CM093: Extending the principles of the User Commitment Methodology to Final Sums Methodology as a consequence of CUSC Modification – CMP417 – Workgroup 1

24 January 2024

Online Meeting via Teams


WELCOME

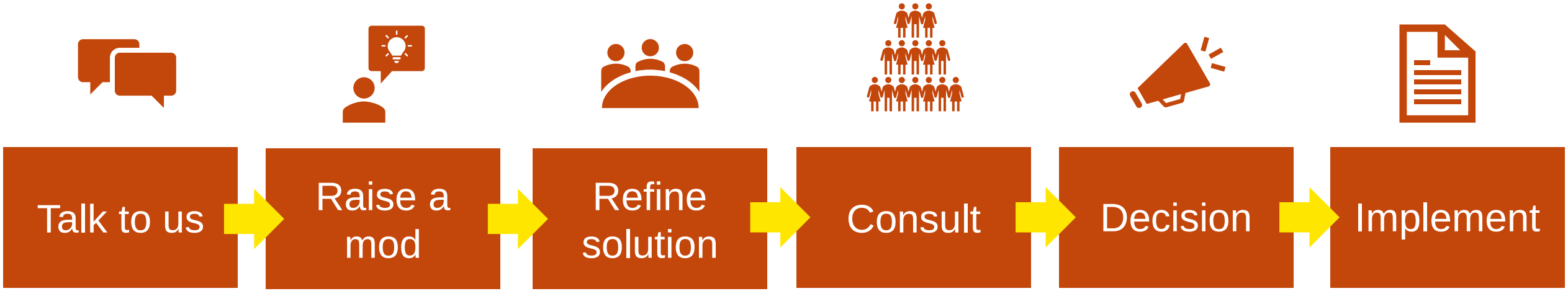
Agenda

#	Topics to be discussed	Lead
1.	Introductions	Chair
2.	Code Modification Process Overview • Workgroup Responsibilities • Workgroup Alternatives and Workgroup Vote	Chair
3.	Objectives and Timeline • Walk-through of the timeline for the modification	Chair
4.	Review and agree Terms of Reference	All
5.	Proposer Presentation and Questions	Proposer
6.	Cross Code Impacts	All
7.	Any Other Business	Chair
8.	Next Steps	Chair

Modification Process

Lizzie Timmins – ESO Code Administrator

Code Modification Process Overview



Forums

Panels

Workgroups
(Workgroup Consultations)

Ofgem/Panel

Workgroup Responsibilities

Lizzie Timmins – ESO Code Administrator

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

Workgroup Alternatives and Workgroup Vote

Lizzie Timmins – ESO Code Administrator

Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative Grid Code Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the Grid Code objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative STC modification (WASTM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Can I vote? and What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 2 – Workgroup Vote

- 2a) Assess the original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.

Objectives and Timeline

Lizzie Timmins – ESO Code Administrator

Timeline for CM093

Milestone	Date	Milestone	Date
Modification presented to Panel	29 November 2023	Panel sign off that Workgroup Report has met its Terms of Reference	26 June 2024
Workgroup Nominations (15 Working Days)	30 November 2023 to 20 December 2023	Code Administrator Consultation (15 working days)	03 July 2024 to 24 July 2024
Workgroup 1 *Agree timeline, Terms of Reference and discuss solution*	24 January 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	20 August 2024
Workgroup 2 *Refine solution, discuss legal text*	21 February 2024	Panel undertake DFMR recommendation vote	28 August 2024
Workgroup 3 *Finalise legal text and review Draft Workgroup Consultation*	19 March 2024	Final Modification Report issued to Panel to check votes recorded correctly	29 August 2024 to 04 September 2024
Workgroup Consultation (15 working days)	03 April 2024 to 24 April 2024	Final Modification Report issued to Ofgem	05 September 2024
Workgroup 4 *Review Workgroup Consultation responses and any alternatives*	08 May 2024	Ofgem decision	TBC
Workgroup 5 *Workgroup Vote, finalise Workgroup Report*	12 June 2024	Implementation Date	10WD following Authority decision.
Workgroup report issued to Panel (5 working days)	18 June 2024		

Terms of Reference

Lizzie Timmins – ESO Code Administrator

Terms of Reference

Workgroup Terms of Reference	
a)	Implementation
b)	Review and support the legal text drafting.
c)	Ensure the appropriate Industry experts or stakeholders are engaged in the Workgroup to ensure that all potentially affected stakeholders have the opportunity to be represented in the Workgroup
d)	The cross Code impacts this Modification has, in particular the CUSC
e)	Consider the wider consequences of the proposed changes, including any TO investment risk, commercial signals to developers, and any interactions with on-going Connections Reform.

Proposer’s Solution

David Halford – ESO
Emily Watson – ESO

CM093 - Extending principles of CUSC section 15 to all Users

Background

There are two security methodologies currently in use to determine a User's financial liability and security requirement which is required in relation to the provision of new, or amended capacity:

- CUSC section 15 'User Commitment Methodology' - Users: Applies to all customers categorised as generation or embedded generation.
- Final Sums methodology – outlined in CUSC Schedule 2, Exhibit 3, Part 2 - Users: Directly connected demand customers and DNO's (embedded demand, transmission works not triggered by embedded generation)

CUSC section 15 principles include security requirements reducing as a connection becomes more certain and hits key milestones, the ability to fix attributable securities and the securing of a wider liability applicable to all parties. For Customers under Final Sums methodology, for their security requirements, they must secure all the TO spend required to connect their project.

The differing approaches has created a two-tiered process and this modification is aiming to introduce more equitable treatment to all Users connecting to the NETs by extending some of the principles under CUSC section 15 to Users under Final Sums methodology.

Context

Covers a proportion of liability; reducing rate as project passes set milestones and nears completion

CMP192, and subsequent mods worked to lower perceived barriers to new entrants and incentivise timely communication of termination.

Demand Users were not included in these mods – general consensus at the time was that Demand users only triggered the specific assets built to connect them

CUSC Section 15 User Commitment Methodology

- CMP192 Generators - 2012
- CMP222 Interconnectors and Pumped Storage - 2015
- CMP223 Embedded Gen with BEGA, Distribution System – Connection Agreement with Distributed Gen - 2015

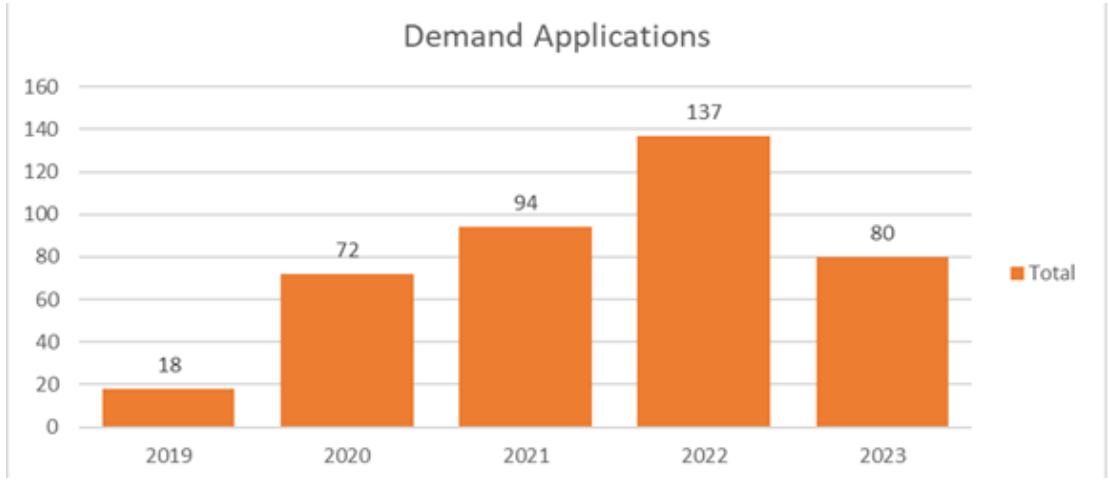
Final Sums methodology

- Distributed connected Demand
- Transmission connected Demand
- DNO not triggered by EG (e.g. asset replacement works)

User will secure all spend to connect their project as it progresses. No reducing factors applied, secures 100% of a TO's spend to connect their project

Why change and what is the defect?

- An increase in Demand connections over recent months and years has driven transmission works beyond the connection site – previous extension of Section 15 to other Users has been a stepped process with Demand Users out of scope of those mods due to the type of works they initiated



We are now seeing increasing Demand Connections which are driving Transmission Works beyond the Connection Site

- The principles of Final Sums methodology acts as a barrier to entry for some developers, rendering some projects inviable
- Formal complaints have been received from customers outlining the commercial impact to their businesses because of the substantial security amounts they've received in their Construction Agreements
- Improving the cost reflectivity that Users have on a TO's spend profile will help reduce uncertainty for developers whereby the security they need to secure is reflective of the transmission liabilities they actually impose.

CMP417 Solution

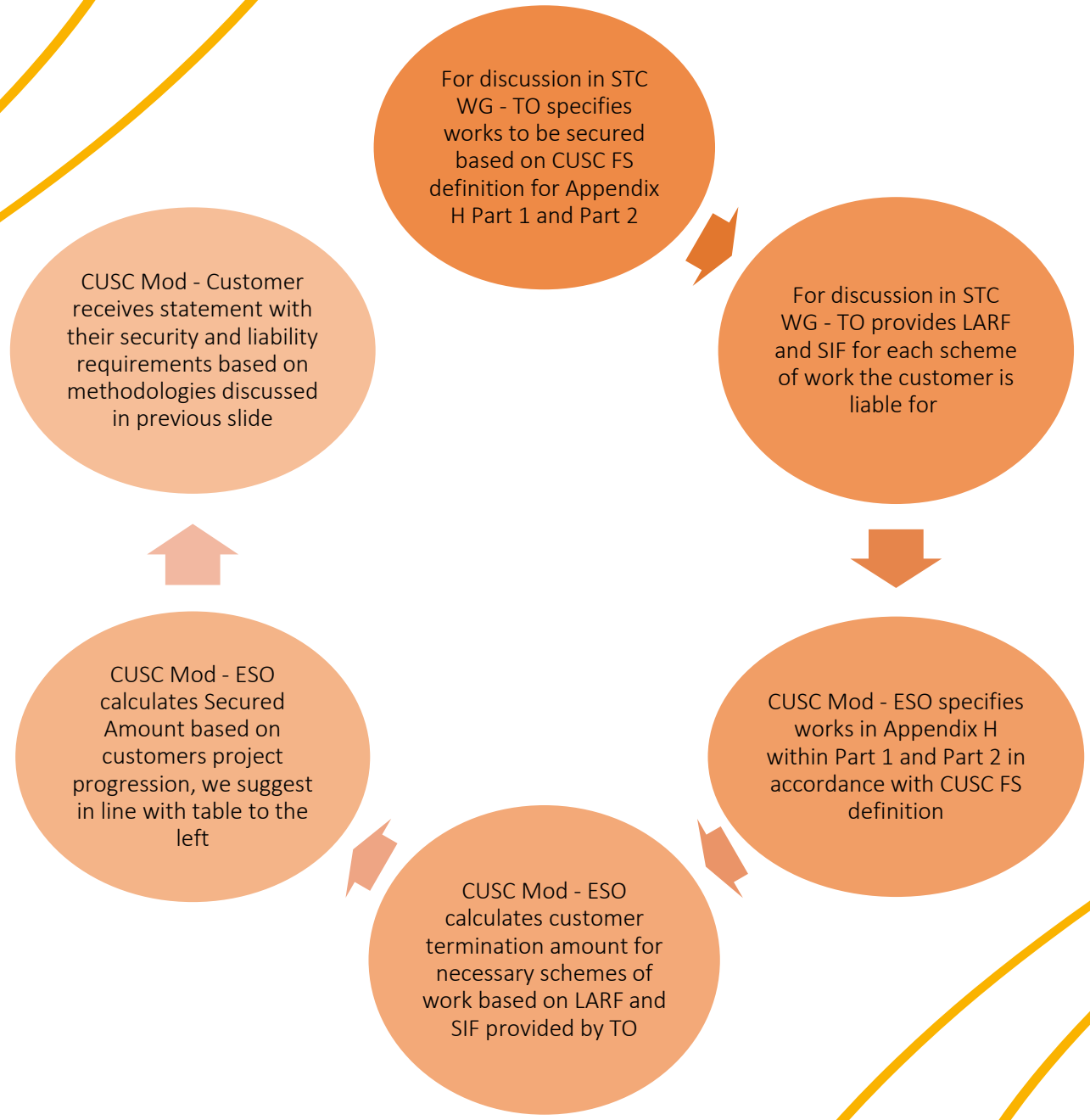
Prescription within CUSC for Final Sums	• We propose Final Sums is further defined (CUSC Section 15 Part B Final Sums), and a guidance note produced to support application, specifically capturing what transmission works are determined as 'required for the user' and 'required for wider system reasons'. 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: TO Spend to date (since 6 month forecast)x(1-LARF)xSIF • 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.

CM093 Solution

Our proposed solution for this STC Mod is to work with the TO's to 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). We also see that attributable works for these user groups should be scoped, defined and implemented in the TOCO/A and in line with the CUSC Offer/Agreements.

CMP417 solution provides reducing factors to a customer's liability, producing a customer's cancellation charge or termination amount. We'd therefore like to see the necessary change in STC whereby TO's provide the Strategic Investment Factor (SIF) and Local Asset Reuse Factor (LARF) for all users not just those currently specified in STC Section 9.

Solution


For discussion in STC WG - TO specifies works to be secured based on CUSC FS definition for Appendix H Part 1 and Part 2
For discussion in STC WG - TO provides LARF and SIF for each scheme of work the customer is liable for
CUSC Mod - ESO specifies works in Appendix H within Part 1 and Part 2 in accordance with CUSC FS definition
CUSC Mod - ESO calculates customer termination amount for necessary schemes of work based on LARF and SIF provided by TO
CUSC Mod - ESO calculates Secured Amount based on customers project progression, we suggest in line with table to the left
CUSC Mod - Customer receives statement with their security and liability requirements based on methodologies discussed in previous slide

Potential areas that will need to be addressed as part of CM093

- STC Schedule 9, 7.5 Provision of Bi-annual estimate – this section refers to an estimate – we would like WG discussion on consideration of how works should be structured in the TOCA and flow through to Construction Agreement which may require clarity to be added into this schedule – we suggest bringing this in line with CUSC Schedule 2, Exhibit 3 Part 2, and further defining Appendix H Part 1 – Enabling Works (work required for the User) and Part 2 – Wider Transmission Reinforcement Works (works required for wider system reasons);
- STC Schedule 9, Section 12: Attributable Works –requires workgroup discussion in conjunction with the CMP417 Workgroup on clarity of Attributable works for Demand;
- STC Section J – Interpretation and Definitions – possible amendments to terms “TO Final Sums” and “Attributable Works” – requires workgroup discussion in conjunction with the CMP417 Workgroup.
- STC Section I (or potentially Section D which currently documents the transition plan for CMP192) Transition – there will be a transition period for existing Users on Final Sums methodology to move to the new regime.

Proposed process amends:

- Creation of a STCP SIF and LARF methodology for Final Sum methodology Users or an amendment to STCP13-2 SIF and LARF methodology – requires WG discussion and would follow through as a separate SCTP Modification.
- Creation of a Future Final Sums methodology guidance note, which we would like the WG to review.

Detailed areas for discussion for the Workgroup are:

What constitutes as Part 1 ‘work required for the User’?

What constitutes as Part 2 ‘works required for wider system reasons’

How should ‘shared’ works be treated?

1. Triggered by generation
2. Triggered by demand
3. other

Does the Attributable works definition work for Demand?

How should we define Attributable works for Demand?

Implementation – transition plan in line with CMP417

All clock started new apps and mod apps received 10 WD after Authority decision start on new FSM regime

Existing Distributed Connected Demand

Post Authority approval – remain on current FSM regime until July 2025

Authority approval received

Existing Transmission Connected Demand

Post Authority approval – remain on current FSM regime until July 2025

Existing DNO works not triggered by EG

Post Authority approval – remain on current FSM regime until July 2025

TDemand	NG ET	SP T	SSE NT
Unsigned	16	6	3
Signed	57	15	3

DDemand	NG ET	SP T	SSE NT
Unsigned	5	0	0
Signed	7	0	0

DNO	NG ET	SP T	SSE NT
Unsigned	12	0	2
Signed	20	0	0

Suggestions for Workgroup to consider – to be agreed at Workgroup 1

An STCP Modification to cover amendments to STCP13-2 will need to be raised. We suggest any changes are discussed within this WG prior to the modification being raised.

Should the CMP417 and CM093 workgroups be run in tandem or together?

Should the CMP417, CM093 and STCP changes be sent as a package to Ofgem in order for a decision to be made?

Cross Code Impacts

All

AOB & Next Steps

Lizzie Timmins – ESO Code Administrator