

# Code Administrator Meeting Summary

## **CMP402 - Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements – Workgroup 10**

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Date: 21/09/2023

### Contact Details

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

**Proposer:** David Witherspoon, ESO [david.witherspoon@nationalgrideso.com](mailto:david.witherspoon@nationalgrideso.com)

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## **Key areas of discussion**

### **Objectives and Timeline Review**

Details timeline changes were shared by the Chair and an additional Workgroup was agreed by members to take place on 17 October 2023.

### **Consequential Modification**

The Proposer advised the group that a consequential modification will be raised to address possible defined terms resulting from CMP402 and CMP411 which may need to be added to CUSC section 11. The defined terms were shared with members:

- Anticipatory Investment – CMP402
- Anticipatory Investment Cost – CMP402
- Anticipatory Investment Cost Gap – CMP411
- Anticipatory Investment Cost Gap Tariff – CMP411

Workgroup members were informed the consequential modification Proposal is currently being prepared and will be raised shortly. The Proposer was keen for Workgroup members to share any further defined terms they thought needed consideration.

A Workgroup member suggested when describing the defect, it might be an idea not to list the new defined terms but to advise several new defined terms will be required as a result of CMP402 and CMP411. It was explained that this would allow additions to added if identified at a later stage.

Further required changes to the Legal text were also highlighted by the Proposer to ensure continuity across the 3 modifications (CMP402/CMP411 and consequential modification for defined terms) and the details will be shared with members as soon as possible.

### **Review Alternative Request**

SSE raised an Alternative Request which had been shared with members prior to the session. The Proposer (SSE) outlined the reasons for raising the Alternative as bringing the assessment of the potential asset reuse into the calculation of the User Commitment and codifying it.

A question was raised that if this was codified who would be responsible for calculating the Offshore Asset Reuse Factor (OARF) outlined in the Alternative proposal. The Alternative Request Proposer suggested it may be the ESO, but this would need to be discussed and worked through.

The Authority Representative advised the group they had spoken to the OTNR team about putting in an Asset Reuse Factor into the Early-Stage Assessment (ESA) process but unfortunately it is a bit too late to add this in, they went on to say considering this has been a TO process it was not appropriate for Ofgem to place it into the ESA. It was also acknowledged, the Workgroup need to be careful not to put obligations on Ofgem to determine the OARF, this will sit elsewhere and needs to be considered.

The Alternative Request Proposer and Ofgem Representative agreed to arrange a call to discuss this in more detail offline.

Members went on to have a detailed discussion in relation to the Alternative Request. A few members advised they weren't sure that they understood the Alternative Request proposal and therefore were unable to form a strong view on it but assumed that it would follow the same methodology as onshore and therefore would use the OARF (offshore Asset Reuse Factor) instead of LARF (Local Asset Reuse Factor). The Alternative Proposer gave an explanation on how they thought the Alternative would work.

When asking members if they had any further questions on the Alternative Request, the Chair advised the Workgroup that they must understand the proposal prior to participating in a vote. A Workgroup member confirmed more information was required before being able to vote and other Workgroup members agreed. The Alternative Proposer took an action to update the Alternative proposal with more detail and a requested Workgroup members submit questions they wish to be answered.

One Workgroup member stated that they thought it was important that OARF is considered as part of CMP402 as it is needed. The Alternative Proposer advised when the onshore LARF was being considered a discussion took place to say that LARF needed to feed into the calculation in section 15 of the CUSC, TO's were then asked to create the methodology at a later date and keep it refined within the STC. It was explained the solution was not fully formed when User Commitment section 15 was created but developed at a later date. The Alternative Proposer felt this type of thinking could be applied in this scenario, the principle is agreed upon and then developed later.

The Authority Representative advised they were not entirely sure if Ofgem could approve something that was just a principal approach, there is an onshore asset reuse factor but offshore is a different regime and there would need to be justification such as more detail of how it works onshore and how it will be different offshore. Again, the Authority Representative confirmed they would be happy to discuss offline with the Proposer of the Alternative Request.

It was agreed that the Workgroup would have a 10-minute break, for Workgroup members to consider questions for the Alternative Proposer which will help them to fully understand the proposal.

After the break a Workgroup member asked the Alternative Request proposer to clarify how a split between the Generator and User would be applied. The Proposer felt this was a question that still needed answering and further work was required. The Alternative Proposer added, if the split has been applied between Generator and User in step 1, does applying OARF reduce User Commitment too much? It was agreed by Workgroup members that further work on the Alternative was required before a vote could take place to determine if it would become a Workgroup Alternative CUSC Modification.

One Workgroup member asked if there was a reference example of a LARF that could be used to determine the OARF methodology, and the Alternative Proposer agreed this would be helpful. It was suggested that the ESO may be able to supply this. In relation to the LARF example, a Workgroup member shared STCP 13-2 (clause 3.2.9) with members and felt this could be helpful.

The Chair gave members until Friday 22 September 2023 to review and feedback on the Alternative Request, to allow the Alternative Proposer time to develop the proposal fully enabling Workgroup members to participate in the Workgroup vote on Tuesday 17 October 2023.

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## Next Steps

- Chair to circulate updated versions of the Workgroup Report, Legal Text, Alternative Request and voting form.

- Ofgem and Alternative Request Proposer to continue discussions offline.
- Proposer and ESO Representative to liaise with internal team to consider ESO obligations related to the Alternative Request proposal.

### Actions

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
7	WG9	All	Review Workgroup Report and feedback ensuring TOR met	NA	WG11	Open
8	WG10	Chair	To circulate updated Workgroup report, Legal Text, and consequential Mod	NA	29 September 2023	Open
9	WG10	Proposer	Liaise with internal team to consider ESO obligations as a result of the alternative request	NA	29 September 2023	Open
10	WG10	Proposer	To finalise legal text for Proposal and consequential Mod	NA	29 September 2023	Open
11	WG10	DC	To develop alternative request and attend session with Ofgem offline as discussed in Workgroup	NA	04 October 2023	Open
12	WG10	All	Provide feedback on legal text, Workgroup report and alternative request	NA	10 October 2023	Open

### Attendees

Name	Initial	Company	Role
Claire Goult	CG	Code Administrator, ESO	Chair
Deborah Spencer	DS	Code Administrator, ESO	Tec Sec
David Witherspoon	DW	ESO	Proposer
Nitin Prajapati	NP	ESO	Proposer
Claire Hynes	CH	RWE Renewables Ltd	Workgroup Member
Damien Clough	DC	SSE Generation	Workgroup Member
Lucas Saavedra Murillo	LSM	Scottish Power Renewables	Alternate
Matthew Paige Stimson	MPS	NGET	Workgroup Member
Øyvind Bergvoll	OB	Equinor New Energy Ltd	Workgroup Member
Umer Ameen	UA	BP	Workgroup Member
Shannon Murphy	SM	Ofgem	Authority Rep