

CMP402: Introductory of Anticipatory Investment (AI) principles within the user commitment arrangements

23 June 2023

10am

Online Meeting via Teams



Objectives and Timeline

Deborah Spencer – National Grid ESO Code Administrator

Timeline for CMP402 – Updated 17 May 2023

Mile stone	Date	Mile stone	Date
Modification presented to Panel	25 November 2022	Workgroup report issued to Panel (5 working days)	20 July 2023
Workgroup Nominations (15 Working Days)	28 November 2022 to 19 December 2022	Panel sign off that Workgroup Report has met its Terms of Reference	28 July 2023
Workgroup 1 - Understanding of overall OTNR landscape, Modification process, Workgroup responsibilities, issue, scope and proposed solution, agree timeline and terms of reference	23 January 2023	Code Administrator Consultation (20 working days)	2 August 2023 to 31 August 2023
Workgroups 2, 3 and 4 – Agree the principles of Anticipatory Investment, consider possible solutions, identify alternatives	6 March 2023, 29 March 2023, 20 April	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	21 September 2023
Workgroup 5 – Consider draft legal text and consider Workgroup Consultation comments and questions. Finalise Workgroup Consultation	17 May 2023	Panel undertake DFMR recommendation vote	29 September 2023
Workgroup Consultation (15 working days)	24 May 2023 to 15 June 2023	Final Modification Report issued to Panel to check votes recorded correctly	2 October 2023
Workgroup 6 – Review Workgroup Consultation responses, consider new points, review solution and any alternatives	23 June 2023	Final Modification Report issued to Ofgem	10 October 2023
Workgroup 7 - Finalise solutions and legal text and hold vote on which alternative options to be taken forward	4 th July	Ofgem decision	By 30 November 2023
Workgroup 8 - Agree Terms of Reference have been met, finalise Workgroup Report and hold Workgroup Vote	12 th July	Implementation Date	5 January 2024



Objectives

- To review the Workgroup Consultation Responses
- To discuss points raised and possible Alternatives



Workgroup Consultation Overview

- 5 non-confidential responses



Review Workgroup Consultation responses

ALL

Summary of the 4 non-confidential responses

Do you believe that CMP402 Original Proposal better facilitates the Applicable Objectives?

- All respondents agreed the proposal better facilitates Objective A, one respondent agreed for Objective B, three respondents agreed for Objective D and no respondents believe the proposal facilitates Objective C.
- Two respondents felt the direction from Ofgem to introduce AI was positively achieved, two respondents supported defining AI in CUSC to prevent confusion, and two were concerned the proposed level of liability pre-FID will act as a barrier to coordination in its current form.
- One respondent felt the proposed level of liability pre-FID might mean developers would be unable to make commitments ahead of reaching key milestones.
- Three respondents felt the proposal may lead to higher consumer costs as developers account for associated risks and two respondents highlighted the greater risks on the second generator.

What proportion of the AI cost liability should the later user be liable for pre and post Financial Investment Decision (FID)?

- Two respondents suggested the pre-FID percentage should be set lower to ensure resulting monetary liabilities are more in line with levels seen in onshore user commitments.
- Both respondents were less concerned about the percentage of liabilities associated with the post-FID time horizon and considered the approach of an equal split of financial risk between the consumer and the later user is fair.
- Two respondents saw potential of a tapered arrangement one based on overall AI value, one based on number of years before connection.
- Two respondents suggested that proportion of AI cost liability should be reviewed on a case-by-case basis (part of Early Cost Assessment).



Discuss points raised and possible alternatives

ALL



AOB

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Next Steps

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