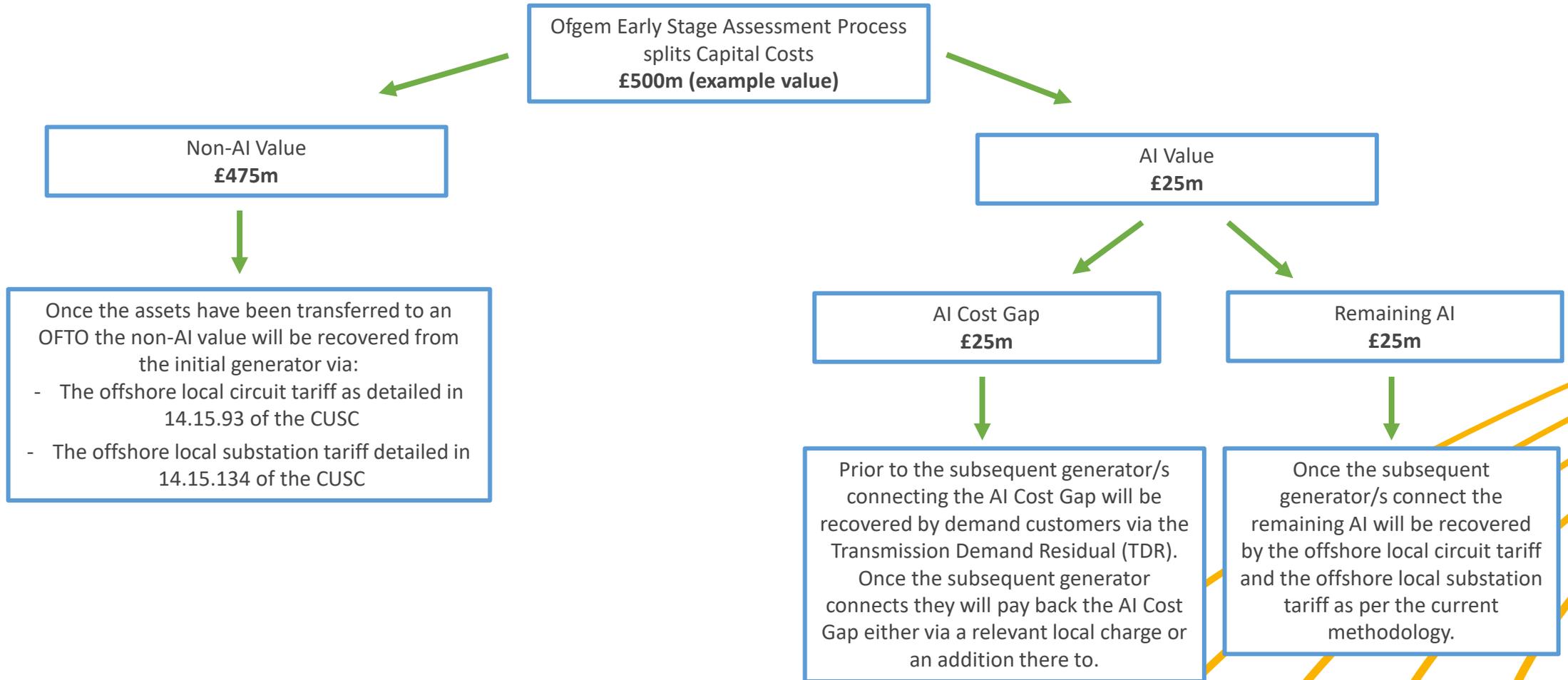




**CMP411 – Introduction of
Anticipatory Investment within the
section 14 charging methodologies**

Workgroup 2
27th April 2023

AI Cost Gap Process Diagram



AI Cost Gap Recovery

AI Cost Recovery Period

AI cost gap will be applicable over a period of time equal to the number of days for which subsequent generator the AI Cost Gap was accrued, rounded up to a whole number of years, in addition to the initial particular year in which the initial generators connects.

Calculating the AI Cost Gap

The proportion of OFTO revenue associated to the initial generator, for each full or partial year prior to the initial generator connecting.

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Each year's value will be inflated in line with the relevant OFTO's revenue, to ensure it is in the appropriate price base for the year of connection.

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AI Cost Gap

AI Cost Gap Recovery

Calculating the AI Cost Gap Tariff

The AI Cost Gap Tariff (expressed in £/kW) shall be the ratio of the AI Cost Gap that generator is liable to pay for the relevant year (£) and the Transmission Entry Capacity (kW) of the initial generator/s:

$$\frac{n \times \text{AI Cost Gap}}{n \times \text{TEC}}$$

- Where:
 - TEC = Transmission Entry Capacity of generator in kW
 - n = number of days remaining in the year over which the tariff is to be paid
 - N = total number of days over which the tariff is applicable
- This calculation shall be used for the initial partial year in which generator connects (if applicable) and the first full charging year. For each subsequent year that the tariff is applicable for after the year of calculation, the AI Cost Gap Tariff shall be inflated in the same manner as the associated Offshore Transmission Owner Revenue.

Questions

- Are there any thoughts on the proposed approach for the recovery of the AI Cost Gap?
 - Is it appropriate to use TEC to form part of the calculation of the tariff?
- Is the Transmission Demand Residual (TRD) an appropriate recovery mechanism to recover the AI Cost Gap from demand customers in the interim before the subsequent generator/s connects?
- Once the subsequent generator/s connects should the AI Cost Gap be recovered by one of the existing local charges or should a new charge type be created?
- Should the AI Cost Gap consider inflation, if so how should it be applied?