

CUSC Alternative and Workgroup Vote

CMP411: Introduction of Anticipatory Investment (AI) within the Section 14 charging methodologies.

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

The Applicable CUSC Objectives (Charging) are:

- That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);
- That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly

takes account of the developments in transmission licensees' transmission businesses;

- d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
- e) Promoting efficiency in the implementation and administration of the system charging methodology.

*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal 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.

“Y” = Yes

“N” = No

“-“ = Neutral (Stage 2 only)

“Abstain”

No alternatives were raised.

Stage 2a – Assessment against objectives

To assess the original against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Claire Hynes – RWE Renewables Ltd					
Original	Y	-	Y	-	Y	Y

Voting Statement:

RWE supports the introduction of Ofgem's policies to the CUSC to facilitate the Holistic Network Design.

- (a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;**

The introduction of the principle of Anticipatory Investment (AI) to CUSC promotes competition in the generation of electricity. The carrying over of AI in the Transmission Demand Residual (TDR) provides a mechanism that allows for developer build of a co-ordinated offshore transmission network with oversized assets that will accommodate known subsequent generators connecting and paying for their portion of those connection assets. Thus, promoting competition.

- (b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);**

We consider that the impact of this change is neutral for Objective (b).

- (c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;**

This change facilitates objective (c) by taking account of developments in Ofgem's policies for the offshore transmission network in the CUSC.

(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and

We are not aware of any impacts from this change on compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency and as a result, consider that the impact of this change is neutral for Objective (d).

(e) Promoting efficiency in the implementation and administration of the system charging methodology.

The introduction of the principle of Anticipatory Investment (AI) to the CUSC ensures that a clear and transparent charging process is available for subsequent generators/Users connecting to shared offshore grid to comply with. Thus, enabling efficiency in the implementation and administration of the system charging methodology.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Damian Clough – SSE Generation					
Original	Y	-	Y	-	Y	Y

Voting Statement:

Ofgem have asked Industry to deliver the recovery of the AI cost Gap from the 2nd Generator into the CUSC. From that perspective this modification and proposal delivers this, therefore is better than baseline and meets the relevant CUSC Charging objectives stated. Please note, that our stating that the proposal is better than baseline does not therefore mean that we support the need to recover the cost gap from the 2nd Generator, just that the proposal delivers the direction from the Authority.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Matthew Paige-Stimson – NGET					
Original	Y	-	Y	-	Y	Y

Voting Statement:

The CMP411 original proposal is better than the baseline. There are no WACMs. On the narrow basis of this proposal's application to offshore HND anticipatory investment,

we judge the proposal to be positive in respect of objectives A, C and E and neutral in respect of objectives B and D.

Without the proposed change, an initial offshore network developer would be unlikely to offer to efficiently oversize their network in preparation for a second user, especially if additional costs arising fell on the initial developer or initially connected users (impacting on their competitiveness). Without this change there is the risk of less efficient and numerous radial networks persisting as a first choice.

The proposal provides for the holding of the additional “anticipatory” investment through interim consumer funding, which unwinds through full indexed recovery from the later connecting second user. The consumer benefits from the removal of an investment barrier, which would prevent efficient joined up investment, whilst also giving consumers certainty that anticipatory investment costs will be recouped from the second user.

We have been assured that the proposal is only to apply to HND developments where the second user is known and has applied, and that the extent of additional anticipatory investment, mindful of consumer protection, will be appropriate for the addition connected capacity it will enable. In the proposal’s limited scenario of application, the risk of asset stranding upon the consumer seems limited. We would expect any other scenarios, that might entail investment in extra capacity for unknown future users, would be subject to a further modification proposal and NGESO and Ofgem have made clear this would be the case during the working group.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Nitin Prajapati – ESO					
Original	Y	-	Y	-	Y	Y

Voting Statement:

This modification will enable the AI policy decision from the Authority to be implemented in the CUSC and provide clarity on how AI costs (including the AI Cost Gap) are recovered by generators. It will also help facilitate offshore coordination and drive the associated benefits by enabling developers to under AI whilst managing the allocation of AI risk to consumers.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Ryan Ward – Scottish Power Renewables					

ESO

Original	Y	-	Y	-	Y	Y
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Voting Statement:

- **Objective A – Positive** – Improved competition would be enabled by introducing the AI principle, reducing the additional risk carried by the initial generator. The additional risk faced by the generator is due to their investment going beyond their needs (anticipatory investment), which results in higher TNUoS charges, reflecting both the AI & Non-AI cost elements.
- **Objective C – Positive** – In alignment with Ofgem’s policy decision on Anticipatory Investment & Implementation of Policy Changes. This aims to address the current barrier to entry & better enable project co-ordination.
- **Objective E – Positive** – By codifying the AI principle, this better enables for the implementation and administration of the charging methodology. It will prevent any potential confusion and ensure for the correct application for cost recovery.
- **Objective B & D – Neutral**

Of the 5 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	5

Stage 2b – Workgroup Vote

Which option is the best? (Baseline or Proposer solution (Original Proposal))

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Claire Hynes	RWE Renewables Ltd	Original	a, c, e
Damian Clough	SSE Generation	Original	a, c, e
Matthew Paige-Stimson	NGET	Original	a, c, e
Nitin Prajapati	ESO	Original	a, c, e
Ryan Ward	Scottish Power Renewables	Original	a, c, e