

CMP411: Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies.

Workgroup Meeting 4
8 June 2023 2.30pm
Online Meeting via Teams



Objectives

Claire Gault – ESO Code Administrator



Objectives

- Review Timeline
- Update on Early-Stage Assessment for AI
- Actions Update
- Review draft Workgroup Consultation
- Consider Workgroup Specific Questions



Timeline

Claire Goult – ESO Code Administrator

Timeline for CMP411 – Updated 19 May 2023

Milestone	Date	Milestone	Date
Modification presented to Panel	24 February 2023	Code Administrator Consultation (15 working days)	29 August 2023 to 19 September 2023
Workgroup Nominations (15 Working Days)	27 February 2023 to 20 March 2023 (5pm)	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	21 September 2023
Workgroups 1 – 4 – process and mod understanding including scope, agree timeline and terms of reference (Workgroup 1) and step through terms of reference, analysis and develop Workgroup Consultation (Workgroups 3 and 4)	3 April 2023, 24 April 2023 and 23 May 2023 , 8 June (2.30-4.30pm)	Panel undertake DFMR recommendation vote	29 September 2023
Workgroup Consultation (15 working days)	16 June 2023 to 7 July 2023 (5pm)	Final Modification Report issued to Panel to check votes recorded correctly	3 October 2023
Workgroups 5 - 7 – review Workgroup Consultation responses, finalise solution(s) and legal text (including alternatives), finalise Workgroup Report and ensure Terms of reference met, hold Workgroup Vote	17 July 2023, 24 July 2023 and 11 August 2023	Final Modification Report issued to Ofgem	11 October 2023
Workgroup report issued to Panel (5 working days)	17 August 2023	Ofgem decision	Requested by 31 March 2024
Panel sign off that Workgroup Report has met its Terms of Reference	25 August 2023	Implementation Date	1 April 2025



Update on Early-Stage Assessment for AI Consultation

Claire Goult – ESO Code Administrator

[Consultation on the Early-Stage Assessment for Anticipatory Investment | Ofgem](#)



Actions Update

Nitin Prajapati – Proposer

Sarah Chleboun – Subject Matter Expert (SME)

Options for Inflation of the AI Cost Gap

Current methods of inflation that are used within TNUoS Tariff setting are:

Inflation in line with the OFTO's revenue:

- The current Revenue Indexation Adjustment Term for the relevant year t is defined in OFTO's Licence to be:

$$RIT_t = \frac{RPI(September)_{t-1}}{RPI(base\ date)}$$

- This is applied to offshore local tariffs, which form part of the OFTO's revenue, to ensure that the tariffs are changing in line with the revenue of the relevant OFTO.

Transmission Owner Price Index (TOPI):

- CUSC 14.3.6 defines the Transmission Owner Price index (TOPI) for year t as:

$$TOPI_t = \frac{(May\ to\ October\ average\ TOPI)_{t-1}}{(May\ to\ October\ average\ TOPI)_{t-2}}$$

- It uses CPIH values as defined in the onshore TO licences. This is applied to the onshore local tariffs and a number of TNUoS parameters (e.g. the Expansion Constant).

Actions from WG3

Consider if we can have an option to pay off AI Cost Gap in first year/one off payment?

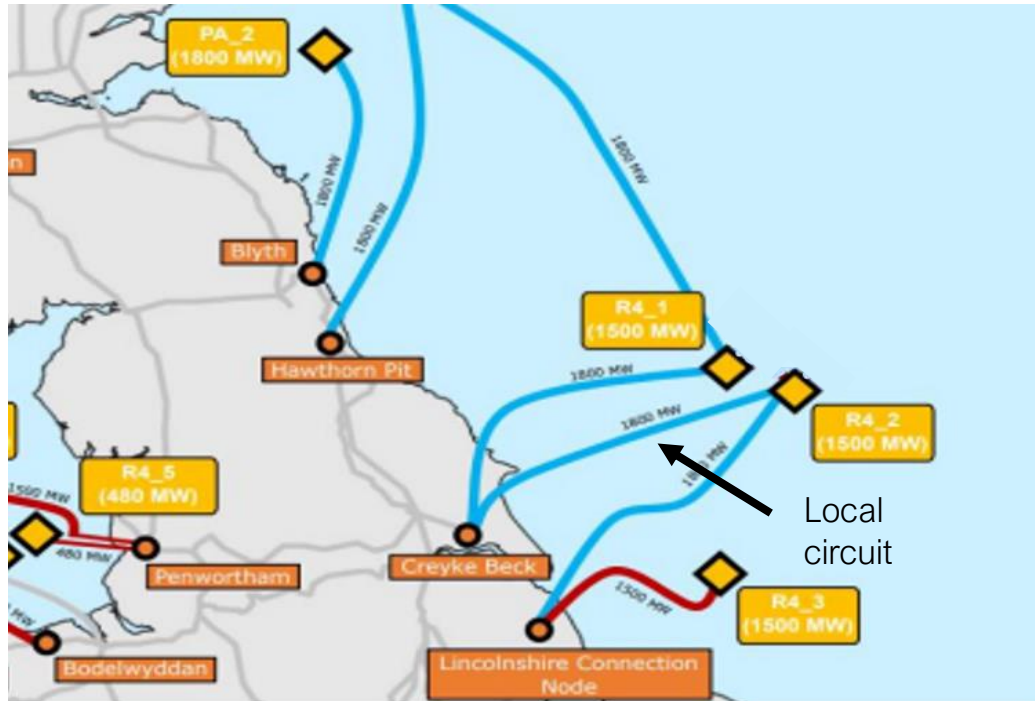
- Yes, we can build in two options into the modification:
 - Option 1 – the AI Cost Gap can be paid off fully in the first year the subsequent generator connects
 - Option 2 - The AI Cost Gap will be repaid by the subsequent generator over a period of time equal to the number of days for which the subsequent generator(s) share of the AI Cost Gap value was accrued, rounded up to a whole number of years

Can changes in TEC be accommodated and if so how does this flow through the tariff?

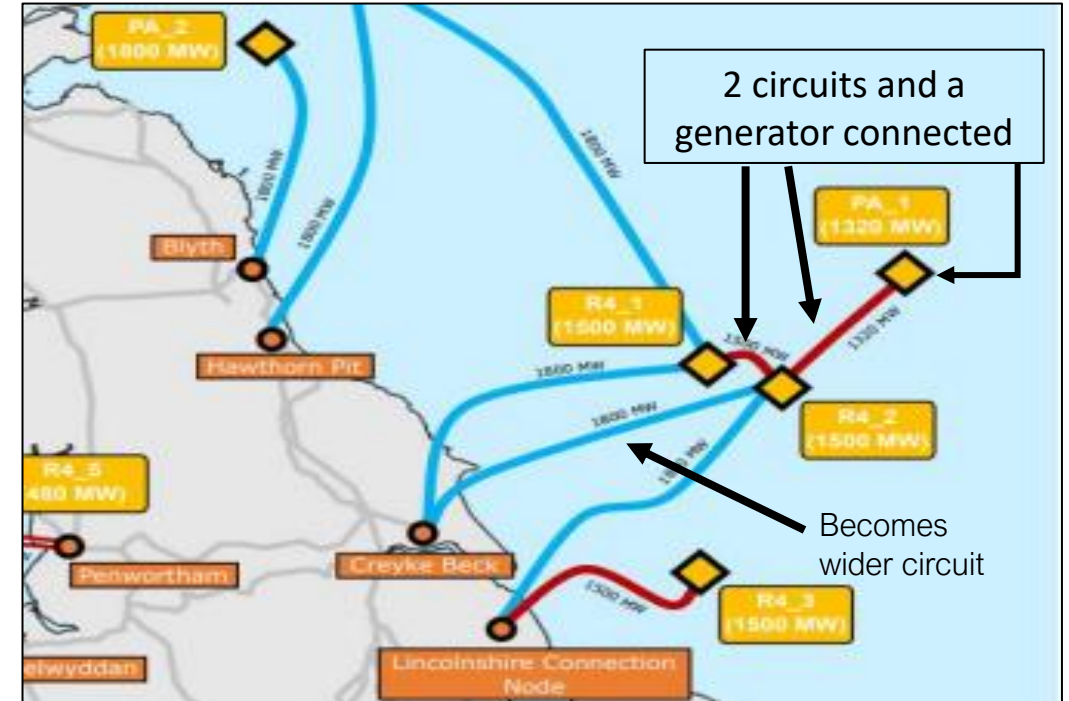
- We can accommodate changes in TEC for the subsequent generator as the proposed formula takes into consideration TEC in the calculation of the tariff.
- In instances where the TEC changes, the remaining cost gap value (rather than the original total) would need to be assessed as a proportion of the value would have already been paid off.
- Its worth noting that the calculation as described previously doesn't need to be recalculated every year if the TEC remains the same but in the event that the TEC changes then it is simple to recalculate and we can easily add that option in.

Actions from WG3

Develop scenario to consider if the local circuit changed to a wider circuit with the expansion of the network and how recovery of AI would work.



- The HND will be developed in stages, so assets are built and connected at different times.
- In the above scenario the circuit between R4 2 and Creyke Beck could be considered a **local circuit**.



- As the HND is fully developed, more circuits and generators are connected
- So a generator is connected to PA 1 and circuits are built and connected between PA 1 and R4 2, along with a circuit between R4 1 and R4 2
- R4 2 could then become a MITS Node and so the circuit between R4 2 and Creyke Beck now becomes a **wider circuit**

Please note these scenarios are purely developed for illustrative purposes and do not confirm the build stages of the HND



Draft Workgroup Consultation

Claire Goult – ESO Code Administrator



Consider Workgroup Specific Consultation Questions

ALL

Workgroup Specific Consultation Questions to consider

1. Consider recovery of the AI cost gap if the subsequent generator connects at a much later point in time e.g 15-20 years later
2. Consider the options for applying inflation, e,g should it be CPI or RPI linked?
3. If a local circuit changes to a wider circuit, should the subsequent generator still pay for the AI cost gap and AI or should this be filtered through the wider tariff?
 - 3a Does your answer to Q3 change if the majority of the AI was built specifically for a specific local generator but may be utilised by the wider system during certain periods?
 - 3b Are there any other comments in relation to Q3 and Q3a on a broader perspective?
- 4 Consider the impact on consumers if the subsequent generator(s) don't connect to the National Electricity Transmission System



Any Other Business

Claire Goult – ESO Code Administrator



Next Steps

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