

# CMP417: Extending principles of CUSC Section 15 to all Users – Workgroup 3

**09 January 2024**

**Online Meeting via Teams**

# WELCOME





# Agenda

#	Topics to be discussed	Lead
1.	Objectives, Timeline and Terms of Reference	Chair
2.	Actions Review	Chair
3.	Proposer Presentation and Questions	Proposer
4.	Any Other Business	Chair
5.	Next Steps	Chair

## Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

## Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives



# **Objectives, Timeline and Terms of Reference**

**Lizzie Timmins – ESO Code Administrator**

# Timeline for CMP417

Milestone	Date	Milestone	Date
Modification presented to Panel	28 July 2023	Workgroup 8 <i>Workgroup Vote, finalise Workgroup Report</i>	04 June 2024
Workgroup Nominations (15 Working Days)	01 August 2023 to 29 August 2023	Workgroup report issued to Panel (5 working days)	20 June 2024
Workgroup 1 <i>Agree timeline, Terms of Reference and discuss solution</i>	06 September 2023	Panel sign off that Workgroup Report has met its Terms of Reference	28 June 2024
Workgroup 2 <i>Agree new timeline, discuss solution</i>	25 October 2023	Code Administrator Consultation (15 working days)	03 July 2024 to 24 July 2024
Workgroup 3 <i>Refine solution</i>	09 January 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	15 August 2024
Workgroup 4 <i>Review legal text, refine solution</i>	14 February 2024	Panel undertake DFMR recommendation vote	23 August 2024
Workgroup 5 <i>Review legal text, draft Workgroup Consultation</i>	07 March 2024	Final Modification Report issued to Panel to check votes recorded correctly	27 August 2024 to 03 September 2024
Workgroup 6 <i>Finalise Workgroup Consultation</i>	28 March 2024	Final Modification Report issued to Ofgem	05 September 2024
Workgroup Consultation (15 working days)	03 April 2024 to 24 April 2024	Ofgem decision	TBC
Workgroup 7 <i>Review Workgroup Consultation responses and any alternatives</i>	01 May 2024	Implementation Date	10WD following Authority decision for new Users. July 2025 for existing Users.

# Updated Terms of Reference

Workgroup Terms of Reference	
a)	Consider EBR implications
b)	Consider the transitional arrangements
c)	Consider interactions with other codes or code modifications
d)	Consider interactions with ESO connections reform recommendations
e)	Consider financial consequences to Users
f)	Consider cash flow implications on the ESO



# Actions Review

## All



# Actions Review

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG1	EW	Provide data on the difference between amount secured under CMP192 and actual cancellations	Provided within slide pack	WG3	Open – propose to close
2	WG1	EW	Provide information on the amount of connections triggering transmission works	Verbal update to be given within Workgroup	WG3	Open – propose to close
6	WG1	EW	Provide update on interim arrangements	Verbal update to be given within Workgroup	WG3	Open
7	WG1	AP	Look into definitions for attributable works for Demand and TIC	Action has been progressed – verbal update to be given	WG3	Open – propose to close
8	WG1	EW	Provide justification for new solution within the Workgroup Consultation	NA	TBC	Open
9	WG1	AP	Provide draft legal text	To be provided by legal after solution is agreed within the Workgroup	WG2	Open



## Proposer's Solution

Alison Price – ESO

Emily Watson – ESO

## CMP417 Extending principles of CUSC section 15 “User Commitment Methodology” to all Users



# Solution

## Prescription within CUSC for Final Sums

- We propose Final Sums is further defined (n CUSC Section 15 Part B Final Sums), and a guidance note produced to support application, specifically capturing what transmission works are determined as 'required for the user' and 'required for wider system reasons'. This will be defined in partnership with STC Mod CM093.

## Application of the SIF and LARF

- Determine an Attributable Works definition to include Demand Customers, and for the purposes of this methodology, a definition of Demand Capacity. This will be defined in partnership with STC Mod CM093.
- Methodology for liability/termination/cancellation calculation:  $\text{TO Spend to date (since 6 month forecast)} \times (1 - \text{LARF}) \times \text{SIF}$
- SIF and LARF in STC to be expanded to all users and provided by the TO's

## Introduction of Secured Amount

- Security is a proportion of the total liability - based on the concepts of 'trigger date' and 'not consented' and 'consented'

## Ability for a customer to Fix their liabilities

- A customer can fix the current TO forecast for their attributable schemes and remains with that value regardless of TO updates to scheme figures.

## Implementation

- All clock started new apps and mod apps received 10 WD after Authority decision start on new FSM regime
- Post Authority approval – timeline for all existing Final Sums contracts to move to new FSM regime is currently being reviewed based on feedback from WG

# Solution

Prescription within CUSC for Final Sums

- We propose Final Sums is further defined (in CUSC Section 15 Part B Final Sums), and a guidance note produced to support application, specifically capturing what transmission works are determined as 'required for the user' and 'required for wider system reasons'. This will be defined in partnership with STC Mod CM093.

Should we be redefining “**Seven Year Statement Works**” [this is referenced in Schedule 2, Exhibit 3 – definition of Seven Year Statement is as is defined in the Grid Code] as part of CMP417 or CM093?

ESO view: Changing Seven Year Statement definition is a wider activity than the remit of CMP417/CM093 as it's referenced outside Section 15 and the definition is as defined in the Grid Code. When drafting legal text, we need to consider within the WG if it's feasible to amend Seven Year Statement Works to ETYS Works for the purposes of CMP417/CM093. ETYS is referenced already within the CUSC.

# Solution

Application of the SIF and LARF

- Determine an Attributable Works definition to include Demand Customers, and for the purposes of this methodology, a definition of Demand Capacity. This will be defined in partnership with STC Mod CM093.
- Methodology for liability/termination/cancellation calculation:  $\text{TO Spend to date (since 6 month forecast)} \times (1 - \text{LARF}) \times \text{SIF}$
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Should the solution also include Distance Factor?

ESO view:

*'Where the Distance Factor is a factor calculated for each component within the Attributable Works as a ratio of distance to the nearest suitable MITS substation and distance to the MITS substation where the Attributable Works connect as set out in the Notification of Fixed Cancellation Charge by reference to which an election is made in accordance with Paragraph 6. This factor is only valid for components where distance is relevant i.e. cables and overhead lines.'*

Previously conversation has led us to believe that the DF may not be applicable for demand and indeed may not be widely used for generation either. We believe further development in the Attributable Works Definition will further cement this.



# Solution

Introduction of Secured Amount



- Security is a proportion of the total liability - based on the concepts of 'trigger date' and 'not consented' and 'consented'

Will the definition for Trigger Date be the same as the current definition?

ESO view: Yes

Will the definition for Key Consents be the same as the current definition?

ESO view: 'Key Consents' those Consents a User requires in respect of its Power Station project which are identified by The Company as key for the purposes of Part Three of the User Commitment Methodology and in relation to a particular User as defined in its Construction Agreement;

The "Key Consents" definition will need to be updated in Section 11 of the CUSC to include CMP417 impacted Users

# Solution

Implementation

- All clock started new apps and mod apps received 10 WD after Authority decision start on new FSM regime
- Post Authority approval – timeline for all existing Final Sums contracts to move to new FSM regime is currently being reviewed based on feedback from WG

Can you clarify the implementation for existing users?

ESO view: Taking on feedback from the workgroup, we are currently reviewing the implementation date for existing users.

Do you have an update on the 'interim solution' for the period between decision and implementation?

ESO view: ESO presented an interim solution to Ofgem which closely aligned with our solution for CMP417. Ofgem believes that due to the closeness of the two solutions, approving the interim would inadvertently show support of the code mod before it had come to them for a decision. They advised that we should, therefore, proceed with the code mod and look at delivering in a shorter timeframe.

We're looking at how we might use the WG's time more efficiently across code mods and reduce implementation timescales.

# Solution – Actual vs. Fixed Actual Liabilities

## Typical Actual Profile

### Pre Trigger:

Attributable liability is reduced by SIF and LARF

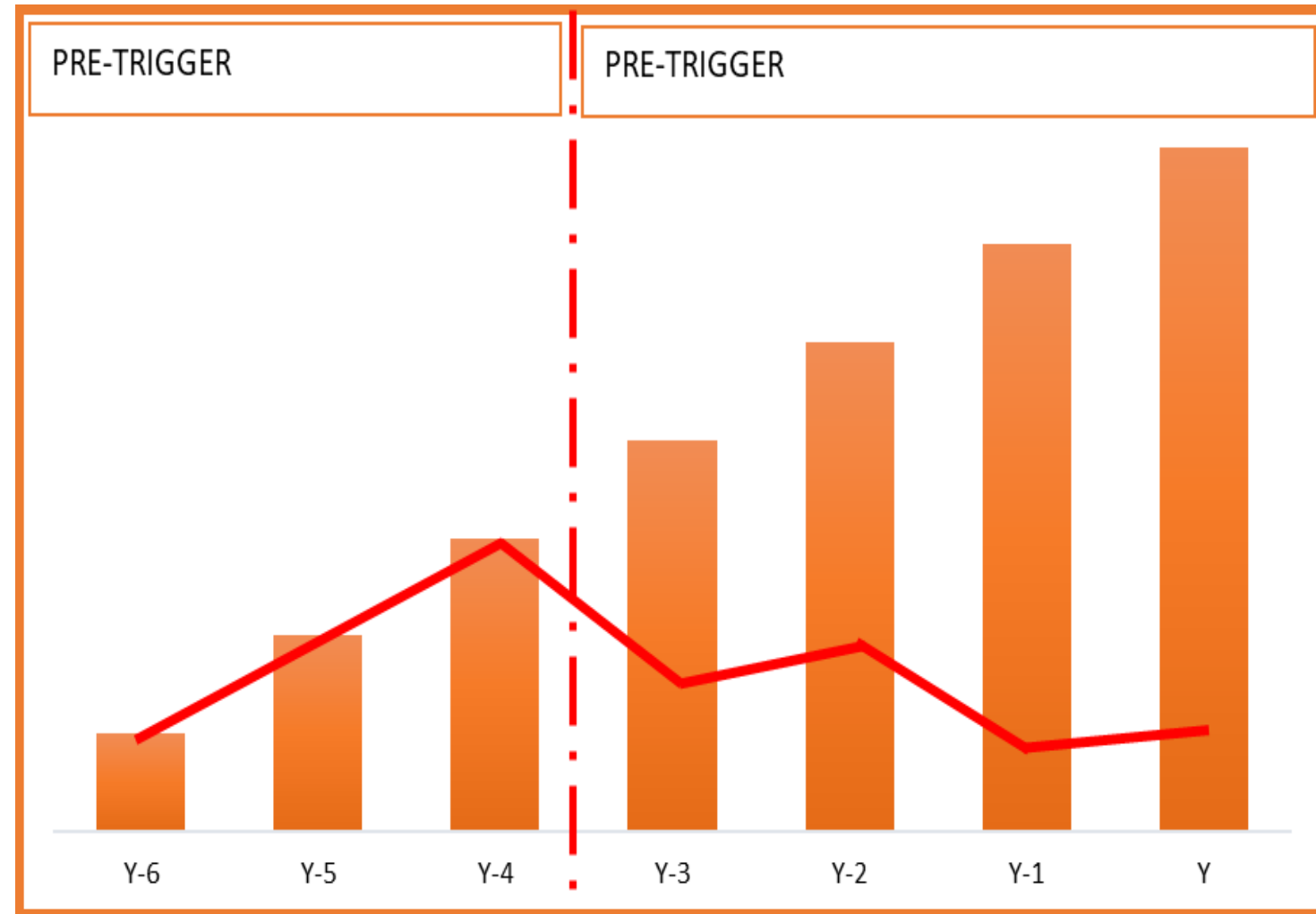
Pre Trigger security is always the same value as the total liability

Attributable liability is recalculated every 6 months for non-fixed parties.

### Post Trigger:

Post trigger security requirements decreases from 100% to either 42% for transmission connected or 45% for distribution connected, if not consented.

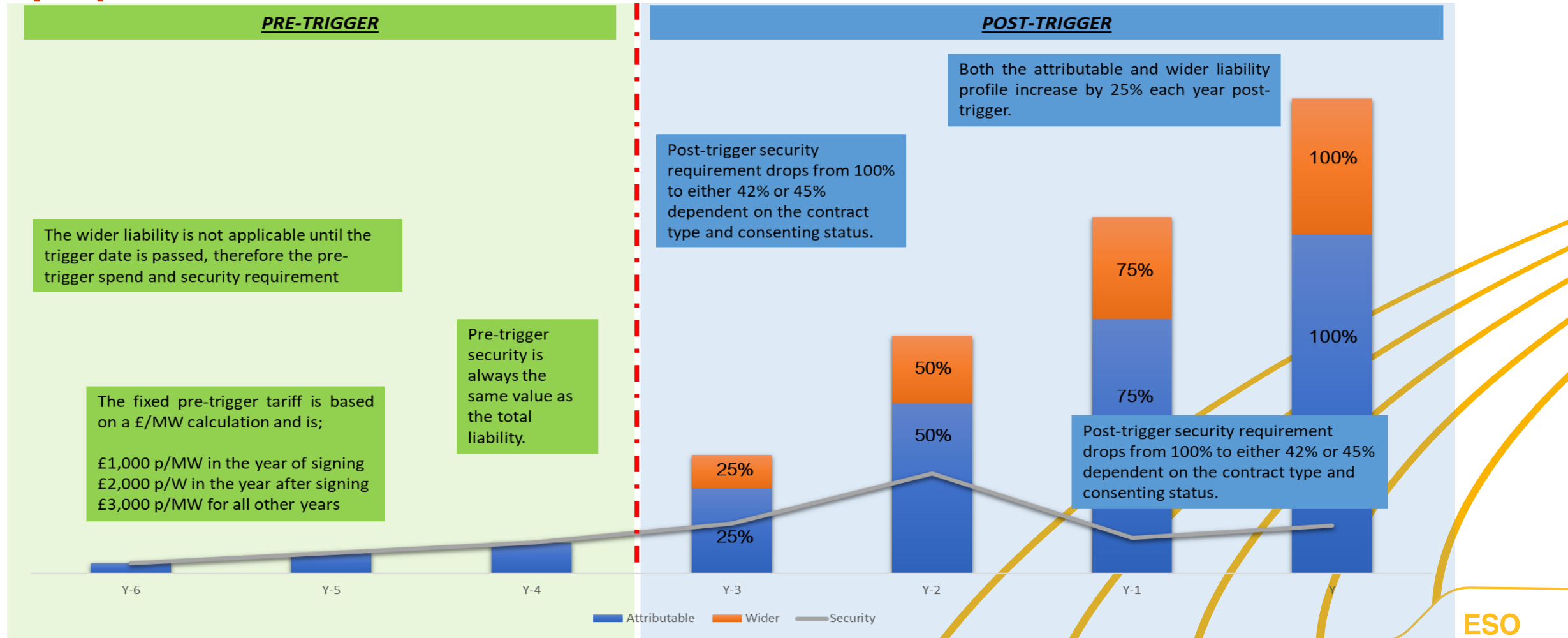
If consented, a customers security reduced to 10% for transmission connected or 26% for distribution connected



# Solution – Actual vs. Fixed Fixed Liabilities

This graph is taken from the UCM guidance. The Wider liability is not applicable for the purposes of CMP417

Are the percentages and £K/MW applicable for the purposes of CMP417?



# ESO Connections Risk Analysis

Initial impact assessment on our proposed solution:

- No cashflow risk to the ESO of doing this change
- Risk is limited to any shortfall when a customer cancels between security amount and cancellation amount, which should be recovered via a pass-back/socialisation via TNUoS
- Demand shortfall requiring recovery via TNUoS however may require changes to [Special Conditions - ESO \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/special-conditions-eso):
  - Original intent of the term TSt/Termt (termination payments) appears to be linked to User Commitment
  - Introducing concept of demand capacity linked to payment, may require a change to add the demand reduction

## Demand Termination Risk Analysis Highlights

In the past five years ESO have processed **five terminations** for transmission connected demand

Of those five, three had not yet hit their 'Trigger Date'

two of which were not liable for termination charges or securities

The next slide shows a representation of what Cancellation Charges and Security Requirements may be following approval of CMP417. Some information is based on actual information but anonymised

LARF and SIF is taken from similar TEC value projects  
Trigger date based on actual completion date and date in which user terminated  
Consenting status is not based on actual information



# Demand Termination Risk Analysis

Demand User	Completion date	Final Sums Termination Amount	Example SIF and LARF *	Calculation	Example CMP417 Cancellation Charge	Hit Trigger Date when terminated?	Example Consenting Status	Example CMP417 Security Amount
Example 130MW	22/07/2025	£184,000	LARF: 0.00% SIF: 39.13%	$184,000 \times (1 - .00) \times .3913$	£71,999	NO	YES	100% = £71,999
Example 40MW	21/10/2026	£102,000	LARF: 37.74% SIF: 33.30%	$102,000 \times (1 - .3774) \times .3330$	£21,147	NO	NO	100% = £21,147
Example 18MW	11/08/2023	£0	N/A	N/A	£0	NO	YES	100% = £0
Example 5.5MW	30/04/2025	£11,000	LARF: 58% SIF: 49.71%	$11,000 \times (1 - .58) \times .4971$	£2,296	YES	NO	42% = £964.32
Example 1MW	31/05/2024	£0	N/A	N/A	£0	YES	YES	10% = £0

## STC mod - CM093: Extending the principles of the User Commitment Methodology to Final Sums Methodology as a consequence of CUSC modification CMP417

- [CM093](#) was approved at the STC Panel on 29<sup>th</sup> November 2023
- Overview of mod: Define and scope works that customers are liable and required to secure in line with the CUSC Final Sums conventions i.e. Part 1 works required for the User and Part 2 wider system works within the Transmission Owner Construction Offer/Agreement (TOCO/A) and Attributable works for Demand Users to be scoped, defined and implemented in the TOCO/A and in line with the CUSC Offer/Agreements.
- Workgroups will be required to develop the required changes to the STC. First STC workgroup is in the diary for 24<sup>th</sup> January.
- SIF and LARF methodology for Final Sums will require WG discussion and will follow through as a separate/updated STCP modification
- We need to be mindful of interactions across both modifications and how communication across workgroups will work in practice.



## **Any Other Business**

**Lizzie Timmins – ESO Code Administrator**



## Next Steps

Lizzie Timmins – ESO Code Administrator