

CMP417: Extending principles of CUSC Section 15 to all Users – Workgroup 4

07 March 2024

Online Meeting via Teams

WELCOME



Agenda

| # | Topics to be discussed | Lead |
|----|---------------------------------------------|----------|
| 1. | Objectives, Timeline and Terms of Reference | Chair |
| 2. | Actions Review | Chair |
| 3. | Proposer Presentation | Proposer |
| 4. | Legal Text | Proposer |
| 5. | AOB & Next Steps | Chair |

Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives



Objectives, Timeline and Terms of Reference

Lizzie Timmins – ESO Code Administrator

Timeline for CMP417 – updated February 2024

| Milestone | Date | Milestone | Date |
|------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Modification presented to Panel | 28 July 2023 | Workgroup report issued to Panel (5 working days) | 20 June 2024 |
| Workgroup Nominations (15 Working Days) | 01 August 2023 to 29 August 2023 | Panel sign off that Workgroup Report has met its Terms of Reference | 28 June 2024 |
| Workgroup 1 <i>Agree timeline, Terms of Reference and discuss solution</i> | 06 September 2023 | Code Administrator Consultation (15 working days) | 03 July 2024 to 23 July 2024 |
| Workgroup 2 <i>Agree new timeline, discuss solution</i> | 25 October 2023 | Draft Final Modification Report (DFMR) issued to Panel (5 working days) | 15 August 2024 |
| Workgroup 3 <i>Refine solution</i> | 09 January 2024 | Panel undertake DFMR recommendation vote | 23 August 2024 |
| Workgroup 4 <i>Review legal text, refine solution</i> | 07 March 2024 | Final Modification Report issued to Panel to check votes recorded correctly | 27 August 2024 to 03 September 2024 |
| Workgroup 5 <i>Finalise Workgroup Consultation</i> | 28 March 2024 | Final Modification Report issued to Ofgem | 05 September 2024 |
| Workgroup Consultation (15 working days) | 03 April 2024 to 24 April 2024 | Ofgem decision | TBC |
| Workgroup 6 <i>Review Workgroup Consultation responses and any alternatives</i> | 01 May 2024 | Implementation Date | 10WD following Authority decision for new Users. July 2025 for existing Users. |
| Workgroup 7 <i>Workgroup Vote, finalise Workgroup Report</i> | 04 June 2024 | | |

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 | EW | Provide justification for new solution within the Workgroup Consultation | NA | TBC | Open |
| 9 | WG1 | AP | Provide draft legal text | NA | WG2 | Open – propose to close |
| 11 | WG3 | AP | Provide an update of status of the term ‘Seven Year Statement’ within the CUSC | Verbal update to be provided | WG4 | Open – propose to close |
| 12 | WG3 | RM/AP | Provide wording in ConsAg (Construction Agreement) for key consents | Contained within Workgroup 4 papers | WG4 | Open – propose to close |
| 13 | WG3 | RM | Provide update on implementation date for existing Users | NA | WG4 | Open |
| 14 | WG3 | RM | Investigate whether a guidance note can be provided for FSM | Verbal update to be provided | WG4 | Open – propose to close |
| 15 | WG3 | EW | Check figures provided for pre-trigger and circulate <u>UCM guidance document</u> to the Workgroup | Figures provided were from the current <u>UCM guidance document</u> . | ASAP | Open – propose to close |

Action 12 – Definition of Key Consents

- Action in Workgroup 3 for the ESO to provide the existing definition of Key Consents from the Construction Agreement
 - **Key Consents** - Those Consents required by the **User** in respect of the **Power Station** which **The Company** has identified as such and which are set out in Appendix MM Part 2.
- For reference, the definition in CUSC is “**Key Consents**” those **Consents** a **User** requires in respect of its **Power Station** project which are identified by The Company as key for the purposes of Part Three of the **User Commitment Methodology** and in relation to a particular **User** as defined in its **Construction Agreement**;



Proposer's Solution

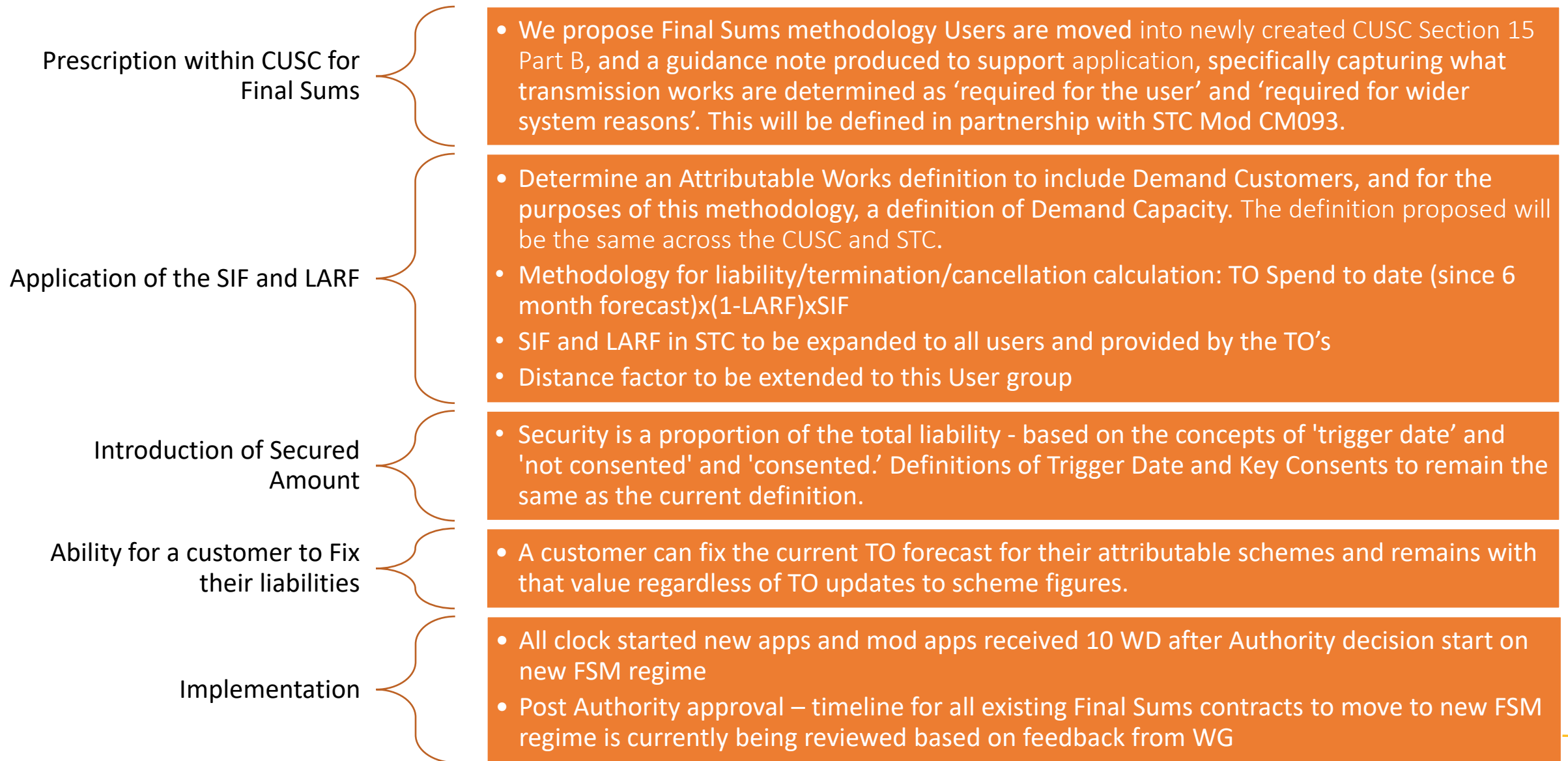
Alison Price – ESO

Ruth Matthew – ESO

Recap – why change?

- Over recent months and years, some Demand connections have driven Transmission Works beyond the Connection Site, and as a result have triggered significant securities in their agreements. There are instances whereby Transmission Works are triggered by multiple Users across both security methodologies. This can result in both methodologies being applied to different Users across the same Transmission Works.
- The two different approaches in methodology being applied has created a two tiered process; this modification aims to introduce more equitable treatment to all Users connecting to the NETS.
- For Users under CUSC Section 15 User Commitment Methodology any shared works has reducing factors applied, whereas all those users on Final Sums methodology secure 100% of the TO's spend regardless of the nature of the works with their agreements.
- The principles of Final Sums methodology have acted as a barrier to entry and have rendered some projects untenable. The ESO has received multiple formal complaints from customers outlining the commercial impact to their businesses of the substantial security amounts they have received in their Construction Agreements.
- This modification aims to improve the cost reflectivity that Users currently on Final Sums Methodology have on a TO's spend profile. This will help reduce uncertainty for developers whereby the security amount is reflective of the transmission liabilities they actually impose.

ESO proposed solution



Solution

Application of the SIF and LARF

- Determine an Attributable Works definition to include Demand Customers, and for the purposes of this methodology, a definition of Demand Capacity. The ESO solution will be consistent across the CUSC and STC Mods.
- Methodology for liability/termination/cancellation calculation: $\text{TO Spend to date (since 6 month forecast)} \times (1 - \text{LARF}) \times \text{SIF}$
- SIF and LARF in STC to be expanded to all users and provided by the TO's
- Distance factor to be extended to this User group

Should the solution also include Distance Factor?

ESO view: ' Where the Distance Factor is a factor calculated for each component within the Attributable Works as a ratio of distance to the nearest suitable MITS substation and distance to the MITS substation where the Attributable Works connect as set out in the Notification of Fixed Cancellation Charge by reference to which an election is made in accordance with Paragraph 6. This factor is only valid for components where distance is relevant i.e. cables and overhead lines.

Previous discussions had led us to believe that DF wasn't to be included, however, further discussions in WG 3 have revised this opinion and it is now agreed that to protect demand users, DF will be incorporated.

Solution

Introduction of Secured Amount

- Security is a proportion of the total liability - based on the concepts of 'trigger date' and 'not consented' and 'consented.' Definitions of Trigger Date and Key Consents to remain the same as the current definition.

Will the definition for Trigger Date be the same as the current definition?

ESO view: Yes

Will the definition for Key Consents be the same as the current definition?

ESO view: As noted in the actions earlier, CUSC definition of "Key Consents" those Consents a User requires in respect of its Power Station project which are identified by The Company as key for the purposes of Part Three of the User Commitment Methodology and in relation to a particular User as defined in its Construction Agreement;

Agreed in WG 3 that the CUSC definition will remain the same.

As per Action 12 - ConsAg definition - **Key Consents** - Those Consents required by the **User** in respect of the **Power Station** which **The Company** has identified as such and which are set out in Appendix MM Part 2

CM093 Workgroup 1

- Workgroup 1 took place 24th January and the intent of the STC mod was discussed.
- General consensus was that the next CM093 Workgroup should be held separate from CMP417 and dependent on the agenda's for each Workgroup, a view will need to be taken across the two Workgroups if it's appropriate to hold future Workgroups on the same day/joint Workgroups.
- General feedback was that the ESO needed to be clearer on what changes they wanted input on from Workgroup members.
- Summary of the Workgroup has been [published](#).
- Next STC Workgroup to be held 13 March and focus on the potential STC/STCP Legal Text changes that will be required to support the CUSC Modification.



Review Draft Legal Text

Alison Price – ESO

Ruth Matthew – ESO



AOB and Next Steps

Lizzie Timmins – ESO Code Administrator