

## Workgroup Terms of Reference and Membership

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

#### Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modification Panel in the evaluation of CUSC Modification Proposal **CMP344 - Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology** raised by **RWE Supply and Trading** at the Modifications Panel meeting on **29 May 2020**. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives.

#### Applicable CUSC (charging) Objectives

- a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);
- c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
- d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and
- e) Promoting efficiency in the implementation and administration of the system charging methodology.

\*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

2. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

#### Scope of work

3. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.

4. In addition, the Workgroup shall consider and report on the following specific issues:

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Explore adjustments (e.g. income adjustments) that need to be included and how these are recovered through the Transmission Demand Residual;	Page 8
b) Take into account OFTO licence and price control considerations;	Throughout report, in particular pages 7-9
c) Take into account previous correspondence (e.g. from Ofgem and ESO's letter dated 27 July 2017 clarifying how variations in OFTO revenues are recovered through TNUoS tariffs);	Page 8
d) Is the proposal seeking to ensure that changes to allowed revenues (MAR) during price control periods are recovered via demand charges in-period and not via the generator residual; or is it seeking to ensure that changes to allowed revenues (MAR) during price control periods are not recovered through charges within that period but are deferred until the next price control period?	Page 7
e) Clarify why is it more appropriate to recover via the Transmission Demand Residual	Page 8
f) Consider if the methodology for Offshore local circuit tariffs should be brought in line with the methodology for Onshore local circuit tariffs; and	Page 8-9
g) Consider interactions with current ongoing Transmission Demand Residual modifications.	Page 9

5. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
6. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup's discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
7. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
8. All proposed WACMs should include the Proposer(s)'s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.
9. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of 15 working days as determined by the Modifications Panel.
10. Following the Consultation period, the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairman has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairman is employed by the same organisation who submitted the WG Consultation Alternative Request.

11. The Workgroup is to submit its final report to the Modifications Panel Secretary on **25 November 2020** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **27 November 2020**.

## Membership

12. It is recommended that the Workgroup has the following members:

Role	Name	Representing
Chair	Joseph Henry	ESO
Technical Secretary	Ren Walker	ESO
Proposer	Bill Reed	RWE
Workgroup Member	Garth Graham	SSE Generation
Workgroup Member	Julian Werrett	Vattenfall
Workgroup Member	Ricardo Da Silva	Scottish Power Renewables
Workgroup Member	Andrew Ho	Orsted
Workgroup Member	James Stone	ESO
Authority Representative	Tim Aldridge	Ofgem

NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk (\*) in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

13. The chairman of the Workgroup and the Modifications Panel Chairman must agree a number that will be quorum for each Workgroup meeting. The agreed figure for this modification is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
14. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairman shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:
15. Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
16. Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;

17. Vote 3: which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.
  - a) The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.
18. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairman at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
19. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.
20. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
21. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.