

Code Administrator Meeting Summary

CMP402 - Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements – Workgroup 9

Date: 24/08/2023

Contact Details

Chair: Claire Goult, ESO Claire.Goult@nationalgrideso.com

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

Key areas of discussion

Objectives and Timeline Review

The Chair shared the timeline with the group, highlighting there was one more Workgroup scheduled after today's session (4 September 2023) to complete the Workgroup report ready for CUSC Panel at the end of September. Moving onto the Objectives the Chair talked through each section and expectations of the Workgroup.

Draft Legal Text Update

The legal text is still being reviewed by ESO legal team, The Proposer advised the group, once it is ready, they will share it in time for the next Workgroup session for review.

As there is very little time until the next session the Chair asked if it was worth moving the next Workgroup to a later date (13 September 2023). This would enable the group to have time to review the document fully and share any comments. This was agreed by the Workgroup.

Solution Update and Justification Actions

During the last Workgroup an action was taken by the Proposer to share justification on the scaling factors, the post FID percentage and the FID numbers detailed within the solution. The Proposer shared some light touch responses with the Workgroup.

They then talked through the rationale of the post FID percentages highlighting these were reflective of the AI costs that will be potentially involved (reiterating these costs are not known at this time). Adding there is also a need to strike a balance of promoting offshore coordination and what risk is passed back to the User.

A member asked if the Proposer had addressed the concerns raised previously on the post FID percentages. The Proposer advised that there were still some discussions to be had internally on this and details would be shared back to the group during the next session.

Another member shared their thoughts on the FID trigger asking the Proposer to confirm their thoughts were aligned, the Proposer confirmed this was the case.

The Proposer did a recap for those who were not in attendance at the last Workgroup, advising that they had taken onboard comments made from the Workgroup Consultation responses. Feedback indicated 33% was deemed too much and therefore the capping elements were applied to eliminate this concern.

The Chair asked the Proposer when the details requested would be ready for the Workgroup Report, The Proposer responded to say they would have these ready before the next session.

Discussion on FID/Trigger Date Timescales

During the last Workgroup meeting members were asked to provide examples of analysis on FID and the timescales between the FID date and Trigger date. One member responded and shared their response with the Workgroup.

Another member advised they had also asked the question internally and had been advised it depended on the how the projects were financing the development.

For those organisations that typically finance their projects themselves, the difference between the trigger date and FID is not significant, however projects needing finance from various sources, the FID would be a few months to a year after the trigger date.

Another member confirmed that the FID came before the trigger date within their organisation also when coordinating projects.

The Proposer responded saying, if we revert to the Original proposal where the option was FID as the trigger for larger liabilities. The impression given during comments made today is rather than wait on the trigger date, the FID date will mean coming off the cap and going onto the 67% liabilities. This question was opened up to members.

A Workgroup member responded to say it depends on what is the lesser risk in relation to the FID/trigger date. Another member stated that larger companies may have different risks, but the finance is not an issue.

A point was made by another member that FID is an internal decision and was struggling to see how it could be benchmarked within the proposal. There is a difference for different organisations, some will be more comfortable excepting a high security liability and may be willing to take FID ahead off the smaller organisations that may be looking for additional certainty. Internally FID can be moved around but the trigger date is fixed on the plants' connection date.

The Proposer agreed with this point advising they were on the same page, and they struggled to understand argument why the trigger date would cause an issue in reality.

The Chair asked the Proposer to confirm where we were in terms of the FID and thoughts on the discussions had on it today, the Proposer thanked the group for their input and advised they were inclined to keep things simple and keep it in line with current user commitment principles in term of the trigger date.

A member mentioned that depending on whether the group choose the FID or trigger date it should be documented in the Workgroup report and the reasons why.

The Ofgem Representative asked the group to how projects worked presently, did the trigger date come first and then the FID? They were keen to get a picture of how this works currently and if the Workgroup thinks thought this is how it should work go forward.

A Workgroup member responding advising that the trigger date and FID are usually quite close and the trigger date is not something they consider when deciding the FID because the liabilities are relatively small. Another member agreed that they trigger date and FID varied by company and company size. A member raised a point that the previous responses related to larger organisation and not smaller companies.

The Authority representative thanked the members for their input to the above discussion.

The Chair highlighted the points made above and suggested that these be added to the Workgroup report to show how the trigger date and FID are used by differently organisations.

Review Draft Workgroup Report

It was agreed by the Workgroup to have a break to enable members to read through the Workgroup report ready to discuss and make comments on returning to the session.

Quoracy was confirmed on the return of the session.

The Ofgem Representative made a couple of points needing to be addressed within the report and the Chair made the necessary updated the comments to reflect these.

A Workgroup member requested clarification in relation to the LARF and where in the report it should be mentioned. This was noted by the Chair and the member shared details to be added.

Members shared their comments with the Chair who updated the Workgroup report and confirmed the document would be shared with the Workgroup after the meeting.

Action Review/AOB

All outstanding actions were reviewed, and one further action was added.

Voting eligibility was shared with the group and any updates to the company names also confirmed and updated.

Next Steps

Members Review Workgroup report

Legal Text to be shared and reviewed by Workgroup members

Agree Terms of Reference have been met

Workgroup Vote

Actions

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
4	WG7	Proposer	Draft Legal and timings shared with the Chair for the final solution	NA	WG9/10	Open
5	WG8	Proposer	Proposer to share further analysis/information to justify pre-FID numbers, scaling factors and post FID %	NA	WG9	Open
6	WG8	Workgroup members/OB	Analysis on FID and the timescales between the FID date and Trigger date.	NA	WG9	Closed
7	WG9	All	Review Workgroup Report and feedback ensuring TOR met	NA	WG10	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
Damien Clough	DC	SSE Generation	Workgroup Member
Faiva Wadawasina	FW	Bellrock Offshore Windfarms Ltd and Broadshore Offshore Windfarms Ltd	Workgroup Member
Joel Matthews	JM	Diamond Transmission UK Limited	Observer
Øyvind Bergvoll	OB	Equinor New Energy Ltd	Workgroup Member
Ryan Ward	RW	Scottish Power Renewables	Workgroup Member
Umer Ameen	UA	BP	Workgroup Member
Shannon Murphy	SM	Ofgem	Authority Rep