

# Meeting summary

## Transmission Charging Methodologies Forum and CUSC Issues Steering Group 110

|        |            |           |       |
|--------|------------|-----------|-------|
| Date:  | 07/01/2021 | Location: | WebEx |
| Start: | 10:30      | End:      | 13:30 |

### Participants

| Attendee                    | Company   | Attendee                  | Company                |
|-----------------------------|---|---------------------------|------------------------|
| Jon Wisdom (JW)             | National Grid ESO (Chair)                           | Rebecca Yang (RY)         | National Grid ESO      |
| James Stone (JS)            | National Grid ESO (TCMF Tech Secretary - Presenter) | Paul Jones (PJ)           | Uniper                 |
| Matt Wootton (MW)           | National Grid ESO                                   | Robert Longden (RL)       | Cornwall               |
| Paul Mullen (PM)            | National Grid ESO (Presenter)                       | Tim Aldridge (TA)         | Ofgem                  |
| Jo Zhou (JZ)                | National Grid ESO                                   | Yonna Vitanova (YV)       | Renewable UK           |
| Grahame Neale (GN)          | National Grid ESO (Presenter)                       | Nicola Fitchett (NF)      | RWE Generation         |
| Andrew Havvas (AH)          | National Grid ESO                                   | Niall Coyle (NC)          | Eon                    |
| Jenny Doherty (JD)          | National Grid ESO (Presenter)                       | Jessica Richardson (JR)   | Intergen               |
| Katharina Birkner (KB)      | National Grid ESO (Presenter)                       | Mark Duffield (MD)        | National Grid Ventures |
| Chia Nwajagu (CN)           | Orsted  | Lisa Waters (LW)          | Waterswye              |
| Rob Wilson (RW)             | National Grid ESO (Presenter)                       | Alan Currie (AC)          | Ventient Energy        |
| Garth Graham (GG)           | SSE Generation                                      | Alwyn Thomas (AT)         | Statkraft              |
| Grace March (GM)            | Sembcorp  | Massimo Liu (ML)          | Poyry                  |
| Joshua Logan (JL)           | Drax  | Harriet Harmon (HH)       | Ofgem                  |
| Matthew Cullen (MC)         | Eon   | Barney Cowin (BC)         | Statkraft              |
| Matthew Paige-Stimson (MPS) | NGET  | Michelle MacDonald (MMac) | SSE                    |
| David Boyland (DB)          | SSE   | Edda Dirks (ED)           | SSE                    |
| Simon Vicary (SV)           | EDF   | Mark Herring (MH)         | National Grid ESO      |

## 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.*

#### Meeting Opening – Jon Wisdom, National Grid ESO

1. JW opened the meeting providing an overview of the topics for discussion. It was explained that there was a significant number of agenda items to cover so this may be a lengthy session as the desire was to have a good conversation with industry around several proposed modifications.

#### 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 in December Ofgem had made decisions on several modifications including those relating to the TCR (CMP317/327 as well as CMP339 and CMP333), in addition to the broad agreement with the recommendations of the 2nd BSUoS Taskforce.
3. PM highlighted the timeline for the remaining TCR modifications explaining that an impact assessment will be carried out and a consultation on this assessment will be run by Ofgem in January 2021 ahead of decision which is expected in the spring of 2021.
4. PM explained that there were several imminent Panel meetings taking place, highlighting that CMP344 was time critical as it potentially required a decision by Ofgem by 25th Jan 21.
5. PM noted January was looking busy in terms of CUSC Work Groups (6 planned) and that the modification prioritisation stack continues to be reviewed to ensure modifications are being prioritised effectively.

#### Brexit Update – Katharina Birkner, National Grid ESO

KB provided a verbal update on the work undertaken by NGESO following a Brexit deal being agreed in December.

6. KB explained that the details of the deal are still being worked through, however a request has been made to withdraw CMP310 as the defect was no longer applicable following the Brexit agreement.
  7. KB noted that there is an expectation that BEIS will shortly publish a letter to provide clarity on the deal at which point NGESO can confirm if any further changes are required to the CUSC.
  8. KB then explained NGESO have been in conversation with ENTSOE and they believe GB will be dealt with as a Third-Party country so will continue to be an ITC Party and as such this would mean GB would not pay cross border transmission fees in excess of the ITC agreement.
  9. GG stated that the agreement deals with flows (in and out) but there was still a question around fees. KB said NGESO were still trying to fully understand the detail but will update the TCMF when able. **Post Meeting Note;** at the JESG meeting held 12th January 2021, BEIS confirmed that both themselves and the Commission agree that the UK can continue to participate in the ITC agreement. Further clarification is required with the Commission on what legal steps are required to demonstrate that the ITC agreement is the appropriate multi party agreement referred to in the free trade agreement.
  10. JW said it was clear fees 'may' be charged but as GB will continue to be an ITC Party then it will not pay fees.
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11. MD confirmed that after discussion with Government officials, it is clear that being a Third-Party country within the ITC agreement does not prevent the use of fees, however, Article 13.1 clearly states that there are no net charges for interconnectors and it also sets out there are no 'flow' charges. MD highlighted that there is an interconnector compensation scheme which could be used as a fall back if GB were to withdraw from the ITC.
  12. LW made the point that the agreements talk about interconnector flows but how would users be treated. JW advised it was understood that 'users' are not mentioned as part of this agreement.
  13. GG noted that the point regarding flows remains, so thinks that the risk that fees are levied still also remains. KB noted this.

## **'Quick Win' Improvements to Grid Code Governance Arrangements- Rob Wilson, National Grid ESO**

RW gave an overview of GC0131, details available on the slides.

14. RW explained that GC0131 looks to introduce a number of 'quick wins' to improve the speed and efficiency of the Grid Code process. Highlighting key areas of change including changes to; Quoracy; initial assessment of proposals; and drafting of legal text.
15. RW advised that the intention was for this to be progressed via Code Administrator Consultation (CAC) as the solution has already been developed by a Work Group previously and that the proposal will be raised to make the same changes to CUSC.
16. JW asked for comments on the proposed governance route.
17. RL was supportive of the changes but suggested that if there are issues with quoracy there may be a role for the chair to support if the required expertise isn't available to progress modifications. RW explained quoracy had been an issue in Grid Code but Ofgem or Panel can already require that further people are sought to contribute if required.
18. LW noted that Grid Code is very technical so is the reduction even necessary as it may be harder to fill gaps in knowledge than it would be under the CUSC.
19. GG was conscious there are many modifications (noting the volume of those just being raised by the ESO) so this may also need to be considered with this proposal.
20. RW explained these are quick wins and fully developed so it makes sense to bring these changes forward sooner rather than later.
21. RL was interested to know what quoracy had looked like under the CUSC and if there was really an issue like there was within the Grid Code. PM suggested that in the last year only 1 CUSC Work Group had issues with quoracy, so possibly not so much of an issue.

## **BSUoS Update – Katharina Birkner & James Stone, National Grid ESO**

KB shared an overview of the outcomes of the recent BSUoS task force, details available on the slides.

22. KB explained that Ofgem broadly agreed with the recommendations of the BSUoS Task Force and that Ofgem will commission quantitative analysis to assess the overall net benefits of these reforms.
  23. KB noted that NGENSO will create modification proposals that meet the requirements of the BSUoS Task Force (and Ofgem) and will work with CMP308 to deliver a comprehensive solution.
  24. RL asked if the timetable for these mods and CMP308 could be shared. KB explained this would be raised in February (for deliverable 1 - BSUoS Payable by Final Demand only), however deliverable 2 (Fixed BSUoS Tariff) would require to be scoped etc.
  25. MC agreed with implementing these changes in principle but said industry do need to ensure there is a smooth pass over of the BSUoS charge to demand users and to also ensure Suppliers aren't paying twice. KB explained this is also being considered.
  26. SV explained the Task Force recommended the charges change from April 2023 and would be keen to press on with CMP308 work to meet this timeline.
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27. GG noted that the timetable needed to be made clear and the process detail needed to be right.
  28. JS then presented a slide on BSUoS indexation. Explaining that some BSUoS costs (capability payment and Intertrip payments) are index linked to RPI however CPIH was now adopted as the lead measure of inflation by the ONS and that RPI in the Transmission licence has also been replaced by CPIH. The ESO were seeking stakeholder views on whether a modification should be raised to align the indexation method used in Section 4 of the CUSC with that used in the new RIIO-2 licence conditions.
  29. GG thought indexation needed to be considered more broadly, and that there are a lot of elements of CUSC that have never been indexed and questioned that these should all be in scope of being considered as being indexed as well.
  30. GM noted that these elements should be changed although the current text could be left allowing relevant indexes to be used with Authority agreement rather than stating CPIH.
  31. GG noted that CPIH and CPI are slightly different.
  32. LW noted that it should be hard coded into the CUSC as changes to indexation come around infrequently. LW also agreed with GG that it was possible this review should consider other elements than those noted within the slides.
  33. GG noted that if the ESO took on feedback from the TCMF today, then the CAC route could be supported. However, if ESO diverge from those principles, then a Work Group would be needed.
  34. RL asked for the ESO to take an action to come back to TCMF with a plan for the wider indexation review and initial thoughts. **JS took this action.**

#### CMP317/327 Update – James Stone, National Grid ESO

JS provided an update on CMP317/327 following Ofgem's decision to approve the Original Proposal in December 2020.

35. JS highlighted the background to CMP317 / 327 and the decision from Ofgem.
  36. JS set out that the current assessment of 20/21 charging year has been undertaken by the ESO and notes that there could be a potential -£5 to -£20m difference in terms of compliance with the 'Limiting Range'.
  37. SV questioned whether if it was too premature to consider compliance. JS clarified that the ESO analysis was on the basis of Ofgem's decision and the interpretation that they had set out in their decision on what should be excluded.
  38. SV asked whether the ESO could provide clarity over the methodology and detail of the calculation that the ESO has undertaken.
  39. JW asked for clarity on what is not clear, as Ofgem have set out the impact on GB arrangements. JW wanted to know whether a Work Group is needed to detail this further.
  40. SV noted that there is more clarity now following Ofgem's decision but believed that a Work Group would be needed to ensure that there is a certain proposal.
  41. LW noted it was the most shocking decision industry have had.
  42. CN asked for clarity on Ofgem's decision. JW clarified that Ofgem asked the ESO to consider over / under recovery in line with their decision in previous years.
  43. JS then gave an overview of how the ESO could ensure compliance with the range in 2020/21.
  44. GG wanted to clarify how many charging years the ESO went back checking compliance. JS confirmed it was from 2014/15.
  45. GG wanted confirmation that the compliance issue was only regarding the current year and not previous charging years. JS confirmed it is only the current charging year that could fall outside the range based on Ofgem's decision.
  46. JW asked for feedback on raising a modification to clarify this reconciliation method could be used.
  47. GG stated that for the avoidance of doubt that if a modification is needed, that it wouldn't need to necessarily only need to be for 2020/21. JW noted that this is a separate piece of work and would need to be implemented as soon as possible.
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48. GG clarified that it should be for any years where reconciliation is needed. JW noted that this reconciliation methodology is in the approved CMP317/327 legal text and could be used in any year, but that the ESO is wary that this was not explicitly discussed in the Work Group and therefore whether a modification is needed to make this very clear to industry.
  49. PJ noted a concern that elements that should be in the exclusion from next year (April 2021), being considered retrospectively is a bit odd. JW noted that the ESO's understanding from Ofgem's decision letter is that the ESO should ensure that this is compliant retrospectively.
  50. SV asked if it is a licence breach of the ESO if they do not reconcile and pay/recover monies due to compliance. JW asked Ofgem for their views.
  51. HH referred to the published letter. Looking retrospectively is a compliance matter as we have a correct definition. Applying that on previous years charges using the correct interpretation means that the current year potentially falls outside of the range, a reconciliation process is required. HH clarified the question is that now there is a clear interpretation, that a reconciliation is appropriate, and therefore whether what is written can be used.
  52. PJ asked if this is setting a precedent for retrospectively applying correct legal interpretation. Is there an onus on Ofgem to get to that decision quickly as this has an impact on other parties? **HH took an action to take this away as feedback.** PJ asked where this sits with regulatory certainty but didn't want to get into the discussion of whether this is correct as that was ultimately Ofgem's decision.
  53. LW asked whether PJ wanted clarity on why this needs retrospectivity.
  54. PJ noted there was a need for a specific modification on this. It was also thought there was something in the CMP317/327 decision on whether there was a material breach and questioned whether £10m is material as per the codes today. JW said the 317/327 solution doesn't look at materiality but that could be discussed by a Work Group.
  55. JW noted that a modification is likely to be needed based on feedback and raised ASAP.
  56. GG noted that the slides detail a breach in terms of a legal compliance perspective and that it doesn't feel that this is a question on materiality but instead comes back to ESO compliance with its obligations and that would need to be reconciled regardless of value.
  57. GM noted that there is still work on the correct definition of the connection exclusion and whether this issue would need to be re-addressed based on if the definition changed. It was likely that money would be bouncing back and forth so we should await a decision on definitions. JW noted this is about how we should set charges and the ESO assessment was based on Ofgem's interpretation.
  58. GM asked how the ESO has performed the compliance assessment given defining pre-existing assets was difficult. JW noted that the ESO had performed some further analysis and made some further assumptions.
  59. PJ again noted concerns over retrospective treatment of the decision.
  60. LW noted that Ofgem should provide detail, in writing of why this retrospective treatment is needed.
  61. JW noted that the TCMF feedback was clear that a modification is needed and that needs to happen quickly.
  62. SV noted that this reconciliation modification needed to be combined with the methodology to define assets required for connection (pre-existing assets).
  63. AC asked whether this issue impacts tariffs being set in January. JW clarified that there isn't an impact, and tariffs will adopt Ofgem's decision on CMP317/327.
  64. GG asked whether an update could be provided later this month to understand how material this non-compliance could be. JW noted that that clarity on this wouldn't be possible until later in the year as the ESO doesn't have all required data now. RY noted that unfortunately the range cannot be narrowed until the normal reconciliation process takes place, which the data for is available in late April meaning it wouldn't be until early May for confirmation of the exact number for compliance.
  65. PJ thought it was key that industry know the likelihood that the range may be breached. JW noted that the values presented were the best view the ESO had at this time.
  66. MPS asked whether tertiary connections would impact compliance as there is a significant number of new sites connecting. JW explained that they would not impact as they are treated as infrastructure.
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67. NF queried when money would need to be paid back by Generators. JW explained that it would go into the reconciliation invoice for the 20/21 charging year. NF stated that the normal reconciliation is a process normally known about throughout the year that people can plan for however this may not have been planned for.
  68. SV asked when it would flow through to demand. JW noted it was the same reconciliation process.

### **Private Wires & Complex Sites - Grahame Neale, National Grid ESO**

GN provided an overview of the work the ESO had undertaken on Private Wires & Complex Sites following CMP334, details available on the slides.

69. GN provided background on CMP334 which looked to define what a 'Final Demand Site' is, explaining that as part of the Ofgem decision, there was an expectation for NGENSO to undertake further work on Private Wires & Complex Sites with a further modification to be raised & implemented by April 2022.
70. GN explained Private Wires and Mixed/Complex Sites are terms used at Distribution and no equivalents exist in the CUSC and the purpose of this session was to get industry feedback on NGENSO initial thoughts relating to how mixed/complex sites should be defined and treated in terms of how final and non-final demand should be separated.
71. PJ said some of the approach will depend on outcome of CMP343 i.e. if there is only one Transmission band then it shouldn't make a difference to charges anyway.
72. PJ asked what should happen with those that connect at Distribution but aren't licenced and end up picking up Transmission level charges. GN explained that there would be requirements under the BSC and CUSC so should be licenced.
73. JW explained that this was about ensuring that CMP334 can remove certain sites from final demand and there was a need to focus on how we remove demand from sites that may have final demand.
74. GG considered that any method proposed should take account of sites which may have Vehicle to Grid or Demand Side Response etc and how demand is treated in these situations needs to be looked at as there could be potential for gaming.
75. LW said that if a fixed or percentage apportionment between final & non-final demand was used then how could this be validated and again this could be an opportunity for gaming between bands.
76. GM asked if a site impacted by P375 would need to agree to these approaches. GN said it would be clear that any change proposed was for mixed demand sites.
77. LW queried what would happen in terms of billing where there was a large Generator that then has numerous metered customers. Would the ESO bill them directly.
78. SV said the question was rather what would be billed, would it be Transmission or Distribution level charges if there were domestic customers connected/using at a site.
79. JW advised GN would take these considerations away as issues to cover in the modification and look to refine the solution.
80. LW asked if the intent was to provide a discount to Generators for paying these charges when connected. JW advised this should be left to Work Group discussion.

### **Expansion Constant Update - Grahame Neale, National Grid ESO**

GN provided detail of the further work the ESO had undertaken regarding the Expansion Constant methodology following Ofgem's approval of CMP353 in December.

81. GN explained NGENSO have committed to undertaking more analysis on the Expansion Constant to develop and implement a more enduring solution and this update was to seek industry feedback on the principles of the Expansion Constant before developing further.
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82. GN noted that NGESO believe the Expansion Constant is fundamental in the locational charging methodology and should be reflective of network growth and be prospective not retrospective and asked for thoughts on the principles.
  83. RL stated that this is a big issue as moves from a physical definition to capability to expand capacity being used instead.
  84. GG said it would be beneficial to see data for the purposes of transparency (which was part of CMP353 discussions) and it might be appropriate to also consider those assets that were built at a higher cost because of policy objectives.
  85. MC suggested a view may be included on utilisation and not just capacity
  86. PJ explained that it may be worth thinking about if the Expansion Constant should account for the proportion of LV assets that would upgrade in the calculations.
  87. GG noted a concern that any method should be based on actual costs i.e. what Ofgem have approved and not expected costs.
  88. GG said that although it had been mentioned in the slides that it is too difficult at this stage to take in to account ANM schemes the fear is that if it isn't done now when will it be done. Would it be an issue if it is looked at for next price control.
  89. PJ agreed with GG on that any methodology should use actual values but could there also be an option that looked at tender values vs outturn and how could that be reflected.
  90. GN explained the current method is narrow and focuses on 400KV OHL and as there have been decreases over recent years it may be prudent to include more works i.e. 400KV as well as 275KV OHL to expand the scope of the calculation.
  91. PJ thought that if this was done then it may just move the problem elsewhere. GN suggested that another route may be to water down the locational signal by averaging values. PJ said this needed to be understood more.
  92. RL noted that there was a lot to consider but by seeking to retain the Expansion Constant we may find nuanced approaches are needed.
  93. PJ asked if there was consideration of going back further with data. GN advised that hasn't been ruled out although it wouldn't just be looking at historic data anyway.
  94. NF said there may be an option to look at subsets of data i.e. historic and built plus prospective works (if costs are known) although agreed this would also need a better dataset.

### **NGESO 2021 Work Plan – Jenny Doherty, National Grid ESO**

JD provided an overview of planned charging modification proposals for 2021 detailing the rationale, proposed route and timings for decision and implementation. Details of which are available in the slides.

95. JD went through each modification proposal. Specific mention was made to two modifications being required following Ofgem's CMP317/327 decision (mentioned earlier in the meeting).
  96. JD explained that the plan was to raise the reconciliation proposal as urgent via CAC to be approved prior to the 2021 charge year to ensure a mechanism was available for the ESO to use should compliance be breached. It was then proposed that the 'pre-existing' asset definition modification would be raised a later date (February time) for approval before April 2022 for charge setting.
  97. The consensus from the group was that both modifications should be aligned, raised as urgent and assessed by a Work Group due to their interactions. JD confirmed that following feedback that this would now be considered.
  98. SV explained that it may be best to have a joint Work Group rather than separate meetings given the interactions between the two modification i.e. needing to know the definition of 'pre-existing' in order to run a reconciliation to determine compliance.
  99. JD then opened discussion up to the group and asked if this plan was feasible and if anything was missing etc.
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- 100. GG noted that it may be worthwhile considering linking the re-zoning modification with the Expansion Constant work due to interactions.
- 101. GG also noted that given the volume of modifications that the Code Administrator could run 2-3 Work Groups per week to get through this.
- 102. MPS noted that tertiary charging had ED2 dependencies as it related to connection charges and should be a priority and should be pinned down in terms of when it is looked at. JD asked what could be dropped from the list to accommodate this. MPS asked if Ofgem could provide a timescale. **TA took to an action to confirm potential timelines.**
- 103. LW noted that if this is the plan then the ESO will need more resource and so will industry. JD agreed.
- 104. RL stated that any plan will need to make sure that industry resources are used properly to get the most progress with strong chair persons. Noting that any new staff should be joined by more experienced staff rather than just thrown in to Work Groups.
- 105. GG suggested it could be that chairs could be sought from elsewhere if needed i.e. technical secretaries.
- 106. GG also noted that this was a useful project plan but ESO should also look at how the modifications all fit together in terms of durations, overlaps in timings and decisions needed. **JD took an action to look at this.**
- 107. NF noted that re-zoning was still to be confirmed but this couldn't be looked at until Expansion Constant work is done so maybe the Expansion Constant work be brought forward. JD confirmed there is potential to look at this.
- 108. PJ noted that for any modification, notice is required so this work should start quickly.
- 109. GG suggested that the BSUoS indexing modification should be widened to include all costs. JD explained that once the ESO have further detail this could be considered.

**AOB**

- 110. GG asked if monthly updates could be provided to TCMF regarding the Expansion Constant work progress. JW agreed but also noted that this would also be discussed through CMP315 too.
- 111. LW asked that for the GC0131 governance modification could something be done around not requiring groups to fill in so many forms specifically relating to Work Group nominations. PM advised that is already being considered.

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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 |
|------|--------|----------------------|--|-------|-------|-------------|--------|
| 21-1 | Jan-21 | BSUoS Update         | To perform wider indexation review and bring plan back to TCMF with initial thoughts | JS    |       | Apr-21      | Open   |
| 21-2 | Jan-21 | NGESO 2021 Work Plan | Ofgem to confirm expectations of timings regards Tertiary charging review            | TA    |       | Feb-21      | Open   |

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| 21-3 | Jan-21 | NGESO 2021<br>Work Plan | NGESO to map proposed JD<br>modification interactions<br>and share with TCMF | JD | Apr-21 | Open |
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