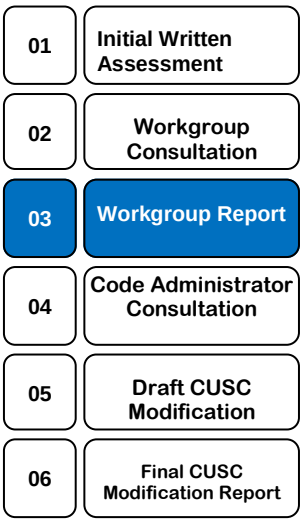
Stage 03: Workgroup Report

At what stage is this document in the process?

CMP275: 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'



Purpose of Modification: CMP275 seeks to introduce a principle of financial mutual exclusivity to prevent BM units from accessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset.

This document contains the discussion of the Workgroup which formed in February 2017 to develop and assess the proposal, the responses to the Workgroup Consultation which closed on 4 July 2017, the voting of the Workgroup held on 26 March 2018 and the Workgroup's final conclusions.

High Impact:

Generators

Transmission Company

Ancillary Service Providers

Contents

Any questions?

Contact:
Joseph Henry

joseph.henry2@nationalgrid.com

07970673220

Proposer:
Ian Tanner, UK Power Reserve Ltd

ian.tanner@ukpowerreserve.com

0121 712 1977

National Grid Representative
Urmi Mistry

urmi.mistry@nationalgrid.com

telephone
07814 792971

Timetable

The Code Administrator recommends the following timetable:	
Workgroup Consultation issued to the Industry	13 June 2017
Modification concluded by Workgroup	26 March 2018
Workgroup Report presented to Panel	27 April 2018
Code Administration Consultation Report issued to the Industry (15 WD)	5 May 2018
Draft Final Modification Report presented to Panel	29 June 2018
Modification Panel decision	29 July 2018
Final Modification Report issued the Authority	5 August 2018

1 Format of this report and Terms of Reference

This report contains the discussion of the Workgroup which formed in February 2017 to develop and assess the proposal.

Section 2 (Original Proposal) and Section 3 (Proposer's solution) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 5 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.

The CUSC Panel detailed in the Terms of Reference the scope of work for the CMP275 Workgroup and the specific areas that the Workgroup should consider.

The CMP275 Proposal was originally raised against the Applicable Charging Objectives; however in developing the proposal further the Workgroup recognised that changes would be made to Section 4 (Balancing Services) and Section 11 (Definitions). At its July 2017 meeting the CUSC Panel approved that the Terms of Reference be amended to reflect that CMP275 should be assessed against the Standard CUSC Objectives.

The table below details these specific areas and where the Workgroup have covered them or will cover post Workgroup Consultation.

The full Terms of Reference can be found in Annex 1.

Table 1: CMP275 ToR

Specific Area	Location in the report
a) Clarify which revenue streams are excluded from mutually exclusive arrangement ensuring consideration includes the interaction between both the Balancing Mechanism (BM) and Balancing Services.	Covered via the services matrix- please refer to table 4.
b) Demonstrate how this proposal will interact with the existing procurement of services ensuring that this did not lead to over procurement in the market.	Covered in the assessment of the impact of the proposal on other markets.
c) Demonstrate how this modification does not discourage providers from tendering for services.	Covered under the discussions by the Workgroup and that it will be up to the commercial decisions of the providers which services they tender for. Certain Workgroup members considered that this would discourage parties from tendering for providing more than one service as they would otherwise effectively be

	providing the additional service(s) for free.
d) Define the assets affected by the proposal.	Covered via the services matrix- please refer to table 4.
e) Demonstrate that they have considered the impact of wider strategic issues being pursued by the industry in their proposal.	Covered via section 5 (item 8 CLASS Project and item 9 Simplification of services. However consideration of Ofgem Flexibility call for evidence which stated that we should look to increase stacking of services where possible are still to be considered and for the Proposer to provide information on how the Proposal aligns to Ofgem's Flexibility call for evidence.
f) Consider how this modification interacts with Ofgem's Flexibility Call for Evidence which is seeking ways to allow participants to access multiple revenue sources and EU Balancing Code.	Covered in Section 2 & 8.
g) Clarify how the proposed changes to the CUSC would impact Distribution Networks.	The Workgroup considered this item in relation to the Flexibility Programme and DNOs actively managing networks. An unintended consequence may be how distribution connected providers get netted off. The view of the Workgroup was when procuring services that netting should apply to any product (TC/DC, aggregator or DSR).
h) Ensure individual power stations are not identified within the report.	No named power stations in report or analysis.
i) Define the practical implementation of the solution, so that it is defined for all industry participants i.e. National Grid who will run tenders for the Balancing Services and parties who would like to tender for a Service.	Covered under the transitional arrangements in Section 6 and Section 9.
j) Consideration of the future development of Balancing Services.	Covered via section 5 (item 9 Potential simplification of services and Ofgem's consultation on Parties offering more services).

2 CMP275 Executive Summary

The work on CMP275 has been based on the current baseline definition of products but with the recognition that a significant review is being undertaken by the Flexibility Programme. The Workgroup considered the information released by Ofgem for its call for evidence and noted that the direction of travel was leading to more revenue stacking/offering multiple products than revenue netting to facilitate a flexible system.

Workgroup Conclusions

At the final Workgroup meeting on 26 March 2018 Workgroup Members voted on whether the Workgroup by majority supported any alternatives to become WACMs and also conducted the Workgroup vote. All Workgroup Members, except the Proposer voted that the baseline better facilitated the applicable CUSC objectives.

3 Original Proposal

Section 3 (Original Proposal) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 6 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.

What

It is proposed that a principle of financial mutual exclusivity is introduced to prevent BM units from accessing multiple sources of duplicate revenue from ancillary services on the same asset. Currently BM units can access revenue streams from multiple ancillary services that overlap in their scope; this gives them a competitive advantage through over compensation over competitor parties.

How

It is proposed that a new section should be introduced under Section 4.4 of the CUSC that implements a principle of financial mutual exclusivity for BM Units in receipt of multiple sources of ancillary services revenue.

Detail on why change

Currently BM units can access revenue streams from multiple ancillary services that overlap in their scope, this gives them a competitive advantage through over compensation when taking part in the provision of Ancillary Services auctions as they are able to undercut other BM and non BM units through accessing duplicate Ancillary Service payments (i.e. not mutually exclusive). This is a distortion to the market and has a severe material impact in preventing a level playing field as well as increasing the cost to the end consumer and unduly rewarding some generating units above others.

This distortion is present in both availability and utilisation payments associated with the provision of balancing services such as Short Term Operating Reserve (STOR) from National Grid and is most pronounced where units are able to enter and/or tender into multiple ancillary services such as Black Start and Fast Start which do not exclude participants from taking part in other services such as STOR.

Charts 1 and 2 are extracted from the Monthly Balancing Services Summary show clearly the split of availability and utilisation payments between BM and NB

Chart 1: STOR BM & NBM Availability Costs

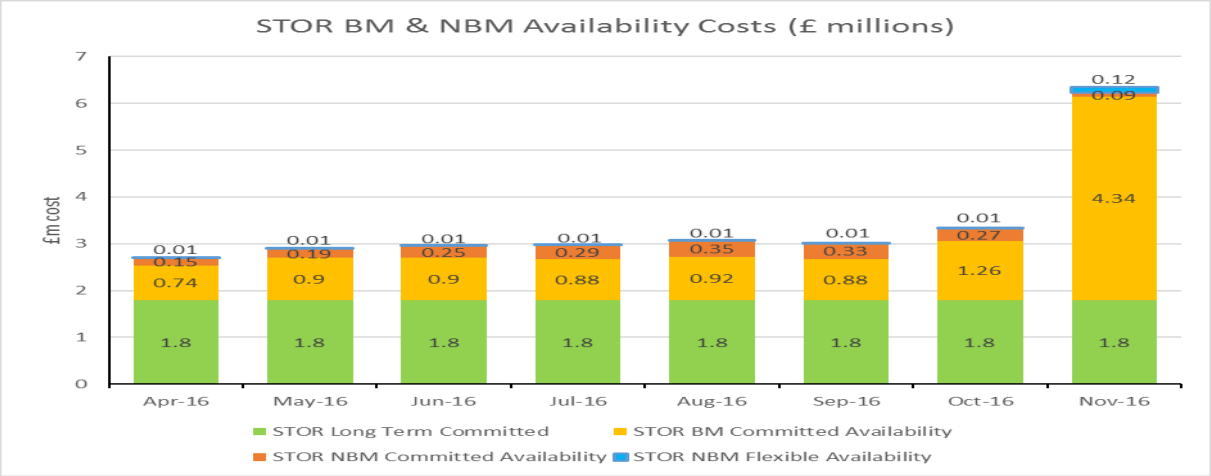
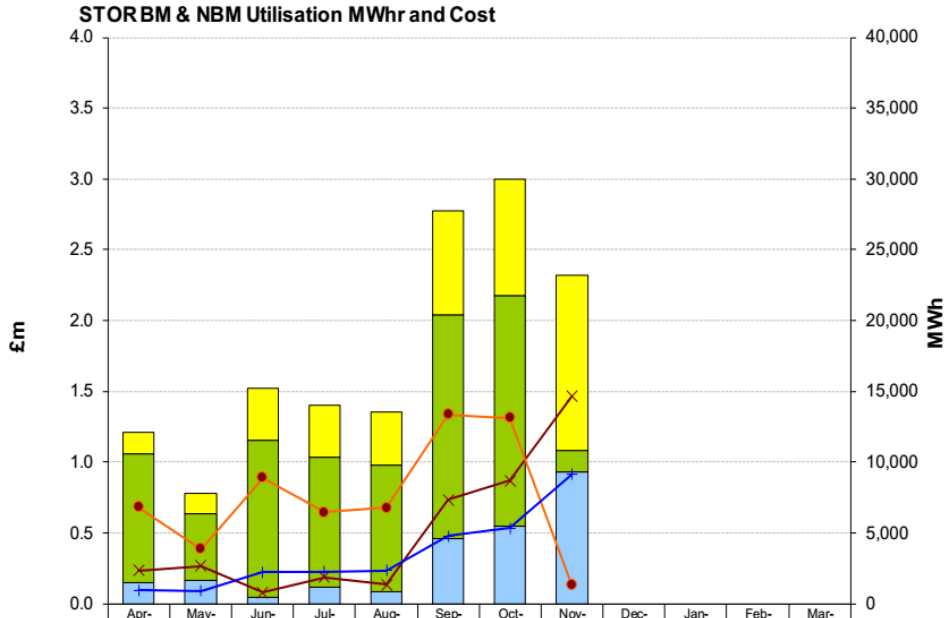


Chart 2: STOR BM & NDM Utalisation MW hr and Cost



	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
STOR NBM Flexible Utilisation MWhrs (Inc Ramp Energy)	1,479	1,442	3,671	3,644	3,741	7,306	8,200	12,440				
STOR NBM Committed Utilisation MWhrs (Inc Ramp Energy)	9,135	4,681	11,094	9,215	8,948	15,798	16,297	1,502				
STOR BM Committed Utilisation MWhrs	1,461	1,655	441	1,133	835	4,629	5,496	9,283				
STOR BM Committed Util Cost £m (Settlement)	0.232	0.266	0.076	0.184	0.133	0.731	0.869	1.464				
STOR NBM Committed Util Cost £m	0.680	0.386	0.888	0.646	0.677	1.335	1.311	0.132				
STOR NBM Flexible Util Cost £m	0.092	0.089	0.223	0.225	0.234	0.476	0.534	0.912				

Black Start units are currently paid to be available for restoring the National Grid to operation after a serious disconnection or power loss event, this represents a large amount of revenue in the form of availability payments to the plant to allow it to stockpile fuel and maintain independent operational capacity mainly in the form of Open Cycle Gas Turbines which can be gas oil fired to allow it to power up the main station capacity to respond to a Black Start request from National Grid to block load and reenergise the transmission system. As these units are unlikely to ever need to respond to a Black Start instruction except for scheduled testing (there has never been a requirement for a Black Start in the UK) they are therefore commonly tendered into other services such as STOR where they are able to tender in and receive additional availability payments to support and maintain the exact same capacity as they are already receiving payment for under their Black Start contracts. Black Start payments can cover both operational costs and capital costs for black start capacity.

This represents a duplicate source of availability revenue and allows such benefiting units to receive account for a second or more additional revenue streams to cross subsidise their tender strategies in competitive tenders compared to other parties by having paid for plant maintenance and overheads through availability from other sources, leading to a distortion of the market as well as added expense to the end consumer through paying for a service twice.

This distortion is also present in the Fast Start service where units are paid an additional utilisation revenue source as a benefit on their ramp profiles. Such units are however permitted to tender into STOR and other ancillary services and as such are able to achieve higher utilisation revenue streams for their generated MWh than comparable units that are purely tendered into STOR and not in receipt of duplicate revenue. This allows comparable cross subsidisation to the above example of Black Start where a such benefiting unit would be able to tender into completive auctions at a lower rate than similar competing plant due to its benefit of double revenue stream.

This effectively allows BM participants to take account of a second income stream when submitting tenders for other balancing services. Since this income stream is not taken into account in the procurement of STOR, this subsequently leads to inefficient procurement and also inefficient despatch decisions by the SO. It also places non BM STOR providers in a disadvantageous position compared to BM STOR providers who are able to access either Black Start or Fast Start revenues to subsidise their STOR tendering strategy.

In many cases the same transmission capacity is in receipt of black start and fast start payments as well as STOR payments meaning the prices tendered are not cost reflective. Thus creating a significant distortion in the STOR market and providing a significant competitive advantage to the units in receipt of these additional payments compared with other participants whom do are not in receipt of these revenue streams.

Post Workgroup meeting amendments:

From discussion in the workgroup meetings to date it is believed by National Grid that regarding Fast Start utilisation payments that this is already unofficially netted off in that the Control Room takes account of additional costs incurred from Fast Start when despatching STOR contracts relating to these same assets.

4 Proposer's solution

Section 4 (Proposer's solution) are sourced directly from the Proposer and any statements or assertions have not been altered or substantiated/supported or refuted by the Workgroup. Section 6 of the Workgroup contains the discussion by the Workgroup on the Proposal and the potential solution.

It is proposed that a new section should be introduced under Section 4.4 of the CUSC that implements a principle of financial mutual exclusivity for BM Units in receipt of multiple sources of ancillary services revenue. The principle of this concept should be that both the availability and utilisation streams of revenue for ancillary services should net off so as to prevent duplicate revenue being paid to providers. National Grid would subsequently introduce this as a component of future tender rounds on all eligible ancillary services.

It is proposed that a principle of financial mutual exclusivity is introduced to prevent BM units from accessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset. This would be achieved through the introduction of a new principle as part of Section 4.4 of the CUSC which would then be featured in future tender round standard terms.

The basis of this principle is that units should not be paid for the same service twice; this would not prevent BM Units from taking part in multiple services simultaneously or receiving revenue from both simultaneously as well. However, it would introduce a netting process whereby duplicate revenue from additional ancillary services such as STOR would be netted off or retained by National Grid until they exceeded the availability revenue from Black Start or the utilisation revenue from Fast Start.

As an example, of this a site receiving £100,000 in availability on an annual basis from a Black Start contract that was also tendered into the STOR market and received £130,000 in availability payments over the same period would only receive £130,000 in availability from both products, £100,000 of its revenue from STOR availably would be netted against its Black Start revenue. This would be a removal of duplicate revenue and a direct saving to the consumer from paying for the availability of a generation asset twice over.

Chart 3: STOR fuel type

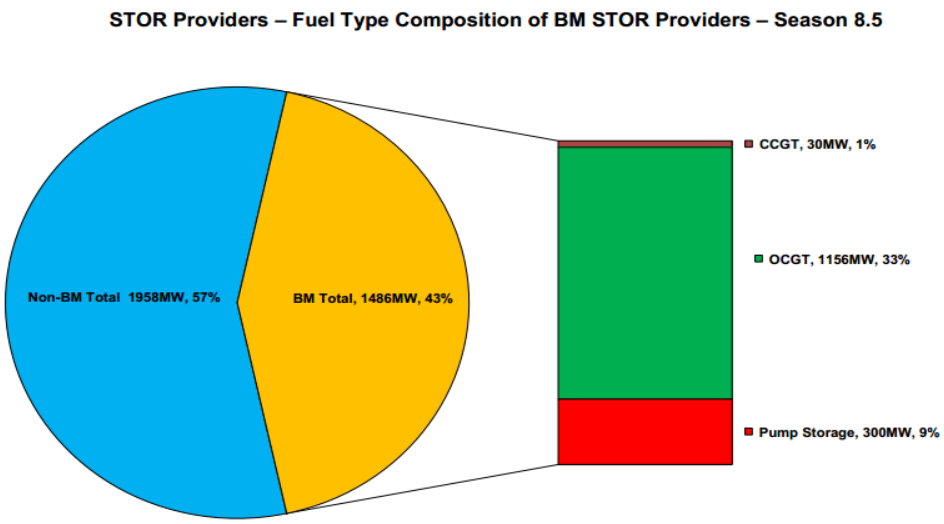


Chart 3 is from the STOR fuel type analysis carried out by National Grid shows over 1GW of STOR is provided by BM unit OCGTs of which it's likely the vast majority benefit from Black Start or Fast Start payments in addition to STOR payments on both availability and utilisation. This represents almost 30% of the capacity secured in the STOR market.

This will then allow non-BM and BM providers to compete efficiently for the delivery of services with resulting consumer benefits driven by improved levels of competition and optimal despatch decisions from the system operator.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

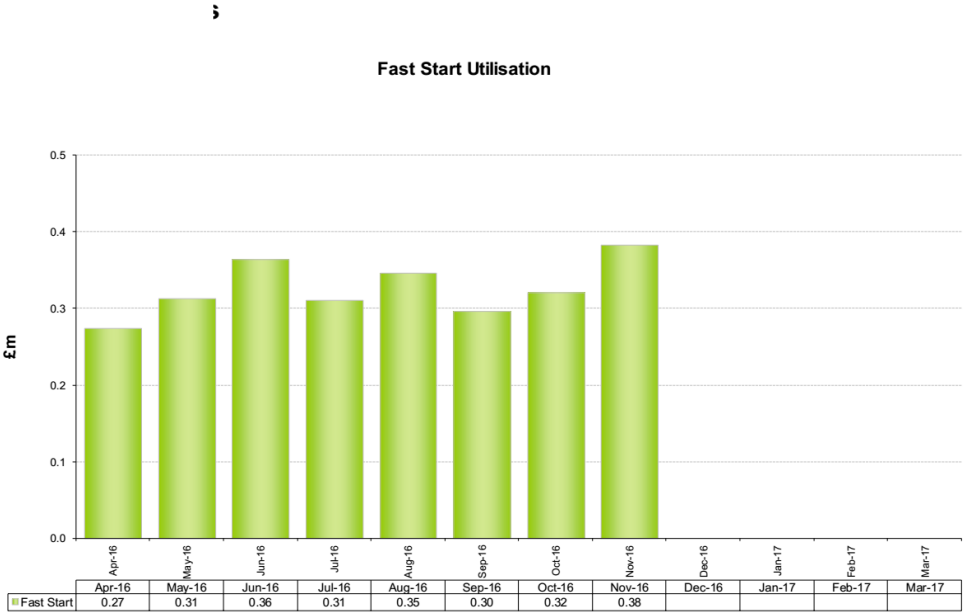
No

Consumer Impacts

We are of the view that there would be significant savings to the end consumer from stopping the over payment of these services. As National Grid contracts this service on a bilateral agreement basis and does not publish any breakdown due to security concerns we are unable to identify what the exact savings would be but believe National Grid would be able to calculate this via cross referencing with their other balancing services.

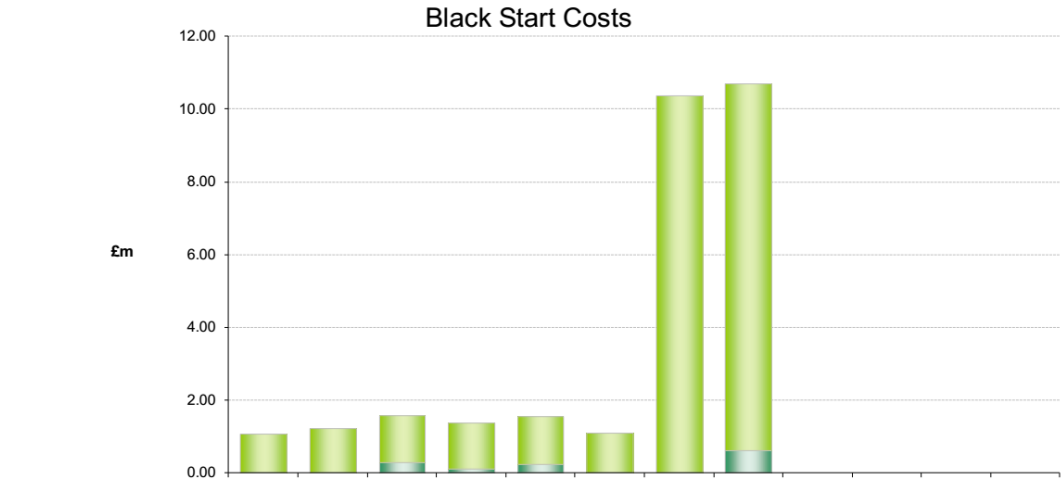
As the current black start contracting costs has risen so sharply (£10.1m on a monthly basis as per the most recent MBSS summary publication for November) we believe this will pose a growing issue to the end customer and therefore will present a growing opportunity for cost reductions as reflected in the below extracts of the Monthly Balancing Services Summary document produced by National Grid

Chart 4: MBSS Fast Start Utilisation Costs (MBSS February Fig 3.3.1)



	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Fast Start	0.27	0.31	0.36	0.31	0.35	0.30	0.32	0.38				

Chart 5: MBSS Black Start Costs (MBSS February Figure 3.2)



	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Black Start Contract costs (£m)	1.06	1.22	1.28	1.25	1.31	1.08	10.37	10.10				
Other Black Start Costs (£m)	0.00	0.00	0.30	0.12	0.24	0.00	0.00	0.61				

5 Urgency Request

The Proposer requested that CMP275 be treated as an urgent proposal and should not be treated as self-governance as:

- It has significant commercial impact upon the Transmission Company, Industry parties and customers;
- The Modification Proposal is linked to an imminent date-related event in that many ancillary services are due for tender, which would propagate the defect further if unaddressed; and
- The Modification should not be treated as a self-governance due to its material impact on some parties.

It was the view of the Proposer that as the next STOR tender round will take place on the 26th May 2017, with the following one on the 11th August 2017 there was some urgency for National Grid to take account of this issue to prevent its further impact on the provision of balancing services.

Table 2: National Grid STOR tender milestones

Tender Round	Tender Milestones					
	ITT Pack Published	Framework Agreements Deadline	Market Day	Results Day	Market Report Published by	Service Start Date
TR31	16-Dec-16	06-Jan-17	13-Jan-17	24-Feb-17	24-Mar-17	01-Apr-17
TR32	21-Apr-17	19-May-17	26-May-17	07-Jul-17	11-Aug-17	21-Aug-17
TR33	14-Jul-17	04-Aug-17	11-Aug-17	15-Sep-17	20-Oct-17	30-Oct-17

The CUSC Modification Panel agreed unanimously that CMP275 did not meet the criteria for urgency and as such considered that it should not be treated as an Urgent CUSC Modification Proposal[1]. The Panel concluded that the Proposal related to cyclical processes relating to revenue and charges, this in it itself could relate to all charging modifications and could not be considered to be a truly imminent issue.

The Authority in its urgency decision letter, agreed that urgency should not be granted and agreed with the Panel's concerns on the complexity of the proposal and the imminent nature of the issue. A copy of Ofgem's Urgency decision letter can be found in Annex 2.

[1] The CUSC Panel and Ofgem's views on Urgency for CMP275 is available using the following link: http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP275/

6 Workgroup Discussions

The Workgroup convened four times to discuss the issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the CUSC Applicable Objectives.

The Proposer presented the defect that they had identified in the CMP275 proposal and highlighted that whilst there is a diverse set of ancillary and balancing services, the main focus of the modification was on Black Start and Short Term Operating Reserve (STOR). This was because they considered these services to be the most pronounced examples of the proposed defect but that the solution would apply to those ancillary and Balancing Services listed. One of the main drivers for the Proposer raising the modification was the increased Black Start costs and that in the future different classes of Parties such as Embedded Generators may be able to offer ancillary and balancing services and exploit this defect. The view from the Proposer was that this should be applied to BMUs and non-BMUs, as whilst currently some ancillary and balancing services are only offered by BMUs, in the future non-BMUs may also have the opportunity to offer these services. CMP275 looks to introduce an overarching principle to be applied to current and any future ancillary and balancing services and allow for future proofing.

The Workgroup explored a number of aspects in its meetings to understand the implications of the proposed defect and solutions. The discussions and views of the Workgroup are outlined below.

1. Special Condition C16 and Procurement Guidelines

The Workgroup noted that the CUSC governed the arrangements for procurement of mandatory services only (mandatory frequency response and mandatory reactive power, Section 4). The procurement of all commercial services is governed under the Transmission Licence through the Condition 'C16 Procurement Guidelines Statement'. This statement is governed by National Grid[2] with any proposed changes being approved by Ofgem. National Grid is required to consult on the statement annually (as a minimum), however only National Grid can propose changes. The National Grid representative explained to the Workgroup that this was to allow the SO the flexibility to create and modify the services that it buys as and when circumstances on the system require it.

[2] For the avoidance of doubt, the Procurement Guidelines Statement does not come under CUSC governance.

The Workgroup explored whether the CMP275 defect as described should be rectified via an amendment to the CUSC or to National Grid's Procurement Guidelines[3]. A number of Workgroup members asked for clarification on how the defect raised under CMP275 interacted with Special Condition C16 of the Transmission Licence and the requirement to consult annually with the industry, particularly the Procurement Guidelines.

The concern of the Workgroup members was that a number of the services referred to in the defect did not have specific details in the CUSC and that whilst it may be possible to add items into the CUSC, if nothing is amended within the Licence and / or the Procurement Guidelines, the overall position is that nothing will change. The Workgroup requested that the Proposer considered whether a more appropriate option to a CUSC Modification would be to request that National Grid propose an amendment to the Procurement Guidelines to resolve the defect identified in CMP275.

The National Grid representative confirmed that whilst there is a requirement on National Grid to review the Procurement Guidelines on an annual basis there is nothing to preclude National Grid proposing changes and for these to be considered and agreed to by the Authority on an ad-hoc basis.

The Proposer confirmed to the Workgroup that as only National Grid can propose a change to the Procurement Guidelines they considered that the most appropriate place to make a change would be in the CUSC itself and that this would then require National Grid to propose amendments to the Procurement Guidelines.

2. BSC Modification P354

A Workgroup member raised whether BSC Modification P354[4] should be considered and whether the CMP275 & P354 Workgroups should be aligned. The views of the Workgroup were that it was important that both the CUSC and BSC Workgroups had an understanding of each of the modifications but that no further alignment was needed at this point. The Proposer confirmed to the Workgroup that CMP275 will not require a change to the BSC.

The Workgroup received an overview of P354, with focus on how the defect related to how charging works for BMUs and non-BMUs (non-BMU would get the energy* the utilisation price PLUS energy * the spill price, which the Proposer of P354 considered was not the most cost efficient monetary choice).

It was noted by the CMP275 Workgroup that this defect had been raised under the BSC arrangements and not the CUSC as the arrangements and solution are not in the

[3] The National Grid Procurement Guidelines can be found here: http://www2.nationalgrid.com/UK/Industry-information/Business-compliance/Procurement-and-System-Management-Documents/

[4] Information on P354 can be accessed using the following link: https://www.elexon.co.uk/mod-proposal/p354/

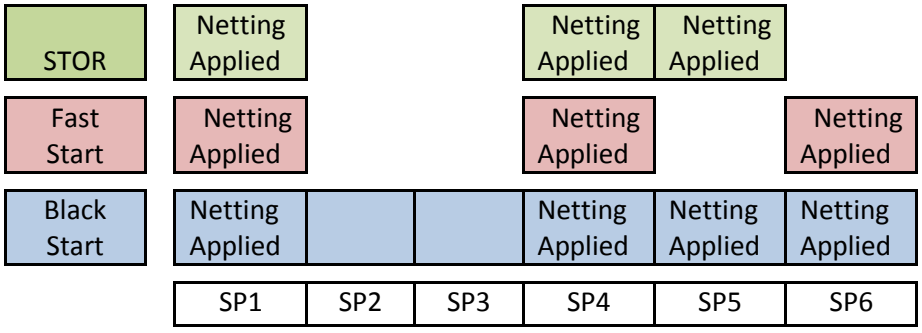
CUSC. Furthermore it was noted by the CMP275 Workgroup that the BSC Modification had been raised to facilitate National Grid amending its Procurement Guidelines.

3. How the concept of 'overlapping' should be defined

A number of Workgroup members asked for clarity from the Proposer on how the concept of 'overlapping' should be defined in respect of the proposed CMP275 defect. An example given was around the costs to have a unit ready for Black Start and what would be considered as the overlap. Would it be all Settlement Periods in a year or only those Settlement Periods where an additional service, such as STOR, overlapped with, say, the provision of a Black Start service (which would be expected to apply across all Settlement Periods in a year)?

The Proposer confirmed that netting would only apply to the immediate overlap. For those ancillary and balancing services which involved availability payments then it would only apply to the Settlement Period where availability is also being paid for a further ancillary or balancing service. The example given was that one service lasted 4hrs and another service offered lasted 30 mins. The view of the Proposer was that this should not be an issue as the idea behind the netting arrangement was that it would only have netting applied in the same delivery settlement period. If one product is 30mins and one product is 4hrs then the netting would only occur for the overlapping 30min period. The Proposer noted that the asset could not physically deliver the 2 services at the same time.

In the example below a Party offers STOR, Fast Start and Black Start and demonstrates how netting would be applied.



4. Services to be included under the proposed solution for CMP275

The Workgroup were presented with a high level schematic on the different ancillary and balancing services that are procured in order to operate the Transmission System, with focus on the Ancillary Services. The Workgroup in its discussions went through all the ancillary and balancing services currently offered and identified those that already had a mutual exclusivity clause. This is detailed in Appendix 1.

The Workgroup requested information on the steps the SO Control Room take when tendering for a service to ensure that a Party does not tender an asset for a service that is mutually exclusive when already associated to an existing service. It was confirmed that the SO Control Room Support function has a database of service providers for

each service; these are cross-checked at tender assessment to ensure that the tenders accepted are valid.

The Workgroup explored the contracted capacity on Black Start and whether Black Start is a power station service versus a unit service. National Grid confirmed that Black start is a power station service and not based on MW. The criteria for this requirement relate to the station's technical ability, proximity to the MITS, geographical spreads of other providers, and any TSO/DNO interactions. There is not a MW volume requirement for Black Start. Further it was confirmed that National Grid cannot comment on the volume contracted due to commercial sensitivity and national security requirements.

It was noted that STOR availability payments are on a unit basis and are £/MW/Settlement Period whereas Black Start is a power station service that is paid £/Settlement Period. It was also noted that the GTs at Black Start power stations that may also participate in STOR are a very small fraction of the total MW power station capability.

In relation to the question of how Black Start is settled to the Generator and how it was paid; e.g. frequency and £/ Settlement Period. It was confirmed that Black Start is paid monthly as part of the normal settlement run, and is on a £/Settlement Period basis.

For those ancillary and balancing services that remained and that did not already have a mutual exclusivity clause the Workgroup discussed how the services could be grouped into those that related to utilisation vs. availability. It was confirmed that services that only received a utilisation fee would not be covered by the scope of this CMP275 modification as this payment is made when a service is instructed and so is distinct. It is physically not possible for a unit to provide two services at the same time.

Availability: this is considered to be where assets are paid for the plant to be available for despatch decisions and so they are present in the market for a specific service. A commercial frequency service is paid an availability fee but if the service is dynamic it will automatically adjust active power in line with frequency changes and so there is no formal instruction for this service and so is out of scope of this CMP275 modification.

The following table describes the availability payments and the technical reasons for it. Availability Payments are used to ensure units are there within the market, however they are being paid to be available to provide distinct services with unique purposes.

Table 3: Availability payments and the Technical Specification of the service

Service	Purpose	Technical Specification of service
Black Start	Black Start providers are paid an agreed annual fee (applied across all per settlement period) for their availability and an Utilisation payment for testing purposes. National Grid will, where a service provider makes the Black Start service available, pay for the	Purpose is to recover the GB transmission system from a total or partial shutdown. Therefore, the running of the service will not overlap any others as this will only become active when the system has shut down partially or full.

	availability on a £ / settlement period basis.	
Fast Start	No longer procured but remains 'live' in terms of payment to providers in perpetuity.	No details available.
Mandatory Frequency Response	No availability fee, just a Holding Payment for the capability of the unit to provide response when the unit has been instructed into frequency response mode. Response Energy Payment (£/MWh): Remunerates the amount of energy delivered to and from the system when providing Frequency Response. These payments are both detailed in the CUSC (4.1.3.8)	Mandatory Frequency Response helps to fulfil National Grid's obligation to ensure that sufficient generation and/or demand is held in automatic readiness to manage all credible frequency change contingencies. All generators caught by the requirements of the Grid Code are required to have the capability to provide Mandatory Frequency Response. The capability to provide this Service is a condition of connection for generators connecting to the GB Transmission System. This service is an automatic change in active power. As there is no availability fee this service should not be in scope of the CMP275 modification.
FFR	Availability Fee (£/hr.) - for the hours for which a provider has tendered to make the service available for. There are also other fees but these are out of scope of the CMP275 modification.	Primary response - full output with 10 seconds (s) sustained for 20 seconds. Secondary response - full output within 30 seconds sustained for 30 minutes. High response - reduction in active power within 10 seconds and sustained indefinitely. Therefore this service cannot be provided at the same time as any other.
FFR Bridging	Payment is made on a rate not an availability basis and is split into a day and night rates. Depending on performance, this service is paid monthly. This service is currently not being procured as requirements have been met.	Small units, maximum 10MW, vehicle to encourage growth in smaller providers. Same service principles as FFR.
FCDM	For each site where Availability has been accepted by National Grid in a Settlement Period, an Availability Fee (£/MW/h) is	The demand customers who provide the service are prepared for their demands to be interrupted for a 30 minute duration, where statistically interruptions are likely

	paid against the Metered Demand in the Settlement Period of the site specified in the Agreement.	to occur between approximately ten to thirty times per annum. This service is procured bilaterally. Service must be provided within 2 seconds of instruction.
EFR	Availability fee (£/MW/hr.) – for making the service available to National Grid	This service achieves 100% active power output at 1 second (or less) of registering a frequency deviation. The 9 seconds sustainable time was the theoretical time between the delivery of Enhanced response and the delivery of Primary, however it has now been decided to move to a definition of Enhanced that includes both Primary and Secondary timescales, in order to facilitate a continuous service. Therefore, as with FFR, this service cannot physically be provided at the same time as any other service.
Fast Reserve	Providers of the service will receive an Availability Fee (£/h) for each hour in a Tendered Service Period where the service is available. A utilisation fee (£/MW/h) is payable for the energy delivered. The provider may also be entitled to a holding fee (£/h).	Fast Reserve is the quickest acting reserve service. It is capable of commencing within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 50MW and sustained for at least 15 mins. Within this time frame a provider cannot provide any other service.
STOR (BM & Non-BM)	Availability Payments (£/MW/h): service providers are paid to make their unit/site available for the STOR service within an Availability Window.	Offer a minimum of 3MW or more of generation or steady demand reduction (this can be from more than one site); Deliver full MW within 240 minutes or less from receiving instructions from National Grid; and provide full MW for at least 2 hours when instructed. Due to the nature of the service no other service can be provided at the same time.
STOR Runway	The provision of Availability payments will begin from the associated Go-Live date of the Growth Gate in which the STOR Runway volume is notified and confirmed as available.	Service is the same as STOR provision for a smaller volume of MW to encourage growth.

The Proposer confirmed that as services for utilisation and services for availability were distinct that netting off would **not** be applied when considering one service from utilisation and one service from availability. This distinction was to allow for the delivery of ancillary and balancing services where the revenue did not overlap and as such did not contribute to the defect identified in CMP275. The Black Start payments are to secure the availability of the plant and a STOR utilisation payment being to purchase the MWh generated from plant assets. As with the defect however a STOR availability payment would be captured as it would be duplicate revenue in the proposer's view, from ancillary services on the same asset to secure the same or similar service, i.e. the availability of the plant.

Table 4 details the breakdown of ancillary and balancing services in terms of 'utilisation' and 'availability' and it identifies whether 'netting off' would (or would not) be applicable. The core principle of CMP275 is that the listed services (shown in purple in Table 4) when applying to an asset that is also contracted to a yellow service would trigger the netting off principle for revenue accruing from the impacted services. Yellow on yellow services are already contractually prohibited currently by National Grid but in the interests of future proofing the impact of CMP275, it would be the aim that if any yellow services where possible to be delivered on the same assets with existing yellow services then netting off would apply.

For clarity it is the intention of CMP275 that these tables would not apply between the availability and utilisation tables. For example a generator partaking in Black Start (a purple *availability* service) would be free to receive BM STOR *utilisation* payments with no netting off taking place. Appendix 2 contains the table 4 on one full page.

Table 4 CMP275 Impacted Service Tables

	Purple	Yellow	White
Purple	Netting	Netting	Free
Yellow	Netting	Netting	Free
White	Free	Free	Free

Utilisation		Availability	
Mandatory	Primary Frequency Response	Mandatory	Primary Frequency Response
Frequency Response	Secondary Frequency Response	Frequency Response	Secondary Frequency Response
	High Frequency Response		High Frequency Response
Commercial Frequency Response	Primary Firm Frequency Response	Commercial Frequency Response	Primary Firm Frequency Response
	Secondary Firm Frequency Response		Secondary Firm Frequency Response
	High Firm Frequency Response		High Firm Frequency Response
Reserve	Fast Reserve		FFR- Bridging
	BM-STOR		Frequency Control Demand Management
	Non-BM STOR		Enhanced Frequency Response
	STOR-Runway	Reserve	Fast Reserve
	BM- Start-up		BM-STOR
Reactive Power	Obligatory Reactive Power		Non-BM STOR
	Enhanced Reactive Power		STOR-Runway
Demand Turn-Up			BM- Start-up
Intertrip		Reactive Power	Obligatory Reactive Power
Fast Start			Enhanced Reactive Power
Max Gen		Black Start	
Low SEL / Footroom		Demand Turn-Up	
Constraint Management		Intertrip	
		Fast Start	
		Max Gen	
		Low SEL / Footroom	
		Constraint Management	

Following working group consultation, the impacted services have changed. Services covered can be found in Section 8.

5. Materiality of the proposed defect?

The Workgroup also explored the implication of netting off and what would be included to be netted off. A Workgroup member questioned what the real monetary impact of the proposed CMP275 defect was, as in the example of a 2,000 MW contracted Black Start power station with 50MW of GTs participating in STOR, what would be netted off as it would not be appropriate to net the whole of the Black Start payment as only a small proportion (50MW of 2,000MW) of the cost would be attributable to the GTs. The Proposer agreed to consider these points but noted that the CMP275 defect was not just about Black Start and related more to applying a principle of mutual exclusivity to all providers of ancillary and balancing services.

The Proposer noted that National Grid have been unable to provide any details on the financial details of Black Start due to concerns on the security implications on identifying individual units. However the intent of the modification has been to only address the defect where it exists in regard to assets that are tendered into multiple ancillary and balancing services. For the above example only the 50MW GT would be operating in the STOR markets as part of its existing Black Start portfolio and so the remaining 1950MW of plant would not be liable for netting off.

Furthermore the Proposer considered that it remains to be identified how National Grid could convert the existing Black Start contracts into an equivalent availably rate as other ancillary services receive on a £/MW/Hr. basis. This would potentially be resolved by either using TEC and existing contractual payments to create such a rate or for such a rate to be specified as part of future tenders of those services. This is however based on the assumption National Grid do not possess this information for internal use.

Workgroup members also requested that the Proposer clarify whether the defect should relate to a site or a BM Unit, such that sites do not have to be mutually exclusive but BM

Units would have to be. The Proposer confirmed that they would consider the modification to apply more to the site than on a BM Unit basis as the defect may in the future not only apply to BM Units but also Non BM units, be that generation or demand side customers

The Workgroup requested that National Grid clarify, for Black Start contracts, what proportion of the ongoing availability payments were linked to OCGTs and provide detail, if possible, on how costs are distinguished: e.g. capital costs. It was subsequently confirmed to the Workgroup, by National Grid, that the information requested was not typically provided to the SO during contract negotiation, unless they are upfront costs for feasibility studies etc. which do not form part of the ongoing availability payments.

Analysis on materiality of the proposed defect

Workgroup members as part of assessing the proposal agreed that they wanted to understand what the impact would potentially have been had CMP275 hypothetically been implemented.

The basis of carrying out this analysis was to investigate the potential impacts on ancillary and balancing services markets of this modification. There are some major challenges that need to be highlighted and explicitly taken into account:

- This analysis has been carried out by the SO using historical data where markets (BM, wholesale, ancillary services, capacity etc.) have since shifted over the past couple of years.
- Due to the bilateral nature of Black Start contracts, the SO can only provide an estimate figure to ensure that units remain confidential.
- The analysis the SO has carried out is a baseline scenario based on assumptions including:
    - Providers will completely pull out of one service.
    - Providers will re-allocate all costs from the withdrawn service into their tendered service of choice.
    - STOR Analysis:
        - The SO would seek to procure the same level of capacity as it did at the time of the tender round.
        - No other changes were made to the assessment.

From this analysis the SO has found that STOR procurement costs increased by up to **£5million** for a full STOR tender year. The SO then took costs of Black Start units in STOR and carried out the reverse analysis to estimate how much Black Start monthly costs (published in the Monthly Balancing Services Summary) could potentially increase by. The SO found that costs would go up between **£400k and £500k a month, which equates to £4.8m to £6m annually.**

In reality these costs may be much higher due the different market conditions that are present today.

Due to confidentiality of data, this report will not contain a breakdown but this can be shared directly with the Authority if they require further detail on the analysis.

6. Transitional Arrangements

In considering how a CMP275 solution could work, the Workgroup discussed what the impacts may be on existing contracts, whether grandfathering should be considered as part of the solution and what the timelines may be for future tenders of ancillary and balancing services.

Existing Contracts:

The Workgroup asked for clarity on what contracts (existing or new) would be captured under CMP275. The view of the Proposer was that the CMP275 change, if approved, would only be applied to future contracts entered into after the date of implementation of CMP275. However, the Workgroup questioned what would be the impact on existing contracts (short and long term) should CMP275 be approved and implemented. The Workgroup requested clarity on what would happen in the scenario that a Party currently contracts for both STOR and Black Start services but following the implementation of CMP275 the business strategy would be that the Party would rather be contract in the STOR market only. Clarification was requested on whether that Party could, if they wished, terminate their Black Start contract early as it would not be receiving the revenue stream for the additional services anymore. Would the Party have to honour the long term contract or will there be a transition period, so that in light of CMP275, it could exit the longer term contract, say, for Black Start as it wished to continue with STOR. National Grid confirmed that the generic Black Start contracts terms (which are publically available on the National Grid website[5]) contain a clause on material change. Therefore National Grid confirmed that if CMP275 were approved this will automatically reopen any existing Black Start contracts which are materially affected. For other services National Grid confirmed there are no similar clauses.

For other services there wasn't a similar material change clause. The Workgroup noted that the transitional arrangements may need to consider whether a material change clause should be inserted into the contracts for all ancillary and balancing services captured by CMP275.

The Workgroup also requested that the solution and transitional arrangements be made explicit on when the netting off would be applied from e.g. would it be at the point that a Party successfully tenders for an applicable ancillary or balancing service (one that will have netting off applied) and would this mean existing contracts/services become open to netting off? The Proposer argued that the intention of the modification was to address the defect quickly whilst respecting current tendering signals, as such it would be expected that netting off would come into effect as soon as an asset is successfully tendered into a applicable ancillary or balancing service after the CMP275 implementation date and that this would potentially impact other existing contracts for

[5] The Black Start contract terms can be accessed here: http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Black-Start/Black-start-about-the-service/

ancillary or balancing services. The alternative would be to allow other existing contracts that perhaps will stretch for 10 years or more to perpetuate the defect.

Implications on how tendering may be affected – tendering and reviewing the tender

The Workgroup expressed some concerns about how CMP275 may impact tendering, in particular:

- Parties may choose not to tender into more than one ancillary or balancing service, if the revenue for that service is then netted off, as they would effectively be providing that additional service for free. National Grid would then have to accept more expensive tenders to make up the shortfall.

- In the event that a party did tender in for two ancillary or balancing services, how will National Grid assess a tender e.g. tendering for both STOR and Black Start: would they see the costs for STOR and Black Start separately and then work out the netted off value to then compare with another Party that is only tendering for STOR. The National Grid representative noted that this would increase the complexity of the tender assessment as it would introduce additional interactions which would need considering.

Grandfathering:

The Workgroup considered whether grandfathering was required and if so how these arrangements could work. The view was that as the proposal for implementation would be to apply it to all future contracts and that a Party would be free to re-negotiate or withdraw from providing a service and no grandfathering arrangements were required for CMP275.

Tendering timelines:

The Workgroup considered the timelines associated with the points raised above for transitional arrangements. National Grid noted that the tendering and negotiation period for ancillary and balancing service services could take a long time. Looking at the (generic) Black Start contract where it references renewal, it notes that a provider can withdraw from the contract with a minimum of three months' notice; in exceptional circumstances National Grid can request an extension where there are system security concerns, although some Workgroup members noted that if National Grid was not, due to CMP275, paying for Black Start (due to netting off) then it would seem to be inappropriate to extend such a contract.

If there was not a straight withdrawal by the party from the contract then there would be a need to factor in additional time to allow for Parties to look to re-negotiate the contract with the SO. The shortest timescale for doing this for Black Start contracts is estimated to be three months; however, this is with negotiation only on price[6] and no other terms

[6] Which given that this would be netted off under CMP275, this may not be the key contractual term being renegotiated.

in the contract. For more complex negotiations on Black Start contracts, this could take one to two years.

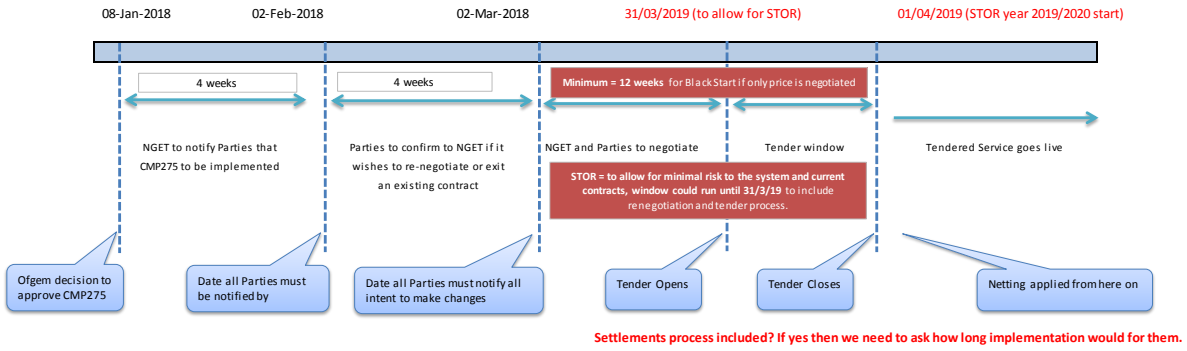
The examples below illustrate what the potential timeline implications would be based on an approval for CMP275 being received, hypothetically in January 2018.

After consulting with National Grid's Assessments team, it was noted that the CMP275 timeline will need to be extended out to 2019. At the hypothetical implementation date (of January 2018) when negotiations might begin, National Grid will have had five opportunities to procure STOR for year 2018/2019. If currently contracted STOR units wanted to renegotiate from the 2nd March 2018, there will not be enough time to re-conduct the procurement process before contracts begin for the year starting 1st April 2018. Therefore, if providers terminate or want to renegotiate and so put a hold on service provision this may lead to the consequence that there may be increased costs to cover the loss of the STOR volume through more expensive STOR or through BM actions. If this modification were to be implemented, these dates would need to be reviewed accordingly.

Therefore, the next plausible implementation date for netting off to take effect from is the 1st April 2019, as this is the start of STOR year 13 (2019/20). National Grid would have already procured long term STOR for this period but they may not have procured any other volume for this frame in March 2019. This would allow a smoother transition as the first opportunity to procure for year 13 is in January/February 2018 and the second in June 2018. This will need to be taken into consideration and so April 2019 can possibly be when netting off is first taken into account for the whole tender. . If this modification were to be implemented, these dates would need to be reviewed accordingly.

Other impacts that could be considered would be on the SO Incentive scheme; however this could be deemed out of scope, also impacts on the SO assessment and settlement processes.

Appendix 3 shows the timeline on one page.



The dates for the STOR tendering round for the 2017 period are below for reference* (the 2018/2019 dates are not yet available).

Tender Round	Invitation to Tender	Framework Agreement Deadline	Market Day	Results Day	Market Report Published	Service Start Date
TR31	16-Dec-16	06-Jan-17	13-Jan-17	24-Feb-17	24-Mar-17	01-Apr-17
TR32	21-Apr-17	19-May-17	26-May-17	07-Jul-17	11-Aug-17	21-Aug-17
TR33	14-Jul-17	04-Aug-17	11-Aug-17	15-Sep-17	20-Oct-17	30-Oct-17

* Please note that these dates are subject to amendments.

The following services are procured at the intervals detailed below:

- FFR = Monthly
- Fast Reserve = Monthly
- Black Start = Bilateral
- Fast Start = No longer procure

7. Unintended consequences

The Workgroup considered what the unintended consequences could be if CMP275 was to be approved and implemented. The Workgroup identified 2 key ones:

- If a Party that offered an ancillary or balancing service withdrew what would be the impacts on the volume that service provided (it was also noted that Parties may stop providing the larger service as profits may be higher when offering the lower sized service).
- Costs to procure and associated costs with having to re-tender/negotiate for both industry and National Grid

The view of the Proposer was that whilst there is potential that some assets would have to increase their availability rates to achieve the same revenue as they are currently receiving, that this may result in a fairer tender process and any such loss would represent a more economic unit taking their place. The majority of Workgroup members considered that would not lead to more economic procurement as it would be replaced by more expensive units rather than more economic units.

8. CLASS Project

A Workgroup member asked the Proposer what the implications of the CLASS demand reduction project might be. This gave rise to the example where a single MPAN was providing; via two separate legal entities; two (or more) separate ancillary or balancing services and are doing separate actions and getting paid for each of these separately. How would this be captured in terms of CMP275 and how would the concept of netting off work in this example. The National Grid representative noted that the issues raised by the CLASS project were not unique to CMP275 but also applied to the provision of all balancing services, and therefore were being looked at by the CLASS project itself and the SO.

The Proposer responded that Project Class being a DNO voltage centric product, however other Workgroup members considered that as an individual MPAN might be contracted to provide more than one service for the SO that this situation should come within the remit of CMP275 to avoid undue discrimination. As is the current practice of the SO it is intended that the individual assets would be treated as the entity for purposes of the SO applying any netting off, therefore a party would not be able to avoid

the intention of this modification by setting up different legal entities to manage different services: i.e. Generator A Black Start Ltd and Generator A STOR Ltd being setup to allow duplicate availability revenue. However, a Workgroup member noted that in the case of an asset covered by Project CLASS which, for example provided, via another entity, a further ancillary or balancing service then it would seem (from the Proposer's response above) they would be able to access payments twice from the SO for providing two ancillary or balancing services. It might be argued that this would amount to discrimination of treatment in terms of CMP275.

9. Potential simplification of services and Ofgem's consultation on Parties offering more services

The Workgroup raised the point to the Proposer of how CMP275 would interact with the discussions raised at the Electricity Transmission Operational Forum[7] that was held in March 2017 and in particular the changing system needs and the simplification of ancillary and balancing service products.

The Workgroup noted that the current timelines envisaged a consultation on the future market designs taking place June 2017, with outline change proposals in third quarter 2017[8] and implementation in the first quarter of 2018. The Proposer confirmed that this simplification may aid the resolution of the defect and that should CMP275 be implemented the principle should be considered in the design of the new simplified ancillary and balancing service products.

It was noted that the recent Ofgem/BEIS joint Call for Evidence on Flexibility asked for industry feedback on how to increase the amount of service stacking to deliver more economic system outcomes. The Proposer was asked how CMP275 aligned with this strategic regulatory objective. The Proposer argued that CMP275 would not seek to prevent ancillary and balancing service stacking but would seek to address the defect of an asset accessing multiple sources of duplicate revenue from ancillary and balancing services on the same asset. It should be stressed that the Ofgem/BEIS call for evidence does not seek to allow assets to overlap ancillary and balancing services and that National Grid currently goes to some length to prevent customers from doing so on the majority of its current tendered services.

10. Impacts on consumers

The Workgroup challenged whether CMP275 would deliver real cost savings to the consumer as there may be potential that National Grid may receive tenders that are

[7] Slides and information from the Electricity Transmission Operational Forum can be assessed using this link: http://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-system-operations/Operational-forum/Electricity-Ops-Forum-Current-Slides-2017/

[8] Information on the Future of Balancing Services can be accessed here: http://www2.nationalgrid.com/UK/Services/Balancing-services/Future-of-balancing-services/

more expensive for ancillary and balancing services to make up the shortfall as Parties would increase the tender price to cover the missed revenue that arose from netting off. Further additional costs will be incurred through the potential for re-negotiation and having to re-tender for those services withdrawn. As highlighted within the materiality analysis the high level numbers indicate costs increases in the region of up to £5M per annum for STOR and circa £400-500k per month for Black Start costs.

11. Legal text changes

The Workgroup discussed at a high level what the changes could be to Section 4.4 of the CUSC. The legal text changes will be developed after the Workgroup Consultation but members noted that a new defined term could be added to the CUSC (e.g. Applicable Balancing Services) using the same approach as the Capacity Market. Additionally the service matrix as described in table 4 could be inserted into Section 4 of the CUSC depicting what combination of ancillary and balancing Service would and wouldn't have netting off applied if CMP275 was implemented.

7 Workgroup Consultation Responses

The CMP275 Workgroup Consultation was issued on 13 June 2017 for 15 Working Days, with a close date of 4 July 2017. In addition to the standard Workgroup consultation questions, the Workgroup asked four specific questions:

- With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines? Do you agree with the changes made to the original proposal and if not please describe why.
- Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?
- Do you believe the potential additional complexity **added** to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?
- Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.

Eleven responses were received to the Workgroup Consultation and are detailed in the table 5 and table 6 below and are included in Annex 3.

The majority of the responses reiterated the points and concerns raised by the Workgroup and in noting the responses; the Workgroup drew out a number of points from the responses:

Potential WACMs

No alternatives were proposed as part of the Workgroup Consultation; however post this phase the CMP275 Proposer put forward three alternatives for the Workgroup to consider. The National Grid representative also submitted an alternative for Workgroup consideration. At the Workgroup meeting on 26 March 2018 these alternatives were discussed and voted on by the Workgroup. This is detailed in sections 8 & 9 below.

Reponses from Ofgem's call for evidence

The Workgroup noted the information Ofgem has publically published[9] on its recent call for evidence. It was the view of most Workgroup Members that CMP275 could be seen as running counter to the direction of travel set out.

Flexibility Programme

A number of responses referenced the Flexibility programme and the SNAPS document and that this area was already being looked in to and may result in changes to the products that could be offered (e.g. some services may be replaced, merged, replaced, combined etc.) and as such the Flexibility Programme would most likely eliminate the defect as currently defined under CMP275.

Concerns over netting and mutual exclusivity

The Workgroup discussed the point raised about the premise of the defect and the response by Drax who noted that the Frequency Response (FR) holding payments was a payment to compensate for the capability to provide response to maintain system frequency within operational limits which is different to the Black Start availability payments. An example was provided stating that if a Black Start provides a greater revenue stream than FR, generators will be unwilling to risk the unit in FR for just an utilisation payment which is based on the Market Index Price (MIP). This will not necessarily reflect the provider's cost of production or indeed the value of the service.

Furthermore the Workgroup noted the response from Innogy that should there be an instance where Black Start is used then ultimately there would be no grid to synchronise to in order to provide STOR and as such availability is not mutually exclusive.

This view was shared by the majority of the Workgroup.

The CMP275 solution stifling competitive behaviour

The Workgroup noted the response from EON and the view that it **WAS** appropriate for providers to be able to take account of these potential multiple revenues streams when determining the price at which they wish to offer their services. This demonstrates competitive behaviour and accurately reflects the costs they seek to recover for their services. To remove this ability would reduce the efficiency of provision of ancillary services, thereby raising costs, which ultimately customers would have to bear.

It was further noted that responses indicated that CMP275 did not appear to 'level the playing field' as the additional complexity that would be added to the tendering for balancing services may lead to less offers by market participants. The additional

[9] Information on Ofgem's Call for Evidence on Flexibility can be accessed here:

https://www.ofgem.gov.uk/publications-and-updates/upgrading-our-energy-system-smart-systems-and-flexibility-plan?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_24-07-2017&utm_content=Upgrading%20our%20Energy%20System%20%e2%80%93%20smart%20systems%20and%20flexibility%20plan&dm_i=1QCB,52E76,OBW1TT,JDTXC,1

complexity to the comparison of the results and payments may not lead to greater transparency but indeed less transparency.

Black Start 'warming' contracts

It was the view of Engie that the recent Black Start "warming" contracts to facilitate the availability of the black start service have been confused by the proposer with the capability payments relating to the provision of the service.

These Black start warming payment, in the view of Engie, were inappropriately tagged as Black Start as they relate to availability of the service rather than the capability of the service. The warming of Black Start units happens on the system during the summer months/low demand condition and these are not classed as Black Start contacts.

This view was shared by the majority of the Workgroup.

Additional analysis from the Proposer

The Workgroup noted that the Proposer had included new information in response to question 1 and questioned the context of the data used to calculate the numbers and assumptions. The Proposer has confirmed subsequently that this data used was based on discussions in the CMP275 Workgroup and related to National Grid published MBSS data on accepted committed STOR as well as the disclosed MW level of STOR that is also under receipt of Black Start contracts as was discussed within the Workgroup, it was agreed that this data is not available publicly and is only released by National Grid as part of the workgroups discussions.

Underperformance and event of defaulting

The Workgroup noted the response from RWE and the question raised on how 'netted' settlement periods would work with the respective Ancillary Contacts for underperformance or in the event of default under STOR or response time for Fast Start if the respective service is no longer being explicitly paid for? The view of the Proposer was that for the purposes of netting it would be the best solution if National Grid was able to carry out netting post the reduction of any performance related penalties on any of the impacted services, this would be a more complex solution but would avoid providers from using other contracts to compensate for poor performance and remove the potential creation of a new defect where some providers are protected from poor performance by the use of netting against Black Start contracts. It was discussed within the workgroup that this would be the fairest and best-case implementation route but that a system where netting was carried out prior to performance based reductions would offer a simpler solution if in the view of National Grid such an implementation was not possible.

Clarification on the analysis provided by National Grid

National Grid noted that the analysis has some limitations due to challenges which are explained in Section 5 of this report.

The nature of the STOR assessment and the tools that feed into this are very complex making a full analysis very difficult within the time frames. Limited assumptions had to be used regarding the commercial behaviour of ancillary service providers in that they

would fully withdraw from one service and put those costs directly into their tender for another service. This was based on scenarios raised in workgroup discussions.

Additional assumptions that National Grid used are noted within section 6 of the report. The data returned from National Grid's analysis provides an estimate figure of the materiality of this modification.

Clarification on how to compare payments from Black Start and other Balancing Services (e.g. £/Settlement period vs. £/MW/hour)

It was the view of the Proposer that this could be best achieved through simply converting Black Start payments into a £/MW/Hour fee comparable to other services. This would need to be based on either the total installed capacity of the station that is tendered into Black Start or as a better solution if National Grid is capable of identifying it the relevant element of the Black Start contracted sites that is core to the provision of the service, i.e. the OCGT element of a coal power station. These capacities would be determined by National Grid in relation to the BM Unit MW capacity as per its TEC impacted by the Black Start contract.

This is not an ideal solution but is the most pragmatic solution to the mismatch in tendering between Black Start and all other tendered services operated by National Grid which are carried out on specific listed MW capacity units.

Clarification on the contractual penalties

It was the view of National Grid that as CMP275 is proposing the payments are netted and that this shouldn't directly affect whether the service is provided to the required standard and as such any additional contractual penalties should not be required.

Table 5: Workgroup Consultation responses – standard questions 1 – 4

Response from	Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?
Matthew Hulks, Intergen	If indeed there is overlap in availability and utilisation fees which are subsequently subsidising the tender prices of BM units for other balancing services then addressing this distortion would better facilitate part (a) of the CUSC objectives.
Simon Reid, ScottishPower Energy Management Ltd	The CMP275 Original proposal does not appear to prove its case that it would better facilitate compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and facilitates competition in the sale, distribution and purchase of electricity than the existing arrangements. There appears no positive consistent or robust argument in favour of this change as set out by the Proposer's solution.
Joe Underwood, Drax Power	No. We believe that the netting of ancillary service availability revenues will be detrimental to Applicable CUSC Objectives (ACOs) for charging (a) and (b). The CMP275 Proposer claims a number of ancillary service availability payments overlap in scope and therefore some generators can acquire multiple sources of duplicate revenue from the same unit, in particular from Black Start and STOR services. However, different ancillary services represent different costs, risks and value which need to be factored into ancillary service availability prices – they are different services. For example, Black Start is a power station service and paid on a £/Settlement Period basis. It is not contracted based on MWs. As identified by the Workgroup, the criteria for a Black Start station relate to a station's: • Technical ability • Proximity to the MITS • Adequate on-site fuel reserves • Geographical location • Station operator's training, knowledge and expertise STOR on the other hand is contracted purely on reserve. The costs relating to STOR availability payments only relate to the output of a single unit and is paid on a

Response from	Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?
	£/MW/hour basis. To net the availability payments of these services would be wholly inappropriate as they are different services. One is to restore a dark (or partial) system whereas the other is to maintain the system within operational limits. In addition, the netting of Black Start availability and Frequency Response (FR) holding payments causes concern. The holding payment is compensation for the capability to provide response to maintain system frequency within operational limits. This is different to the Black Start availability payments as described above. If, for example, Black Start provides a greater revenue stream than FR, generators will be unwilling to risk the unit in FR for just a utilisation payment which is based on the Market Index Price (MIP). This will not necessarily reflect the provider's cost of production or indeed the value of the service. Due to the competitive nature of ancillary service tender processes, generators that provide multiple services have the opportunity to bundle services at a discount which would not be the case if all services were procured in isolation. Netting availability payments as suggested by CMP275 will prevent these economically viable plant from providing necessary ancillary services at a competitive price. This will remove a major incentive for flexible generation that can provide multiple ancillary services to connect to the system. This is a particular concern given the need for flexibility on the system due to the closure of many conventional plant and the rise in intermittent generation. CMP275 will reduce liquidity and competitiveness in all but the most valuable ancillary service tenders thereby raising cost to consumers. Material change provisions in Black Start contracts allow service providers to pull out of existing Black Start contracts. This may be attractive if the value for alternative services increases e.g. STOR. This would create greater risk for National Grid's Black Start procurement strategy as providers may be incentivised to flip between markets at short notice.
Fruzsina Kemenes, Innogy	No, because we are not convinced that the defect is valid. On initial reading the defect as described in the WG Working Group Report for STOR and Black Start suggests this could be an issue of concern and should be targeted by the SO with an appropriate solution. It suggests double payments are received by certain units for providing overlapping services and that there is a distortion to competition (in particular that the STOR market is distorted by units that serve as both Black Start and STOR Units). However, the WG report has not interrogated whether the 'availability provision' by units is a truly an 'overlapping service' in the technical sense. We ask the WG to answer the following questions before proceeding with the development of proposals: - Can the unit be available for either service during the identified 'overlap windows'? If the answer is yes then these are two separate services and there is justification for two sets of availability payments. (Looking at the example focussed on, our understanding is that: a unit could still be available for Black Start in a system emergency even if it is providing STOR – also it would or indeed could never be called for STOR during a time that Black Start is needed. In a Black start situation there would be no grid to synchronise to in order to provide STOR. Therefore, availability is not mutually exclusive). - Are the technical requirements for being 'available' for one service the same? If there are distinct processes involved in being available for one service

Response from	Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?
	compared to another then – then there appears to be a justification for two sets of availability payments. The issues raised by the proposer suggest to us that there is a fundamental issue in any case with the lack of transparency around the current procurement of different ancillary services. This should definitely be addressed outside of this Mod.
Paul Jones, Uniper	No. We believe that this modification will either have no effect to the cost of balancing services but will add complexity to how they are procured, or will lead to an increase in costs as outlined in the consultation document. Our assumption is that the former of the two outcomes is more likely as National Grid will presumably be required to take account of any potential netting when assessing whether to accept a bid from a specific provider, in order to demonstrate that it has procured services in the most efficient manner. This should result in the same outcome as the present system. For instance, a numerical example is given in the consultation document of a station receiving £130k of availability payments for STOR and £100k of payments for Black Start. Under CMP275 the total cost of availability payments for these two services would be £130k. Depending on which service was tendered first this would essentially mean that the STOR is being procured for £30k or the Black Start for free. Assuming the Black Start contract was procured first, If the nearest priced competitor for STOR was £31k the netted provider with the Black Start contract of £100k would be the cheaper option by tendering at £130k, as this would be cheaper across both services once netting had taken place. This is no different than the outcome under the present arrangements if the same provider were to tender £100k for Black Start and £30k for STOR with no netting taking place. Therefore, if National Grid does the obvious thing and takes account of netting in its assessment then there should be no change in outcome. However, its assessment will arguably be more complex. However, if National Grid was prevented from considering the net effect, then in the above example another STOR provider could bid up to £129k before the provider with a black start contract was able to compete. This would mean that the cost across both services would be £229k rather than the alternative cost of £130k which the black start contracted party was willing to receive.
Tim Ellingham, RWE	It is not immediately clear how the CUSC interacts with Commercial Ancillary Services in its current form. Many changes would need to be made to accommodate the proposed modification which may, as has already been noted by the working group, be better facilitated in the Procurement Guidelines.
Laurence Barrett, EON	E.ON does not believe that this modification better facilitates the applicable CUSC objectives. E.ON believes it is right that providers of ancillary services are paid fully for each ancillary service they provide. It is also appropriate for providers to be able to take account of these potential multiple revenues streams when determining the price at which they wish to offer their services. This demonstrates competitive behaviour and accurately reflects the costs they seek to recover for their services. To remove this ability would reduce the efficiency of provision of ancillary services, thereby raising costs, which ultimately customers would have to

Response from	Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?
	bear. E.ON therefore believes the Original proposal is worse than the baseline against Objective (a) and (b). In addition, E.ON believes that this creates inefficiency and unnecessary implementation costs and so is negative against Objective (e). E.ON does recognise that there could be a defect whereby parties are being paid twice for providing effectively the same service. However, E.ON believes this is more an issue with the ancillary services market itself and the overlap between the products procured by National Grid (NG). This has been recognised by NG who are currently consulting on their System Needs and Product Strategy (SNAPS) in order to review and reform these products. E.ON believes that it is more appropriate for this process to run its course, as clearly defined products would either introduce a degree of exclusivity due to their nature (as we already have with some ancillary services e.g. frequency response and reserve services) or would otherwise create clearly distinct products for which it is right to be paid for each.
Garth Graham, SSE	We do not, at this time, believe that CMP275 does better facilitate the Applicable CUSC Objectives.
Simon Lord, Engie	No, the modification has a number of issue:- • The proposal fails to recognise the nature of the Black Start service being a station rather than a BM unit services that has significantly different technical requirements compared to the STOR services. The payment for black start capability relates to the design and operation power station which includes many items of equipment only one of which is the Gas Turbine (GT). The Gas Turbine requirement for black start is to start up independent of any external supplies and run at a relatively low load for extend periods of time but with the ability to start high power electrical loads and then run at light duty. The STOR service is different in both its technical and physical requirement requiring higher loads for shorter periods. • A provider can provide both STOR and black start capability at the same time. It is acceptable for provider to receive two payments. As they are different services. • The recent Black Start “warming” contracts to facilitate the availability of the black start service have been confused by the proposer with the capability payments relating to the provision of the service. These Black start warming payment we believe were inappropriate tagged as Black Start as they relate to availability of the service rather than the capability of the service. The warming of black start units happens on the system during the summer months/low demand condition and these are not classes as Black Start contacts. If the defect is accepted (which we do not) then any instructing relating the warming of black start units to ensure the capability of the service would need to be included in this proposal. • The current licence obligation on the SO to procure services in an economic an efficient way is implemented by the SO via its procurements guide lines such that when one services precludes the operation of another only one payment is made. • The CUSC is not an appropriate code to place obligation on the SO relating to the procurement of balancing services. The Licence C16 and procurement guideline is the appropriate place and these already contain obligation on the SO to procure in an economic and efficient manner.

<table>
<tr><th>Response from</th><th>Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?</th></tr>
<tr><td>Colin Prestwich, Smartest Energy</td><td>Under the current arrangements we believe participants should be allowed access to multiple revenues otherwise you are limiting assets from achieving their full potential.

Whilst we have some sympathy with the sentiment of this proposal (especially in the context of black start) we are not entirely convinced there will be any measurable overall saving because bid prices will go up to compensate for the restriction.</td></tr>
<tr><td>Ian Tanner, UKPR (Proposer)</td><td>As the proposer we would support the modification and believe it would address the identified defect of certain Transmission connected BM units being able to access overlapping availability revenue in the form of Black Start contracts as well as STOR and other balancing service contracts.

This would and better service objective A and B of the CUSC by removing a defect that unduly rewards certain generators above others and leads to significant market distortions in some Balancing Services, resulting in an unlevel playing field. We believe there is a strong case that the resolution of this defect would be in the interest of the end consumer and would allow the opportunity for the reduction of costs being levied against them.

As shown below the amount of the committed BM STOR market that is benefiting from this defect is significant, up to 45% in some STOR seasons and this is leading to significant distortions in the STOR market with some providers receiving undue reward over and above identical competitor STOR providers.

<table>
<tr><th colspan="2">Active Committed BM STOR MW</th><th>% MW Volume Benefiting from Black Start overlapping revenue</th></tr>
<tr><td>11.1</td><td>1057</td><td>40%</td></tr>
<tr><td>11.2</td><td>935</td><td>45%</td></tr>
<tr><td>11.3</td><td>1052</td><td>40%</td></tr>
<tr><td>11.4</td><td>1061</td><td>40%</td></tr>
</table>
</td></tr>
</table>

Response from	Q1: Do you believe that CMP275 Original proposal or either of the potential options for change better facilitates the Applicable CUSC Objectives?

11.5	1884	23%
11.6	1878	23%

Response from	Q2: Do you support the proposed implementation approach?
Matthew Hulks, Intergen	If an asset is capable of providing more than one service there is no reason why contracts cannot be given to one unit for more than one type of service. This will incentivise the right kind of equipment and ensure rational investor behaviour and low costs to the consumer. However, InterGen agrees that it does make sense that certain combinations of services should not be possible when simultaneous delivery is not possible. However, on Black Start specifically, we believe it should be possible to combine this service with any other service because by definition Black Start will only be used when nothing else is happening on the system.
Simon Reid, ScottishPower Energy Management Ltd	Not convinced that the implementation of the Proposer's solution is without change to the Transmission System Operator's procurement computer systems and therefore there is insufficient detail of: the costs of implementing the solution.
Joe Underwood, Drax Power	We consider April 2019 to be a suitable date. A sufficient implementation time scale is necessary in order to allow for contract renegotiations and the procurement of additional services should negotiations fail. We agree that, if approved, CMP275 would only be applied to future contracts.

Fruzsina Kemenes, Innogy	No. As explained under Q 1, we are not convinced of the defect being valid. If the defect is deemed valid by Ofgem we request the following implementation pathway: The procurement of ancillary services should be reformed with wider stakeholder engagement through SNAPs. In the next publication we ask the SO to explain how the SNAPs proposals help ensure that no 'double payments' are received by service providers. What improvements are being proposed for Black Start and STOR under SNAPs? If a change is necessary, we agree with the proposer that the solution needs to be applied to both BMUs and non-BMUs as in the future non-BMUs are also likely to be able to offer these services.
Paul Jones, Uniper	No. The modification should not be implemented
Tim Ellingham, RWE	It is unclear how existing contracts without a material change clause will be treated when a new, qualifying, Commercial Ancillary Service contract is awarded from a hierarchical perspective, related to my comment on question 3.
Laurence Barrett, EON	As per our response to Q1, E.ON believes that this modification should not be implemented but rather the NG SNAPS review/reform should continue to be progressed. Should a defect still be present after this process, then the modification can be re-assessed at this time.
Garth Graham, SSE	In light of the Tendering timeline discussions set out on pages 22-23 we are not certain that an implementation date has been proposed (although a hypothetical date of January 2018 is noted - but not proposed).
Simon Lord, Engie	No
Colin Prestwich, Smartest	No

Energy	
Ian Tanner, UKPR (Proposer)	Yes, as the proposer we do. We would however be happy to entertain alternative suggestions that would address the difficulties that have been raised as part of the workgroup.

Response from	Q3: Do you have any other comments?	Q4: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?
Matthew Hulks, Intergen	N/A	N/A
Simon Reid, ScottishPower Energy Management Ltd	The ideology of the default is laudable but whether it actually materially exists appears to be questionable.	No
Joe Underwood, Drax Power	Not at this time	Not at this time
Fruzsina Kemenes, Innogy	We disagree with the proposers broad brush application of the proposal. We might agree with the principle that providers should not receive double availability payments for truly overlapping services. However, the scope of any change should be limited to unjustified service payments that are proven to overlap. Each service/potential overlap should be examined properly on its own merit to ensure that there are no overlapping services and related overpayments. Where there is a clear issue, remedying this is important. The	No

Response from	Q3: Do you have any other comments?	Q4: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?
	SO should proactively review its services especially as it is conducting reforms to procurement via 'SNAPs'. Indeed the SO should be apply this principle from the onset when designing any new services. Such proactive action from the SO is especially important as we move to having DSO and SO procured ancillary services.	
Paul Jones, Uniper	No thank you.	No thank you.
Tim Ellingham, RWE	It has not been demonstrated how 'netted' settlement periods would work with the respective Ancillary Contracts in respect of underperformance. How would Events of Default under STOR be treated or response time in Fast Start if the respective service is no longer being explicitly paid for?	No response indicated
Laurence Barrett, EON	No comment indicated	No comment indicated
Garth Graham, SSE	We note the comments set out on page 24 about the CLASS Project. We share the concerns expressed by Workgroup members that a discriminatory treatment may arise if MPANs associated with the CLASS Project were to be able to receive multiple (and, in the context of CMP275, not netted off each other) revenue streams for providing ancillary and / or balancing services to the SO.	No
Simon Lord, Engie	No	No
Colin Prestwich, Smartest Energy	No	No

Response from	Q3: Do you have any other comments?	Q4: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?
Ian Tanner, UKPR (Proposer)	We believe National Grid and Ofgem should look strongly at the lack of transparency surrounding Black Start and if this is required in the current timeframe and that if the legacy issues that precluded making such information available are still relevant. We would highlight for instance there have been several statements made by both National Grid and Ofgem separately where Black Start units have been listed but that are not acknowledged as Black Start sites and even during this modification process parties were not permitted to refer to them despite it now being public knowledge. We feel that it would be in the best interests of both other parties but also the end consumer to improve the lack of transparency in this case. This would serve to greatly improve the competition and value for money of the Black Start service, this would be especially important as the service evolves in the wake of the closure of the coal generating fleet and the need to attract alternative providers of Black Start. We would also query on the National Grid analysis conducted as part of this workgroup (analysis that due to concerns above cannot be shared with the workgroup) what assumptions have been made relating to Transmission generator claims that they would remove themselves from services completely due to partial loss of revenue. We believe that taking this at face value is not necessarily in the best interest of the industry or end consumer and that it does not reflect a realistic approach to the impact of this modification. We would also bring attention to the P354 BSC modification that proposes addressing a similar defect in a different sector of the industry. We believe that both CMP275 and P354 share a similar principled approach to addressing the unlevel playing field and that if the authority were minded to accept that modification that this one should naturally follow as part of that same attempt to address the inequality in treatment between different parties in the market.	n/a

Table 6: Workgroup Consultation responses – CMP275 specific questions 5 – 8

Response from	Q5: With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?
Matthew Hulks, Intergen	InterGen hopes that National Grid's SNaPS document will streamline not only the ancillary services procurement process but will identify inefficiencies, from a delivery and cost perspective, across all services. We support this potential defect being addressed in a more holistic manner through the SNaPS initiative. We look forward to responding to the SNaPS consultation in July.
Simon Reid, ScottishPower Energy Management Ltd	The changes to methods and products by which the Transmission System Operator will procure balancing services as GB adopts the EBGL should be recognised as a significant market change. Clearly framing the resulting GB specific changes may serve the goal of this modification better.
Joe Underwood, Drax Power	At this time we do not see this being an issue, but encourage the workgroup to discuss this in more detail.
Fruzsina Kemenes, Innogy	The WG report has not explained the implications of EU network code developments on the defect- therefore it is difficult for stakeholders to comment. If there are interactions this must be clearly set out by the SO in your next publication.
Paul Jones, Uniper	We do not believe there is a defect, so we do not believe that there is anything to address. Therefore, the possible interaction with other initiatives is not really a consideration. Nevertheless, there is a lot of work going on this area, such as National Grid's SNAPS consultation, which means that the future direction of balancing service procurement is uncertain.

Response from	Q5: With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?
Tim Ellingham, RWE	I consider this to be the least suitable time to implement such a change as the landscape for ancillary services under the European Network Codes and the UK interpretation is not clear. For example, how would utilisation under TERRE instructions be treated in respect of netting? With the current difficulty in incorporating the EU code into the UK ones it would be useful in National Grid could evaluate and share their view on the changes in advance of an industry consultation.
Laurence Barrett, EON	E .ON does not believe that this is the appropriate time to consider the proposed defect but would rather see the NG SNAPS review/reform, alongside the implementation of the European Network Codes/Guidelines, progressed.
Garth Graham, SSE	In light of the developments underway with the planned implementation of the European Network Codes / Guideline we have reservations that any solutions arising from CMP275 maybe nugatory.
Simon Lord, Engie	No
Colin Prestwich, Smartest Energy	We think it is worth holding off until we know whether we are abiding by the EU network codes or not post Brexit. However, the most useful thing that could come out of this process is some guidance from Ofgem in terms of their thinking because this will inform the fundamental question under the System Needs and Product Strategy single product versus standardisation.
Ian Tanner, UKPR (Proposer)	We agree that the prospect of further reforms to the impacted balancing services should be considered. However, as these reforms are a substantial period away from implementation and are not yet clear on what they execution will entail we are of the view that the CUSC objectives are not serviced by undue delay on the vague aspiration that future reforms will deal with the defect. In relation to timelines we would raise the similar circumstances surrounding CMP 264 & 265 where Ofgem was of the view that immediate action was necessary to address a believed defect with regards to embedded generation whereas a larger and more substantial Targeted Charging review of charging arrangements was yet to be finalised. We view this in a similar light and would suggest that swift action would be required to address the defect to protect the end consumer from undue costs as well as to prevent long term contracts being signed as part of the ongoing National Grid negotiations in this area.

Response from	Q5: With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?
	We also note that this modification is not necessarily mutually exclusive with any of the proposed changes and that the acceptance of this modification would not prevent the following changes to the various codes and Balancing Service guidelines taking place. In summary, we would highlight that the prospect of future reform should not be a barrier to immediate reform of an identified defect.

Response from	Q6: Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?
Matthew Hulks, Intergen	*If* the regulator deems there to be a distortion here that needs addressing it would seem that using the CUSC to address this seems appropriate. The first objective of the CUSC is that it "facilitates effective competition in the generation and supply of electricity". *If* tender prices for ancillary services are being unfairly discounted by revenue from similar services then this could inhibit effective competition when procuring these services.
Simon Reid, ScottishPower Energy Management Ltd	The scope of this modification may not be out of the scope of the CUSC. However the CUSC objectives may be better facilitated by the Transmission System Operator with Ofgem coherently modifying its Procurement Guidelines to close any potential defect envisaged by the Proposer. This could be running tenders for a combination of products where overlapping could occur or banning generators from tendering if there was a potential for cross subsidisation.
Joe Underwood, Drax Power	The CUSC governs the arrangements for procurement of mandatory services only. The procurement of all commercial services is governed under the C16 Procurement Guideline Statement, therefore this would have been the most efficient and appropriate place to raise any concerns surrounding the netting of ancillary service availability payments.

Response from	Q6: Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?
Fruzsina Kemenes, Innogy	We feel it is the SO's duty to act to prevent discriminatory procurement practices as soon as they become aware of an evident issue. The Working Group Report suggests that the CUSC is not the correct vehicle for correcting the specified defect. The CUSC only governs the arrangements for the procurement of Mandatory Services. Nonetheless we would like to note that it has been very helpful for stakeholders that the issue has been discussed transparently under Open Governance. The change process through the 'Procurement Guidelines Statement' is not particularly transparent or open for industry input. We are concerned that this Mod is ill timed given the wider work on reforming ancillary service procurement via SNAPs.
Paul Jones, Uniper	This area is arguably more relevant to the procurement guidelines than the CUSC.
Tim Ellingham, RWE	The 'proposed' defect I feel is currently more aligned with the procurement process than with the current CUSC as commercial ancillary services are not explicitly mentioned in it.
Laurence Barrett, EON	E.ON believes that the potential issue is not a defect with the CUSC itself but rather with the design and procurement of the ancillary services themselves. We therefore believe that this can be best resolved by advancing the NG SNAPS review/reform.
Garth Graham, SSE	We believe that there is merit in all changes to multilateral contractual matters, such as those covered by CMP275, being undertaken via the open and transparent process of the CUSC compared to the opaque arrangements which surround the C16 Procurement Guideline statements. Or, to put it another way, the natural home for these matter IS the CUSC and not the Procurement Guidelines.
Simon Lord, Engie	Yes
Colin Prestwich, Smartest	We can see that this is legitimate business under the CUSC and as far as possible we believe those services which are currently outside of the CUSC should be brought within it so that there can be proper scrutiny of NGT's activities.

Response from	Q6: Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?
Energy	
Ian Tanner, UKPR (Proposer)	We consider this an appropriate CUSC issue but would highlight the lack of ability for parties to raise modifications to the C16 procurements guideline. If National Grid and Ofgem were to consider future reform of this process this might open a new and more relevant forum for similar discussions in future scenarios.

Response from	Q7: Do you believe the potential additional complexity added to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?
Matthew Hulks, Intergen	Yes. A standardised, uniform and transparent process for tendering for ancillary and balancing services would likely encourage additional providers to participate and thus make the process more competitive and cost-effective. Once again, InterGen believes this aspect of service procurement is best addressed holistically under the remit of SNaPS.
Simon Reid, ScottishPower Energy Management Ltd	Yes. The proposer's solution does not appear to 'level the playing field'. The additional complexity added to the tender for balancing services may lead to less offers by market participants. The additional complexity to the comparison of the results and payments may not lead to greater transparency but indeed less transparency.
Joe Underwood, Drax Power	It is yet to be decided how Black Start contracts, which are priced in £/Settlement Period, will be converted as to be comparable with other services which may overlap, i.e. usually priced in £/MW/Hour. It was asked whether National Grid would be able to identify what portion of availability payments are linked to OCGT costs. However, this is not provided to National Grid and it would be inappropriate for providers to do so, particularly given the commercially sensitive nature of the information. In addition it would be difficult for a power station to be able to break down these costs as the criteria for a Black Start station does not relate to a station's MWs available as discussed in our answer to Question 1 above. It has also been suggested that this be done on a percentage of TEC basis however as mentioned above this would be inappropriate as the costs are not split equally between OCGTs and the rest of the station. Further, TEC is procured on a power station basis; therefore the question remains as to how the OCGT proportion would be defined. If this could be done, this is not reflective of the contribution which an OCGT brings to a power station's Black Start capability. These points also apply to a power station's main units and how netting occurs between Black Start and

	frequency response. Additional complexities would have to be considered due to the number of additional interactions. In addition to the current price drivers such as fuel cost, unit availability, etc., a power station's ancillary service pricing strategy would depend heavily on what services have already been procured by National Grid and the cost of those services. Further, pricing for FR would depend heavily on the output of the available unit as this determines the MWs used to calculate the Holding Payment.
Fruzsina Kemenes, Innogy	The argument on administrative costs is not convincing, however we foresee that when bidding mutually exclusively into separate markets, units are highly likely to have to submit higher bids than if they could access multiple revenue streams
Paul Jones, Uniper	Yes. As we mention in our response to question 1, it will either increase the complexity for no benefit or would result in higher costs of procurement.
Tim Ellingham, RWE	Additional complexity could certainly be barrier for new entrants who are not familiar with the existing process let alone the proposed. There is a chance that the proposed modification may introduce an element of risk on a new entrants' earning/return which may in turn lead to pricing in of the perceived risk. For existing users then there may be an evaluation of risk vs. reward for each Ancillary Service which may result in system security issues as the different services have a different role within securing the system. For example, if Fast Start is negated due to having a STOR contract then the crucial, and the not mentioned within the report, Low Frequency Relay start-up service will be unavailable to the SO, this could have serious impact during a frequency event.
Laurence Barrett, EON	E.ON agrees that the proposed solution could add complexity to the procurement process although believes the more likely outcome would be a reduction in tenders across the products as providers aim for just a single service given that this is all they would be paid for. It therefore appears likely that this would result in reduced competition and an increase in costs.
Garth Graham, SSE	Yes we do believe that the potential additional complexity added to the tendered ancillary and balancing services may reduce the breadth and depth of tender responses received by the SO from market participants. Not only would this adversely impact the number of services and / or the costs of these services procured

	by the SO but this may also adversely impact on competition and the security of the transmission network.
Simon Lord, Engie	Yes
Colin Prestwich, Smartest Energy	The document suggests that there will be greater complexity for National Grid as they assess bids. Second guessing participant behaviours should not be part of National Grid's assessment but it is certainly true that as a result of this change there would be behavioural impacts or even unintended consequences in the way in which behaviour is incentivised.
Ian Tanner, UKPR (Proposer)	We agree with the concern raised here but do not believe that this would raise an undue level of complexity to the process of tendering for contracts by either National Grid or to other parties to the extent that they would fail to tender or would be significantly impacted. We further propose that within the workgroup thoughts should be given to how the administrative burden and complexity of this solution should be minimised and streamlined.

Response from	**Q8: Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale**
Matthew Hulks, Intergen	The system operator must strike a balance between: (1) parties "double dipping" and taking advantage of payments for delivering duplicate services; 2) ensuring efficient use of assets such that: (a) costs to the consumer are kept as low as possible and (b) it avoids paying for too many assets that become under-utilised, which is not environmentally efficient
Simon Reid, ScottishPower Energy Management	No

Response from	Q8: Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale
Ltd	
Joe Underwood, Drax Power	All ancillary services appear to be named in Appendix 1 and Appendix 2.
Fruzsina Kemenes, Innogy	No
Paul Jones, Uniper	No
Tim Ellingham, RWE	No, I am happy with the service list, the only comment being that each time there is a AS change will there have to a mod to change the CUSC?
Laurence Barrett, EON	E.ON believes that it is more sensible to continue with the NG SNAPS review/reform rather than spend time assessing whether the current list of ancillary services is appropriate. Given that these products will be reformed, it does not appear beneficial to spend time assessing their individual merits and applicability to the modification.
Garth Graham, SSE	The Workgroup has identified a number of relevant ancillary and balancing services. However, the relevance of these going forward, in terms of CMP275, maybe overtaken by the recent publication of National Grid's recent 'SNAPS' document.
Simon Lord, Engie	We believe that all the named services are mutually exclusive with black start capability payment and there is no double payment defect. Although we believe it is being dealt with elsewhere, the non- BM spill energy defect where non-BM units can systematically receive spill payments in addition to utilisation payment for the same energy volume from their supplier is the only current example of double payment where the customer pays for the same product twice and this is being dealt with via P354.

Response from	Q8: Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale
Colin Prestwich, Smartest Energy	No comment
Ian Tanner, UKPR (Proposer)	n/a

8 Post Workgroup Consultation Discussions

The Workgroup following the review of the Workgroup Consultation responses reconvened to discuss the proposal further in light of Ofgem's Call for Evidence on Flexibility and the drafting of the associated legal text changes.

1. **Ofgem's Call for Evidence on Flexibility**
2. The Workgroup noted that a significant review is being undertaken by the Flexibility Programme. The Workgroup considered the information released by Ofgem for its call for evidence and noted that the direction of travel was leading to more revenue stacking/offering multiple products than revenue netting to facilitate a flexible system. The anticipation is that those parties offering Balancing Services should, through the prices offered, reflect the true costs and benefits of offering the asset and for most Workgroup Members CMP275 would be contrary to how the market is evolving. **How to define the legal text in respect of a site or BMU**

The Workgroup discussed the complexity of defining CMP275 in relation to the legal text changes required and how the legal text could encompass the Balancing Service that is site based (Black Start) vs those Balancing Services that are at BMU level.

3. **Would the implementation of the CMP275 solution potentially result in more complexity and additional costs**

The Workgroup noted that National Grid should make the economic and efficient decision when procuring services but a number of the Workgroup were concerned that should CMP275 be implemented may lead to additional complexity and costs.

Assessments process impact:

If as suggested by the proposal, National Grid were to include the netted off income as a component of the assessments (i.e.to assess the cost of a tender using the total income from all ancillary services instead of the bid price) this would increase the complexity of comparing providers bids. To ensure National Grid are managing the whole system in an efficient and economic manner, it may be necessary for us review whether a change to the assessment is required to include the total value of a provider offering more than one ancillary services.

Impact on Settlements process:

If this proposal is implemented, National Grid will not have to do a system change to accommodate it. However, a process change would be necessary which would need approximately 3 to 4 months' notice and have an approximate cost of £10k. *{Note that this doesn't take into account the costs associated with re-negotiation or re-procurement of services as highlighted in Section 6 point 5}.*

Confirmation of the legal application of CMP275

During the process, the Workgroup sought clarification on the legal application of CMP275 and what the impact would be on existing impacted contracts if CMP275 was implemented. A particular area of focus was around the relationship between the CUSC

and the Ancillary Services agreement. The legal position from National Grid on this was that the CUSC and Ancillary Services Agreement are two discrete and separate legal arrangements, If one agreement was to impinge on the other, there would be issues around contract privity. It would therefore not be possible to be bound in one contract by the provisions of another. Furthermore, within the ancillary services agreement that there is the provision that any CUSC changes that may impact an ancillary services agreement could be discussed, in terms of variation or termination. As a result, if CMP275 was to be implemented, previous contractual arrangements would remain in place.

4. Alternative Solutions

There were four alternate solutions raised in total. The Proposer of CMP275 raised three alternatives, whilst NGET raised a separate solution.

UKPR Alternate 1: Alternate 1 was identical to the original proposal except that the Schedule 5 netted ancillary services table would be modified to included frequency response services. The netting arrangements outlined in the original proposal would be carried forward with this alternate. Alternate 1 did not achieve majority support and was therefore not carried forward after voting. Section 9 of this report details the voting.

UKPR Alternate 2: Under this alternative solution Parties with Black Start contracts would be prohibited from tendering to offer reserve services. Under Alternate 2, netting arrangements outlined in the original proposal would not endure. Frequency products would be excluded from the scope of the prohibition. Alternate 2 did not achieve majority support and was therefore not carried forward after voting. Section 9 of this report details the voting.

UKPR Alternate 3: Under this alternative solution Parties with Fast Start contracts would be prohibited from tendering to offer reserve services. Under Alternate 3, the netting arrangements outlined in the original proposal would not endure. Frequency products would be excluded from the scope of the prohibition. Alternate 3 did not achieve majority support and was therefore not carried forward after voting. Section 9 of this report details the voting.

NGET Alternate 4: Under this alternative solution would apply netting to services provided under new Ancillary agreements only in tender rounds in respect of new agreements occurring after the netting dates (contract start date). Existing arrangements would continue until contracted end date, and this would only be applied to new agreements. Alternate 4 received majority support by the Workgroup and became WACM 1.

Please see appendix 5 for WACM detail and legal text.

9 Workgroup Vote

The Workgroup believe that the Terms of Reference have been fulfilled and CMP275 has been fully considered.

The Workgroup met on 26 March 2018 and agreed by majority to support one alternative to become Workgroup Alternative CUSC Modification 1 (WACM 1). At this meeting the Workgroup voted on whether the Original or WACM1 would better facilitate the Applicable CUSC Objectives than the baseline and what option was best overall. At the Workgroup meeting Alessandra De Zottis attended on behalf of the Proposer Ian Tanner and Garth Graham acted as the alternate for Workgroup Member Simon Lord.

The Workgroup voted against the Applicable CUSC Standard Objectives for the Original Proposal and one WACM. The Workgroup voted and nine of the ten Workgroup Members concluded that the baseline was the best option, with one Workgroup Member considering the original proposal as the best option

The voting record is detailed below.

Vote on alternative to WACMs

Vote 1 – WACM Approval

Member	UKPR Alternate 1(Support/Don't Support/Neutral Yes, No Abstain)	UKPR Alternate 2 (Support/Don't Support/Neutral Yes, No Abstain)	UKPR Alternate 3(Support/Don't Support/Neutral Yes, No Abstain)	NGET Alternate 4 (Support/Don't Support/Neutral Yes, No Abstain)
Ian Tanner (Alessandra De Zottis)	Y	Y	Y	Y (Baseline)
Urmi Mistry	N	N	N	Y (Original Only)
Bill Reid (Tim Ellingham)	N	N	Y (Original Only)	Y (Original Only)
Garth Graham	N	N	N	Y (Original Only)
Robert Longden	N	N	N	Y (Original Only)

Paul Jones	N	N	N	N
Simon Lord (Garth Graham)	N	N	N	Y (Original Only)
Laurence Barrett	Not in attendance at the meeting			
Simon Reid	N	N	N	Y (Original Only)
Lisa Walters	N	Y	Y	Y (Original Only)
Iestyn Jones	Not in attendance at the meeting			
Paul Youngman	N	N	N	N
TOTAL	1/10	2/10	3/10	8/10
Supported by Chairman (If Applicable)	N	N	N	N/A

Workgroup Vote

Vote 1: does the original or WACM facilitate the objectives better than the Baseline?

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Ian Tanner – UKPR (Alessandra DeZottis)					
Original	**Y**	**Yes**	**Neutral**	**Neutral**	**Yes**
WACM 1	**Yes**	**Yes**	**Neutral**	**Neutral**	**Yes**

Voting statement:

As Proposer, UKPR supports the original modification proposal because it would improve competition in the market as well as reduce the cost to the end consumer through the removal of its current payment for the same service multiple times.

UKPR does not overall support the WACM 1 proposed by NGET because, although better than the baseline, it does not fully capture the need to address the

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
benefit granted to some BM Units to access duplicate revenue streams thus enjoy a competitive advantage over other providers.					
Urmi Mistry – NGET					
Original	**Add in whether yes, no, neutral etc No**	**No**	**Neutral**	**Neutral**	**No**
WACM 1	**No**	**No**	**Neutral**	**Neutral**	**No**

Voting statement:

Against Applicable CUSC Objectives:

a) This modification impacts this objective negatively in National Grid's (NG) view this cause decisions taken by the System Operator to not be economic and efficient and so not in line with our licence obligations.

b) This modification impacts this objective negatively as National Grid feel it will have a detrimental and restrictive impact on competition. As this modification does not allow the stacking of services or the 'full' remuneration for supplying multiple services, this may cause units to pull out of certain ancillary service markets and to only those where they receive the most profit. Therefore, this could lead to NG being unable to procure our minimum system requirement for certain ancillary services and so leading to system security issues. These issues will lead to NG having to procure more expensive services and so increasing costs which will lead to an increase in cost to the consumer.

c) Neutral

d) Neutral

National Grid is committed to lowering barriers to new technologies and new business models in the provision of balancing services. We have been undertaking a wide-ranging programme to review and improve our suite of products and how we procure them. Our goals are to increase transparency, increase competition, reduce complexity and deliver greater value for the end consumer.

Our view is that where the provision of one product does not adversely impact the provision of another product then there are valid economic reasons for allowing the stacking of those products. We consider that Black Start is a station service, availability payment for which will include for items which are beyond just the backup generators, and therefore is not equivalent to STOR availability payments, which are unit based. Furthermore the black start service will only be used in a

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
situation where the normal commercial markets such as STOR have been suspended, and therefore they would not be used at the same time. We therefore do not support the modification as better facilitating the relevant CUSC Objectives.					
Tim Ellingham - RWE					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: The original proposal misunderstands the nature of the existing agreements. It vastly over estimates payments and fails to grasp the bilateral nature of ancillary agreements. The removal of some of these services, as an unintended consequence, will affect system stability and security.					
Garth Graham SSE					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: Original. This proposal does not better facilitate the Applicable Objectives, and in particular (b) in terms of competition. There are two primary grounds for this. Firstly, as it affects existing contracts that have been freely entered into by parties without any expectation of a fundamental change in their applicable terms and conditions (i.e. non-payment for the provision of a service, when they expected to be so paid for honouring their contractual obligations) this change would be detrimental to competition as the legitimate (contractual) expectation of parties would be fundamentally removed. Not only would this affect providers of these services listed in respect of CMP275 it would also, going forward, have a detrimental impact as parties providing these (CMP275) and other (non CMP275) services in general to National Grid would henceforth have to factor in a risk premium to reflect the real risk (if CMP275 were approved) that their contractual terms and, in particular, the non-payment for delivery could be implemented after they had signed up to the respective contract. Secondly, as noted during the final Workgroup meeting, the proposal would reduce the number of providers offering competitive prices for the provision of the various CMP275 services. This would reduce; rather than as suggested by the proposer of CMP275 increase; the level of competition in the market which, it would be expected, would lead to higher costs overall for end consumers.					

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
WACM1. Whilst better than the Original; in that it honours the legitimate (contractual) expectation of parties who have entered into existing contracts that those contracts will not be fundamentally changed ex post; nevertheless WACM1 is, overall detrimental in terms of facilitating the Applicable Objectives in that, for example, once implemented, it would reduce the number of providers offering competitive prices for the provision of the various CMP275 services (once contract renewals take place). This would reduce; rather than increase; the level of competition in the market which, it would be expected, would lead to higher costs overall for end consumers.					
Robert Longden – Cornwall Energy					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: Both the original proposal and the WACM would act to unnecessarily restrict competition, introduce inefficiencies and hamper flexibility in the procurement of ancillary services. All of these would ultimately lead to consumer detriment. The baseline should remain in force.					
Paul Jones - Uniper					
Original	**No**	**No**	**Neutral**	**No**	**No**
WACM1	**No**	**No**	**Neutral**	**No**	**No**
Voting statement: All modifications prevent National Grid from accessing the most efficient sources of ancillary services frustrating objective a). They also possibly prevent certain providers from reflecting their true costs to provide services when competing with other providers, which undermines competition and objective b). The solutions make the administration of ancillary services purchasing more complex which frustrates meeting objective d). The alternative may be less difficult to implement than the original, but it introduces discriminatory treatment between existing and new contracts which undermines competition so it is not better than the original.					
Simon Lord – Engie (Garth Graham voted as alternate)					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: N/A					
Laurence Barrett					

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Original	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**
WACM1	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**
Voting statement: Did Not Vote – Not in attendance at meeting.					
Simon Reid – Scottish Power					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**Neutral**	**Neutral**	**No**
Voting statement: The option that best meets the CUSC objectives is the baseline. Though the baseline line has some deficiencies many of these should be addressed by actions resulting from SNAPS and GB obligations under the European Network Code on Balancing. The alternatives considered by the workgroup did not facilitate greater efficiencies (a) nor more effective competition (b) leading to less market participants competing for services and greater costs to National Grid and ultimately the consumer.					
Lisa Waters - Waters Wye					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: I thought UKPR2 was simpler than the original proposal and therefore fulfilled objective b. I don't think it better fulfilled anything else. NG's alternate was better in fulfilling a and b, with a small impact on d, as the phasing would make it easier for both NG and the gencos to manage a transfer to a new ancillary services regime. However, I think it would be a far better solution to the competition issue to ensure that the smaller parties can compete directly with the larger parties to offer all ancillary services on a level playing field.					
Iestyn Jones – EDF					
Original	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**
WACM1	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**	**Did Not Vote**

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Voting statement: Did not vote – not in attendance at meeting.					
Paul Youngman - DRAX					
Original	**No**	**No**	**No**	**No**	**No**
WACM1	**No**	**No**	**No**	**No**	**No**
Voting statement: Neither the Original nor WACM1 better facilitated the relevant objectives when compared with the baseline arrangements. Both proposals would be detrimental to competition (ACO(b)) potentially reducing the available pool of participants available to provide services to the system operator. This would additionally impact ACO (a) reducing the ability of the License to efficiently discharge its obligations. With respect to this objective WACM 1 is marginally better than the original proposal, though both are inferior to the current arrangements. Finally both proposals may have an impact on security of supply and the ability of the ESO to meet current and future EU obligations.					

Vote 2: does the WACM facilitate the objectives better than the Original?

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Overall (Y/N)
Ian Tanner (Alessandra De Zottis)	Yes	No	Neutral	Neutral	Yes
Urmi Mistry	Neutral	Yes	Neutral	Neutral	Yes
Tim Ellingham	Neutral	Yes	Neutral	Neutral	Yes
Garth Graham	Neutral	Yes	Neutral	Neutral	Yes
Robert Longden	Yes	No	No	No	Yes
Paul Jones	Neutral	No	Neutral	Yes	No
Simon Lord (Garth Graham)	Neutral	Yes	Neutral	Neutral	Yes

Laurence Barrett	Not in Attendance	Not in Attendance	Not in Attendance	Not in Attendance	Not in Attendance
Simon Reid	Yes	No	Neutral	Neutral	Yes
Lisa Walters	Yes	Yes	Yes	Yes	Yes
Iestyn Jones	Not in Attendance	Not in Attendance	Not in Attendance	Not in Attendance	Not in Attendance
Paul Youngman	Yes	No	Neutral	Neutral	No

Vote 3: Which option is best?

Member	Vote (Baseline, Original or WACM 1)
Ian Tanner (Allessandra De Zottis)	Original
Urmi Mistry	Baseline
Tim Ellingham	Baseline
Garth Graham	Baseline
Robert Longden	Baseline
Paul Jones	Baseline
Simon Lord (Garth Graham Voted as alternate)	Baseline
Laurence Barrett	Not in attendance
Simon Reid	Baseline
Lisa Walters	Baseline
Iestyn Jones	Not in attendance
Paul Youngman	Baseline

10 Relevant Objectives

As noted in Section 1 the CMP275 Proposal was originally raised against the Applicable Charging Objectives; however in developing the proposal further the Workgroup recognised that changes would be made to Section 4 (Balancing Services) and Section 11 (Definitions). At its July 2017 meeting the CUSC Panel approved that the Terms of Reference be amended to reflect that CMP275 should be assessed against the Standard CUSC Objectives.

The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Positive
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and	Neutral
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral

It was the view of the Proposer that CMP275 would be positive for Objective a) as the CMP275 modification will as set out under objective B) seek to address a defect that impacts various elements of the Transmission licence objectives, the principle benefit will be to the removal of the defect that influences both the procurement of balancing services and the impact this has on market behaviour. Furthermore for Objective b) it was the view of the Proposer that for CMP275 this would be positive as it will address the benefit being enjoyed by some BM Units that are able to access duplicate revenue streams for the same asset and as such enjoy a competitive advantage over comparable assets that do not enjoy such an advantage. This will improve competition in the market as well as reducing the cost to the end consumer through the removal of its current payment for the same service multiple times thus improving competition overall.

11 CMP275 Transitional Arrangements

Point 6 in Section 6 details the discussions of the Workgroup on transitional arrangements. It was the view of the Workgroup that should the original CMP275 be implemented that National Grid would notify all parties that currently offered services captured under CMP275 and provide a deadline (e.g. 1 month) by which the party could withdraw and terminate its contract.

This modification was initially sought to be implemented as soon as practical under urgency due to its believed continuing impact on ongoing tender processes. However as a result of the workgroup progress the targeted implementation date would be to take effect with the 2019/20 charging year.

12 CMP275 Implementation

Proposer's initial view:

The view of the Proposer was that CMP275 would have minimal impact to computer systems as the modification would simply be one of contractual changes and then a relatively simple process of National Grid's settlement taking affected revenues into account on specified ancillary products. As National Grid is the source of all the impacted revenues this should not pose a problem outside of the SO.

13 Legal Text

The proposer was asked to make changes to the legal text. This was due to legal advice that the negotiation period of four weeks was not enforceable due to contract privity. The legal text changes are highlighted below.

Add the following definitions at CUSC Section 11

"Ancillary Services Provider"	the counterparty to an **Ancillary Services Agreement** with **The Company**;
"Availability Payments"	the payment of that name made by **The Company** to an **Ancillary Services Provider** in consideration of the **Ancillary Services Provider** being available for the provision of an **Ancillary Service**;
"Netted Ancillary Services"	those **Ancillary Services** set out/shown highlighted purple and yellow in the table set out at Schedule 5 to this Section 4 ;
"Netting Date"	the later of 1 April 2019 or the 1 April after which **CUSC Modification Proposal** 275 is approved by the **Authority**;

CUSC Section 4 changes

Edit Paragraph 4.4.1 as follows

4.4.1 Application

The provisions of this Paragraph 4.4 shall apply to payments made by **The Company** to a **User** pursuant to **Mandatory Services Agreements** in respect of the provision of the **Mandatory Ancillary Service** of **Frequency Response**, **The Company** will apply the principles at Paragraph 4.4.4 to **Availability Payments** made by **The Company** in respect of **Netted Ancillary Services** and (if agreed between **The Company** and a **User**) the

provisions of this Paragraph 4.4 may also be incorporated by reference into any other **Ancillary Services Agreement** as a term thereof so as to apply in respect of payments made by **The Company** to that **User** in respect of the provision of other **Ancillary Services** (but for the avoidance of doubt not so as to thereby create any obligations on **The Company** and that **User** under the **CUSC** in respect thereof).

4.4.4 Charging Principles – Netting of Availability Payments for Netted Ancillary Services

4.4.4.1 Where an **Ancillary Services Provider** has **Ancillary Services Agreements** which provide for the payment of **Availability Payments** for different **Netted Ancillary Services** during the same **Settlement Period**, the **Availability Payments** under those **Ancillary Services Agreements** will be netted as follows.

4.4.4.2 Where two (or more) **Netted Ancillary Services**, X and Y, are provided for the same **Settlement Period**, **Availability Payments** will only be paid in respect of that **Settlement Period** for the **Netted Ancillary Service** with the highest **Availability Payment** of the two (or more) **Netted Ancillary Services**. Therefore, where **Availability Payments** for **Ancillary Service** Y are higher for the same **Settlement Period** than those for **Ancillary Service** X, then the **Availability Payments** of service X will be netted off against service Y (Worked Example 1) and no **Availability Payments** will be made for service X.

Worked Example 1

Service X **Availability Payments** for **Settlement Period** A	£100,000
Service Y **Availability Payments** for **Settlement Period** A	£130,000
Total combined **Availability Payments** for both Service X and Service Y pre-netting	£230,000
Total combined **Availability Payments** for both Service X and Service Y payable for Service Y after netting is applied for **Settlement Period** A	£130,000 (The higher of the two relevant Availability Payments)

Worked Example 2

Service X **Availability Payments** for **Settlement Period** B	£130,000
Service Y **Availability Payments** for Settlement Period B	£0
Total combined **Availability**	

Payments for both Service X and Service Y pre-netting	£130,000
Total combined **Availability Payments** for both Service X and Service Y payable to Service X after netting is applied for **Settlement Period** B	£130,000 as the higher value of the two relevant Availability Payments.

Worked Example 3

For the avoidance of doubt, netting is only applied where an **Availability Payment** is paid for the same **Settlement Period**, where an **Ancillary Service Provider** provides two (or more) **Ancillary Services** in different **Settlement Periods**, the **Ancillary Services Provider** shall receive **Availability Payments** for each **Ancillary Service** provided.

Service X **Availability Payments** for **Settlement Period** A	£130,000
Service Y **Availability Payments** for **Settlement Period** B	£100,000
Total combined **Availability Payments** for both Service X and Service Y over different **Settlement Periods**	£230,000
Total combined Availability Payments for both Service X and Service Y payable to the **Ancillary Services Provider**	£230,000

4.4.4.3 For all **Ancillary Service Agreements** entered into after the **Authority** decision approving **CUSC Modification Proposal** 275, the principles of Paragraph 4.4.4 shall apply to **Availability Payments** from the **Netting Date.**

4.4.4.4 **The Company** will use reasonable endeavours to ensure that all **Ancillary Services Agreements** in place at the date of the **Authority** decision approving **CUSC Modification Proposal** 275 and which will still be effective at the **Netting Date** ("**Existing Ancillary Services Agreements**") are reviewed with the **Ancillary Services Providers** such that the above principles can be applied to such **Existing Ancillary**

Services Agreement for **Availability Payments** for **Ancillary Services** tendered from the **Netting Date**.

4.4.4.5 To achieve this, **where the terms of an Ancillary Services Agreement allow for the principles of CUSC Modification Proposal 275 to be raised and addressed bilaterally by the parties, The Company shall** within 4 weeks of an **Authority** decision approving **CUSC Modification Proposal** 275, seek to renegotiate the terms of the Existing Ancillary Services Agreements so that the above principles are applied to the **Existing Ancillary Services Agreement** for **Ancillary Services** provided from the **Netting Date**.

Appendix 1: Services with an existing mutually exclusive clause

Yellow	Already mutually exclusive
Purple	Not currently mutually exclusive
No fill ('white')	Service type out of scope of CMP275

Service Type	Service	Response Time	Response Duration	Minimum Capacity	Procurement Process	Payments	Exclusivity	Service Level
Mandatory Frequency Response	Primary Frequency Response	<10 secs	20 secs	Transmission Network dependant: NG ≥ 100MW SP ≥ 30MW SHET ≥ 10MW	On the Day Market	Capability £per MW response & Utilisation	All viewed as same as are classed as dynamic. Only exclusive with response and reserve services	Unit
	Secondary Frequency Response	<30 secs	30 minutes					Unit
	High Frequency Response	<10 secs	Indefinite					Unit
Commercial Frequency Response	Primary Firm Frequency Response	<10 secs	20 seconds	≥10MW	Tendered	Availability & Utilisation	Only exclusive with response and reserve services	Unit
	Secondary Firm Frequency	<30 seconds	30 minutes	≥10MW	Tendered	Availability & Utilisation	Only exclusive with response and reserve services	Unit

Service Type	Service	Response Time	Response Duration	Minimum Capacity	Procurement Process	Payments	Exclusivity	Service Level
	Response							
	High Firm Frequency Response	< 10 seconds	indefinite	≥10MW	Tendered	Availability & Utilisation	Only exclusive with response and reserve services	Unit
	FFR- Bridging	10 or 30 secs (depending on type of FFR offered)	30 secs – 30 minutes (Depending on type of FFR offered)	1-10MW	Bilateral Agreement	Availability	Only exclusive with response and reserve services	Unit
	Frequency Control Demand Management	2-10 secs	30 minutes	>3MW	Bilateral Agreement	Availability	Only exclusive with response and reserve services	Unit
	Enhanced Frequency Response	<1 second	15 minutes	1MW	Tendered	Availability	Only exclusive with response and reserve services	Unit
Reserve	Fast Reserve	Start in 2 mins, full output by 4 mins	15 mins	50MW	Tendered	Multiple Availability & Utilisation	Only exclusive with response and reserve services	Unit
	BM-STOR	Typically	2 hours	>3MW	Tendered	Availability &		Unit

Service Type	Service	Response Time	Response Duration	Minimum Capacity	Procurement Process	Payments	Exclusivity	Service Level
		20 mins, can be up to 240 mins.				Utilisation		
	Non-BM STOR	Typically 20 mins, can be up to 240 mins.	2 hours	>3MW	Tendered	Availability & Utilisation		Unit
	STOR-Runway	Typically, <15 mins, can be up to 240 mins	2 hours	3MW	Tendered	Availability & Utilisation	Only exclusive with response and reserve services	Unit
	BM- Start-up	89 mins	As agreed		Bilateral Agreement	Readiness	Not exclusive, but would not be instructed at the same time as any active or reactive power service	Unit
Reactive Power	Obligatory Reactive Power			~≥50MW	Generally, requirement of transmission connection agreement	Utilisation for mandatory	Can do both and isn't exclusive. Can do Active same time as reactive power.	Unit
	Enhanced Reactive			>Obligatory Reactive Power	Tendered	Multiple Availability &	Can do both and isn't exclusive. Can do Active same time as	Unit

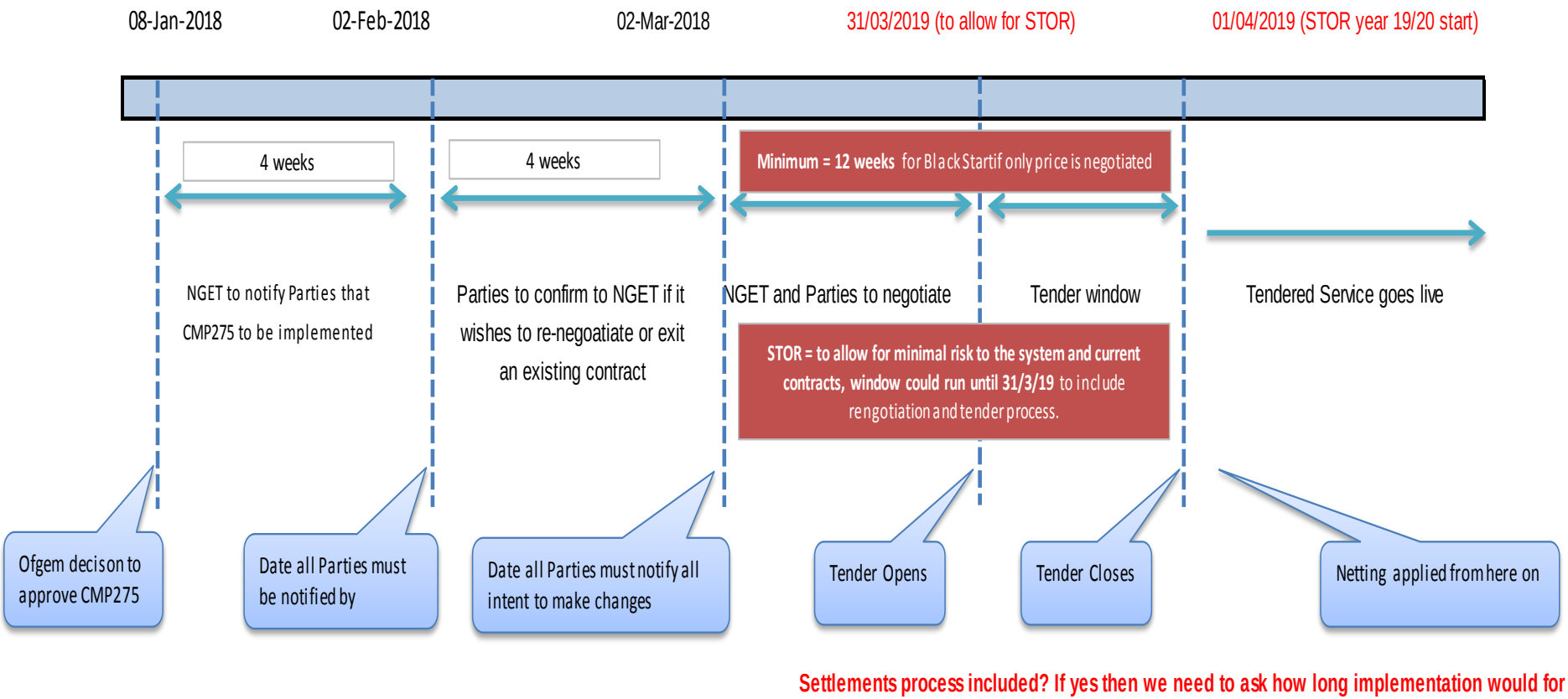
Service Type	Service	Response Time	Response Duration	Minimum Capacity	Procurement Process	Payments	Exclusivity	Service Level
	Power			Requirements		Utilisation	reactive power.	
Black Start		Energise part of the system in 2 hours			Bilateral Agreement	Availability	Not exclusive	Station
Demand Turn-Up				≥1MW	Bilateral Agreement	Availability & Utilisation	Only exclusive with response and reserve services	Unit
Intertrip		Soft-Hard deload (<1s)	Hours	Determined by National Grid	Bilateral Agreement	Capability Payment & Arming Fee & Activation Payment	Not exclusive	Station
Fast Start		7 minutes	variable	BM Party	Bilateral Agreement	Availability	Not exclusive	Unit
Fast Start		7 minutes	variable	BM Party	Bilateral Agreement	Utilisation	Not exclusive	Unit
Max Gen		BM Timescales	Variable	BM Party	Bilateral Agreement	Utilisation	Not exclusive	Unit
Low SEL / Footroom		BM Timescales	variable	BM Party	Bilateral Agreement	Utilisation	Not exclusive	Unit
Constraint Management		Variable	Variable	Determined by National Grid	Tender or Bilateral Agreement	Utilisation	Not exclusive	Unit

Appendix 2: CMP275 Impacted Service Tables

Yellow	Already mutually exclusive
Purple	Not currently mutually exclusive
No fill ('white')	Service type out of scope of CMP275

Utilisation		Availability	
Mandatory	Primary Frequency Response	Mandatory	Primary Frequency Response
Frequency Response	Secondary Frequency Response	Frequency Response	Secondary Frequency Response
	High Frequency Response		High Frequency Response
Commercial Frequency Response	Primary Firm Frequency Response	Commercial Frequency Response	Primary Firm Frequency Response
	Secondary Firm Frequency Response		Secondary Firm Frequency Response
	High Firm Frequency Response		High Firm Frequency Response
Reserve	Fast Reserve		FFR- Bridging
	BM-STOR		Frequency Control Demand Management
	Non-BM STOR		Enhanced Frequency Response
	STOR-Runway	Reserve	Fast Reserve
	BM- Start-up		BM-STOR
Reactive Power	Obligatory Reactive Power		Non-BM STOR
	Enhanced Reactive Power		STOR-Runway
Demand Turn-Up			BM- Start-up
Intertrip		Reactive Power	Obligatory Reactive Power
Fast Start			Enhanced Reactive Power
Fast Start		Black Start	
Max Gen		Demand Turn-Up	
Low SEL / Footroom		Intertrip	
Constraint Management		Fast Start	
		Fast Start	
		Max Gen	
		Low SEL / Footroom	
		Constraint Management	

Appendix 3: Example timeline for impacts on tendering



Settlements process included? If yes then we need to ask how long implementation would for them.

Appendix 4 – Affected services post work group discussion

1 Netted Ancillary Services Table - Original

This schedule highlights the services that are covered by **4.4.4 Charging Principle - Netting of Availability Payments for Netted Ancillary Services.**

Impacted Service Tables

Yellow	Lists the services that cannot be available at the same time as any other service (mutually exclusive)
Purple	Services that can be available at the same time as any other service (not currently mutually exclusive)

Utilisation		Availability	
Mandatory Frequency Response	Primary Frequency Response	Mandatory Frequency Response	Primary Frequency Response
	Secondary Frequency Response		Secondary Frequency Response
	High Frequency Response		High Frequency Response
Commercial Frequency Response	Primary Firm Frequency Response	Commercial Frequency Response	Primary Firm Frequency Response
	Secondary Firm Frequency Response		Secondary Firm Frequency Response
	High Firm Frequency Response		High Firm Frequency Response
Reserve	Fast Reserve		FFR- Bridging
	BM-STOR		Frequency Control Demand Management
	Non-BM STOR		Enhanced Frequency Response
	STOR-Runway	Reserve	Fast Reserve
	BM- Start-up		BM-STOR
Reactive Power	Obligatory Reactive Power		Non-BM STOR
	Enhanced Reactive Power		STOR-Runway
Demand Turn-Up			BM- Start-up
Intertrip		Reactive Power	Obligatory Reactive Power
Fast Start			Enhanced Reactive Power
Fast Start		Black Start	
Max Gen		Demand Turn-Up	
Low SEL / Footroom		Intertrip	
Constraint Management		Fast Start	
		Fast Start	
		Max Gen	
		Low SEL / Footroom	
		Constraint Management	

Netting will be applied in the following way to the above services:

		Service X		
		Purple	Yellow	No highlight
Service Y	Purple	Netting applied	Netting applied	No netting applied
	Yellow	Netting applied	Netting applied *	No netting applied
	No highlight	No netting applied	No netting applied	No netting applied

* Please note that currently, yellow services are already contractually prohibited from being provided together. However, if any of these services were able to be provided at the same time in the future, then netting will be applied to services that are yellow and yellow.

Appendix 5 – Legal Text and Affected Services Table – WACM 1

Add the following definitions at CUSC Section 11

"Ancillary Services Provider"	the counterparty to an **Ancillary Services Agreement** with **The Company**;
"Availability Payments"	the payment of that name made by **The Company** to an **Ancillary Services Provider** in consideration of the **Ancillary Services Provider** being available for the provision of an **Ancillary Service**;
"Netted Ancillary Services"	those **Ancillary Services** set out/shown highlighted purple and yellow in the table set out at Schedule 5 to this Section 4 ;
"Netting Date"	the later of 1 April 2019 or the 1 April after which **CUSC Modification**

	Proposal 275 is approved by the **Authority**;

CUSC Section 4 changes

Edit Paragraph 4.4.1 as follows

4.4.1 Application

The provisions of this Paragraph 4.4 shall apply to payments made by **The Company** to a **User** pursuant to **Mandatory Services Agreements** in respect of the provision of the **Mandatory Ancillary Service** of **Frequency Response**, **The Company** will apply the principles at Paragraph 4.4.4 to **Availability Payments** made by **The Company** in respect of **Netted Ancillary Services** and (if agreed between **The Company** and a **User**) the provisions of this Paragraph 4.4 may also be incorporated by reference into any other **Ancillary Services Agreement** as a term thereof so as to apply in respect of payments made by **The Company** to that **User** in respect of the provision of other **Ancillary Services** (but for the avoidance of doubt not so as to thereby create any obligations on **The Company** and that **User** under the **CUSC** in respect thereof).

Add to the end of Section 4 Paragraph 4.4 as new Paragraph 4.4.4

4.4.4 Charging Principles – Netting of Availability Payments for Netted Ancillary Services

4.4.4.1 Where **Netted Ancillary Services** are provided for under **Ancillary Service Agreements** entered into on or after the **Netting Date**, the **Availability Payments** under such **Ancillary Services Agreements** will be netted in accordance with this Paragraph 4.4.4.

4.4.4.2 Where two (or more) **Netted Ancillary Services**, X and Y, are provided for the same **Settlement Period**, **Availability Payments** will only be paid in respect of that **Settlement Period** for the **Netted Ancillary Service** with the highest **Availability Payment** of the two (or more) **Netted Ancillary Services**. Therefore, where the value of **Availability Payments** for **Ancillary Service** Y are higher for the same **Settlement Period** than those for **Ancillary Service** X, then the **Availability Payments** of **Ancillary Service** X will be netted off against those otherwise applicable

to **Ancillary Service** Y. An indicative example is provided below (Worked Example 1).

Worked Example 1

Service X **Availability Payments** for **Settlement Period** A	£100,000
Service Y **Availability Payments** for **Settlement Period** A	£130,000
Total combined **Availability Payments** for both Service X and Service Y pre-netting	£230,000
Total combined **Availability Payments** for both Service X and Service Y payable for Service Y after netting is applied for **Settlement Period** A	£130,000 (The higher of the two relevant Availability Payments)

Worked Example 2

Service X **Availability Payments** for **Settlement Period** B	£130,000
Service Y **Availability Payments** for Settlement Period B	£0
Total combined **Availability Payments** for both Service X and Service Y pre-netting	£130,000
Total combined **Availability Payments** for both Service X and Service Y payable to Service X after netting is applied for **Settlement Period** B	£130,000 as the higher value of the two relevant Availability Payments.

Worked Example 3

For the avoidance of doubt, netting is only applied where an **Availability Payment** is paid for the same **Settlement Period**, where an **Ancillary**

Service Provider provides two (or more) **Ancillary Services** in different **Settlement Periods**, the **Ancillary Services Provider** shall receive **Availability Payments** for each **Ancillary Service** provided.

Service X **Availability Payments** for **Settlement Period** A	£130,000
Service Y **Availability Payments** for **Settlement Period** B	£100,000
Total combined **Availability Payments** for both Service X and Service Y over different **Settlement Periods**	£230,000
Total combined Availability Payments for both Service X and Service Y payable to the **Ancillary Services Provider**	£230,000

Add the following schedule to Section 4 of the CUSC as follows

Schedule 5

Netted Ancillary Services

1 Netted Ancillary Services Table

This schedule highlights the services that are covered by **4.4.4 Charging Principle - Netting of Availability Payments for Netted Ancillary Services.**

Impacted Service Table

Yellow	Lists the services that cannot be available at the same time as any other service (mutually exclusive)
Purple	Services that can be available at the same time as any other service (not currently mutually exclusive)

Utilisation		**Availability**	
Mandatory	Primary Frequency Response	Mandatory	Primary Frequency Response
Frequency Response	Secondary Frequency Response	Frequency Response	Secondary Frequency Response
	High Frequency Response		High Frequency Response
Commercial Frequency Response	Primary Firm Frequency Response	Commercial Frequency Response	Primary Firm Frequency Response
	Secondary Firm Frequency Response		Secondary Firm Frequency Response
	High Firm Frequency Response		High Firm Frequency Response
Reserve	Fast Reserve		FFR- Bridging
	BM-STOR		Frequency Control Demand Management
	Non-BM STOR		Enhanced Frequency Response
	STOR-Runway	Reserve	Fast Reserve
	BM- Start-up		BM-STOR
Reactive Power	Obligatory Reactive Power		Non-BM STOR
	Enhanced Reactive Power		STOR-Runway
Demand Turn-Up			BM- Start-up

Intertrip	Reactive Power	Obligatory Reactive Power
Fast Start		Enhanced Reactive Power
Fast Start	Black Start	
Max Gen	Demand Turn-Up	
Low SEL / Footroom	Intertrip	
Constraint Management	Fast Start	
	Fast Start	
	Max Gen	
	Low SEL / Footroom	
	Constraint Management	

Netting will be applied in the following way to the above services:

		Service X		
		Purple	Yellow	No highlight
Service Y	Purple	Netting applied	Netting applied	No netting applied
	Yellow	Netting applied	Netting applied *	No netting applied
	No highlight	No netting applied	No netting applied	No netting applied

* Please note that currently, yellow services are already contractually prohibited from being provided together. However, if any of these services were able to be provided at the same time in the future, then netting will be applied to services that are yellow and yellow.

Annex 1 – Terms of Reference

nationalgrid

Workgroup Terms of Reference and Membership
TERMS OF REFERENCE FOR CMP275

CMP275 seeks that a principle of financial mutual exclusivity is introduced to prevent BM units from accessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset.

Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modifications Panel in the evaluation of CUSC Modification Proposal CMP275 tabled by **UK Power Reserve Ltd** at the Modifications Panel meeting on 27 January 2017.

2. The CMP275 Proposal was originally raised against the Applicable Charging Objectives; however in developing the proposal further the Workgroup recognised that changes would be made to Section 4 (Balancing Services) and Section 11 (Definitions). At its July 2017 meeting the CUSC Panel approved that the Terms of Reference be amended to reflect that CMP275 should be assessed against the Standard CUSC Objectives.

3. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives. These can be summarised as follows:

   Standard Objectives

   (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;

   (b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;

   (c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and

   (d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

4. 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

5. 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.

6. In addition to the overriding requirement of paragraph 4, the Workgroup shall consider and report on the following specific issues:

a) Clarify which revenue streams are excluded from a mutuality exclusive arrangement ensuring consideration includes the interaction between both the Balancing Mechanism (BM) and Balancing Services.
b) Demonstrate how this proposal will interact with the existing procurement of services ensuring that this did not lead to over procurement in the market.
c) Demonstrate how this modification does not discourage providers from tendering for services.
d) Define the assets affected by the proposal.
e) Demonstrate that they have considered the impact of wider strategic issues being pursued by the industry in their proposal.
f) Consider how this modification interacts with Ofgem's Flexibility Call for Evidence which is seeking ways to allow participants to access multiple revenue sources and EU Balancing Code
g) Clarify how the proposed changes to the CUSC would impact Distribution Networks.
h) Ensure individual power stations are not identified within the report.
i) Define the practical implementation of the solution, so that it is defined for all industry participants i.e. National Grid who will run tenders for the Balancing Services and parties who would like to tender for a Service.
j) Consideration of the future development of Balancing Services.

7. 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.

8. 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.

9. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.

10. 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.

11. 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.

12. 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.

13. The Workgroup is to submit its final report to the Modifications Panel Secretary on **22 June 2017** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **30 June 2017.**

Membership

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

Role	Name	Representing
Chairman	Ryan Place	Code Administrator
Technical Secretary	Caroline Wright	Code Administrator
National Grid Representative	Urmi Mistry	National Grid
National Grid Representative*	Adam Sims	National Grid
Industry Representatives	Ian Tanner	UKPR (Proposer)
Industry Representatives	Gareth Graham	SSE
Industry Representatives	Paul Jones	Uniper
Industry Representatives	Joe Underwood	Drax
Industry Representatives	Simon Lord	Engie
Industry Representatives	Robert Longden	Cornwall Energy
Industry Representatives	Lisa Waters	Waters Wye
Industry Representatives	Simon Reid	Scottish Power
Industry Representatives	Laurence Barrett	E.ON
Industry Representatives	Bill Reed	RWE
Industry Representatives	Iestyn Jones	EDF
Authority Representatives	Maryam Khan	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.

15. 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 CMP275 is that at least 5 Workgroup members must participate in a meeting for quorum to be met.

16. 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:

- Vote 1: whether each proposal better facilitates the Applicable CUSC Objectives;
- Vote 2: where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal*;*
- 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.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

17. 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.

18. 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.

19. 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.

20. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel.

Appendix 1 – Recommended Standard Workgroup Timetable

The following standard timetable is indicative for CMP275 as per the determination of the Authority.

18 January 2017	CUSC Modification Proposal and request for Urgency submitted
27 January 2017	CUSC Panel meeting to consider proposal and urgency request
27 January 2017	Panel's view on urgency submitted to Ofgem for consultation
27 January 2017	Request for Workgroup members (10 Working days) (responses by 10 February 2017)
3 February 2017	Ofgem's view on urgency provided (5 Working days)
w/c13 February 2017	Workgroup meeting 1
w/c 6 March 2017	Workgroup meeting 2
w/c 27 March 2017	Workgroup meeting 3
10 April 2017 7 June 17	Workgroup Consultation issued (15 days)
5 May 2017 28 June 17	Deadline for responses
17 July 17	Workgroup meeting 4 – discuss responses
9 August 17	Workgroup meeting 5 – discuss Ofgem's Call for Evidence results
w/c 4 September 2017	Workgroup meeting 6(agree WACMs and Vote)
21 September 2017	Workgroup report issued to CUSC Panel
29 September 2017	CUSC Panel meeting to approve WG Report

Post Workgroup modification process

2 October 2017	Code Administrator Consultation issued (15 Working days)
20 October 2017	Deadline for responses
27 October 2017	Draft FMR published for industry comment (5 Working Days)
3 November 2017	Deadline for comments
16 November 2017	Draft FMR circulated to Panel
24 November 2017	Panel meeting for Panel recommendation vote
27 November 2017	FMR circulated for Panel comment (3 Working day)
30 November 2017	Deadline for Panel comment
4 December 2017	Final report sent to Authority for decision
3 January 2018	Indicative Authority Decision due (25 working days)
10 January 2018	Implementation date

Annex 2: Ofgem's Urgency CMP275 decision letter

Making a positive difference
for energy consumers

Michael Toms
CUSC Panel Chair
c/o National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Direct dial: 0203 263 9959
Email: Maryam.Khan@ofgem.gov.uk

Date: 06 February 2017

Dear Mr Toms,

CMP275 *'Tranmission generator benefits in the provision of ancillary and balancing services'* – decision on urgency

On 18 January 2017, UK Power Reserve Ltd (the 'Proposer') raised a Connection and Use of System Code (CUSC) modification proposal CMP275. This proposal seeks to introduce a principle of financial exclusivity, under section 4.4 of the CUSC, to prevent Balancing Mechanism (BM) units from assessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset. The Proposer requested that CMP275 be treated as an Urgent CUSC Modification Proposal.

The CUSC Modifications Panel (the 'Panel') considered the Proposer's urgency request at its meeting on 27 January 2017. On 27 January 2017, the Panel wrote to inform us of its unanimous view that CMP275 should not be treated as urgent because the proposal did not relate to an imminent issue, would require careful consideration and was potentially more complex than envisaged by the Proposer.

We considered both the Panel's and the Proposer's arguments. On balance, we have decided that CMP275 **should not be progressed on an urgent basis**. We have set out our reasoning below.

The proposal

The Proposer argued that the current charging arrangements allow BM units to use multiple sources of duplicate and overlapping revenue from ancillary services on the same asset to cross-subsidise their tender strategies and undercut other BM and non BM units. The Proposer thinks that this leads to inefficient procurement of ancillary services, distortion in the market and added expense to the end consumer. CMP275 would introduce a netting process to prevent duplicate revenue being paid to providers. National Grid would introduce this as a component of future tender rounds on all eligible ancillary services.

The Proposer considers that CMP275 should be treated as an urgent modification because the current arrangements grant certain BM units with a competitive advantage in Short Term Operating Reserve (STOR) tender rounds, which will take place in May and August this year. It argues that, as a result, if the defect is not urgently addressed, it

would have a significant commercial impact upon National Grid, Industry parties and customers.[1]

Panel discussion

The Panel considered the request for urgency by reference to Ofgem's Guidance on Code Modification Urgency Criteria.[2] The Panel's unanimous view is that CMP275 did not meet these criteria and should not be treated as an Urgent CUSC Modification Proposal.

The Panel concluded that the proposal refers to cyclical processes relating to revenue and charges which could in itself relate to all charging modifications and could not be considered a truly imminent issue. The Panel also agreed that CMP275 requires careful consideration by a Workgroup and is potentially more complex than envisaged by the Proposer. The Panel considered that full assessment of the proposal is therefore not achievable within urgent timescales.

Our views

We have considered the proposal, the Panel's views and the Proposer's arguments for urgency.

We have assessed the request against the urgency criteria set out in our published guidance, in particular, whether the proposal is linked to an imminent issue or a current issue that, if not urgently addressed, may cause:

a. a significant commercial impact on parties, consumers or other stakeholder(s); or
b. a significant impact on the safety and security of the electricity and/or gas system.

The Panel's letter contained an urgent indicative timeline for progressing CMP275 which was not recommended. This suggested that the earliest implementation date for any changes would be July 2017, which would occur after the May STOR tender round the Proposer used as an imminent event to require urgency. We agree with the Panel's concerns on the complexity of the proposal and the careful consideration needed and have decided that CMP275 should not be granted urgent status.

We would emphasise that, as for all proposals, we expect a sufficient level of analysis and stakeholder engagement to be undertaken in order to demonstrate whether or not CMP275 better facilitates the Relevant Objectives and is consistent with our principal objective and statutory duties.

Next steps

The Panel's letter contained a non-urgent indicative timetable for progressing CMP275. We agree with the timelines proposed as this should allow sufficient industry consultation and analysis to inform our decision.

Yours sincerely,

Mark Copley
Associate Partner, Energy Systems
Duly authorised on behalf of the Authority

[1] The Proposer's reasoning is set out in the CMP275 Proposal form at http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP275/
[2] https://www.ofgem.gov.uk/system/files/docs/2016/02/urgency_criteria.pdf

Annex 3: Workgroup Consultation Responses

CMP275: Workgroup Consultation Responses

No	Response	Page Ref
1	Intergen	2 – 5
2	Scottish Power	6 – 9
3	DRAX	10 - 15
4	Innogy	16 – 21
5	Uniper	22 - 26
6	RWE	27 – 30
7	EON	31 – 34
8	SSE	35 – 38
9	Engie	39 – 42
10	Smartest	43 – 46
11	UKPR	47 - 51

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Matthew Hulks / MHulks@intergen.com*
Company Name:	*InterGen*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	If indeed there is overlap in availability and utilisation fees which are subsequently subsidising the tender prices of BM units for other balancing services then addressing this distortion would better facilitate part (a) of the CUSC objectives.
2	**Do you support the proposed implementation approach?**	If an asset is capable of providing more than one service there is no reason why contracts cannot be given to one unit for more than one type of service. This will incentivise the right kind of equipment and ensure rational investor behaviour and low costs to the consumer. However, InterGen agrees that it does make sense that certain combinations of services should not be possible when simultaneous delivery is not possible. However, on Black Start specifically, we believe it should be possible to combine this service with any other service because by definition Black Start will only be used when nothing else is happening on the system.
3	**Do you have any other comments?**	N/A
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*N/A*

Specific questions for CMP275

Q	Question	Response

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	InterGen hopes that National Grid's SNaPS document will streamline not only the ancillary services procurement process but will identify inefficiencies, from a delivery and cost perspective, across all services. We support this potential defect being addressed in a more holistic manner through the SNaPS initiative. We look forward to responding to the SNaPS consultation in July.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	*If* the regulator deems there to be a distortion here that needs addressing it would seem that using the CUSC to address this seems appropriate. The first objective of the CUSC is that it "facilitates effective competition in the generation and supply of electricity". *If* tender prices for ancillary services are being unfairly discounted by revenue from similar services then this could inhibit effective competition when procuring these services.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Yes. A standardised, uniform and transparent process for tendering for ancillary and balancing services would likely encourage additional providers to participate and thus make the process more competitive and cost-effective. Once again, InterGen believes this aspect of service procurement is best addressed holistically under the remit of SNaPS.

Q	Question	Response
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	The system operator must strike a balance between: (1) parties "double dipping" and taking advantage of payments for delivering duplicate services; 2) ensuring efficient use of assets such that: (a) costs to the consumer are kept as low as possible and (b) it avoids paying for too many assets that become under-utilised, which is not environmentally efficient

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Simon Reid* *01416142935; 07702664236*
Company Name:	*ScottishPower Energy Management Ltd*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	The CMP275 Original proposal does not appear to prove its case that it would better facilitate compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and facilitates competition in the sale, distribution and purchase of electricity than the existing arrangements. There appears no positive consistent or robust argument in favour of this change as set out by the Proposer's solution.
2	**Do you support the proposed implementation approach?**	Not convinced that the implementation of the Proposer's solution is without change to the Transmission System Operator's procurement computer systems and therefore there is insufficient detail of: the costs of implementing the solution ,

Q	Question	Response
3	**Do you have any other comments?**	The ideology of the default is laudable but whether it actually materially exists appears to be questionable.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No* *If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com*

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	The changes to methods and products by which the Transmission System Operator will procure balancing services as GB adopts the EBGL should be recognised as a significant market change. Clearly framing the resulting GB specific changes may serve the goal of this modification better.

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Q	Question	Response
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	The scope of this modification may not be out of the scope of the CUSC. However the CUSC objectives may be better facilitated by the Transmission System Operator with Ofgem coherently modifying its Procurement Guidelines to close any potential defect envisaged by the Proposer. This could be running tenders for a combination of products where overlapping could occur or banning generators from tendering if there was a potential for cross subsidisation.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Yes. The proposer's solution does not appear to 'level the playing field'. The additional complexity added to the tender for balancing services may lead to less offers by market participants. The additional complexity to the comparison of the results and payments may not lead to greater transparency but indeed less transparency.
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	No

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Joe Underwood – Joseph.Underwood@drax.com*
Company Name:	*Drax Power Limited*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	We believe that CMP275 will be detrimental to Applicable CUSC Objectives for charging (a) and (b). Please see the answers to the consultation questions below for further detail.

Standard Workgroup consultation questions

Q	Question	Response

1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	No. We believe that the netting of ancillary service availability revenues will be detrimental to Applicable CUSC Objectives (ACOs) for charging (a) and (b). The CMP275 Proposer claims a number of ancillary service availability payments overlap in scope and therefore some generators can acquire multiple sources of duplicate revenue from the same unit, in particular from Black Start and STOR services. However, different ancillary services represent different costs, risks and value which need to be factored into ancillary service availability prices – they are different services. For example, Black Start is a power station service and paid on a £/Settlement Period basis. It is not contracted based on MWs. As identified by the Workgroup, the criteria for a Black Start station relate to a station's: • Technical ability • Proximity to the MITS • Adequate on-site fuel reserves • Geographical location • Station operator's training, knowledge and expertise STOR on the other hand is contracted purely on reserve. The costs relating to STOR availability payments only relate to the output of a single unit and is paid on a £/MW/hour basis. To net the availability payments of these services would be wholly inappropriate as they are different services. One is to restore a dark (or partial) system whereas the other is to maintain the system within operational limits. In addition, the netting of Black Start availability and Frequency Response (FR) holding payments causes concern. The holding payment is compensation for the capability to provide response to maintain system frequency within operational limits. This is different to the Black Start availability payments as described above. If, for example, Black Start provides a greater revenue stream than FR, generators will be unwilling to risk the unit in FR for just a utilisation payment which is based on the Market Index Price (MIP). This will not necessarily reflect the provider's cost of production or indeed the value of the service. Due to the competitive nature of ancillary service tender processes, generators that provide multiple services have the opportunity to bundle services at a discount which would not be the case if all services were procured in isolation. Netting availability payments as suggested by CMP275 will prevent these economically viable plant from providing necessary ancillary services at a competitive price. This will remove a major incentive for flexible generation that can provide multiple ancillary services to connect to the system. This is a particular concern given the need for flexibility on the system due to the closure of many conventional plant and the rise in intermittent generation. CMP275 will reduce liquidity and

Q	Question	Response
		competitiveness in all but the most valuable ancillary service tenders thereby raising cost to consumers. Material change provisions in Black Start contracts allow service providers to pull out of existing Black Start contracts. This may be attractive if the value for alternative services increases e.g. STOR. This would create greater risk for National Grid's Black Start procurement strategy as providers may be incentivised to flip between markets at short notice.
2	**Do you support the proposed implementation approach?**	We consider April 2019 to be a suitable date. A sufficient implementation time scale is necessary in order to allow for contract renegotiations and the procurement of additional services should negotiations fail. We agree that, if approved, CMP275 would only be applied to future contracts.
3	**Do you have any other comments?**	Not at this time.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	Not at this time.

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	At this time we do not see this being an issue, but encourage the workgroup to discuss this in more detail.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	The CUSC governs the arrangements for procurement of mandatory services only. The procurement of all commercial services is governed under the C16 Procurement Guideline Statement, therefore this would have been the most efficient and appropriate place to raise any concerns surrounding the netting of ancillary service availability payments.

Q	Question	Response
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	It is yet to be decided how Black Start contracts, which are priced in £/Settlement Period, will be converted as to be comparable with other services which may overlap, i.e. usually priced in £/MW/Hour. It was asked whether National Grid would be able to identify what portion of availability payments are linked to OCGT costs. However, this is not provided to National Grid and it would be inappropriate for providers to do so, particularly given the commercially sensitive nature of the information. In addition it would be difficult for a power station to be able to break down these costs as the criteria for a Black Start station does not relate to a station's MWs available as discussed in our answer to Question 1 above. It has also been suggested that this be done on a percentage of TEC basis however as mentioned above this would be inappropriate as the costs are not split equally between OCGTs and the rest of the station. Further, TEC is procured on a power station basis, therefore the question remains as to how the OCGT proportion would be defined. If this could be done, this is not reflective of the contribution which an OCGT brings to a power station's Black Start capability. These points also apply to a power station's main units and how netting occurs between Black Start and frequency response. Additional complexities would have to be considered due to the number of additional interactions. In addition to the current price drivers such as fuel cost, unit availability, etc., a power station's ancillary service pricing strategy would depend heavily on what services have already been procured by National Grid and the cost of those services. Further, pricing for FR would depend heavily on the output of the available unit as this determines the MWs used to calculate the Holding Payment.
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	All ancillary services appear to be named in Appendix 1 and Appendix 2.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Fruzsina Kemenes,* *fruzsina.kemenes@innogy.com*
Company Name:	*innogy*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	No, because we are not convinced that the defect is valid. On initial reading the defect as described in the WG Working Group Report for STOR and Black Start suggests this could be an issue of concern and should be targeted by the SO with an appropriate solution. It suggests double payments are received by certain units for providing overlapping services and that there is a distortion to competition (in particular that the STOR market is distorted by units that serve as both Black Start and STOR Units). However, the WG report has not interrogated whether the 'availability provision' by units is a truly an 'overlapping service' in the technical sense. We ask the WG to answer the following questions before proceeding with the development of proposals: - Can the unit be available for either service during the identified 'overlap windows'? If the answer is yes then these are two separate services and there is justification for two sets of availability payments. (Looking at the example focussed on, our understanding is that: a unit could still be available for Black Start in a system emergency even if it is providing STOR – also it would or indeed could never be called for STOR during a time that Black Start is needed. In a Black start situation there would be no grid to synchronise to in order to provide STOR. Therefore, availability is not mutually exclusive). - Are the technical requirements for being 'available' for one service the same? If there are distinct processes involved in being available for one service compared to another then – then there appears to be a justification for two sets of availability payments. The issues raised by the proposer suggest to us that there is a fundamental issue in any case with the lack of transparency around the current procurement of different ancillary services. This should definitely be addressed outside of this Mod.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	No. As explained under Q 1, we are not convinced of the defect being valid. If the defect is deemed valid by Ofgem we request the following implementation pathway: The procurement of ancillary services should be reformed with wider stakeholder engagement through SNAPs. In the next publication we ask the SO to explain how the SNAPs proposals help ensure that no 'double payments' are received by service providers. What improvements are being proposed for Black Start and STOR under SNAPs? If a change is necessary, we agree with the proposer that the solution needs to be applied to both BMUs and non-BMUs as in the future non-BMUs are also likely to be able to offer these services.
3	**Do you have any other comments?**	We disagree with the proposers broad brush application of the proposal. We might agree with the principle that providers should not receive double availability payments for truly overlapping services. However, the scope of any change should be limited to unjustified service payments that are proven to overlap. Each service/potential overlap should be examined properly on its own merit to ensure that there are no overlapping services and related overpayments. Where there is a clear issue, remedying this is important. The SO should proactively review its services especially as it is conducting reforms to procurement via 'SNAPs'. Indeed the SO should be apply this principle from the onset when designing any new services. Such proactive action from the SO is especially important as we move to having DSO and SO procured ancillary services.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No.* *If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com*

Specific questions for CMP275

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	The WG report has not explained the implications of EU network code developments on the defect- therefore it is difficult for stakeholders to comment. If there are interactions this must be clearly set out by the SO in your next publication.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	We feel it is the SO's duty to act to prevent discriminatory procurement practices as soon as they become aware of an evident issue. The Working Group Report suggests that the CUSC is not the correct vehicle for correcting the specified defect. The CUSC only governs the arrangements for the procurement of Mandatory Services. Nonetheless we would like to note that it has been very helpful for stakeholders that the issue has been discussed transparently under Open Governance. The change process through the 'Procurement Guidelines Statement' is not particularly transparent or open for industry input. We are concerned that this Mod is ill timed given the wider work on reforming ancillary service procurement via SNAPs.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	The argument on administrative costs is not convincing, however we foresee that when bidding mutually exclusively into separate markets, units are highly likely to have to submit higher bids than if they could access multiple revenue streams.

Q	Question	Response
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	No.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Paul Jones paul.jones@uniper.energy*
Company Name:	*Uniper UK Ltd*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity

	Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	No. We believe that this modification will either have no effect to the cost of balancing services but will add complexity to how they are procured, or will lead to an increase in costs as outlined in the consultation document. Our assumption is that the former of the two outcomes is more likely as National Grid will presumably be required to take account of any potential netting when assessing whether to accept a bid from a specific provider, in order to demonstrate that it has procured services in the most efficient manner. This should result in the same outcome as the present system. For instance, a numerical example is given in the consultation document of a station receiving £130k of availability payments for STOR and £100k of payments for Black Start. Under CMP275 the total cost of availability payments for these two services would be £130k. Depending on which service was tendered first this would essentially mean that the STOR is being procured for £30k or the Black Start for free. Assuming the Black Start contract was procured first, If the nearest priced competitor for STOR was £31k the netted provider with the Black Start contract of £100k would be the cheaper option by tendering at £130k, as this would be cheaper across both services once netting had taken place. This is no different than the outcome under the present arrangements if the same provider were to tender £100k for Black Start and £30k for STOR with no netting taking place. Therefore, if National Grid does the obvious thing and takes account of netting in its assessment then there should be no change in outcome. However, its assessment will arguably be more complex. However, if National Grid was prevented from considering the net effect, then in the above example another STOR provider could bid up to £129k before the provider with a black start contract was able to compete. This would mean that the cost across both services would be £229k rather than the alternative cost of £130k which the black start contracted party was willing to receive.
2	**Do you support the proposed implementation approach?**	No. The modification should not be implemented.
3	**Do you have any other comments?**	No thank you.

Q	Question	Response
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No thank you.

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	We do not believe there is a defect, so we do not believe that there is anything to address. Therefore, the possible interaction with other initiatives is not really a consideration. Nevertheless, there is a lot of work going on this area, such as National Grid's SNAPS consultation, which means that the future direction of balancing service procurement is uncertain.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	This area is arguably more relevant to the procurement guidelines than the CUSC.

Q	Question	Response
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Yes. As we mention in our response to question 1, it will either increase the complexity for no benefit or would result in higher costs of procurement.
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	No.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Tim Ellingham*
Company Name:	*RWE*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity

	Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	It is not immediately clear how the CUSC interacts with Commercial Ancillary Services in its current form. Many changes would need to be made to accommodate the proposed modification which may, as has already been noted by the working group, be better facilitated in the Procurement Guidelines.
2	**Do you support the proposed implementation approach?**	It is unclear how existing contracts without a material change clause will be treated when a new, qualifying, Commercial Ancillary Service contract is awarded from a hierarchical perspective, related to my comment on question 3.
3	**Do you have any other comments?**	It has not been demonstrated how 'netted' settlement periods would work with the respective Ancillary Contracts in respect of underperformance. How would Events of Default under STOR be treated or response time in Fast Start if the respective service is no longer being explicitly paid for?
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com*

Specific questions for CMP275

Q	Question	Response

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	I consider this to be the least suitable time to implement such a change as the landscape for ancillary services under the European Network Codes and the UK interpretation is not clear. For example, how would utilisation under TERRE instructions be treated in respect of netting? With the current difficulty in incorporating the EU code into the UK ones it would be useful in National Grid could evaluate and share their view on the changes in advance of an industry consultation.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	The 'proposed' defect I feel is currently more aligned with the procurement process than with the current CUSC as commercial ancillary services are not explicitly mentioned in it.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Additional complexity could certainly be barrier for new entrants who are not familiar with the existing process let alone the proposed. There is a chance that the proposed modification may introduce an element of risk on a new entrants' earning/return which may in turn lead to pricing in of the perceived risk. For existing users then there may be an evaluation of risk vs. reward for each Ancillary Service which may result in system security issues as the different services have a different role within securing the system. For example, if Fast Start is negated due to having a STOR contract then the crucial, and the not mentioned within the report, Low Frequency Relay start-up service will be unavailable to the SO, this could have serious impact during a frequency event.

Q	Question	Response
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	No, I am happy with the service list, the only comment being that each time there is a AS change will there have to a mod to change the CUSC?

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Laurence Barrett* *Laurence.Barrett@eon-uk.com*
Company Name:	*E.ON*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	E.ON does not believe that this modification better facilitates the applicable CUSC objectives. E.ON believes it is right that providers of ancillary services are paid fully for each ancillary service they provide. It is also appropriate for providers to be able to take account of these potential multiple revenues streams when determining the price at which they wish to offer their services. This demonstrates competitive behaviour and accurately reflects the costs they seek to recover for their services. To remove this ability would reduce the efficiency of provision of ancillary services, thereby raising costs, which ultimately customers would have to bear. E.ON therefore believes the Original proposal is worse than the baseline against Objective (a) and (b). In addition, E.ON believes that this creates inefficiency and unnecessary implementation costs and so is negative against Objective (e). E.ON does recognise that there could be a defect whereby parties are being paid twice for providing effectively the same service. However, E.ON believes this is more an issue with the ancillary services market itself and the overlap between the products procured by National Grid (NG). This has been recognised by NG who are currently consulting on their System Needs and Product Strategy (SNAPS) in order to review and reform these products. E.ON believes that it is more appropriate for this process to run its course, as clearly defined products would either introduce a degree of exclusivity due to their nature (as we already have with some ancillary services e.g. frequency response and reserve services) or would otherwise create clearly distinct products for which it is right to be paid for each.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	As per our response to Q1, E.ON believes that this modification should not be implemented but rather the NG SNAPS review/reform should continue to be progressed. Should a defect still be present after this process, then the modification can be re-assessed at this time.
3	**Do you have any other comments?**	
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's website[1], and return to the CUSC inbox at cusc.team@nationalgrid.com*

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	E.ON does not believe that this is the appropriate time to consider the proposed defect but would rather see the NG SNAPS review/reform, alongside the implementation of the European Network Codes/Guidelines, progressed.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	E.ON believes that the potential issue is not a defect with the CUSC itself but rather with the design and procurement of the ancillary services themselves. We therefore believe that this can be best resolved by advancing the NG SNAPS review/reform.

[1] http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/forms_guidance/

Q	Question	Response
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	E.ON agrees that the proposed solution could add complexity to the procurement process although believes the more likely outcome would be a reduction in tenders across the products as providers aim for just a single service given that this is all they would be paid for. It therefore appears likely that this would result in reduced competition and an increase in costs.
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	E.ON believes that it is more sensible to continue with the NG SNAPS review/reform rather than spend time assessing whether the current list of ancillary services is appropriate. Given that these products will be reformed, it does not appear beneficial to spend time assessing their individual merits and applicability to the modification.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Garth Graham*
Company Name:	*SSE*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity

	Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	We do not, at this time, believe that CMP275 does better facilitate the Applicable CUSC Objectives.
2	**Do you support the proposed implementation approach?**	In light of the Tendering timeline discussions set out on pages 22-23 we are not certain that an implementation date has been proposed (although a hypothetical date of January 2018 is noted - but not proposed).
3	**Do you have any other comments?**	We note the comments set out on page 24 about the CLASS Project. We share the concerns expressed by Workgroup members that a discriminatory treatment may arise if MPANs associated with the CLASS Project were to be able to receive multiple (and, in the context of CMP275, not netted off each other) revenue streams for providing ancillary and / or balancing services to the SO.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No*

Specific questions for CMP275

Q	Question	Response

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	In light of the developments underway with the planned implementation of the European Network Codes / Guideline we have reservations that any solutions arising from CMP275 maybe nugatory.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	We believe that there is merit in all changes to multilateral contractual matters, such as those covered by CMP275, being undertaken via the open and transparent process of the CUSC compared to the opaque arrangements which surround the C16 Procurement Guideline statements. Or, to put it another way, the natural home for these matter IS the CUSC and not the Procurement Guidelines.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Yes we do believe that the potential additional complexity added to the tendered ancillary and balancing services may reduce the breadth and depth of tender responses received by the SO from market participants. Not only would this adversely impact the number of services and / or the costs of these services procured by the SO but this may also adversely impact on competition and the security of the transmission network.

Q	Question	Response
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	The Workgroup has identified a number of relevant ancillary and balancing services. However, the relevance of these going forward, in terms of CMP275, maybe overtaken by the recent publication of National Grid's recent 'SNAPS' document.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Simon Lord (Simon.lord@engie.com)*
Company Name:	*Engie*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	No, the modification has a number of issue:- • The proposal fails to recognise the nature of the Black Start service being a station rather than a BM unit services that has significantly different technical requirements compared to the STOR services. The payment for black start capability relates to the design and operation power station which includes many items of equipment only one of which is the Gas Turbine (GT). The Gas Turbine requirement for black start is to start up independent of any external supplies and run at a relatively low load for extend periods of time but with the ability to start high power electrical loads and then run at light duty. The STOR service is different in both its technical and physical requirement requiring higher loads for shorter periods. • A provider can provide both STOR and black start capability at the same time. It is acceptable for provider to receive two payments. As they are different services. • The recent Black Start "warming" contracts to facilitate the availability of the black start service have been confused by the proposer with the capability payments relating to the provision of the service. These Black start warming payment we beive were inappropriate tagged as Black Start as they relate to availability of the service rather than the capability of the service. The warming of black start units happens on the system during the summer months/low demand condition and these are not classes as Black Start contacts. If the defect is accepted (which we do not) then any instructing relating the warming of black start units to ensure the capability of the service would need to be included in this proposal. • The current licence obligation on the SO to procure services in an economic an efficient way is implemented by the SO via its procurements guide lines such that when one services precludes the operation of another only one payant is made. • The CUSC is not an appropriate code to place obligation on the SO relating to the procurement of balancing services. The Licence C16 and procurement guideline is the appropriate place and these already contain obligation on the SO to procure in an economic and efficient manner.

Q	Question	Response
2	**Do you support the proposed implementation approach?**	No
3	**Do you have any other comments?**	No
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	*No*

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	No.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	Yes

Q	Question	Response
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	Yes
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	We believe that all the named services are mutually exclusive with black start capability payment and there is no double payment defect. Although we believe it is being dealt with elsewhere, the non-BM spill energy defect where non-BM units can systematically receive spill payments in addition to utilisation payment for the same energy volume from their supplier is the only current example of double payment where the customer pays for the same product twice and this is being dealt with via P354.

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **4 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Colin Prestwich*
Company Name:	*SmartestEnergy*
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity

	Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?**	Under the current arrangements we believe participants should be allowed access to multiple revenues otherwise you are limiting assets from achieving their full potential. Whilst we have some sympathy with the sentiment of this proposal (especially in the context of black start) we are not entirely convinced there will be any measurable overall saving because bid prices will go up to compensate for the restriction.
2	**Do you support the proposed implementation approach?**	No
3	**Do you have any other comments?**	No
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	No

Specific questions for CMP275

Q	Question	Response

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	We think it is worth holding off until we know whether we are abiding by the EU network codes or not post Brexit. However, the most useful thing that could come out of this process is some guidance from Ofgem in terms of their thinking because this will inform the fundamental question under the System Needs and Product Strategy viz single product versus standardisation.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	We can see that this is legitimate business under the CUSC and as far as possible we believe those services which are currently outside of the CUSC should be brought within it so that there can be proper scrutiny of NGT's activities.
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	The document suggests that there will be greater complexity for National Grid as they assess bids. Second guessing participant behaviours should not be part of National Grid's assessment but it is certainly true that as a result of this change there would be behavioural impacts or even unintended consequences in the way in which behaviour is incentivised.

Q	Question	Response
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	No comment

CUSC Workgroup Consultation Response Proforma

CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **10 July 2017** to cusc.team@nationalgrid.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Caroline Wright at caroline.wright@nationalgrid.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	Ian Tanner Mobile: 07808241683 Email: ian.tanner@ukpowerreserve.com
Company Name:	UK Power Reserve
Please express your views regarding the Workgroup Consultation, including rationale. **(Please include any issues, suggestions or queries)**	For reference, the Applicable CUSC objectives are: **Use of System Charging Methodology** (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.

Standard Workgroup consultation questions

<table>
<tr><th>Q</th><th>Question</th><th>Response</th></tr>
<tr><td>1</td><td>Do you believe that CMP275 Original proposal, or any potential alternatives for change that you wish to suggest, better facilitates the Applicable CUSC Objectives?</td><td>As the proposer we would support the modification and believe it would address the identified defect of certain Transmission connected BM units being able to access overlapping availability revenue in the form of Black Start contracts as well as STOR and other balancing service contracts.

This would and better service objective A and B of the CUSC by removing a defect that unduly rewards certain generators above others and leads to significant market distortions in some Balancing Services, resulting in an unlevel playing field. We believe there is a strong case that the resolution of this defect would be in the interest of the end consumer and would allow the opportunity for the reduction of costs being levied against them.

As shown below the amount of the committed BM STOR market that is benefiting from this defect is significant, up to 45% in some STOR seasons and this is leading to significant distortions in the STOR market with some providers receiving undue reward over and above identical competitor STOR providers.

<table>
<tr><th colspan="2">Active Committed BM STOR MW</th><th>% MW Volume Benefiting from Black Start overlapping revenue</th></tr>
<tr><td>11.1</td><td>1057</td><td>40%</td></tr>
<tr><td>11.2</td><td>935</td><td>45%</td></tr>
<tr><td>11.3</td><td>1052</td><td>40%</td></tr>
<tr><td>11.4</td><td>1061</td><td>40%</td></tr>
<tr><td>11.5</td><td>1884</td><td>23%</td></tr>
<tr><td>11.6</td><td>1878</td><td>23%</td></tr>
</table>
</td></tr>
</table>

Q	Question	Response
2	**Do you support the proposed implementation approach?**	Yes, as the proposer we do. We would however be happy to entertain alternative suggestions that would address the difficulties that have been raised as part of the workgroup.
3	**Do you have any other comments?**	We believe National Grid and Ofgem should look strongly at the lack of transparency surrounding Black Start and if this is required in the current timeframe and that if the legacy issues that precluded making such information available are still relevant. We would highlight for instance there have been several statements made by both National Grid and Ofgem separately where Black Start units have been listed but that are not acknowledged as Black Start sites and even during this modification process parties were not permitted to refer to them despite it now being public knowledge. We feel that it would be in the best interests of both other parties but also the end consumer to improve the lack of transparency in this case. This would serve to greatly improve the competition and value for money of the Black Start service, this would be especially important as the service evolves in the wake of the closure of the coal generating fleet and the need to attract alternative providers of Black Start. We would also query on the National Grid analysis conducted as part of this workgroup (analysis that due to concerns above cannot be shared with the workgroup) what assumptions have been made relating to Transmission generator claims that they would remove themselves from services completely due to partial loss of revenue. We believe that taking this at face value is not necessarily in the best interest of the industry or end consumer and that it does not reflect a realistic approach to the impact of this modification. We would also bring attention to the P354 BSC modification that proposes addressing a similar defect in a different sector of the industry. We believe that both CMP275 and P354 share a similar principled approach to addressing the unlevel playing field and that if the authority were minded to accept that modification that this one should naturally follow as part of that same attempt to address the inequality in treatment between different parties in the market.
4	**Do you wish to raise a WG Consultation Alternative Request for the Workgroup to consider?**	NA.

Specific questions for CMP275

Q	Question	Response
5	**With the planned implementation of the European Network Codes/Guidelines in GB and the obligations thus placed on National Grid, do you consider this to be the appropriate time to consider the proposed defect as procurement of, and the balancing services themselves will potentially require modification to meet the requirements of those Network Code/Guidelines?**	We agree that the prospect of further reforms to the impacted balancing services should be considered. However, as these reforms are a substantial period away from implementation and are not yet clear on what they execution will entail we are of the view that the CUSC objectives are not serviced by undue delay on the vague aspiration that future reforms will deal with the defect. In relation to timelines we would raise the similar circumstances surrounding CMP 264 & 265 where Ofgem was of the view that immediate action was necessary to address a believed defect with regards to embedded generation whereas a larger and more substantial Targeted Charging review of charging arrangements was yet to be finalised. We view this in a similar light and would suggest that swift action would be required to address the defect to protect the end consumer from undue costs as well as to prevent long term contracts being signed as part of the ongoing National Grid negotiations in this area. We also note that this modification is not necessarily mutually exclusive with any of the proposed changes and that the acceptance of this modification would not prevent the following changes to the various codes and Balancing Service guidelines taking place. In summary, we would highlight that the prospect of future reform should not be a barrier to immediate reform of an identified defect.
6	**Do you consider that the scope of this defect is out of scope of the CUSC and that the C16 Procurement Guideline statements of National Grid are, in this instance, the natural home for such changes to be considered and agreed between National Grid (as SO) and Ofgem?**	We consider this an appropriate CUSC issue but would highlight the lack of ability for parties to raise modifications to the C16 procurements guideline. If National Grid and Ofgem were to consider future reform of this process this might open a new and more relevant forum for similar discussions in future scenarios.

Q	Question	Response
7	**Do you believe the potential additional complexity *added* to tendered ancillary and balancing services may reduce the breadth and depth of tenders received by National Grid and may therefore adversely impact the number of services and/or the costs of those services procured by National Grid?**	We agree with the concern raised here but do not believe that this would raise an undue level of complexity to the process of tendering for contracts by either National Grid or to other parties to the extent that they would fail to tender or would be significantly impacted. We further propose that within the workgroup thoughts should be given to how the administrative burden and complexity of this solution should be minimised and streamlined.
8	**Do you believe there are any services missing or any services included in the Appendix 1 and Appendix 2 that should not be included? If this is the case please provide supporting rationale.**	NA

Annex 4: CMP275 Attendance Register

A – Attended

X – Absent

O – Alternate

D – Dial-in

Name	Organisation	Role	15 Feb17	15 Mar 17	6 Apr 17	9 Jun 17	17 Jul 17	9 Aug 17	13 Sept 17	6 Oct 17	26 Mar 18
Ryan Place	National Grid	Chair	X	A	X	X	X	X	X	X	X
John Martin	National Grid	Alternate Chair	A	X	A	X	X	X	X	X	X
Caroline Wright	National Grid	Alternate Chair/ Technical Secretary	A	A	A	A/D	A/D	A	A	A	A
Adam Sims	National Grid	Workgroup Observer	A	A	X	A/D	A/D	X	X	A	X
Urmi Mistry	National Grid	NG Representative	A	A	A	A/D	A/D	A	A	X	A
Harriet Harmon	National Grid	NG Representative Alternate	X	X	X	X	X	X	X	A	X

Name	Organisation	Role	15 Feb17	15 Mar 17	6 Apr 17	9 Jun 17	17 Jul 17	9 Aug 17	13 Sept 17	6 Oct 17	26 Mar 18
Ian Tanner	UKPR(Proposer)	Workgroup Member	A	A	A	A/D	A/D	A/D	A	A/D	X
Alessandra De Zottis	UKPR	Workgroup Alternate	X	X	X	X	X	X	X	X	A
Garth Graham	SSE	Workgroup Member	A/D	A	A	A/D	A/D	A	X (Paul Jones attend as alternate)	X	A/D
Paul Jones	Uniper	Workgroup Member	X	A	X	X	A/D	A	A	X	A
Bill Reed	RWE	Workgroup Alternate	X	X	X	X	X	X	X	X	X
Tim Ellingham	RWE	Workgroup Member	A	A	X	A/D	A/D	X	A/D	A/D	A
Chris Edwards	RWE	Workgroup Alternate	X	X	A	X	X	X	X	X	X
Simon Lord	Engie (nominated by First Hydro Company)	Workgroup Member	A	X	A/D	X	A/D	X	X	X	A (Garth Graham act as alternate

Name	Organisation	Role	15 Feb17	15 Mar 17	6 Apr 17	9 Jun 17	17 Jul 17	9 Aug 17	13 Sept 17	6 Oct 17	26 Mar 18
Lee Taylor	Engie (nominated by First Hydro Company)	Workgroup Alternate	X	A/D	X	X	X	X	X	X	X
Robert Longden	Cornwall Energy (nominated by Fred Olsen Renewables)	Workgroup Member	A	X	A	A/D	A/D	A	A	A/D	A
Laurence Barrett	EON	Workgroup Member	A	X	X	A/D	A/D	X	X	A/D	X
Maryam Khan	Ofgem	Workgroup Observer	A	A	A	A/D	A/D	A	A/D	A/D	A
Simon Reid	Scottish Power	Workgroup Member	X	A/D	X	A/D	X	A/D	A/D	A/D	A/D
Lisa Waters	Waters Wye	Workgroup Member	X	A/D	X	A/D	A/D	A/D	X	X	A
Peter Bolitho	Waters Wye	Workgroup Alternate	X	X	A	X	X	X	A	X	X
Iestyn Jones	EDF	Workgroup Member	A/D	X	X	X	X	X	X	X	X

Name	Organisation	Role	15 Feb17	15 Mar 17	6 Apr 17	9 Jun 17	17 Jul 17	9 Aug 17	13 Sept 17	6 Oct 17	26 Mar 18
Joe Underwood	Drax	Workgroup Member	A	A	A	A/D	A/D	X	X	X	X
Paul Youngman	Drax	Workgroup Alternate	X	X	X	X	X	A	A	A/D	A