

**Minutes and Actions Arising from Meeting No.46
Held on 24th June 2005
At Brandon Hall Hotel, Brandon, near Coventry**

Present:

Richard Court	RC	Acting Panel Chairman
Richard Dunn	RD	Panel Secretary
Ben Graff	BG	National Grid Company Representative
John Greasley	JG	National Grid Company Representative
Hugh Conway	HC	EnergyWatch Representative
David Edward	DE	Authority Representative
Rupert Judson	RJ	Panel Member
Malcolm Taylor	MT	Panel Member
Bob Brown	BB	Panel Member
Paul Jones	PJ	Panel Member
David Lane	DL	Panel Member
Steve Drummond	SD	Panel Member
Simon Goldring	SG	Panel Member

In Attendance:

Dick Cecil	DC	Alternate Member
Steve Phillips	SP	Alternate Member
Andrew Neves	AN	Central Networks
John Hill	JH	Central Networks
Tony Dicicco	TD	npower
Simon Lord	SL	First Hydro
Kathryn Coffin	KC	Elexon

1 Introductions/Apologies for Absence

292. Apologies for absence were received from Simon Cocks.

2 Minutes of the Meeting held on 20 May 2005

293. The change-marked minutes of the 45th Amendments Panel meeting held on 20th May 2005 circulated on 16th May were agreed subject to one further amendment:
In line 2 of minute 261 replace "Paragraph 261" with Paragraph 260".

3 Review of Actions

294. All the outstanding actions from the previous meeting had been completed or were the subject of agenda items except for the following:

Minute 283 (Appeals against Ofgem Code Decisions under the Energy Act 2004). BG reported that he had not brought this issue formally back to the Panel since he had been waiting for the laying of the Statutory Instrument to designate the relevant Codes before Parliament and the associated DTI Guidance and Conclusions

Documents. BG noted that the Electricity and Gas Appeals (Designation and Exclusion) Order 2005 (SI 2005/1646) had in fact been laid on Thursday 23rd June and the DTI had indicated that their conclusions and guidance document should be available in the week beginning 27th June. BG now believed it was time for the Governance Standing Group (GSG) to re-convene to consider the issues associated with appeals from the standpoint of the CUSC. SD agreed and indicated he would be happy to continue as chair of the GSG.

295. The Panel AGREED that the GSG should re-convene to consider the impact on the CUSC of the introduction of appeals arrangements for Ofgem Code decisions in the following two areas:

- i) Short term work-arounds to facilitate the application of the new appeals arrangements to the CUSC
- ii) a wider review of the potential changes required to Section 8 of the CUSC as a consequence of the new appeals arrangements

Action: SD

296. Minute 285 (Right of Dormant CUSC Parties to vote in CUSC elections). The Panel AGREED that NGC should fulfil this action in the context of the report to Ofgem on the 2005 Panel elections.

297. Minute 286 (User Guide to the 2005 Panel Elections). RD reported that there had been no comments from Panel Members on the draft User Guide and the final version of the Guide had been circulated to CUSC Parties on 6th June.

4 New Amendment Proposals

- **CAP092 – Consistent Generation Use of System Liability Provisions for Transmission Access Products**

298. PJ gave the Panel a presentation on CAP092. PJ explained that e.on had originally pursued the change represented by CAP092 at the Charging Issues Standing Group but that route had not been acceptable hence the submission of CAP092. The issue stemmed from e.on's view that Short Term Transmission Entry Capacity (STTEC) was a limited product and in particular did not encourage the return of mothballed plant. Examples were given illustrating that annual TEC charges were considerably less than a mixture of TEC and STTEC in a year or even STECC for only 24 weeks of the year for the same plant. In certain circumstances CUSC Parties could be required to pay up to 3.5 x the cost of TEC alone for tranches of STTEC. In addition STTEC gave no automatic rights to future access.

299. PJ argued that paying more for tranches of STTEC compared to what would have been paid in annual TEC charges is an unintended consequence of the introduction of the product. PJ argued that this gave rise to discrimination and thus adverse effects on competition. CAP092 therefore seeks to cap the liabilities payable in charges for STTEC and/or TEC in any one financial year to that which would have been paid for TEC alone. PJ recommended that CAP092 should go straight to industry consultation.

300. During discussion of CAP092 several Panel Members considered that CAP092 addressed charging issues rather than CUSC matters and therefore was more appropriate for consideration at the TCMF. PJ disagreed and indicated that the

TCMF had not considered a change to the charging methodology was appropriate but it had been suggested at the TCMF that the matter could be taken forward via a CUSC Amendment Proposal. CAP092 was designed to limit the total liabilities for charges to that which would have been incurred for TEC alone. Liability provisions were a CUSC issue and therefore CAP092 addressed the issues surrounding the current inconsistency, cost reflectivity and discriminatory nature of the current liability arrangements.

301. TD was concerned that CAP092 may send messages to generators that were inconsistent with the overall aim of the charging methodologies. PJ indicated that STTEC was based on the operational background whereas TEC was based on the planning background so that PJ believed that STTEC would not be sending anything other than very short term signals about the capacity of the system. BG indicated that whilst CAP092 fell within the criteria for acceptance by the CUSC Panel Secretary, the Amendment did still raise potentially interesting questions in relation to cross-governance, which did not have particularly obvious answers. . DC indicated that he believed the Panel Secretary had a key role in allowing an Amendment Proposal to proceed and considered that it was correct for this proposal to come forward. BG, SP and RJ considered that STTEC and TEC were different products so that it was inappropriate to link them. SP, RJ and DL however indicated that they believed, CAP092 did address a defect that required to be addressed. They also noted possible interactions with CAP094. The Panel agreed that CAP092 and CPA094 were potentially interactive and therefore agreed to defer a decision on CAP092 until they had had the debate on CAP094.

- **CAP094 – Limited Duration Transmission Entry Capacity (LDTEC)**

302. SL gave the meeting a presentation on CAP094. He explained that CAP094 was concerned with access to the system for the balance of the Financial Year (FY). LDTEC would be assessed purely against the operational background. CAP094 was required because the GB queue for applications still to be processed was such that it was unlikely that any new TEC application that was interactive could be dealt with before April 2006 and therefore that current spare capacity could be allocated on a TEC basis for winter 2005/06. In addition generation may be de-commissioning and not require future rights. CAP094 would enable such a generator to purchase LDTEC and thus release transmission rights for other generators in later years. CAP094 would also assist generators who wished to connect to the system early but for whom the time taken for a full planning assessment might be prohibitive. SL recommended that CAP094 should be considered by a Working Group for one month so that the final Amendment report could be with Ofgem for decision in time for winter 2005/06. A modification to the charging methodology would need to be developed in conjunction with CAP094.
303. In response to questions from MT and DC, SL confirmed that LDTEC would only be available for a set period based on the operational background. He did not believe that it would create a separate queue for LDTEC as well as TEC given the dependence on the operational background and the fact that there were no evergreen rights to LDTEC – the right ceased at the end of the FY. BG indicated that NGC supported access products that facilitated competition in generation but wanted the possible interaction between LDTEC and the existing access products to be considered more fully by a Working Group.. Due to the possible complexities of these interactions NGC believed that the Working Group would require more than one month to complete its work. Issues were also raised about potential interactions between a CAP094 product and the GB queue, and the necessary timescales NGC

would need in considering whether or not to grant LDTEC, and the criteria on which NGC would base any decision in this area.

304. The Panel AGREED that CAPs092 & CAP094 should be considered by a Working Group chaired by Malcolm Taylor. The Panel AGREED the Membership of the Working Group (subject to several confirmations). The Working Group would refine the TORs at its first meeting and submit them for approval to the July Panel meeting. It was AGREED that the Chairman should make a verbal report to the Panel in July on the Working Group's progress. The Working Group's final Report should be submitted to the August Panel Meeting although if the Working Group completes its deliberations on any Amendment Proposal earlier than this the Group should report accordingly to the Panel.

Action: MT

- **CAP093 – Enabling the Flow of Electricity From Distribution Systems Into the Transmission System at Grid Supply Points**

305. AN gave the Panel a presentation on CAP093. AN explained that Government targets for and the trends in renewable generation/Distributed Generation meant that flows from distribution systems on to the transmission system were increasingly likely in the future. The CUSC did not accommodate such flows. DNOs were required under the Act to connect both generation and demand on request but the CUSC prevented DNOs from fulfilling this obligation. The CUSC was therefore effectively a barrier to entry for embedded generation.
306. CAP093 proposed amendments to the definitions of "Grid Supply Point" and "Distribution system" to allow for flows onto the transmission system. Consequential changes were expected to be minimal. AN believed CAP093 would better facilitate the Applicable CUSC Objectives by removing a potential barrier to entry for embedded generation, enabling DNOs to fulfil their obligations to connect generation, facilitate the achievement of Government targets for renewable generation. CAP093 would also better align the CUSC definition of Grid Supply Point with that in the BSc and the MRA.
307. During discussion BG indicated that NGC believed that the ramifications of CAP093 were potentially considerable. At present the only entry product to the Transmission System was TEC (and its derivatives). Without holding and paying for access through these products there were no explicit rights to use the Transmission System. Moreover, arguably Distribution that used the transmission system without holding the appropriate product was taking up capacity that could be required by another generator which did have rights through the established products. DC noted that net flows onto the transmission system had occurred in the past but agreed that there was no contractual framework to reflect this. MT noted that CAP093 could be seen in terms of "righting a wrong" for an embedded generator. DL believed that the considerable ramifications of CAP093 identified by NGC were a matter for NGC to pursue – CAP093 should be taken at face value and assessed in terms of the Applicable CUSC Objectives.
308. The Panel AGREED that CAP093 should be considered by a Working Group chaired by John Greasley. The Panel agreed the Membership of the Working Group (subject to several confirmations). Any further nominations for membership of the Working Group should be provided to the Panel Secretary by Friday 1st July. The Working Group would refine its TORs and submit them for approval to the July Panel meeting. The Working Group's final Report should be submitted to the September Panel

Meeting.

- **CAP095 - Removal of Operational Day Reference from Ex Post Publication of Response Information**

309. JG gave the Panel a presentation on CAP095. JG explained that CAP095 will align the timeframes for the publication of ex ante and ex post information on mandatory frequency response on a calendar basis in preparation for the implementation of CAP047 on 1st October 2005. At present the ex ante publication of Holding prices and the ex post publication of current utilised volumes were some 5 hours out of synchronisation and CAP095 proposed to rectify this inconsistency.

310. The Panel AGREED that CAP095 should go straight to industry consultation for one month.

Action: JG

5 Standing/ Working Group Reports

- **Balancing Services Standing Group**

311. JG gave the Panel a report on the work of the Group since the last Panel meeting. The Group had concentrated on implementation issues associated with the introduction of CAP047 from 1st October and had also discussed the buy-out of mandatory services. The six monthly report from the Group would be presented to the July Panel and the Panel would be invited to approve a six month extension for the Group to continue its work and appropriate changes to the Group's Terms of Reference.

- **CAPs088-091 Working Group**

312. Ben Graff, Chairman of the Working Group gave the Panel an update on the work of the Group to date. Two meetings of the Group had been held and a third was planned for 4th July. Constructive discussions had taken place and the Group was on course to report to the August Panel meeting. The Group unanimously recommended merger of CAP089 and CAP090 and the Panel AGREED to the merger of these two proposals. Depending on progress at the 4th July meeting the Group hoped to fast track reports for CAP088 and possibly CAP089/090 to the July Panel meeting in line with its Terms of Reference. CAP091 had generated considerable discussion and the Group would probably require the full three months to report back to the Panel. The Panel also AGREED a minor revision to the Group's Terms of Reference (change of Membership details).

6 Consultation Reports

313. There were no new consultation reports. The Panel NOTED that the further consultation on CAP086 (Proposal for Earlier Consideration of Implementation Dates) had closed on 22nd June.

7 Amendment Reports

- **CAP087 – Revisions to Request for Urgency Process.**

314. The Panel NOTED that this Amendment Report had been provided to the Authority on 13th June.

- **CAP085 – Revised Treatment of Housekeeping Amendments**

315. The Panel NOTED that this Amendment Report had been provided to the Authority on 23rd June.

8 Authority Decisions

- **CAP076 – Treatment of System to Generator Intertripping Schemes**

316. The Panel NOTED that the Authority had approved the original Amendment Proposal on 10th June for implementation on 15th July. JG noted that Ogem had indicated in their decision letter that they would welcome the continuing review of the implementation of CAP076. He would include this review in the revised Terms of Reference for the BSSG that would be presented to the July Panel meeting. JG also noted that Ofgem had indicated that the new technical definitions required for the new arrangements for intertripping schemes would be more appropriate to sit in the Grid Code, and NGC would bring forward an appropriate Amendment Proposal (to remove the definitions from the CUSC) to the July Panel. CAP076 would apply to new connections from 15th July but NGC was also preparing agreements to vary connection agreements for existing connections to reflect the CAP076 provisions.

Action: JG

- **CAPs079 – 084 – Housekeeping Amendments**

317. The Panel NOTED that the Authority had approved all of these Housekeeping Amendment Proposals on 1st June for implementation on 15th June.

9 Report on Other Industry Documents

318. MT reported that at the BSC Panel met on 9th June. Stuart Senior the new Chief Executive had referred to the outcome of a survey completed by BSC Parties on the role and performance of Elexon. He would discuss some of the issues arising from the survey further with the relevant companies. It was expected that the Credit Assessment Price would increase from £23 to £28 in due course.

319. BG reported that there would be an extraordinary meeting of the Grid Code Review Panel on 20th July to consider the outcome of the LEEMPS Working Group and this was expected to lead to a CUSC Amendment Proposal in due course to amend Paragraph 6.5.1.

320. BG reported that the STC Committee had met on 21st June and had continued discussions to try to conclude the outstanding STPs. A consultation to introduce similar provisions as in CAP068 to the STC would be undertaken next month.

10 Any Other Business

- **Working Group Membership**

321. SP noted that it was rarely possible for the Panel to approve the Terms of Reference when a Working Group was established due to changes in Membership of the Working Group in the first few weeks of its existence. As a result the Working Group was effectively meeting without the Panel's agreement to its Terms of Reference.

- **2005 CUSC Panel Elections**

322. The Secretary informed Panel Members that nomination forms for new Panel Members had been circulated to all CUSC Parties on 22nd June. Nomination forms should be returned to the Secretary no later than 14th July.

11 Record of Decisions – Headline Reporting

323. The Panel Secretary would circulate an outline Headline Report after the meeting and place it on the National Grid website in due course.

12 Date of Next Meeting

324. The next meeting will be held on Friday 29th July 2005 at the Brandon Hall Hotel, Brandon, near Coventry commencing at 10.30am. DC tendered his apologies for absence from the next meeting.