

Code Administrator Meeting Summary

Meeting name: CMP402 – Workgroup Meeting 3

Date: 29/03/2023

Contact Details

Chair: Jess Rivalland, ESO Code Administrator Jess.Rivalland@nationalgrideso.com

Proposer: David Witherspoon, ESO David.witherspoon@nationalgrideso.com

Key areas of discussion

The aim of Workgroup 3 was to review the four options previously proposed and to consider the pros and cons of each point. As well as to consider further methodology recommendations.

Option 1 - Solution based on capacity of assets

Some Workgroup members expressed concern over who takes the role for specifying the capacity for AI and whether there was a possibility of oversizing assets. The Authority Rep clarified that the current thinking was outlined in the assessment procedure and that this would sit with the developer, but assessment and consideration would sit with Ofgem. Workgroup member raised the question that if there are one than one later users, then the AI would need to be divided.

Option 2 - Local Asset Reuse Factor (LARF) could be applied

The Workgroup discussed scenarios around the reuse factor and discussed if the LARF was an option then who would it be determine the calculation (Ofgem? ESO?). It was stated by the Proposer that currently under the user principles it is the TO and agreed who will determine the LARF is an important question to ask.

Option 3 - Capping elements aligned to typical FID

The proposer had suggested a sharing factor of 33% Pre-FID and 67% Post-FID in the original proposal. The Proposer was happy to consider numbers form 0-100 and this was one of the key questions to be answered by looking at potential impacts, costs, and different alternatives. One Workgroup member did not feel there was a compelling argument as to why FID would be needed. The Proposer explained conversations with stakeholders involved possible extension of AI liability depending on the magnitude of the numbers involved.

Option 4 - AI costs liabilities to be calculated on case-by-case basis

One Workgroup member suggested a case-by-case basis could be an easy way out involving early negotiations with Ofgem but was unsure as to how this would be transparent and be a fair market environment. Need to consider how many projects this methodology will hit. If there are only a few, then a case by case basis would be realistic, it would involve early negotiation with Ofgem and timing is crucial. This would mean the initial developers taking a risk. Ideally there would be sufficient time to restructure the transmission assets.

The Authority Rep reflected that there was understanding from Ofgem over the lack of information causing uncertainty and agreed that the outcome was important but highlighted that the time it would take to obtain the numbers is unknown. The Authority Rep felt it was important for the Workgroup to underline the principles on how the values would be calculated in the first instance and was keen to understand if all the questions on the process had yet been identified. The Rep felt that if the Workgroup could propose several methodologies, then they could work out the principles of how to calculate them as more information becomes available then this can be fed into later.

ESO Rep stated that one consideration is for the Workgroup to consider if the current method works and is it fit for purpose when you start applying an AI element within that principle and methodology. Or does it need to be changed to incorporate IA (i.e. could you use current method as a baseline and simply "tweak" it somehow (if so what and how). If that isn't an option, then the Workgroup to suggest an alternate method that could be considered - even at this stage it could be at a high-level principle level then we bottom out the solution design and detail after that.

Additional questions raised by the Workgroup included:

- If Generator 2 (G2) doesn't connect for a reason, then would you use the initial figure in terms of the next project.
- How would AI costs be divided among later users if more than one.
- Workgroup member mentioned that AI may not be linear in MWs of capacity, if the absolute minimum capability of G1 assumes no AI, then minimal landing points may be different.
- If the Workgroup were to go on the solution of assets, and once G1 and G2 has gone to cost assessment, whether later users can come along with the same coordinated approach or does this need to go back to an early cost assessment stage, this would mean a change in sharing factors too.
- If capping FID is put in place, consumers could end up bearing a large proportion of the costs.

Next Steps

The Workgroup to review questions raised in workgroup 3 and provide ideas and suggestions to enable effective discussion in the next Workgroup.

The Proposer requested that the workgroup tease out valid questions using the pros and cons identified along with questions highlighted in the original proposal. The Proposer asked the

Workgroup to consider if the current method works as a baseline or does it need to be changed to incorporate AI or is a completely new methodology required.

Actions

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG3	Chair	Circulate original proposal, WG1 slides, and questions raised in today's discussion	N/A	04/04/2023	Open
2	WG3	ALL	Review questions from today and feed views and comments into spreadsheet	N/A	13/04/2023	Open

Attendees

Name	Initial	Company	Role
Jess Rivalland	JR	Code Administrator, ESO	Chair
Claire Goult	CG	Code Administrator, ESO	Tech Sec
David Witherspoon	DW	ESO	Proposer
James Stone	JS	ESO	ESO Rep
Andrew Colley	AC	SSE Generation	Workgroup Member Alternative
Angeles Sandoval Romero	ASR	SSE Generation	Observer
Claire Hynes	CH	RWE Renewables LTD	Workgroup Member
Faiva Wadawasina	FW	Bellrock and Broadshore Offshore Windfarms	Workgroup Member
Harriet Harmon	HH	Ofgem	Authority Rep
Matthew Paige-Paige Stimson	MPS	National Grid Electricity Transmission	Workgroup Member
Oyvind Bergvoll	OB	Equinor	Workgroup Member
Robert Newton	RN	Zenobe Energy	Workgroup Member
Shannon Murray	SM	Ofgem	Authority Rep
Umer Ameen	UA	BP	Workgroup Member

