

Code Administrator Meeting Summary

Meeting name: CMP402 - Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements – Workgroup 7

Date: 03/08/2023

Contact Details

Chair: Deborah Spencer, ESO (Deborah.Spencer@nationalgrideso.com)

Proposer: David Witherspoon, ESO (david.witherspoon@nationalgrideso.com)

Key areas of discussion

The Chair welcomed the attending Workgroup members and observers to the meeting.

The group were asked to confirm whether there were any changes to the Workgroup's distribution list, at which point a Workgroup member and the Ofgem representative confirmed that they would need to provide new alternates respectively.

Objectives

The Chair outlined the session's objectives to review the updated timeline, review the Proposer's updated solution, agree a final solution, and discuss any possible alternatives.

When reviewing the recently updated, and Panel-approved, timeline the Workgroup didn't raise any initial concerns about the dates shown.

A Workgroup member flagged their absence from Workgroup 8 as an alternate was unlikely to be found for that meeting, and the Chair asked to be alerted to any other absences for the next Workgroup as soon as possible due to the Workgroup Vote needing to take place on 11 August.

Solution update

The Proposer shared their updated options for a final solution which took into consideration the main feedback from the Workgroup and Workgroup Consultation, i.e., concerns about the level of pre-FID (Financial Investment Decision) liabilities.

The Proposer was open to discussing other options along the process but acknowledged difficulties for this arising from not knowing the outcomes of the end stage assessment process and also overall absolute costs (and therefore absolute values for liabilities).

The Proposer shared two examples of potential liabilities using the current baseline.

Based on the current baseline examples using existing methodology, a Workgroup member asked for clarity around the level of securities, to which the Proposer confirmed that up to the Trigger Date the Later User is currently responsible for 100% securities (dropping to 42% up to the point of consent and 10% after consent is given for the project).

The Proposer explained that using typical HNDFU costings, the AI costs and liabilities are still significant.

The Proposer shared three new options for solutions to the pre-FID concerns with respective pros and cons:

1. A capped but not pre-determined percentage

The Proposer noted that this option, operating on a case-by-case basis, could hinder the demonstration of a 'fair' process and would put a greater responsibility on the Authority to determine an acceptable liability percentage.

2. A pre-determined 'capped' liability

A suggested cap of 0-10% liability (TBC) with questions raised about large liabilities still being in place and how it could be applied in CUSC

3. An option using the current 'fixed' methodology and User Commitment arrangements but a higher set of stepped payments (on top of current onshore liabilities) from the Later Developer up to the Trigger Date (after which 67% liability is applied, but securities drop) – the Proposer's preferred option

A Workgroup member questioned the large amount of risk for the end user with options 1 and 2, which the Proposer agreed with, noting that option 2 would at least have some level of standardisation vs the case-by-case aspect of option 1. Another Workgroup member highlighted that for option 1 the Authority would be accepting the risk on behalf of the consumer by approving the User Commitment, which should be considered as it's not the case for option 2 which places more risk for the end consumer.

The Authority rep asked the Workgroup to consider the end consumer at all points in trying to find a solution which balances risk and co-ordinating infrastructure.

A Workgroup member asked whether the Trigger Date was still three financial years prior to the Trigger Date which the Proposer confirmed. A follow-up question from the Workgroup member was whether developers could still push their Trigger Date if they are delayed considering the Connection Reform measures in development. The Proposer wasn't in a position to comment on this but expected any changes to queue management, modifications or applications processes etc. to impact this topic.

Another Workgroup member highlighted that [CMP376](#) re: queue management includes a fee to milestone M7 to be aware of if implemented and suggested consideration of whether offshore was in scope for queue management (not understood to be by the Workgroup member but the Proposer took note of this).

Relating to option 3, a Workgroup member asked the Proposer for the thinking behind the higher stepped costs (vs current methodology) and suggested that the justification for it be included in the final solution if this options progresses. The Proposer outlined that the higher stepped costs were to set a new level for AI which was also in line with the possible magnitude of costs involved in AI.

As the Proposer's front-runner option, an example timeline was shared with the Workgroup for how option 3 could work. Noting that with this option liabilities pre-Trigger Date or pre-FID would be more manageable while still demonstrating commitment from the Later User, and if Trigger Date was still used, there may be a period of 6-12 months where FID was after Trigger Date.

The Proposer wanted to highlight to the Workgroup that AI costs and liabilities may not be the full cost due to the G1/G2 timings (i.e., development costs around the G1 FID should be factored in), but that the Authority would provide appropriate profiles as part of the Early Stage Assessment.

A Workgroup member expressed a preference to review the values of the stepped costs in option 3 to see if they are too high/low. Another Workgroup member suggested that the solution should align with existing principles where possible for consistency, highlighting where and why differences may occur.

Finalise solution and discuss possible alternatives

The Workgroup agreed that more time was needed to consider the options shared.

The Chair will send the relevant information and alternative forms to all Workgroup members and check voting eligibility

The Proposer requested feedback on the different solution options by 5pm 8 August for the Proposer to finalise the solution.

A Workgroup member raised the need for legal text to be drafted which the Proposer needed to explore.

The Chair asked whether any Workgroup members wanted to raise an alternative, to which no alternatives were offered. A Workgroup member suggested the forms for an alternative be shared as soon as possible for then any alternatives to be submitted to the Workgroup and voted upon against the Original.

The Authority stressed that Workgroup members should make best use of the Workgroup meetings to agree a solution as efficiently as possible, with any alternatives to be raised as soon as possible.

AOB

The Proposer notified the Workgroup that the modification will be handed over to a different Proposer (also leading the AI-related CMP411 modification) in the coming weeks.

Next Steps

- Feedback to be received from Workgroup members by 5pm Tuesday 8 August on solution options ahead of a Workgroup Vote on Friday 11 August
- Feedback will allow the finalisation of the Proposer’s solution ahead of a Workgroup Vote on Friday 11 August
- Chair to share the forms for any alternatives to be raised by the Workgroup
- Chair to check voting eligibility for Workgroup members.

Actions

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG6	Proposer & Ofgem Rep	To discuss offline the scenarios for the non-AI benefits	NA	WG6	Open
2	WG7	Chair	Relevant info & alternative forms shared with all WG members on solution options	Click or tap to enter a date.	04/08	Open

3	WG7	Workgroup	Feedback on the Proposer's options and any alternatives submitted ASAP	Click or tap to enter a date.	08/08	Open
4	WG7	Proposer	Legal text to be started and timings shared with the Chair for the final solution	NA	TBC	Open

Attendees

Name	Initial	Company	Role
Deborah Spencer	DS	Code Administrator, ESO	Chair
Elana Byrne	EB	Code Administrator, ESO	Tech Sec
David Witherspoon	DW	ESO	Proposer
Shannon Murphy	SM	Ofgem	Authority Rep
Claire Hynes	CH	RWE Renewables	Workgroup Member
Faiva Wadawasina	FW	Bellrock and Broadshore Offshore Windfarms	Workgroup Member
Matthew Paige-Stimson	MPS	National Grid Electricity Transmission	Workgroup Member
Øyvind Bergvoll	OB	Equinor	Workgroup Member
Ryan Ward	RW	Scottish Power Renewables	Workgroup Member
Umer Ameen	UA	BP	Workgroup Member
Joel Matthews	JM	Diamond Transmission UK Limited	Observer