
WELCOME
CMP398
GC0156 CUSC Parties Cost Recovery
Meeting 1
03 November 2022
Online Meeting via Teams
nationalgridESO

Modification Process

Banke John-Okwesa – National Grid ESO Code Administrator

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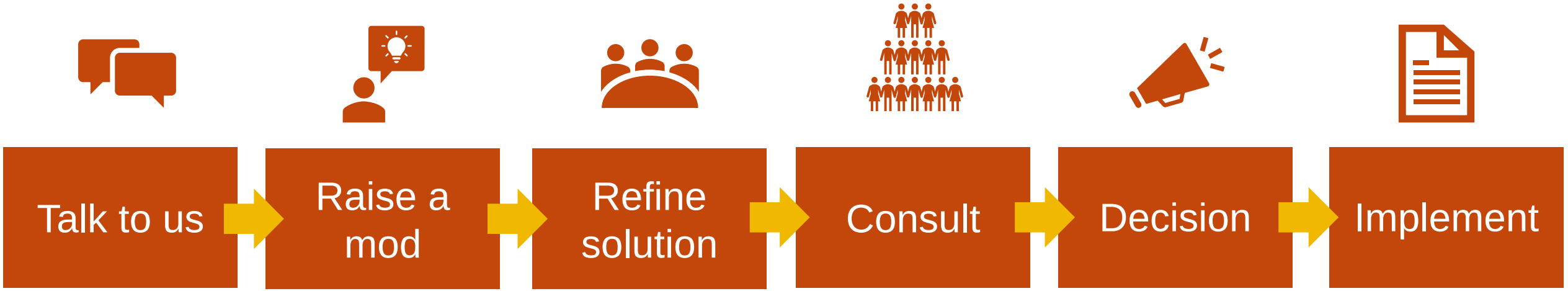
Code Modification Process Overview



Forums

Panels

Workgroups
(Workgroup Consultations)

Ofgem/Panel

Refine solution

Workgroups

- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.

- The Workgroup will:
  - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
  - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
  - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel

Consult

Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.

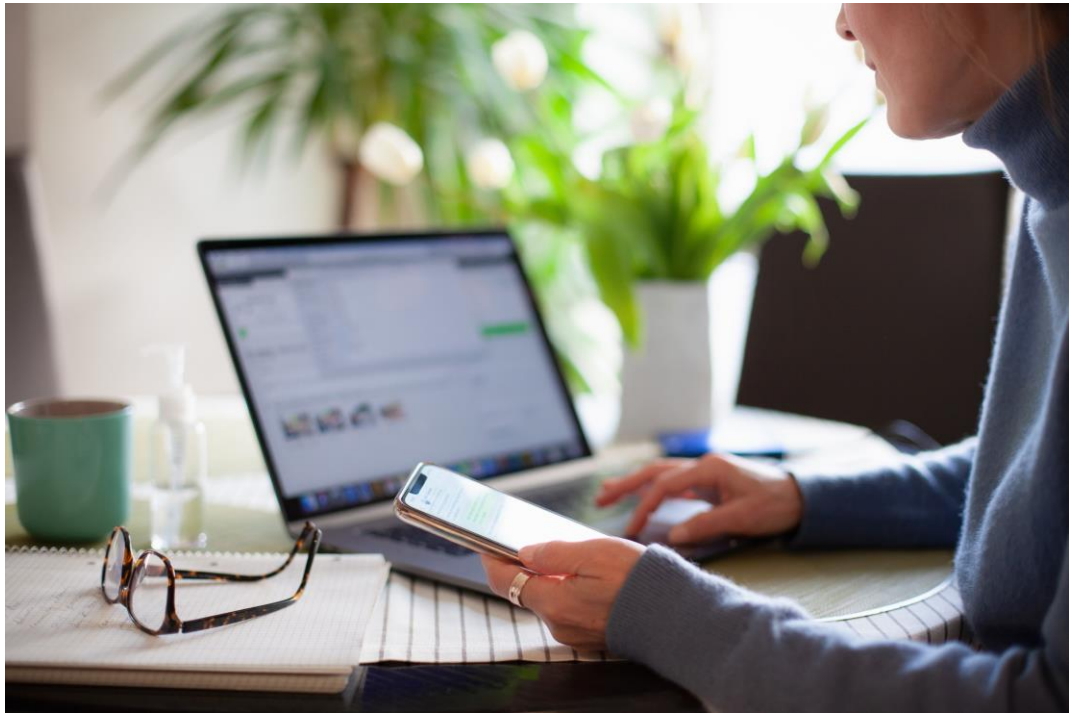
- After this, the modification report is voted on by Panel who also give their views on the solution.

Decision

- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
  - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published

Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.



Objectives and Timeline

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Timeline for CMP398 as at 27 September 2022

Milestone	Date	Milestone	Date
Modification presented to Panel	30 September 2022	CMP398 Workgroup Report issued to Panel	23 March 2023
Workgroup Nominations (15 Working days)	04 October to 25 October 2022	Workgroup report presented to Panel	30 March 2023
CMP398 Workgroup 1 – To understand / discuss proposal and solution(s), review and agree on Terms of Reference and Timeline, review cross code impacts, review analysis and agree next steps	03 November 2022	Code Administrator Consultation	04 April 2023 to 04 May 2023
CMP398 Workgroups 2 – To asses / develop solution(s), draft legal text, consider and review potential Workgroup Consultation questions and draft consultation report)	06 December 2022	Draft Final Modification Report (DFMR) issued to Panel	18 May 2023
CMP398 Workgroups 3 – Finalise consultation documents: consultation report, consultation response proforma, draft legal texts etc	10 January 2023	Panel undertake DFMR recommendation vote	25 May 2023
CMP398 Workgroup Consultation (15 working days)	19 January 2023 to 09 February 2023	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	30 May 2023 to 03 June 2023
CMP398 Workgroup 4 – To review Workgroup Consultation responses, consider new points raised, refine solution, review legal text and discuss any potential alternatives	20 February 2023	Final Modification Report issued to Ofgem	07 June 2023
CMP398 Workgroup 5 – To agree that Terms of Reference have been met, Review Workgroup Report and hold Workgroup Vote	10 March 2023	Implementation Date	TBC

Workgroup Responsibilities

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Expectations of a Workgroup Member

- Contribute to the discussion
- Be respectful of each other's opinions
- Language and Conduct to be consistent with the values of equality and diversity
- Do not share commercially sensitive information
- Be prepared - Review Papers and Reports ahead of meetings
- Complete actions in a timely manner
- Keep to agreed scope

Your Roles

- Help refine/develop the solution(s)
- Bring forward alternatives as early as possible
- Vote on whether or not to proceed with requests for Alternatives
- Vote on whether the solution(s) better facilitate the Code Objectives

Workgroup Alternatives and Workgroup Vote

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Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Can I vote? and What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 2 – Workgroup Vote

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC)
- 2b) Vote on which of the options is best.

Terms of Reference

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CMP398– Terms of Reference (Review and Agree)

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	
b) Consider the relevant provisions of the Electricity Restoration Standard	
c) Consider the Claim principles, items to be included, good governance process and payment/recovery for any cost recovery mechanism	
d) Consider the proposal for a CUSC Claims Committee and consider how this is set up ,what their scope and remit could be	
e) Consider interactions with GC0156.	
f) Use reasonable endeavours, consider the cost impacts and benefits on consumers	

Proposer's Presentation

GC0156 CUSC Parties Cost Recovery

Garth Graham – SSE Generation

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Background (i)

- As part of its GC0156 proposal the ESO is proposing that for existing and future sites which do not have a contract, between the CUSC Party and the ESO, for Restoration Services (which the ESO has indicated is the vast majority of sites) will have an obligation (applied retrospectively) to have 72 hours resilience onsite for their plant & apparatus (plus Comms).
- The ESO's high level current thinking, to the GC0156 Assurance sub-group, about what the obligation would be is set out in the following slide.
- The merits or otherwise of such an obligation is not relevant for this presentation: which is focussed on a possible approach to cost recovery.

Background (ii)

“ESRS will need the users/generators to be able to operate once auxiliary supplies are returned from the system. CUSC Parties will be required to assure their plant and apparatus for a resilience period of up to 72 hours such that when supplies are restored their plant and apparatus can be returned to service in an equivalent time scale that would be expected from a cold plant (had there not been a supply interruption).

Their plant and apparatus should be such that their plant can be shutdown in a safe manner in a Partial or Total Shutdown such that it does not pose a risk to plant or personnel without supplies for up to 72 hours so there is some assurance that the plant will not have to be subject to major component replacement thereafter.”

Background (iii)

- As a result of this proposed obligation on CUSC Parties a ‘strawman’ was presented, to the GC0156 Markets & Funding sub-group, setting out approach for how obligated parties could seek to recover their additional costs for retrospectively incorporating the capability for 72 hours resilience for their plant & apparatus (plus for Comms).

Outline approach (i) – Claims principles

- Based on Article 8 of ERNC

- *The costs borne by CUSC Parties stemming from the obligations laid down in GC0156 shall be assessed and those costs assessed as reasonable, efficient and proportionate shall be recovered via BSUoS.*

Outline approach (ii) – Items to be claimed for

- As per previous list of CAPEX items shared with ESRS workgroups:

(i) design an on-site solution to that Grid Code approved obligation;

(ii) identify costed solutions;

(iii) seek and obtain the necessary planning permission(s) and associated other permits etc.;

(iv) procure;

(v) construct;

(vi) commission; and

(vii) train the necessary staff (as well as possibly recruit more staff). plus

(viii) Ongoing annual OPEX costs.

Outline approach (iii) – Process

- Follow the process principles already established in the BSC (Ofgem and BEIS approved) for Generators to make *ex post* claims under the Fuel Security Code.
  - CUSC Panel appoints committee of independent experts (no CUSC Parties, or ESO, on the committee, Ofgem can observe) to assess claims.
  - Claims submitted directly to the committee.
  - Claims include all requisite information / justification needed by committee (who can ask for further information if needed).
- *Ex ante* pre-expenditure approval requests (as can occur with Networks) can be submitted to committee for items in excess of £[100]k.

Outline approach (iv) – Payment

- Claims for CAPEX costs incurred or requests for pre-approved expenditure assessed by the committee to be reasonable, efficient and proportionate shall be paid by the ESO within one month of the claim or pre-approved expenditure request.
- In the case of a pre-approved expenditure request this can include for the payment, by the ESO, of the contractor / sub-contractor directly.
- For OPEX, claims committee to set out, after consultation with stakeholders, an annual allowance (inflated); based on technology types / types of claimants and asset size; for costs of extra staff, ongoing training, fuel, maintenance, rates, permit renewals, statutory equipment testing etc., etc.

Applicable Objectives

- **(a) Positive** - Provide assurance that the new licence obligation issued in Oct 2021 can be satisfied and discharged in a non-discriminatory way.

- **(b) Positive** - By ensuring that CUSC Parties who are obligated by the Grid Code (but do not have a relevant contract with the ESO) to undertake activities required for ESRS are able to recover their bona fide costs this will facilitate effective competition in the generation and supply of electricity.
- **(c) Neutral**

- (**d) Positive** - By having a simple and efficient procedure for any bona fide costs to be recoverable this will promote efficiency in the administration of the CUSC arrangements.

Implementation

- Align with GC0156 in terms of timetable and implementation

Next Steps

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