CUSC Panel

Friday 23 February 2024

Online Meeting via Teams

WELCOME

Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held
26 January 2024

Action Log

Chair’s Update

Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification **(8.3.3)**

Functions (8.3.3)

The **Panel** shall endeavour at all times to operate:

- in an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- with a view to ensuring that the **CUSC** facilitates **achievement of the Applicable CUSC Objectives**.

Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC;** and
2. Shall not have any **conflicts of interest.**

   Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom they were appointed as Panel Member and any Related Person from time to time.

Getting Prepared

Event	Date	Description	Panel Requirement
Papers Day	5 clear working days prior to Panel	Panel members sent relevant papers for CUSC Panel meeting	**Read papers to enable full participation in meeting -** *We will set out the key asks in our covering email* **Complete voting statements if required**
CUSC Panel	Last Friday of each month unless agreed otherwise (except December where Panel is held 3rd Friday of the month)	Meeting to discuss progress of modifications and CUSC issues.	**Attend meeting (or send apologies early, so the Alternate Rota can be used)** **Vote** **Prepare for meeting**

Panel Ways of Working

Objective of Panel: Panels facilitate change to the respective Code by overseeing the modification process ensuring modifications and changes to the Codes are carried out in an efficient, economical and timely manner.

Areas of responsibility

For each modification proposal:

- Agreeing the route and timetable it should follow
- Assessing if a workgroup is required and setting the terms of reference
- Consideration of the Applicable Code Objectives set out in the Transmission Licence
- Recommendation to Ofgem / Decision where Ofgem decision not required
- Establishing Standing Groups
- Prioritisation (in flight and new modifications)

Success criteria

- Timely progression of all modifications with a strong focus on quality inputs and outputs and all pertinent information set out clearly in Final Modification Reports to allow Ofgem to make informed decisions
- Modifications being challenged by a wide audience with participation across all stakeholder groups and all views being taken into account within recommendations
- Efficient development of changes that demonstrate value for money for consumers

What Panel do?

- Strive to attend all meetings, or send apologies to allow an alternate to attend, having completed any preparation work
- Remain impartial with appropriate challenge
- Actively participate in discussions
- Have the interests of the industry in mind at all times
- Fulfil any responsibilities assigned
- Address any conflicts of interest

Behaviour Charter

- Listen quietly to and respect the views of others
- Value Diversity
- Make smart use of time
- Contribute to good quality discussions and provide constructive challenge
- Progress Code development with impartiality and for the benefit of the whole of the industry
- Raise significant concerns/AOBs in advance to Chair (cc Code Admin)
- Sending apologies in advance

Voting

Any matter is decided by a simple majority of the votes cast at the meeting.
Panel members have to be present for their vote to count and an abstention shall not be counted as a cast vote.

Process	Voting
Urgency	Vote on whether or not to recommend Urgent treatment – in the event of a tie, the Chair shall have the casting vote (CUSC 8.24)
Fast Track	No specific vote, unanimous agreement required (CUSC 8.29)
Workgroup Report	No specific vote, majority agreement required (CUSC 8.22.2)
Draft Final Modification Report	Vote on whether or not to recommend implementation - in the event of a tie, the Chair shall have the casting vote (CUSC 8.11)
Draft Final Self Governance Modification Report	Vote to decide whether to implement – in the event of a tie, the Chair shall have the casting vote (CUSC 8.25)

Chair's Expectations

Behaviours

- Read and fully digest papers (employer letter gives priority to Panel work)
- Discuss AOB items first with Chair and secretariat
- Act with impartiality and independence, represent your constituency not your company
- Focus on the strategic role of the Panel, the decisions being requested by the Chair and avoid straying into detailed Workgroup conversations
- Where possible, raise contentious issues in advance so there are no surprises or agenda derailments
- Greater focus on end consumer impacts
- Provide timely input of voting statements and prioritisation views
- Respect the process with no "after the event" or post-decision thoughts
- Respect housekeeping protocols
- Culture of respect for all and constructive challenge

Prioritisation

- Take responsibility and be accountable for using your industry expertise to identify where the Panel should focus its priorities
- Focus on issues of strategic importance and not on detailed points of process or operation
- Understand resource constraints

Voting

- Please do not raise new issues during the vote as it hampers independence
- No herd voting or manipulation of voting order

Voting Recording and Validation

- Panel's recommendation will be recorded based on the quantity of votes around the facilitation of the Applicable CUSC Objectives.
- When there is not unanimous or majority consensus against the solutions, the number of voting members will be recorded.
- When asked to check your vote post Panel, no response will be taken as you having no opposition to the documented vote

Authority Decisions and Update (as at 14 February 2024)

Decisions Received since last Panel meeting

- CMP344 'Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology'

Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
CMP330&CMP374 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10/08/2023	08/05/2024 (previously 08/03/2024)
CMP392 'Transparency and legal certainty as to the calculation of TNUoS in conformance with the Limiting Regulation'	13/10/2023	29/02/2024 (previously 31/01/2024)
CMP396 'Re-introduction Of BSUoS on Interconnector Lead Parties'	05/01/2024	16/02/2024
CMP398 'GC0156 Cost Recovery mechanism for CUSC Parties'	11/07/2023	29/02/2024 (previously 30/01/2024)
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	TBC
CMP411 'Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies'	05/01/2024	29/03/2024
CMP412 'CMP398 Consequential Charging Modification'	11/07/2023	29/02/2024 (previously 30/01/2024)
CMP414 'CMP330/CMP374 Consequential Modification'	10/08/2023	08/05/2024 (previously 08/03/2024)
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	TBC

Received Final Modification Reports since last Panel Meeting

Modification	Final Modification Report Received	Expected Decision Date
CMP315 'TNUoS Review of the expansion constant and the elements of the transmission system charged for' and CMP375 'Enduring Expansion Constant & Expansion Factor Review'	07/02/2024	
CMP286 'Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process'	08/02/2024	

The Authority's publication on decisions can be found on their website below:
https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable

Inflight Modification Updates

Milly Lewis, Code Administrator

CMP288: Explicit charging arrangements for customer delays and backfeeds Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	23 May 2024	18 July 2024	7 August 2024	10 Business Days after Authority decision
New timeline	18 July 2024	19 September 2024	09 October 2024	10 Business Days after Authority decision

Rationale: Further Workgroups required and to allow actions to be completed ahead of publishing the second Workgroup Consultation.

Workgroups Remaining: 4

Ask of Panel: Agree revised timeline

CMP316: TNUoS Arrangements for Co-located Generation Sites Update

	Code Administrator Consultation	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	04 October 2022 – 01 November 2022	17 November 2022	NA	NA
New timeline	25 March 2024 – 24 April 2024	31 May 2024	12 June 2024	01 April 2025

Rationale: Further updates have been made to the legal text and worked examples, therefore a second Code Administration Consultation is necessary.

Ask of Panel: Agree that the second Code Administrator Consultation is required and agree the revised timeline.

CMP344: Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology Authority Send-Back

On 12 February 2024, Ofgem sent back the CMP344 Second Final Modification Report (FMR) for further work and directed Panel to revise and resubmit the FMR and Annexes.

The Send Back letter calls out the following as a way to address the deficiencies:

- Setting out the charging arrangements which are considered to be the onshore equivalent to cost recovery of Income Adjusting Events (IAEs) and the justification for that position.
- Explain and evidence the charging methodology which the ESO currently follows for the cost recovery of IAE events and the equivalent onshore comparator. With the ESO providing the Workgroup with an explanation of the exact charging methodology which it currently follows in its operational practice in a form that can accurately be relied upon as forming the basis of the Proposal and the assessment.
- Explain and evidence the existing inconsistent treatment (such as it exists) and if considered appropriate, an explanation as to which aspects of onshore and offshore charging arrangements the Proposer considers should be aligned and how that will be achieved.
- The Authority encouraged the Workgroup to consider whether the analysis, produced for the second FMR, could be adapted or supplemented to provide a more holistic view of the potential impacts

Background and steps taken since CMP344 Send Back

This is the second time the FMR has been sent back since being raised in May 2020. The first send back, dated 05 May 2021, requested further work addressed the deficiencies around the costs and/or events affected by the Proposal being clearly set out; provide analysis of the impact of the reforms on affected parties and ensuring that the Legal text clearly set out the exact methodology the ESO should follow. The second FMR was then submitted to Ofgem on 08 February 2023.

Steps taken since 12 February 2024

- The Proposer has confirmed that they believe that the modification should be placed high in the prioritisation stack as:
  - Clearly defined and narrow scope for send-back, should be quickly resolved, potentially within 2-3 Workgroup meetings.
  - The modification is already 4 years old and the Authority have flagged how long the process has taken in the send back letter.
  - Every Contracts for Difference round that passes without it being approved is liable to include IAE risk premia, which the modification seeks to address.
  - To be implemented on 01 April 2025 the FMR would need to be submitted in time for an Authority decision by 30 September 2024 decision
- The Proposer has reached out to Cornwall Insights around the additional analysis to understand timescales.

- Potential Terms of Reference to address the Send Back have been drafted below, were Panel to agree the Workgroup should be reconvened:
  - Provide the charging arrangements which are considered to be the onshore equivalent to cost recovery of Income Adjusting Events (IAEs) and the justification for that position.
  - Explain and evidence the charging methodology which the ESO currently follows for the cost recovery of IAE events and the equivalent onshore comparator, setting out perceived inconsistent treatment if/where evident.
  - Consider an explanation as to which aspects of onshore and offshore charging arrangements the Proposer considers should be aligned and how that would be achieved by this modification.
  - Consider whether the analysis, produced for the second FMR, could be adapted or supplemented to provide a more holistic view of the potential impacts
  - Ensure that all deficiencies from send back letters have been considered

CMP344 Authority Send-Back – Governance Rules

8.23.12 If the **Authority** determines that the **CUSC Modification Report** is such that the **Authority** cannot properly form an opinion on the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**, or where the **CUSC Modification Proposal** and/or any **Workgroup Alternative CUSC Modification**(s) constitutes an **EBGL Amendment** where the **Authority** requires an amendment to **CUSC Modification Proposal** and/or any **Workgroup Alternative CUSC Modification**(s) in order to approve it, it may issue a direction to the **CUSC Modifications Panel**:

(a) specifying the additional steps (including drafting or amending existing drafting associated with the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and

(b) requiring the **CUSC Modification Report** to be revised and to be re-submitted.

8.23.13 If a **CUSC Modification Report** is to be revised and re-submitted in accordance with a direction issued pursuant to Paragraph 8.23.12, it shall be re-submitted as soon after the **Authority**'s direction as is appropriate, (and in the case of an **EBGL Amendment** within 2 months), taking into account the complexity, importance and urgency of the **CUSC Modification Proposal** and any **Workgroup Alternative CUSC Modification(s)**. The **CUSC Modifications Panel** shall decide on the level of analysis and consultation required in order to comply with the **Authority**'s direction and shall agree an appropriate timetable for meeting its obligations. Once the **CUSC Modification Report** is revised, the **CUSC Modifications Panel** shall carry out its **CUSC Modifications Panel Recommendation Vote** again in respect of the revised **CUSC Modification Report** and re-submit it to the **Authority** in compliance with Paragraphs 8.23.4 to 8.23.6.

Panel to agree next steps following send-back on 12 February 2024:

NOTE that Ofgem are asking the Final Modification Report and Legal Text to be updated

AGREE whether or not this needs to be assessed by a Workgroup

AGREE Workgroup's Terms of Reference (if Panel determine a Workgroup is needed)

AGREE whether or not (following the assessment by the Workgroup) a Code Administrator Consultation is needed to be run before it is re-presented to Panel for Recommendation Vote

CMP393: Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage Timeline Update

	Workgroup Report issued to Panel	DFMR issued to Panel	FMR issued to Ofgem	Implementation Date
Previous timeline	15 February 2024	18 April 2024	09 May 2024	01 April 2025
New timeline	14 March 2024	23 May 2025	17 June 2024	01 April 2025

Rationale: Further Workgroup required to close out actions required to meet Terms of Reference. Please note that the timeline will be further delayed if the action is not able to be completed prior to the remaining Workgroup.

Workgroups Remaining: 1

Ask of Panel: Agree revised timeline

CMP424:Amendments to Scaling Factors used for Year Round TNUoS Charges

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference
a) Consider EBR implications
b) Consider ~~where the minimal level of the variable factor should be set~~ the appropriate scaling factor for each generation type
c) Consider potential impact on tariffs

CMP424 - the asks of Panel

- **AGREE** the amended and additional point within Terms of Reference

CMP426: TNUoS charges for transmission circuits identified for the HND as onshore transmission

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference
a) Consider EBR implications
b) Consider the appropriate users to ~~recover the cost for~~ face charges relating to boundary reinforcement circuits in the Holistic Network Design.
c) Assess the appropriateness of ~~recovering~~ reflecting boundary reinforcement costs ~~via~~ within the Wider TNUoS tariff.
d) Consider any subsequent impacts to consumers based on the proposed solution.

CMP426 - the asks of Panel

- **AGREE** the amended points within Terms of Reference

Panel Tracker

Milly Lewis, Code Administrator

Workgroup Report

CMP413: Rolling 10-year wider TNUoS generation tariffs

Claire Goult (Chair)

Key points to note to the Panel

- WACM2 raised by RWE in relation to CMP413 was withdrawn after agreement it had a substantially different effect to the defect and therefore could proceed as a separate modification. WACM2 has not yet been raised as a formal modification.

Solutions and Workgroup Vote

Summary of solutions:

- The Original solution is for the ESO to publish a wider generation tariff for each generation zone (currently 27) for a rolling 10-year period. For each subsequent 10-year tariff publication, if tariffs in any generation zone breach a pre-defined range for the years in the initial forecast, charges are capped/floored at this pre-defined range for that generation zone for each charging year.

- WACM1 is seeking to recover the resulting excess/shortfall of revenue from capped/collared generator tariffs from a non-locational adjustment to generation tariffs as opposed to recovery through demand tariffs as in the Original proposal.

Summary of Workgroup Vote:

- The majority of the Workgroup did not believe the Original solution or WACM1 better facilitated the Applicable Objectives than the Baseline.

- Two of the nine voting Workgroup members believed the Original solution and WACM1 better facilitated the Applicable Objectives than the Baseline.

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	**Page 32**
b) Consider the length of time the TNUoS Generation tariffs are fixed for	**Workgroup considerations and Proposers solution**
c) The proposal is for wider generation tariffs to be within the pre-defined cap/collar range for each generation zone and charging year. Consider the requirement for a cap and collar and consider what the pre-defined range should be?	**Workgroup considerations and Proposers solution**
d) Consider whether criteria need to be set to allow for the cap and collar to be waived in certain circumstances (e.g. for material changes to the TNUoS methodology)	**Part of CMP413 Interactions, consultation responses and Proposers recommendation**
e) Consider the interaction between the cap/floor as set by 838/2010 ("Limiting Regulation") and the cap/collar as proposed by the modification.	**Workgroup considerations, Proposers solution and consultation responses**
f) Consider the impact on demand TNUoS tariffs as a result of net the difference in revenue from the adjustment made to TNUoS Generation tariffs (if it beaches the pre-defined cap/collar range).	**Workgroup considerations, Proposers solution and consultation responses**
g) Consider the impact on the Transmission Demand Residual and consumers.	**Workgroup considerations, Proposers solution and consultation responses**
h) Consider interactions with wider potential TNUoS developments e.g., TNUoS Taskforce and Review of Electricity Market Arrangements (REMA).	**Part of CMP413 Interactions, consultation responses and Proposers recommendation**
i) Consider the trade-off between cost-reflectivity and certainty/predictability.	**Workgroup considerations**

CMP413 – the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **NOTE** the ongoing timeline

CMP413 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	26 February 2024 to 5pm on 15 March 2024
Draft Final Modification Report issued to Panel	18 April 2024
Draft Final Modification Report presented to Panel	26 April 2024
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	30 April 2024 to 07 May 2024
Submission of Final Modification Report to Ofgem	08 May 2024
Ofgem decision date	By 30 September 2024 as this is a Charging Modification
Implementation Date	01 April 2025

Workgroup Report

CMP418: Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer

Claire Goult (Chair)

Solution and Workgroup Vote

Solution summary:

- The recommendation is to move the costs associated with DRCE for OFTO-connected wind farms to the wider tariff, through the proposed change to the charging methodology of the CUSC. This approach would ensure a more appropriate allocation of DRCE costs and recognise the broader benefits that DRCE provide to the grid while encouraging the further development and integration of offshore wind farms into the National Electricity Transmission System (NETS). This would involve allocating the cost of DRCE out of the “Circuit Tariff” into the “Onshore Substation Tariff.” This removes the cost from the Generators annual local offshore tariff and includes it in the general TNUoS.

Summary of Workgroup Vote:

- The Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBR implications;	**Page 4 and page 18**
b) Consider any cross code impacts and interactions, specifically with the STC, Grid Code and CM085;	**Workgroup considerations**
c) Confirm whether the change is proposed to be retrospective or to apply only to future plant;	**Workgroup considerations and Workgroup consultation responses**
d) Consider whether changes are required to Section 11 via a separate modification;	**Workgroup considerations, legal text page 14**
e) Consider the extent to which the revenue recovery requirements need to be codified to provide clarity for parties;	**Workgroup considerations**
f) If DRCE asset costs are socialised, or alternatively if they are not socialised, consider whether parties who bear the costs of those assets as a consequence should also receive Balancing Services revenue for the associated reactive provision.	**Workgroup considerations and Annex 9**
g) Consider the impact of the change on the different OFTO set-ups and if this change is likely to impact future design set-ups;	**Workgroup considerations**
h) Consider aligning the definitions used with the Grid Code;	**Workgroup considerations**

CMP418 – the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **NOTE** the ongoing timeline

CMP418 Next Steps

Milestone	Date
Code Administrator Consultation (15 working days)	29 February 2024 to 5pm on 21 March 2024
Draft Final Modification Report issued to Panel	18 April 2024
Draft Final Modification Report presented to Panel	26 April 2024
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	30 April 2024 – 07 May 2024
Submission of Final Modification Report to Ofgem	08 May 2024
Ofgem decision date	By 30 September 2024 as this is a Charging Modification
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Standing Groups - *Updates on all standing groups relevant to CUSC panel e.g. potential for future governance changes or modifications*

~~Governance Standing Group – Garth Graham~~

TCMF – ESO Panel Member

European Updates - *Updates on all European developments relevant to CUSC panel e.g. potential for future governance changes or modifications*

European Code Development – Nadir Hafeez

Joint European Stakeholder Group – Garth Graham

Previous meeting – 09 January 2024 Meeting materials and Headline Report
Next meeting – 12 March 2024

Updates on other industry codes

Horizon Scan

(February, May, August, November)

Codes Affected	Legislative, Regulatory or Industry Change Overview	Published Content	Key Contact	Last Updated	Proposed Modifications Expected	Within 1 Year	Within 2 Years	Within 5 Years
Grid Code, CUSC, SQSS and STC	The Offshore Coordination Project has been set up by the ESO with support from Ofgem and the Department for Business, Energy & Industrial Strategy. Offshore wind has been identified as a critical technology in achieving net zero greenhouse gas emissions by 2050. In order to help realise this target, a step-change in both the speed and scale of deployment of offshore wind is required.	ESO Offshore Coordination Project Page	box.OffshoreCoord@nationalgridESO.com	Feb-24	Ongoing			
Grid Code, CUSC, SQSS and STC	The FSO will be established in 2024, with new roles and capability being introduced in a phased approach. Secondary legislation is required; therefore, specific timelines are subject to change.	https://www.nationalgrideso.com/what-we-do/becoming-future-system-operator-fso		Nov-23	Apr-24			
CUSC	Connections Reform This reform project forms part of the ESO's longer-term vision for change to the connections process. There are a number of short-term initiatives to speed up connections to the grid, through the ESO five-point plan. The ESO published their final recommendations on 5 December 2023. The ESO will now start a detailed process design and implementation phase, to conclude in January 2025.	https://www.nationalgrideso.com/industry-information/connections/connections-reform		Feb-24	Apr-24			

Discussions on Prioritisation

- **AGREE where New Modifications that need Workgroups are placed in the prioritisation stack**

Any Other Business

Activities ahead of the next Panel Meeting

Transmission Charging Methodologies Forum	29 February 2024
Modification Proposals to be submitted	07 March 2024
Papers Day	14 March 2024
Panel Meeting	22 March 2024 Teams

Close

Trisha McAuley OBE

Independent Chair, CUSC Panel