

Minutes and Actions Arising from Meeting No.95 Held on 30 March 2009

Present:

Mark Ripley	MR	Panel Chair
Bali Virk	BV	Secretary
David Smith	DS	Panel Member (National Grid)
Patrick Hynes	PH	Panel Member (National Grid)
Paul Jones	PJ	Panel Member (Users Member)
Paul Mott	PM	Panel Member (Users Member)
Garth Graham	GG	Panel Member (Users Member)
Bob Brown	BB	Panel Member (Users Member)
Barbara Vest	BVest	Panel Member (Users Member)
Tony Diccico	TD	Panel Member (Users Member) via teleconference
Simon Lord	SL	Panel Member (Users Member) via teleconference
Dave Wilkerson	DW	Alternate Panel Member (Users Member) via teleconference
Dipen Gadhia	DG	Ofgem Representative

In Attendance

Mark Duffield	MD	National Grid
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1 Introductions/Apologies for Absence

1853. Apologies for absence were received from Alison Kay, David Jones, Kathryn Coffin, and Hedd Roberts.

2 New Amendment Proposal

1854. An urgent CUSC Panel meeting was held to discuss a new Amendment Proposal CAP171 "Capacity Pricing Mechanism" which was proposed by National Grid, with a view to requesting urgent status from the Authority.
1855. MD, representing the proposer, gave the Panel a presentation describing CUSC Amendment CAP171 Capacity Pricing Mechanism. The presentation can be found at:
https://ng.corpwww.net/uk/Electricity/Codes/systemcode/Panel/2009_current/Meeting+95/
1856. During MD's presentation Panel members asked questions for clarification. Panel members also felt that CAP171 lacked detail, and if a Working Group was to be set up the following areas would need to be considered:
- Whether it was feasible or practical that generators could commit to a Buy-back price for the duration of their booking.
 - Whether the Buy-back price represents an overly onerous obligation due to its potential impact on BM pricing and indeed whether commercially negotiated balancing contracts would be a more appropriate option.
 - The nature of the Buy-back price (for instance could it be indexed to fuel prices etc).

- Whether it was feasible or practical for a generator to commit to a Load Duration curve for the entire period of its capacity booking.
- The transitional arrangements for LCN under CAP171 would need to be examined.
- As the amendment proposal appears to be based upon the assumption that the Short Run Marginal costs of operating the GB Transmission System converge to the Long-Run costs in the long term, this assumption needs to be robustly tested to ensure that this is the case.
- What the baseline capacity released is under CAP171, and if there were to be an SQSS compliant system would the short run costs collapse to zero?
- Potential costs for wind generators.
- Concerns were raised with regard to the proposed transitional timetable for the very first auction, which it was noted would be the largest auction, in that it concluded in February leaving only one month for contingencies before implementation on 1st April. For example the first auction being likely to be the most complex may need to be extended to ensure its appropriate closure. The timetable does not appear to allow for this. It was also noted that pricing information for bulk electricity contracts for, in particular, industrial and commercial consumers will need to factor in transmission access costs and if these are not known until March it will be difficult to factor them into contracts due to start on 1st April.
- How the proposal interacts with the soon to be implemented Offshore Transmission regime.
- Any Security of Supply implications associated with the amendment need to be investigated, including the potential 'end of March' issue where generators run out of hours towards the end of the charging year.
- One Panel member; noting that under CAP166 WGAA3 (on which CAP171 was based) it was anticipated that all generation north of B9 would be required to sign new Connection Agreements and provide security; called for a commitment from National Grid to the industry to publish a statement detailing the amount of security generators are being asked to provide under CAP171 compared with baseline, to improve openness and transparency on security levels.
- Will also need to consider the computer systems and operating procedure implications not just for National Grid; which had been the focus to date on implementation with the TAR amendments; but also 100+ industry players, including the small players, in order for them to participate in the auction process in particular if that results in them missing the first auction.
- Given the potential to utilise the P217 flag within the BSC central systems to identify Bid Acceptances taken for constraint reasons, there is a need to check P217 implementation if there is a linkage with the Elexon systems. There will also be the need to check more generally the levels of interaction between this amendment and the BSC central systems.

1857. At this point the Panel Chairman asked Panel Members to consider the issue of urgency for this CAP171 Amendment Proposal. BVest requested that the Chairman defer the debate on urgency until provisions within the CUSC paragraph 8.15.4(a) had been discussed and clarified. Paragraph 8.15.4(a) states that if, in the Panel's opinion, a new Amendment Proposal has substantially the same effect as a Pending Amendment Proposal, then it cannot be classed as valid and must be rejected. The Panel then considered the meaning of this paragraph 8.15.4(a) provision and whether CAP171 was not therefore a valid Amendment Proposal. A Panel member noted that the request for urgent status, presented to the Panel by National Grid, drew to the attention of the Panel that CAP171 is especially closely related to CAP166 WGAA3, another Panel member drew attention to the words used by

National Grid in giving its presentation to this meeting on this CAP171 Amendment Proposal, that it was essentially CAP166 WGAA3 and not really new, renamed and that has the same nucleus as CAP166 WGAA3. GG asked MD if the “capacity pricing mechanism” described in CAP171 was an auction. MD confirmed that it was an auction.

1858. On the subject of Urgent Status for CAP171 the CUSC Panel judged that this would depend on whether, in light of 8.15.4 (a) of the CUSC, CAP171 was an actual Amendment Proposal and thus there was little point in debating this urgency status at length until a decision had been reached regarding whether the amendment did or did not have the substantially same effect as a Pending Amendment Proposal.
1859. Regarding whether CAP171 had substantially the same effect as a Pending Amendment Proposal (namely CAP166 WGAA3) MD confirmed that in the view of the proposer the two Amendments were substantially different in at least two key areas:
- CAP171 defines a firm-priced access right by reference to a load duration curve whereas CAP166 WGAA3 relies on a single level of capacity based access right. It is not possible therefore to replicate the access right given by CAP171 using a combination of products offered by CAP166 WGAA3, CAP161 or CAP162.
 - Secondly CAP171 contains the concept of a Buy-back price, unlike CAP166 WGAA3. This then results in a different effect for Users; by signalling that they are willing to be more flexible on price in relation to other Users they may secure cheaper access rights than those Users.
1860. A number of Panel members; noting the comments during the presentation regarding the similarities between CAP171 to CAP166 WGAA3; remained of the view that CAP171 was not a valid modification under Paragraph 8.15.4 (a) of the CUSC, as Panel members continued to judge that it had substantially the same effect as CAP166 WGAA3. DG noted however that Ofgem’s initial view from reading the CAP171 Amendment Proposal was that CAP171 was substantially different to CAP166 WGAA3 or indeed any of the Amendments that were currently before the Authority, referring to CAPs 161-166, for decision.
1861. DG reiterated Ofgem’s view that it was important that a broad range of viable options were presented to the Authority to consider and confirmed that from an initial assessment, CAP171 appeared to provide a substantially different solution to anything that was currently before it for decision.
1862. The Panel Chairman then asked Panel members in turn to vote if CAP171, in their opinion, has substantially the same effect as CAP166 WGAA3.

Details of the voting are below:

1863. Paul Mott – CAP171 does have substantially the same effect as CAP166 WGAA3 therefore not new.
1864. Garth Graham – Key elements of CAP171, such as the Methodology Statement, are the same as CAP166 WGAA3 therefore it has substantially the same effect.
1865. Barbara Vest – CAP171 presentation and proposal have substantially the same effect as CAP166 WGAA3 therefore not new.

1866. Bob Brown – Abstained from the vote as could see merit in the arguments on both sides but was unable to reach a definitive view.
1867. David Smith – CAP171 is substantially different to CAP166 WGAA3. Understands the concern raised by Panel members with respect to bringing additional modifications to the table late in the TAR process. The need for future amendments to governance around this needs careful thought.
1868. Paul Jones – CAP171 on balance has substantially the same effect as CAP166 WGAA3.
1869. Simon Lord – CAP171 has substantially the same effect as CAP166 WGAA3.
1870. Tony Diccico – CAP171 is substantially different to CAP166 WGAA3.

In summary five Panel members voted that they did believe CAP171 to have substantially the same effect as a Pending Amendment Proposal (CAP166 WGAA3), two Panel members voted that they did not believe this to be the case and one Panel member abstained.

1871. The Chairman confirmed that the Panel agreed by majority vote that CAP171 should be rejected under paragraph 8.15.4 (a) of the CUSC.
1872. DG expressed his concern that the Panel had denied a CUSC party an opportunity to have an Amendment Proposal progressed, irrespective if it then considered the Amendment should be considered under urgent timescales or not, particularly having heard from the proposer first hand how it considered CAP171 was substantially different to other Amendments that had progressed to date and noted the considerable amount of new assessment that would be required by a WG if this Amendment were to be progressed.

3 A.O.B

1873. BB expressed his concerns with the CUSC governance and felt that National Grid staff are under intense pressure in particular with regard to the volumes of Urgent Amendment Proposals being tabled recently and therefore the standards of administration are slipping.
1874. Two Panel Members phoning into the meeting via teleconference reported difficulty with the facilities. The Chairman agreed to investigate facilities for the future.

Action: Chairman

4 Record of Decisions – Headline Reporting

1875. The Panel Secretary will circulate an outline Headline Report after the meeting and place it on the National Grid website in due course.

Action: Panel Secretary.

5 Date of Next Meeting

Minutes

1876. The next meeting is scheduled for Friday 3 April 2009, at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.