CMP434 Implementing Connections Reform
CM095 Implementing Connections Reform

Workgroup Meeting 3, 16 May 2024

Online Meeting via Teams

ESO

WELCOME

Agenda

Topics to be discussed	Lead
Timeline and Topics	Chair
Actions and Query Log	Chair
Scene Setting – WG3/4	Proposer
Gate 1 Overview	Proposer
Gate 1 Criteria	ESO SMEs
Overview of DTFC Submission	ESO SMEs
Gate 1 Financial Instruments	ESO SMEs
Next Steps	Chair
Any Other Business	Chair

Timeline and Topics

Claire Goult – ESO Code Administrator

Timeline for CMP434 and CM095 as at 02 May 2024

Milestone	Date	Milestone	Date
Workgroup Nominations (4 Business Days)	26 April 2024 to 02 May 2024	Code Administrator Consultation (9 Business Days)	19 August 2024 to 02 September 2024
Ofgem grant Urgency	01 May 2024(5pm)	Draft Final Modification Report (DFMR) issued to Panel (3 Business Days)	09 September 2024
Assuming Ofgem have granted Urgency Workgroup meetings 1 - 10	07 May 2024 14 May 2024 16 May 2024 22 May 2024 28 May 2024 05 June 2024 11 June 2024 13 June 2024 18 June 2024 20 June 2024	Panel undertake DFMR recommendation vote (Special Panel)	13 September 2024 (by 2pm)
Workgroup Consultation (8 Business Days)	25 June 2024 – 05 July 2024	Final Modification Report issued to Panel to check votes recorded correctly	13 September 2024 (by 4pm)
Workgroup meeting 11 - 15	16 July 2024 18 July 2024 24 July 2024 30 July 2024 06 August 2024	Final Modification Report issued to Ofgem	13 September 2024 (by 5pm)
Workgroup report issued to Panel (2 Business Days)	13 August 2024	Ofgem decision	06 November 2024
Special Panel sign off that Workgroup Report has met its Terms of Reference	16 August 2024	Implementation Date	01 January 2025

Outline of Workgroup(s) Meeting Topics

WG meeting 1	• Set the scene, ToR, timeline, ways of working, context -why connections reform, what are the issues and solutions, what is and isn't scope, cross code impacts, who is impacted and how?
WG meeting 2	• Clarifying which projects go through the primary process. • Clarifying any deviations from primary process e.g. for certain technologies.
WG meeting 3 and WG meeting 4	• Gate 1 criteria (including financial element requirement) and process • Gate 1 Licence changes • Introducing the concept of a Connections Network Design Methodology (the content and any approvals of this to be covered outside the Code Modification process) and DFTC
WG meeting 5 and WG meeting 6	• Gate 2 Criteria (including financial element requirement) , Letter of Authority changes (allowable amendments to red line boundaries and introduction of duplication checks), including impacts to Queue Management (Milestones and impact to all contracts) and NESO designation (criteria and process)
WG meeting 7 and WG meeting 8	• Gate 2 process (including how DNOs notify the ESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria) • Gate 2 licence changes
WG meeting 9 and WG meeting 10	• Gate 1 and Gate 2 disputes process, • Gate 1 offer/contract content, • Gate 2 offer/contract content • Implementation approach • Identify which STCPs will change (STC only) • Identify which sections of legal text will change (Separate CUSC and STC) • Finalise WG Consultation (Separate CUSC and STC)
WG meeting 11	• Assess WG Consultation responses, discuss new points • Discuss potential alternatives and agree who develops these
WG meeting 12 and WG meeting 13	• Finalise WG Alternatives (CUSC 1st then reflect in STC) • Legal Text (Separate CUSC and STC)
WG meeting 14	• Finalise Legal Text (Separate CUSC and STC) • WG Alternative Vote (Separate CUSC and STC) • This is where we are re: Alternatives (Separate CUSC and STC)
WG meeting 15	• Workgroup Report (Separate CUSC and STC) • Workgroup Vote (Separate CUSC and STC)

Actions and Query Log

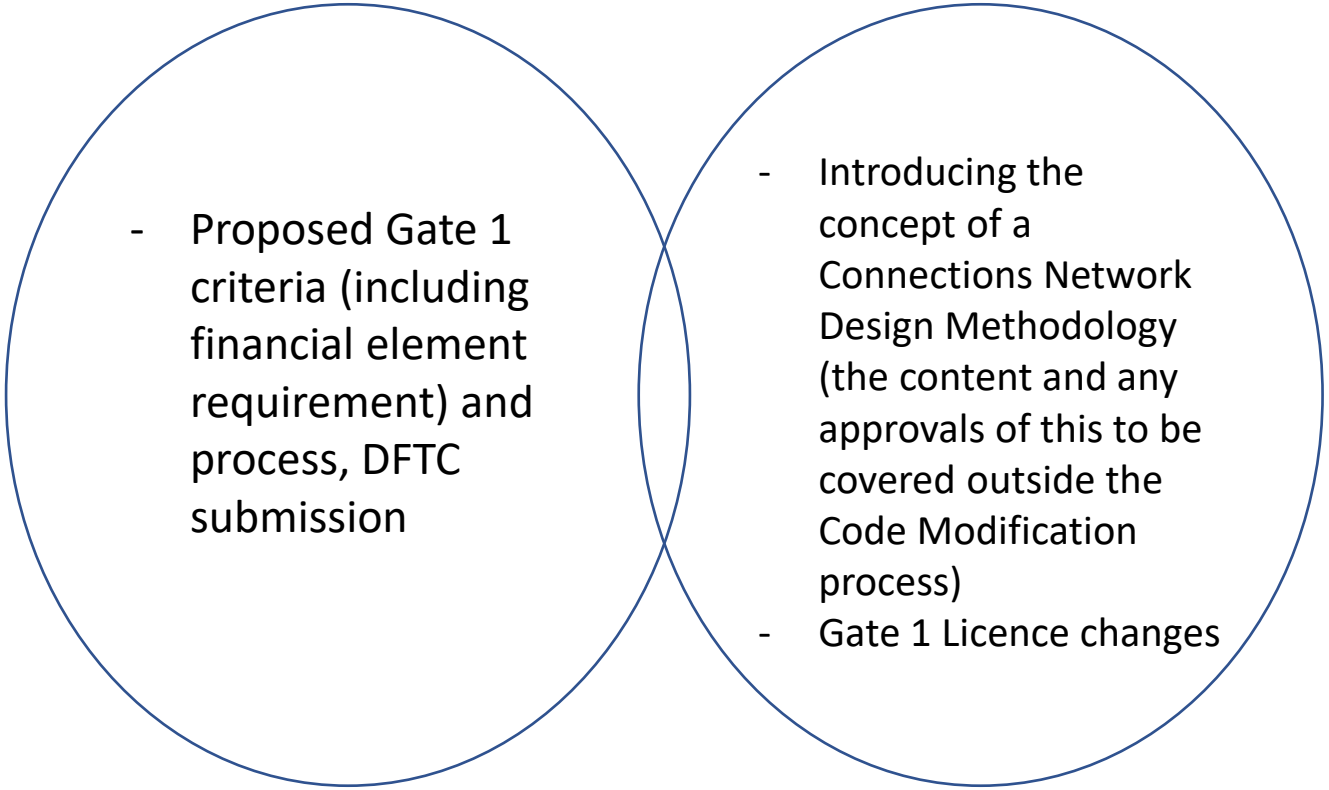
Claire Goult – ESO Code Administrator

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG1	PM	To share further data is shared in relation to the transmission queue		WG2	Open
2	WG1	JH/PM	To clarify if it is the modification is intending to cover a demand application at the distribution level which causes a transmission reinforcement.		WG2	Open
3	WG1	JH	Tighten up the language RE: User Commitment Methodology/ Final Sums		WG2	Open
4	WG1	JH	Changing the wording from ‘change the Network Charging arrangements’ to ‘Network use of system Charging arrangements’ are out of scope		WG2	Open
5	WG1	JH/RW	Collaborate and finalise the Terms of Reference whilst cross checking against CM095.		WG2	Open
6	WG2	JH	Clarification slide on what is BAU regarding the GSP process		WG4	New
7	WG2	JH	Explain the interaction of CMP434 with GC0117, consider the potential impact if GC0117 approved such as a need for an additional code modification	Workgroup consultation 25/6/24	WG3	New
8	WG2	AP	Consider the definition of Relevant Embedded Small/Medium Power Station and whether the codified definition needs to be changed or if the ESO is to provide guidance to DNO’s outside of the energy codes on what is considered as relevant to the transmission network		WG3	New
9	WG2	AP	Slide on Large Embedded for clarification		WG4	New
10	WG2	DD	Tabulate Minor and Major Changes at Gate 1 and 2 for a clearer distinction		WG4	New
11	WG2	JH/DD	Response to the paper provided by Simon Lord		WG4	New
12	WG2	JH/PM	ESO to speak to the policy team and consider how the ‘Allowable Changes’ policy being drafted would interact with CMP434, would all of the policy need to be codified or does the concept of the policy need to be codified?		WG4	New
13	WG2	ALL	Workgroup to propose what they think could change in their application between Gate 1 and Gate 2		TBC	New

WG3/4 Scene Setting

Joseph Henry – ESO Code Administrator

Proposed topic split for WG3/4



Desired state at end of WG4 – All issues around Gate 1 Process Covered Off

Reasoning for split – each WG meeting given clear focus
Topics ordered for best understanding

Meeting Objectives WG3

What is the focus of the meeting?

- Proposed Gate 1 criteria* (including financial element requirement)
- DFTC submission

What is the ask of the workgroup?

- Provide views and feedback on presentations

What is the desired output of the meeting?

- Workgroup understanding of proposed gate 1 criteria
- Workgroup understanding of DFTC submission overview

What should not be discussed?

- Gate 1 license changes
- Connections Network Design Methodology
- DTFC Process

* Process will be covered in WG4.

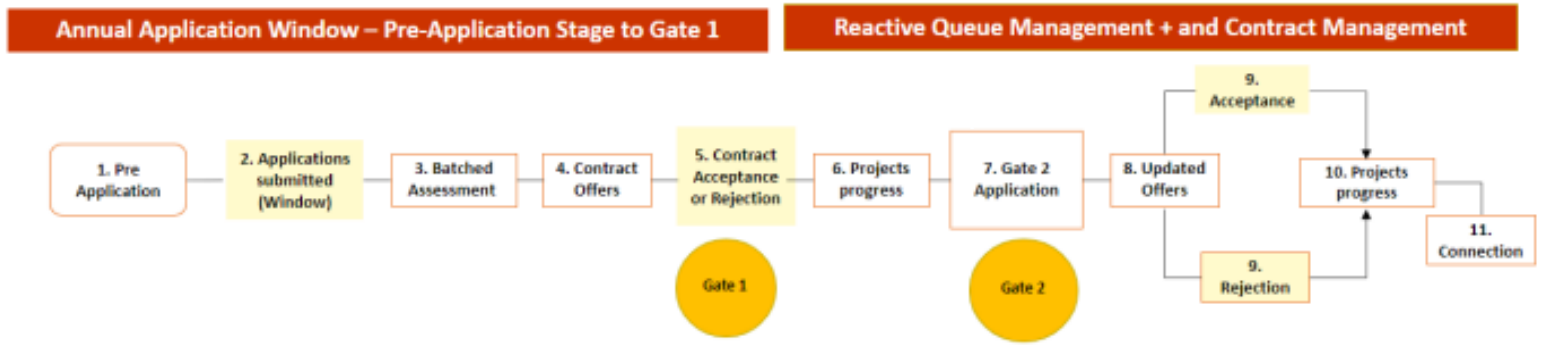
Gate 1 – High Level Overview

Joseph Henry – ESO Code Administrator

What is Gate 1?

Gate 1 is the initial application for a connections which results in:

i) the offer of an Indicative Connection Date and location given following batched assessment.
ii) Right to Technology and Capacity granted



What does CMP434 Propose?

1. Application window entry requirements leading up to Gate 1 will be as current CUSC requirements, but will introducing an offshore Letter of Authority and financial instruments.
2. Batched Assessment/Disputes Process
3. Indicative offer
4. Assessment as to whether a project can bypass Gate 1

Gate 1 Criteria

Dovydas Dyson

Gate 1 Criteria

- Relevant Application Form
- DRC Data (noting that at Gate 1 indicative in nature)
- LOA (or LOA Offshore Equivalent)
- Proof of Gate 2 criteria being met if applying for both Gate 1 and Gate 2 at the same time.
- Supporting or clarification info, if needed
- Payment of Application Fee Invoice

- Where possible these activities will be managed via the ESO portal.
- Template creation or amendments (e.g. Application Form, DRC, etc) will take place ahead of go live.

DFTC Submission

Alison Price

DFTC Scope

DFTC scope as outlined in the Implementing CR mods:

- Introducing the concept of a Distribution Forecasted Transmission Capacity (DFTC) submission process for Distribution Network Operator's (DNOs) to forecast capacity on an anticipatory basis for Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations in the Application Window.

WG 3 will walk through DFTC submission in the Application Window up to Batched Assessment

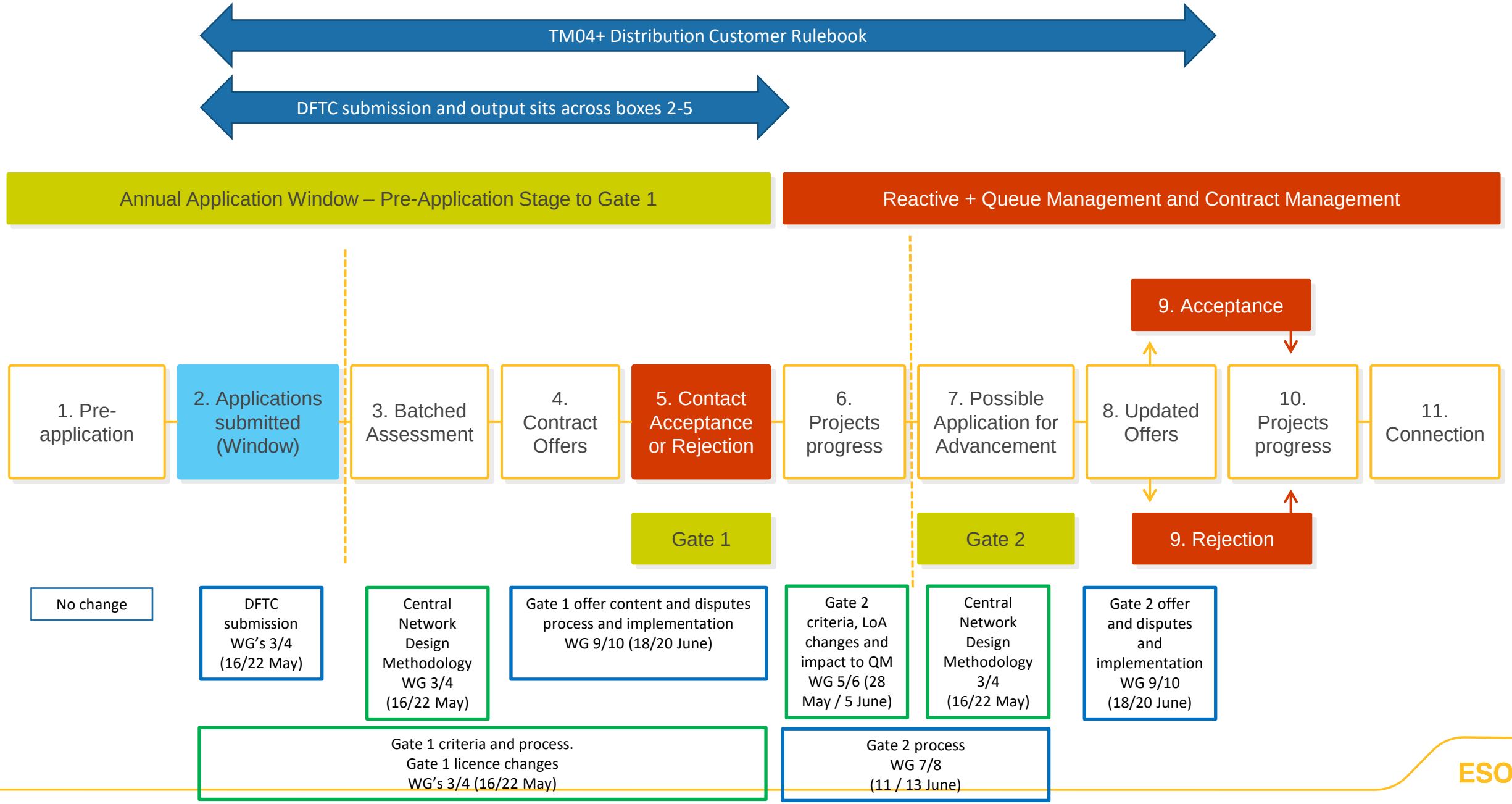
- Set out the process for how DNO's notify the ESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet the Gate 2 criteria

Future workgroup discussion

- "The approach DNOs take to forecast DFTC is not within the scope of this Modification and will be progressed through the Energy Networks Association via a DFTC methodology document."

WG 3 will talk through the methodology document in development as well as ownership/governance.

DFTC – WG interaction on DFTC process



Who DNO's are forecasting on behalf of via DFTC

Customer Group	Comments	Gate 1 Application Window	Gate 2 Application Window
New Relevant Embedded Small/Medium Power Station	DNO's will provide a DFTC submission in the Application Window for New Relevant Embedded Small/Medium Power Station.	DFTC submission by DNO	Batched submission by DNO
As above with a BEGA	To get a BEGA, will need to go through the Primary Process as well as the DFTC process.	DFTC submission by DNO and Application process - User	Batched submission by DNO and Application process - User
New Relevant Embedded Small/Medium Power Station connected through IDNO's embedded in a DNO	Distribution iDNOs that want to connect new Relevant Embedded small/medium Power Stations will apply to the DNO.	Will be included in the DFTC submission by DNO	Batched submission by DNO
As above with a BEGA	To get a BEGA, will need to go through the Primary process as well as the DFTC process.	DFTC submission by DNO and Application process - User	Batched submission by DNO and Application process - User
New Relevant Embedded Small/Medium Power Station connected into transmission ~~connected~~ contracted IDNO *needs a signed BCA in-situ Updated type as presented in WG3	IDNO's will provide a DFTC submission in the Application Window for New Relevant Embedded Small/Medium Power Station.	DFTC submission by IDNO	Batched submission by IDNO
As above with a BEGA	To get a BEGA, will need to go through the Primary process as well as the DFTC process.	DFTC submission by IDNO and Application process - User	Batched submission by IDNO and Application process - User

Thresholds for Relevant Embedded Small/Medium Power Stations across GB.
Using Small/Medium PS definition in Grid Code (b) for Embedded.
Small: (i) NGET - less than 50MW, (ii) SPT - less than 30MW, (iii) SHETL - less than 10MW
Medium: NGET's 50MW or more but less than 100MW

Ask from WG: is it appropriate to use the term Relevant Embedded Small/Medium Power Station for who can utilise DFTC submission as defined in the Grid Code for Embedded Small/Medium Power Station definition?

DFTC methodology document – TM04+ Distribution Customer Rulebook

“The approach DNOs take to forecast DFTC is not within the scope of this Modification and will be progressed through the Energy Networks Association via a DFTC methodology document.”

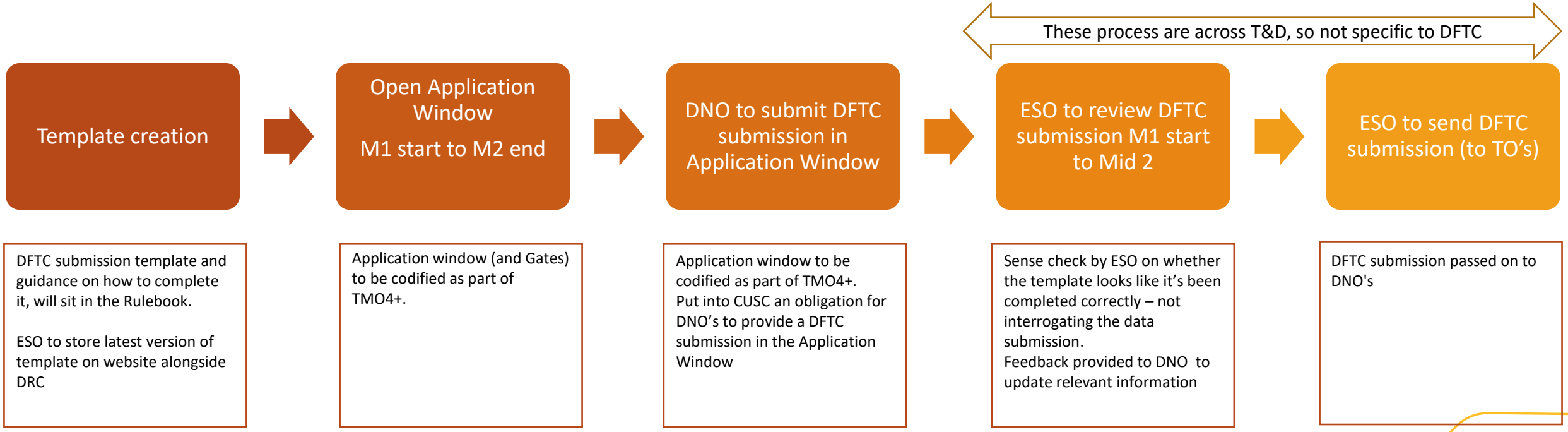
- This document is currently being drafted via the ENA DFTC working group. This group encompasses reps from all DNO’s and TO’s, ENA and ESO.
- Current proposal is that the Rulebook will be an ENA owned guidance document.
- The document encompasses the start of the DFTC submission process and goes up to Gate 2 contracted position.
- Governance process will form part of the Rulebook.
- The Rulebook will be published on the ENA website

Work Group to note the creation of the TM04+ Distribution Customer Rulebook

DFTC submission

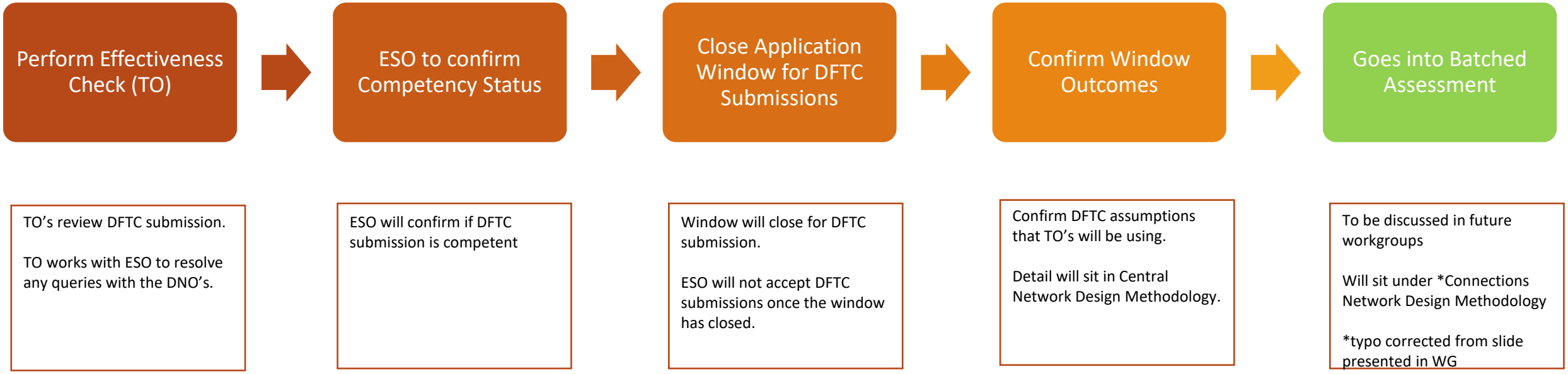
- Within the CUSC, there will need to be an obligation for DNO's to provide a DFTC submission in the annual application window.
- DNO's will use best endeavours to create a reasonable DFTC forecast to submit to the ESO in the Application Window.
- Consideration will need to be given as to how the CUSC points to the DFTC methodology. Template and information on how to populate and submit the DFTC submission will be maintained in the Rulebook.
- The DFTC forecast is one part of the DFTC submission - it is a forecast of expected acceptances in following year, broken down by technology type and GSP.

Workgroup to note that the DFTC submission template and methodology for completion sits in the DFTC methodology document.



DFTC submission

- The steps below are more generally across all of TMO4+



Gate 1 Financial Instruments

Rachael Eynon

Gate 1 Capacity Holding Payment

What Gate 1 financial instruments have we considered previously?

- In response to CAP actions 3.1.1a / 3.2.3c, we considered higher UC liabilities/securities, a materially increased application fee and a new capacity holding charge or security.
- At this time, we recommended not to introduce any additional fees, charges or security requirements, but that if we were to consider this again in future we should focus on introducing a capacity holding charge or security rather than increasing application fees and/or liabilities/securities.

What have we proposed under this code modification?

- In CMP434 we said that we would keep under consideration the use of financial instruments at Gate 1, and gave the example of a capacity holding charge to apply from Gate 1 to Gate 2.

Why do we believe a payment is needed?

- To incentivise pre-Gate 2 contracted parties to progress their project to Gate 2 at pace, or to self-terminate if their project becomes unviable.
- To reduce the volume of speculative applications.
- To raise the barrier to entry to Gate 1.

What principles would we like this payment to have?

- Simple
- Predictable
- Proportionate

Gate 1 Capacity Holding Payment

We are proposing a Gate 1 Capacity Holding Payment that is simple and predictable, and believe a £/MW payment that applies between Gate 1 and Gate 2 would be most appropriate.

Which projects would this payment apply to?	This payment would apply to all projects applying for TEC and TIC as well as small and medium embedded projects with a contract with a DNO which has not met Gate 2. It would not apply to DFTC applications from the DNOs as this is a forecast at Gate 1 and is not attributable to specific projects.
How much would the £/MW payment be?	We do not yet have a view on this, but we are engaging with stakeholders on what an appropriate value for a Gate 1 Capacity Holding payment could be. The payment would need to be large enough to provide the right signal, but not so large that it is too high a barrier to entry at Gate 1, particularly for smaller developers.
Would this be a monthly or yearly payment?	Developers would pay per month spent between Gate 1 contract signature and Gate 2 contract signature, but this payment would be made once per year to minimise administrative burden.
Would there be a maximum payment period (i.e. with a longstop date resulting in termination)	We do not think there should be a maximum payment period and that the payment should apply either until the project reaches Gate 2, or the project is terminated.
Would there be any differences in the payment depending on location, technology type, developer size, etc?	To meet the simplicity criteria we do not think the payment should differ based on location, technology type or developer size.
Would there be a grace period where the developer did not need to pay?	This payment would be in effect from TMO4+ go-live and would accrue from the date a developer signs their Gate 1 offer. We do not think there should be a grace period, as developers will have the ability to apply to both Gate 1 and Gate 2 simultaneously if they wish to progress quickly, and these projects will not be subject to the Gate 1 Capacity Holding Payment.
What would happen if a developer did not pay?	The non-payment would trigger the Event of Default process which could result in contract termination.

Gate 1 Capacity Holding Payment

We are proposing a Gate 1 Capacity Holding Payment that is simple and predictable, and believe a £/MW payment that applies between Gate 1 and Gate 2 would be most appropriate.

What options do we have to implement this, and what implications would each of these have?

Liability / Security

- A security could be implemented under this code modification
- This could however change the existing security arrangements, as this is based on costs incurred

Charge

- If a charge was implemented, this would require a separate urgent code change to section 14 of the CUSC

Are these the only options to implement this payment?

Next Steps

Claire Goult – ESO Code Administrator

Any Other Business

Claire Goult – ESO Code Administrator

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