

Meeting minutes

Transmission Charging Methodologies Forum and CUSC Issues Steering Group 90

Date: 14/11/2018	Location: National Grid House, Warwick
Start: 10:30 AM	End: 14:00 PM

Participants

Attendee	Company	Attendee	Company
Jon Wisdom (JW)	National Grid ESO (Chair)	Colin Prestwich (CP)	SmartestEnergy
Jennifer Groome (JG)	National Grid ESO (TCMF Technical Secretary)	Faye Hankin (FH)	Bryt Energy
Harriet Harmon (HH)	National Grid ESO	Nicola Fitchett (NF)	RWE
Joseph Henry (JH)	National Grid ESO (Presenter)	Robert Longden (RL)	Cornwall Insight
Graham Stein	National Grid ESO (Presenter)	Peter Bolitho (PB)	Waters Wye
Rob Marshall (RM)	National Grid ESO (Presenter)	Laurence Barrett (LB)	E.ON
Lauren Logan (LL)	SSEN (Presenter)	Paul Jones (PJ)	Uniper
Tim Aldridge (TA)	Ofgem	Christopher Granby (CG)	Fred. Olsen Renewables
Karl Maryon (KM)	Haven Power	James Anderson (JA)	Scottish Power
Garth Graham (GG)	SSE	Grace Smith (GS)	UKPR
Joe Underwood	Energy UK	Aled Moses	Orsted
Iwan Hughes	VPI	Nicola Percival	Innogy Renewables UK
Yonna Vitonova	Utilitywise	Daniel Hickman	Npower
Paul Mott	EDF Energy	Binoy Dharsi	EDF Energy
Joshua Logan	Drax	Simon Vicary (SV)	EDF Energy

Agenda

The agenda for the meeting can be found here:

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

Slides

The slide pack from the meeting can be found here:

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

The output from Menti (relating to agenda item 3) can be found here:

<https://www.nationalgrideso.com/sites/eso/files/documents/TCMF%20November%202018%20-%20RHO2%20and%20the%20future%20of%20charging%20-%20output%20from%20Menti.pdf>

Appendices

The code modifications appendices can be found here:

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

Discussion and details - CUSC Issues Steering Group

1. Introduction, meeting objectives and review of actions – Jon Wisdom, National Grid ESO

- JW gave an update on actions.
 - **Action ID6** (Code Administrator to make all archived modifications available on the website) has now been actioned and closed.
 - **Action ID15** Attendees discussed whether the action (NGESO to find out whether a LoMs change would have any impact on Black Start) had been completed. GS stated that the impact on Black Start is positive. He added that the new LoMs settings are more helpful to prevent a black start as well as in the event of one. Attendees were satisfied with this response and the action is now closed.
 - **Action ID16** (Ofgem to confirm who will assess the increase in TO costs in relation to CACM licence changes) TA confirmed that Ofgem will perform this assessment. This action is now closed.
 - JW asked in which year the revenue will be recovered. GG asked for confirmation on what basis these costs are being assessed (reasonable, proportionate and *efficient* or *economic*). He added that it's usually 'economic'. **Action ID17 on TA to get confirmation on the year revenue will be recovered and the basis of assessment.**
-

2. Loss of Mains Protection (LoMs) update – Graham Stein, National Grid ESO

See slides 7-9

- GS gave an update on the progress of the LoMs changes (distribution code mod ref DC0079).
- He covered these points on **slide 8**:
 - This is a National programme impacting ~50,000 distributed generators. The protection change they require is to remove vector shift and set RoCoF as 1Hzs^{-1} with 500ms delay.
 - The 2017/18 operational spend is £59.2 million and the 2018/19 spend to September is £67 million. GS highlighted that this is significant expenditure which is increasing, and needs to be addressed quickly.
 - The programme cost estimate is ~£30million and the forecast savings are ~£300million by 2024.
- The next milestone is to submit their report to Ofgem in December 2018. GS added this is likely to be an informal conversation with formal submission by February.
- GS told attendees to look out for seminars and workshops on this in the new year, as they plan to open this up to industry discussion.
- **Slide 9** shows the proposed approach: Engagement > Compensation > Assistance > Enforcement
 - a multi-year programme is to be built with decision points and along the way, with forecast costs at each step. As costs are going to flow through to BSUoS payers, it is important to know when those costs are going to land. Costs will be incurred along the way rather than post-event.
 - GS highlighted that they will focus on engagement with smaller parties, who will not be familiar with this type of change.
 - 'Compensation' is payments that parties will receive to make the necessary changes.
 - 'Assistance' is going out and doing the work for parties – this is mainly for small generators which haven't got access to the resource required to make these changes to settings. He added that there have not been many requests for this.

Questions and Feedback

- RL asked what would happen if parties whose protection are deemed inadequate might want to replace their systems with expensive systems. GS responded that NGENSO would be encouraging the going rate and discouraging overspend.
 - GG queried the word compensation as opposed to recompense (i.e. are NG compensating X amount before the work happens). GS responded yes – NGENSO are trying to limit the work to a settings change on existing equipment. When not able to do this, they should consider removing the equipment altogether.
 - GG stated that it will be difficult to see post-event which sites have settings that didn't work. GS responded that there are ways to monitor this, and as a minimum they would like to perform spot checks. Currently they are unsure on the percentage they will check. GS reminded attendees that there is an incentive on those to comply with the distribution code requirement.
 - PJ queried the cost of the program. GS responded that as more information comes through they can focus on exactly what they need.
 - Attendees requested that GS comes back to TCMF in January / February.
-

Discussion and details - Transmission Charging Methodologies Forum

3. RIIO2 and the future of charging – Rob Marshall, National Grid ESO

Slides 10 – 13 and the output from Menti

- **RIIO2:** RM explained where NGENSO are in putting their proposal forward for the first price control for a legally separate ESO. Slide 11 shows that proposals to Ofgem must be submitted at the end of 2019. The timeline on the slide shows the process which the ESO need to go through between 2018 and the start of RIIO2 in 2021. These are Co-create > Propose > Ofgem scrutiny and licence development > Start of RIIO2.

The future of charging: Attendees were then asked to respond to questions using an online audience interaction system called Menti.

- The first question was to give a rating out of 5 as to what they think the most important themes were out of the following:
 - Volatility
 - Unpredictability
 - Whole system signals
 - Level playing field
- There was a level of agreement in the room that there are issues in all areas, but the less significant one came out as whole system signals.
- There were then four free-text response questions asking for further comment on the four areas above. You can read the actual responses on our website [here](#).

1. How can the ESO better manage volatility in network charging?

- One attendee suggested that those who are concerned about volatility tend to be less concerned about cost reflectivity. LB commented that volatility isn't a bad thing if there are clear signals to respond.
- GG queried whether whole system cost includes balancing by the ESO, and asked who pays for the balancing.
- JA suggested that some of the ESOs concerns about K factors could be addressed.
- PJ raised a risk that re-zoning at the end of a price control could result in a step change for users. GG furthered on the issue of zoning, the reason we've got so many zones is because it is in methodology to inflate the £1 figure from 1992. He added further that every time this is done, there is a plethora of extra zones and there is no indication that that number is going to be reducing soon. GG suggested larger zones.
- JW asked attendees whether they think the methodology on zoning is still appropriate. RB asked under what timescales can we consider fitness of zones. JW responded that in the new year NGENSO will be bringing a list to this group of what we should consider for RIIO2.
- RM queried what somebody had meant by long-term uncertainty. SV responded that he raised a 15-month modification which was rejected by Ofgem. GG suggested that the issue with the hedging product is who is hedging. He added that if NGENSO want to offer a hedge on TNUoS or any other product, the problem comes when they want to offer a hedging product to everyone else as a guarantor. This would force people to move towards that sort of product.
- SV suggested that it would be beneficial to have flows on the HVDC link published. GG added that he would like to see interconnector data also. RB suggested that the ESO currently publish data they think is useful, and that everything should be published even if it's not seen as useful.

2. How can the ESO better manage unpredictability in network charging?

- RM asked attendees if is there an alternate change to CMP250 which would help implement a BSUoS charge.
 - GG questioned the driver for whole system balancing. He queried who is going to pay for it and how's it
-

going to be recovered. GG suggested there has been talk of the DSOs doing it themselves and mentioned there is a risk that DSOs would balance in a way which is incompatible with the ESO balancing system.

- NP raised that for smaller parties who don't have a policy-dedicated person, this work is difficult. NP raised the point that some may be using information to generate their forecasts which will change. JW referred to the work PW and his team have done with stakeholders on the five-year TNUoS forecast work.
- LB raised that making clear what the scenarios are going to be is important. RB went further to say that setting the boundaries is important. Too many scenarios are overwhelming to the uninformed observer. IH agreed with RB's comment.
- HH asked attendees their thoughts on the ESO modelling modifications which they think are likely to be approved. GG responded that if the modification has actually been raised and a solution drafted, this is fine. LB suggested to look at a broad area, then the range of impact that could happen in that area due to a theme of change.

3. How can the ESO better manage whole system signals in network charging?

- LB raised that an ESO and multiple DSOs may find it difficult to coordinate this. He raised the risk of multiple DSOs using different systems. Central ESO coordination is an option.
- RB questioned the confidence in whole system signals. GG queried whether everybody will pay a whole system charge, and stated that it would be unfair if whole system charges are picked up by Transmission users only.
- JA raised that section 14 of the CUSC doesn't flow well and uses examples that tend to get out of date. He suggested that these worked examples go into an appendix, to make the legal text easier to update. JW asked attendees that if they have a view on any areas which they think would need consideration, NGENSO can facilitate a specific session on this at a future TCMF meeting.
- LL queried how this fits into Ofgem's future charges and the price control work they are leading. RM responded that the final scope on Ofgem's SCR will be before the end of the year. Further, that it is uncertain whether changes to distribution charges will happen within the SCR or are taken alongside that.

4. How can the ESO better manage a level playing field in network charging?

- PB raised that he sees the separate ESO as leading this, either through signals or a common methodology to create this whole system in a coordinated way. GG raised that there must be a whole system methodology with a whole system approach.
 - RM asked for feedback on the session. Attendees generally agreed that receiving questions in advance for sessions like this would be helpful, especially for those attending by phone.
-

5. Alternative Approach for Orkney – Lauren Logan, SHE-Transmission

Slides 14 - 24

- LL is the Commercial Policy Manager at SHE-Transmission. LL manages contracts for those wanting to connect on Orkney and commercial policy.
- Background:
- **Slide 16** LL explained the reasons for an Alternative Approach on Orkney.
 - Customers are in a 'catch 22' situation: Customers can't progress their connections because reinforcement is uncertain > reinforcement can't progress because customers are uncertain > customers can't connect.
 - Orkney is not connected to the MITS (Main Integrated Transmission System).
 - There are barriers to connection for customers:
 - Fixed Capacity Queue - Smaller customers further down the queue are unable to connect.
 - Misalignment of timelines – due to a range of technology with different timelines including government policy and network operators.
 - Securities and Liabilities – the nearest MITS node is on the mainland of Orkney and all works would be attributable works.
- **Slide 17** LL showed the progress so far on this work, and what is planned.
- **Slide 18** The Alternative Approach, is made up of two parts:
- 1) The 'ready to connect' process (queue management). This will involve asking stakeholders for delivery plans outlining when they will reach certain project milestones e.g. when they planning permission. This voluntary approach will allow SHE-T to better understand timelines and ensure capacity is allocated and utilised at the earliest opportunity by those who can demonstrate they will be ready to connect.
- 2) Reducing the obstacles to connection by temporarily adjusting securities.
 - Temporarily removing subsea cable elements.
 - Allowing project to progress and overcome timing issues caused by the 'catch-22'.
- **Slide 19** LL outlined the changes that have been made to this work through ongoing stakeholder engagement.
- **Slide 20** LL explained how the voluntary approach will be implemented. There is enough flexibility in the STC to adjust costs to the ESO. Derogations from the CUSC and SHEPD's CCMs are required for this work. Implementation of this approach is due to start from January 2019 subject to Ofgem approval.
- **Slides 21 & 22** There are several lessons which can be learnt from this work which are detailed on the slides.
- **Slide 23** LL concluded that the outcome is that the needs case has been submitted to Ofgem. Implementation will be on a trial basis in 2019, with any lessons learned fed into wider industry work streams.

Questions and Feedback

- PY stated that there are large attributable liabilities in terms of cable costs which could skew competition. LL responded that SHE-T will be looking for feedback on that. PY added further that there would be certainty for one island and not for others by 2019.
- RL suggested that reducing the liabilities for some parties will result in an increase for others, and queried who would get the increase. LL responded that it would be the ESO's responsibility and that there is a mechanism in Ofgem's price control for this. However, that would only come to fruition if nobody could connect.
- GG queried whether derogations under the CUSC in this area of section 14 can be given, particularly in respect of connection agreements under the third package. GG further questioned whether the TSO will be making the derogation requests. LL responded that SHEPD is seeking derogations. GG asked whether these are European derogations and RFG (Requirements for Generators) derogations.

-
- PJ queried whether the transmission link costs and any overspend would also be covered by all TNUoS payers. LL indicated that overspend would come under inefficient spend. LL explained that SHE-T have considered they can take on this risk through the SWW (Strategic Wider Works) process.
 - LL elaborated that SHE-T are trying to ensure there is a level playing field between Orkney customers and mainland customers.
-

6. CUSC Modifications Update - Joseph Henry, Code Administrator

Slides 25 - 36

- JH gave an update on new modifications, modifications at workgroup, and authority decision updates (see **slides 25 – 34**). See the dashboard on **slide 35** for an overview.
- Modification CMP307 is now suspended until the conclusion of the Targeted Charging Review by Ofgem.
- An attendee questioned whether CMP280 and 281 had been adopted. JW responded that he believes they will be.

7. Small generators discount beyond 18/19 – Paul Wakeley, National Grid ESO

See slides 37 - 44

- PW gave an update on the Small generators discount. The key messages were:
 - TNUoS is currently charged net of the effects of the Small Generators Discount.
 - C13 licence condition expires 31 March 2019. However, CMP302 and Ofgem's Urgency letter mean (the effect of) the licence condition might be extended in and beyond 2019/20.
 - NGESO have not included the Small Generator Discount in TNUoS tariffs for 19/20 and beyond (to be consistent with the expiry date).
 - The presentation by PW was to show what might happen if the scheme was extended in its current form. See **slide 41** for the calculation.
 - The methodology is not defined in the licence. PW warned attendees that Ofgem may extend the scheme but change the methodology. **Slide 42** shows published data (TNUoS Tariffs Report for 2019/20 – 2023/24, table 54) assuming the current 25% methodology continues.
 - The November TNUoS tariffs will not include Small Generator Discount. PW reminded attendees that the five-year view is available.
 - PW stated that NGESO have made it clear to Ofgem that they need to have the decision before final TNUoS tariffs are published by the end of January.
 - It was noted that there is a statutory period after which licence conditions is agreed to when it is implemented. HH stated that 56 days is the official lag time (56 days before 1st April is the latest it would be).
 - PB queried whether we should expect a comment from Ofgem that the licence condition will lapse.
 - TA confirmed 56-day lag. He stated that any announcement will be with TCR next steps.
-

8. TNUoS Settlement for Measurements Classes F and G from 2020/21

Slides 45 - 51

- PW presented NGESO's proposal to extend the current arrangements for F&G Measurement classes beyond CY 19/20, to then align with broader direction of travel under Residual TCR and Settlement SCR.
- PW first gave an overview of measurement classes and on what basis they are charged for TNUoS.
- PW explained that currently the CUSC (14.17.29.9) requires that classes F&G are treated as NHH settled in the charging year 2019/20 and then to be treated as HH settled from 2020/21.
- PW pointed towards other work going on in the same space, namely Ofgem's TCR on residual charging and SCR on settlement reform.
- PW then explained the CUSC change needed to implement this proposal, which is to change the expiry date of the provision in 14.17.29.9. The options on this are:
 - Status Quo: F&G revert to HH settled from 2020/21 onwards
 - Remove the end data entirely
 - Set a reasonable end date based on TCR / SCR ~ 2021/22
 - Set an "backstop" end date ~ 2025/26
- NGESO look to raise a CUSC modification to address this.

Questions and Feedback

- PY queried the intent to change. PW responded that it is so that the changes are made together, rather than having a lot of change over time which is difficult to predict
 - GG queried whether this would be captured the scope of SCR anyway. JW confirmed that once the proposal is developed, they will raise this with Ofgem.
 - LB questioned the need for this and commented that change upon change was an inevitable path. JW responded that this would mean the charging arrangements would be different each year.
 - GG raised that Ofgem are consulting on whether everybody should move to being HH settled. DH raised that there might be a different charging base. JW confirmed that NGESO won't bring anything forward until they have seen the TCR consultation document.
 - BD raised concerns that in terms of materiality, the magnitude of change might be quite large in the year the change takes effect. LB raised concerns that by the time this is raised after the TCR, and then after workgroups are held and a decision made, this could be quite late in the process. JW responded that NGESO will look for feedback on that from the workgroup.
-

9. Error margin in the G/D split calculation following CMP251 – Paul Wakeley, National Grid ESO

Slides 52 – 60

- The error margin is a component of the calculation of the total revenue allowed to be recovered from generators. It is part of the calculation introduced by CMP244 to achieve compliance with the EU regulation 838/2010 on average generation charges being within the range 0 – €2.50/MWh.
- PW showed attendees Ofgem’s (rejection) decision notice on CMP251, which recognises the effect the error margin is having on generator and supplier costs, and asks that NGET make the size of the error margin (currently 21%) as small as possible.
- PW presented NGENSO’s proposal, that no changes are made to the error margin for 19/20 TNUoS tariffs, as this was ‘fixed’ in the tariffs published in June.
- PW then presented NGENSO’s proposal for 2020/21 onwards. This is that NGENSO will recalculate the error margin with the latest data and share this and the updated margin in early 2019 via TCMF and other channels. This will apply from 2020/21 tariffs and be reflected in five-year views.
- NGENSO do not propose any changes to the CUSC.
- For information, the latest five-year view of TNUoS does include sensitivities in Table 37, if the error margin were to be 10%.

Questions and Feedback

- NP queried whether this will be published wider than TCMF. PW responded that it will be shared online for any interested party to view.
- SV suggested that a party other than NG might be involved in the decision to calculate the new error margin. He suggested that any changes which have a significant impact on consumers should be given sufficient lead time, such as 2 years’ notice. He added that this is particularly important for generators.
- SV mentioned that CMP301 set a precedence for clarifying CUSC text.
- PJ queried the direction of travel. PW responded that the regulator has asked NG to look at this. Further, that the residual is negative now, and to move this a £200m increase is required to enable it to be recovered through generation. PJ suggested that a negative residual is not such a problem.

10. TNUoS charging of co-located generation – Grahame Neale, National Grid ESO

Slides 61 – 65

- GN presented a potential future issue: Current TNUoS charging arrangements are set up in a manner that do not allow for cost reflective charging of multiple technologies behind a single connection.
- He gave an example that a power station formed of 100MW Wind and 50MW Gas would currently be charged as 150MW Wind.
- GN further explained the reasons behind this change:
 - There is an increasing interest in co-located connection applications
 - To ensure there is a level playing field with all industry participants
 - To facilitate markets and competition in a transparent way
- Next steps are to engage with industry throughout December and January, to come up with some potential options.
- GN urged attendees to get in touch if they want to get involved or if they have any feedback. Email Graham.Neale@nationalgrid.com

Questions and Feedback

- PY queried whether there are currently any unintended consequences. GN responded that this is not a big issue yet, but it looks as though it will become a bigger issue if this is not looked at soon.
 - GG mentioned that some of this has been discussed in the TCR and the Access work.
 - GG agreed that a workshop should be done on this topic area.
-

11. • **AOB and Close**

- GG made attendees aware that the two modifications he has raised are now ready and available if it becomes necessary to raise them. These modifications are in relation to interconnectors and charging in respect of Brexit.
 - JW mentioned that regarding the legal separation of the ESO, the changes to Licence obligations have been minimal so far. He advised that there may be changes to how the ESO works under the CUSC in the future.
 - GG was unclear on any process changes there could be in CUSC, given that there has been no change under BETA. RL made further comment that he doesn't expect any stakeholder facing changes.
 - JW responded that there have been no modifications raised on this, they are only bringing forward topic areas for discussion.
-

Action Item Log

Action items: In progress and completed since last meeting

ID	Month	Agenda Item	Description	Owner	Notes	Target Date	Status
17	Nov-18	Introduction, meeting objectives and review of actions	To get confirmation on the year revenue will be recovered and the basis of assessment.	TA	This is regarding the increase in TO costs in relation to CACM licence changes.	Dec-18	In-progress
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	All archived modifications now available on the ESO website.	Oct-18	Complete
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	Complete
16	Sep-18	CAPM Cost Recovery	Ofgem to confirm who will assess the increase in TO costs in relation to CACM licence changes	Ofgem	TA confirmed that Ofgem will perform this assessment.	Nov-18	Complete

Action items: Previously completed

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