

# Code Administrator Meeting Summary

## Meeting name: CMP411 – Workgroup Meeting 5

---

Date: 17/07/2023

---

### Contact Details

Chair: Claire Goult, National Grid ESO [claire.goult@nationalgrideso.com](mailto:claire.goult@nationalgrideso.com)

Proposer: Nitin Prajapati, National Grid ESO [Nitin.Prajapati@nationalgrideso.com](mailto:Nitin.Prajapati@nationalgrideso.com)

---

## Key areas of discussion

Below are the objectives for discussion during today's session:

- Review Workgroup Consultation Responses
- Finalise Solution
- AOB and Next Steps

The Chair shared a slide with the group requesting confirmation the list represented Workgroup Members and observer correctly. The group confirm the details held were correct.

## Review Workgroup Consultation

The Consultation comprised of ten questions to be considered, five non confidential responses were received. The Chair shared details of the responses with the group and summarised the responses, details can be seen below:

### 1. Do you believe that the Original Proposal better facilitates the Applicable Objectives?

All five respondents felt the proposal better facilitated this objective, however one respondent felt not enough detail was shared in the consultation. This point was mentioned several times by the same respondent. Overall, the respondents were supportive.

The Proposer suggested it might be an idea to have a discussion on points made by Workgroup Members to allow them a better insight to what more was needed.

They went on to say an interesting point was made around how AI costs were calculated and the assumption that some of the shared costs are included in the AI and non-AI costs.

The calculator approach was made on that assumption, and this may be a question for Ofgem to answer, re what would be included in the AI costs/non-AI costs as part of the early-stage assessment process.

### 3. Do you have any other comments?

A Workgroup Member responded to the feedback in this question, stating the idea is that you are paying for actual costs over and above those which you are causing, therefore those

costs should not be calculated as part of something else. It should not just be a finger in the air or a guess. The member agreed with the comments made in the responses received.

#### **4. Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?**

All respondents replied no, but one respondent requested that the Workgroup look at a wider update to the legal text. This would include section 14.14 principles, more varied worked examples/scenarios along with the potential application of methodology to future onshore AI.

The proposer agreed with the point made on the legal text. In relation to the worked examples, one had already been shared and it would be difficult to add another realistic example as it would be commercially sensitive information in terms of when generators are connecting.

The Chair asked the Proposer if it was possible to share any further worked examples with the Workgroup, the Proposer confirmed it was not possible.

A Workgroup Member asked if the Proposer could include impacts of cancellation on the current worked example as this was the second point raised in question 4. The Proposer advised this was not possible but there was a question in the consultation regarding this point which had received feedback.

The Proposer went on to say it had been described in the Ofgem consultation that the consumer bears the risk if the subsequent generator does not connect.

Another Member had a question in relation to the worked examples asking if it was possible to give real life examples but anonymise the data/costs to make it more relatable, this would then protect the commercially sensitive information.

The Proposer advised they would consult with the SME to see if the information was available to do something like this.

#### **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?**

- One respondent felt when projects rely on the AI policy, if a disconnect in project timeline occurred then DESNZ would grant a GCC exemption noting the relation of the AI policy and the GCC is not in the consultation but explained an OFTO transaction would need to take place at some point with or without the later user connected.

The Proposer requested to come back to this question as he would like to consider the point made. The Chair continued with the rest of the points raised by respondents in the consultation. These were:

- As AI costs are associated with assets utilised by the subsequent generator then they should pay.
- The approach should remain consistent with AI being recovered by the TDR
- Projects be allowed to connect within a certain timescale and be subjected to a delay charge to prevent customers underwriting the cost gap for a prolonged period
- It was more appropriate to ask why the AI and asset construction would be approved if not to be used for 15-20 years?

A Workgroup Member wondered if the same applied for the option/scenario where the latter user console would also apply here considering its 15/20 years. This goes back to the questions raised previously regarding the engagement done by Ofgem that indicated anticipatory investments costs go back to the customer until the later user joins.

The question is, could the same role not apply here, bearing in mind the consumers would be paying for a long time. This was put to the Proposer by the Chair who responded saying this was part of a broader question which could potentially be highly anticipated investment, which is unknown. It is also out of scope for this modification.

#### **6. Consider the options for applying inflation e.g., should it be CPI or RPI linked?**

The chair highlighted points raised by respondents:

- Three respondents felt the subsequent generator should not pay. One of these offered a follow up question – Could the initial and subsequent generator be compensated for their payment towards the local circuit at the time when it changes status?
- If the change occurred prior to the subsequent generator connecting, then yes up to the period when the change occurred. If it changed after connection, it should still pay the AI cost gap already calculated prior to connection to reflect costs already underwritten by consumers.
- One respondent felt this was beyond the scope of the modification as it touched on broader areas of the methodology yet to be determined.

The Proposer responded reiterating their consultation response, advising the group it is about considering the loss of value to the consumer and not AI cost gap paying back the consumer. The point to be made is that its not paying back OFTO/TO revenue, they felt it was important to consider it in that context.

#### **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 tariff?**

Points made by respondents were:

- Three respondents felt the subsequent generator should not pay, Could the initial and subsequent generator be compensated for their payment towards the local circuit at the time when it changes status?
- Another respondent commented that if the change occurred prior to the subsequent generator connecting then yes up to the period when the change occurred. If it changed after connection, it should still pay the AI cost gap already calculated prior to connection to reflect costs already underwritten by consumers.
- One respondent felt this was beyond the scope of the modification as it touched on broader areas of the methodology yet to be determined.

Again, the Proposer advised this was a broader question and has added this to their consultation response. This is work being considered in the offshore Code Modification subgroup with industry and therefore out of scope for this modification.

A Workgroup Member asked if the AI cost gap was going to be added to the local circuit charge and if it was a case of paying the local circuit charge when you connect and pay the AI cost gap on top of that?

The Proposer responded say there would be a separate tariff for AI cost gap (although it has not been agreed what this would be called), as that amount would need to be fully recovered from the subsequent generator.

The Workgroup Member advised this would raise further questions outside the scope of this mod.

Question 8 was mainly covered in the points made in the previous question and there were no further questions raised for question 9.

### **10. Consider the impact on consumers if the subsequent generator(s) don't connect to the National Electricity Transmission System.**

The Chair highlighted the below points made by respondents to this question:

- According to Ofgem's policy decision on AI, if the subsequent generator does not connect to the NETS, the risk sits with consumers.
- Two respondents described how impact is minimised through the User Commitments paid by the generator failing to connect with one of these noting that there is always a risk of stranded assets when developing the NETS for the future.
- One respondent felt the cancellation charge should be sized accordingly to prevent customers paying unnecessary asset costs.
- One respondent suggested the Workgroup should model this complete scenario to inform CMP411 and CMP402.

There was no further question from the Members.

### **Finalise Solution**

The Chair asked the Proposer if any further questions needed to be raised to help finalise the solution. Having made notes on a few points the proposer recapped as follows:

1. How the AI and non-AI values are calculated as part of the early-stage test cost assessment process. An indication is needed to understand what would be included. This is to be checked with Ofgem.
2. In relation to inflation, come back to the next Workgroup with information on how we can think about this in the context of the loss to the consumer.
3. Legal text for 14.4, put together a proposal and then discuss at the next Workgroup.

During the consultation there was a request for more details on several questions, the Proposer asked Members to elaborate on any extra information required.

Members did not respond with any feedback, the Chair advised they would speak offline with the individual respondent to understand what extra detail was needed and share this with the Proposer.

The current timeline was shared with the group, and it was thought that 24 July 2023 was too soon to have the next Workgroup meeting.

It was agreed that Workgroup 6 would take place on 31 July 2023 to enable completion of actions.

---

### **Next Steps**

Summary and actions to be shared with Workgroup Members

Timeline and meeting invite to be updated.

**Actions**

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

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
6	WG3	All	Review the draft Workgroup Consultation and consider wording for specific consultation questions.	NA	14/6/23	Closed
7	WG3	Chair	Share updated slide pack with Workgroup	NA	12/6/23	Closed
8	WG5	Proposer/Ofgem	What would be included in the AI costs/non-AI costs as part of the early-stage assessment process	NA	WG6	Open
9	WG5	Proposer	Proposer to check with SME to see if it is possible to share real life examples using anonymised data/costs to make it more relatable but protect commercially sensitive information.	NA	WG6	Open
10	WG5	Chair	To reach out to respondent who requested more detail in the consultation and update the proposer	NA	WG6	Open
11	WG5	Proposer	Proposer to respond to the first point in question 5. Is more information needed.	NA	WG6	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
Faiva Wadawasina	FW	Bellrock/Broadshore Offshore Wind Ltd	Observer

---

Kyran Hanks	KH	Waters Wye Association	Workgroup Member
Matthew Paige-Stimson	MPS	National Grid Electricity Transmission	Workgroup Member
Ryan Ward	RW	Scottish Power	Workgroup Member

---