

CMP402 - Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements

06 March 2023

Online Meeting via Teams

WELCOME





Objectives and Timeline

Jess Rivalland- National Grid ESO Code Administrator

Timeline for CMP402

Milestone	Date	Milestone	Date
Modification presented to Panel	25 November 2022	Workgroup report issued to Panel (5 working days)	20 July 2023
Workgroup Nominations (15 Working Days)	28 November 2022 to 19 December 2022	Panel sign off that Workgroup Report has met its Terms of Reference	28 July 2023
Workgroup 1 - Understanding of overall OTNR landscape, Modification process, Workgroup responsibilities, issue, scope and proposed solution, agree timeline and terms of reference	23 January 2023	Code Administrator Consultation (20 working days)	2 August 2023 to 31 August 2023
Workgroups 2 and 3 – Agree the principles of Anticipatory Investment, consider possible solutions, identify alternatives, consider draft legal text and consider Workgroup Consultation questions,	6 March 2023 and 29 March 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	21 September 2023
Workgroup 4 – Finalise Workgroup Consultation	20 April 2023	Panel undertake DFMR recommendation vote	29 September 2023
Workgroup Consultation (15 working days)	2 May 2023 to 24 May 2023	Final Modification Report issued to Panel to check votes recorded correctly	2 October 2023
Workgroup 5 - Review Workgroup Consultation responses, consider new points, review solution and any alternatives	5 June 2023	Final Modification Report issued to Ofgem	10 October 2023
Workgroup 6 - Finalise solutions and legal text and hold vote on which alternative options to be taken forward	27 June 2023	Ofgem decision	By 30 November 2023
Workgroup 7 - Agree Terms of Reference have been met, finalise Workgroup Report and hold Workgroup Vote	12 July 2023	Implementation Date	5 January 2024



Review of actions

Jess Rivalland - National Grid ESO Code Administrator

Action Log

Action number	Owner	Action	Due by	Status
1	ESO	Comparison table between the current User Commitment arrangements for Onshore Transmission vs those proposed by CMP402	13/02/2023	Closed
2	Workgroup	Consider what proportion of the AI cost liability should the later user be liable for pre and post Financial Investment Decision (FID)	06/03/2023	Open – on agenda for 6 March 2023 meeting. A Workgroup Member has also shared their thoughts on this question
3	Workgroup	Consider examples where a Local Asset Reuse Factor (LARF) could be applied	06/03/2023	Open - on agenda for 6 March 2023 meeting.
4	Chair	Provide list of CMP402 Workgroup Members and Observers	03/02/2023	Closed

Specific Discussion Topics

- Differences between current User Commitment arrangements and ESO's Original Proposal
- Consider what proportion of the AI cost liability should the later user be liable for pre and post Financial Investment Decision (FID)
- Consider examples where a Local Asset Reuse Factor (LARF) could be applied

All

CMP402 Proposals and CUSC Schedule 15 Differences

Key Differences between current User Commitment Principles and CMP402

CMP402 Proposal	User Commitment - CUSC Section 15	Comments / Amendments
Concept of Pre and Post Financial Investment Decision (FID) to determine Cancellation Charge Costs (liabilities).	No concept of FID. Trigger Date is used within the User Commitment arrangements.	View is that proposed amendments would be required within CUSC Section 11 - Interpretation and Definitions. Additionally, FID not referenced within the Construction Agreement aside from a date within Appendix J.
CMP402 proposes to use pre-set percentages for AI. The pre-set percentages to be addressed via the workgroup (ie; Proposer currently states 33% pre FID and 67% post FID).	Part 3 states how the Cancellation Charge is calculated and refers to the "Attributable Works" to which Local Reuse Factors, Strategic Investment Factors and Distance Factors are applied. The relevant Transmission Owners provide information for percentage factors whereas the AI liability will CMP402 proposes to use values to calculate liability and security provided by Ofgem via the early-stage / gateway assessment process. Attributable Works also typically cover onshore Transmission Works where typically any offshore works are User funded.	Attributable Works to include Anticipatory Investment Works or concept of Non Radial Offshore Transmission Works? And / Or proposed new section to include concept of Anticipatory Investment which will include how the charges are calculated?
Developer to not have the ability to fix their AI liability until such point that the Early Stage Cost Assessment has been concluded and costs have been made available to the ESO to allow the Cancellation Charge Statements to be updated. Where there is a liability cost that has been represented within the Charge Cancellation Statements, the developer (User) can then fix similar to current User Commitment principles.	A developer can elect to fix their Cancellation Charge at any time from the point of signing its connection agreement. Part 6 states "To elect for a the Fixed Cancellation Charge, a User must notify The Company to this effect by (a) returning a signed copy of the Notification of Fixed Cancellation Charge with its acceptance of the Construction Agreement or (b) , where a User does not elect at that time, it can elect 45 days (or if such day is not a Business Day the next following Business Day) prior to each 30 September or 31 March thereafter by returning a signed copy of the Notification of Fixed Cancellation Charge as provided with the relevant Cancellation Charge Statement".	Creation of an additional Cancellation Charge Statement to reflect Anticipatory Investment Works/Costs, such as an MM4 and an MM5? The MM5 would represent the "Fixed Anticipatory Investment Costs" which would be sent as per the current bi annual statements as soon as the Anticipatory Investment Costs are known. Until such point that the costs are known, Anticipatory Investment would be reflective in MM4 showing £0. This would allow developers to still fix their Cancellation Charge Costs stated within MM3 if they have not done so already.



Review Terms of Reference

Dave Witherspoon – National Grid ESO

CMP402 ToR and the Proposer's View

Workgroup Term of Reference

a) Consider EBR implications

b) Consider the assumptions made to support the proposed principles for the extension to the User Commitment arrangements to incorporate the Anticipatory Investment cost liability

c) Consider how the liabilities could be calculated and passed onto the later User(s) who will be benefiting from shared offshore assets that are being developed and built by the initial generator as part of a non-radial offshore connection.

d) Consider what proportion of the Anticipatory Investment cost should be secured by the later User(s) who will be benefiting from shared offshore assets that are being developed and consider the calculation for this.

e) Consider the appropriate sharing factor that should be applied to the Anticipatory Investment cost pre and post the later User's Final Investment Decision

f) Consider if and how the sharing factor will change in the event that there is more than one generator dependent upon the Anticipatory Investment being provided by the original generator

g) Consider if the current User Commitment principles for secured amounts against liability apply in the same way for Anticipatory Investment liability i.e. 100% pre-trigger date, 42% post trigger date and 10% consented?

h) Consider cross code impacts (including CUSC Modifications that may also be raised)

Proposer's View

n/a

b) In line with Ofgem's Final Minded To decision on AI for Non Radial Offshore designs, the proposer is seeking to extend User Commitment Principles to ensure that the Consumers are not at full risk.

c) The Mod proposal seeks to incorporate the feedback received from Stakeholders both in relation to Ofgem's Final Minded To Decision on Anticipatory Investment and Policy changes and keeping the process simple. Therefore, pre-set percentages have been proposed

d) The proposed liability split has been explained in points e and f below.

e) The proposer's view taking on board feedback from stakeholders is that the pre FID liability should be set at 33% which will then rise to 67% once FID has been achieved by the Later Developer. The approach used is taken from the Wider Calculation liability approach.

f) The proposer's view is that the sharing factor should take into account if there is more than one other Later Developer (This would follow current User Commitment principles). The question to be answered is how or what method would be used to determine a SIF? Could the Early Stage Cost Assessment be reopened if there was to be a further Later Developer

g) The proposer is looking to keep securities in line with the current User Commitment Principles rather than adding further complexity.

h) This has been addressed within the CUSC Mod Proposal. The view is that there are no impacts, however it is important to note, that there will be further CUSC Mod proposals in line with Ofgem's AI consultation which will impact TNUoS charging



Any Other Business

Jess Rivalland - National Grid ESO Code Administrator



Next Steps

Jess Rivalland - National Grid ESO Code Administrator