

Minutes and Actions Arising from Meeting No.48 Held on 25th August 2005 At Brandon Hall Hotel, Brandon, near Coventry

Present:

Richard Court	RC	Acting Panel Chairman
David Payne	DP	Panel Secretary (Acting)
Ben Graff	BG	Panel Member (National Grid Rep)
Hugh Conway	HC	Panel Member(EnergyWatch Representative)
David Edward	DE	Authority Representative
Rupert Judson	RJ	Panel Member (Users Member)
Malcolm Taylor	MT	Panel Member(Users Member)
Bob Brown	BB	Panel Member(Users Member)
David Lane	DL	Panel Member(Users Member)
Steve Drummond	SD	Panel Member (Users Member)
Simon Goldring	SG	Panel Member(Users Member)

In Attendance:

Emma Carr	EC	National Grid
Daniel Jefferson	DJ	NationalPower
Kathryn Coffin	KC	Elexon

Introductions/Apologies for Absence

385. .Apologies for absence were received from Simon Cocks, Dick Cecil, Steve Phillips, Paul Jones, John Greasley and Lindsey Paradine

1 Minutes of the Meeting held on 24th June 2005

386. The change-marked minutes of the 47th Amendments Panel meeting held on 29th July 2005 circulated on 18th August were agreed subject to two further amendments:

- Ben Graff and John Greasley are now shown as Panel Members.
- In line 24 of minute 366, after the words "MT confirmed..." the remainder of the sentence should read '..his view it was considered a Working Group Alternative.'

2 Review of Actions

387. All the outstanding actions from the previous meeting had been completed or were the subject of agenda items except for the following:

388. Minute 330 (CAP096 Revisions Resulting from Interconnector Separation). Andy Truswell had held discussions with SD and the concerns raised had been addressed. However given delays associated with the Licensing regime National Grid gave notice that CAP096 was being withdrawn. BG noted that an associated Ofgem consultation was due to be released shortly and the proposal could be resubmitted once timescales were clearer. DE agreed to update the Panel on

progress in relation to the Ofgem document before the next meeting.

Action: DE

389. Minute 381 Acronym List. BG stated that this action was ongoing and the list would be in place by the next Panel meeting. **Action: BG**

3 New Amendment Proposals

- **CAP104 – Amendments to System to Generator Intertrip related terms concurrently defined in the Grid Code and the CUSC.**

390. EC gave the Panel a presentation on CAP104. EC explained that CAP076 and the associated Grid Code changes led to the definitions of Intertrip categories being defined in both the CUSC and the Grid Code. National Grid had suggested in the Report to the Authority associated with CAP076 that in the event that CAP076 was approved, a subsequent modification would be raised to remove the definitions from the CUSC and replace with references to the Grid Code. This would remove any ambiguity that may arise as a result of having the definitions defined in two separate codes and also reduce the number of codes that would need to be modified in the event that amendments to the definitions were required. EC asked the Panel whether they felt that CAP104 should be treated as a housekeeping amendment or proceed to Consultation.

391. MT stated that given the general view held during the CAP076 discussion that the technical definitions should only be included in the Grid Code, CAP104 was a sensible way forward. However given the complexity of the issues surrounding Intertrips the issue deserved to go through the full Consultation process. SD agreed as the proposal was outside the Housekeeping change criteria which was normally reserved for changes associated with typographical errors etc.

392. The Panel AGREED that CAP104 should proceed direct to wider industry CONSULTATION for a period of one month.

- **CAP105 – Change of Company Name for National Grid Company plc (NGC)**

393. EC gave the Panel a presentation on CAP105. EC explained that the name of the Transmission Licence holder had changed from National Grid Company plc (NGC) to National Grid Electricity Transmission plc (NGET) and therefore references in the CUSC were no longer accurate. CAP105 proposed that the definition of NGC was amended to reflect the new name of NGET and references to NGC throughout the CUSC changed to NGET. In addition a new clause in Section 6 was proposed to allow references to NGC within any related documents following implementation of CAP105, to have the same meaning as NGET. A new clause in section 8.23 was also proposed to allow any existing Amendment Proposals that include references to NGC and that are implemented after CAP105 to have NGC replaced with NGET. This would prevent pending Amendment Proposals reintroducing references to NGC and thus requiring further Amendment Proposals. EC asked the Panel whether they felt that CAP105 should be treated as a housekeeping amendment or proceed to Consultation.

394. SG suggested that references to NGC could be left in the CUSC and just the definition of NGC amended. BG explained that whilst this could have been done, it was currently felt that it would be clearer to change all references within the main

body of the CUSC. MT asked if there was any impact on Bilateral Agreements. EC explained that there was no legal impact and there was no plan to change references in Bilateral Agreements as the company number had not changed and therefore there was no need to make such a change. However, the effect of the Amendment proposal would be that references to “NGC,” in the bilateral agreements would be read as if they were to “NGET.”

395. With respect to the proposed additional clause in section 8.23, DE felt that although this was a common sense approach, this could be problematic as it effectively proposed changes to legal text of existing proposed Consultations. BG explained that this had been discussed with the relevant legal groups and National Grid was comfortable with the proposal as presented. If problems arose during the Consultation there would be a need to consider an Alternative proposal. However BG and DE agreed, following the points made by the Panel with regard to avoiding unnecessary process delays, to discuss the issues further.

Action: BG/DE

396. The Panel AGREED that CAP105 should proceed direct to wider industry CONSULTATION for a period of one month.

4 Standing/Working Group Reports

- **CAP089/90/01 Working Group Report**

397. BG gave the Panel a presentation on the CAP089/90/91 Working Group Report. BG explained that CAP89 and CAP90 had been proposed by National Grid and the Panel had agreed that these should be amalgamated at the June 2005 Panel meeting. CAP091 had been proposed by BizzEnergy and this was merged with CAP089/090 at the July 2005 Panel meeting.

398. BG explained that currently under the CUSC there was no concept of an unsecured Credit Limit. Generators had to provide security equivalent to 29 days of BSUoS and Suppliers 32 days of BSUoS + 10% of TNUoS. However this was only if the relevant companies had an Approved Credit Rating below BBB-. The original proposals contained five elements:

- 1 Maximum unsecured credit limit of 2% of Regulatory Asset Value (RAV)
- 2 Credit allowances for companies with an Approved Credit Rating (ACR) of BB- or above from 15% to 100% of maximum unsecured limit (2% of RAV).
- 3 Default credit allowance for companies without an ACVR based on their Payment Record
- 4 Option for companies without ACR to gain a credit allowance based on an Independent Credit Assessment.
- 5 Replacement of 10% TNUoS Value at Risk (VAR) with an amount based on each User's forecasting performance in the previous year.

399. Elements 1 and 2 in practice resulted in securing 29 days BSUoS (Gens) and 32 days BSUoS +10% TNUoS (Suppliers) for companies with an ACR of above BB-. Element 3 enabled companies with an ACR below BB- with a perfect payment history to secure 0.4% a year for five years. Element 4 enabled companies without and ACR to be independently assessed with an Annual Assessment funded by National Grid. The assessment resulted in a score of 0 – 10 with 10 being equivalent to BBB+ and 5 being equivalent to BB-. A score of 1 entitled a company

to 3 1/3 % of maximum unsecured Credit Limit.

400. The working Group discussions had considered calculation of RAV, monitoring frequency of Users Allowed Credit Cove, Scoring 0 –10 vs 0 – 100, who should pay for assessments, forecasting performance and transitional issues. As a result 5 Working Group Alternative Amendments had been identified each with variations on the five elements of the original proposal. A matrix was produced which highlighted what each of these Working Group Alternatives did in more detail, and it was agreed to replicate this matrix within the Consultation Document. The Majority of the Working Group felt that the Applicable CUSC Objectives were better facilitated by the original proposal or one of the Alternative Amendments. All Working Group members agreed that CAP089/90/91 should proceed to wider Consultation.
401. Panel members discussed in detail the proposed Independent Credit Assessment rating of Element 4. MT expressed surprise that the scoring was such that a score of 10 was equivalent to an ACR of BBB+. MT had expected that the top score would finish below the BB- rating. BG explained that the scale discussed by the Working Group was in line with Ofgem's best practice Guidelines. AT MT's request, BG agreed that an explicit reference to this point would be made within the CAP089/090/091 Consultation Document. DE added that it was Ofgem's intent to enable companies without an ACR to have access to credit arrangements. DE suggested that the Panel/Working Group could consider the negative side effects to determine if these outweighed the benefits to competition via the wider Consultation process. MT supported this approach.
402. The fact that the assessment process in relation to independent assessment appeared to lack clarity compared to that in relation to the conventional Credit rating process was also highlighted by a number of Panel Members. BG highlighted that it was his understanding that discussions between Network Operators and Credit Agencies were ongoing. Moreover, this was a highly specialised area, and one in which the Working group had not felt that they had the expertise to define within the CUSC (which in any event Independent Credit Agencies would not be a party to) exactly how the Agencies should go about their task in relation to scoring the Amendments. BG explained that this process was again referenced by Ofgem's best practice Guidelines. DE confirmed that Ofgem had not debated this in detail with credit agencies when preparing the Guidelines.
403. With respect to Transitional issues BG highlighted that no concept of "phasing" existed within the Amendment proposals. (In other words, the Amendments would take effect in full from the implementation date). BG highlighted that this was potentially inconsistent with the best practice guidelines which spoke of new arrangements being phased in over a year, following the implementation date BG said that the Working Group had only considered this issue late in the day, and had agreed that they were content for the Amendments to proceed to Consultation without "phasing," but that all parties should consider at the Consultation stage whether Consultation Alternative Amendment's should be brought forward which addressed this issue. The Panel noted this point. BG also highlighted that there had been some debate in the Working Group as to whether any future phasing level should commence from a parties current level, or their current requirement, if there were any reasons which had been accepted as making these two levels different.
404. With respect to implementation BG stated that the Working Group view was that if approved this should be 10 days after the Authority Decision. However, BG stressed that in line with existing working practices, and the soon to be produced CAP086

provisions, National Grid were keen to seek views on this proposed implementation date, via the Consultation Document.

405. The Panel AGREED that CAP89/90/91 should proceed direct to wider industry CONSULTATION for a period of one month.

- **CAP092/094 Working Group Report**

406. MT as Chair of the CAP092/094 Working Group gave a verbal update on the Working Group progress. MT apologised to the Panel for not providing the Final Working Group Report as had been expected. The reasons for this would become clear during the presentation. MT would ask the Panel to agree that the Final Report could be brought to the September Panel meeting.

407. At the start of the Working Group process CAP092 - Consistent Generation Use of System Charge Liability Provisions for Transmission Access Products – had been considered as interacting with CAP094 - Limited Duration Transmission Entry Capacity and thus the two were considered in parallel. However the Working Group had soon identified that there was no interaction. The CAP092 Report was essentially completed and would be available for consideration at the September Panel meeting.

408. The Working Group had considered the CAP094 proposal and determined that the Original proposal needed significant further work.. Thus Alternatives were considered based on:

- Simple Block
- Profiled Block
- Indicative Profiled Blocks
- Multiple Contiguous Short Term TEC on a first come first served basis.

409. This was complicated by the consideration of:

- Whether the duration of the arrangement should be limited to End Of Financial Year or a specified Fixed Date
- Prioritisation

410. MT stated that Working Group members held diverse views on these issues with all views being rational and honestly held. Consideration of these options had resulted in a total of 13 Working Group Alternatives. This included an option for multiple applications of Short Term TEC Multiple Contiguous Short Term Tec – MCSTTEC) as some members did not believe there was currently a CUSC defect. The Working Group had considered how to reduce the number of Alternatives as it was felt that it would be difficult for Ofgem to make a decision when presented with so many options. On the other hand SG pointed out that if any of the Alternatives were dropped at this stage they could in practice be introduced at the Consultation stage. MT felt that the Chairman of any Working Group has no mandate under the CUSC to reduce the number of Alternatives to a more workable number e.g. three. MT sought the views of Panel members on this matter. DE stated that Working Group members should be mindful of the Working Group objectives in relation to efficiency when identifying Alternative Amendments and would expect members to identify the best Alternatives as the most efficient approach. However, all Panel Members appeared

to agree that there did not seem to be any way formally within the existing CUSC provisions, to limit the number of Working Group Alternatives that Parties chose to put forward.

411. RC felt that the Panel could not offer any solutions for MT at this stage. RC also expressed disappointment at the current position given that if a Consultation was issued after the September Panel meeting it was unlikely that the Authority would receive a Report before November, given that the Amendments panel had hoped to give the Authority the opportunity to consider whether any of these proposals better facilitated the Applicable Objectives, and hence could be implemented, prior to this winter.
412. The Panel AGREED to an EXTENSION of the CAP092/094 Working Group for one month.
413. MT generally felt that it should be possible to improve the current process although he did not believe that the BSC approach, which forced only a single Amendment, would be a better approach. MT asked that the Governance Standing Group to consider and generate debate on this issue and undertook to provide a bullet point list to SD of items to consider and encouraged Panel members to also provide views to SD.

Action: MT

- **CAP093 Working Group Report**

414. RC presented an update provided by John Greasley. The CAP093 Working Group had now completed its assessment and a Working Group Report would be presented at the September Panel meeting.
415. The Working Group had agreed that the Terms of Reference had been met, that CAP093 did better facilitate the applicable CUSC Objectives and recommended that CAP093 should proceed to wider Industry Consultation. In addition Working Group members were considering whether any Working Group Alternative Proposals would be raised.
416. Panel members were asked to agree revised Terms of Reference and to include Mark Symes of GdF as a member. This was AGREED.

- **CAP097 Working Group Report**

417. BG updated the Panel on progress with the CAP097 Working Group. The Working Group was in the process of considering detailed issues and would present the Working Group Report to the October Panel meeting.
418. Panel members were asked to agree revised Terms of Reference and to include Mark Symes of GdF as a member. This was AGREED.

- **CAP098-099 Working Group Report**

419. BG updated the Panel on progress with the CAP098 and CAP099 Working Group. Working Group members were seeking financial expertise and advice in order to take the proposal forward. It was expected that an appropriate expert would be available for the next Working Group meeting.

420. The Panel were asked to AGREE the Terms of Reference. SG asked for Mark Manley of Centrica to be included on the list of members. BG asked for Andrew Truswell of National Grid to be included.
421. Panel members NOTED progress and AGREED the revised Terms of Reference.
- **Governance Standing Group/CAPs 100 – 103 Working Group Report**
422. SD as Chair of the GSG updated the Panel on progress with the CAP100 – 103 Working Group. SD stated that good progress was being made and it was hoped the September target for a Working Group Report would be met.
423. **CAP100** - Revision of CUSC Amendment Provisions to ensure that Amendment Reports contain a collective CUSC Panel Recommendation. SD reported that there was a consensus that the obligation to recommend, object or abstain should be codified but grounds for abstention need only be covered by acceptable Panel working practice. Working Group members were split on the voting rights of Panel Alternate members with respect to amendment proposals. A working Group Alternative Amendment would be required if Alternates right was to be reduced to one vote. Discussion on timescales was ongoing.
424. **CAP101** - Removal of the Amendments Panel Chairman's Casting Vote – In context of Amendments Panel Recommendation vote. The Working Group had agreed that the Chair should not be asked to take part in any vote on amendment proposals to avoid placing the Chair in a position of conflicting interests and there was no need for a majority anyway. Working Group members also agreed that there was an interaction with CAP100 and felt that CAP100 and CAP101 should be amalgamated.
425. **Panel members AGREED that CAP100 and CAP102 should be MERGED.**
426. **Cap102** - Revision of CUSC Amendment Provisions to allow a Proposer to state whether they believe their Amendment has a security of supply dimension which means in the view of the Proposer it should be excluded from the Appeals Mechanism by the Authority. Working Group members had expressed concern about whether this was actually a defect in the CUSC and the Proposer was to be asked to reconsider whether the proposal should be taken forward. BG stated that National Grid would now wish to withdraw the CAP102 Amendment Proposal.
427. Panel members AGREED that the withdrawal process in relation to CAP102 should commence.
428. **CAP103** - Flexibility of Working Group Internal Procedures. SD stated that this proposal had two elements:
- Ability to appoint non Panel members as Working Group members
 - Ability to allow a reduction in timescales to consult amongst Working Group members from 5 days down to 3 days.

With respect to the first element Working Group members had agreed that there should be no problem if the Chair had the authority to appoint members to the Working Group and then subsequently they were approved as members by the Panel. This would need an Alternative Amendment. The second element was fully

supported.

429. There was a question related to the status of a Working Group Alternative Amendment proposed (along with the validity of any associated debate) by a person who was subsequently not approved by the Panel as a Working Group member. Four options were being considered:

- Reject the Alternative Amendment. The affected person could submit a new CAP or await an alternative to be submitted through the consultation process.
- The Alternative Amendment remains valid
- The Working Group Chair could be given delegated authority to appoint members to the Working Group once it has been set up.
- A list of approved Working Group attendees is maintained for use by the Working Group Chair.

430. In addition SD noted that eight other issues had been identified separate discussion which may lead to future Amendment Proposals:

- Process timetables
- Alternates voting rights
- Independent CUSC Panel Chair
- Role of the Working Group Chair especially with respect to the responsibility for writing Reports
- Filter mechanism before CAP submission in terms of Definition and Scope
- Limitation of number of Working Group Alternative Amendments
- Treatment of Pending Proposals the new Appeals Process
- What constitutes a Working Group Alternative Amendment

431. BG felt that the last issue could be considered together with Consultation Alternative Amendments, and the Panel agreed that the Governance Standing Group should be asked to consider Working Group Alternative Amendments and Consultation Alternative Amendments in parallel.

- **Balancing Services Standing Group Report**

432. RC presented an update provided by John Greasley. At the last BSG meeting on 23 August 2005 a review of the papers agreed by the Panel at the July Panel meeting was carried out (6 month report and Buy-out paper).

433. BSG members considered how each of the separate issues identified in the papers would be approached:

- **Mandatory Frequency Response** – assess operation of new CAP047 mechanism from October onwards. Maintain a watching brief on other developments (e.g. Firm Frequency Response, Reserve Review) which have the potential to impact on mandatory frequency response procurement. The BSSG also considered a proposal to increase the amount of information published as part of CAP047. National Grid were considering how this could be achieved;
- **Response Energy Price** – review and assess current mechanism as well as re-visiting proposals that have previously been discussed in this area;
- **Reactive Power, Maximum Generation Service** – maintain a watching brief;

- **Intertrips** – National Grid to bring forward information, at the appropriate time, relating to number of different categories of intertrips agreed;
- **Distributed Generation** – summary of relevant points of recent DTI report to be provided. Review forthcoming Ofgem consultation on embedded generation; and
- **Buy-out** – identify potential for ‘spare’ response on system at present. Understand the derogation process more clearly with a view to identifying how a buy-out mechanism may be used to complement it.

434. A number of actions had been allocated in line with the above, and the BSSG would continue its considerations at the next meeting on 27 September 2005.

5 Consultation Reports

435. The Panel AGREED that CAP096 – Revisions resulting from Interconnector Separation should be WITHDRAWN (see minute 388 above).

6 Amendment Reports

436. CAP088 – Application of late payments of Commercial Debts (Interest) Act 1998. The Report had been sent to the Authority on 19 August 2005. A decision was expected shortly.

7 Authority Decisions

- **CAP086 – Proposal for Earlier Consideration of Implementation Dates.**

437. The Authority had approved CAP086 on 18 August 2005. EC gave a presentation on the implications of the decision. Implementation dates proposed by National Grid and by Working Groups would now be included in Consultation Documents and views invited. This also applied to Implementation dates for Working Group Alternatives. Therefore Implementation dates would now be an issue for Working Groups to consider. Where there was disparity between the views of National Grid and the Industry the Panel would have the responsibility for proposing an implementation date and there was a need to identify a mechanism to determine the Panels recommended implementation date where necessary.

438. Four options were outlined for acquiring a Panel Implementation date:

- Discuss at the next available Panel meeting
- Panel members discuss via e-mail
- Panel members discuss via a Conference call
- Extra Panel meetings called.

439. The Panel AGREED that the preferred approach would be a decision following e-mail discussion with a back up of a tele-conference discussion, as appropriate. EC agreed to consider any issues associated with this approach, and to produce a more detailed paper for the September Panel.

Action: EC

440. The Panel also AGREED that implementation dates should be included as an issue in working group Terms of Reference.

8 Report on Other Industry Documents

BSC

441. MT outlined three BSC Panel Agenda items:

- P192 – Change of name of the Transmission Company
- P191 – Revised Definition of BM Unit to include Power Park Module
- P183 – Additional Mechanism for obtaining a valid change of Supplier Read. There had been discussion of recommended implementation dates to enable smaller Suppliers to procure cash to deal with the implications of this modification.

STC

442. BG noted that there had been a STC Committee meeting on 24th August. The two main items for discussion had been the change of NGC name to NGET and a minor change to governance arrangements, which it had subsequently been agreed would not proceed.

Grid Code

443. There had been no GCRP meeting since the last CUSC Panel meeting. It was noted that the Regional Differences Working Group would meet for the first time on 16 September.
444. MT noted that the Licence Exempt Embedded Medium Power Stations Consultation paper was now available. The proposals would need to be considered in the context of BELLAs, LEGAs and the definitions of Small, Medium and Large Power Stations.

9 Any Other Business

• 2005 CUSC Panel Elections

445. EC noted that the Election results would be out on 15 September and the next CUSC Panel meeting would be the last of the current group.

10 Record of Decisions – Headline Reporting

446. The Panel Secretary would circulate an outline Headline Report after the meeting and place it on the National Grid website in due course.

11 Date of Next Meeting

447. The next meeting will be held on Friday 23rd September 2005 at the Brandon Hall Hotel, Brandon, near Coventry commencing at **10.00am**.