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CUSC Panel 2024

CUSC Panel Minutes

Date: 25/10/2024 **Location:** Microsoft Teams / Faraday House

Start: 10:00 AM **End:** 4:00 PM

Participants

Attendee	Initials	Representing
Trisha McAuley	TM	Independent Panel Chair
Milly Lewis	ML	Panel Secretary, Code Administrator Representative
Ren Walker	RW	Panel Technical Secretary, Code Administrator
Binoy Dharsi	BD	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Joe Colebrook	JC	Users' Panel Member
Joe Dunn	JD	Users' Panel Member
Kyran Hanks	KH	Users' Panel Member
Lauren Jauss	LJ	Users' Panel Member (Alternate for Andrew Enzor) and CMP442 Proposer (on behalf of RWE)
Paul Jones	PJ	Users' Panel Member
Andy Pace	AP	Consumers' Panel Member
Daniel Arrowsmith	NH	NESO Panel Member
Camille Gilsenan	CG	NESO Panel Member
Nadir Hafeez	NH	Authority Representative
Harriet Harmon	HH	Authority Representative

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Rashmi RR BSC Observer
Radhakrishnan

Apologies

Attendee	Initials	Representing
Andrew Enzor	AE	Users' Panel Member
Catia Gomes	CCG	Panel Technical Secretary, Code Administrator
Tom Steward	TS	CMP442 Proposer

Presenters

Attendee	Initials	Representing
Dan Brimelow	DB	CMP441 Proposer - Statkraft
David Halford	DH	CMP443 Proposer - NESO
Giulia Licocci	GL	CMP418 Proposer - Ocean Winds
Niall Coyle	NC	CMP444 Proposer - NESO

1. Introductions, Apologies and Declarations of Interest

12518. Apologies were received from Andrew Enzor and Catia Gomes.

12519. LJ noted a declaration of interest for CMP442, as the Presenter of this Proposal on behalf of the Proposer.

2. Minutes from previous meeting

12520. The meeting minutes from the CUSC Panel held on 27 September 2024 were approved subject to the incorporation of amendments from NH and DA.

3. Review of actions log

12521. The CUSC Panel reviewed the open actions from the meeting held on 27 September 2024, which can be found on the Actions Log.

4. Chair's update

12522. There were no updates from the Chair.

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5. Authority Decisions

12523. Ofgem provided an update on Modifications that have been decided upon, together with those currently awaiting their decision.

Decisions since last CUSC Panel

Modification	Decision
CMP393: Using Imports and Exports to Calculate Annual Load Factor for Electricity Storage	On 30 September 2024 the <u>Authority rejected</u> the modification.
CMP413: Rolling 10-year wider TNUoS generation tariffs	On 30 September 2024 the <u>Authority rejected</u> the modification.
CMP418: Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer	On 30 September 2024 the <u>Authority sent back</u> the modification.

Awaiting Decisions

Modification	FMR submitted	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	05/02/2025 (previously 29/11/2024)
CMP316 'TNUoS Arrangements for Co-located Generation Sites'	12/06/2024	31/10/2024 (previously 30/09/2024)
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	TBC Subject to CMP414 send back
CMP397 'Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-located Generation Sites)'	12/06/2024	31/10/2024 (previously 30/09/2024)

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CMP403 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 14)'	11/06/2024	31/01/2025 (previously 30/09/2024)
CMP404 'Introducing Competitively Appointed Transmission Owners & Transmission Service Providers (Section 11)'	11/06/2024	31/01/2025 (previously 30/09/2024)
CMP408 'Allowing consideration of a different notice period for BSUoS tariff settings'	13/10/2023	30/10/2024 (previously 30/09/2024)
CMP415 'Amending the Fixed Price Period from 6 to 12 months'	13/10/2023	30/10/2024 (previously 30/09/2024)
CMP436 'Update CUSC arrangements to replace the Electricity Arbitration Association with the London Court of International Arbitration (LCIA) (Non-Charging)'	07/08/2024	06/12/2024
CMP437 'Update CUSC arrangements to replace the Electricity Arbitration Association with the London Court of International Arbitration (LCIA) (Charging)'	07/08/2024	06/12/2024

Other Updates - Energy Code Reform

12524. NH advised the Panel that the response to the consultation was published on 08 October. The Code Manager assessment is continuing, and further refinement will take place in early 2025.

12535. The Panel was advised that, if they had any further questions, they should email one of the following:

- codereform@energysecurity.gov.uk
- industrycodes@ofgem.gov.uk

6. New modifications

12526. The following new modifications were presented to the Panel:

CMP442: Introducing the option to fix Generator TNUoS

12527. LJ (in the capacity of the CMP442 alternative Proposer) delivered a presentation on CMP442 – Introducing the option to fix Generator TNUoS charges. LJ explained

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that this modification aims to give Generators the opportunity to fix their wider Transmission Network Use of System (TNUoS) charges against the forecasted tariffs provided by NESO.

12529. LJ explained that the principal objective of this proposal is to minimise unnecessary TNUoS risk to minimise costs to the consumer. A generator would have the option to fix their TNUoS against a forecast produced by the NESO. TNUoS charges would be on a fixed profile – ie. could go up and down over this period. However, these fluctuations would be known in advance. LJ noted that this proposal is currently for a maximum fix length of 15 years, based on what the NESO signalled may be possible. This predates the development of NESO's SSEP function however which may extend the timescales that they are comfortable forecasting. Towards the end of a fixed period, a site would have the option of fixing again, or moving onto a variable TNUoS tariff (akin to today's arrangements).

12530. LJ explained that it is not possible for a code modification to truly protect a generator from future modifications. It would therefore be possible for a future modification to change the TNUoS charges of a generator with a fix. It is a matter for OFGEM how future modifications are applied, and to manage any impacts on investor confidence.

12531. The Panel discussed CMP442 and noted the following key areas of discussion:

- The potential interactions with CMP444 and how these modifications would work in practice, should CMP444 be granted urgency status. LJ stated that the urgency status would be something for the Proposer to consider. However, she acknowledged that, although the modifications are in parallel to each other, they do have different solutions, with a lot to consider under CMP442.
- If NESO are available to get the data required for this modification to be delivered. DA stated that NESO do not get the data to be able to forecast TNUoS for the next ten years. However, he can take this question back to the relevant team to further understand what the gap is as to why NESO can't get the data to forecast correctly. ACTION

12532. The Panel unanimously agreed that CMP442 should follow the Standard Governance route and proceed to a Workgroup. The Panel agreed to discuss and agree the workgroup terms of reference offline. **CMP443: Removing references to "Fax" or "Facsimile" within the CUSC**

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12534. DH from NESO delivered a presentation on CMP443 – removing references to “Fax” or “Facsimile” within the CUSC. DH advised that this modification seeks to remove references to “fax” and “facsimile” from the CUSC in order to reflect both current and future methods of communication between relevant Users and the National Energy System Operator (NESO), due to the national decommissioning of the Public Switched Telephone Network (PSTN).

12535. The Panel agreed unanimously that CMP443 should follow the Standard Governance Route and proceed to Code Administrator Consultation.

CMP444: Introducing a cap and floor to wider generation TNUoS charges

12536. NC from NESO delivered a presentation on CMP444. NC explained that this modification seeks to introduce a temporary cap and floor mechanism to wider generation TNUoS (Transmission Network Use of System) charges, to reduce investment uncertainty for generators and developers.

12537. NC advised the Panel that CMP444 has been raised as an urgent modification against Ofgem’s urgency criteria a) a significant commercial impact on parties, consumers or other stakeholder(s). The rationale for this being:

- The request for urgency is because the proposal would address a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder (especially generation and storage developers). The projected escalating TNUoS costs for generation in the north of GB risks driving up consumer costs via increased CfD bids that incorporate a larger risk premium than would otherwise be necessary, or deterring investment in new generation, which could put the achievement of Clean Power 2030 goals at risk.

12538. The Panel discussed CMP444 and by majority agreed that CMP444 met the Authority’s Urgency criteria (a), and therefore recommended urgent treatment. The Panel set out their rationale for their decision on urgency:

- Several Panel members agreed with the Proposer’s recommendation for Urgency, noting the clarification on timelines.
- A Panel member noted the defect identified addresses a significant commercial risk for generators and an accelerated and urgent modification process is required. There is specific concern for those bidding for Celtic Seabed leases and in the CfD AR7 auction to know what TNUoS arrangements will be in place.

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- A Panel member stated that CMP444 is urgent because the positive commercial impact of the modification for consumers and generators will be much greater if a decision is made by July 2024, and is needed to ensure Users can include the effects of this modification in their bids for Allocation Round 7 (AR7) . AR7 is the last Contracts for Difference (CFD) that can deliver projects within the Clean Power Plan 2030.
- It was also highlighted that the analysis provided does not expect to impact TNUoS charges seen by generators until 2030, and REMA is expected to start implementation by 2025 and finish before 2030, so although there does not appear to be a commercial impact on consumers, there is certainly potential for significant commercial impact depending on the solution determined by the workgroup.
- Ofgem’s letter has set out the case for urgency based on the impact of TNUoS projections on upcoming CfD auctions and the ability to meet CP2030 ambitions.
- The Panel member who did not agree that CMP444 met the Ofgem urgency criteria stated that the proposed solution is designed to be of minimum impact on users’ charges overall.

12539. Panel’s recommendation was sent on 25 October seeking an Authority decision on urgency. The Panel also discussed and agreed Terms of Reference for the Workgroup. The Authority granted urgency for CMP444 on 31 October.

7. In flight modification updates

12540. ML talked the Panel through the progression of the in-flight modifications.

The in-flight modifications can be found within the CUSC Panel papers pack on the NESO website via the following link: [Modification Tracker](#)

CMP418 – Dynamic Reactive Compensation Equipment (DRCE) costs

12541. ML advised that, on 30 September 2024, Ofgem sent back the CMP418 Final Modification Report (FMR) for further work and directed the Panel to revise and resubmit the CMP418 Final Modification Report. The Authority stated that there were 4 deficient areas which meant they were unable to form an opinion:

- a) The FMR use of interchangeable terminology and or definitions made it unclear as to what basis the cost allocation comparison was being made

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- b) The FMR fails to provide a clear and detailed description of the current arrangements for the recovery of DRCE costs, for either onshore or offshore generators
- c) The FMR is unclear as to what the actual intended tariff for cost allocation would be.
- d) The FMR presents significant ambiguity in its use of terminology and definitions regarding the classification and cost recovery treatment of shunt reactors and DRCE.

12542. ML advised that the Proposer, NESO, and the Authority met on 14 October 2024 to ensure that there was clarity on the requirements ahead of resubmitting the FMR as the Proposer felt that most of the issues highlighted in the Send Back Letter could be resolved with tactical restructuring of the FMR, as the Workgroup had already gathered the information required to meet the deficiencies.

12543. Therefore, the ask of the Proposer is that they work with the Code Administrator and NESO to ensure that the FMR is rewritten and clarified, followed by the Workgroup verifying that the updates reflect previous discussions before a second Code Administrator Consultation is issued to Industry.

12544. The Panel unanimously agreed that the CMP418 FMR should be rewritten and clarified, followed by the Workgroup verifying that the updates reflect previous discussions before a second Code Administrator Consultation is issued to Industry.

CMP441 – Reducing the credit risk of supplying non-embedded hydrogen electrolyzers

12545. Following feedback from the CUSC Panel at the meeting on held 27 September 2024, DB delivered an updated presentation on CMP441.

12546. DB explained that the amended proposed solution for CMP441 would be to disapply paragraphs 3.6.9.7 and 3.6.9.8 of the CUSC for Non-Embedded Customers with Connection Sites connected after [1st January 2025 or such other date determined by the Authority], so that the extra process for “downstream customers” embedded as a separate entity on that site, does not apply for all newly connected sites going forwards irrespective of whether the site is a transmission connected hydrogen electrolyser.

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12547. The Panel agreed that the non-discriminatory aspect of the solution had now been removed and Panel members were content that any new customers would be aware of the arrangements this solution seeks to put in place.

12548. The Panel unanimously agreed that CMP441 should follow the Standard Governance route and proceed Code Administrator Consultation, which will run 29 October until 19 November.

12549. The next Modification Tracker will be published on 07 November 2024.

8. Workgroup Reports

12550. No Workgroup Reports were presented to the Panel.

9. Draft Final Modification Reports

12551. No Draft Final Modification Reports were presented to the Panel.

10. Discussion on Prioritisation

12552. The Panel reviewed the prioritisation stack following the agreement of the hiatus being lifted due to the scheduled end of the existing Urgent CUSC Modifications. The updated Prioritisation Stack can be found via the following link:

<https://www.neso.energy/document/346631/download>

12553. The CUSC Panel discussed the prioritisation of the following Modifications:

Modification	Position in Prioritisation Stack	Panel comments
CMP288: Explicit charging arrangements for customer delays and back feeds	Low	Panel agreed that this modification should be placed within the low priority criteria, acknowledging that the charging arrangements aspect of this proposal will be covered under the TO charging arrangements, it is the back feeds aspect that still needs to be addressed.

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<u>CMP304</u> Improving the Enhanced Reactive Power Services by making it fit for purpose connections Triggering Distribution Impact Assessment	Low	The Panel agreed that when rationalised against the other modifications in the stack this was a low priority.
<u>CMP328</u> Connections Triggering Distribution Impact Assessment	Low	Panel determined that the priority of this was low but will revisit this priority status following the outcome of the Connections Reform.
<u>CMP341</u> CUSC Sandbox: enabling derogation from certain obligations to support small-scale trials of innovative propositions.	Low	The Panel agreed that when rationalised against the other modifications in the stack this was a low priority.
<u>CMP344</u> Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology	Medium	Placed within the medium priority category due to the materiality and commercial impacts.
<u>CMP402</u> Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements	Medium	Placed within the medium priority criteria due to the further development required for the solution.
<u>CMP405</u> TNUoS Locational Demand Signals for Storage	Low	The Panel agreed that when rationalised against the other modifications in the stack this was a low priority.
<u>CMP414</u> CMP330/CMP374 Consequential Mod	Medium	The Panel agreed that when rationalised against the other modifications in the stack this was a medium priority.
<u>CMP417</u> Extending principles of CUSC Section 15 to all Users.	Medium	The Panel placed within the medium priority category, given the complexity and analysis required.
<u>CMP419</u> Generation Zoning Methodology	High	The Panel agreed that when rationalised against the other modifications in the stack this was a high priority.
<u>CMP423</u> Generation Weighted Reference Node	Medium	The Panel acknowledged the complexity of this modification and the contributions from the Task Force to the development of the solution and agreed this should be placed within the high priority criteria.

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CMP426 TNUoS charges for transmission circuits identified for the HND to add capacity across boundaries.	High	The Panel agreed this should be placed within the high priority category given its interactions with CMP419.
CMP432 Improve “Local Onshore Security Factor” for TNUoS wider Tariffs.	Medium	The Panel acknowledged that this proposal was developed as part of the TNUoS Task Force and some Workgroup meetings had taken place prior to the hiatus, however the Panel agreed this should be placed within the medium priority category.
CMP433 Optimised Transmission Investment Cost Model (OpTIC)	Medium	The Panel agreed medium priority for this modification, acknowledging the REMA outcome and the implementation timescales.
CMP434 Implementing Connections Reform	High	Urgent modification
CMP435 Application of Gate 2 Criteria to existing contracted background	High	Urgent modification
CMP440 Re-introduction of Demand TNUoS Locational signals by removal of the zero-price floor	High	The Panel agreed that when rationalised against the other modifications in the stack this was a high priority.
CMP442 Introducing the option to fix Generator TNUoS	High	The Panel agreed high priority for this due to its complexity and potential interactions with CMP444.
CMP444 Introducing a cap and floor to wider generation TNUoS charges	High	Panel recommended urgency for CMP444, therefore placed as a high priority.

12554. Following the Panel discussions and agreement on the prioritisation stack, HH provided the Panel with an update. HH advised the Panel that Ofgem had received a letter from the Energy Minister outlining the importance of progressing the TNUoS Task Force modifications and Generator TNUoS modifications to enable implementation in time for Allocation Round 7. HH understands that while having the hiatus was in place to enable the Urgent modifications to proceed, this has also cost the momentum on TNUoS modifications and with the Connections reform modifications (CMP434 and CMP435) progressing as scheduled, this now gives the

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opportunity for TNUoS work to be dealt with. HH understands that whilst the Panel make its own assessment on the prioritisation of modifications, there is also a part where Ofgem and the Government have a view on where time is focused and, in this case, there is a consistent stance on the progression of TNUoS modifications.

12555. For confirmation, the Panel discussed and agreed the prioritisation stack prior to being aware of the letter from the Minister. The Panel acknowledged the concerns raised in the letter and agreed that while some modifications are of a higher priority than others, all modifications will still be worked on.

11. Standing Groups

Transmission Charging Methodology Forum (TCMF)

12556. DA provided a summary of the topics discussed at the TCMF meeting on 03 October 2024 and 11 October 2024. The meeting materials and slides can be found via the following links:

- 03 October 2024 – [Transmission Charging Methodologies Forum](#)
- 11 October 2024 – [Transmission Charging Methodologies Forum](#)

12557. DA provided the Panel with an update on the Financial Instruments modification proposal. DA stated that NESO has received feedback on this proposal and notes there is clearly more work to be done before this can be formally raised. DA confirmed NESO plan to raise a call for input for this proposal which will be opened for a couple of weeks to allow industry to response., However, if possible, a further timeline on this will be provided at the November Panel meeting.

12558. The next TCMF meeting will be held on 07 November 2024.

12. European Updates

Joint European Stakeholder Group (JESG)

12559. GG provide an update on the JESG meeting held on 08 October 2024. The meeting materials can be found via the following link:

<https://www.neso.energy/calendar/joint-european-stakeholder-group-jesg-08102024>

12560. The next JESG meeting will be held on 12 November 2024.

13. Update on other Industry Codes

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12561. The Panel papers and Headline Report for the following meetings can be found at the below links:

- [11 September 2024 SQSS Panel: Panel Papers and Headline Report](#)
- [25 September 2024 STC Panel: Panel Papers and Headline Report](#)
- [26 September 2024 Grid Code Review Panel: Panel Papers and Headline Report](#)

14. Relevant Interruptions Claim Report

12562. The Relevant Interruption Claim report can be found via the following link:

<https://www.neso.energy/document/345991/download>

15. Governance

12563. There were no further updates for the Panel.

16. Horizon Scan

12564. There were no further updates for the Panel.

17. Code Administrator Update

Update on Campaign Monitor

12565. ML advised that, going forward, the way that the industry receive updates from the Code Administrator will change. ML stated that the reason for this is because it was highlighted that when multiple communications were issued to industry, these would filter into junk mail, so going forward, the Code Administrator will publish one update, which will be shared across industry daily, providing all the necessary communications.

18. Any Other Business (AOB)

CMP434 WACM 6

12566. ML advised that the CMP434 Workgroup have requested feedback from the Panel regarding a WACM proposal. ML explained that the question being asked from the Workgroup is if a WACM can obligate NESO to raise modifications in the future. The Panel discussed this and agreed that this was a decision for the Workgroup and that any WACM needed to be legal and operable.

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19. Close

12567. The Chair thanked the Panel for their time and contribution and brought the meeting to a close.

The next CUSC Panel meeting will be held on 29 November 2024 on Microsoft Teams

New Modification Proposals to be submitted by 14 November 2024.

CUSC Panel Papers Day is 21 November 2024.