

Minutes

Meeting name	CUSC Modifications Panel
Meeting number	202
Date of meeting	10 February 2017
Location	Conference Call

Attendees

Name	Initials	Position
Mike Toms	MT	Panel Chair
Heena Chauhan	HC	Panel Secretary
John Martin	JM	Code Administrator
Nikki Jamieson	NJ	National Grid Panel Member
Garth Graham	GG	Users' Panel Member
Simon Lord	SL	Users' Panel Member
James Anderson	JA	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Kyle Martin	KM	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Andy Pace	AP	Consumer Panel Member
Nadir Hafeez	NH	Authority Representative
John Harmer	JH	CMP276 Proposer

1 Introductions and Apologies for Absence

Apologies were provided by Cem Suleyman (CS) and Nicholas Rubin (NR). CS requested JA to carry his voting rights.

John Harmer (JH) from Alkane Energy Ltd joined the meeting to present his new modification CMP276 and Andy Pace (AP) joined the Panel for the first time as the Consumer Panel Representative.

All presentations given at this CUSC Modifications Panel meeting can be found in the CUSC Panel area on the National Grid website:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Panel-information/>

2 Workgroup Update

6060. **CMP272 'Aligning Condition C5 and C10 of the CUSC to the license changes introduced by the Code Governance Review Phase 3'**, This CUSC Modification Proposal seeks to implement the license changes to the CUSC arising from Ofgem's Code Governance Review (Phase 3).

6061. HC presented the Workgroup report slides and noted that two responses had been received to the Workgroup Consultation and that both responses supported the Original proposal. All three Workgroup members voted that the updated Original proposal better facilitated the Applicable CUSC Objectives than the baseline.
6062. GG noted that NH, as the Ofgem Representative for the Workgroup, had sent some additional typographical amendments that would need to be made to the Legal Text and approved by the Workgroup.
6063. The Panel reviewed the Workgroup Report and agreed that subject to the Workgroup approving the proposed amendments recommended by NH, the report should proceed to Code Administration Consultation.

3 New CUSC Modification Proposals

6064. One new modification was presented to the Panel at this meeting.
6065. **CMP276 Socialising TO costs associated with "green policies"**. CMP276 proposes a reduction in the demand residual element of the TNUoS £/kW ("Triad") charge by creating two new charge lines for all demand offtakes:
- (i) with the level of charge based on a fixed charge per MPAN (or alternatively the import meter size of each consumer) and;
 - (ii) a simple per kWh charge on all consumers.
- Currently demand residual is the cost bucket which is left to capture all TO costs that cannot be otherwise allocated. Unless there is change to the current methodology this is forecast to lead to high demand TNUoS payments at the time of Triads, which are widely recognised to be unacceptable and unsustainable. Modifications CMP264 and CMP265 deal with a subset of the symptoms only, because they define the defect too narrowly. Their definition prohibits the full range of potential solutions being considered, and by excluding certain types of meter and treating some meters differently to others, this inevitably leads to a discriminatory outcome. This modification is defined to address the underlying cause of the escalation in demand residual and proposes a simple, non-discriminatory approach to its resolution which addresses equitable competition in all markets, domestic and international, reduces total cost to consumers and has the structure to form an enduring solution.
6066. This CUSC Modification Proposal has been raised by Alkane Energy Ltd and is requesting urgency. JH attended the Panel meeting to present his CUSC Modification Proposal.
6067. MT noted that CMP276 was a major proposal and would require careful consideration from the Panel.
6068. JH thanked the Panel for accommodating the proposal and presented it to the Panel explaining that the defect is that there is a material competitive distortion that is resulting from current and rising TNUoS demand residual. JH also noted that CMP276 is intended to be an alternative solution to CMP264, CMP265 and CMP271, and that his Modification could not have been considered to be a WACM owing to the other three proposals restrictive defects.

6069. JH highlighted that one of the key features and benefits of the modification was to retain net metering for transmission charging thus making it easier to implement. The proposal also aimed to achieve a fair and equitable competitive position by removing all existing distortions; to be more cost reflective; and also future proof the Charging structure. JH noted that only WACM7 for CMP264 / CMP265 supported the cost reflectivity that his modification proposed, as it suggested that the lower demand locational charge is zero (non-negative) without an artificial floor.

6070. When delivering the presentation, JH clarified that there had been a typographical error in slide five presented to the Panel and clarified that the second bullet point when demonstrating the 'Set charge values so typical domestic user is indifferent to status quo' should actually state that this a '£36.50 per year per meter charge'.

ACTION: JH to send updated slide deck to HC so that it can be republished on the website.

6071. MT provided the Panel the opportunity to ask seek clarification on the points covered in JH's presentation.

6072. GG highlighted that JH had stated within his presentation that the proposal was positive for all Applicable CUSC Objectives, however in his proposal form, it was only positive against the Applicable CUSC Objectives a), b) and c) and neutral against d) and e). JH confirmed that there had been a typographical error and that he would correct the slide deck and send it to HC so that the slide deck could be re-published.

ACTION: HC to publish updated CMP276 slide deck sent by JH containing the updated view on the proposal against the Applicable CUSC Objectives.

6073. MT noted that the Panel would be required to address two issues in relation to this modification proposal. The first being that did the proposal have the same effect as any other pending proposal. MT also highlighted that if the Panel agreed that it did, then they would have a duty to reject the proposal albeit that this would be an unusual step for them to take but would be within their rights as a Panel. The second issue would be address the issue of urgency should the proposal be accepted.

6074. In reference to the first issue highlighted by MT, GG referred to Section 8 of the CUSC, in particular 8.16.6.a which clarified that the Panel could direct the Panel Secretary to reject the proposal if it was deemed to substantially have the same effect as a Pending CUSC Modification Proposal. GG noted that the Proposer had made a number of references within their proposal indicating its bearing to CMP264 / CMP265.

6075. SL highlighted that there was a similarity between CMP276 and CMP271, and questioned if CMP276 fell within the scope of CMP271. SL also noted that there was an overlap in the solutions of CMP264, CMP265, CMP271 and CMP276 and that it would be difficult to develop one CUSC Modification Proposal without it having an impact on another. SL highlighted that the proposals were the same as a collective but different, and ideally the Panel would need to decide on the outcome as a collective, and should maybe wait for the outcome of the pending modifications before proceeding with CMP276.

6076. MT highlighted that the Panel would need to be cautious as they would be held responsible for their decision to reject or accept the proposal and that they would need to be clear if the modification was proposing the same effect as a pending CUSC Modification Proposal.
6077. NJ asked if CMP276 could be included and addressed within the Terms of Reference for CMP271 and asked if the Code Administrator had discussed this with the Proposer of CMP271 or JH. JM confirmed that this had not been discussed with either party as the defect is set by the Proposer and cannot be subsequently amended afterwards.
6078. GG advised the Panel that the current clauses within the CUSC had been placed by the Department of Trade and Industry (this government department has subsequently been replaced by the Department for Business, Energy and Industrial Strategy) to ensure that nobody could raise a new CUSC Modification Proposal during the decision period of a Pending CUSC Modification Proposal that was with the Authority.
6079. MT thanked GG for his guidance and noted that the Panel would assess CMP276 against CMP264 and CMP265 only. SL expressed concern with the process that the Panel had followed for CMP276 and emphasised that this could lead to other parties bringing their own WACMs that were rejected by a Workgroup forward as an Urgent CUSC Modification Proposal in the future. NJ agreed with SL and stressed that she had the same concern and the potential impact it could have on future modifications being raised with the Panel. MT asked GG for this issue to be discussed by the GSG.

ACTION: GG to address the issue of modifications being raised by parties following their proposals being rejected as WACMs by Workgroups at GSG.

6080. MT concluded that CMP276 should be developed by a Workgroup.
6081. MT asked the Panel then to consider the request from the Proposer to treat the proposal as an Urgent CUSC Modification Proposal and asked NH if he could clarify the latest timetable for CMP264 and CMP265. NH advised that he had spoken with his Policy team and that the Authority were minded to progress to an Impact Assessment (IA) towards the end of February 2017, with a view to be making a decision in June 2017.
6082. MT also asked NH if the Authority would consider delaying their decision on CMP264 and CMP265 as a result of CMP276. NH confirmed that this would be unlikely at this moment in time and expected CMP264 and CMP265 to progress as highlighted.
6083. MT invited the Panel to review the proposed timetables presented by HC highlighting that in his view the Urgent timetable added risk to the proposal leading to a send back from the Authority. NJ also highlighted similar concerns, and noted that she was nervous to support urgency as the proposal actually contained four to five significant changes that could not be progressed following an Urgent timetable.
6084. PM asked JH when he would anticipate CMP276 to be implemented by, JH clarified that this should be a simple change and ideally would be implemented in advance of tariffs being set in April 2018 for the financial year 2018/19.
6085. NJ informed JH and the Panel that the setting of tariffs was not that simple and straightforward and that the process for tariff setting would actually start in September

/ October 2017 and the timescales suggested in the proposed timetable would not work from a practical implementation point of view.

6086. SL suggested that it would be sensible to progress CMP276 alongside CMP271 and CMP274; SL also noted that the scope of CMP276 was greater than CMP271 and CMP274 and would therefore need to be developed following a similar timetable.
6087. MT confirmed that the Panel did not recommend that the proposal be treated as Urgent, as they considered the proposal would require careful deliberation as it is considered significantly more complex than envisaged by the Proposer.
6088. GG reminded the Panel of Ofgem's expectation to raise modifications promptly as highlighted in their CMP268 decision letter, and in particular that any delay will be taken into account when considering urgency. JH advised the Panel that he was a consultant working on behalf of Alkane Energy Ltd and noted that the proposal had been discussed by a newly formed flexible generators group and that it had taken more time than expected to gain approval from the Alkane Energy Ltd board.
6089. NJ highlighted that it would be useful to have an early indication of the timing and agenda of Ofgem's targeted review to see if modifications such as CMP271 and CMP276 could be included within this review. GG agreed with NJ and also highlighted that this review should also consider EU changes. NJ highlighted that the present situation with CUSC modifications was not sustainable and would show signs of breaking very quickly if not addressed as a matter of priority by the Authority.
6090. MT asked JH if he considered that the Panel had been fair in their consideration of his proposal. JH confirmed that he did and thanked the Panel for their time and support.
6091. JM suggested amalgamating the development of CMP276 with the CMP271 and CMP274 Workgroups into a CUSC Charging day. GG agreed that this would be sensible but considered that the development of all three proposals could not practically be addressed in a day and suggested running the meetings over two days instead.

4 AOB

6092. The Panel agreed to defer the CUSC Panel Dinner to next year due to the unavailability of Panel members in February 2017.
6093. GG asked NH if he could provide an update on CMP261. NH noted that the consultation to carry out the Impact Assessment was expected to be launched on 2 March 2017

5 Next meeting

6094. The next normal Panel meeting will take place on 24 February 2017 at National Grid House, Warwick.