

Meeting summary

Transmission Charging Methodologies Forum and CUSC Issues Steering Group 109

Date:	05/11/2020	Location:	WebEx
Start:	09:30	End:	11:20

Participants

Attendee	Company	Attendee	Company
Jon Wisdom (JW)	National Grid ESO (Chair)	Shannon Murray (SM)	Ofgem
James Stone (JS)	National Grid ESO (TCMF Tech Secretary)	Paul Jones (PJ)	Uniper
Matt Wootton (MW)	National Grid ESO (Presenter)	Robert Longden (RL)	Cornwall
Paul Mullen (PM)	National Grid ESO (Presenter)	Tim Aldridge (TA)	Ofgem
Jo Zhou (JZ)	National Grid ESO (Presenter)	Yonna Vitanova (YV)	Renewable UK
Grahame Neale (GN)	National Grid ESO (Presenter)	Nicola Fitchett (NF)	RWE Generation
Andrew Havvas (AH)	National Grid ESO (Presenter)	Niall Coyle (NC)	Eon
Francis Dike (FD)	National Grid ESO (Presenter)	Iwan Hughes (IW)	Vitol Group
Katharina Birkner (KB)	National Grid ESO (Presenter)	Sally Lewis (SL)	National Grid Ventures
Chia Nwajagu (CN)	Orsted	Marc Smeed (MS)	RIDG
Nicola Percival (NP)	RWE	Alan Currie (AC)	Ventient Energy
Garth Graham (GG)	SSE Generation	Alwyn Poulter (AP)	Vattenfall
Grace March (GM)	Sembcorp	Amruta Jangid (AJ)	Ampower UK
Joshua Logan (JL)	Drax	Harriet Harmon (HH)	Ofgem
Matthew Cullen (MC)	Eon	Hilary Algert (HA)	Ofgem
Matthew Paige-Stimson (MPS)	NGET	Jessica Richardson (JR)	Intergen
Neil Bennett (NB)	SSE	Joe Dunn (JD)	Scottish Power
Simon Vicary (SV)	EDF	Max Taylor (MT)	Scottish Power

Agenda, slides and modifications appendices

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

TCMF and CISG Discussion and details

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. JW opened the meeting and provided an overview of the topics for discussion. Specific mention was made to agenda item 'CMP353 - Expansion Constant Update'. JW explained this may be a lengthy session as the desire was to have a good conversation around the Expansion Constant and the urgent CMP353 modification.

Code Modifications Update – Paul Mullen, National Grid ESO

PM shared details of the progress of current modifications, details available on the slides.

2. PM noted that since last TCMF Ofgem had made the decision to progress CMP353 on an urgent basis.
3. PM explained that a decision regarding CMP324/325 (Re-zoning) was expected imminently and that all TCR modifications were still with Ofgem awaiting a decision, but dates for such decisions are not known.
4. PM noted there had been a deep-dive at October's CUSC Panel to review the current modification prioritisation stack with some modifications moving around in terms of prioritisation and subsequently timescales. He explained every effort has been made to improve this process to ensure modifications were being prioritised effectively.
5. PM highlighted that 2021 CUSC Panel related and TCMF dates had now been agreed and would be published on the calendar shortly.
6. IW asked if CMP324/325 decision being imminent meant this would be by the end of November. HH explained that Ofgem appreciated that a decision was due, and the expectation was that this would be published in the next week or so.
7. **Update: post meeting a decision regarding CMP324/325 was received from Ofgem on 11 November.**

ESO EU-Exit Preparedness – Francis Dike & Katharina Birkner, National Grid ESO

FD provided an overview of the work NGESO had undertaken in terms of preparing for EU-Exit.

8. FD explained that due to COVID-19, NGESO were looking at a range of margin scenarios rather than a single forecast and that a significant amount of work had been completed in terms of operability to ensure the right tools were available to manage any challenges over the winter period. It was noted the expectation was that margins would be sufficient with no additional challenges from the EU Exit transition period ending.
 9. PJ asked what 'silver command' (slide 19) was. FD explained this was part of the NGESO risk preparedness framework which promoted a more flexible, proactive approach for any operational decision making.
 10. KB then presented a slide summarising the ESO position regarding ITC agreements in light of the EU Commission letter referenced by GG in a discussion under AOB at the October TCMF.
 11. KB noted that the commission letter was not legally binding. KB explained that we will become a third country after Brexit, but we will continue to be an ITC party and as such this meant that third countries under the ITC agreement do not pay cross border transmission fees in excess of the ITC agreement.
 12. GG stated that issues relating to the payment of TNUoS (or its equivalent) by GB associated with imports from other countries doesn't go away because of this. FD explained that NTSOE had conducted legal analysis on this matter and if we are a third country and there is no agreement after Brexit then we can just enter a multi-party agreement as part of the ITC.
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13. GG made the point that if NGESO were correct there would be no consequences, however, if NGESO were not correct then costs for GB consumers would potentially increase as a result of no deal.
 14. FD stated that it was recognised the Commission had powers to enforce recovery of such charges, but the GB regime is a policy decision for Ofgem/BEIS.
 15. JW stated that NGESO's position had been set out and GG had highlighted viable risks, but nothing could be done with regards to this as it was dependant on the Commission and how they look to recover charges.
 16. SL made the point that NGV agreed with the NGESO assessment and that the expectation was that ITC arrangements will continue, and any policy decision would result in charges not being applied.
 17. GG asked if this would be an indemnity. SL confirmed this was NGV's assessment only.
 18. GG made the point that as NGESO are not subject to the charges mentioned the risk/interest in this issue wasn't the same as other parties. RL stated that GG had a valid point and asked that these concerns could be captured. JW explained that this would be included within the minutes from the meeting
 19. JW suggested that it may be beneficial to understand when parties may be facing charges and where they will materialise. GG and RL agreed.
 20. Update: post meeting FD requested distribution to TCMF members (via minutes) of ACERs 2019 ITC Monitoring Report for reference, specifically highlighting ACER's position on treatment of third countries on page 15. This can be found at: https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ITC%20Monitoring%20Report%202019.pdf

TCR Update – Grahame Neale, National Grid ESO

GN gave a verbal update on the TCR progress and associated modifications with Ofgem for decision.

21. GN noted that under the DCUSA the ESO act as a banding agent and calculate the distribution bands using data provided by the DNOs and IDNOs as part of the TCR residual charging methodology approved by Ofgem. He explained these bandings had been shared with the DNOs and then would be shared with industry shortly.
22. PJ asked why the deadline for the DNOs and industry differed. GN explained this was a licence obligation but there was no specific industry deadline.

CACM Cost Sharing New Modification Proposal – Katharina Birkner, National Grid ESO

KB shared an overview of CUSC changes required to allow interconnectors to recover one-off costs relating to CACM implementation.

23. KB explained that Ofgem had encouraged the ESO to make relevant CUSC changes at the earliest opportunity to allow cost recovery in 2021.
 24. GG made the point that Ofgem only made the decision regarding cost recovery in 2021 because the ESO had proposed an enduring solution. KB stated this was true and that the solution was to use an existing mechanism by aligning the CUSC with the electricity transmission license to allow interconnectors to recover costs approved by Ofgem through the existing interconnector adjustment payments process.
 25. GG asked why these costs weren't just included in the Cap/Floor mechanism. JW advised that the CUSC facilitates what Ofgem approve, so this would be something that would need to be raised with Ofgem.
 26. RL shared a similar observation and stated that there would be concern if these costs were to be included in any distance related tariffs.
 27. SV asked if there was a view of the expected costs and tariff impacts available. KB explained that Ofgem were still consulting on this so there was no view but hoped there would something available for inclusion in draft tariffs for November. SV made the point that it was important for industry to understand what this change means to TNUoS costs.
 28. MC raised the point that implementation in April 21 would impact Suppliers as they would have already sold contracts and fixed prices for consumers for this period. JW explained that would be something to raise with Ofgem.
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CMP353 - Stabilising the Expansion Constant and onshore generic Expansion Factors from 1st April 2021 – Grahame Neale & Matthew Wootton, National Grid ESO

GN and MW provided a further update on the Expansion Constant work discussed at previous TCMFs and talked through the CMP353 urgent modification recently raised by the ESO.

29. MW explained the reason CMP353 had been raised was to stabilise locational tariffs at the start of the next price control as the ESO were not comfortable with the significant variation in charges following the update to the Expansion Factors.
 30. GN added that the CAC would be published later today and the ESO welcomed views on the intent to provide stability whilst further work would be undertaken with TOs to review the Expansion Constant.
 31. RL stated that the Expansion Constant had been discussed at previous TCMFs and questioned how it materialised as an urgent modification. GN advised the ESO had correctly followed the STC timeline/processes in terms of data gathering but there had since been challenges in how the data was processed vs those processes used prior to RIIO-1 and that part of the next phase of work would be to look at potential improvements.
 32. RL questioned that if the data had looked realistic would the ESO be willing to implement the updated Expansion Constant in 2021. GN explained that the modification hadn't been raised because the data isn't necessarily realistic but the locational signals resulting from the updated data may not follow the intent of the CUSC.
 33. RL made the point that the timing of the modification didn't give members much opportunity to raise concerns. MW appreciated timing was an issue but explained that regardless of when the data had been received the issues would still be there and this was about the method and application of the data.
 34. GM explained that it was understood projects were different vs the previous price controls but didn't understand why the new Expansion Constant wasn't appropriate for forward looking charges. JW explained that the ESO weren't suggesting the method is wrong but rather saying this is a significant impact at short notice and requires further assessment. This may potentially result in a different method or even use of the existing method from 2022 and it was about providing time for further assessment to take place.
 35. GM asked if this was sacrificing cost reflectivity to buy time. JW advised this was about assessing the changes to the Expansion Constant and clarifying that the signals are still correct. RL noted support for this approach.
 36. GG asked if the NHH Demand impact was the same as the HH impact and if this could be made clear in the code document. MW agreed and explained more detail would be included in the modification proposal.
 37. CN asked what would happen if the modification was rejected. JW explained that the new values would be applied. CN asked if tariff impact could be shared. MW confirmed this will all be in the modification form.
 38. PJ made the point that it was clear there is still some investigation to do around data accuracy and concerns around if the data is representative but that any change will impact consumers. MW explained that the ESO were still looking at the TO data to ensure consistency and highlighted that the smaller number of Over Head Line projects may be the cause of the shift in values, but it needs to be confirmed first to understand what can then be done.
 39. PJ made the point that it was concerning the Expansion Constant value and its impacts could jump so much and suggested an alternative might be to use a weighted average of RIIO-1 and RIIO-2 values but the limited timelines and urgency of the modification made it difficult for members to raise alternates. MW advised that consideration of such alternative approaches would be part of the next stage of work.
 40. RL stated that it was useful to know the impacts and asked what the timetable looked like going forward if the Expansion Constant review meant changes to methodologies etc. He asked if any change would be a full or phased implementation. JW explained all options would be open but before any modification would be raised this would be discussed at the TCMF.
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41. IW asked what assumptions would be included in the November draft tariffs for 2021. MW advised that the November forecast would not apply the updated values for RIIO-2 but would use the RIIO-1 uplift levels detailed in the slides to provide consistency and not create variance. IW approved.
 42. GM asked what the ESO's thoughts were on why the number of Over Head Line projects had changed. MW explained this would be a question for the TOs. MPS explained it was potentially due to the investment needed in these projects not materialising due to efficiencies of alternate solutions being progressed instead and that this decline may increase further.

Generic Annual Load Factors (ALFs) for new technologies – Andrew Havvas & Jo Zhou, National Grid ESO

AH & JZ gave an overview of NGENSO's proposed methodology for calculating generic ALFs for new technologies.

43. AH provided details of how the generic ALFs would be set and explained the ESO were seeking industry comments particularly on battery and solar technologies ALFs.
44. GG asked if these values would only be used if actual values weren't available. AH confirmed this was the case and that actual data is ordinarily used from the last ten projects based on BEIS data.
45. GG asked why we don't use actual data for solar given the abundance of projects. AH advised that the ESO don't have this data as most of the projects are on private wire networks but the ESO had been speaking to BEIS and looking at ROC calculations to get a better view.
46. GG asked if it could be confirmed that there aren't 10 solar projects the ESO could use data from. AH advised the ESO don't use any for TNUoS charging as there are currently no directly connected solar projects.
47. GG stated that it would be useful to be clear that when the ESO do have 10 projects connected these would be used instead of BEIS data. AH agreed that this would be set out in the ALF publications explaining any method would revert to actual data use in due course.

AOB

48. JZ provided a brief update on work undertaken on the Global Security Factor since the last update at the previous TCMF. Explaining three options had been considered, highlighting the ESO's minded to position on decimal places to be used and asked for comment.
 49. GG advised it was helpful to understand what was being done but it may be more reflective as a middle ground to use 4 decimal places rather than 2, although it may not have much impact.
 50. PJ made the point that it does have an impact on groups of costs and consumers. PJ also stated that although the CUSC doesn't specify the decimal place value to be used it was inappropriate for the ESO to just make this decision and it was counter to the approach taken on the Expansion Constant. JW believed this to be an unfair review as the ESO were just reacting to feedback to see if the number being proposed was the correct number to use.
 51. SV stated this should go via a change process. JW advised this isn't a change to a methodology so there was no need for the change process to be followed. RL suggested that it might be appropriate to not go via a formal modification but another route instead. JZ took an action to seek views via an alternative method.
 52. **Update: post meeting the ESO revenue team have launched an industry consultation (16 November), seeking feedback on the approach to rounding the security factor. This can be found at: <https://www.nationalgrideso.com/document/180741/download>**
 53. SV raised the point around TCR decisions, the lack of an expected due date and draft tariff publication timelines. JW explained the ESO were discussing this with Ofgem and sensitivity analysis would be included for the draft publication.
 54. GM agreed that the lack of decisions was alarming. HH stated that Ofgem observed the comments in terms of TCR decision dates. HH then went on to explain Ofgem were aware of forecasting timings and the TCR/TGR publication timeframe and appreciated the uncertainty this may cause for generators however it should be noted that these issues are complex in nature.
 55. GM appreciated this but asked if there might be a mid-year tariff change. HH explained this would only be required if the ESO couldn't implement any decisions by end of March 2021.
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56. SV made the point that suppliers need to take a view if no decisions are made and that this can impact end consumers. HH recognised this but re-iterated that these issues were complex and had lots of moving parts.
57. SV made the point that another risk might be that when a decision is made, a party may choose to challenge it. HH referred to CMP261 and said it would be similar in that until a challenge is successful the approved decision becomes baseline.
58. CN asked if the November draft tariffs would include a view of CMP353 if a decision hadn't yet been made and if a view would be included regards the CACM modification. JW explained that sensitivity analysis would be provided for CMP353 and may also be provided regarding CACM if Ofgem were able to share numbers.

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
20-3	Jul-20	Pathfinder	Pathfinder email contact details to be added to slides when published, and stakeholders to provide feedback if they wish to do so.	JWe	Email contact details added on slide publication on 9 th July.	Jul-20	Closed
20-4	Jul-20	Tertiary Connections	To bring back the topic of tertiary connections to TCMF.	JS	JWi updated the Sept meeting that there would be an open letter published imminently which would set out the ESO's position.	Sep-20	Closed
20-5	Jul-20	BSUoS / TNUoS Support	To provide information on potential TNUoS uptake, if appropriate and available.	RY	JWi provided an update from the Revenue team: BSUoS - £9.7m deferred up to 19 th August, TNUoS £10.2m deferred so far.	Aug-20	Closed

20-6		BSUoS / TNUoS Support	To provide greater clarity on bad debt amount incurred by ESO in RIIO-1.	RY	No further update for September's meeting - further details will be provided once agreed.	Aug-20	Open
20-7		ETYS Data Potential Mod	Link to ENA TNUoS SCR webinar material to be added to TCMF slides when available.			Jul-20	Closed
20-8	Oct-20	TCR Update	Link to 'P402' consultation to be added to TCMF slides when published.	JS	Link added on slide publication on 12 th October.	Oct-20	Closed
20-9	Oct-20	TO Revenue Forecasts	TNUoS email contact details to be added to slides when published, and stakeholders to provide feedback if they wish to do so.	JS	Email contact details added on slide publication on 12 th October.	Oct-20	Closed
20-10	Oct-20	AOB	To provide information on Intergen Payments	JD	JD to provide further details following conversation with Revenue team.	Oct-20	Open
20-11	Nov-20	AOB	JZ to seek further views regarding decimal place value to be used for Global Security Factors	JZ	Consultation Letter published 16 th November.	Nov-20	Closed