

Governance Standing Group (GSG)

Minutes and Actions Arising from Meeting Held on 2nd September 2010

Present:

Garth Graham	GG	Chairman, SSE
Emma Clark	EC	National Grid Electricity Transmission
Steve Lam	SL	National Grid Electricity Transmission
Alex Thomason	AT	National Grid Electricity Transmission
Esther Sutton	ES	E.ON
Steven Eyre	SE	EDF Energy
Kathryn Coffin	KC	ELEXON (via teleconference)
Robert Longden	RL	Wind Energy (via teleconference)
Barbara Vest	BVe	Association of Electricity Producers (via teleconference)

Apologies:

Merel Van der Neut Kolschoten	MK	Centrica
Bali Virk	BV	Technical Secretary
Stuart Cotten	SC	Drax Power Limited
Peter Bolitho	PB	E.ON UK

All presentations and supporting papers given at this GSG meeting can be found at:
<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/gsg/>

1 Apologies for Absence & Introductions

282. Apologies were received from Bali Virk, Merel Van der Neut Kolschoten, Stuart Cotten and Peter Bolitho.
283. GG welcomed SE to the GSG as a new GSG Member.

2 Approval of Minutes

284. The minutes from the meeting held on 27th May 2010 were approved and will be published on the National Grid website shortly.

Action: NGET to publish minutes on the National Grid website

285. GG commented, in relation to paragraph 260 which discussed Initial Written Assessments for the CUSC, that a review of the costings contained within the IWA template may be required in the new year once the Code Governance Review arrangements have been implemented. For example, the existing IWA uses an industry involvement costing method of 1.5 days per meeting and 2.5 days per consultation response. However, GG noted that once the new arrangements are in place, there would effectively be three classes of Amendment Proposal: "standard" proposals, proposals raised following a Significant Code Review and Self-governance proposals, and that the level of industry consultation input may differ between each type; such as 0.5 days per Self-governance consultation (and assume 3 responses) 1.5 days for "standard" proposals (6 responses) and 3.0 days for Significant Code Reviews (10 responses). GG also suggested that Final Amendment Report could be used to capture the 'actual' industry input and costs (i.e. how many

actual Working Group meetings took place, how many actual consultation response received etc.,) once the Amendments process has been concluded.

Action: NGET to add review of IWA costings to agenda for January GSG

286. AT asked GSG members for general feedback on CUSC IWAs, in terms of how useful GSG members or their colleagues found them, noting that they were generally used by Panel Members, but NGET was not aware of how much more widely they might be used within the industry. BVe commented that, in relation to the BSC IWAs, she was aware that the BSC Panel regularly discusses the content of the IWAs and use them to expand the terms of reference of a Modification Group. BVe also noted that the AEP's members generally found IWAs useful.

Action: GSG members to provide any feedback on CUSC IWAs to NGET

3 Review of Actions

287. **Minute 257: Publish the GSG minutes from the March 2010 meeting on the National Grid website. Action complete.**
288. **Minute 220: GSG to consider issues associated with the applicability and relevance of analysis undertaken during the process before a decision is made.** Review after conclusion of CAP179 Working Group. AT noted that this action was agreed at the last meeting and asked whether it should be left on the agenda as a reminder. GG asked for it to remain.
Action ongoing.
289. **Minute 240: AT to review revised Working Group Terms of Reference with Hedd Roberts.** AT noted that shortly after this action was assigned in March 2010, Hedd moved to a new role within National Grid. AT noted that Hedd's replacement attends the Panel meetings and has visibility of the revised standard Working Group Terms of Reference, but that Hedd's input had been specifically requested due to his role within the TAR Working Groups. GG acknowledged this and asked the GSG to agree that the action could be closed, to which the GSG members agreed. **Action complete.**
290. **Minute 243: NGET to seek Ofgem's view on WGAAs in the decision making process.** AT gave an update that, having spoken to Ofgem, Ofgem has no definitive view as to the "best" number of alternatives a Working Group should develop. GG mentioned that with the recent introduction of the 'ownership' principle under the BSC, a Modification Group cannot develop the "original" proposal without the proposer's consent which reduces flexibility. However, in the CUSC the downside is that you may get a lot of alternatives with, for example, over 20 alternatives being developed for CAP131. GSG agreed that this action could be closed. **Action complete.**
291. **Minute 249: NGET to remind Ofgem about post-implementation response.** AT gave a verbal update based on Ofgem's email response to this action which she agreed to circulate after the meeting. Essentially, Ofgem notes that its position on post implementation reviews is set out in a document published in December 2009, "Guidance on Impact Assessment". This document states that "Ofgem notes, in relation to industry code modifications that it is for the code governing bodies to monitor the effects of proposals that have been implemented and for code signatories to table further modification proposals as necessary. However, where and to the

extent appropriate, Ofgem may undertake its own post-implementation review of code modifications." GG noted that a House of Lords Select Committee report in November 2007 stated that post-implementation review criteria should be established when the change is raised, not set after the event. GG also noted that given the importance of the matters that were likely to be the subject of an SCR that perhaps, as a minimum, all SCR directed Amendment Proposals might be the subject of a post-implementation review. **Action complete.**

Action: AT to circulate Ofgem email response to Minute 249 action.

292. **Minute 273: Ofgem to confirm veto process only to be applied to live Charging Methodology proposals.** AT responded that she had spoken to Ofgem about this who had questioned the use of the term "live", but confirmed her understanding that any charging proposal in train on or before 30th December 2010 would be decided upon using the existing 28 day "non-veto" decision making process. On or after 31st December 2010, the new governance arrangements should apply and the Charging Methodologies should form part of the CUSC, such that decisions on those Amendment Proposals which relate to the Charging Methodologies would be subject to the existing Authority decision making process, which has a self-imposed KPI of 25 working days, but is not actually restricted.
293. GG suggested that a future Amendments Panel KPI relating to Authority decisions on Charging Methodology related Amendment Proposals could be how many of those changes are dealt with within the existing 28 day non-veto window and how many take longer and therefore represent a degradation of the existing standards. GG proposed that the GSG could recommend to the Panel that the CUSC Panel KPIs could specifically record in future when the charging methodology Amendment Proposal decisions go beyond the 28 calendar days. KC asked whether this would add any value, given that the existing Panel KPIs already record the number of working days taken for an Authority decision and once the Charging Methodologies are under normal CUSC governance they will presumably be subject to Ofgem's existing 25 working day KPI. The majority of GSG members agreed that the GSG could recommend this approach to the Panel.
- Action: GSG members to consider potential Panel KPI further and discuss at October GSG meeting**
294. **Minute 276: NGET to write to GSG/CUSC Panel members with potential Working Meeting dates. Action complete.**
295. **Minute 278: NGET to get a view from Legal, with regards to publishing a summary of the response including the company name, and is this impediment in the CUSC or the Electricity Act.** AT responded that this NGET had sought a view and was waiting for a response and would provide an update at the next meeting. **NGET to provide an update at the October GSG.**
296. **Minute 280: BV to update the GSG Terms of Reference to include a review of Commercial Balancing Services Standing Group.** On agenda, under item 4. **Action closed.**

4 Approval of updated Terms of Reference

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297. GG noted that NGET had updated the GSG Terms of Reference in line with the items agreed at previous meetings, to include a review of the governance of the Commercial Balancing Services Group and the appointment process for an independent Panel Chairman and Deputy Chairman, in line with the issues raised at the CAP185 Working Group. AT explained that the table showing membership of the GSG had been amended to make it clearer what role each person listed held, whether they are a GSG member or an Observer. AT noted that the terms of reference would need updating further to recognise that SE has joined the GSG as a full member and that this would be done prior to the following day's Panel meeting at which the GSG Terms of Reference were to be approved.

**Action: NGET to update Terms of Reference to include SE as Member;
GG to seek Panel approval of revised GSG ToR at September Panel meeting**

298. GG asked whether NGET could update the ToR to note which items under Item 7 have been closed and where they are referenced in meeting minutes to give the industry visibility of GSG's conclusions. AT noted that a separate annotated version of the GSG TOR had previously been produced, for use by the GSG members, but that it would need further updating to reference the relevant sections of the GSG minutes.

Action: NGET to annotate copy of ToR to note which items closed and provide references to previous GSG minutes.

5 Agenda Items taken from the GSG Terms of Reference

Appointment process for Panel Chairman and Deputy Chairman

299. GG summarised responses to the CAP185 Working Group consultation on this issue. BVe noted that for the BSC, both at its initiation and more recently, the Chairman was appointed 6 months ahead of his official start date to allow time for settling in and learning the role. In BVe's opinion, this worked for NETA go-live, but has not worked as well this time round, as it does not represent good value for money in terms of the learning gained versus the money spent. BVe suggested that a shorter settling in period would represent better value. BVe also proposed that a consideration for the independent CUSC Panel Chairman should be terms and conditions and that these should state that if the Panel Chairman were to miss a meeting, through holidays or illness, they should not get paid. RL agreed with this suggestion.
300. GG suggested that the GSG should develop a "protocol" that could be used to consult industry prior to Christmas 2010 on how the appointment process should work. The GSG agreed that this should be done. BVe asked who would be appointing – would it be Ofgem or the Company (National Grid)? AT responded that earlier discussions with Ofgem had suggested that it would be the Company's role to appoint and the Authority would approve or not veto that appointment, but would not get involved in the detail of the appointment process. AT also noted that Ofgem uses an external headhunting company to appoint the BSC Panel Chairman but there was no similar process within the CUSC. BVe asked whether similar remuneration terms to the BSC Panel Chairman would apply. KC noted that the BSC Panel Chairman is also Chairman of ELEXON and therefore the remuneration reflected this. AT responded that a CUSC Panel Chairman role would likely

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to be in the region of three days a month and so the remuneration should reflect this, but added that she was uncertain how the levels of such remuneration would be set.

301. GG suggested that a recruitment agency would need to be appointed and that the GSG members' organisations would probably have some expertise in this area that could be drawn upon. GG asked whether GSG members agreed that a Panel sub-committee should be involved in the appointment process. The Panel sub-committee would be established by agreement by the Panel, and could consist of 1 Company (National Grid) representative, 1 code administrator representative (also National Grid), two independent Panel members and possibly one other member who had no affiliation with National Grid, any CUSC or BSC Party, the National Consumer Council or the Authority. The sub-committee would draw up a list of skills required, the recruitment agency would then draw up a shortlist of candidates, the subcommittee would review the list and make a recommendation to the Panel. GG asked BVe as a Panel Member whether she thought it was a suitable process. BVe responded that an open process would be preferable, but raised potential concerns over the Company's internal processes which might restrict the Panel or sub-committee involvement, and suggested caution in terms of the work to be undertaken at this stage by the GSG in case it was wasted effort. GG noted that an "independent" panel chairman may not be able to be considered fully "independent" if the appointment process is not transparent.
302. KC suggested that the BSC's "tender" process for BSC Agents could be a useful model, as set out in Section E of the BSC. In this process, the Panel has scrutiny and control over the process (agreeing the approach and criteria to be used in finding, shortlisting and selecting candidates), and can appoint a sub-committee which is consulted before candidates are shortlisted/selected. However, ELEXON does the actual shortlisting, selection and contracting.
303. GG proposed a way forward that, using the GSG minutes from this meeting, GG and AT between them should put together a "protocol" list for appointment of an independent Panel Chairman, potentially for the next meeting in October 2010. AT would also need to seek advice from within National Grid as to any applicable internal processes.

Action: NGET to seek internal advice on relevant processes or restrictions

Action: GG/AT to draft a protocol for appointment of a Panel Chairman

304. GG moved the meeting on to looking at issues surrounding appointment of a Deputy Chairman and summarised responses to the CAP185 Working Group on this issue. GG noted that under the existing arrangements, the Deputy Panel Chairman would be a senior employee of National Grid, but that if one were not available, a deputy could be appointed from within the Panel. However, were that the case, that Panel Member would lose his vote if a Panel Recommendation Vote took place at that particular Panel meeting.
305. KC commented that the arrangements may depend on whether the Panel Chairman would appoint someone in advance of the meeting (potentially on a standing basis) or whether it was a short notice issue, e.g. where the Chairman gets stuck in transit. GG also suggested a third, worst case scenario whereby the Panel Chairman falls out with the Panel or is considered to be frustrating the process. The Group discussed the existing CUSC provisions regarding "Removal from Office" in CUSC Section 8.5 and that this will need to apply to the independent Panel Chairman in future. GG

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summarised the scenarios where a Deputy Panel Chairman would be required; a) removal from office (permanent replacement required); b) where advance notice of unavailability is provided and there would be time for a Deputy to be briefed, for example, holidays or hospital appointments; or c) where no or little advance warning of unavailability is provided and there may be no time for briefing a Deputy, for example, where the Chairman is stuck on a train or in traffic, or falls ill shortly before the meeting.

306. GG asked for GSG members' views on who should fulfil the role of Deputy under the different scenarios. BVe stated that she would be comfortable with a senior person at National Grid fulfilling the role. GG noted with regard to a Panel Member stepping up to being the Panel Chairman, the difference between the BSC and CUSC, whereby a BSC Panel Member can appoint anyone they wish to as their alternate, including someone else from within their organisation, whereas in the CUSC, a Panel Member can only appoint an Alternate Panel Member, or another Panel Member. SE asked whether the CUSC needed to prescribe who the Deputy would be such that this issue would not arise in future.
307. GG suggested that this issue could be removed if it were known in advance that one of the two National Grid representatives could be the Deputy Chairman, such that National Grid would still retain a vote. AT noted that this would represent a change from the existing principles of the Chairman being a Director at National Grid or a "Senior Employee" which in practice means someone who reports directly to a Director. The existing National Grid representatives are not at the same level.
308. GG commented that for non-contentious issues, voting Panel Members may be happy to act as the Deputy Chair, but for contentious issues they may not wish to as it could involve losing their vote or passing their vote to someone else, therefore there would need to be a default position which could be that one of the two National Grid Representatives could act as Deputy Chair. The GSG discussed the issue of a Panel Member passing their vote to an alternate and how the alternate would be required to vote. AT noted that the Panel had discussed this issue in 2009, noting that there were two approaches, one where the person acting as alternate could vote in the way they saw fit, versus having to vote as they had been instructed to by the absent Panel Member. BVe expressed her view that alternates should be allowed to vote freely, given that new information might come to light at the Panel meeting at which the vote took place and it is an accepted risk when appointing an alternate.
309. In summary, GG concluded that if a voting Panel member volunteers to be Deputy Panel Chairman, they would not lose their vote and could transfer it to an alternate, using the existing provisions on alternates set out in the CUSC. The pool for Deputy Panel Chairman would be all Panel members (7 User Panel Members, 1 Consumer Focus representative, 1 Authority-appointed Panel Member, where one exists in the future, plus the voting and the non-voting National Grid Representatives). The GSG members agreed with this summary.

Review of Commercial Balancing Services Group (CBSG)

310. GG gave some background to the issue. The CBSG was set up by NGET around about 4 months ago and is usually held alongside the Balancing Services Standing Group, which is subject to CUSC governance. In contrast, the CBSG meetings are not subject to CUSC governance and the CBSG is therefore not required to give updates to the Amendments Panel, but usually

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does. GG commented that as the parties that are involved in the CBSG are National Grid and CUSC Parties, it seems appropriate that it should be subject to CUSC governance. AT responded that the reason National Grid had not established the CBSG under CUSC Governance was that it recognised a distinction between mandatory Balancing Services, which are required by the CUSC, and Commercial Balancing Services, which are not mandated / required by the CUSC, and which may be provided by parties other than those which are CUSC Parties. AT drew a distinction to the discussions on charging forums, whereby the Transmission Charging Methodologies Forum has attendees who are not CUSC Parties, whereas any new Charging Standing Group under CUSC governance would require attendees to be nominated by CUSC Parties.

311. GG suggested that the GSG's next steps could be to undertake a consultation on this issue, as part of a wider consultation on, e.g. the independent Panel Chairman appointment process. The consultation could note that the GSG is not certain of the best approach and is seeking CUSC Parties' views as to whether the CBSG should fall under CUSC governance. KC asked whether the CBSG produces minutes, which EC confirmed, and if so, whether they could be reviewed to see whether issues which could result in a CUSC Amendment Proposal being raised are discussed. KC noted that the rationale for other 'standing' groups like the main BSSG being under CUSC governance is that their discussions can result in changes to the CUSC. If this is not the case with the CBSG, there may be little benefit in bringing it under Panel control. AT agreed to circulate a link to the CBSG papers to GSG members for their review.

Action: NGET to circulate link to CBSG minutes to GSG members

Review the role of Standing Groups going forward

312. GG clarified the background to this issue, which was that in the future more Standing Groups may be needed, for example a Charging Standing Group, once the Charging Methodologies form part of the CUSC. The provisions for Standing Groups are contained within CUSC Section 8.18. AT provided a brief overview of the differences between Standing Groups and Working Groups, noting that the CUSC contains restrictions on Standing Groups raising and developing Amendment Proposals or alternatives, or responding to consultations as a Standing Group. AT also noted that a Standing Group can act as a host to a Working Group, for example the GSG being used as a Working Group for CAPs 183, 184, 185 and 188. RL asked why a Standing Group would be better placed to develop an Amendment Proposal than an individual attending the TCMF and then raising their own Amendment Proposal. GG responded that the TCMF would be a forum to discuss an issue at a high level but that there was insufficient time at TCMF to develop an issue and that given this you should let the Standing Group look at it in further detail before an Amendment Proposal is raised.
313. GG asked whether the GSG should consider potential terms of reference for a Charging Standing Group. RL agreed that a Charging Standing Group could be very useful to the industry. AT noted that the existing TCMF Terms of Reference are quite old and that NGET had recently reviewed them internally and produced an updated draft. AT agreed to obtain the latest draft and circulate it to GSG members as a basis for developing terms of reference for a Charging Standing Group.

Action: NGET to circulate draft updated TCMF terms of reference

6 Any Other Business

314. No additional items of business were proposed.

8 Next Meeting

315. AT noted that the next GSG meeting is scheduled for 23rd September 2010, but that this meeting had been earmarked for a possible CAP190 Working Group meeting, should the Amendments Panel agree to its formation. BVe, KC and RL responded that they would be unavailable for the September GSG meeting due to holidays and a clash with the GCRP. GSG Members agreed to the September GSG being used as a CAP190 Working Group meeting, if required.
316. The next GSG meeting will therefore be 28th October 2010.