ESO

Workgroup Consultation

CMP411:

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

Overview: Changes to the CUSC will be required to implement Ofgem's decision in relation to Anticipatory Investment (AI). This modification seeks to introduce AI and a mechanism for the recovery of AI costs within the Section 14 charging methodologies subject to Ofgem's final policy decision.

Modification process & timetable

1. **Proposal Form**
   09 February 2023
2. **Workgroup Consultation**
   16 June 2023 - 07 July 2023
3. **Workgroup Report**
   17 August 2023
4. **Code Administrator Consultation**
   29 August 2023 - 19 September 2023
5. **Draft Final Modification Report**
   21 September 2023
6. **Final Modification Report**
   11 October 2023
7. **Implementation**
   01 April 2025

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Workgroup Consultation

Have 30 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution.

This modification is expected to have a: High impact
ESO, Offshore Generators, Offshore Transmission Owners, Demand customers

Governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	**Proposer:** Nitin Prajapati Nitin.Prajapati@nationalgrideso.com	**Code Administrator Chair**: Claire Goult Claire.Goult@nationalgrideso.com
How do I respond?	Send your response proforma to cusc.team@nationalgrideso.com **by 5pm on 7 July 2023**	

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Executive summary

This modification seeks to introduce AI and a mechanism for the recovery of AI costs within the Section 14 charging methodologies subject to Ofgem's final policy decision.

What is the issue?

Where offshore generators share the same offshore transmission assets but connect at different times, Anticipatory Investment (AI) may be made by the initial offshore generator under a developer build scenario. Currently, the CUSC does not specify how the charges associated with offshore assets related to AI should be recovered and therefore a change to Section 14 of the charging methodologies is required.

What is the solution and when will it come into effect?

Proposer's solution: The proposed solution is consistent with Ofgem's current policy decision on AI which introduces an early-stage assessment process for projects incurring any AI expenditure. This would split the capital costs of offshore assets (utilised by both the initial and subsequent generators) into a 'non-AI' and 'AI' value.
There will be a period between the shared offshore assets being transferred to the Offshore Transmission Owner (OFTO) and the point in time the subsequent generator connects to the NETS. During this period a portion of the 'AI' costs will be payable to the OFTO. The difference between what is payable to the OFTO by the subsequent generator and cannot be recovered from them is referred to as the 'AI Cost Gap'.

Implementation date: 1 April 2025

What is the impact if this change is made?

Introducing the principle of AI reduces the risk allocated to the initial generator and improves the coordination of projects, by encouraging AI to enable a subsequent generator(s) to connect. The methodology will provide clarity to industry on the treatment of AI and the basis of its cost recovery.

Interactions

There are no cross-code impacts, however this modification may have some interaction with CMP402: Introduction of Anticipatory Investment principles within the User Commitment Arrangements.

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What is the issue?

When two or more offshore generators are connected to the National Electricity Transmission System (NETS) at the same time and share the same offshore transmission assets, Section 14 of the Connection and Use of System Code (CUSC) methodology sets out how local charges (both offshore local circuit and offshore local substation) are apportioned between the two offshore generators.

Where offshore generators share the same offshore transmission assets but connect at different times, Anticipatory Investment (AI) may be made by the initial offshore generator under a developer build scenario. This is the investment that goes beyond the needs of the initial generator, to build assets needed for a known future offshore generation project to then allow them to connect at a later point in time. Currently, the CUSC does not specify how the charges associated with offshore assets related to AI should be recovered and therefore a change to Section 14 of the charging methodologies is required.

Why change?

Under the current charging regime, the initial offshore generator may be liable for Transmission Network use of System (TNUoS) charges associated with both the AI element and the non-AI element prior to the subsequent generator connecting. This approach to AI results in the initial generator paying higher TNUoS charges than it would otherwise have done had it not made the AI. This is considered to act as a disincentive for the initial generator to make the AI for future generation and is viewed as the largest barrier to greater coordination of offshore projects.

Ofgem have now reached a policy decision (Decision on Anticipatory Investment and Implementation of Policy Changes") on how AI will be shared between generators and consumers. The aim being to address this barrier to entry and enable generators to undertake AI to deliver beneficial coordination between projects, while managing and mitigating the allocation of AI risk to consumers. Ofgem also published a decision on Pathway to 2030 in March 2023 which extends the application of the AI policy developed in the Early Opportunities workstream, to projects within scope of the PT2030 workstream. This effectively results in the AI policy being applicable to the Holistic Network Design.

What is the solution?

Proposer's solution

The proposed solution is consistent with Ofgem's current policy decision on AI. Should there be changes in policy it is the Proposers intent to modify the solution accordingly.

Recovery of 'Non-AI' and 'AI' values

Ofgem's decision on AI (published 18 October 2022), introduces an early-stage assessment process for projects incurring any AI expenditure. This would split the capital costs of offshore assets (utilised by both the initial and subsequent generators) into a 'non-AI' and 'AI' value.

Diagram 1 explains this point further with an illustrative example.

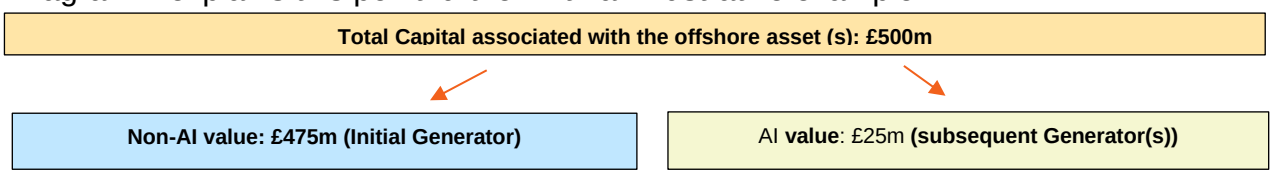


Diagram 1: *Example split of AI and Non-AI costs*

As detailed above, the total capital costs associated with the offshore assets is £500m. Under the current proposed early-stage assessment design, it is determined by Ofgem that £475m represents the 'non-AI' cost and the remaining £25m represents the 'AI' costs, with those values being apportioned to the initial and subsequent generator respectively.

- It is proposed that the 'non- AI' value provided by Ofgem will be recovered by the initial generator using the current offshore charging methodology detailed within 14.15.93 for offshore local circuit tariffs and 14.15.134 for the offshore local substation tariffs within CUSC.
- The 'AI' value provided by Ofgem will then be recovered (applying the same methodology) from the subsequent generator over the Tender Revenue Stream (TRS) period for the later user(s) at the point they connect to the NETS.
- Prior to which the 'AI' will be recovered via the Transmission Demand Residual (TDR). This will ensure both the initial and subsequent generators pay for assets which they are utilising.

Note: it is assumed that the 'AI' value will be calculated (by Ofgem) in such a way that a portion of costs associated with shared assets (utilised by both the initial and subsequent generators) will already be incorporated within the 'AI' value and a portion of the shared costs incorporated into the non-AI value.

Recovery of the 'AI Cost Gap' value

There will be a period between the shared offshore assets being transferred to the Offshore Transmission Owner (OFTO) and the point in time the subsequent generator connects to the NETS. During this period a portion of the 'AI' costs will be payable to the OFTO because the costs of the infrastructure form part of the asset value to the OFTO. However, this element of the offshore generator TNUoS tariff cannot be recovered from the subsequent generator as they are not connected to the NETS yet. The difference between what is payable to the OFTO by the subsequent generator and cannot be recovered from them is referred to as the 'AI Cost Gap'.

To follow on from the example above, the AI value can be further split into:

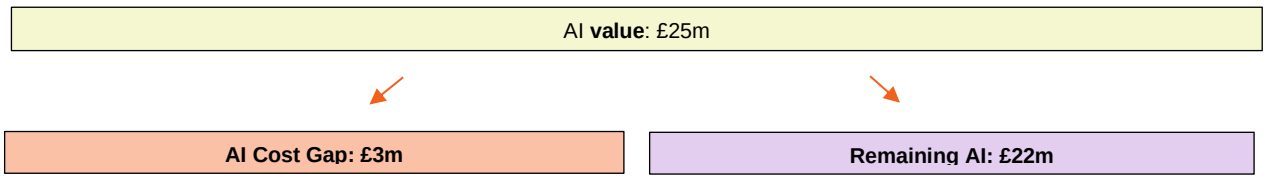


Diagram 2: Example split of AI Cost Gap and Remaining AI

To ensure consistency with Ofgem's decision on AI, it is proposed that:

- The subsequent generator(s) will accrue liability of costs associated with the 'AI Cost Gap' i.e., from the period after OFTO transfer up to the point the subsequent generator(s) connect.
- During this period, the 'AI Cost Gap' value will be recovered by the ESO through demand customers via the Transmission Demand Residual (TDR) element of TNUoS.

- Once connected the subsequent generator(s) will then be required to repay the total accrued 'AI Cost Gap' value (taking into consideration inflation) already previously met by demand customers (via the TDR). It is proposed this will be achieved via the application of a £/kw value either as part of the relevant local charge or in addition thereto but in either case this solution will ensure demand customers are paid back in full.

- The 'AI Cost Gap' value will be repaid by the subsequent generator either:

    - 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.
    - Or alternatively, be paid off fully in the first year the subsequent generator connects.
- The corresponding amount would then flow back to demand customers via the TDR to net off the payments demand customers previously had made during the 'AI Cost Gap' period.

Note: depending on the outcome of this modification a separate code modification may subsequently be developed to include the relevant defined terminology, such as 'AI Cost Gap', in CUSC Section 11.

Workgroup considerations

The Workgroup convened 4 times to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions, and assess the proposal in terms of the Applicable Code Objectives.

Consideration of the proposer's solution

The Proposer explained the background of Anticipatory Investment and detailed the proposed solution covering the AI cost gap and proposed mechanism for the recovery of AI costs.
One Workgroup member questioned how AI would be calculated and how it would be split. The Authority representative clarified Ofgem would determine the AI value and non-AI value as part of the early-stage assessment process but reiterated the challenge of the Workgroup is to determine the approach of how to get these numbers into the charging methodology.
One Workgroup member raised a concern over consequential oversizing of onshore from oversizing offshore assets. The Workgroup member stated consistency for offshore oversizing must be considered for future onshore oversizing. The Ofgem representative felt the immediate focus of the Workgroup is to consider what goes into the offshore build but agreed to consider the onshore question in further detail and feedback to the Workgroup.
The Ofgem representative encouraged the Workgroup to contribute alternative options for further Workgroup discussion.
The Proposer presented the proposed process of AI Cost Gap Recovery **(Annex 3)** to the Workgroup. The Proposer also talked through the proposed approach for calculating AI Cost Gap and the AI Cost Gap Tariff.

A few Workgroup members asked for clarity on how the split between the AI Cost Gap and remaining AI will be determined. The Proposer explained the value of the AI Cost Gap will

be dependent on the time period between the assets being transferred to an OFTO and the subsequent generator connecting. The remaining AI will just be the AI value minus the AI Cost Gap value.

Several Workgroup members discussed potential issues surrounding who would pay the AI Cost Gap in various scenarios and consideration of elongating the life of an asset to avoid being financially liable.

There were also some comments and discussion surrounding the revenue recovery approach at a higher level, considering elements such as 'fast and slow money' recovery along with the depreciation of assets. It was considered these elements are determined prior or during the cost assessment process and not a specific consideration for this modification.

The Proposer invited the Workgroup to consider the following questions:

- **Are there any thoughts on the proposed approach for the recovery of the AI Cost Gap?**
  No comments from the Workgroup.

- **Is it appropriate to use TEC to form part of the calculation of the tariff?**
  No comments from the Workgroup.

- **Is the Transmission Demand Residual (TDR) an appropriate recovery mechanism to recover the AI Cost Gap from demand customers in the interim before the subsequent generator/s connects?**
  One Workgroup member questioned whether the revenue recovery approach taken would be gross or net value. The Proposer felt this may be a wider question and would consult further with the revenue team.

- **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?**
  The Proposer suggested a distinct separate charge was the preferred option. One Workgroup member proposed the addition of an extra line to the local charge or creation of a specific charge which would require justification.

- **Should the AI Cost Gap consider inflation, if so, how should it be applied?**
  The Proposer suggested inflation would be in line with the relevant OFTO's revenue on the basis of how this is used today.
  Several Workgroup members requested clarity on the scope of CMP402 and CMP411 modifications. The Proposer agreed to investigate the linkages and where the lines should be drawn between the two modifications to allow a solution to be developed.

The Proposer provided an update on questions raised in the previous Workgroup:

- **How would charging work if the anticipatory investment was not for a generator but for a TO?**

  As per Ofgem's minded to decision on AI, it is suggested this would be recovered through the transmission demand residual prior to and after the TO utilise the assets.

- **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 Transmission Entry Capacity (TEC) 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?**

  If capacity of the assets change, we presume that the capital costs would also change so it is envisaged this will need to go through the cost assessment process again to determine what the AI value, 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 options for which tariff the AI cost will be recovered through**

  This will be outlined in the work example, but essentially this should be recovered through a new tariff ('AI cost gap tariff' or what we decide to call the new tariff) so this would not filter through one of the current tariffs.

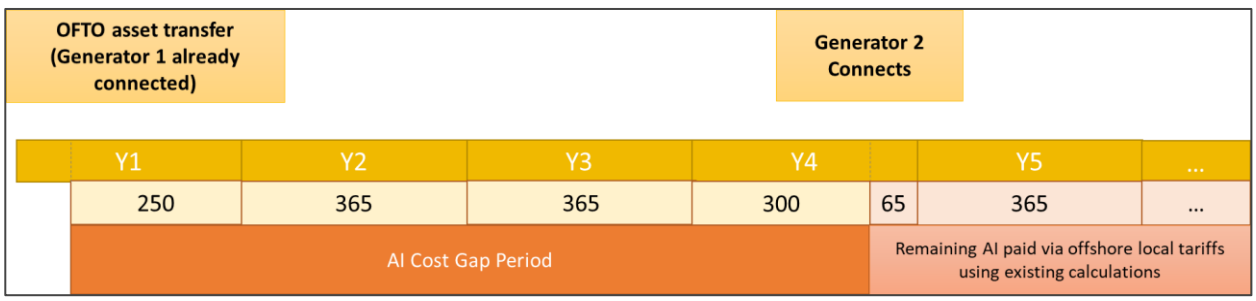
A Workgroup member raised a question around the link between CMP411 and CMP402. The Proposer explained that in terms of how it works today, if a generator fails to connect, its User Commitment will be used to partially offset the cost of TO's stranded assets. However, User Commitment is usually not enough to cover the total cost of stranded assets, and TNUoS revenue (transmission demand residual) will have to cover the shortfall. AI and User Commitment is covered by CMP402, therefore there is a link between the two modifications in the scenario where the generator fails to connect.

Subject Matter Expert (SME) Worked example (Annex 4)

The SME from ESO shared a worked example with the Workgroup including a timeline of the solution as below:

Identifying the AI Cost Gap Period

- In this example there are 2 generators involved in a project and one connects after the OFTO asset transfer, meaning there was Anticipatory Investment for the 2nd generator.
- The total capital costs are £500m
- Ofgem tells us the value that forms the AI share of the capital costs is £200m, i.e., 40% of the capital costs.
- This means that 40% of any OFTO revenue to be collected is AI.



AI Cost Gap Period = 250 + 365 + 365 + 300 = 1280 days

Identifying the value of the AI Cost Gap

- AI Cost Gap = 40% OFTO Revenue for the relevant period
- Assumption: Inflation for each year is 3%

Year	Year 1	Year 2	Year 3	Year 4
Total OFTO Revenue for Year i	£10m	£15m	£15m	£15m
AI Cost Gap (in Year i price base)	£4m	£6m	£6m	£5m
AI Cost Gap (in Year 4 price base – to 3dp)	£4m x 1.03^3	£6m x 1.03^2	£6m x 1.03^1	£5m
	£4.371m	**6.365m**	**6.180m**	**£5m**

- At the time of tariff calculation, the value of the AI cost gap is:

  AI Cost Gap = £4.371m + £6.365m + £6.180m + £5m = £21.916m (to 3dp

Calculating the AI Cost Gap Tariff – The Theory

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

$$AI\ Cost\ Gap\ Tariff\ for\ Generator\ i = \frac{n \times AI\ Cost\ Gap}{N\ \times\ TEC_i}$$

- Where:
  - TEC_i = Transmission Entry Capacity of generator i 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 the subsequent 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.

Calculating the AI Cost Gap Tariff – worked example

- AI Cost Gap Period = 1280 days
- Length of initial part year of payment = 65 days
- Total Length of period to pay over = 1525 days (this is 65 days + 4 whole years)
- Generator 2's TEC = 400MW

$$Initial\ part\ year\ AI\ Cost\ Gap\ Tariff\ for\ G2 = \frac{65 \times 21{,}916{,}308}{1525\ \times 400 \times 1000} = £2.34/kW$$

$$Full\ year\ AI\ Cost\ Gap\ Tariff\ for\ G2 = \frac{365 \times 21{,}916{,}308}{1525\ \times 400 \times 1000} = £13.11/kW$$

- For each year that the tariff is applicable, the full year AI Cost Gap Tariff shall be inflated in the same manner as the associated OFTO's Revenue - or we could recalculate each year if the generators TEC changes during this period.

Year	Year 4	Year 5	Year 6	Year 7	Year 8
AI Cost Gap Tariff (in Year 4 price base, £/kW)	2.34	13.11	13.11	13.11	13.11
AI Cost Gap Tariff (in Year i price base, £/kW to 3dp) – Assuming inflation = 3%	2.34 x 1	13.11 x 1.03	13.11 x 1.03^2	13.11 x 1.03^3	13.11 x 1.03^4
	£2.34/kW	**£13.51/kW**	**£13.91/kW**	**£14.33/kW**	**£14.76/kW**

- Generator 2 will also have offshore local tariffs set at the point of connection to cover the remaining AI quantity for each year – these shall be calculated as the usual offshore local tariffs, using generator 2's share of the OFTO revenue in the calculation.

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.
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 asked if there were any plans to do analysis to see how this might impact the current tariffs and the limiting regulation if it was to be implemented. The SME advised they would need to take this away and update the workgroup in a later meeting. Having considered this action, the proposer advises the assets that are considered to be AI are Physical Assets Required for Connection (PARC) as they will have a contract (being a known connection as opposed to an unknown connection). PARC is not impacted by the limiting Regulation (generation gap).

A Workgroup member raised the question of whether inflation has been taken into consideration, and if it affects the tariff. The SME advised that inflation has been built into the tariff to ensure that the amount paid back to the demand customers is reflective of the value at that time. The SME clarified that the tariffs would not contain a forecast of inflation as the relevant inflation data would be known at the time that final tariffs are set for each year (as with other TNUoS tariffs that are subject to inflation).
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.

Subject Matter Expert (SME) Presentation - Options for Inflation of the AI Cost Gap

In relation to a Workgroup member ask from the previous meeting as to how inflation would be applied, the ESO Subject Matter Expert described two methods currently used within TNUoS Tariff setting:

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 several TNUoS parameters (e.g., the Expansion Constant).

The SME advised that no opinion or numbers had been included as it was important for the Workgroup to consider the principals and agree what is most appropriate rather than choosing which option was the lowest in value.
The ESO SME explained that this was not setting a tariff that needs to track the TOs revenue going forward as it is paid off by the demand residual in the first instance and therefore it is not being owed to any particular TO. It looks backwards at the amount that has already been paid off by those demand customers. The SME asked the Workgroup to consider what is the most appropriate method of paying them back rather than talking in terms of onshore/offshore inflation.

Actions Update from Workgroup 3

The Proposer provided answers to questions raised by Workgroup members in the previous meeting.

1. **Consider if we can have an option to pay off AI Cost Gap in first year/one off payment?**
   The Proposer felt the answer to this question was yes and detailed two options which could be built 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 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.

2. **Can changes in TEC be accommodated and if so, how does this flow through the tariff?**
   The Proposer described various scenarios surrounding how changes in TEC could be accommodated:

- Changes in TEC can be accommodated 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.

- It is worth noting that the calculation as described previously doesn't need to be recalculated every year if the TEC remains the same but if the TEC changes, then it is simple to recalculate, and that option could be easily added in.

Specific Consultation Questions
The Chair shared the questions for the Workgroup to consider. After a discussion more questions were added.

Draft legal text

To be developed by the Workgroup but amendments are suggested to paragraph 14.15.93 for offshore local circuit tariff and 14.15.134 for the offshore local substation tariff.
Legal text will be drafted after the Workgroup Consultation has been completed.

What is the impact of this change?

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution, and purchase of electricity;	**Positive** By introducing the principle of AI, it reduces the risk allocated to the initial generator (through paying higher TNUoS charges than they otherwise would have done had it not made the AI) and improves the coordination of projects, by encouraging AI to enable a subsequent generator(s) to connect. This should have the knock-on impact of improved competition.
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);	**Neutral**
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;	**Positive** To the extent that Ofgem's policy decisions in respect of AI are required to be implemented by the company this modification reflects those developments.

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral**
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	**Positive** Will provide clarity to industry on the treatment of AI and the basis of its cost recovery.
**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	**Neutral** Will not impact the operation of the transmission system.
Lower bills than would otherwise be the case	**Positive** The clarity provided (of the methodology) should provide offshore developers with greater confidence of what the applicable methodology will be and so reduce investment risk reducing overall costs to consumers.
Benefits for society as a whole	**Positive** Facilitates development of an integrated offshore network and the associated consumer benefits compared to radially connected projects.
Reduced environmental damage	**Positive** Facilitates development of an integrated offshore network and the associated benefits towards achieving Net Zero.

Improved quality of service	**Neutral** Will not directly impact the quality of service provided by the ESO and offshore generators

Standard Workgroup consultation question: Do you believe that CMP411 Original proposal better facilitates the Applicable Objectives?

When will this change take place?

Implementation date
1 April 2025

Date decision required by
ESO require a clear 6 months to implement, however, following industry feedback, we believe generators would need to have visibility of and understand the methodology for AI cost recovery as soon as possible (Q1 2024 (by 31 March 2024) if possible), to allow this to be built into their business plans and aid any investment decisions.

Implementation approach
As above

Standard Workgroup consultation question: Do you support the implementation approach?

Interactions

☐Grid Code ☐European Network Codes	☐BSC ☐ EBR Article 18 T&Cs[1]	☐STC ☐Other modifications	☐SQSS ☐Other

This code modification may have some interaction with CMP402: Introduction of Anticipatory Investment principles within the User Commitment Arrangements.

How to respond

Standard Workgroup consultation questions

1. Do you believe that the Original Proposal better facilitate the Applicable Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

[1] If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

Specific Workgroup consultation questions

5. 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.
6. Consider the options for applying inflation, e.g., should it be CPI or RPI linked?
7. 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?
8. Does your answer to Q7 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?
9. Are there any other comments in relation to Q7 and Q8 on a broader perspective?
10. Consider the impact on consumers if the subsequent generator(s) don't connect to the National Electricity Transmission System.

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.
Please send your response to cusc.team@nationalgrideso.com using the response pro-forma which can be found on the CMP411 modification page
In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request, please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym / key term	Meaning
AI	Anticipatory Investment
AI Cost Gap	Anticipatory Investment Cost Gap
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
NETS	National Electricity Transmission System
OFTO	Offshore Transmission Owner
SME	Subject Matter Expert
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity
TNUoS	Transmission Network Use of System

ESO

Reference material

- Ofgem's Consultation "Offshore Coordination – Early Opportunities: Consultation on our Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes" published in April 2022: https://www.ofgem.gov.uk/publications/offshore-coordination-early-opportunities-consultation-our-minded-decision-anticipatory-investment-and-implementation-policy-changes
- Decision on Anticipatory Investment and Implementation of Policy Changes | Ofgem
- Decision on Pathway to 2030

Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Proposed process of AI Cost Gap Recovery
Annex 4	AI Cost Gap Recovery – Worked Example