

## Minutes

**Meeting name** CUSC Modifications Panel

**Meeting number** 218

**Date of meeting** 26 January 2018

**Location** National Grid House

## Attendees

Name	Initials	Position
Trisha McAuley	TM	Panel Chair
Caroline Wright	CW	Code Administrator
Ren Walker	RW	Panel Secretary- Interim
Nadir Hafeez	NH	Authority Representative
Louise Schmitz	LS	National Grid Panel Member
Laurence Barrett	LB	Users' Panel Member
Garth Graham (dial-in)	GG	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Simon Lord	SL	Users' Panel Member
Robert Longden (dial-in)	RL	Users' Panel Member
Kate Dooley (dial-in)	KD	Users' Panel Member
Paul Mott	PM	Users' Panel Member
Nick Rubin (dial-in)	NR	ELEXON
Andy Pace	AP	Consumers' Panel Member
Trevor Rhodes (dial-in)	TR	Users' Panel Alternate
Michael Jenner	MJ	Users' Panel Alternate
Cem Suleyman	CS	Users' Panel Alternate
John Martin	JM	National Grid (AOB Update)
Angie Quinn	AQ	National Grid (AOB Update)

## 1 Introductions and Apologies for Absence

Panel Member James Anderson sent his apologies and alternate member Kate Dooley (KD) attended the CUSC Panel meeting as James' alternate.

CW advised the Panel National Grid have been experiencing technical difficulties with their website which was resulting in some documents not appearing on the website. CW advised the Panel she will keep them updated on this, however if Panel members did notice documents missing they are to inform the Code Admin team.

## 2 Approval of previous meeting Minutes

6972. The minutes from the CUSC Panel meeting held on the 15 December 2017 were approved subject to incorporating the comments received from NH, PJ and GG. CW also updated the minutes to amend the term 'WG' to Workgroup.

### 3 Review of Actions

6973. **Minute 6965:** NH to arrange for the Ofgem Innovation Lead to attend a future meeting for sandbox presentation.

**Action:** GG to contact NH to confirm issues GG would like to be covered by the Ofgem sandbox presentation at future Panel meeting. Ofgem to provide a presentation to the CUSC Panel after the meeting has taken place. This action is to remain open.

- GG circulated feedback to NH and the Panel regarding concerns he had about the 'sandbox' approach in terms of (i) state aid (ii) competition law (iii) affects on cross border trade and (iv) the EU derogation process. NH advised GG and the Panel the issues GG has raised will be covered by Ofgem's innovation team who will be presenting on this subject at the February 2018 Panel meeting. TM advised the Panel she had met with Ofgem's Head of Innovation. A key message was that regulatory barriers lay within the Codes framework as well as within Ofgem's jurisdiction. In addition, cross code collaboration and co-ordination would be essential. It was agreed that this action would remain open until the presentation has been received.

6974. **Minute 6996:** Code Administrator to update website and CUSC Modification register clearly labelling CMP284 as withdrawn.

6975. CW noted this has been signposted on the website and updated the Modification register. This action can be closed.

6976. **Minute 6997:** CW to update the CUSC Modification register and National Grid's website.

6977. CW confirmed this action is complete and can now be closed.

6978. **Minute 7013:** LW to circulate Panel meeting invites to GG.

6979. LW confirmed meeting invites sent, this action can now be closed.

### 4 Workgroups/Standing Groups & Review of Plan on a Page

6980. The Panel reviewed the CUSC Plan on a Page. CW advised the Panel she will update the plan on a page should extensions be granted for in-flight modifications. SL questioned where CMP280 and CMP281 were in the process and sought confirmation that these modifications were moving along in the process as they should be. CW advised that the next Workgroup for these modifications is being held on 29 January 2018 and that would be the fifth Workgroup, noting that as the modifications were being held on the same day each modification only lasted either a morning or afternoon. CW noted the Workgroup are close to the point of Workgroup consultation. LS noted the broadening of the topics at the Workgroup has led to further discussions. CW advised she will be requesting a three month extension for these modifications. SL noted it would be good to see the modifications progress as his view is he can see

the modifications struggling to get to the Authority. LS advised SL she believes there is no cause of delay for these modifications but will feed back the concern to the National Grid representative on these Workgroups.

6981. The Panel reviewed the Quarterly Workload Plan. CW advised this workload plan is in respect of in-flight modifications and any future modifications. She noted five new modifications will be raised in the next few months, these will be in respect of Project TERRE, Statement of Works, delay charge, SO incentive scheme and a housekeeping modification in respect of the charging modifications being implemented on 1 April 2018. GG advised SSE will also be raising a modification at the February 2018 Panel meeting.

6982. GG noted he provided correspondence around the Statement of Works consultation, he asked if these comments will be taken into consideration when raising the modification. LS advised she would take an action away to confirm this.

**ACTION: LS to confirm with GG that his feedback on Statement of Works has been considered**

6983. NR asked for further information on Project TERRE. LS advised the modifications will be raised to ensure BSUoS is not charged to TERRE parties and to incorporate Virtual Lead Party into the CUSC, noting further information will be provided at the February 2018 TCMF meeting.

6984. CW advised the Panel that at a future Panel meeting the current and new modifications will need to be reviewed and prioritised. The Panel agreed with this and that it should be an agenda item at the March 2018 Panel meeting. GG noted, looking at the TCR and Charging Futures forum there are no modifications in quarter 1 or quarter 2 that will have a final decision. CW advised she will amend the slide to reflect the changes.

6985. AP questioned the resource available for the upcoming and in flight modifications and how many can be administered at one time. LS advised from a National Grid SO view there are only a number of people she can put forward for a Workgroup. CW advised this is why the priority of modifications needs to be reviewed and that industry time to support Workgroups also needed to be factored in. AP noted is there more resource required to ensure there are no constraints. TM advised the Panel she believed that there may be a resource issue. SL noted he has delivered a BSC modification previously and there are differences between ELEXON and National Grid which enables the process to be easier. AP noted with the amount of modifications on the horizon resource needs to be looked at in preparation.

6986. TM noted the CUSC Panel's concern about National Grid's resourcing problem. LB advised this is also industries concern as we need to ensure the right representation is involved in the modifications. TM advised the Panel she will take an action to feed this back to National Grid. CW advised the Panel there is an agenda item for the March 2018 Panel to prioritise modifications. NR noted to the Panel ELEXON do have more resource and advised the Panel if required National Grid could utilise the meeting rooms ELEXON have as this can sometimes be a constraint for National Grid when arranging a Workgroup meeting.

**ACTION: TM to feedback to National Grid the CUSC Panel's concern on resourcing.**

6987. TM noted Ofgem holding a meeting on BREXIT. She advised modifications for exit day in Brexit and any implications would be discussed. Feedback from the meeting will be circulated in due course. TM asked NH if the papers from the meeting will be circulated to the Panel and Industry. NH to confirm with his colleague.

**Action: NH to confirm if papers from BREXIT meeting will be circulated.**

6988. **CMP271 'Improving the cost reflectivity of demand transmission charges'**. This CUSC modification Proposal aims to improve the cost reflectivity of demand transmission charges.

**And**

6989. **CMP274 'Winter TNUoS Time of Use Tariff (TToUT) for Demand TNUoS'**. This CUSC modification Proposal aims to improve the cost reflectivity of demand transmission charges.

**And**

6990. **CMP276 Socialising TO costs associated with "green policies"**. CMP276 proposes a reduction in the demand residual element of the TNUoS £/kW ("Triad") charge by creating two new charge lines for all demand offtakes:

- (i) With the level of charge based on a fixed charge per MPAN (or alternatively the import meter size of each consumer) and;
- (ii) A simple per kWh charge on all consumers.

6991. CW noted that at the November 2017 meeting the Panel agreed to provide an extension subject to further information from Ofgem regarding its "minded to" position statement or should any developments be announced by the Authority then the Workgroup would reconvene. The Code Administrator will continue to update the Panel on any progress in this area.

6992. **CMP275 'Transmission generator benefits in the provision of ancillary and balancing services – levelling the playing field'**. 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.

6993. CW advised the Panel work is still progressing on the legal text, she noted a draft version has been shared with the proposer to review and amend as required and from this whether any alternative options should be considered by the Workgroup.

6994. CW advised the Panel the date of the next Workgroup has not been arranged but will be post confirmation of the proposer's legal text. CW noted the current timetable was that the Panel at this (January 2018) meeting would be asked to approve that the report being issued for Code Admin Consultation. CW noted no extension request was required for this month until the next Workgroup has been arranged and the length of extension known.

6995. **CMP280 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users'**. CMP280 aims to remove liability from Generator and Storage Parties for the Demand Residual element of the TNUoS tariff.

**And**

**CMP281 'Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities'**. CMP281 aims to remove liability from storage facilities for Balancing Services Use of System (BSUoS) charges on imports.

6996. CW noted that the next Workgroup meeting has been scheduled for 29 January 2018. CW advised the Panel the Workgroup Consultation was due to be issued in January 2018 however was requesting a three month extension as the report was not ready to be consulted on yet. The CUSC Panel approved the three month extension.

6997. NR questioned if the issues were also being raised at DCUSA level resulting in equivalent modifications being raised because if there are potential WACMs this would influence the timetable. CW confirmed that no WACMs had been formally raised by the Workgroup.

6998. **CMP285 'CUSC Governance Reform – Levelling the Playing Field'**. CMP285 seeks to reform CUSC governance to enhance the independence and diversity of Panel members and ensure wider engagement from CUSC signatories.

6999. CW noted that this Workgroup is continuing to develop the Proposal and the most recent Workgroup meeting was held on 22 January 2018. CW advised the Panel the Workgroup Consultation was due to be issued in January 2018 but that as the report was not ready to consult on that a three month extension was being requested. AP asked if the extension request was to align with the other CUSC modifications. CW confirmed the extension was to work with the other in flight CUSC Modifications. CW advised the Panel that the revised timetable was the worst case and that the Workgroup should be able to bring the dates forward.

7000. CW confirmed this amended timetable should not impact how the next CUSC Elections are run and the timescales for that and confirmed that the Workgroup Consultation is due to be issued at the start of January 2018, however this date is at risk and that following the next Workgroup meeting an extension may be requested at the February 2018 Panel meeting.

7001. AP advised Citizens Advice has concerns with this modification. AP also noted that they believed the Workgroup was close to the consultation stage. LB noted they key outcome for this modification is to ensure it is implemented in time for the next CUSC elections. SL asked for views of the Workgroup. MJ advised some parts of the proposal the Workgroup are aligned with and some WACMs will be raised where the Workgroup has not agreed. TM asked the Panel to confirm they were happy with a three month extension. The Panel agreed the three month extension.

7002. **CMP286 'Improving TNUoS Predictability through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process'**. The purpose of this modification proposal is to improve the predictability of TNUoS demand charges by

bringing forward the date at which the target revenue used in TNUoS tariff setting is fixed to allow customer prices to more accurately reflect final TNUoS rates.

**And**

7003. **CMP287 ‘Improving TNUoS Predictability through Increased Notice of Inputs Used in the TNUoS Tariff Setting Process’.** The purpose of this modification proposal is to improve the predictability of TNUoS demand charges by bringing forward the date at which certain parameters used in TNUoS tariff setting (such as demand forecasts) are fixed to allow customer prices to more accurately reflect final TNUoS rates.

7004. CW noted that the first Workgroup was held on 18 January 2018. CW advised the Panel the timetable for when the Workgroup Consultation is due to be issued could potentially be at risk. CW advised the Panel the first Workgroup amended the Terms of Reference to add a specific requirement to the transitional arrangements. AP questioned what the issue with transitional arrangements was. LS advised the impacts are on the time period, and National Grid have to be compliant. CW advised this is a process issue not a timing issue.

7005. PJ had comments on the wording in the Terms of Reference. CW amended this and the Panel approved the Workgroups Terms of Reference. CW advised she will amend the wording in CMP287 terms of reference.

7006. CW advised the Panel CMP286 may result in a potential STC/STCP change. CW noted the National Grid representative on CMP286 attended the December 2017 STC Panel to provide the Panel with an overview of the potential change, as a result of this there has been a request for two additional people to attend the CMP286 Workgroup. CW asked the Panel to approve the request to participate in the Workgroup, the Panel approved the request.

**ACTION: CW to advise additional Workgroup members of their approval and updated the CMP286 and CMP287 Terms of Reference**

7007. **Governance Standing Group (GSG).**

7008. GG noted that GSG had not met since the last Panel meeting.

7009. **Transmission Charging Methodologies Forum (TCMF) and CUSC Issues Steering Group (CISG).**

7010. LS noted that the last TCMF and CISG took place on 10 January 2018 as a webinar. LS advised the Panel there were discussions on the SO incentives framework and an update on the timetable in publishing TNUoS tariffs. LS noted the tariffs will now be published in November instead of December.

7011. **CUSC Issues Steering Group (CISG)**

7012. LS advised the Panel the discussions held were on the Accelerated Connections Work. LS advised a presentation on Statement of Works was provided and further updates will be provided at the February 2018 CISG meeting.

## 5 European Code Development

7013. NH did not have an update to provide to the Panel this month.

### 7014. Joint European Stakeholder Group (JESG)

GG confirmed that the last JESG meeting had been held on 9 January 2018 as a WebEx. GG advised the Panel that updates were provided by National Grid on the European Network Code Implementations and an update provided by Ofgem on the CACM/FCA proposals under regulatory assessment.

## 6 CUSC Panel Recommendation Vote

7015. **CMP250 ‘Stabilising BSUoS with at least a twelve month notice period’**. CMP250 aims to eliminate BSUoS volatility and unpredictability by proposing to fix the value of BSUoS over the course of a season, with a notice period for fixing this value being at least 12 months ahead of the charging season.

7016. CW advised the Panel CMP250 ‘Stabilising BSUoS with at least a twelve month notice period’ was raised by Drax and submitted to the Panel for their consideration on 25 August 2015. CW provided the Panel with the background and summary of what CMP250 aims to deliver. CW advised the Panel sixteen responses were received from the Workgroup consultation and that a majority of responses supported the proposal.

7017. CW advised the Panel that the CMP250 Workgroup agreed to support four options to become WACMs and eight Workgroup members voted on the proposal and WACMs. CW advised the Panel thirteen responses were received to the Code Admin Consultation with the majority of respondents agreeing that the proposal and/or WACMs better facilitated the applicable CUSC objectives.

7018. CW asked the Panel to confirm their voting templates were correct and to provide rationale on their vote. All Panel members confirmed their voting templates were correct and provided clarity on their vote. Panel Members agreed by majority that the Original and WACM 1, WACM 2, WACM 3 and WACM4 was better than the baseline and recommended that it should be implemented. WACM 3 received the most support as the best option with four Panel members considering WACM3 as the best option.

Vote 1

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Kate Dooley						
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM1	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM 2	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM 3	Yes	Neutral	Neutral	Neutral	Yes	Yes
WACM 4	Yes	Neutral	Neutral	Neutral	Yes	Yes
<b>Voting Statement:</b> BSUoS does not provide a price signal for market participants and therefore, to avoid unpredictability, volatility and added risk premia from BSUoS, it should be						

fixed. National Grid is able to manage forecasting BSUoS costs far better than market participants. All proposals are better than baseline. I chose WACM 3 because the notice period should be in line with DUoS notice period for charges.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Laurence Barrett						
Original	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM1	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM 2	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM 3	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM 4	Y	Neutral	Neutral	Neutral	Neutral	Y

**Voting Statement:**

The current BSUoS charge is becoming increasingly unpredictable and volatile which is driving Suppliers and Generators to include risk premiums in their pricing. Given the current nature of the BSUoS charge, it provides a poor signal to change behaviour in the market and therefore does not drive more efficient decisions. Therefore, I believe that fixing the BSUoS is likely to provide greater benefits than the current baseline as it will allow increased competition on pricing excluding risk premiums and therefore better facilitate CUSC Objective (a). This should drive lower costs to consumers. Given that the majority of domestic contracts and many business customer contracts are 1 year, it would seem sensible to align to this timing with longer notice periods and fixed periods and hence I believe WACM 3 is the best option.

I would note that Ofgem have made statements around BSUoS, both as part of their Targeted Charging Review as well as the Task Forces looking at network charging and have recently released a summary note on how these processes may impact BSUoS charging. This may lead to changes in how BSUoS is charged and the signals it provides in driving behaviour to more accurately reflecting the impacts users have on these costs. This could result in different components of BSUoS being charged differently compared to the current methodology. If changes to the BSUoS charging methodology are brought forward through these processes, it may well result that fixing BSUoS (or at least some parts of BSUoS) may no longer better facilitate the CUSC objectives ((a) and (b)). However, I would expect that should such changes be forthcoming, then new modifications may well result which reverse (in part or in total) the proposed change under CMP250 and appropriate assessments can be made at that time. This may result in a process that is overall negative against objective (e).

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Garth Graham						
Original	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM1	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM 2	No	Neutral	Neutral	Neutral	Neutral	No
WACM 3	No	Neutral	Neutral	Neutral	Neutral	No
WACM 4	Yes	Neutral	Neutral	Neutral	Neutral	Yes

**Voting Statement:**

I have reviewed the comprehensive and the detailed responses to the Code Administrator Consultation. I appreciate the views expressed by National Grid (in the January 2018 presentation to the Panel) about future changes that may emerge in this area through other developments out with of the CUSC. However, I'm also aware that when compared to a fully worked up proposal (CMP250) that future, potential, but not actual, changes should be put to one side as they are unclear and undeveloped (at this moment in time). Turning to the five proposals (the Original and WACMs 1-4) I believe that three of them better facilitate Applicable Objective (a) as effective competition will be enhanced by providing the greater notice of the fixed periods (of 9 and 12 months, respectively) to both suppliers and generators (who, as a class, pay equally the cost of BSUoS). In coming to this view I have been mindful, in particular, of the Workgroup deliberations as well as the Code Administrator Consultation responses, such as those from Drax, First Utility and Intergen, which make the positive case, in terms of competition, that arise here. That having been said, when considering WACM2 and WACM3 (which extend the fixed period to 15 months) I have had to balance those competition points with the concerns around the extended time period (and thus increased risk and cost) going further out than 12 months. On balance therefore, I believe that WACM2 and WACM3 do not better facilitate Applicable Objective (a).

For the avoidance of doubt, I concur with the views of many of the Workgroup members and Code Administrator Consultation respondents that this proposal is neutral in terms of Applicable Objectives (b), (c), (d) and (e).

Overall, the Original, WACM1 and WACM4 better facilitate the Applicable Objectives.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Paul Jones						
Original	Yes	No	Neutral	Neutral	Neutral	Yes
WACM1	Yes	No	Neutral	Neutral	Neutral	Yes
WACM 2	Yes	No	Neutral	Neutral	Neutral	Yes
WACM 3	Yes	No	Neutral	Neutral	Neutral	Yes
WACM 4	Yes	No	Neutral	Neutral	Neutral	Yes

**Voting Statement:**

All options remove a risk from participants which is largely unmanageable, due to the current unpredictable BSUoS price. The work group has shown through analysis that BSUoS does not provide a reliable signal which market participants can respond to in order to reduce the level of cost. The BSUoS mechanism simply therefore recovers costs from participants. This should be carried out in a manner which does not distort competition in the wholesale and retail electricity markets, consistent with the principles set out by Ofgem in its charging review.

National Grid managing a centralised portfolio position at a regulated cost of capital, will be more cost effective than individual companies managing their own individual positions at a cost of capital which reflects the risk of operating in competitive markets. CMP250 will therefore be a cheaper option for customers than the baseline.

The cost reflectivity of charges in each half hour will be reduced by definition. However, cost reflectivity in this instance holds little value as it cannot provide an effective market signal.

The original, on balance, appears to provide the most effective combination of Notice Period and Fixing Period.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Robert Longden						
Original	Yes	No	neutral	neutral	neutral	yes
WACM1	No	no	neutral	neutral	neutral	No
WACM 2	No	no	neutral	neutral	neutral	No
WACM 3	No	no	neutral	neutral	neutral	No
WACM 4	No	no	neutral	neutral	neutral	No

**Voting Statement:**

WACM 1 and 2 only provide 6 months certainty and are incompatible with most contract durations. It is difficult to make a case for the benefits they might bring. WACM 3 and 4 have either "too short" or "too long" notice periods which would influence the certainty/cost trade off balance. Accept that risk and cost will be transferred to National Grid and that there are implementation issues. However, the desired outcome is overall lower costs to the consumer, which the original should deliver. This should not stop National Grid work on a product which fixes those elements of BSUoS that form a residual cost ahead of the next price control

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Simon Lord						
Original	No	Neutral	Neutral	Neutral	Y	No
WACM1	No	Neutral	Neutral	Neutral	Y	No
WACM 2	No	Neutral	Neutral	Neutral	Y	No
WACM 3	No	Neutral	Neutral	Neutral	Y	No
WACM 4	No	Neutral	Neutral	Neutral	Y	No

**Voting Statement:**

Whilst a change to the methodology used to recover BSUoS is long overdue I do not believe that this proposal or any of the WACM's deliver value to customer and it may in fact increase prices driven by the costs that the SO may charge for managing the BSUoS constraint risk. A second concern is that future customers may be charged for SO actions in previous years as part of the true up process.

There is significant volatility in some elements of BSUoS (principally constraints) that are driven by system conditions. The condition that are likely to give rise to these elements are visible to market participants who can factor these into their short term contracting strategy. Other element are more stable and are principle only effected by the SO contracting strategy.

Thus whilst I believe there is merit in a review of the charging base and the elements that are charged to each element of the charging base I do not believe that this

proposal or any of the WACM's will deliver value for existing and future customers.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Paul Mott						
Original	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM1	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM 2	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM 3	Yes	Neutral	Neutral	Neutral	Neutral	Yes
WACM 4	Yes	Neutral	Neutral	Neutral	Neutral	Yes

**Voting Statement:**

BSUoS is a volatile cost with complex and changing underlying drivers, which has always been difficult for market participants to predict, and this has become more so of late – is sure to become even more so still. Market participants cannot, in toto, manage BSUoS risk as well as National Grid and so the current arrangements offer poor value to customers. As a regulated network monopoly NG's cost of capital is much lower than that of market participants, so it is self-evident that it will be able to manage BSUoS risk more cheaply for the benefit of customers. Moreover it has at least a chance of having sufficient understanding of changing system operator service needs half hour by half hour and over much longer spans, than participants. If there is any investment required in improvements to forecasting and new billing systems, it is best done once rather than 500 separate competing CUSC parties all doing so independently. In some cases the BSUOS forecasting risk does not fall on CUSC parties but on customers who are on pass-through contracts; CMP250 and variants could provide with them with much more visibility and transparency of BSUoS costs for their own financial planning processes.

CMP250 and its variants might to the naïve seem to superficially reduce the cost reflectivity of the price, but this does not remove any economic signal, as none is currently provided. Therefore, cost reflectivity is a false objective here.

The Original and all WACMs allow parties to know ahead of time what their BSUoS charge will be, and to reallocate this risk from those parties that are poorly placed to manage the risk, in particular smaller market participants, to a party that is more financially capable of dealing with it thereby better facilitating Applicable CUSC Charging Objective (a). Consequently, the total risk premium, and therefore total cost of BSUoS recovered from end consumers, will decrease, thereby increasing competition throughout the industry and benefiting consumers through lower costs and increased certainty surrounding their energy bills.

WACM 3 is the best overall – by giving the maximum notice / fixed periods it gives the most benefit. It aligns with the 15 month DUoS publication timescale (as a result of DCUSA change proposal DCP178).

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Andy Pace						
Original	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM1	Y	Neutral	Neutral	Neutral	Neutral	Y

WACM 2	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM 3	Y	Neutral	Neutral	Neutral	Neutral	Y
WACM 4	Y	Neutral	Neutral	Neutral	Neutral	Y

**Voting Statement:**

This modification better meets Objective (a) as it reduces uncertainty and unpredictability for electricity market participants. It thereby facilitates competition in the supply of electricity by reducing the risk premium that suppliers place on customers to take account of the uncertainty associated with BSUoS.

The modification is neutral against Objective (b) as the BSUoS cost can be considered a residual charge (as recognised by Ofgem in its Targeted Charging Review). As a residual charge, BSUoS is a cost recovery mechanism and does not reflect the incremental costs that market participants have on the system. Consequently, fixing this cost ahead of time, will not reduce the cost reflectivity of the charge, but will still reduce the volatility which will benefit market participants and ultimately customers (as stated under objective (a)).

CMP250 is neutral against the remaining charging objectives and overall better meets the Applicable Charging Objectives than the current baseline.

WACM3 is the best proposal as it provides the most notice period. In addition providing 15 months' notice aligns with the notice period for DUoS charges and enables suppliers to have a firm view of BSUoS ahead of the April contract round for a period of two years."

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Better facilitates ACO (d)?	Better facilitates ACO (e)?	Overall (Y/N)
Louise Schmitz						
Original	No	No	No	Neutral	Neutral	No
WACM1	No	No	No	Neutral	Neutral	No
WACM 2	No	No	No	Neutral	Neutral	No
WACM 3	No	No	No	Neutral	Neutral	No
WACM 4	No	No	No	Neutral	Neutral	No

**Voting Statement:**

Voting Statement: Negative against (a), (b) and (c), neutral vs (d), and (e).

(a) Although fixing BSUoS charges may give some relief to market participants of a volatile cost this does not appropriately recognise the transition to a more dynamic system and the price signal that BSUoS will provide for smarter more flexible markets. Therefore on balance a fully fixed BSUoS product does not better meet this objective at this time. Developing a BSUoS product ahead of the next SO price control which fixes those elements of BSUoS that form a residual cost and leaves variable those that provide a market signal is more suitable.

(b) This objective is detrimentally impacted as the costs of BSUoS to market participants through the proposed charging methodology will not accurately reflect the costs incurred by National Grid. In addition costs incurred by the SO in particular settlement periods will not be passed through to those causing them. Finally, there is

not a suitable mechanism within the current price control to allow for the recovery of costs and capital associated with the SO assuming this risk and the under/over recovery of costs that will result.

(c) This objective is not better facilitated as the charging methodology, by fixing costs for a longer period, will not accurately reflect developments in balancing services and products and the costs of these to the market will not be accurately reflected in the immediate BSUoS price.

**Vote 2 – Which option is the best?**

Panel Member	BEST Option?
Kate Dooley	WACM 3
Laurence Barrett	WACM 3
Garth Graham	WACM 1
Paul Jones	Original
Robert Longden	Original
Simon Lord	Baseline
Paul Mott	WACM 3
Andy Pace	WACM 3
Louise Schmitz	Baseline

Breakdown of voting:

Option	Overall Support of the option achieving the CUSC Objectives than the baseline
Original	7 yes and 2 no
WACM 1	6 yes and 3 no
WACM 2	5 yes and 4 no
WACM 3	5 yes and 4 no
WACM 4	6 yes and 3 no

The CUSC Panel therefore recommended by majority that all of these could be implemented.

7019. CW noted she will circulate an email to the Panel to confirm that their votes have been recorded correctly and will issue the Final Modification Report to the Authority on 2 February 2018.

**ACTION: CW to circulate an email to Panel to confirm the outcome of the recommendation vote.**

**7 Authority Decisions as at 7 December 2017**

7020. NH noted that the CMA Appeal decision date for CMP261 is 26 February 2018. NH advised the Authority will then look to progress CMP251.

7021. NH advised that an injunction had been requested on CMP264/CMP265 in respect of the Judicial Review. NH confirmed that the injunctions had not been approved and

that therefore implementation will continue on 1 April 2018. SL asked what will happen if the Judicial Review is upheld. LS advised this would quash the Authority's decision. LS noted National Grid will be publishing tariffs against the baseline, including CMP264, CMP265 and CMP268, and if the decision does get quashed National Grid would need permission to change the tariffs mid-year. NR noted effectively the CUSC would be re-wound and, he also noted, this would impact the BSC Modifications decisions. LS advised she is unsure if this would happen as BSC Modifications are not part of the CUSC process.

## 8 Update on Industry Codes/General Industry Updates relevant to the CUSC

7022. The Panel had no updates on industry codes relevant to the CUSC.

### 7023. Relevant Interruptions Claim Report

7024. CW advised the Panel this is report issued quarterly. GG raised concerns on why it appeared looking at the report that a number of claims were still on-going a year after first being raised. GG advised the Panel the reason the CUSC Modification, to introduce these quarterly claims reports to stakeholders, was to ensure claims are expedited and not held up. GG would like further information detailing why these claims are not being progressed. CW advised the Code Administration team are not responsible for the data in this report however will try and confirm why there are delays in progressing some of the open claims.

**ACTION: CW to ensure the data in the report is valid and seek further information on why there are delays on the open claims**

## 9 AOB

7025. JM and AQ from National Grid joined the CUSC Panel to provide an update on Legal Separation. JM advised the Panel National Grid will become a more independent System Operator therefore this will require amendments to the Codes to reflect this.

7026. JM advised the Panel the legal separation team are currently working on license drafting and the draft modification legal text which will be circulated to industry in February allowing two weeks for review. JM advised the legal separation team will look at holding a meeting with industry for feedback on this paper.

7027. AQ noted the pre modification work is to help make the processes as smooth as possible. AQ advised the CUSC already recognises a separate TO and the changes are to remove any reference to TO and replace with the new NGET in the CUSC. AQ advised these changes are not material as NGET is referred to as the Company in the CUSC. TM asked if these changes would result in more than one modification to amend the CUSC. JM advised there will be two modifications directly linked and raised at the same time. AQ noted when drafting the modifications there were certain activities that need to happen before legal separation occurs.

7028. SL questioned how bilateral agreements would work as current bilateral agreements are with NGET, therefore will this be a seamless process from a user point of view. AQ advised the approach with bilateral agreements will be the same as CUSC

accession agreements; these will be signed as NGESO. GG noted the definition in Section 11 of the CUSC states NGET as The Company. GG asked will this definition be amended so we don't have to go through a process like this again if the entity changes in the future. GG noted any references to the SO will be to The Company and any reference to NGET will refer to the TO role. AQ noted in the CUSC there are a few reference to the Company in the CUSC and a few references to TO entities.

7029. PJ asked AQ if parties in England and Wales had interface agreements or were they just associated with sites in Scotland/offshore? AQ advised yes, in England and Wales there are interface agreements for all sites but they are all physical therefore will remain with NGET as TO and anything commercial will be SO.

7030. JM advised the Panel the legal separation team will be covering all codes and expect the changes to be quite minimal. JM advised the next steps are to issue the consultation to industry participants in February. SL asked how the modifications will be raised. JM confirmed the modifications will not be raised as Self- Governance, and the decision will be for Ofgem and also dependent on feedback from industry.

7031. AQ noted further discussions are required to ensure nothing sensitive in novation agreement. AQ advised she will share this agreement with the Panel and industry. GG noted he would like to see stakeholder engagement before the consultation period as this could have consequences for a CUSC Party. GG advised that seeing this early would allow parties to understand what is happening.

7032. JM and AQ will continue to provide updates to the Panel when available.

## 10 Next meeting

7033. It was confirmed to the Panel that the next normal Panel meeting will be held on 23 February 2018 at National Grid House.