

# CMP375 and CMP315

**Tuesday 10 August 2021**

**Online Meeting via Teams**

# WELCOME



nationalgridESO



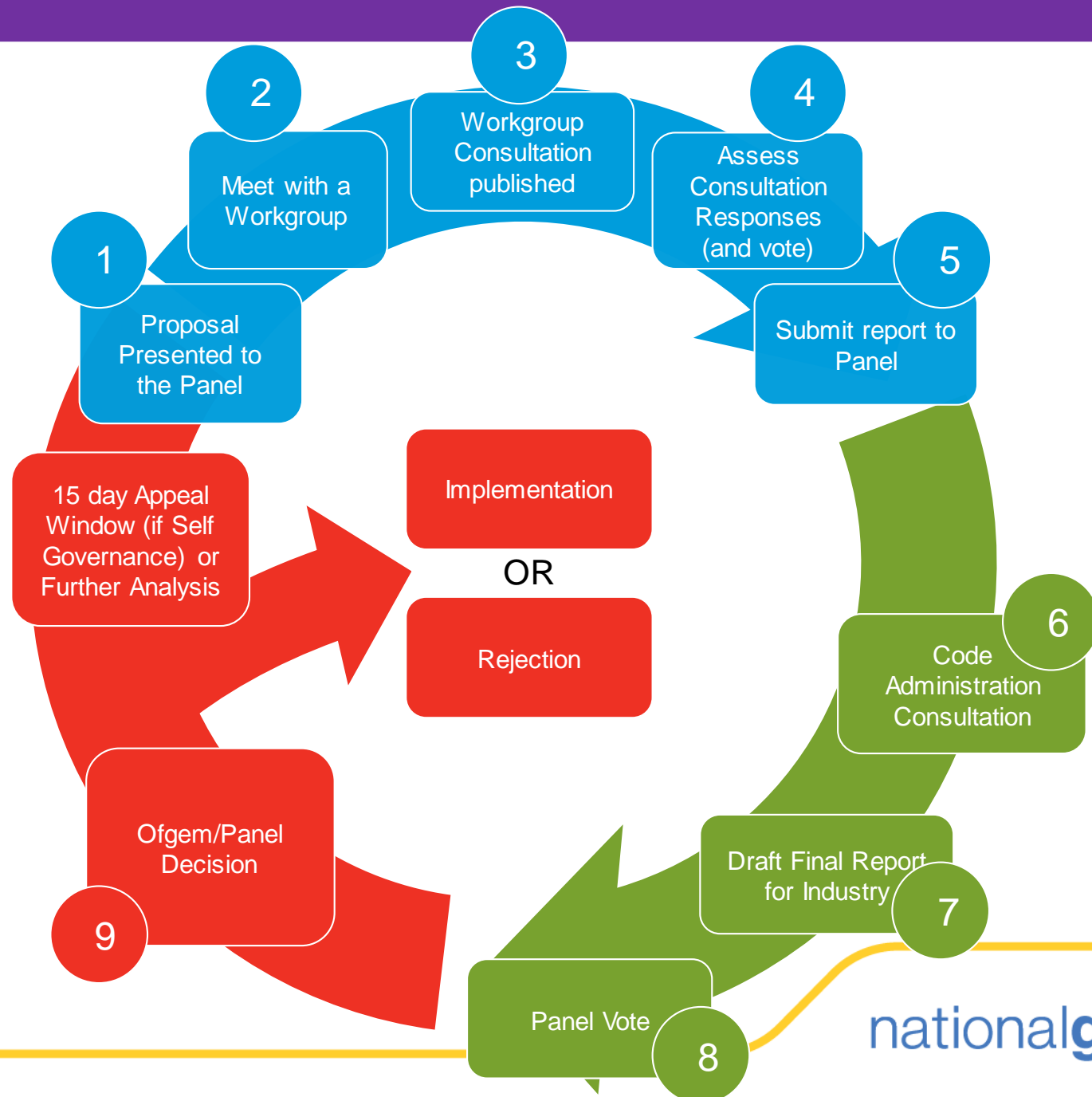
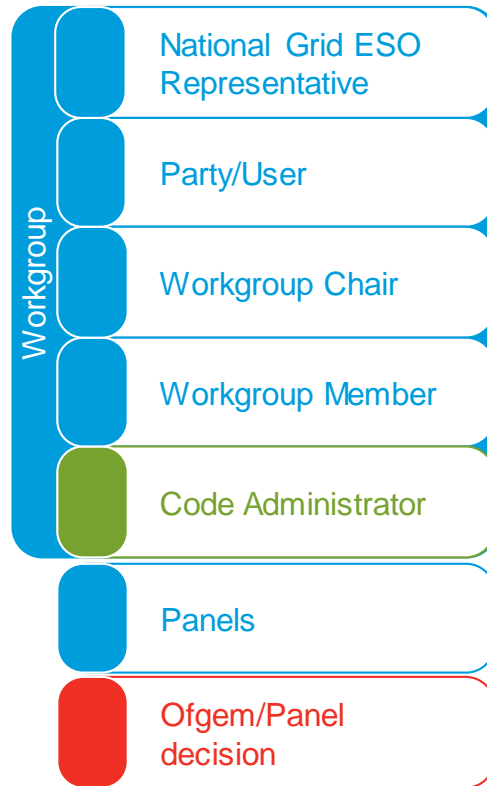
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# Modification Process

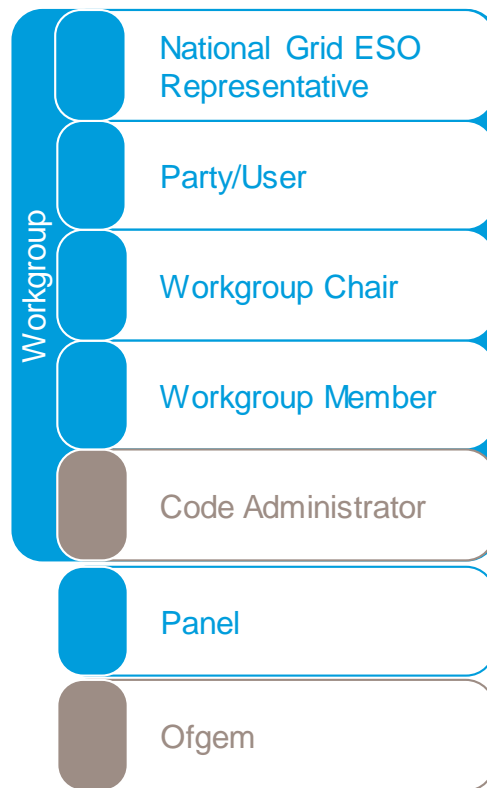
Ian Ascroft / Paul Mullen

# High Level Mod Lifecycle

## Who is involved?

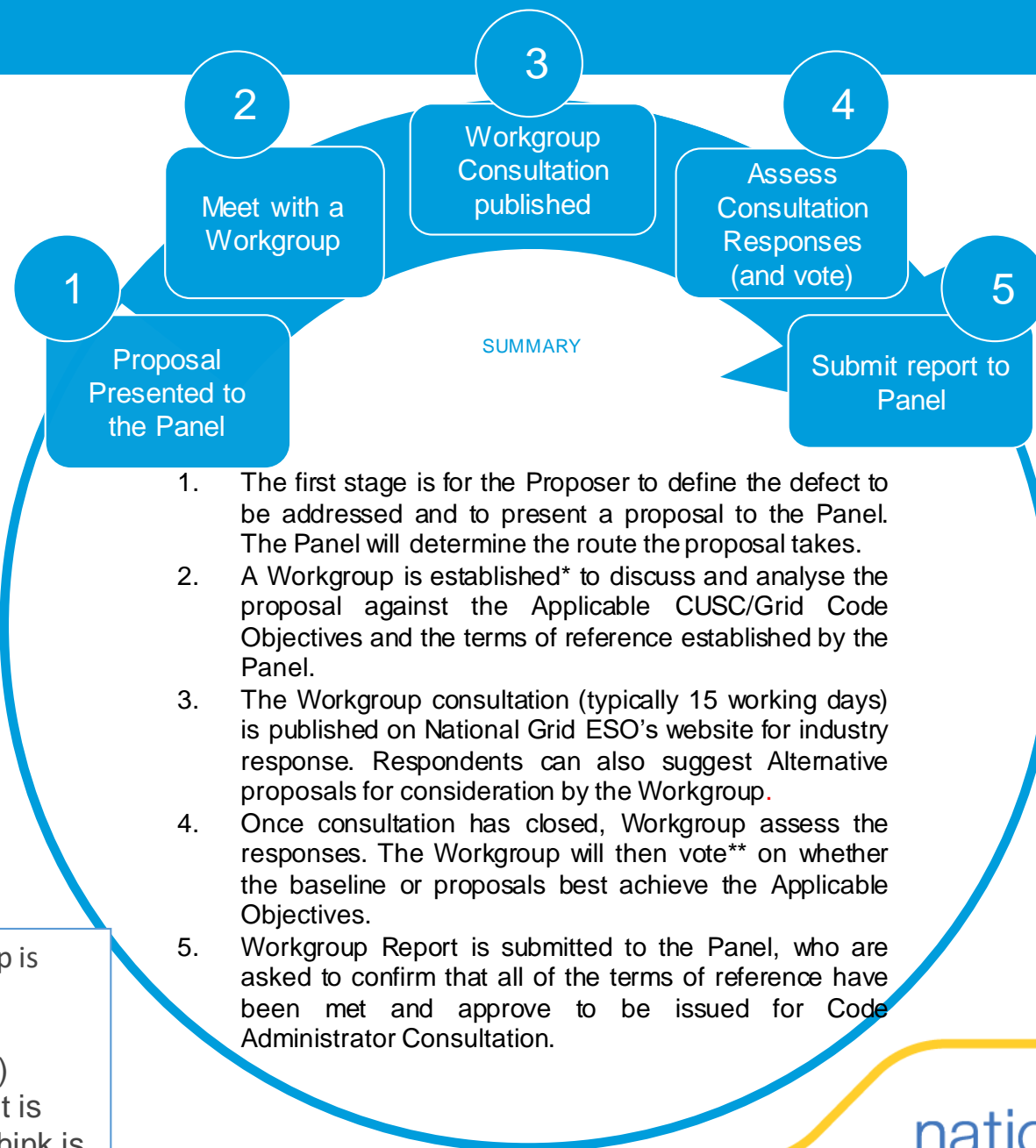


## Who is involved?

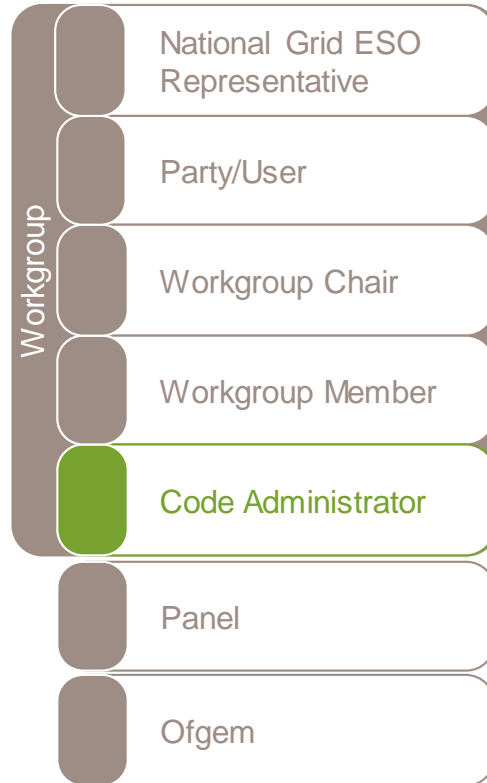


\*Steps 2-5 only apply if Panel determine that a Workgroup is needed

\*\*For any alternative proposals the WG will vote on a) whether it is better than the baseline and b) whether it is better than the Original before voting on option they think is best



## Who is involved?



## SUMMARY

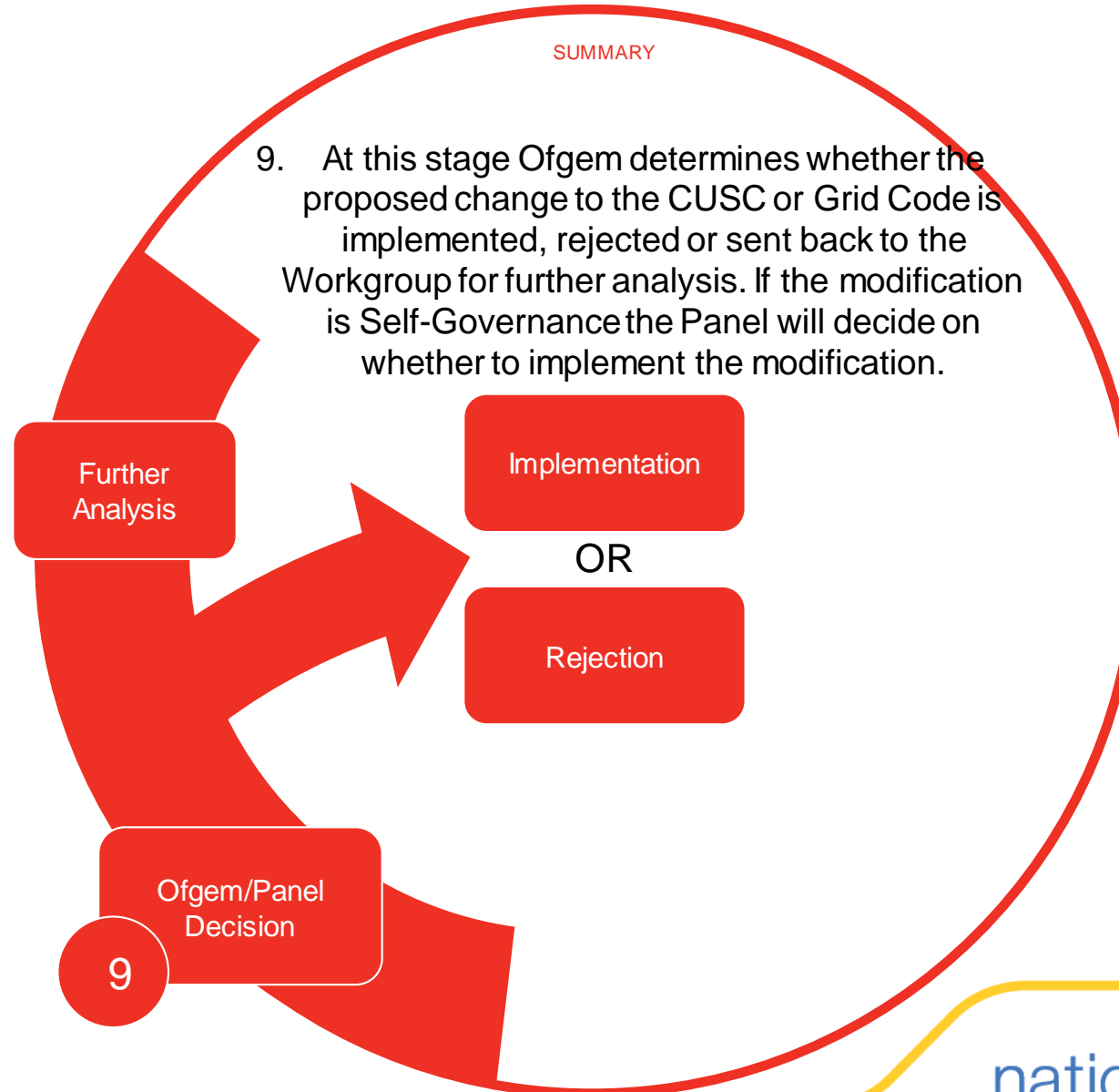
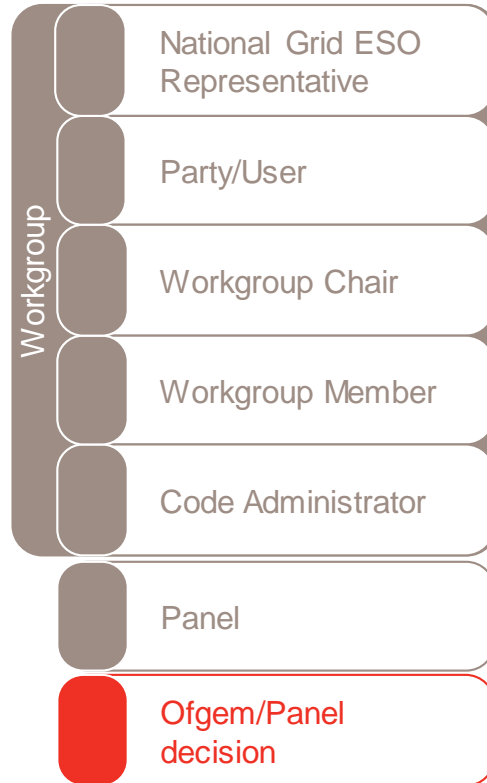
6. At this stage the Code Administrator gathers views and data from the wider industry on the final proposal and alternatives. Typically 15 working days.
7. The Code Administrator Consultation responses are added to the Workgroup report, which is then published.
8. The Panel will vote on whether the proposal and any alternatives better facilitate the objectives compared to baseline. The proposal will then be recommended for submission to Ofgem.

6  
Code Administrator Consultation

7  
Draft Final Report for Industry

8  
Panel Vote

## Who is involved?



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# Background/Context from a Code Admin perspective

Paul Mullen



## How we got here

- The Expansion constant is set at the start of each Price Control period and is based on projects built in the previous price control period. It is then adjusted for inflation in each year of the Price Control period. The Expansion Constant for RIIO-2 period has been calculated based on the current definition in the CUSC and, due to a lower number of built projects in RIIO-1 and the relatively high cost of these in comparison to the projects in previous periods, it increased significantly. **Therefore, the ESO raised CMP353 to maintain the locational signal at the start of the RIIO-2 period at the RIIO-1 value plus relevant inflation in each charging year until such time as the effect of any change in the locational signal can be better understood. Ofgem approved CMP353 on 2 December 2020 and this was implemented on 1 April 2021.**
- The [CMP353 decision letter](#) also asked the ESO to look at a broader review of the Expansion Constant.
- CMP315 is an existing Modification that “seeks to review how the expansion constant is determined such that it best reflects the costs involved” and there have been discussions over the past few months how this interacts with CMP375 – we will cover this off later.

## How we got here

- At CUSC Panel on 25 June 2021, the ESO presented their proposal to look at a broader review of the Expansion Constant. This is CMP375, which seeks to amend the calculation of the Expansion Constant & Expansion Factors to better reflect the growth of and investment in the National Electricity Transmission System.
- CUSC Panel unanimously agreed that CMP375 should follow standard governance route and proceed to Workgroup that will be run in parallel with CMP315 but not at this stage formally amalgamated with CMP315.
- **We have automatically allowed anyone who was on CMP315 to become a Workgroup Member of CMP375 and vice versa.**

The slide features several decorative yellow lines. In the top left, there are several thin, curved lines that sweep upwards and to the right. In the bottom right, there are three thick, parallel diagonal lines that sweep upwards and to the right, starting from the bottom left and extending towards the top right. The word 'Timeline' is centered in the upper half of the slide, and the authors' names are centered below it.

# Timeline

Ian Ascroft / Paul Mullen

# CMP375 (and CMP315) Proposed Timeline as at 29 July 2021

Milestone	Date	Milestone	Date
Modification presented to Panel	25 June 2021	Workgroup Report presented to Panel	25 February 2022
Workgroup Nominations (15 Working days)	1 July 2021– 5pm on 22 July 2021	Code Administrator Consultation (15 working days)	4 March 2022 to 25 March 2022
CMP375/CMP315 Workgroup 1 – agree timeline, terms of reference, background/context including how CMP375 and CMP315 fit together, understand proposer’s modification, agree the options that will be discussed at later Workgroups	10 August 2021	Draft Final Modification Report (DFMR) issued to Panel	21 April 2022
CMP375/CMP315 Workgroups 2 and 3 – discuss each key concept, narrow down options, agree guiding principles, data requirements and analysis for each option	1 and 21 September 2021	Panel undertake DFMR recommendation vote (5 working days)	29 April 2022
CMP375/CMP315 Workgroups 4 and 5 –review analysis, develop solution(s) including alternatives, identify impacts and implementation options, review draft Workgroup Consultation	19 October 2021 and 3 November 2021	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	3 May 2022
CMP375/CMP315 Workgroup 6 – finalise Workgroup Consultation	15 November 2021	Final Modification Report issued to Ofgem	11 May 2022
CMP375/CMP315 Workgroup Consultation	23 November 2021 to 5pm on 14 December 2021	Ofgem Decision	TBC
CMP375/CMP315 Workgroups 7 and 8 – review Workgroup Consultation responses, legal text, develop solution(s) including alternative solutions and hold Alternative Vote	12 January 2022 and 2 February 2022	Implementation Date	1 April 2023
CMP375/CMP315 Workgroup 9 – finalise Workgroup Report (including have Terms of Reference been met) and carry out Workgroup Vote	9 February 2022	<b>NOTE: 3 previous Workgroups for CMP315</b>	
Workgroup Report issued to Panel	17 February 2022		

# Terms of Reference

Paul Mullen



# CMP375 Terms of Reference

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBGL implications	
b) Consider all elements raised by the Proposer and agree guiding principles	
c) Review and specify data required from Transmission Owners	
d) Consider interactions with CMP315	
e) Consider cross code implications, particularly STC	
f) Consider what notice period would be appropriate	
g) Consider providing ~ 5 year TNUoS forecast (from implementation date) that incorporates the Original proposal and potential alternatives as scenarios/sensitivities	
h) Consider the impacts on consumers	
i) Take into account any wider Charging developments e.g. Rezoning	

# CMP315 Defect and Terms of Reference

## Defect

The locational element of the Transmission Network Use of System (TNUoS) charge converts the “MWkm” figure calculated by the locational model and converts this figure into a locational cost (GBP/kW) for connecting generation and/or demand at a particular node. There are two potential issues with this process:

- i. Not all assets used by the transmission system are included in the calculation of the MWkm figure (for example 400/275 kV transformers are excluded); and
- ii. The expansion constant (used to convert MWkm to GBP/kW) assumes that the life and capacity of an asset can be fully flexed to meet a connectee’s requirements (for example if a customer required 300 MW of capacity over 25 years, the TO may – as the most cost-effective solution – construct a 500 MW asset with a life of 55 years). Therefore, the connectee would only be charged a proportion of the costs actually incurred by the TO (the balance of the cost would be recovered through the residual)

## Terms of Reference

- Review of the principles of the current methodology
- Consider the effect on both TNUoS demand charges and generation charges
- Consider any interaction with demand TNUoS tariffs if floored at zero
- Consider that if individual party TNUoS charges are based on specific assets, how might each TNUoS payer be notified (and regularly updated) of the detail of those assets they are being charged for in case, if later, those assets are used by other parties.
- Consider in terms of aligning with Recital 63 of EU Renewable Energy Directive (2009/28/EC)
- Consider the distribution effect on Consumer impacts
- Implementation timeframes to be considered ahead of the TO RIIO price controls in 2021
- Consider interactions with the Transmission license and any cross code impacts especially STC
- Be mindful of, and consider, the SCR
- Clarify need, as soon as possible, for any external analysis

# CMP375 Proposer's Slides

Grahame Neale / Matt Wootton