

## Meeting report

**Meeting name** Transmission Charging Methodologies Forum and CUSC Issues Steering Group

**Date of meeting** Wednesday 9<sup>th</sup> August 2017

**Time** 10:30 – 12:00

**Location** National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA

<b>Name</b>	<b>Initials</b>	<b>Company</b>
Rachel Tullis	RT	National Grid (Chair)
Urmi Mistry	UM	National Grid (TCMF Technical Secretary)
Caroline Wright	CW	National Grid (Presenter)
John Brookes	JB	National Grid (Presenter)
Patrick Cassels	PC	National Grid (Presenter)
Damian Clough	DC	National Grid (Presenter)
Garth Graham	GG	SSE
Binoy Dharsi	BD	EDF
Simon Vicary	SV	EDF
Robert Longden	RL	Cornwall
Paul Youngman	PY	Drax Power
Charlie Friel	CF	Ofgem
Paul Mott	PM	EDF Energy
Caroline Bragg	KB	Renewable UK
Kyran Hanks	KH	Waters Wye
Colin Prestwich	CP	Smartest Energy
Joseph Dunn	JD	SP Renewables
Nicola Fitchett	NF	RWE
George Douthwaite	GD	NPower

All presentations and supporting papers given at the TCMF meeting can be found at:  
<http://www2.nationalgrid.com/uk/Industry-information/System-charges/Electricity-transmission/Methodology-forum/>

## **1 Modifications and CUSC Panel Update – Caroline Wright, National Grid**

1. Ongoing CUSC modification proposals were presented with updates/ information for each, including any decisions made by the Authority.

## **2 Open Letter: Offshore Charging Methodology – Damian Clough, National Grid**

2. National Grid (NG) has issued an open letter regarding the offshore charging methodology and the aim of the presentation was to share the information that has been published to industry. The purpose of the letter is to clarify how variations in OFTO revenues are recovered.
3. A summary of the open letter was given, where an attendee asked, when offshore local tariffs are revised at the start of a price control, what would be considered a significant event. DC confirmed it would be similar to interruption payments, IAEs etc... Details were then given on where Industry can direct any feedback or questions. JD mentioned that some errors and further clarity was needed on some points, where DC agreed to follow up with him outside of the forum.

## **3 Open Letter Consultation: Investment Ahead of TEC – John Brookes, National Grid**

4. JB presented on the Investment Ahead of TEC open letter consultation which has now closed. The aims were to present feedback received and indicate what will be done over the coming months. The aim of publishing the open letter was to improve industry guidance and increase clarity.
5. A list of respondents and the questions asked were presented for reference and then a general summary of responses was given. Most responses agreed with the principle and that this should apply in the correct circumstances. Some pointed out that the guidance note was not sufficient itself; there may be benefit in splitting the guidance notes into delay and backfeed, so there is no compromise between the two.
6. JB assured attendees that NG is looking at the feedback and the strong views received and where possible action will be taken. The previous guidance note is still current policy; however the aim is to get changes made and a revised guidance note published by the end of September. An attendee mentioned that stakeholder's views need to be taken into account through this work and appreciation of the impact on them as users.

## **4 System Needs and Product Strategy Overview – Patrick Cassels, National Grid**

7. PC introduced System Needs and Product Strategy (SNaPS) and gave an overview of the work that is going on. SNaPS is part of NGs Future of Balancing Services Ambition and is a programme aiming to simplify balancing services. PC mentioned five system needs of inertia/rate of change of frequency, frequency response, reserve, reactive power and black start. Currently these are all being met by 26 or more balancing services where some are bespoke, redundant or very complex. Three steps were introduced as part of the Product Strategy – rationalisation, simplification and improvement. Each process was described, through improving markets, making them more accessible to allow more participants. Then looking at the design, dispatch and procurement of services and ways this can be improved.
8. PC discussed with attendees that the current large amount of services meant that markets were not as liquid and that there were inconsistent methods of procurement and dispatch of services. RL raised the question as to why incumbents were

mentioned (slide 29) where PC confirmed the main reason is transparency as the way information is provided is not transparent.

9. PC described how system needs are generally increasing, as is volatility of needs going forward (demonstrated by the graph on slide 30). The underlying firm need does not change significantly; however, the uncertain portion of needs is growing exponentially. Tools to meet these needs are becoming increasingly unsuitable and not transparent.
10. This led discussion on to the product strategy where industry was asked for their views on certain areas within the consultation. The consultation has now closed and responses are being reviewed. The move towards having more clearly defined technical parameters and requirements was discussed, where GG raised the question whether this information would be shared with industry and what these defined areas are for each service. PC confirmed that the results will be shared and there is likely to be an optimal balance between technical and market solutions in the design of services.
11. The responses will be published in due course, as there is a large number and a diversity of views therefore balanced consideration is needed. PJ mentioned that it may be good for NG to go with a clear way forward rather than a hybrid solution, as this could lead to the same situation the market is in today. PJ also mentioned following on from an Energy UK debate, people want more transparency on what is needed and how it is procured etc... therefore a mid-point approach may not get to the desired solution. PC took this on board and noted that they were looking at quick wins to increase transparency around what services and how much of it NG needs.
12. This then led on to the point that when the market was set up, NG was meant to be the residual balancer, however recently activity has increased and at certain times NG becomes the majority balancer. RL raised the question about whether anyone was looking into whether this activity was actually justified and whether other things could be done by balancers to decrease the amount NG has to do. PC responded that the aim of this work was to try and decrease actions needed by NG by enabling transparent market solutions.
13. Discussion then went on to the broader question of whether there is something underlying in the way the electricity system works. PJ raised the point about cross border balancing and whether this work will provide appropriate incentives to get people to self-balance. If we move to a spectrum of timescales for services will this work with the wider charging space and cross border products. PC agreed that it is key to design these in a compatible way. GG followed mentioning that there needs to be real time understanding of what is standard and what is specific.
14. PC then informed attendees of the current timeline where there will be a paper published on rationalisation and also the improvement strategy is planned to be published in the autumn. GG flagged whether there would be any IT/IS improvements needed to ensure that data is available and can be published in real time. GG also raised a point around the secondary trading of TEC obligations however, where products are driven by timescales secondary trading may not be needed at all. PC concluded that NG received over 2500 pages of responses and so as soon as these are summarised they will be published.

## **5 Targeted Charging Review – Charlie Friel, Ofgem and Rob Marshall, National Grid**

15. CF presented on Ofgem's Targeted Charging Review and Charging Futures Forum (CFF). Ofgem has launched a significant code review (SCR) looking at residual charges (including demand and generation residuals for transmission and distribution charges). Other embedded benefits will also be under review. Currently, there are no specific options to address these areas in the near term but the course of action is supportive of Ofgem's principles. BSUoS (Balancing Service Use of System)

charges are not being looked at as part of the SCR but will be considered as part of Ofgem's Future Strategy (FS) work. RL asked, when Ofgem look at residual charges, will the locational element be out of scope? CF responded that the way the residual is recovered should be enduring. In response to the consultation there was a significant minority that supported the locational element being within scope of the SCR. However, the FS work will cover forward looking signals and so the locational element will be reviewed through this route. The SCR and FS will progress, in the short term, side by side.

16. CF then went over timescales for the SCR as there has been a strong steer to move quickly therefore Ofgem have aimed to keep the workload manageable through the SCR and wider work will be carried out through the CFF.
17. This then led to the Charging Coordination Arrangements where a flow diagram was presented on how the proposal will work. The aim of the CFF is to bring charging reviews into an integrated programme which will meet on a quarterly basis. It will be industry wide, inclusive and provide easy updates. All areas of the arrangements will be chaired by Ofgem. GG asked whether the Charging Delivery Body will meet as often as needed or after each CFF, where CF confirmed that they will meet as often as needed, but in the earlier stages this may be more regularly. RL then asked, in launching the Charging Coordination Arrangements, do these cover when the authority and purpose of them will begin and end? CF responded that the terms of reference are being drafted and the purpose is that these are not decision making bodies.
18. An attendee asked how many places are available for the CFF. Industry can apply for a place until the 8<sup>th</sup> September where currently there is no cap but this may move to only one person per organisation. Task forces will take specific areas of work forward and will be around workgroup size. An attendee raised the question of who is represented within the Delivery Body and whether there was any industry/stakeholder representation. CF replied stating that the delivery body will be made up of Ofgem, network operators and relevant code administrators. GG mentioned he was concerned about the lack of stakeholder involvement, echoing his concerns with the ENA Open Networks project. CF confirmed that the Delivery Body can have observers from wider industry, however the issue was that the current membership of the delivery body do not pay the charges therefore users should have a view as to how charges are delivered.
19. An attendee asked if the CFF envisaged winding up when work is complete, CF confirmed that this was under review but there is currently enough work to keep it going for the immediate future. This led to the question if there a view to the seniority level of the Chair from Ofgem where CF confirmed this will be Partner level. Discussion led to whether existing groups such as TCMF will need to close down, as it will be hard for smaller players to participate in all the different available groups. CFF is being set up to be a starting point for industry participants and place to get all the information about current work. Attendance to other groups can then be as and when needed. CF mentioned that over the next few weeks Ofgem and National Grid will be putting together a strawman of how this process could work so it is clear to industry and would be seeking feedback on the proposed process in the coming weeks. It was asked if all the documentation from CFF would be available in the usual way where RM confirmed that there will be a web portal set up for industry to use.
20. From this PM asked whether it was deliberate that there was no explicit mention of CMP271, CMP274 and CMP276 which the SCR launch documentation when storage modifications were mentioned. CF confirmed that charging for storage was excluded from the SCR scope and the SCR document noted industry was best placed to bring forward modifications to make changes within the current framework. Where modifications are potentially in scope of the SCR, it will be down to the proposer and workgroups to decide whether there is overlap with SCR or not and if they proceed or

not. The process behind this will be in accordance with the CUSC and workgroups will have to consult on the overlap, present to panel and then present this to Ofgem. It is up to each workgroup to decide on the most efficient way forward. CF noted during the SCR, Ofgem would need to consider case-by-case whether to make decisions on modifications that do fall within the SCR scope and the timing of these decisions.

21. RM then presented on the TCR and how NG will support the CFF. The purpose of the CFF will be to provide a broader level of understanding and ability to look at wider charging issues. NG as the ESO (Electricity System Operator) have been asked to support delivery of the CFF. RM then introduced the team and next steps of scheduling the first forum in London this autumn (date to be confirmed). An attendee asked if all contacts were part of the SO and not the TO, which RM confirmed.
22. CF then provided clarity on an earlier discussion regarding modifications that Ofgem would be happy to have conversations with proposers to discuss possible next steps on taking modifications forward that are potentially in scope of the SCR or broader CFF work.

## 6 AOB

23. RM flagged to attendees that amongst Ofgem's recent announcements, there was a decision on the SO/TO split. From April 2019 the SO will become a legally separate company within the NG Group. Changes will begin to happen before this date. An attendee asked if it was the SO that was supporting the charging review which RM confirmed.
24. BD raised an item for information, that there have been initial talks between EDF and NG regarding bringing stability to TNUoS charges. The plan is to bring something to Septembers TCMF, looking at ways this can be done without raising a CUSC modification and which areas can be forecasted ahead of time.

## 6 Next meeting

**Next meeting: Wednesday 13<sup>th</sup> September 2017**

**Time : 1030 (unless otherwise notified)**

**Venue : National Grid House, Warwick (unless otherwise notified)**