that the codification of services which CMP304 proposes would be more useful and appealed for attendees to share concerns if they share the same view. PB suggested that if CMP305 was to be approved Ofgem would set a precedent that none of the services in question should be codified going forwards. RL added that the two modifications were thoroughly discussed at CUSC Panel before the decision was reached.

4. Align annual connection charge rate of return at CUSC 14.3.21 to price control cost of capital - Lee Wells, Northern Powergrid

Slides 26 – 31

- LW talked attendees through the material on slides 26 – 31 which explain:
 - the current connection charging methodology (in the context of licence condition C6),
 - the defect in CUSC,
 - the case for change,
 - the proposed change to the legal text,
 - the calculation to derive the pre-tax cost of capital,
 - and the impact of this change.
- LW intends to raise a modification to amend the CUSC to define the RPI-linked rate of return as the pre-tax cost of capital determined in the relevant price control of a Relevant Transmission Licensee. The method proposed is to retain the 1.5 percentage points delta for assets under the MEA revaluation method. The reason for this change is to achieve more cost reflective charges levied on the impacted users.

Questions and Feedback

- GG queried whether the corporation tax rate used will be the one which is set by the government or the one which is paid. LW responded that the proposal is to use the rate which the government sets, as this would be consistent with DCUSA.
- JW raised that this may be within the scope of Ofgem’s Access and Forward Looking Charges Review if it results in a locational signal and that NGESO are waiting to hear back from Ofgem on this. LW clarified that under this methodology the rate of return would potentially differ for each Relevant Transmission Licensee. JW added that that potential affect is the reason the question has been asked to Ofgem. LW noted that he would be happy to hear feedback from Ofgem on this point. JT had no update on this.
- GG suggested an addition to the proposal, to add that the figure each year is published by National Grid so that it is publicly available for all stakeholders. LS stated that this could be added to the Statement of Use of System Charges (published by 1st April each year).

5. [BSUoS 1 of 3] Taking Forward BSUoS Changes - Jon Wisdom, National Grid ESO

Slides 33 - 37

- JW made attendees aware that the ESO is stepping into its role of being a consumer champion to drive change in an efficient and complete manner; by assisting with the remaining elements of charging – not covered through other work streams - which still need to be looked at to provide a holistic review of charging.
- JW talked attendees through the material on slides 33 – 37 which explain
 - The history of the market and the role of the SO (slide 33)
 - The remaining elements of charging which still need to be looked at to provide a holistic review of charging (slide 34)
 - The blue boxes show the elements which were highlighted as needing change in the ESO's original consultation period.
 - The components relating to Operational costs cover a wider review of BSUoS.
 - BSUoS Cost Components (slide 35)
 - The costs shown on the slide represent those that the BSUoS charge comprises of. Currently BSUoS is charged at a rate per settlement period to all liable parties.
 - BSUoS Principles for consideration (slide 36)
 - Locational issues (e.g. overnight BSUoS, embedded generation)
 - Cost reflectivity (polluter pays)
 - Transparency
 - Embedded benefits
 - End consumer costs
 - Future Government direction
 - Storage
 - European Network Codes (e.g. treatment of interconnectors)
 - The ESO's proposed way forward (slide 37)
 - Using the ESO position within industry and available data the ESO are best placed to take forward a wider review of BSUoS.
 - NGENSO propose to run industry-wide workshops in early October which will be run similarly to BSC Issues Groups. NGENSO will take learning from the running of the Charging Futures Forum and Task Forces to ensure that this process is efficient and timely.
 - Aim: to raise a modification in October with input from across industry.

Questions and Feedback

- PM raised a query regarding the timescales suggested.
- GG commented that there are also a lot of modifications going through at the moment and so there are a lot of workgroups happening.

6. [BSUoS 2 of 3] BSUoS Charging Change - Simon Vicary, EDF Energy

Slides 41 – 46

- SV talked attendees through the CUSC modification which EDF Energy are considering to only levy BSUoS on demand. (This would mean reconsidering CMP201).
- He talked attendees through the material on slides 41 – 46 which explain the defect, benefits case, how this fits with other reforms and what modelling indicates the impact of the change will be.
- SV intends to raise the modification at the CUSC Panel in September.

Questions and Feedback

- GG made attendees aware that the two modifications he is raising on behalf of SSE, which he voiced at August's TCMF, are still going ahead and he does not see that they would impact this modification.

7. [BSUoS 3 of 3] Issues associated with the net collection of BSUoS from the current charging base and within day price shape - Simon Lord, Engie

Slides 54 – 59

- SL made attendees aware of the work that Engie have undertaken in considering various areas of where BSUoS changes are needed, and what this would mean for consumer bills.
- SL talked attendees through the material on slides 54 – 59 which explain: three BSUoS related issues which need addressing in the short term, the defect and the proposed solution: A forward looking BSUoS charge.

Questions and Feedback

- There were no questions on this specific item.

Attendees opened to a wider debate on the three BSUoS items which had been presented.

The main discussions were

- Whether BSUoS issues should be raised as one modification or piece-meal separate modifications
- Concerns over timescales, and time it would take for the authority to approve one modification as opposed to separate modifications
- Debate over whether a National Grid ESO facilitated workgroup is appropriate to progress the work or to include the work in a Significant Code Review
- PJ pointed out that past work has concluded that there is not currently an adequate price signal to recover BSUoS charges. He urged that there is an issue now to address BSUoS in its current state. (PJ referenced past work such as CMP250 and Ofgem’s charging review which looks at the residual charge). PJ suggested a separate piece of work can be done now to look at whether there are some elements that are currently ‘lost in the noise’ which can be pulled out and charged separately.
- JA and SL raised concerns that it would be difficult to address BSUoS as a forward-looking charge, recognising that it is counter intuitive and multidirectional. LS raised the issue that the duration of a review on a forward-looking charge basis, given that a lot of time has already been spent on reviewing this area, is at the moment uncertain.
- SL suggested that the within day price shape could be addressed as part of an ESO review and suggested, National Grid might be able to progress this in a working group timescale. SL however queried whether storage and embedded benefits would be able to be covered in that way. SL noted that some workgroup members can be more active than others, and that a specific mindset is required for this topic. He suggested that diverse workgroup membership can struggle to progress decisions which could cause delay.
- LB raised concern that looking these issues in isolation could result in unintended consequences. He added that the National Grid approach seems to be more holistic. LB added that a Significant Code Review (SCR) with long timescales would create a degree of uncertainty, however identified that given the issues are interconnected, a longer process might come up with a more future-proofed answer.
- SV raised that the problem is increasing (the cost of BSUoS and number of interconnectors). SV added that he was encouraged by JW’s presentation however is conscious that the amount of work would cause delays to timescales. LS expressed her opinion that sending modifications through to authority piece-meal may delay decision-time because they interact.
- GG pointed out that BSUoS is not in the SCR now and that Ofgem have made a conscious decision not to include it. He raised that the procedure to raise an SCR, then formally announce and complete it takes a year minimum. GG queried whether there is a hiatus of work that could be raised and developed now. LS advised that there is.

- PB reminded attendees of the modifications process and considered that the modifications in discussion to be self-contained.
 - LS asked the parties to trust the ESO to pursue the work on BSUoS. She added that this has fundamentally significant value to consumers. The ESO wants to progress this work to prevent modifications going through piecemeal. SL raised his concern that policy decisions on this will be difficult and questioned whether the ESO can make those decisions. LS reminded attendees that the ESO is incentivised to bring value to consumers and that Ofgem ultimately have the decision on policy changes. SL raised concerns over whether an ESO lead process would ensure that both sides of the argument will be presented to the authority. LS reassured attendees of the value the ESO have in open governance and ownership provision. She added further that once the ESO is legally separate, it will have its own positions. As of April 2019, the ESO is not obliged to hold a position in the interests of National Grid's transmission business. RL voiced his acknowledgement for this.
 - PJ reiterated his earlier point that some specific areas could be addressed on different timescales. He added further that there may something currently hidden in the noise that might produce a decent signal to use for BSUoS. LB advised that the issues are inter-related. Further, that the residual charge could be smaller if more was collected through a forward-looking charge.
 - SL stated that there is a lack of examples for where a signal change might achieve a cost reflective charge for BSUoS. SL shared that the ESO should look at BSUoS where a significant policy decision was not required. JW clarified that the ESO have a clear principle to adopt when considering these issues – the options which is in the interest of the consumer. SV raised that some options might mean a consumer benefit isn't seen for a year or so, so the ESO would have to use their opinion on what is best for the consumer. JA gave the example of CMP213; many considerations were added into one modification, meaning that many compromises were made along the way. JA suggested that putting separate smaller modifications forward enables the authority to more easily approve and reject each aspect.
 - PB made attendees aware that Ofgem have been known to make a “not proven” decision, if the cost benefit analysis doesn't stand up.
 - The concept of a “super modification” was discussed as opposed to separate “modular” modifications. PJ discussed the importance of keeping the modifications modular if they are to be raised separately. It would need to be made sure that they don't cut across each other. SL made attendees aware that he could see the three issues he identified as three separate modifications.
 - GG suggested that raising the modifications sooner rather than later might not mean the decision is made on them is any sooner.
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8. CACM Cost Recovery - Urmi Mistry, National Grid ESO

Slides 61 – 63

- UM brought a modification which NGESO are raising in the future, to facilitate CACM (Capacity Allocation and Congestion Management). This is a European Network Code, for which Ofgem has published a minded-to position on their proposed mechanism for TSOs and NEMOs to recover costs associated with Market Coupling.
- UM explained the aims of CACM, before explaining the consultations Ofgem have held on this.
- Ofgem's minded-to position is that the cost should be recovered through TNUoS. This will require a licence change for National Grid and Interconnectors.
- NGESO do not agree with this approach however, to implement Ofgem's mechanism, NGESO needs to raise a modification between now and January 2019. Initial thoughts are in line with the cap and floor regime in CMP283.

Questions and Feedback

- GG queried whether Ofgem were aware of which CACM costs are being assessed. And further, what the basis is for determining costs which are "economic and efficient". JW clarified that this will be up to Ofgem as this will be a licence change and so they would be the best people to answer this query.
 - PB questioned what NG's objection is to the process. UM clarified that this was because TNUoS wasn't an effective way of recovering the monies associated with CACM. Further, that the NGESO response to Ofgem's consultation will be published soon.
 - GG wanted clarification on who will assess that the cost to be recovered each year is the correct figure – which will be put into TNUoS each year. JT took an **action** (ID 16) to get clarification from Ofgem to on who is going to be assessing those costs.
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9. ESO response to Ofgem’s Access and Forward Looking Charges Consultation - Rob Marshall, National Grid ESO

Slides 70 – 75

- RM firstly gave an overview of what was discussed at the recent Charging Futures Forum on 5 September. This was pertinent to the previous BSUoS discussion as forum attendees had taken a vote on how they would like to see operational costs taken forwards, and whether a Task Force should be launched to review BSUoS (slides 70 & 71).
- A consolidated timeline of work was presented by Ofgem on the day. The slides can be found on www.chargingfutures.com. The immediate next steps are Ofgem’s minded-to decision on the TCR in November time and the potential launch of a Significant Code Review.
- GG queried whether anyone can raise a modification in this area up until the point of the SCR being launched. RM confirmed yes.
- RM explained that in the session looking at the wider context of other things that need to be considered (outside the SCR), the view in the room was that operational costs and BSUoS were highest priority. Some attendees believed the ESO should take this forward, others said not at all. There was further discussion that a “not yet” option was needed.
- RM then presented on the role of the ESO: to facilitate industry debate and champion the consumer view, and the ESO goal to: develop markets that create the right outcomes and facilitate an open process.
- RM presented what the ESO led package of work could look like: A task force on a specific topic which would then propose options for change to industry, collaborate with taskforce members to remove and refine options and take forward a preferred option into code modification(s).

Questions and Feedback

- SL highlighted the difference between the ESO and Elexon and questioned the ESO role in the CUSC environment given that the BSC (Balancing and Settlement Code – which Elexon administrates) rules are different in terms of voting. SL raised that the ESO would need to make a commitment to take the minority view to the authority. SL referred to the SNAPs / C16 process that NG ran as being not particularly industry-involved. SL suggested the ESO could withdraw from chairing some of the more controversial workgroups, or withdraw from being a workgroup member. RM made attendees aware of the legal separation that this is happening alongside. The ESO is conscious about how their role evolves and how best to give value to the industry.
- PB questioned whether the ESO is a code administrator or a proposer. He gave the example that Elexon are an independent code administrator. PB was conscious this would subvert some of the code modification procedures which we currently have. He suggested that all modifications could be voted on by the CMA (Competition and Markets Authority).
- GG referred to the C16 process previously mentioned, and raised his concern that the ESO might be both the proposing and deciding party. GG then referred to the consultation response timescales that were recently given for THOR and suggested these were too short.
- RM clarified that the ESO are not suggesting any changes to CUSC process or licence permissions. The ESO is looking at what they can do within the CUSC which will better serve industry. JW referred to Ofgem’s key statements about how the ESO can champion change. Further that this is about a coordinated piece of work to raise changes in the interests of the consumer.
- PB referred again to a modification discussed earlier in the meeting which went straight to consultation. RT clarified again that the decision was made by the Panel on that. JW reminded attendees that it is the regulator who will decide whether that was the right decision or not and further, that the authority decision will be made in the interest of consumers. There was discussion about the definition of “consumers” and what is in their interests. GG suggested that it could be in the consumers interest if the ESO had a lower rate of return but that may not necessarily be in the interests of consumers for example
- SL queried whether this fits within RII02 targets. RM responded that the ESO have a forward plan published on the ESO website which sets out how the ESO is committing to the new aspects of what their role is today. The document sets out how the ESO support an open and transparent market. The forward plan is available here <https://www.nationalgrideso.com/about-us/future-electricity-system-operator>

Action Item Log

Action items: In progress and completed since last meeting

ID	Month	Agenda Item	Description	Owner	Notes	Target Date	Status
14	Aug-18	AOB	MO to contact GG regarding Brexit discussion	MO	-	Sep-18	Complete
6	Dec-18	AOB	Make enquiries re missing website content specifically in relation to previous mods (TCMF members asked to advise when they come across any additional missing content).	RT	We are planning to get all archived modifications available on the website, however this will take some time due to the volume of material. Proposal forms, Workgroup reports, FMRs and decision letters will be uploaded. In the meantime any specific requests can be sent to the cusc.team@nationalgrid.com	Oct-18	In progress
15	Aug-18	Loss of Mains Protection Update	Find out whether LoMs change would have any impact on Black Start	GS	A response was given at Sept TCMF - GS to clarify question with GG	Nov-18	In progress
16	Sep-18	CAPM Cost Recovery	JT to confirm who will assess the increase in TO costs in relation to CACM licence changes	JT	Action on Ofgem	Nov-18	In progress

Action items: Previously completed

If you wish to view any previously completed actions, please contact cusc.team@nationalgrid.com