

CMP428: User Commitment liabilities for Onshore Transmission circuits in the Holistic Network Design

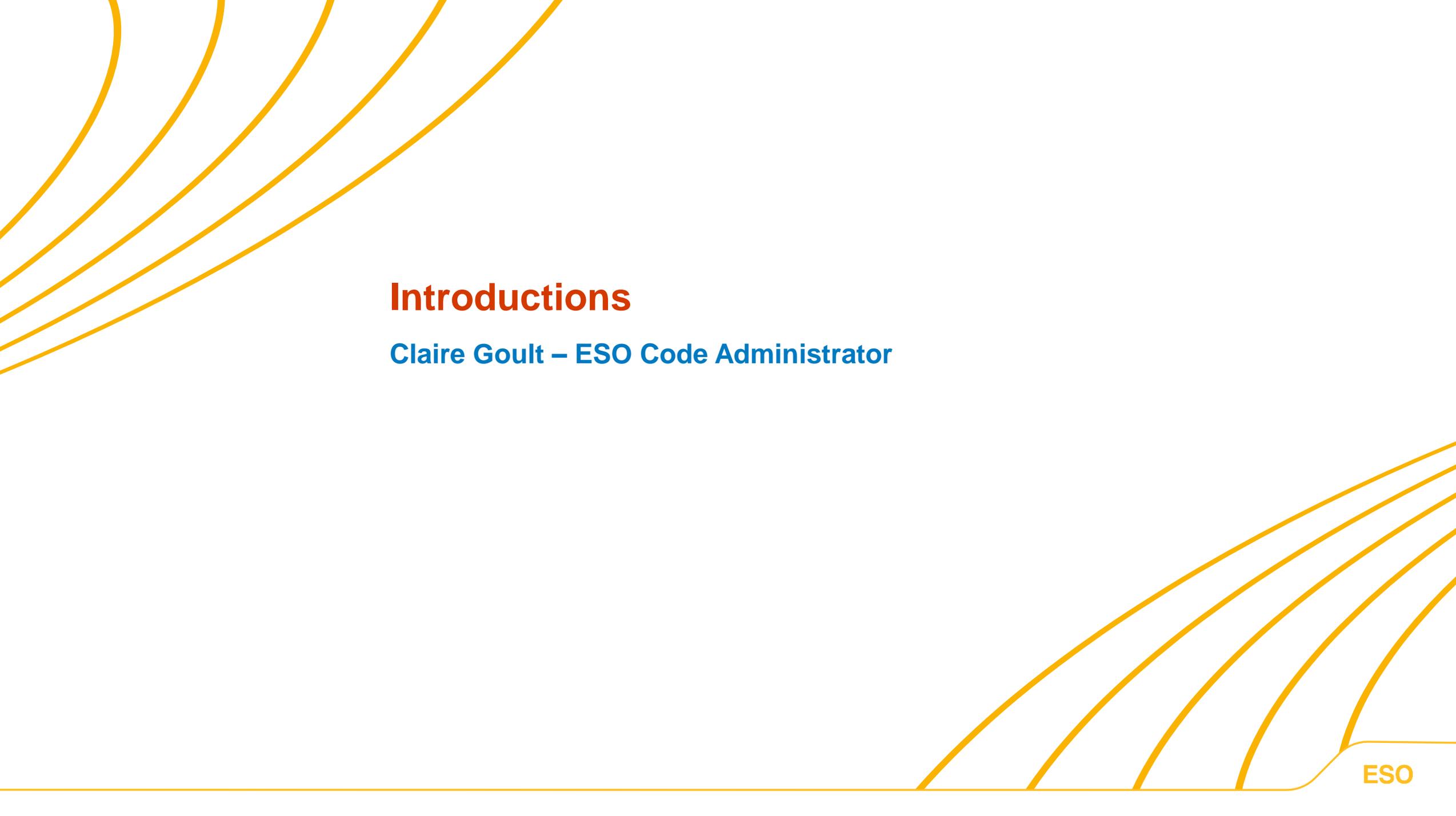
Workgroup Meeting 3 (Workgroup 1 post agreed urgency)

7 March 2024 10am

Online Meeting via Teams

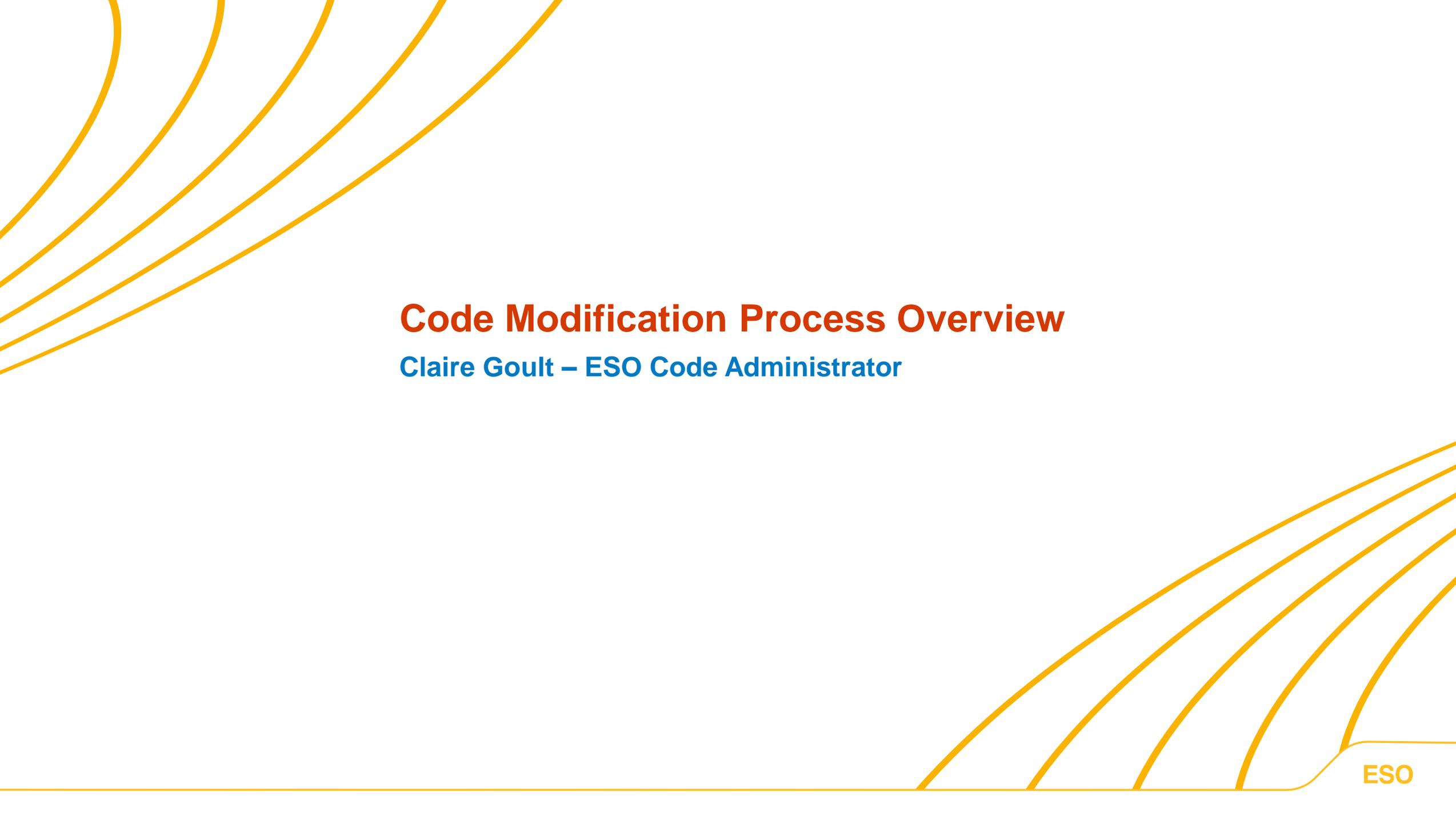
WELCOME





Introductions

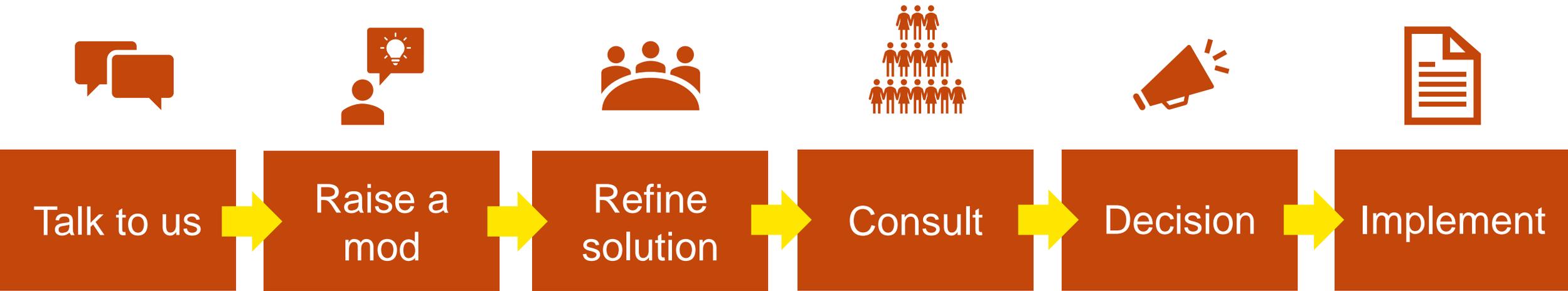
Claire Goult – ESO Code Administrator



Code Modification Process Overview

Claire Goult – ESO Code Administrator

Urgent Code Modification Process Overview



Forums

Panel decided
URGENT
standard
governance
route

Workgroup Phase

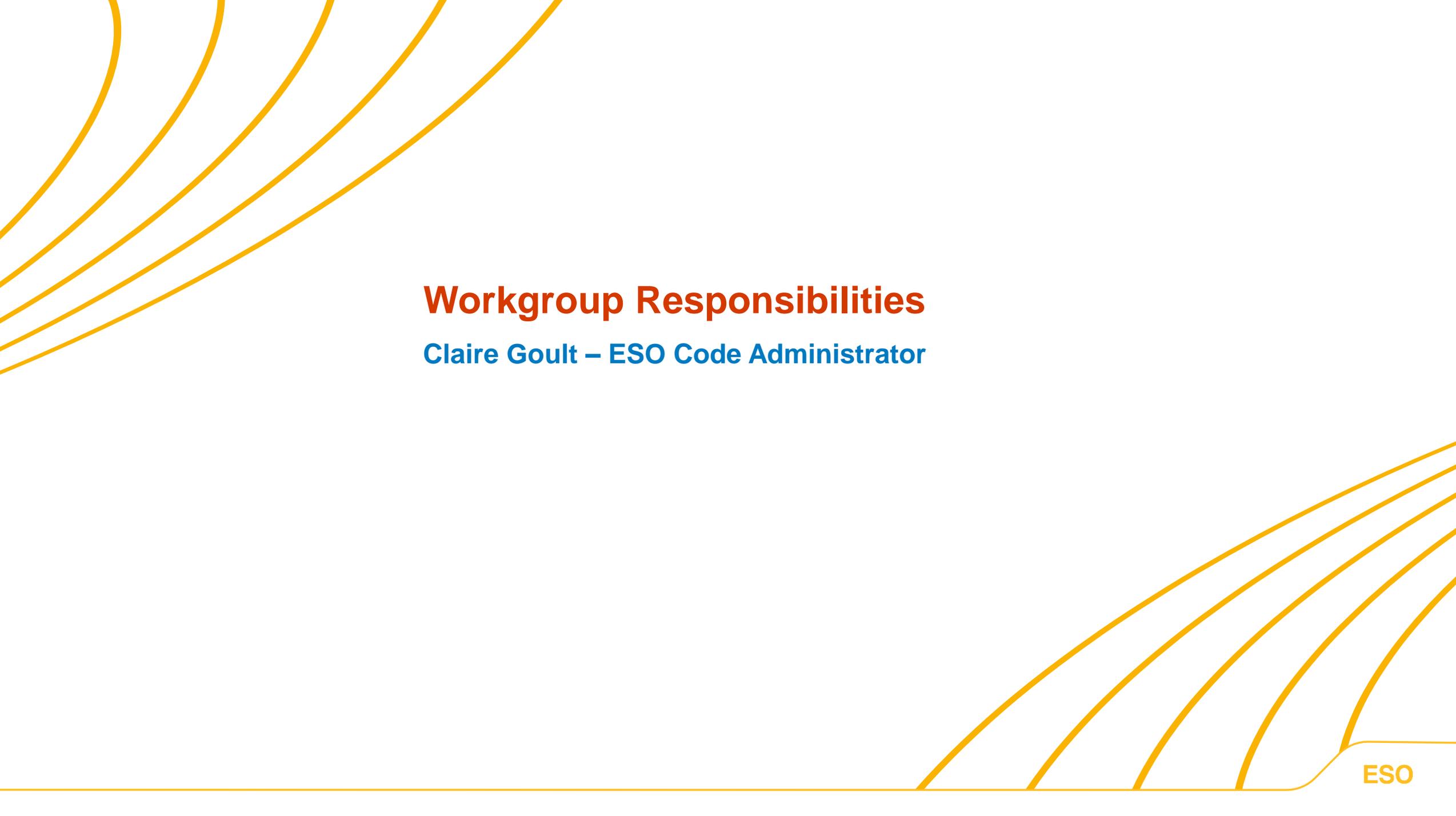
Workgroup Consultation (time shortened)
Workgroup Vote (note this is live)
Workgroup Report (submit early/special Panel)

Post Workgroup Phase

Code Admin Consultation (time shortened)
DFMR (submit early/special Panel)
FMR

Ofgem

[Code changes: Beginner's Guide | ESO \(nationalgrideso.com\)](#)



Workgroup Responsibilities

Claire Goult – 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

Email communications to/cc'ing the .box email

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

Expectations of a Workgroup Member on an URGENT modification

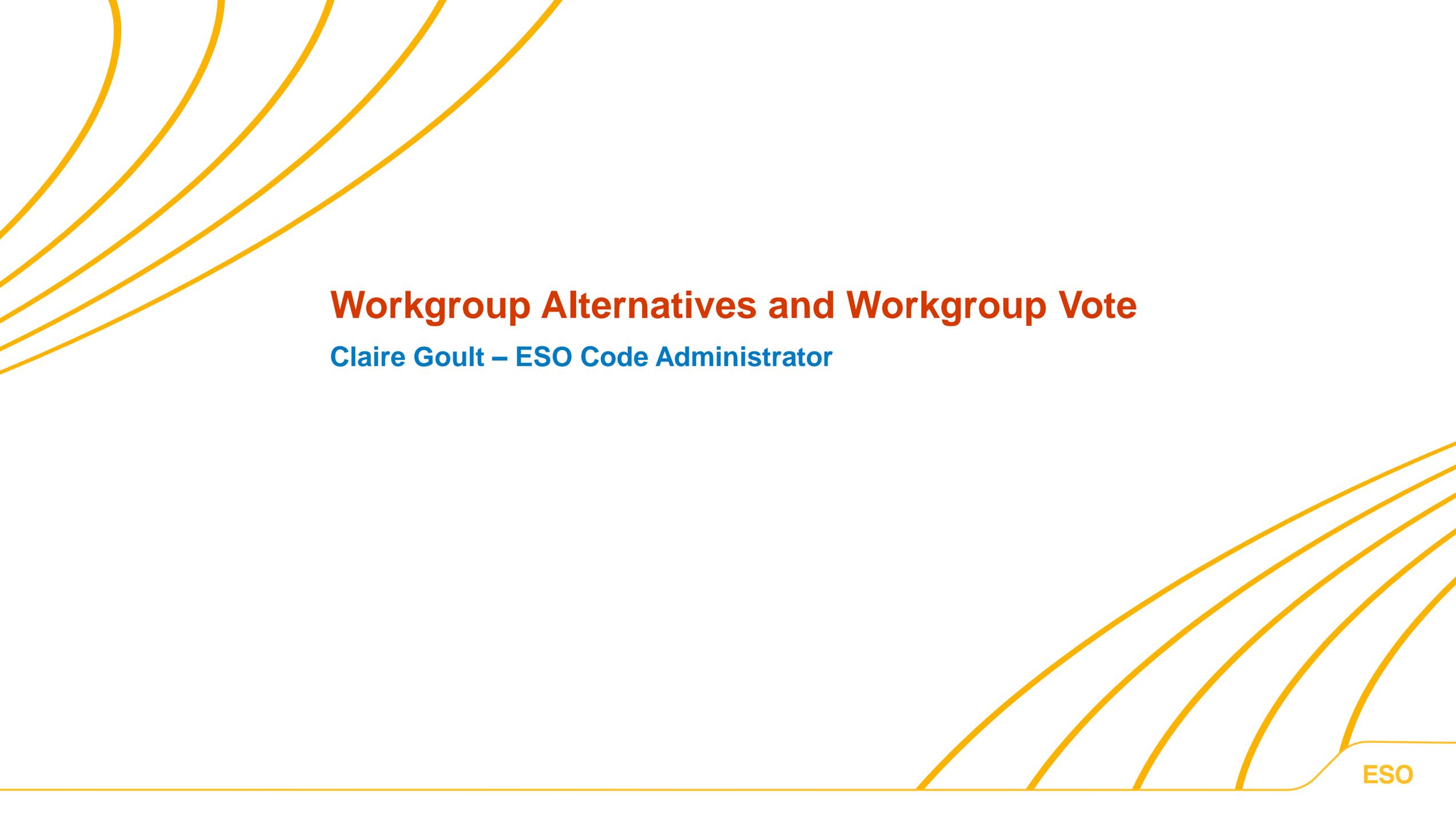
Actions to be completed as soon as possible

Papers to be reviewed prior to the meeting (may not have 5 days)

Do not wait for a Workgroup meeting to raise questions or concerns

Musical chairs so please remember to copy the CUSC.Box into all email communications

Accept or decline invites as soon as possible so we are able to determine quoracy



Workgroup Alternatives and Workgroup Vote

Claire Goult – ESO Code Administrator

Can I vote? and What is the Alternative Vote and Workgroup Vote?

To participate in any votes, you will have been nominated as a Workgroup member (not observer) and need to have attended at least 50% of meetings. The vote will be done live.

Stage 1 – Alternative Vote

- This Vote is carried out to identify the level of Workgroup support there is for any potential Workgroup Alternative Requests brought forward by a member of the Workgroup OR an Industry participant as part of the Workgroup Consultation. should become Workgroup Alternative CUSC Modifications (WACM).
- Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC Modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

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

Claire Goult – ESO Code Administrator

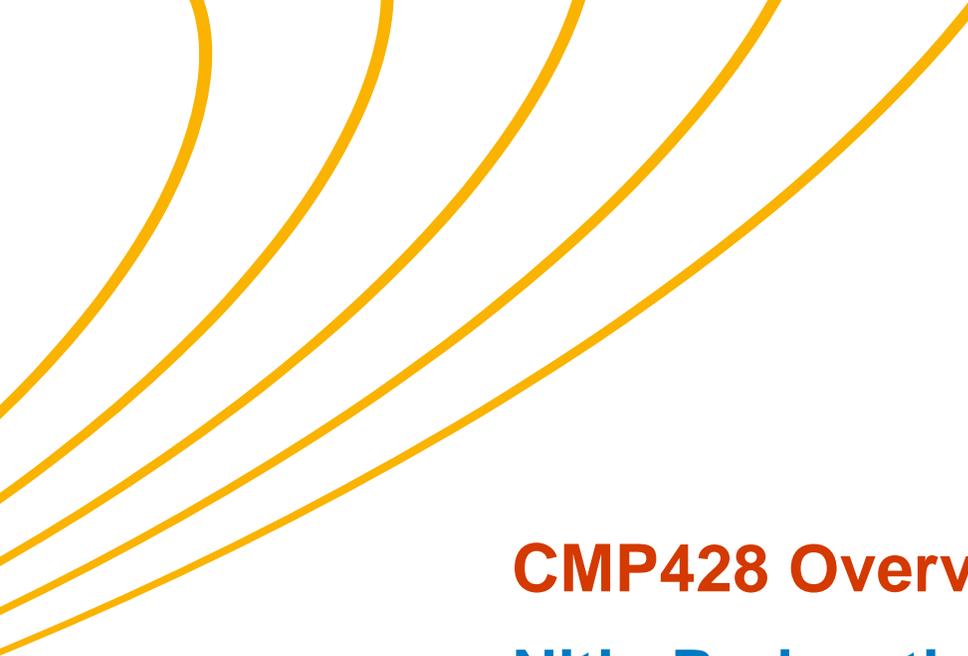


Objectives

- **Timeline Review**
- **CMP428 Overview**
- **Action Update and Review**
- **Terms of Reference**
- **AOB**
- **Next Steps**

Urgency Timeline for CMP428 – As at 1 March 2024

Milestone	Date	Milestone	Date
Proposal Presented to Panel	15 December 2023	Panel sign off that Workgroup Report has met its Terms of Reference	Special Panel Date 12 April 2024
Workgroup Nominations	18 December 2023 – 12 January 2024	Code Administrator Consultation (urgent timeline)	15 April – 18 April 2024
Workgroup 1 and 2 – Understand / discuss proposal and solution(s), review and agree on Terms of Reference and Timeline, review cross code impacts, review analysis and agree next steps.	5 February 2024 12 February 2024 (Urgency granted on 29/2 and nominations for WG)	Draft Final Modification Report (DFMR) issued to Panel	23 April 2024
Workgroup 3 and 4 – Refine solution(s), draft legal text, consider potential Workgroup Consultation questions and finalise Workgroup Consultation	7 March 2024 12 March 2024	Panel undertake DFMR recommendation vote	CUSC Panel Date 26 April 2024
Workgroup Consultation (urgent timeline)	14 March – 21 March 2024	Final Modification Report issued to Panel to check votes recorded correctly (same day - urgent)	26 April 2024
Workgroup 5 – Review Workgroup Consultation responses, consider new points raised, refine solution, review legal text and discuss any potential alternatives	26 March 2024	Final Modification Report issued to Ofgem	26 April 2024
Workgroup 6 and 7 – Finalise solutions (including legal text) and alternatives and hold alternative vote. Finalise Workgroup Report and hold Workgroup Vote	2 April 2024 4 April 2024	Ofgem decision	TBC
Workgroup Report issued to Panel (urgent timeline)	9 April 2024	Implementation Date	14 June 2024



CMP428 Overview

Nitin Prajapati – Proposer

Background

- The Holistic Network Design (HND) was published in July 2022 to facilitate a more coordinated approach to offshore wind connections.
- The Authority then published an [asset classification decision](#), classifying HND assets as either onshore transmission, radial offshore transmission or non radial offshore transmission.
- [CMP426](#) was raised in November to propose the TNUoS charges applicable for onshore transmission circuits in the HND and the this modification (CMP428) considers onshore transmission circuits from a User Commitment perspective.
- Onshore transmission delivers wider system benefit to transport electricity from a congested region behind that boundary onshore to other parts of the onshore system with a demand bias.
- CUSC section 11 outlines the definition of Attributable Works as follows:

“Attributable Works”

those components of the **Construction Works** which are required (a) to connect a **Power Station** or **Interconnector** which is to be connected at a **Connection Site** to the nearest suitable **MITS Node**; or (b) in respect of an **Embedded Power Station** from the relevant **Grid Supply Point** to the nearest suitable **MITS Node** (and in any case above where the **Construction Works** include a **Transmission** substation that once constructed will become the **MITS Node**, the **Attributable Works** will include such **Transmission** substation) and which in relation to a particular **User** are as specified in its **Construction Agreement**;

Defect/Methodology Challenge

- The current definition of Attributable Works would lead to certain onshore transmission circuits in the HND being classed as Attributable Works.
- This would result in Generators connected to onshore transmission circuits in the HND being responsible for liabilities associated with these circuits which deliver wider system benefit.
- The purpose of onshore transmission circuits in the HND are to reinforce the onshore network and therefore deliver wider system benefit, so applying the current definition would mean unjustifiable and significant financial liabilities for certain generators in the HND.
- This would not be cost reflective as developers would be securing works associated with onshore transmission circuits which serve a broader purpose for wider users.
- Therefore, a methodology change is required to ensure the User Commitment liabilities for generators connected to onshore transmission circuits in the HND are cost reflective.

Solution

- User Commitment liabilities for onshore transmission circuits in the HND or future iterations of the HND will not be classed as Attributable Works.
- To enable this, it is proposed the Attributable Works definition in CUSC section 11 is amended to create an exception for works deemed by the Authority to be wider works.
- It is suggested the Attributable Works definitions is amended as per the red text below:
 - ‘those components of the Construction Works which are required (a) to connect a Power Station or Interconnector which is to be connected at a Connection Site to the nearest suitable MITS Node or (b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node (and in any case above where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation) and which in relation to a particular User are as specified in its Construction Agreement; **but excluding in each case any [Excepted Works];**
- A new definition would then be created in CUSC section 11 for ‘Excepted Works’ as follows.
 - **‘Any Construction Works which have been designated as “onshore transmission (reinforcement)” by the Authority in its decision of 19 October 2022 on the classification of assets included in The Company’s HND1 or in any future decisions by the Authority on the classification of assets included in the HNDFUE or tCNSP or CNSP’.**

Solution continued

- Feedback from the WG suggested the HND and HND follow-up should be defined, keeping in mind the future move to the CSNP. So the following definitions can be created:
 - **HND** the output of the holistic network design process being undertaken under the **OTNR** published in July 2022 (the “**HND1**”) or the subsequent follow up to the **HND1** (the “**HNDFUE**”) or any further development or iteration of the **HND** or approach to **HND**.
 - **CSNP** the centralised strategic network plan being developed by **The Company**, the first version of which (which will include **HND**) (the “transitional” **CNSP** or “**tCNSP**”) is to be published in 2024.
 - **OTNR** the "Offshore Transmission Network "Review" launched in July 2020 by the UK Energy Minister.

Benefits of Solution

- The purpose of the circuit is reflected in the User Commitment methodology, helping with cost reflectivity.
- The principles outlined in this solution compliment CMP426, to provide consistency in approach.
- Future-proofs the methodology for any circuits designated not to be Attributable Works by the Authority.
- Fairly simple to implement.



Action Update

Nitin Prajapati – Proposer

Action number	Workgroup	Owner	Action	Comment	Due by	Status
	Raised					
2	WG1	Proposer	To determine how the wider cancellation charge would be calculated for the affected offshore Generators, to take into account relevant onshore works plus those offshore works that have been classified as wider under CMP428, including whether a specific zone needs to be created for the offshore Generators.	Further information required regarding offshore Generators, and further clarity on wider cancellation charge calculation	WG3	Open
3	WG2	Proposer	Provide further clarification on the modification and how it works alongside methodologies already in place.	NA	WG3	Open
4	WG2	Proposer	Provide examples for the Workgroup to go through.	NA	WG3	Open

Action Updates

Action 2

To determine how the wider cancellation charge would be calculated for the affected offshore Generators, to take into account relevant onshore works plus those offshore works that have been classified as wider under CMP428, including whether a specific zone needs to be created for the offshore Generators.

Response

- As discussed at the February CUSC Panel we considered how we can meet the timelines associated with urgency and still address the defect and therefore we have clarified the scope of the modification.
- So, consideration of wider works and application of the wider cancellation charge is out of scope of the modification. This was agreed by the CUSC panel members and was removed from the Terms of Reference.
- The wider cancellation charge considerations will not specifically address the defect and further more the wider cancellation charge is only applied post trigger date so this part of the methodology does not need to be addressed immediately.
- However, we appreciate the feedback from the industry around wider works and the application of the wider cancellation charge and this will be considered further outside the modification.
- If there is a specific defect identified surrounding the wider cancellation charge, a follow up modification will be raised if required to consider the wider cancellation charge in the context of the HND.
- We hope to bring an update to TCMF in June or July to get industry feedback on the methodology and application of wider cancellation charge in the context of the HND.

Action Updates

Action 3

Provide further clarification on the modification and how it works alongside methodologies already in place.

Response

- This relates to the [Ofgem decision](#) on 19th October 2022 on the classification of assets within the HND and how this is considered in the context of the solution.
- The Ofgem decision classified the assets within the HND into three categories, onshore transmission, radial offshore transmission and non-radial offshore transmission.
- This modification relates to onshore transmission (reinforcement), which was defined in the Ofgem decision as assets ‘constructed for the purpose of reinforcement of the existing transmission system.’
- The Ofgem decision outlined the classification process which contains three stages, a legislative review, technical review and legal verification.
- CMP428’s legal text has aimed to incorporate the high level essence of the decision on assets classification for onshore transmission by:
 - Referring to the asset classification decision on 19th October 2022
 - Including the reference to reinforcement circuits.
- Finally we have future proofed the methodology by including references the HND follow up process (HNDFUE) and Central Strategic Network Planning (CSNP) whilst ensuring it is still specific to assets within the HND.

Legal Text

- It is suggested the Attributable Works definitions is amended as per the red text below:
 - ‘those components of the Construction Works which are required (a) to connect a Power Station or Interconnector which is to be connected at a Connection Site to the nearest suitable MITS Node or (b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node (and in any case above where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation) and which in relation to a particular User are as specified in its Construction Agreement; **but excluding in each case any [Excepted Works];**’
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- Feedback from the WG suggested the HND and HND follow-up should be defined, keeping in mind the future move to the CSNP. So the following definitions can be created:
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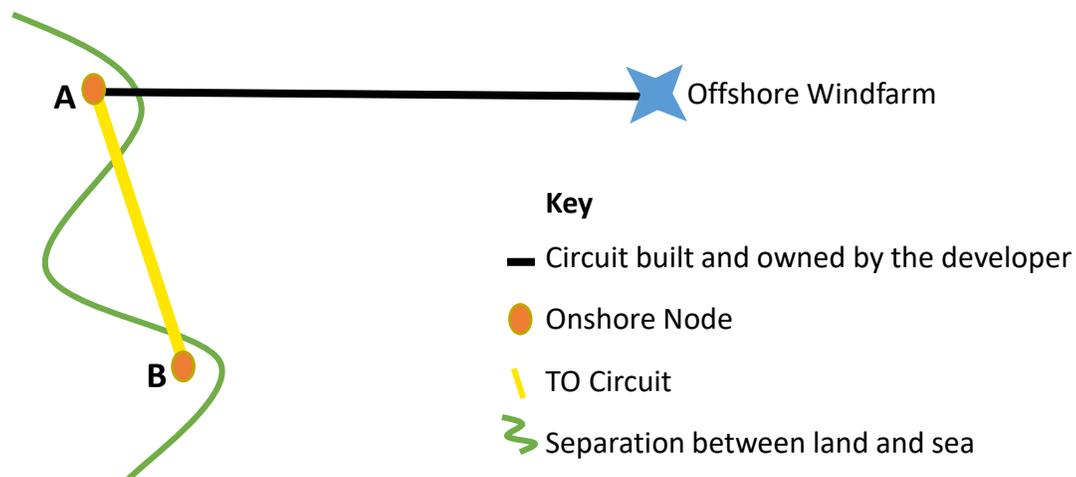
Action Updates

Action 4

Provide examples for the workgroup to go through.

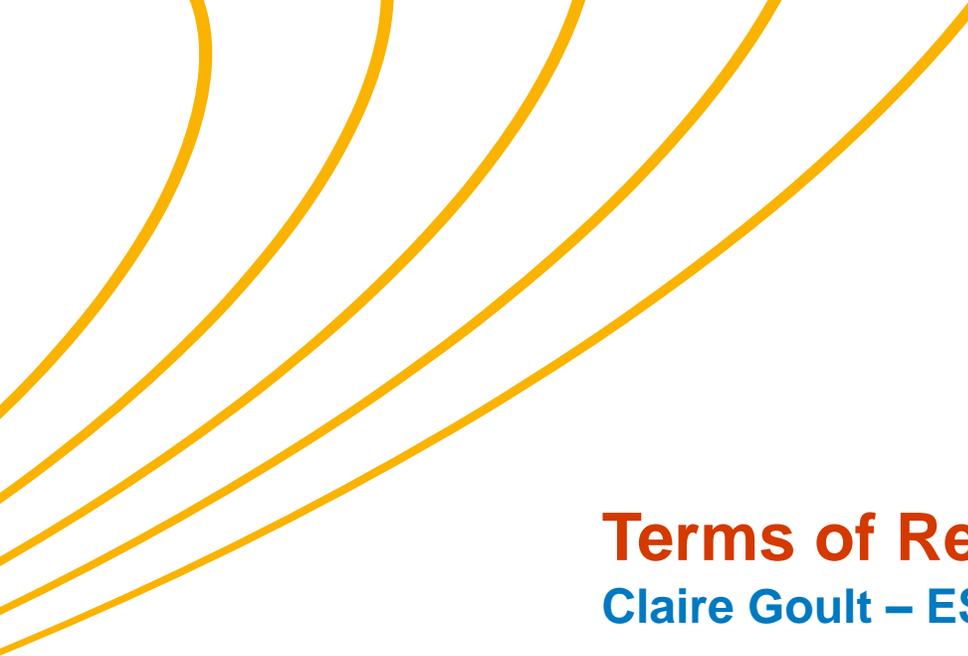
Response

- The below diagram provides an example of an offshore windfarm that is radially connected to an onshore node (point A).
- The circuit between the offshore windfarm and point A will be built and owned by the developer at the time the User Commitment liabilities apply. This circuit will then be transferred to an OFTO just before offshore windfarm starts generating.
- Point A is directly connected to an onshore transmission circuit (TO circuit) being utilised as boundary reinforcement to flow energy to another onshore node (point B).
- Onshore Node A is not a MITS node and therefore applying the current User Commitment methodology would result in the TO circuit between points A and B being attributable works for the offshore windfarm resulting in significant user commitment liabilities.
- CMP428 proposes to ensure this TO circuit is not classed as attributable works, therefore removing the user commitment liabilities associated with the circuit between A and B from the offshore windfarm.



Review Actions

Action number	Workgroup	Owner	Action	Comment	Due by	Status
2	WG1	Proposer	To determine how the wider cancellation charge would be calculated for the affected offshore Generators, to take into account relevant onshore works plus those offshore works that have been classified as wider under CMP428, including whether a specific zone needs to be created for the offshore Generators.	Further information required regarding offshore Generators, and further clarity on wider cancellation charge calculation	WG3	Open
3	WG2	Proposer	Provide further clarification on the modification and how it works alongside methodologies already in place.	NA	WG3	Open
4	WG2	Proposer	Provide examples for the Workgroup to go through.	NA	WG3	Open



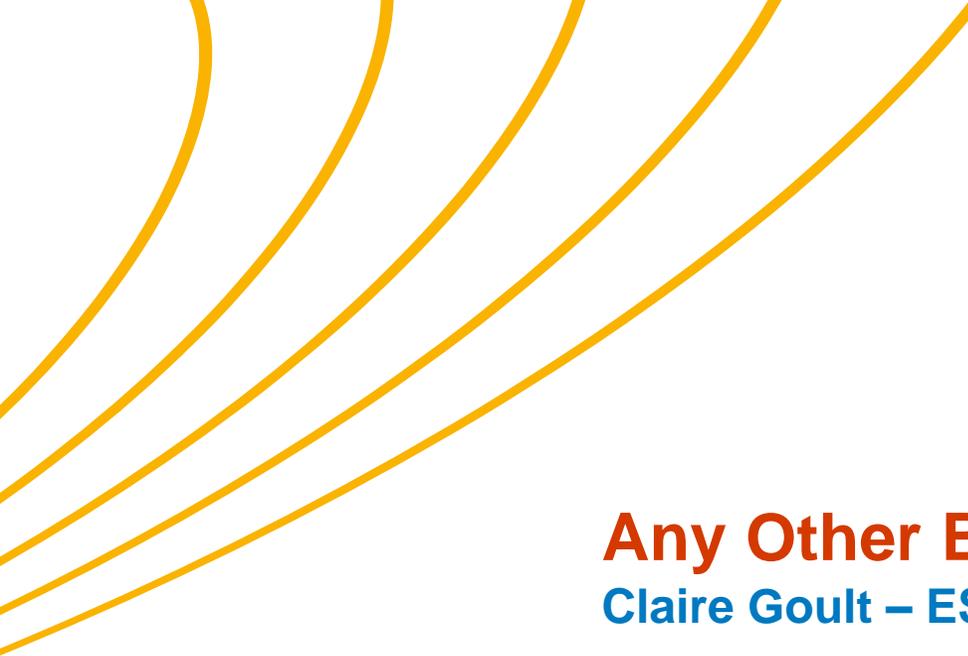
Terms of Reference

Claire Goult – ESO Code Administrator

Workgroup Term of Reference

a) Consider EBR implications

b) Consider how to best ensure transparency of the treatment of the 'Excepted Works'



Any Other Business

Claire Goult – ESO Code Administrator

Email query from EDF Renewables

I'm not sure whether the following points would come under number 2 in the Terms of Reference but I think it would be relevant for the Workgroup to:

- Consider how to ensure that Users already on or signing up for Fixed liabilities do not continue to secure approved infrastructure newly excluded from Attributable Works for other Users on Actual liabilities (Section 15)
- Review recently proposed CM094
- Estimate the level of risk that will be transferred to the consumer as a result of the modification

I could provide an example to explain the first point.

CM094 identifies and attempts to address the burden of high securities and liabilities on some Users via the STC, which would be more appropriately addressed via the CUSC in the first instance.

CM094 also makes some attempt to quantify the potential risk which would be transferred.



Next Steps

Claire Goult – ESO Code Administrator