

## Meeting minutes

### Transmission Charging Methodologies Forum and CUSC Issues Steering Group 92

<b>Date:</b> 16/01/2019	<b>Location:</b> National Grid House, Warwick (and WebEx)
<b>Start:</b> 10:30 AM	<b>End:</b> 15:00 PM

### Participants

Attendee	Company	Attendee	Company
Jon Wisdom (JW)	National Grid ESO (Chair)	Robert Longden (RL)	Cornwall Energy
Jennifer Groome (JG)	National Grid ESO (TCMF Technical Secretary)	Garth Graham (GG)	SSE
Harriet Harmon (HH)	National Grid ESO (Presenter)	Nicola Fitchett (NF)	RWE Generation UK
Joseph Henry (JH)	National Grid ESO (Presenter)	Mpumie Hlophe	Scottish Power Renewables
Mike Oxenham (MO)	National Grid ESO (Presenter)	Grace Smith	UK Power Reserve
Thomas Selby (TS)	National Grid ESO (Presenter)	Sally Lewis	National Grid Ventures
Grahame Neale (GN)	National Grid ESO (Presenter)	Matthew Paige-Stimson	National Grid, ETO
Sophie Van Caloen (SVC)	National Grid ESO (Presenter)	Lorraine Nicholson	ESB Independent
Lauren Logan (LL)	SSE (Presenter)	Ankita Mehra	Ofgem
Nick Sillito (NS)	Peak Gen (Presenter)	James Anderson	ScottishPower
Scott Sandles (SS)	Ofgem (Presenter)	Colin Prestwich	SmartestEnergy
Simon Vicary (SV)	EDF Energy	Michael Rieley	SSE
Laurence Barrett (LB)	E.ON	Andrew Ho	Orsted
George Moran (GM)	Centrica	Yonna Vitanova	Utilitywise
Peter Bolitho (PB)	Waters Wye Associates		

## Agenda, slides and modifications appendices

<https://www.nationalgrideso.com/charging/transmission-charging-methodology-forum-tcmf>

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### TCMF and CISG Discussion and details

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*Please note: These minutes are produced as an accompaniment to the slide pack presented. They aim to capture the main discussion points from in the meeting. The number in brackets denotes the slide number which the notes refer to.*

#### Actions update – Jon Wisdom, National Grid ESO

(5) JW gave an update on TCMF & CISG meeting actions.

1. Action ID18 (status - closed): TS updated that NGENSO have spoken to onshore TOs; they support breaking down the commentary on the revenue they provide, and point out that this will be exceeding their obligations in the STC.
2. Action ID19 (status - closed): HH will make sure this is included in the modification proposal when raised in the early part of this year.
3. Action ID20 (status - open): HH will provide an update at the next meeting.

#### TNUoS Tariff Timetable for 2020/21 – Thomas Selby, National Grid ESO

TS shared NGENSO's proposals for the timetable of TNUoS Tariff publications for 2020/21.

4. (10) Colour coding on slide: purple – locational, orange – non-locational. TS added that the dates vary more for non-locational, as NGENSO must wait until 25 January each year for this information, per the STC.
  5. (11) TS added that, at this stage, the team do not expect to need to produce a revised forecast for the Demand Charging Bases in January 2020 Final Tariffs; as this is only by exception.
  6. (12) TS explained that one of the elements which makes up the generation revenue cap is the error margin. Following Ofgem's rejection decision on CMP251, NGENSO promised to give an update on their thinking on this at this TCMF meeting.
  7. (14) NGENSOs proposed approach to setting the error margin.
  8. SV asked whether NGENSO have a revised position with the CUSC modification. JW responded that as part of the modification (presented at TCMF in December) NGENSO will incorporate this.
  9. There was a discussion about how the calculation is currently done. JW responded that the OBR (Office for Budget Responsibility) forecast sets the rate which is then fed into the error margin.
  10. SV asked what would happen if by 2021 the generation cap modification wasn't implemented in time. TS responded that using the current method NGENSO need to recalculate it for 2021. TS added that NGENSO await the outturn data for 2018/19 but see that it is likely to reduce to 17%. TS explained that the error margin has already changed, based on NGENSOs calculation of tariffs.
  11. SV stated that CMP301 has been raised add clarity to the CUSC, and queried whether a modification needs to be raised to clarify how the error margin is calculated using data from the last 5 years. There was a discussion around the wording in the CUSC and whether it should be open to interpretation. LB suggested that when it is incorporated into CMP301 the wording can be made clearer. LB added that his understanding is that the same calculation which has been used in previous years will be used again.
  12. RL referred to something which Ofgem had said at the January Charging Futures Forum. RL highlighted that it is important to make sure that the various strands to do with the cap are being dealt with at the same time. JW responded that this and the appropriate treatment of local circuits regarding the cap will be included within the same modification.
  13. GM asked whether the revised error calculation in the forecast will be reflected for future years. TS responded that there is one year that will be impacted so the team will consider that **TS action ID21**.
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14. PB stated that if everything is consistent with the current approach, it should be included in the 5-year forecast. JW responded that to some extent that would mean making assumptions about errors. TS explained that NGENSO might look to publish scenarios - as they did in the previous forecast, in the absence of a clear direction of change.
  15. NF highlighted that a new CUSC modification is coming with the output from CMP261. NF queried whether bringing the forecast forward means the change brought by that modification is not included in the forecast. JW responded that NGENSO is unsure when it is possible to raise the modification due to the timings of Ofgem's final TCR report. Rather than waiting for progress, NGENSO is more comfortable publishing something in advance.
  16. TS explained further that in 2017 they published two 5-year forecasts within the period due to methodology changes and that this could be done again if appropriate.

### **Code Modifications Update - Joseph Henry, National Grid ESO**

JH updated on the progress of current CUSC modifications.

17. (19) JH responded to a question that there will be a WACM for CMP280.
18. CMP280 and CMP281 are planned to go to February and January CUSC Panels respectively. PB queried whether it would be useful to keep CMP280 and CMP281 together given they overlap. JH commented that there will be a further letter from Ofgem this week on storage. LB suggested that there is no reason to delay one because of the other. JW responded that due to the introduction of the SVA alternative, CMP281 needs more detailed work.
19. SV asked for confirmation on the date of the next CMP308 workgroup meeting. JH responded that it is dependent on the BSUoS Task Force meeting date and will confirm this week.

### **EU Exit Modifications - Sophie Val Caloen, National Grid ESO**

SVC presented NGENSO's initial analysis of modifications based on Statutory Instruments and the expected process for EU Exit code modifications in the case of no deal.

20. (37) – SVC referred attendees to two letters which have been published – links on slide 37.
  21. (40) SVC talked through the indicative timeline and asked attendees their views.
  22. LB stated that it feels like a self-governance modification. PB asked why we need to wait for the Ofgem process to implement this. SVC responded that we can start now and NGENSO are raising this in February.
  23. GG highlighted a potential issue with self-governance in terms of timescale. He explained further that this change is only required in the event of no deal and until that occurs, there is no defect and therefore a modification cannot be raised. GG suggested it would be preferable that these are raised as formal modifications and go to the authority, so the authority can then make the decision on the day a no deal takes place and it can come into legal effect quicker. He added that this route would secure more legal certainty for stakeholders. LB queried how a formal modification can be raised if there is not yet a defect.
  24. PB suggested the solution is to define an exit day in the modification. NS agreed with this approach. GG stated that from a CUSC perspective there must be a date. NS suggested this can be implemented immediately without a problem if the modification specifies for instance EU law until exit date, UK law thereafter.
  25. GG mentioned that the point regarding connection agreements had been raised recently at GCDF (Grid Code Development Forum). SVC responded that all the connection agreements (example, RFG, etc.) are revoked in the Statutory Instruments released by BEIS and there is not yet a clear understanding of why - this may be because they do not apply or because they are already implemented in GB codes. GG emphasised that there is a need for clarification on connection agreements and the legal status of the agreements between offer and signing.
  26. SVC will further discuss the EU Exit modification process in the January CUSC panel.
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### Balancing Services Task Force update – Mike Oxenham, National Grid ESO

MO presented an update on the slot he presented at January's Charging Futures Forum (CFF) on the BSUoS Task Force. (Further details are available on [www.chargingfutures.com](http://www.chargingfutures.com)).

27. MO noted he asked the CFF attendees how they would like the Task Force to engage with stakeholders throughout the process. He suggested webinars, podcasts, email updates and mini consultations. The top two voted on at the CFF were webinars and email updates.
28. MO asked the TCMF attendees whether the suggested methods were appropriate. SV liked the charging futures forum podcasts. NS queried the route of communications into the Task Force. GG suggested a webinar approach is better. LL commented that a podcast is good for a brief overview of what is going on. LB stated that's information coming out of the Task Force, rather than input into it. He suggested the Task Force communicate succinct issues and ask for stakeholder input on those. LB suggested it might be a function of the secretariat to feed stakeholder input into the Task Force.
29. PB repeated a point he made at December's TCMF that there has already been a lot of work done in this area which should not be ignored - he referenced a consultant's report from Frontier Economics. PB highlighted a risk that scarce resource is diverted away from modifications such as CMP308, where a lot of work has been done already. PB further highlighted the that he is unsure of the status of the Task Force as they are not part of the SCR. MO responded that the Task Force is looking at a question that isn't being asked anywhere else and it would be mindful of ongoing work. LB agreed that the two processes need to be mindful of one another. He added further that there is a risk that work in CMP308 might change under a BSUoS Task Force, for example re-working legal text. SV suggested that a change could be made by CMP308 then certain bits could be unwound through another modification. SV raised that he is keen that progress is made with CMP308 in time for the TF report so that Ofgem have all the basis in which to make their decisions at the same time.

### [CISG] Orkney transmission reinforcement - Lauren Logan, SSE

LL gave an update on two Ofgem consultations which have been published by for Orkney on the Needs Case and the Alternative Approach which was presented at TCMF in December. She encouraged members to respond to the consultation which close on 8 February 2019.

30. RL observed that SSE is working hard to come up with an innovative approach.
31. PB commented that Ofgem is making good points in terms of the discrimination on user commitment.
32. In response LL stated that SSE decided to trial an alternative approach, rather than applying a universal code change, to test it first.

### Targeted Charging Review Consultation - NGESO response – Harriet Harmon, National Grid ESO

HH took attendees through NGESO's consultation response to Ofgem's Targeted Charging Review consultation (which closes 4 February 2019).

There were no questions or feedback on the slides presented.

### CUSC Changes for RII02

GN took attendees through the RII02 related CUSC changes the ESO are likely to progress between now and the start of RII02. Note - these are in addition to any modifications progressed due to other work streams.

33. PB was concerned that changes which come about by price controls can have a profound impact in terms of market arrangements (e.g. user commitments). He added further that fundamental changes of policy can sometimes be hidden in price control discussions which industry are not party to.
34. (55) GN assured attendees that the topics on the slide are bundles of work which NGESO might need to consider. He added that some might become modifications, some might be bundled into modifications, or some might need no action. JW added that the list of topics may be changed and that the purpose of presenting these at this TCMF meeting is to give a flavour of things that may come.

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35. PB asked how the incentive mechanisms feed into the process. He commented that some processes by which revenues are decided by TOs could be improved, and if Ofgem could improve this, stakeholders could have greater predictability. LB stated that CMP282 includes work on revenue adjustments and how an uncertainty mechanism then sets revenue.
  36. JW encouraged attendees to feed back the point about volatility to Ofgem as it is not something directly under CUSC governance. LB stated that uncertainty mechanisms are a component of network revenues. He added that it would be better for industry to be notified as and when components of the network charge are finalised rather than waiting until the last component was agreed. JW responded that LB was suggesting different tariffs have links to different revenues, and if so, this change would require revisions to the charging methodology.
  37. GG queried what work this will mean for stakeholders. JW responded that part of the work will be to segment the work earlier, and share a list of priorities.

**Significant Code Review: Electricity Network Access and Forward-Looking Charges – Scott Sandles, Ofgem**

SS took attendees through Ofgem's SCR and the interaction with current code modifications.

38. (66) GG referred to the transmission access review of 2007 where CAP160-166 were raised. He explained that six modifications went together to the authority. He encouraged SS to look at two of these modifications which were relevant to the work on shared access. He added that these modifications were rejected, however highlighted that some of the work done would still be useful. JW confirmed that the documentation on these modifications is available on the NGENSO website.
  39. RL queried how access rights can be monitored practically on the distribution system. There was a question around what would happen if access rights were exceeded.
  40. SS highlighted feasibility concerns around shared access rights. He added that Ofgem will seek industry input through the delivery group and subgroups within that, as issues around practicality situations will be helped by industry discussions.
  41. (70) GG queried whether the definition of access rights will be discussed for the SCR. He queried what will happen with existing rights and their transitional arrangements. SS responded that Ofgem's initial review of access rights will include the review of the definitions.
  42. (73) GG queried the composition of the delivery body. He added that including code administrators in the group does not cover the wider industry. RL agreed that the delivery group is comprised of a subset of representatives, but advised that the challenge group should then be used to challenge the output of the delivery group. SS responded that the network companies and code administrators hold a lot of the data. He explained that the delivery group and the challenge group will have regular meetings throughout the time of the SCR. He added that some of the analysis will begin in the delivery group, but will then regularly be shared with the broader industry challenge group. GG stated that this provides some clarity, but referred to a previous example when there was a huge delay in implementation following a similar process.
  43. GG suggested that delivery body meetings could be observed through webinars. NS suggested that sharing a recording of these would work. SS responded that Ofgem intends to publish some material.
  44. GG referred to a workgroup on allocation of access which was very well-attended meeting. He advised that ENA (secretariat for the challenge group) should not restrict numbers for the first meeting.
  45. JW asked a general question to attendees; whether they have any strong views about in-flight modifications interacting with the SCR.
  46. PB raised his concern that NG resource might be diverted from in-flight modifications to the BSUoS Task Force. PB raised that there is more value in focussing on precise modification proposals. GG agreed with PB. NS raised that it depends who is on the BSUoS Task Force. LB agreed that current modifications should be prioritised but also raised that the topics being looked at by these other groups are equally as important and will result in further modifications.
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**Allocation of assets to charges – Nick Sillito, Peak Gen**

NS presented a potential CUSC modification proposal to consider if the expansion constant correctly reflects the cost of the assets and consider whether other assets should be included in the forward-looking charge.

- 47. (77) NS showed an example on the slide, noting that this was for explanatory purposes only and not a real-life example.
- 48. LB queried the impact this has on the RII02 modifications. JW responded that it does interact, but it doesn't conflict. LB commented that this is one area which has not yet been looked at but perhaps should be. LB and RL approved of the potential modification.
- 49. JW queried whether any feedback has been received from Ofgem. NS responded not yet.
- 50. SS stated that Ofgem are considering the reference node within their SCR but that the elements in the proposed modification are separate and they would need to consider it against the SCR when it was raised.

**AOB**

None.

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## Action Item Log

### Action items: In progress and completed since last meeting

ID	Month	Agenda Item	Description	Owner	Notes	Target Date	Status
21	Jan-19	TNUoS Tariff Timetable for 2020/21	GM asked whether the revised error calculation in the forecast will be reflected for future years. TS responded that there is one year that will be impacted so the team will consider that.	TS	TS to investigate	Feb-19	In-progress
20	Dec-18	AOB	HH to find out whether any methodology changes are required on the designated sum calculation.	HH		Feb-19	In-progress
18	Dec-18	TNUoS Draft Tariffs Q&A	TS to get clarity on whether commentary can be provided from the TO on regulatory changes which affect revenues.	TS	TS updated that NGENSO have spoken to onshore TOs; they support breaking down the commentary on the revenue they provide, and point out that this will be exceeding their obligations in the STC.	Jan-19	Complete
19	Dec-18	Review of ESO credit cover requirements	NGESO estimates there is an approximate value of £200m of TNUoS being underpaid. PB stated that if there is ever and overpayment of TNUoS, this should be taken off the estimate figure. HH to find out and confirm figure.	HH	This will be included in the modification proposal	Jan-19	Complete

### Action items: Previously completed

If you wish to view any previously completed actions, please contact [cusc.team@nationalgrid.com](mailto:cusc.team@nationalgrid.com)