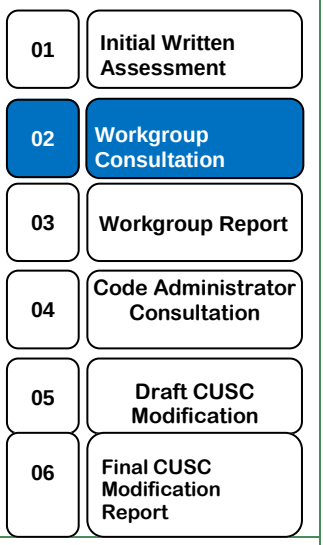
| Stage 02: Workgroup Consultation | At what stage is this document in the process? |
|---|---|

# CMP295: Contractual Arrangements for Virtual Lead Parties (Project TERRE)




**Purpose of Modification:** 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.

| | |
|---|---|
| | This document contains the discussion of the Workgroup which formed in January 2018 to develop and assess the proposal. Any interested party is able to make a response in line with the guidance set out in Section 5of this document.<br>**Published on: 18 January 2019**<br>**Length of Consultation: 15 Working days**<br>**Responses by: 8 February 2019** |
| | **High Impact**: Persons who will be Virtual Lead Parties in the BSC |
| | **Medium Impact** The Company |

## Contents




**Any questions?**

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## Timetable

**The Code Administrator recommends the following timetable:**

| | |
|---|---|
| Workgroup Report presented to Panel | 25 February 2019 |
| Code Administration Consultation Report issued to the Industry | 4 March 2019 |
| Draft Final Modification Report presented to Panel | 29 March 2019 |
| Modification Panel decision | 29 March 2019 |
| Final Modification Report issued to Authority (25 WD) | 1 April 2019 |
| Indicative Decision Date | 8 May 2019 |
| Decision implemented in CUSC (2WD after determination) | 10 May 2019 |

# 1 About this Document

This Workgroup Consultation contains the discussion of the Workgroup which formed in July 2018 to develop and assess the proposal.

Section 2 (Original Proposal) and Section 3 (Proposer's solution) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 4 of the Workgroup Consultation contains the discussion by the Workgroup on the Proposal and the potential solution.

The CUSC Panel detailed in the Terms of Reference the scope of work for the CMP295 Workgroup and the specific areas that the Workgroup should consider.

The table below details these specific areas and where the Workgroup have covered them or will cover post Workgroup Consultation.

The full Terms of Reference can be found in Annex 1.

Table 1: CMP295 ToR

| Specific Area | Location in the report |
|---|---|
| a) Work closely with CMP291 workgroup to ensure BCAs are compatible | Section 4, P10 |
| b) Clarity on Scope of VLPs | To be covered post consultation |
| c) Are there any unintended consequences intended? | Section 4, P8 |
| d) Consider efficient process and transparency of VLPs | Section 4 P6 |
| e) Workgroup to be mindful of locational aspects | To be covered post consultation |
| f) Appropriate linkage to P344 and GC0097 and changes required as a result of these modifications | Section 4, P4 |
| g) Avoid discrimination for example 4.3 and 4.4 of draft legal text | Section 4, P9 |

| | |
|---|---|
| h) Implementation Arrangements | Section 7, P14 |
| i) Legal Text | Section 8, P14 |
| j) Cross Section of Stakeholder Representation, Experience and Expertise | Section 4, P11 |
| k) Consideration of supplier additional BMUs | To be considered post consultation |
| l) Applicability across all types of aggregation | Section 4, P10 |

# 2 Original Proposal

***Section 2 (Original Proposal) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 4 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.***

## Defect

Under BSC P344, new entrants to the market will be created – 'Virtual Lead Parties' (hereafter 'VLPs') – and will, in their capacity as the aggregator of SVA-registered generating units, participate in the provision of services under Project TERRE. GC0097 outlines specific technical requirements for these VLPs, including but not limited to communications and operational metering. The VLP will accede to certain sections of the BSC, and the CUSC (including Section 6 thereof which mandates compliance with the Grid Code). In order to enable access to the System and to participate as a BMU, the VLP will need to sign a Bilateral Agreement, however in their current form, no CUSC Exhibit is appropriate for VLPs as they do not own or operate the individual stations. A new Agreement is therefore required for these new users to reflect a) they do not own or operate the stations; b) The Company may require further technical assurances which would ordinarily be in the Appendices F1 onwards to a BELLA and/or BEGA; and c) the sites aggregated by the VLP are SVA-registered and cannot be CVA.

## What

It is proposed that in order to deliver a new Agreement for VLPs, the following changes are made:

Section 1 – Introduce VLPs as a User Category and update application process accordingly;

Section 3 – Revisions to amend existing text and new part added to create VLPs

Section 11 – Define VLPs and the new Agreement;

Create a new, or use the extant CUSC Exhibit F (application form) - the Proposer believes this should be decided by the Workgroup rather than form part of this initial proposal;

Create a new Bilateral Agreement under Schedule 2 of the CUSC, reflecting the unique nature of the VLPs' relationship to the generating units – it is proposed that this is a hybrid of a BELLA and BEGA (relevant Clauses only) and utilises the existing Appendix F

This Proposal has one appended document, that being a draft version of the new BA which might apply. Additional legal text should be produced through the Workgroup.

## Why

Under BSC P344, new entrants to the market will be created – 'Virtual Lead Parties' (hereafter 'VLPs') – and will, in their capacity as the aggregator of SVA-registered generating units, participate in the provision of services under Project TERRE. GC0097 outlines technical requirements for these VLPs, including but not limited to communications and operational metering. The VLP will accede to certain sections of the BSC, and the CUSC (including Section 6 thereof which mandates compliance with the Grid Code). In order to enable access to the System and to participate as a BMU, the VLP will need to sign a Bilateral Agreement, however in their current form, no CUSC Exhibit is appropriate for VLPs as they do not own or operate the individual stations. A new Agreement is therefore required for these new users to reflect a) they do not own or operate the stations; b) The Company may require additional detail on the technical requirements which would ordinarily be in the Appendices F1 onwards to a BELLA and/or BEGA; and c) the sites aggregated by the VLP are SVA-registered and cannot be CVA.

Without a change to the CUSC to facilitate this new Agreement and to introduce the concept of VLPs, there is a significant risk that there are regulatory/code 'gaps' in the overall TERRE process insofar as it relates to VLPs. Whilst the VLP will be required to adhere to the Grid Code to the extent it is relevant, there are technical requirements outlined to the other registrants of BMUs which will be equally valid for VLPs but which may not otherwise be codified appropriately.

## How

Legal text drafting is attached as indicated, but in summary:

It is proposed that in order to deliver a new Agreement for VLPs, the following changes are made:

Section 1 – Introduce VLPs as a User Category and update application process accordingly;

Section 3 – Revisions to amend existing text and new part added to create VLPs

Section 11 – Define VLPs and the new Agreement;

Create a new, or use the extant CUSC Exhibit F (application form) - the Proposer believes this should be decided by the Workgroup rather than form part of this initial proposal;

Create a new Bilateral Agreement under Schedule 2 of the CUSC, reflecting the unique nature of the VLPs' relationship to the generating units – it is proposed that this is a hybrid of a BELLA and BEGA (relevant Clauses only) and utilises the existing Appendix F.

# 3 Proposer's solution

***Section 3 (Proposer's solution) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 7 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.***

Legal Text Attached

## Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

It is linked to but does not influence P344/Project TERRE.

## Consumer Impacts

This CMP facilitates other industry changes and therefore supports the benefits thereof.

# 4 Workgroup Discussions

The Workgroup convened 3 times between July 2018 and December 2018 to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable CUSC Objectives. The Workgroup will in due course conclude these tasks after this consultation (taking account of responses to this consultation).

The Workgroup discussed a number of the key attributes under CMP295 and these discussions are described below.

1. **P344 and Virtual Lead Parties**

The Proposer of CMP295 initially advised the workgroup of the need to include contractual arrangements for Virtual Lead Parties within the CUSC. CMP295 is a consequential change of P344, which was a BSC modification raised by National Grid in June 2016. P344 sought the alignment of the BSC with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. This was in order to facilitate the introduction and implementation of Project TERRE at national level and to comply with the first tranche of obligations in the European Network Codes (ENCs).

The Third Energy Package was adopted in 2009 by the European Union, and signalled a move towards a harmonised European energy market. In order to help facilitate this move towards harmonisation, cross border European Network Codes (ENCs) were required by the legislation of the Third Energy Package. The ENCs would cover areas of cross border impact.

The vast majority of the ENCs came into EU law in 2016 with 2 year implementation periods. ENCs, once implemented, take precedence over any pre-existing GB law or arrangements, inclusive of existing licences and codes that impact GB energy market stakeholders. Failure to demonstrate compliance could mean GB running the risk of infraction proceedings and subsequently potential fines to be imposed on GB Market Participants.

In order to establish the European Balancing Guideline (EBGL), and to subsequently to achieve a pan European Balancing Market Project TERRE. The platform itself sought to set up a central platform which could give the European Balancing market close to real time exchange of Replacement Reserves between European Transmission System Operators. Under P344, the concept of a Virtual Lead Party was introduced to the BSC.

Virtual Lead Parties will be able to aggregate multiple SVA sites (generation and or demand) to create a Secondary Balancing Mechanism Unit (BMU). It is proposed that these VLPs will take instruction to provide Ancillary/Balancing services. The Supplier in question would take TNUoS and BSUoS Liabilities. Currently, the concept of VLPs does not exist in the CUSC. Small embedded parties would not normally have a contractual relationship directly with NGESO, and whilst a VLP may not own or technically operate the site, there would be no TEC requirements.

From the Proposer's perspective, in order to participate and provide the aforementioned services, Virtual Lead Parties would be required to accede to certain parts of the CUSC. As such, National Grid ESO suggested to the workgroup that their proposal would be to ensure that the following changes are made to facilitate to concept of a VLP into the CUSC:

- Section 1 – Introduce VLPs as a User Category and update application process accordingly;
- Section 3 – A new 'Part C' to be added to describe the general CUSC provisions applicable for VLPs
- Section 11 – Define VLPs and the new Agreement;
- Create a new, or use the extant CUSC Exhibit F (application form) - the Proposer believes this should be decided by the Workgroup rather than form part of this initial proposal;
- Create a new Bilateral Agreement under Schedule 2 of the CUSC, reflecting the unique nature of the VLPs' relationship to the generating units – it is proposed that this is a hybrid of a BELLA and BEGA (relevant Clauses only) and utilises the existing Appendix F.

The proposer highlighted that some of the technical requirements for VLPs were being delivered by a Grid Code modification, namely GC0097, which sought to modify the

Grid Code to set GB processes to allow market participants and the TSO to coordinate with one another to facilitate participation in Project Terre. GC0097 was implemented in September 2018 as per the direction of Ofgem[1].

The importance of timescales for the modification were highlighted within the workgroup. P344 is due to be implemented into the BSC on 18 February 2019. Once implemented, this would allow Virtual Lead Parties to register and allocate SVA Metering Systems to Secondary BM Units. As such, the CUSC would need to be updated shortly thereafter to ensure the process as a whole is compliant. The workgroup also asked National Grid ESO to make clearer the pre-qualification process that would be involved.

## 2. Potential Issues with VLPs and Acceding to the CUSC

A workgroup member highlighted that as a result of the solution put forward by NGESO, VLPs would need to accede to the CUSC. As such it was suggested that a lead time would be needed in order to allow parties to make this adjustment and understand their potential obligations under the CUSC. The workgroup also considered whether acceding to the CUSC could potentially provide a barrier for entry. Some workgroup members argued that the complexity of the CUSC could potentially add such a barrier to parties wishing to act as virtual lead parties. NGESO, however, stated that they believed that a bi-lateral agreement at the very least would need to be in place for this process to fully work.

In terms of bi-lateral agreements, an observer to the workgroup stated that they believed that agreements for a VLP to participate in the Balancing Market should be as simple and as streamlined as possible. NGESO pointed out at several junctures in the discussions that as the solution only required the Virtual Lead Parties to accede to certain sections of the CUSC, as opposed to the whole agreement, therefore this issue was mitigated.

## 3. Contractual Agreements for Virtual Lead Parties

During the workgroup, members highlighted that CMP295 would require Virtual Lead Parties to accede to the CUSC, and that as things stand, bilateral agreements form schedules to the CUSC, which enable NGESO to have differences within specific agreements for different Parties. NGESO stated that they envisage all VLPs would have the same front end agreement, however the technical requirement in the appendix could be more specific.

One workgroup member highlighted scenarios whereby Secondary BM Unit, with multiple sites, may relate to ten sites but not all would be necessarily bidding into TERRE services. NGESO offered their opinion that bilateral agreements do not specify the BMU/Balancing Reserve and different agreements, with the workgroup holding discussions, eventually agreeing that BMUs should and can be referenced in

[1] https://www.nationalgrideso.com/sites/eso/files/documents/GC0097%20Decision%20Letter.pdf

agreements and that there should be separate agreements for the 2 markets as there are obligations in BM that Parties only in TERRE should not be party to. NGESO also highlighted that there were Obligations on parties also. Some workgroup members and an observer highlighted this this not what was agreed and implemented in GC0097, and this could potentially impact on pre-qualification.

NGESO highlighted that arrangements vary under bilateral agreements, an observer highlighted that a BM Unit may be registered then allocate, but can change over time, questioning whether such circumstances would impact a bilateral agreement. Some workgroup members also stated their wish to ensure sites comply with metering requirements, if things change then bilateral agreements must change. The workgroup discussed whether metering requirements were already covered elsewhere, with certain workgroup members highlighting SOGL Article 161. The suggestion of recording such instances in an impact register was put forwards. It is also worth noting that under the Grid Code Connection Conditions and European Connection Conditions, there are specific requirements on BM Participants alone meet some basic requirements so they can participate in the BM. These relate to issues such as Control Telephony, Operational metering and electronic data communication facilities.

The proposer was asked by some workgroup members for their view on whether bilateral agreements could work in these scenarios. One workgroup member reiterated that it was not his belief that they should sit in the CUSC. NGESO stated that they would speak to their legal team in regards to this, and are working under the assumption that something will be needed to tie VLPs into relevant sections of the CUSC.

## 4. Unintended Consequences and potential discrimination in CMP295

In the initial stages, the workgroup discussed scenarios whereby there could be unintended consequences and also discrimination between how CVA and SVA BMUs may possibly be treated under the new arrangements.

- Avoidance of Obligations by VLPs

One workgroup mentioned that VLPs may be able to avoid several obligations across codes, and this would be technically permissible. It was pointed out that the SOGL rules should apply to VLPs and Non-VLPs equally, reducing any chance of discriminatory treatment. NGESO made it clear that they would not be asking VLPs to accede to section 4 of the CUSC. Some workgroup members stated that they were unsure what obligations NGESO were trying to put on the VLPs, as this wasn't particularly clear.

NGESO stated that they had given broader consideration to this, as NGESO own the Balancing Mechanism. The point was made that if VLPs are wishing to participate in the Balancing Mechanism, National Grid should have a form of contract and/or agreement with each participant, despite the recompense being dealt with by Elexon,. It wasalso highlighted that there was a need for uniformity and consistency. Elexon as observer asked if the contractual agreements could go into the CUSC itself as opposed to a new type of agreement. NGESO advised that the agreement would be part of the CUSC, and NGESO are not entering bespoke commercial arrangements with different VLPs. This was supported by a workgroup member who highlighted that the nuance was that the agreements are the same summarily, and that if a VLP were using the CUSC and

providing TERRE services, arrangements must be the same, and the terms and conditions should also be identical.

## 5. SVA vs CVA Treatment and Discrimination

The workgroup also discussed the treatment of CVA and SVA metering, and whether there would be any discrimination between the two in relation to this modification. One workgroup member initiated this discussion by enquiring whether CVA registered participants or traditional BM Units must use extant arrangements, and whether this was part of P344. Elexon observed that it did not, as SVA sites must be HH metered under the terms of the BSC.

NGESO opined that for the purposes of VLPs and Project TERRE, a VLP cannot have anything CVA registered within its Virtual BM Unit. SOGL Article 2 Paragraphs 3a and 3d were highlighted by one workgroup member, as they to point to the contrary. The genesis of the distinction between CVA and SVA was also discussed, with some workgroup members stating that they believed it was actually Elexon that made this distinction as opposed to new ENCs. The workgroup discussed whether this could lead to discrimination based on volume. One observer highlighted that the P344 workgroup interpreted the EBGL to mandate the participation of aggregation facilities at the distribution level. This view was subsequently reinforced by OFGEM's definition that Independent Aggregators are 'parties who bundle changes in consumer's loads or distributed generation output for sale in organised markets and who do not simultaneously supply the customer with energy.

## 6. Prequalification and VLPs

The issue of prequalification was discussed with the workgroup at length. The workgroup noted that Grid Code Modification GC0114 mod is also ongoing in relation to pre-qualification. One workgroup member highlighted that SOGL Article 162 places a performance element to qualification, and that in his opinion this process could all be done through System Operator Guidelines (SOGL), and not through the CUSC. It was also opined that if a VLP can no longer meet the Pre-Qualification criteria, then they may not apply participate in Project TERRE related activity, so questions were raised by the workgroup in relation to the ongoing monitoring of this. NGESO are currently seeking legal advice of where prequalification should sit, and will be able to update this section of the report post consultation, and subsequently does not preclude the development of the modification in the meantime.

During subsequent workgroups, it was clarified that the ESO believes that VLPs would be required to accede to CUSC regardless of Project TERRE and Pre-qualification activity due to the currently designed industry solution for VLPs. As VLPs will be required to establish secondary BMUs, a relation between the VLP and ESO would need to be created even if the VLP had no intention of ever participating in Project TERRE activities.

### Why do VLPs need to accede to CUSC?

Outlined below are reasons NGESO have given to explain why VLPs would need to accede to the CUSC:

- Provides clarity to all industry parties as to what's required of VLPs in an open/transparent way
- Allows creation of 'standard form' contracts which all VLPs will use.
- Provides protection to ESO and VLPs in terms of what T&Cs will be offered.
- Allows VLPs to participate in CUSC open governance
- Supports requirements of Grid Code – acceding to CUSC also accedes to Grid Code

**Why do VLPs need Bilateral Agreements with NGESO?**

Outlined below are reasons NGESO have given to explain why VLPs would bi-lateral agreements with NGESO:

- NGESO own the BM and so need a bilateral agreement with VLPs for them to use the BM (Elexon only administer the BM)
- Grid Code (through GC0017) contains the high level requirements for VLPS, these will be detailed in the technical requirements in the VLPA

## 7. Discussions around Legal Text

The workgroup held discussions over the proposed legal text throughout the workgroup stages, but most specifically in the second workgroup. Several clauses of the initial legal text were agreed to be amended or removed during workgroup 2. This process is ongoing throughout the modification and the final drafting of the legal text is yet to be finalised. A finalised version of the legal text will be published at Workgroup Report stage for both this initial proposal, and also any potential alternatives which are presented to this working group after this consultation.

A draft version of the legal text is published in Annex XX of this report. The workgroup are particularly interested in receiving feedback from any Virtual Lead Parties responding to this consultation around the legal text, which will be used to develop the finalised legal text. Please see question XX of this report and respond accordingly. In addition to the draft version of the aforementioned legal text, NGESO would require Virtual lead Parties to accede to the CUSC using the CUSC accession agreements documented as Exhibit A to the CUSC.

The ESO representative presented the draft legal text of the bilateral agreement to the Workgroup. A number of queries were raised by workgroup in relation to the legal text, especially around the use of Boundary Point Metering System in the bilateral agreement and whether this was appropriate. The ESO representative agreed to take on board this feedback however suggested that the legal text was included in the consultation as-is so that the views of the VLP community could also be captured in a updated version of the legal text along with the Workgroup's comments. The Workgroup agreed that this was a pragmatic approach as they could also raise their comments on the legal draft via the consultation.

## 8. Workgroup Diversity and Knowledge Base

The workgroup on several occasions discussed whether the current membership of the workgroup was sufficient in terms of expertise, as it did not include any parties who

were potential Virtual Lead Parties. The Code Administrator went back to industry in order to source new workgroup members who were VLPs, but none came forward. As such, the workgroup would really value the input of Virtual Lead Parties to this consultation in order to fully inform the work of the working group.

### 9. Interactions with CMP291

When CMP295 was initially raised, the modification was directed to be progressed with CMP291: *"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 (in accordance with the SOGL) set out within the Bilateral Agreement(s) exhibited in the CUSC".* The reason for this was twofold; namely logistical and some overlaps in subject matter, especially in regards to Bilateral Connection Agreements.

During the lifecycle of this modification, it was determined that CMP295 should be split out due to impending Project Terre deadlines in Q4 of 2019. Subsequently, CMP291 and CMP295 are progressing separately, but the workgroup is mindful of any crossovers in regards to BCAs and will continue to check in throughout the ongoing modification process.

## 5 Workgroup Consultation

The CMP295 Workgroup is seeking the views of CUSC Parties and other interested parties in relation to the issues noted in this document and specifically in response to the questions highlighted in the report and summarised below:

**Standard Workgroup Consultation questions:**

**Q1:** Do you believe that CMP295 Original proposal better facilitates the Applicable CUSC Objectives?

**Q2:** Do you support the proposed implementation approach?

**Q3:** Do you have any other comments?

**Q4:** Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

**Specific CMP295 Workgroup Consultation Questions**

**Q5:** Do you have any specific comments on the proposed wording of the bi-lateral agreements

Please send your response using the response proforma which can be found on the National Grid website via the following link:

https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/contractual-arrangements-virtual-lead

In accordance with Section 8 of the CUSC, CUSC Parties, BSC Parties, the Citizens Advice and the Citizens Advice Scotland may also raise a Workgroup Consultation Alternative Request. If you wish to raise such a request, please use the relevant form available at the weblink below:

http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Views are invited upon the proposals outlined in this report, which should be received by **5pm** on **8 February 2019**.

Your formal responses may be emailed to: cusc.team@nationalgrid.com

If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response market "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential"

## 6 CMP295: Relevant Objectives

| Impact of the modification on the Applicable CUSC Objectives (Standard): | |
|---|---|
| Relevant Objective | Identified impact |
| (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence; | Positive |
| (b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity; | Positive – facilitates TERRE arrangements which expand competition to smaller generating stations. |
| (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and | Positive – facilitates the introduction of TERRE into GB arrangements |
| (d) Promoting efficiency in the implementation and administration of the CUSC arrangements. | Positive – ensures that Bilateral Agreements are updated to reflect the introduction of a new Market Participant, and ensures that those BAs are consistent across |
| *Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the | |

Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

## 7 Implementation

**Proposer's initial view:**

As above, CMP295 should not be approved by the Authority unless P344 and GC0097 are approved. Implementation should be aligned with the BSC and Grid Code, specifically such that new Bilateral Agreements are available immediately from the date of the BSC release which contains the relevant TERRE arrangements.

**NB. Both have been implemented since proposal raised.**

## 8 Legal Text

Please See Appendix 3 for proposed legal text.

# 9 Annex 1: CMP295 Terms of Reference

nationalgrid

# Workgroup Terms of Reference and Membership

## TERMS OF REFERENCE FOR CMP295 WORKGROUP

CMP295 looks to address the current issue that under other industry modifications (BSC P344 and GC0097), and future market arrangements, an aggregator will have the ability to combine the export capabilities of SVA-registered embedded generation to participate in the Balancing Mechanism. 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 will be required.

## Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal **CMP295** Contractual Obligations for Virtual Lead Parties, tabled by NGET at the Modifications Panel meeting on 27 April 2018.

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

   **Standard Objectives**

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

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

   (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and

   (d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

3. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

## Scope of work

4. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.

5. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:

   a. Work closely with CMP291 to ensure BCA are compatible
   b. Clarity on scope of VLP
   c. Are there any unintended consequences created?
   d. Cons. efficient process and transparency of VLP
   e. Mindful of locational aspects
   f. Appropriate linkage to P344 and GC0097 and only changes required as a result of these
   g. Avoid discrimination for example 4.3 and 4.4 of draft legal text
   h. Cross section of Stakeholder Representation, Experience and Expertise ?
   i. Legal Text ?
   j. Implementation Arrangements?
   k. Consideration of supplier additional BMUs?
   l. Applicability across all types of aggregation?

6. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.

7. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.

8. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.

9. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.

10. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of **15 working days** as determined by the Modifications Panel.

11. Following the Consultation period the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

    As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be

included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

12. The Workgroup is to submit its final report to the Modifications Panel Secretary on **TBC** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **TBC.**

## Membership

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

| Role | Name | Representing |
|---|---|---|
| Chairman | Joseph Henry | National Grid ESO Code Administrator |
| Technical Secretary | Rachel Hinsley | National Grid ESO Code Administrator |
| Proposer | Grahame Neale | National Grid ESO |
| Industry Representatives | Bill Reed<br><br>James Anderson<br><br>Peter Bolitho<br><br>Joshua Logan<br><br>Robert Longden<br><br>Andrew Colley | RWE<br><br>Scottish Power<br><br>Waters Wye Associates<br><br>Drax<br><br>Cornwall Energy<br><br>SSE |
| Observers | Matthew Roper | Elexon |

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

14. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for CMP295 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.

15. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise]. There may be up to three rounds of voting, as follows:

- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
- Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal*;*
- Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

16. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.

17. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.

18. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.

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

## Appendix 1

Proposed CMP295 Timetable

| **The Code Administrator recommends the following timetable:** | |
|---|---|
| Workgroup Report presented to Panel | 25 February 2019 |
| Code Administration Consultation Report issued to the Industry | 4 March 2019 |
| Draft Final Modification Report presented to Panel | 29 March 2019 |
| Modification Panel decision | 29 March 2019 |
| Final Modification Report issued to Authority (25 WD) | 1 April 2019 |
| Indicative Decision Date | 8 May 2019 |
| Decision implemented in CUSC (2WD after determination) | 10 May 2019 |

# 10 Annex 2: CMP295 Attendance Register

A – Attended

X – Absent

O – Alternate

D – Dial-in

| Name | Organisation | Role | DD/MM/YR | DD/MM/YR | DD/MM/YR | DD/MM/YR |
|---|---|---|---|---|---|---|
| Joseph Henry | Code Administrator | Chair | A | A | A | A |
| Rachel Hinsley | Code Administrator | Technical Secretary | O | O | A | A |
| Grahame Neale | National Grid ESO | Proposer | O | O | A | A |
| Andrew Colley | SSE | Workgroup Member | O | X | A | A |
| Robert Longden | Cornwall Energy | Workgroup Member | A/ | | X | X |
| Bill Reed | RWE Supply and Trading | Workgroup Member | A | A | A | A |
| James Anderson | Scottish Power | Workgroup Member | A | A | A | X |

| | | | | | | |
|---|---|---|---|---|---|---|
| Paul Youngman | Drax | Workgroup Member | A | O | O | O |
| Peter Bolitho | Waters Wye Associates | Workgroup Member | A | X | X | X |
| Matthew Roper | Elexon | Workgroup Observer | A | A | A | O |

# 11 Annex 3: CMP295 Proposed Legal Text

**Schedule 2 – Exhibit 7**

**DATED [ ]**

**NATIONAL GRID ELECTRICITY TRANSMISSION plc (1)**

**and**

**[ ] (2)**

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**THE CONNECTION AND USE OF SYSTEM CODE**

**VLPA**

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# VIRTUAL LEAD PARTY AGREEMENT

**Reference: [ ]**

(Note for reader – this draft Agreement is comprised of the sections of a standard BELLA and a standard BEGA, including their respective Appedices/Schedules, which are considered relevant to an Virtual Lead Party who – principally – will not own the Metering Systems or the points of Connection but will operate them for the purposes of the Balancing Mechanism and who will have rights and obligations under the BSC, Grid Code and CUSC in relation to the relevant SVA Embedded Generationand/or Demand Control sites which comprise their 'Secondary' BMU)

## CONTENTS

**To be confirmed once finalised**

THIS **VIRTUIAL LEAD PARTY AGREEMENT** is made on the [ ] day of [ ] 20[F5]

**BETWEEN**

(1) **NATIONAL GRID ELECTRICITY TRANSMISSION plc** a company registered in England with company number 2366977 whose registered office is at 1-3 Strand, London, WC2N 5EH ("**The Company**", which expression shall include its successors and/or permitted assigns); and

(2) **[ ]** a company registered in [ ] with number [ ] whose registered office is at [ ] (the "**User**", which expression shall include its successors and/or permitted assigns).

**WHEREAS**

(A) Pursuant to the **Transmission Licence**, **The Company** is required to prepare a Connection and Use of System Code ("**CUSC**") setting out the terms of the arrangements for connection to and use of the **National Electricity Transmission System** and the provision of certain **Balancing Services**.

(B) The **User** has applied to **The Company** in the capacity of a **Virtual Lead Party** who intends to operate **Boundary Point Metering Systems** registered in **SMRS**.

(C) As at the date hereof, **The Company** and the **User** are parties to the **CUSC Framework Agreement** (being an agreement by which the **CUSC** is made contractually binding between the parties).

(D) This **Virtual Lead Party Agreement ("VLPA")** is entered into pursuant to the **CUSC** and shall be read as being governed by it.

**NOW IT IS HEREBY AGREED** as follows:

## 1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section 11 of the **CUSC** have the same meanings, interpretations or constructions in this **VLPA** and the following terms and expressions shall have the meaning set out below:-

| | |
|---|---|
| **Demand Control** | as defined in the **Grid Code**. |

## 2. CONDITION PRECEDENTS AND COMMENCEMENT

2.1 The rights and obligations of the **User** and **The Company** pursuant to this **VLPA** are subject to the following condition precedent having been fulfilled before such rights and obligations arise:

2.1.1 **The Company** and / or the **User** as appropriate having received the derogations (if any) required in respect of the Grid Code.

2.2 If the condition precedent has not been fulfilled within 6 months of the date hereof, **The Company** or the **User** may rescind this **VLPA** by giving to the other notice to that effect in which event all rights and liabilities of the parties hereunder and under the **CUSC** in relation to these **Boundary Point Metering Systems** shall cease.

2.3 This **VLPA** shall commence on the date hereof.

2.4 It is a condition of this **VLPA** that the relevant **Boundary Point Metering Systems** are **SMRS** registered as per the **Balancing and Settlements Code**. If, at any time, any or all of the **Boundary Point Metering Systems** cease to be **SMRS** registered and becomes **CMRS** registered then the **User** hereby undertakes to terminate this **Agreement** in respect of such **Boundary Point Metering Systems.**

## 3. OUTAGES & NETWORK MANAGEMENT

3.1 Subject to the provisions of the **Grid Code**, **The Company** and the **User** shall be entitled to plan and execute outages on parts of, in the case of **The Company**, the **National Electricity Transmission System** or **Transmission Plant** or **Transmission Apparatus** and in the case of the **User**, its **System** or **Plant** or **Apparatus**, at any time and from time to time.

3.2 To assist **The Company** in managing the **National Electricity Transmission System**, the **User** shall be required to submit to **The Company** information regarding the

**Boundary Point Metering Systems** the **User** intends to operate. The data fields, format, frequency and method of submission from the **User** to **The Company** shall be agreed between the parties acting cooperatively and reasonabily.

3.3 **The Company** may need the **User** to provide **Balancing Services** from a specific **Boundary Point Metering System** or group of **Boundary Point Metering Systems**, as such the **User** shall be required to have sufficient control to facilitate the provision of these **Balancing Services** to **The Company**.

## 4. GRID CODE MATTERS

4.1 The User is required (as per paragraph 6.3.1 of the **CUSC**) to comply with the relevent parts of the **Grid Code** which apply in respect of the relevant **Boundary Point Metering Systems**, as amended in accordance with the following provisions of this Clause 4.

4.2 The provisions in BC1 and BC2 of the **Grid Code** provide that compliance is only required with such provisions in respect of those **Generating Units** and/or **Demand Control** where **The Company** reasonably requires such compliance and has specified such a requirement in respect of such **Generating Units** and/or **Demand Control** in this **VLPA**.

## 5. COMPLIANCE WITH TECHNICAL CONDITIONS

5.1 **The Company** and the **User** shall operate respectively the **National Electricity Transmission System** and the **User System** with the special automatic facilities and schemes set out in Appendix F5 to this **VLPA.**

5.2 The **User** shall ensure that the **User's Equipment** and the equipment at any SVA-registered sites which it operates for the purposes of this **VLPA** (which the **User** and **The Company** agree shall be referred to herein as the '**User's Equipment**' collectively) complies with the technical conditions set out in Appendix F5 to this **VLPA.**

5.3 **The User** shall use all reasonable endeavours to ensure that the **User's Equipment** shall continue to comply with the technical conditions set out in Appendix F5 of this **VLPA**.

5.4 Subject to clause 7.1, if the **User** or **The Company** wishes to modify alter or otherwise change the technical conditions or the manner of their operation under Appendix F5 to this **VLPA** this shall be deemed to be a **Modification** for the purposes of the **CUSC**.

## 6. TERM

Subject to the provisions for earlier termination set out in the **CUSC**, this **VLPA** shall continue until all of the **User's** equipment is **Disconnected** from the relevant **Distribution System**.

## 7. VARIATIONS

7.1 Subject to 7.2 and 7.3, no variation to this **VLPA** shall be effective unless made in writing and signed by or on behalf of both **The Company** and the **User**.

7.2 **The Company** and the **User** shall effect any amendment required to be made to this **VLPA** by the **Authority** as a result of a change in the **CUSC** or the **Transmission Licence,** an order or direction made pursuant to the **Act** or a **Licence**, or as a result of settling any of the terms hereof. The **User** hereby authorises and instructs **The Company** to make any such amendment on its behalf and undertakes not to withdraw, qualify or revoke such authority or instruction at any time.

7.3 **The Company** has the right to vary Appendix F5 to this **VLPA** to reflect any changes necessary in the event of change to the documents or standards referred to in Appendices F5.

## 8. GENERAL PROVISIONS

Paragraph 6.10 and Paragraphs 6.12 to 6.26 of the **CUSC** are incorporated into this **VLPA** *mutatis mutandis*.

**IN WITNESS WHEREOF** the hands of the duly authorised representatives of the parties hereto at the date first above written

SIGNED BY

……..
for and on behalf of
**NATIONAL GRID ELECTRICITY TRANSMISSION PLC**

SIGNED BY

……..
for and on behalf of
**[User]**

# APPENDIX F5

## TECHNICAL CONDITIONS
## OTHER TECHNICAL REQUIREMENTS

**APPENDIX F5**

**TECHNICAL CONDITIONS**
**OTHER TECHNICAL REQUIREMENTS**

**Other Technical Requirements**

The User can gain access to the technical specifications from National Grid's Extranet website. Access to The Company's Extranet website can be requested via E-Mail to:- transmission.documentcontrol@nationalgrid.com.

| | **Criteria** | **Grid Code Reference** | **Obligations** |
|---|---|---|---|
| 1. | Trading Point Electronic Data Transfer (EDT) | CC.6.5.8(a) | The User<br>To fulfil the obligations defined in Schedule 1 of this Appendix F5.<br>To provide electronic data communication facilities approved by The Company to permit the submission of data required by the Grid Code, from the User's Trading Point to National Grid.<br><br>The Company<br>To provide the necessary connection and interfacing equipment at both Wokingham and Warwick. The detailed requirements for which are described in Schedule 1 of this Appendix F5.<br><br>If the User intends to have a nominated Trading Point outside Great Britain, the responsibilities, functionality, dependability, security, procurement, configuration, delivery points, protocol and repair times of the communication links to National Grid and the equipment installed as part of these facilities shall be agreed with The Company. |
| 2. | Control Telephony | CC.6.5.2 to CC.6.5.6<br>CC.6.5.8<br>CC.6.5.9<br>BC.1.4.1 | i) The User shall satisfy the Control Telephony requirements as specified in Schedule 1 (Communications Plant) of this Appendix F5. It must be possible to have immediate and direct contact with the Control Point, 24 hours a day, 7 days a week with all communications being conducted in clear, plain English.<br>ii) If the User intends to have a nominated Control Point outside Great Britain, National Grid shall deliver the communications routes and Control Telephony facilities to the User's Control Point but will charge the User for the overseas element of this work including any ongoing regular maintenance.<br>iii) If the User selects to locate its Control Point in Great Britain and then subsequently changes the location of its Control Point to another location within Great Britain, then The Company will charge the User for |

| | | | |
|---|---|---|---|
| | | | the changes to the communications routes and Control Telephony facilities arising from the relocation of the User's Control Point. |
| 3. | System Telephony | | The User shall be required to install System Telephony dedicated to The Company as detailed in Schedule 1 of this Appendix F5.<br><br>In order for the User to respond to Emergency Instructions issued by National Grid as defined under BC2.9 of the Grid Code, it must be possible to have immediate and direct contact with the User's Control Point, 24 hours a day, 7 days a week with all communications being conducted in clear, plain English. |
| 4. | Control Point Electronic Dispatch and Logging | CC.6.5.8(b) | i) The User is required to have electronic data communication facilities approved by The Company to permit the submission of Bid Offer Acceptance data from The Company to the User's Control Point and to permit the submission of data required by the Grid Code, from the User's Control Point to The Company. The Company will provide the necessary communication links and connection equipment at the User's Control Point. The requirements for Control Point Electronic Dispatch & Logging are specified in Schedule 1 of this Appendix F5.<br>ii) It must be possible for The Company to have immediate and direct contact with the Control Point 24 hours a day, 7 days a week such that the User can respond to Instructions issued by The Company using Electronic data communication facilities. For the avoidance of doubt, if the User does not install Electronic data communications facilities, they will not be able to submit Bids or Offers to the Balancing Mechanism.<br>iii) If the User intends to have a nominated Control Point outside Great Britain, The Company shall deliver the communications routes and Control Point Electronic Dispatch and Logging facilities to the User's Control Point but will charge the User for the overseas elements of this work including any ongoing regular maintenance.<br>iv) If the User selects to locate its Control Point in Great Britain and then subsequently changes the location of its Control Point to another location within Great Britain, then The Company will charge the User for the changes to the communications routes and Electronic Data communication facilities arising from the relocation of the User's Control Point. |
| 5. | Facsimile Machine | CC.6.5.9 | <u>The User</u><br>Shall provide a facsimile machine and telephone numbers in accordance with the requirements of CC.6.5.9 of the Grid Code. The detailed requirements relating to these facilities are detailed in Schedule 1 of this Appendix F5. |
| 6. | Operational Metering | CC.6.4.4<br>CC.6.5.6 | <u>The User</u><br>The required signals and parameters are defined in schedule 2 of this Appendix F5.<br>The User shall provide Operational Metering such that The Company can receive a signal of aggregated Active |

| | | | |
|---|---|---|---|
| | | | Power (MW's).<br><br>The communications between the User and The Company's data concentrator shall utilise a broadband internet connection. It is the User's responsibility to provide and maintain the internet connection. The signals shall be transmitted using the IEC 60870-5-104 protocol.<br><br>The Company will provide the User with a detailed inter-operational specification and the relevant IP addresses. The inter-operational specification will describe the specific configuration of the communication between the User and The Company's data concentrator.<br><br>In the event that any part of the User's Operational Metering equipment, including the communications links to The Company's data concentrator fails, then the User will be required to repair such equipment within 5 working days of notification of the fault from The Company unless otherwise agreed. |

## Appendix F5 - Schedule 1

| Description | Location | Source | Provided By | Comments |
|---|---|---|---|---|
| System Telephony (PSTN or other off-site communications circuits) for System Telephony. (CC.6.5.2 to CC.6.5.5) | Trading Point, Control Point | Public Telephone Operator (PTO). | Wiring to the Public Telecommunications Exchange including handset to be provided by The User. | Data and speech services required by The Company shall be cabled from the User site to the Public Telecommunications Exchange. All instructions to and From the User's Control Point and Trading Point are to be conducted in clear, plain English. The User shall only use the PSTN facilities for voice communications with The Company as detailed in CC.6.5.4.5 and CC.6.5.5.2 of the Grid Code. |
| Trading Point Data Transfer (EDT)<br>(CC.6.5.8(a) and BC.1.4.1) | Trading Point | The Company Substation Exchange | User to provide and install EDT terminal<br><br>The User to provide communications path to the EDT terminal in conjunction with The Company. | The User will provide the communications path for the EDT terminal from the User's Trading Point. The User can elect to send data to The Company's sites at either Wokingham or Warwick depending upon the diversity required by the User. The requirements for Trading Point Data Transfer are defined in the Annex to the General Conditions of the Grid Code which are available on The Company's website at:- http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Electrical-Standards-Documents/ |
| Facsimile Machine (CC.6.5.9) | Trading Point and Control Point | Public Telephone Operator. | User to provide and install facsimile machine and wiring to PTO. | |

| | | | | |
|---|---|---|---|---|
| Control Telephone | Control Point | The Company Substation Exchange. | Wiring to The Company Substation Exchange provided by the User<br><br>The Company to provide handset only | Control Telephony provides secure point to point telephony for routine Control Calls, priority Control Calls and emergency Control Calls. The specification for Control Telephony is defined in the Annex to the General Conditions of the Grid Code which is available on The Company's website at:- http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Electrical-Standards-Documents/ |
| Data Entry Terminals (Electronic Despatch & Logging (EDL)) (CC.6.5.8(b)) | Control Point | Public Telephone Operator | User to provide and install EDL terminal.<br><br>The Company to provide communications path to the EDL terminal (Great Britain only) in conjunction with the User. | The Company will only provide the communications path to the EDL terminal where the Users Control Point is located in Great Britain. The specification for EDL is defined in the Annex to the General Conditions of the Grid Code which are available on The Company's website at:- http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Electrical-Standards-Documents/ |

**Appendix F5 – Schedule 2**

Operational Metering Requirements (CC.6.4.4 and CC.6.5.6)

Note: For the avoidance of doubt the term 'Boundary Point Metering System' is that as defined in the Balancing and Settlement Code.

| Signal | Range | Accuracy | Resolution | Refresh rate |
|---|---|---|---|---|
| Aggregated Active Power | 0 –150MW *(others)*<br>-150MW to +150MW *(battery)* | 1% of reading | 1MW | 1 per min |