

Code Administrator Meeting Summary

Meeting name: CMP411 – Workgroup Meeting 3

Date: 23/05/2023

Contact Details

Chair: Claire Goult, National Grid ESO claire.goult@nationalgrideso.com

Proposer: Nitin Prajapati, National Grid ESO Nitin.Prajapati@nationalgrideso.com

Key areas of discussion

Introduction

The Workgroup agreed the updated timeline shared by the Chair.

Proposer Update

The Proposer provided an update on questions raised in the previous Workgroup. The responses are shown in bold type:

How would charging work if the anticipating investment were not for a generator but for a TO? – **As per Ofgem's minded to decision on AI, it is suggested this would be covered through the transmission demand residual prior to and after the TO utilises the actual asset.**

If the AI is still for a subsequent generator and they didn't come along how would the costs associated with the AI cost gap be recovered? – **In the interim, it is covered in the transmission demand residual and that will still be the case if the subsequent generator does not connect, meaning the risk will sit with the consumer.**

If the capacity of the assets changed i.e., if the tech of the second generator changed how would this work in terms of the recovery of the charges? And how would it work from a calculation approach? – **Presuming that the capital costs would also change it is envisaged this will need to go through the cost assessment process again to determine what the AI value is, and the non-AI values are. This will then factor into the tariff calculation and into the AI value. This is explained further the worked example.**

There was a request to outline the option for which tariff the AI cost will be recovered through - **Two options have been considered, the first is to filter it through one of the local tariffs but, more preferably, it is felt that a separate specific charge is warranted.**

A Workgroup member raised a question around the link between CMP411 and CMP402. The Proposer explained that the interaction between these modifications is the scenario where the generator fails to connect and the user commitment that is used to partially offset the cost of the TOs stranded assets. Anything related to connection/connection contracts will be filtered through the CMP402 modification.

Worked example

The Subject Matter Expert (SME) from ESO shared a worked example with the Workgroup including a timeline of the solution. The SME asked the workgroup for their thoughts on what they thought an appropriate length of time would be to pay off the AI cost gap, and if calculates of the tariff be done each year to keep it up to date?

A Workgroup member responded saying that it might be an idea to consider payment of capital connection costs up front all in one go as an option. The SME felt this was a perfectly reasonable option.

Another member raised another point around the AI cost gap and ask if there were any plans to do analysis to see how this might impact the current tariffs if it was to be implemented. The SME advised they would need to take this away and update the workgroup in a later meeting (action).

A Workgroup member raised the question of whether inflation has been taken into consideration, and does it affect the tariff? The SME advised that inflation has been built into the tariff. The SME clarified that there is no forecast in the tariffs only the actual inflation based on what they have defined in the solution.

A Workgroup member asked if it might be an idea to do a comparison of the different inflation options as even a small difference in number may make a significant difference given the values involved. The Chair suggested this might be an option for one of the specific questions for the consultation.

Workgroup considerations

A slide was shared showing several considerations for the Workgroup to discuss. A Workgroup member suggested adding a Workgroup consultation specific question around the scenario of a generator who is connecting fifteen to twenty years later and paying the full cost of the asset but not only getting use of the asset for half its life.

Next Steps

Consideration of specific questions for the Workgroup consultation.

Actions

For the full action log, [click here](#).

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG3	Authority Rep	Update the Workgroup on when the early-stage cost assessment guidance will be published	N/A	WG4	Open
2	WG3	Proposer	Provide further information to the Workgroup on the application of inflation (RPI and CPI)	N/A	WG4	Open

3	WG3	Proposer	Consider the option to pay off AI Cost Gap in first year/one off payment	N/A	WG4	Open
4	WG3	Proposer	Build in option if TEC changes and demonstrate how these flow through the tariff	N/A	WG4	Open
5	WG3	Proposer	Develop scenarios to consider if the local circuit changed to a wider circuit with the expansion of the network and how recovery of AI would work	N/A	WG4	Open

Attendees

Name	Initial	Company	Role
Claire Goult	CG	Code Administrator ESO	Chair
Deborah Spencer	DS	Code Administrator ESO	Technical Sec
Nitin Prajapati	NP	ESO	Proposer
Calum Duff	CD	Thistle Wind Partners	Observer
Damian Clough	DC	SSE generation	Workgroup Member
Elizabeth Timmins	ET	Code Administrator ESO	Observer
Kyran Hanks	KH	Waters Wye Associates	Workgroup Member
Kimbrah Hiorns	KIH	Ofgem	Authority Rep
Matthew Paige-Stimson	MPS	National Grid Electricity Transmission	Workgroup Member
Ryan Ward	RW	Scottish Power	Workgroup Member
Shannon Murray	SM	Ofgem	Authority Rep
Sarah Chleboun	SC	ESO Rep	SME
Tametha Meeks	TM	Code Administrator ESO	Observer