CMP417: Extending principles of CUSC Section 15 to all Users – Workgroup 5

01 May 2024

Online Meeting via Teams

Agenda

#	Topics to be discussed	Lead
1.	Objectives, Timeline and Terms of Reference	Chair
2.	Actions Review	Chair
3.	Proposer Presentation	Proposer
4.	AOB & Next Steps	Chair

Objectives, Timeline and Terms of Reference

Lizzie Timmins – ESO Code Administrator

Timeline for CMP417 – updated April 2024

Milestone	Date	Milestone	Date
Modification presented to Panel	28 July 2023	Workgroup 8 *Workgroup Vote, finalise Workgroup Report*	13 August 2024
Workgroup Nominations (15 Working Days)	01 August 2023 to 29 August 2023	Workgroup report issued to Panel (5 working days)	19 September 2024
Workgroup 1 *Agree timeline, Terms of Reference and discuss solution*	06 September 2023	Panel sign off that Workgroup Report has met its Terms of Reference	27 September 2024
Workgroup 2 *Agree new timeline, discuss solution*	25 October 2023	Code Administrator Consultation (15 working days)	02 October 2024 to 23 October 2024
Workgroup 3 *Refine solution*	09 January 2024	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	21 November 2024
Workgroup 4 *Review legal text, refine solution*	07 March 2024	Panel undertake DFMR recommendation vote	29 November 2024
Workgroup 5 *Review legal text, start drafting Workgroup Consultation*	01 May 2024	Final Modification Report issued to Panel to check votes recorded correctly	02 December 2024 to 09 December 2024
Workgroup 6 *Finalise Workgroup Consultation*	03 June 2024	Final Modification Report issued to Ofgem	10 December 2024
Workgroup Consultation (15 working days)	10 June 2024 to 01 July 2024	Ofgem decision	TBC
Workgroup 7 *Review Workgroup Consultation responses and any alternatives*	16 July 2024	Implementation Date	10WD following Authority decision for new Users. July 2025 for existing Users.

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
8	WG1	RM	Provide justification for new solution within the Workgroup Consultation	NA	TBC	Open
13	WG3	RM	Provide update on implementation date for existing Users	Update provided in slides	WG4	Open – propose to close
16	WG4	Chair	Share links to modifications that relate to CMP417	CM094, CMP428 and CM093	WG5	Open – propose to close
17	WG4	AQ	Provide more context for key Consent and show an example of what a key consent appendix looks like	NA	WG6	Open
18	WG4	Proposer	Worked Examples to be provided on the various permutations mentioned on the User Commitment update relating to section 3.3.3. to give some life to the formulas.	Update provided in slides	WG5	Open – propose to close
19	WG4	Proposer	Provide examples to see whether having a scaling factor to make sure that the overall liability sections isn't more than the cost of the asset and to look at the asset reuse factor and see if anything in that needs to be adjusted to cater for the peculiarities of demand or not. (Provide examples).	Update provided in slides	WG5	Open – propose to close
20	WG4		To give an indication of their thoughts across the various areas such as arrangements for embedded arrangements.	Update provided in slides	WG5	Open – propose to close

Action 19 – Scaling Factors

Action: ESO to provide examples to see whether having a scaling factor to make sure that the overall liability sections isn't more than the cost of the asset and to look at the asset reuse factor and see if anything in that needs to be adjusted to cater for the peculiarities of demand or not.

ESO Response:

- The SIF is the Strategic Investment Factor and is the proportion of a scheme that relates directly to a particular customer. It is applied to limit the attributable liability to the proportion of the investment that a specific project has triggered. This factor ensures the generator isn't liable for more than their proportion should the TO build a component with greater capability and removes the volatility of previous sharing arrangements, where the actions of another generator could significantly impact the liability of another generator.

- It is calculated using the Capability of Scheme (information which is provided by the TO to the ESO) and the Customer TEC. The SIF is calculated by the securities database.

- The SIF appears on the MM3 security statement and also in the TOCO Appendix (E&W – TOMM)

Action 19 – Scaling Factors Continued

- In addition to the SIF, the TOs will also provide the LARF. This is the Local Asset Reuse Factor.
- The scheme LARF is an estimate of what percentage of a component could be re-used should the attributable project terminate.
- The LARF appears on the MM3 security statement and also in TOCO Appendix.

Example of the LARF and SIF:
ESO receive data from the TO (example data)

Component	Category/GAV %	TEC (MW)	Scheme Capability (MW)	LARF %
275kV AIS Switch Bay	TCA (100%)	300	1425	47
275kV Line Isolator	H1(1%)	300	1425	47
275kV AIS Switch Bay	H1(16%)	300	1425	47
275kV Single Circuit Steel Lattice	H1 (36%)	300	627	47
275kV Cable circuit	H1 (47%)	300	500	40

Using the above data, the ESO can calculate the SIF by dividing the TEC by the scheme capability i.e. 300 / 1425 x 100 = 21.05%. This is then provided to the customer in Appendix MM.

Action 19 – Scaling Factors Continued

- ESO view is that the SIF is the best methodology for ensuring that generators and demand are not liable for more than their proportion should the TO build a component with greater capability and this methodology removes the volatility of previous sharing arrangements.

Questions for the Workgroup:

- Should the SIF be spread across both generation and demand?

- Would the TOs be able to take into account demand in their Scheme Capabilities and LARF? Or is that already done?

Question on Re-Use Factor

The ESO took note of a question from a Workgroup member around whether the re-use factor for demand would need to be amended and whether demand users have this concept already?

ESO Response: We don't believe that the Local Asset Reuse Factor (LARF) should be changed. The scheme LARF is an estimate of what percentage of a component could be re-used should the attributable project terminate. We also believe that it may be included in some demand customers contracts already.

Question to Work Group:

- If the work group does think that it should be changed, could they advise how and why they think it should be changed, if it is already being included in some demand contracts?

Question on Demand Capacity – MW or MVA?

A question was raised in the last Work Group as to whether Demand Capacity should be MW or MVA.

ESO View: The ESO views that Demand Capacity should be MW to be consistent with Generation and also align it with the Grid Code. It is understood that developers initially provide data in MW but that the ESO may convert it into MVA for certain parts of the offer whilst also keeping other parts in MW. Nonetheless, the ESO view is that demand capacity should be, going forwards, in MW.

Question from Workgroup Member – Wider Works

- Based on conversations within earlier Workgroup meetings, it was agreed that this solution would not include wider works. The rationale being that wider works traditionally are triggered by generation with demand normally seen as having a positive impact on networks and not requiring wider works.

- The question has been raised by a Workgroup member as to whether that rationale given that demand is changing, becoming larger and more complex with the potential to require wider works in the future. The work group member has given the example of London potentially have greater demand growth than generation which drives the need for more inflows into a zone.

- The ESO believes it may be useful to discuss this further with the Workgroup to understand if that is a wider concern. To note, if wider works do need to be placed on a Demand customer, it is likely to be a change to how wider is applied more generally across the demand base which would be a section 14 change which couldn’t be facilitated via this mod.

Action – ESO view on Distributed Demand

ESO Action - To provide indication of thoughts on Distributed Demand

ESO View: - As stated by Legal in the last work group, we currently don't have a concept of distributed demand. Currently, the ESO does not require that DNOs provide the same level of information as they do for distributed generation. Therefore, we often see DNOs apply for blocks of demand which can satisfy their customers but the ESO is not provided with as much detail as we would see for distributed generation.

From internal discussions, the ESO would support that the same is applied across both demand and distributed i.e. that they secure a proportion of the shared works based on the MW figure i.e. a 100MW data centre, 100MW DNO application or 100MW generator all secure using the same method.

Question for the Workgroup:

- Thoughts on the above?

Question on Naming of Product

The ESO also took note of a question on whether we should keep the name Final Sums or whether this is re-badged to something else.

ESO View:

The ESO proposes that the name is changed to Demand User Commitment Methodology to remove confusion from Final Sums. However, we would invite comments from the work group.

Question for the Workgroup:

- Do you agree that the name should be altered to reflect the changing product?
- Do you agree with the ESO proposal or do you have any alternative suggestions?
- Do you agree that the Workgroup Consultation should include a question to ask if respondents are happy with the proposed naming convention (and if not, why not)?

Question on Existing Final Sums Schemes

The ESO noted a question in the last Workgroup meeting around whether existing Final Sums Schemes and whether they would remain.

ESO View:

The ESO noted in the last work group that the intention is that the ESO moves away from Final Sums and that CMP417 would move all customers to the new methodology. There would be no option to remain on Final Sums.

Implementation Timescales (Action 13)

ESO View:

Based on the current timescales of this modification and also the significant amount of work / changes taking place within Connections, the ESO views that July 2025 implementation for existing customers is the only viable solution, therefore, a customer should be able to secure on the new methodology from one day after the statements are published theoretically. New and modification applications would be 10 working days after Ofgem decision.

Please note, should this mod be delayed or Ofgem take longer to approve the mod, then this date may need to be pushed back to the next security period for existing customers.

Actions Review

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Proposer's Solution

Alison Price – ESO
Ruth Matthew – ESO

ESO solution

- The ESO is proposing that Final Sums Methodology Users are moved across into a newly created CUSC Section 15 Part B. This will more align demand customers with generation customers who are on User Commitment Methodology (also referred to CMP192). Security is placed by customers and is a proportion of the liability incurred in relation to the works required to facilitate a particular project. Security is returned upon connection of a project.

- By moving Final Sums customers across to a form of User Commitment methodology, customers can expect:
  - Security Statements through the bi-annual process in January and July
  - Updated securities with mod offers or new contract offers.

- Key Elements applicable to CMP417:
  - Attributable Works
  - Liability Reducing Factors (SIF and LARF)
  - Milestones (Trigger Date, Consents, Commissioning)
  - Ability to Fix securities

ESO Solution Continued

Attributable Works:

- Attributable works are specific schemes relating to or driven by a specific project. Any attributable works within a connection contract will be detailed in both the Appendix H and Appendix MM of the Construction Agreement.
- Securities associated with attributable works are based on forecast cost profiles from the relevant TO company for each attributable scheme within a connection contract.
- Customers can choose to fix attributable securities
- Actual (e.g. non fixed) scheme profiles updated every 6 months by the relevant TO party

Attributable Schemes are reduced by two factors;

Strategic Investment Factor (SIF) – customer's share of scheme based on Capability of Scheme and Customer TEC

Local Asset Reuse Factor (LARF) – what proportion of an asset can be re-used or utilised if a customer terminates

Example Attributable Liability Calculation

Spend to Date (inc. 6 month forecast) x (1-LARF) x SIF e.g.

£50,000 x (1-0.46) x 0.5219 = Attrib. Canc. Charge of £14,092.00*

*this is the total attributable liability not necessarily the secured amount.

ESO Solution Continued

Liability vs Security

It’s important to understand that liability and security are two different things and although in some cases the amounts will be the same there are other instances where this will not be the case.

Liability

- The total liability is the sum of the attributable cancellation charge and the wider cancellation charge.
- This information is found on the MM1 security statement and is the figure that will be invoiced for if a contract is terminated within the next security period.

Security

- The security requirement is the proportion of the total liability that must be secured by the customer.
- Pre-Trigger the security requirement is always 100% of the total liability
- Post-Trigger the security requirement varies dependent on contract type and consenting status
- The required security figure is found on the MM2 security statement

ESO Solution Continued

Example MM1 Security Statement

Exhibit MM1
Cancellation Charge Statement
Dated 12/07/2016

Project Name:
User:
Connection Site:
Agreement Reference:

Part 1: Cancellation Charge

The Cancellation Charge which will or might fall due on termination of the Construction Agreement during the period commencing on and including 1 October 2016 and ending on and including 31 March 2017 is:

£33,435.00

This figure is based on:

1. Estimate of Actual Attributable Works Cancellation Charge

£33,435.00

2. Wider Cancellation Charge

£0.00

Wider Cancellation Charge calculation methodology: Zonal Amount x TEC x Percentage

Calculation parameters:

ETYS Zone:	B2
Zonal Amount:	£2,344.34
TEC:	2000
Percentage:	0%

This is the total cancellation charge due if the project terminates within the next securities period. It is the total of the attributable and wider cancellation charges.

ESO Solution Continued

Example MM2 Security Statement

Exhibit MM2
Cancellation Charge Secured Amount Statement
Dated 12/07/2016

Project Name:

User:

Connection Site:

Agreement Reference:

The Cancellation Charge Secured Amount for the period commencing on and including 1 October 2016 and ending on and including 31 March 2017 is:

£33,435.00	Excluding VAT
£40,122.00	Including VAT (20%)

The Cancellation Charge Secured Amount is based upon 100% of £33,435.00 (the Cancellation Charge for this period, as set out in Exhibit MM1 Part 1 Cancellation Charge Statement).

For and on behalf of

National Grid Electricity Transmission plc

This is an example of an MM2 security statement. It's important to note that this statement shows the security requirement which may differ from the cancellation charge shown on the MM1 statement.

The MM2 figure is calculated using the percentage of the cancellation charge from the MM1 statement the customer is required to secure based on the methodology plus VAT.

ESO Solution Continued

Example MM3 Security Statement

Exhibit MM3
Notification of Fixed Attributable Works Cancellation Charge
Dated 12/07/2016

Project Name:
User:
Connection Site:
Agreement Reference:

Financial Year	Pre Trigger Amount	TEC (MW)	Fixed Cancellation Charge
1 Apr 2016 - 31 Mar 2017	£3,000	2000	£432,143.00

Financial Year	Attributable Works Cancellation Amount	Cancellation Charge Profile	Fixed Cancellation Charge
1 Apr 2017 - 31 Mar 2018	£1,728,571	25%	£432,143.00
1 Apr 2018 - 31 Mar 2019	£1,728,571	50%	£864,286.00
1 Apr 2019 - 31 Mar 2020	£1,728,571	75%	£1,296,429.00
1 Apr 2020 - 31 Mar 2021	£1,728,571	100%	£1,728,571.00

Fixed Attributable Works Cancellation Amount based on

Component	Attributable Works	LARF	SIF	Distance Factor	Attributable Works Cancellation Amount
33585	£4,136,000	45.00%	75.99%	100%	£1,728,571

In cases where the pre-trigger tariff would be more than 25% of the total fixed amount the 25% cancellation charge figure will apply

The bottom of the MM3 shows the attributable schemes, their total cost, reducing factors and total attributable cancellation charge. The total of the last column should equal the 100% fix value

ESO Solution Continued

How does the ESO get these figures:

- The ESO receives data from the TO in the TOCO including:
  - An appendices which sets out the Attributable works – including their category, GAV %, TEC, Scheme Capability and LARF %
  - TO Final sums – this sets out all the TO costs including any one off works, enabling works, Transmission Connection Asset Works etc.

- The ESO takes these two pieces of data and calculate the cost attributable for each TCA or enabling works (sometimes referenced as H1). For example, there may be a number of projects that fall under the bracket of enabling works i.e. overhead line, switch bay etc. The TO will provide an overall value for these enabling works and the ESO will calculate the split for each asset and for each period as per the example figures below. These individual asset figures are then entered into the ESOs security database where the SIF is calculated and the MM appendices (shown previously) are produced.

	H1				
	%	0	91	0	9
Dates	Total	Line Isolator	OHL Circuit	Cable Circuit	GIS
Oct-21	4,500,000.00	-	4,095,000.00	-	405,000.00
Apr-22	6,200,000.00	-	5,642,000.00	-	558,000.00

AOB and Next Steps

Lizzie Timmins – ESO Code Administrator