

## Meeting summary

### Transmission Charging Methodologies Forum and CUSC Issues Steering Group 104

<b>Date:</b> 07/05/2020	<b>Location:</b> WebEx
<b>Start:</b> 10:30 AM	<b>End:</b> 11:30 AM

### Participants

Attendee	Company	Attendee	Company
Jon Wisdom (JWi)	National Grid ESO (Chair)	Jessica Richardson (JR)	Intergen
John Welch (JWe)	National Grid ESO (TCMF Technical Secretary)	Joe Underwood (JU)	Energy UK
Jennifer Doherty (JD)	National Grid ESO (Presenter)	John Harmer (JH)	Waters Wye
Paul Mullen (PM)	National Grid ESO (Presenter)	Joshua Logan (JL)	Drax
Sarah Chleboun (SC)	National Grid ESO	Lisa Mackay (LM)	Intergen
Grahame Neale (GN)	National Grid ESO (Presenter)	Lisa Waters (LW)	Waters Wye
Eleanor Horn (EH)	National Grid ESO	Marc Smeed (MS)	Ridgpower
Nick George (NG)	National Grid ESO (Presenter)	Matthew Cullen (MC)	Eon
Rebecca Yang (RY)	National Grid ESO	Niall Coyle (NC)	Eon
Alan Currie (AC)	Ventient Energy	Paul Jones (PJ)	Uniper
Alex Ikonik (AI)	TNEI Group	Paul Mott (PM)	EDF
Bill Reed (BR)	RWE (Presenter)	Robert Longden (RL)	Cornwall
Chia Nwajagu (CN)	Orsted	Sally Lewis (SL)	National Grid Ventures
Christine Jamieson (CJ)	Xero Energy	Simon Vicary (SV)	EDF
Dan Hickman (DH)	npower	Tim Aldridge (TA)	Ofgem
David Fewings (DF)	Inenco	Yonna Vitanova (YV)	Renewable UK
Fanni Kummer (FK)	Gazprom	Nicola Fitchett (NF)	RWE
Grace March (GM)	Sembcorp		
James Kerr (JK)	Citizens Advice		

## 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 the meeting. Any numbers in brackets denotes the slide number which the notes refer to, if relevant.*

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

1. There was one open action, for Ofgem to advise whether there was any impact on the small generator discount of the moved implementation date for the demand residual component of the TCR. TA advised that there was no impact.
2. JW opened the meeting, welcoming attendees and noting the relatively light agenda.

#### **Code Modifications Update – Paul Mullen, National Grid ESO**

3. PM shared details of the progress of current modifications.
4. PM noted that decisions on storage mods CMPs 280 and 281 were expected imminently, with CMP280 to be decided alongside CMP334.
5. Decisions on CMP320 and CMP303 expected at the same time as CMP337/338 due to their common theme (island related).
6. Decision on CMP292 expected summer 2020.
7. PM provided a CUSC panel update - in April no new mods or workgroup reports.
8. Special panel on 20 May 2020 to sign off that CMP 337/338 has met its terms of reference.
9. Regular CUSC panel in May - expected that 3 mods likely to be raised, two being discussed in today's TCMF, the other the replacement mod for CMP 332 with 2022 implementation date.
10. PM noted that there has been 9 CUSC workgroups in April.
11. PM explained that Tranche 3 mods would be prioritised at May's panel.
12. PM noted that there had been a correction to May's papers day date and mod proposal submission date which was now visible on the website.

#### **Clarification of Transmission Licensee revenue recovery - draft modification - Bill Reed, RWE**

BR provided an overview of RWE's draft CUSC modification.

13. BR noted that he would update the group on why this mod was being raised, and why now.
  14. BR explained that one aspect of the mod was clarification of the CUSC, which in RWE's view wasn't clear enough in this area.
  15. BR explained that the MAR - Maximum Allowed revenue - allowed TOs to recover costs. However, when related to OFTOs the CUSC is not clear. Unforeseen or unforeseeable events then may result in cost increases. OFTO licences for income adjusting events have some differences. RWE are looking to provide clarity in the CUSC.
  16. BR stated RWE's belief (in terms of the defect), that the MAR is not clear in section 14, nor is the treatment of revenue associated with unforeseen or unforeseeable events.
  17. GN asked for some clarification on what an income adjusting event might be and who benefits from them.
  18. BR replied that the OFTO allows for an event that occurs on their network, these events could include cable faults for example (not associated at asset transfer), scouring, events such as anchors piercing cabling. Events that create income adjustments above £1 million is the threshold.
  19. BR provided further details on the proposal. i) There would be changes to 14.14.2 MAR to clarify that the MAR is set for each price control period for onshore TOs and at the point of asset transfer for OFTOs. The
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MAR is not subject to any further modification for the duration of the Price Control Period for onshore TOs and after the asset transfer for OFTOs. ii) A new section of the Charging Methodology to make clear that revenue adjustments for TOs and OFTOs due to unforeseen events outside of price control periods be recovered through Demand Residual iii) Further changes in section 14 - to allow demand residual passthrough.

20. JH asked why the mod proposed to use demand residual rather than OFTO users? BR replied that the aim was to align. In the off-shore regime there is one user - if you target those users it would present extra risk for single power stations. The aim is to make it non-discriminatory.
21. GN asked about the comparison with Western HVDC - would a more apt comparison be with an onshore local circuit? BR replied the comparison with Western HVDC has been raised because there had been a number of cable failures that had increased costs. These costs are socialised.
22. SC raised some concern with linking OFTO MAR to asset transfer. There is also concern about what happens when the OFTO licence reaches the end of the revenue period, no licence holder has yet reached that stage.
23. BR agreed that MAR begins at the start of the licence, the mod wants to clarify what happens with an unforeseen event.
24. GN asked how long the costs for such an event would be recovered over? BR replied that it still needed some thought as to over how long it would be recovered and what notice period would be needed.
25. PJ wondered if there was a fault on an onshore network, does that lead to additional revenue or does the TO bear that in the price control. He also noted that there should be discussion on adequate insurance coverage (for example leaving cables exposed that are prone to being dragged by anchors). Some discussion needed on due diligence warranties at the asset transfer period - some of this would be covered in Ofgem's definition of an income adjusting event.
26. PM asked what implementation date was being looked for and which panel it would be presented at. BR replied that they were looking for May panel, and for the mod to be linked to the price control so aiming for implementation before April 2021. SC noted that it would need to be well before that to allow tariffs to be calculated. BR agreed. JWi asked whether this was a tariff issue rather than a system change issue. SC clarified that it was a tariff issue.
27. PJ asked that there had been a lot of discussion about clarification - could the clarification element happen first, and the mod catch up later to address the solution? SC noted that the industry had been consulted on offshore prices and agreed methods which could contradict RWE's proposal.
28. JWi asked if the proposal had been discussed with Ofgem, to which BR replied that it hadn't.
29. TA agreed to look into it and bring back any relevant information to the May panel.
30. CN asked if there would be any impact on rezoning of the modification proposal. GN replied that there would be no impact, explaining that OFTO links had their own radial links and weren't captured.

### **Clarification of VAT for Securities - draft modification - Nick George, National Grid ESO**

NG provided an overview of the modification proposal.

31. NG noted that the intention was that this mod would be raised for the May CUSC panel.
  32. NG explained that the CUSC includes requirements for Users to provide security for certain charges: 1. Termination amounts related to connections charges. 2. BSUoS and TNUoS Demand charges 3. Cancellation charges for generators terminating pre-connection 4. Final sums for demand customers terminating pre-connection.
  33. If a User defaults, VAT must still be paid to HMRC, and therefore it is important when calculating the amount a customer secures that it includes the applicable VAT.
  34. NG explained that a user has queried the ESO requesting security for the VAT element of the charges.
  35. NG noted the importance that everyone understands their obligations, the mod is designed to provide that clarity.
  36. It is proposed that the mod will be self-governance.
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37. MS asked: it was noted that demand customers are on final sums, what about interconnectors? NG agreed to take away and confirm. After the meeting NG confirmed that CUSC Section 15 does apply to Interconnectors, like it does generators. They secure based on attributable works and a wider cancellation charge, not final sums.

### **Targeted Charging Review (TCR) Update - Grahame Neale, National Grid ESO**

GN presented an update on the progress of the TCR components.

38. GN updated the group on progress of the demand residual mods, noting an updated ENA PID document was due next week.

39. GN noted that the replacement for CMP332 was due to be presented to the May CUSC panel.

40. GN noted that CMP333 was now out for Code Admin Consultation, and that the Task Force was paused until July 2020 with the report to Ofgem now due in Sept 2020.

41. JWi noted that the TGR workgroup was still ongoing with more analysis and debate ensuing. He noted that it was likely that there would be several alternatives.

42. CN asked for clarity on the delay to the Task Force - would this mean that there couldn't be any implementation of changes in 2021. JWi replied that this was the understanding but some comms from Ofgem may be needed to confirm.

43. PJ asked why there hadn't been more detail on the reasons for the delay to the Task Force (compared to say the webinar on the forward plan delays which outlined more specific reasons). JWi replied that the reason was industry availability in the current situation in conjunction with tight timescales. There was also concern about the amount of change in the industry in this set of circumstances.

### **AOB**

46. PJ asked how the Intergen rebate to BSUoS payees would be paid.

47. RY replied that the ESO were in discussions, with the aim to repay affected parties through BSUoS, which will be calculated across the relevant settlement period.

48. RY noted that this was the first time that the ESO had been involved in an enforcement process of this nature. It wasn't defined in the licence so there had been some nuances needed to be clarified. The ESO was awaiting some HMRC VAT clarification as well as some clarification from Ofgem on the process.

48. PJ asked if the aim was to target specific prices over the affected 4 days. RY replied that it was.

49. JWi clarified that the Intergen issue related to 2016, and there would be a retrospective rebate for these small number of days in 2016.

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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
20-1	Jan-20	ACLoMP	SM to provide further update following January's meeting	SM	Updated in April's meeting.	Apr-20	Closed
20-2	Apr-20	AOB	Ofgem to provide information on the impact of moving the TDR implementation on the small generator discount.	TA	Ofgem confirmed there was no impact on the small generator discount by moving the implementation date of the TDR mod.	May-20	Closed