

# Code Administrator Meeting Summary

**Meeting name: CMP315 Workgroup 16/CMP375 Workgroup 13**

**Date:** 11 October 2022

## Contact Details

**Chair:** Paul Mullen

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**Proposer (CMP375):** Paul Mott

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## Key areas of discussion

- CMP315 seeks to review how the expansion constant is determined such that it best reflects the costs and CMP375 seeks to amend the calculation of the Expansion Constant & Expansion Factors to better reflect the growth of and investment in the National Electricity Transmission System (NETS). Workgroups for these changes are jointly held but the changes have not been amalgamated.
- The primary aim of this meeting was to walk through the components and the calculations for each of the potential solutions. Once these are fully understood, clear and comparable, Workgroup can consider if any further potential alternatives. In summary:
  - There were 2 (one including substations, one not including substations) new “top down” approaches proposed by the ESO, which are now based on the cost of the whole GB transmission system as a total Regulated Asset Value (RAV) rather than Maximum Allowed Revenue (which includes pensions and other quite material non-network-related costs). It was noted that this approach would only calculate the Expansion Constant and the Expansion Factors would still be calculated using the current approach and this would still require data from the Transmission Owners, which some believed would undermine the benefit. Some of the Workgroup saw merits

in this approach but noted this is a departure from the current methodology<sup>1</sup> and wanted to further understand what costs are included in the RAV;

- Workgroup welcomed the clarity on how the calculations would work for each of the proposed solutions but requested the full breakdown of the calculation associated with the CMP375 Original and also asked that additional line items are added to the calculation for each proposed solution to allow direct comparison; and
- On the solution that proposes to use Network Options Assessment (NOA) data, Workgroup Members requested confirmation as to which items within the NOA would be used to calculate the Expansion Constant.

- As further work on each of the solutions is required, there will be a knock on impact on timeline (1 month delay to Workgroup Report being finalised) and therefore the Chair agreed to circulate a revised proposed timeline for Workgroup thoughts ahead of meeting on 8 November 2022 (**Post Meeting Note: Circulated 13 October 2022**)

## Actions

| Action Number | Owner                               | Action   | Comment   | Due by          | Status                              |
|---------------|-------------------------------------|--|---|-----------------|-------------------------------------|
| 1             | Paul Mullen                         | Revise timeline and update Workgroup   |   | 13 October 2022 | Closed – Circulated 13 October 2022 |
| 2             | Paul Mott                           | Consider Workgroup feedback on proposed top down approaches and issued updated proposal  | Does RAV include CAPEX and OPEX?<br><br>Consider the view that the current methodology looks at cost of capital and debt but the RAV is an initial market value that is then refined by deducting for depreciation and inflating by CPI<br><br>Consider robustness of the cost scale-down factor applied to remove the substation cost? | 28 October 2022 | Open                                |
| 3             | Nick Sillito, Paul Jones, Paul Mott | Further develop and share calculations (CMP375 Original solution calculation needs to be added) for their respective solutions and ensure consistently shown | Add same line items in and “0” where not included (e.g. CMP375 Original does not include substations) so it is clear what is and isn’t included   | 28 October 2022 | Open                                |

<sup>1</sup> Current methodology looks at cost of capital and debt but the RAV is an initial market value that is then refined by deducting for depreciation and inflating by CPIH

|   |                     |   |                             |                 |      |
|---|---------------------|---|-----------------------------|-----------------|------|
| 4 | Paul Mott / Jo Zhou | Consider if current "Overhead Factors" where annuitising over a different period to 50 years need to be reviewed                    | .                           | 28 October 2022 | Open |
| 5 | Ed Smith            | Consider changing weighting methodology to "MW km based weighting"  |                             | 28 October 2022 | Open |
| 6 | Ed Smith            | Consider which works in the NOA would be included when calculating the Expansion Constant   | "Proceed" and/or "On Hold"? | 28 October 2022 | Open |
| 7 | Workgroup           | Consider potential alternatives and what should be included (at a principle level) within the calculation of the Expansion Constant |                             | 8 November 2022 | Open |

## Next Steps

- Meeting on 8 November will seek to finalise the current solutions and from that agree any potential alternatives.
- The Workgroup agreed that the following next steps re: analysis need to be looked at in future meetings once solutions are finalised:
  - Test that voltage upgrades work for each method.
  - Test that the Expansion Factors can be calculated for each method.
  - Demonstrate tariff impact for each method.