

CMP402: Introductory of Anticipatory Investment (AI) principles within the user commitment arrangements

11 August 2023

1.30pm

Online Meeting via Teams



Objectives

Claire Goult – ESO Code Administrator



Objectives

- Timeline Update
- Review solution responses
- Discuss the preferred solution and possible alternatives



Timeline Update

Claire Gault – ESO Code Administrator

UPDATED Timeline for CMP402 as from 8 August 2023

Milestone	Date	Milestone	Date
Modification presented to Panel	25 November 2022	Workgroup report issued to Panel (5 working days)	21 September 2023 (CUSC Panel papers Day)
Workgroup Nominations (15 Working Days)	28 November 2022 to 19 December 2022	Panel sign off that Workgroup Report has met its Terms of Reference	29 September 2023 (CUSC Panel)
Workgroup 1 - Understanding of overall OTNR landscape, Modification process, Workgroup responsibilities, issue, scope and proposed solution, agree timeline and terms of reference	23 January 2023	Code Administrator Consultation (15 working days)	9 October – 30 October 2023
Workgroups 2, 3 and 4 – Agree the principles of Anticipatory Investment, consider possible solutions, identify alternatives	6 March 2023, 29 March 2023, 20 April	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	16 November 2023 (CUSC Panel Papers Day)
Workgroup 5 – Consider draft legal text and consider Workgroup Consultation comments and questions.	10 May 2023	Panel undertake DFMR recommendation vote	24 November 2023 (CUSC Panel)
Workgroup 6 – Finalise Workgroup Consultation	22 May 2023	Final Modification Report issued to Panel to check votes recorded correctly (5WD)	28 November 2023 – 5 December 2023
Workgroup Consultation (15 working days)	24 May 2023 to 21 June 2023 (extended)	Final Modification Report issued to Ofgem	6 December 2023
Workgroup 7 - Review Workgroup Consultation responses, consider new points, review solution and any alternatives	3 August 2023	Ofgem decision	TBC
Workgroup 8, 9, 10 – (WG8) Finalise solution/discuss alternatives (WG8), agree ToR and Workgroup vote, finalise, (WG10) Finalise Workgroup Report	11 August 2023 and 24 August and 4 September 2023	Implementation Date	1 April 2024



Review solution responses

ALL

Solution response 1

Having studied the proposed options in detail I have concluded that the fixed option, where the UC gradually builds up from £2000 to 6000 per MW should be preferred. The option provides upfront clarity on the size of the UC and it should in my opinion also be possible for the Later Developer to manage the proposed cost and associated risk. A fixed number also ensure equal treatment between projects.

Arguments for the actual numbers chosen would benefit the credibility of the option. A remaining concern is, as indicated by the ESO, it is still a possibility that the Trigger Date will be ahead of the Later Developer's FID. As indicated before, if this happen, it will be a significant barrier to coordination as it will not be possible to the Later Developer to take on (possible) significant liabilities ahead of FID.

I understand the reasoning for keeping the preferred option in line with the existing UC arrangements. In my opinion using FID as "trigger date" and not the Trigger Date as proposed, will better remove the barrier to coordination and therefore should be included.

I will not put forward an alternative to the proposal.

Øyvind Bergvoll

Equinor ASA

Solution response 2

Option	Comments
Capped	<ul style="list-style-type: none">• Quantitative analysis would be required to establish what is deemed an 'acceptable range'. This could vary significantly by stakeholder.• The early cost stage assessment should be split between G1 and G2 on a case by case basis, ensuring cost reflectivity.• Illustrative example - Slide 16, risk of impacting investment if developers are expected to carry material securities before FID / Consents.
Pre-determined Capped	<ul style="list-style-type: none">• Pre-FID - in line and consistent with the current approach, avoiding over complicating and confusing industry.<ul style="list-style-type: none">– Analysis is required to justify the scaling factor? (2-4-6, why not 3-4-5 or 4-5-6? – required for the report)• Post-FID – 67% fixed increases developers security for the first 2 years (25% & 50%) and decreases their risk in the final 2 before connection (75% & 100%).<ul style="list-style-type: none">– Further analysis is required on this, suggestion is to align with onshore. If varying from the status quo, we will need to justify to the CUSC panel / Ofgem on why.



**Discuss preferred solution and possible
alternatives**

ALL



AOB

Claire Goult – ESO Code Administrator



Next Steps

Claire Goult – ESO Code Administrator