

CMP426: TNUoS charges for transmission circuits identified for the HND as onshore transmission

Workgroup Meeting 1
5 February 2024 10am
Online Meeting via Teams

WELCOME





Introductions

Claire Goult – ESO Code Administrator

Workgroup Membership

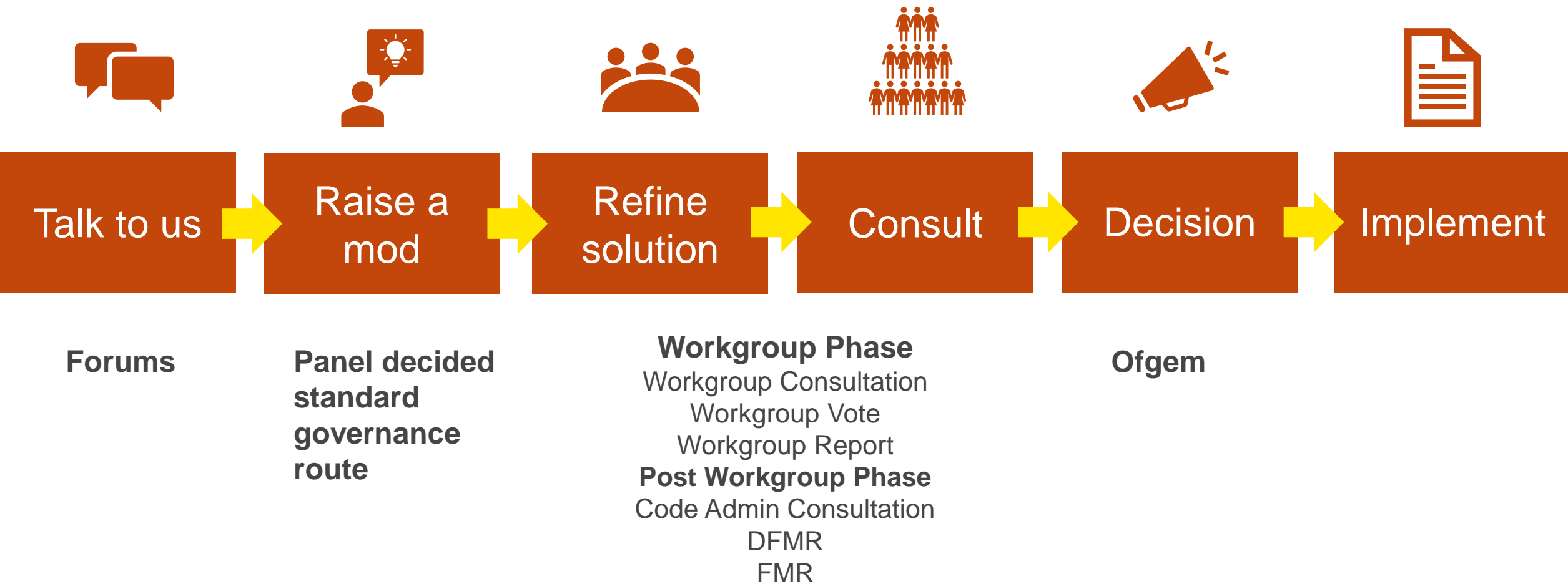
Name	Role	Company	Email address	Type of Organisation	Alternate	Alternate Email Address
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Ryan Ward	Workgroup member	Scottish Power Renewables	Ryan.Ward@Scottishpower.com	Generator	Joe Dunn	Joseph.Dunn@scottishpower.com
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Damian Clough	Workgroup member	SSE Generation	Damian.Clough@sse.com	Generator	John Tindal	john.tindal@sse.com
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Code Modification Process Overview

Claire Gault – ESO Code Administrator

Code Modification Process Overview



[Code changes: Beginner's Guide | ESO \(nationalgrideso.com\)](#)



Workgroup Responsibilities

Claire Goult – ESO Code Administrator

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

Email communications to/cc'ing the .box email

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



Workgroup Alternatives and Workgroup Vote

Claire Goult – ESO Code Administrator

Can I vote? and What is the Alternative Vote and Workgroup Vote?

To participate in any votes, you will have been nominated as a Workgroup member (not observer) and need to have attended at least 50% of meetings

Stage 1 – Alternative Vote

- This Vote is carried out to identify the level of Workgroup support there is for any potential Workgroup Alternative Requests brought forward by a member of the Workgroup OR an Industry participant as part of the Workgroup Consultation. should become Workgroup Alternative CUSC Modifications (WACM).
- Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original 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.

Stage 2 – Workgroup Vote

- 2a) Assess the Original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the Baseline (the current code)
- 2b) Vote on which of the options is best.



Objectives and Timeline

Claire Gault – ESO Code Administrator



Objectives

- Review and agree Timeline
- Review and agree Terms of Reference
- Proposer Presentation and Questions
- Cross Code Impacts
- CMP428 Overview
- AOB & Next Steps

Timeline for CMP426 – As at 5 February 2024

Milestone	Date	Milestone	Date
Proposal Presented to Panel	15 December 2023	Panel sign off that Workgroup Report has met its Terms of Reference	CUSC Panel Date 28 June 2024
Workgroup Nominations	18 December 2023 – 12 January 2024	Code Administrator Consultation (15 working days)	3 July 2024 – 24 July 2024
Workgroup 1 – Understand / discuss proposal and solution(s), review and agree on Terms of Reference and Timeline, review cross code impacts, review analysis and agree next steps.	5 February 2024 (13 February 2024 Possible WG2 CMP428)	Draft Final Modification Report (DFMR) issued to Panel	15 August 2024 (Papers Day)
Workgroup 2 and 3 – Refine solution(s), draft legal text, consider potential Workgroup Consultation questions and finalise Workgroup Consultation	4 March 2024 25 March 2024	Panel undertake DFMR recommendation vote	CUSC Panel Date 23 August 2024
Workgroup Consultation (15 Working Days)	27 March 2024 – 26 April 2024	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	27 August 2024 – 03 September 2024
Workgroup 5 – Review Workgroup Consultation responses, consider new points raised, refine solution, review legal text and discuss any potential alternatives	03 May 2024	Final Modification Report issued to Ofgem	05 September 2024
Workgroup 6 and 7 – Finalise solutions (including legal text) and alternatives and hold alternative vote. Finalise Workgroup Report and hold Workgroup Vote	20 May 2024 10 June 2024	Ofgem decision	By 30 September 2024
Workgroup Report issued to Panel (5 working days)	20 June 2024 (Papers Day)	Implementation Date	01 April 2025



Review Terms of Reference

All

CMP426 Terms of Reference

Workgroup Term of Reference

a) Consider EBR implications

b) Consider the appropriate users ~~to face charges relating to recover the cost for~~ boundary reinforcement circuits in the Holistic Network Design.

c) Assess the appropriateness of ~~reflecting recovering~~ boundary reinforcement costs ~~within via~~ the Wider TNUoS tariff.

d) Consider any subsequent impacts to consumers based on the proposed solution.



**Proposer's Solution: Background;
Proposed Solution;
Scope; and
Assessment vs Terms of Reference**
Nitin Prajapati – Proposer



CMP426

**TNUoS charges for
transmission circuits
identified for the HND as
onshore transmission**

Workgroup 1: February 2024

Background

- The ESO published the Holistic Network Design (HND) in July 2022, to help facilitate a more coordinated approach to offshore wind connections.
- This was followed by the Authority publishing an [asset classification decision](#), classifying HND assets as either onshore transmission, radial offshore transmission or non radial offshore transmission.
- Onshore transmission represents reinforcement of a congested onshore boundary to convey electricity generated from a congested region behind that boundary onshore, to other parts of the onshore system with a demand bias.
 - This is effectively boundary reinforcement to convey surplus electricity from the north of Britain to the south.
- CUSC section 14.15.35 confirms *‘Generators directly connected to a Main Integrated System (MITS) node will have a zero local circuit tariff’*, and 14.15.33 defines the criteria for a MITS node as follows:
 - *‘14.15.33 Main Interconnected Transmission System (MITS) nodes are defined as:*
 - *Grid Supply Point connections with 2 or more transmission circuits connecting at the site; or*
 - *connections with more than 4 transmission circuits connecting at the site.’*

Defect

- When applying the current rules, any generators which are not directly connected to a MITS node but nonetheless directly connected to a circuit being effectively utilised as onshore boundary reinforcement, would be subject to the local tariff to recover the cost of that circuit.
- This would not be cost-reflective, as the primary purpose of these types of circuit is boundary reinforcement to the benefit of a number of users.
 - So it would not be appropriate to recover the cost of these circuits or future circuits used for boundary reinforcement predominantly from a specific user.
- A methodology change is therefore required to ensure the recovery of the cost of an HND circuit which is utilised as boundary reinforcement is not predominantly, or wholly, from a specific generator via a local circuit charge, but instead recovered from wider users.

Solution

Overview of Solution

This modification proposes to review the cost recovery of HND circuits that are utilised as boundary reinforcement in the HND or future iterations of the HND to ensure they are not predominantly recovered by a specific user, but by wider users of the network.

- A number of options have been explored as part of the Offshore Coordination Code Modification Subgroup and the preferred approach is to recover the costs via the wider tariff.
- To enable this, the circuits utilised for boundary reinforcement would need to be classed as a wider circuit.
- To ensure these circuits are classed as a wider circuits, it is proposed that CUSC section 14 is updated to outline that wider charges are based on the current definitions, plus any circuit deemed by the Authority to be 'onshore reinforcement.'
- This would effectively ensure that any circuit in the HND/HND follow up process that is used as boundary reinforcement would be classed as a wider rather than as a local circuit, therefore its cost would be recovered via wider TNUoS charges.

Solution Continued

Legal Text and Implementation Considerations

- It is proposed the legal text would be outlined between CUSC section 14.15.35 - 14.15.36 to reflect that circuits deemed to be 'onshore reinforcement' would not be subject to a local charge.
- Through the workgroup process consideration will also be given to other areas of CUSC section 14 that may need updating to ensure recovery through the wider tariff.
- The proposed implementation date is April 2025 to align to a charging year and ensure generators have visibility of the charging methodology to aid investment decisions.

Benefits of Solution

- The purpose of the circuit is reflected in the charging methodology, improving cost-reflectivity.
- Future-proofs the methodology for any additional offshore circuits deemed to be boundary reinforcement.
- Should better incentivise investment by new offshore generators, including in circumstances where a boundary reinforcement might optimally be a feature of network designs, as it removes charging risk.
- Fairly simple approach to implement.

Key Considerations for Discussion

- Is the Wider Tariff an appropriate route to recover the costs of onshore transmission circuits in the HND?
- Is CUSC section 14.15.35 - 14.15.36 the most appropriate section to include the legal text?
- Are there any other areas of CUSC that would require updating to ensure recovery through the Wider tariff?



Cross Code Impacts

Claire Gault – ESO Code Administrator



CMP428 Overview

Nitin Prajapati – Proposer



CMP428
User Commitment Liabilities
For Onshore Transmission Circuits
In The HND

Workgroup 1, February 2024

Background

- The Holistic Network Design (HND) was published in July 2022 to facilitate a more coordinated approach to offshore wind connections.
- The Authority then published an [asset classification decision](#), classifying HND assets as either onshore transmission, radial offshore transmission or non radial offshore transmission.
- [CMP426](#) was raised in November to propose the TNUoS charges applicable for onshore transmission circuits in the HND and the this modification (CMP428) considers onshore transmission circuits from a User Commitment perspective.
- Onshore transmission delivers wider system benefit to transport electricity from a congested region behind that boundary onshore to other parts of the onshore system with a demand bias.
- CUSC section 11 outlines the definition of Attributable Works as follows:

“Attributable Works”

those components of the **Construction Works** which are required (a) to connect a **Power Station** or **Interconnector** which is to be connected at a **Connection Site** to the nearest suitable **MITS Node**; or (b) in respect of an **Embedded Power Station** from the relevant **Grid Supply Point** to the nearest suitable **MITS Node** (and in any case above where the **Construction Works** include a **Transmission** substation that once constructed will become the **MITS Node**, the **Attributable Works** will include such **Transmission** substation) and which in relation to a particular **User** are as specified in its **Construction Agreement**;

Defect/Methodology Challenge

- The current definition of Attributable Works would lead to certain onshore transmission circuits in the HND being classed as Attributable Works.
- This would result in Generators connected to onshore transmission circuits in the HND being responsible for liabilities associated with these circuits which deliver wider system benefit.
- The purpose of onshore transmission circuits in the HND are to reinforce the onshore network and therefore deliver wider system benefit, so applying the current definition would mean unjustifiable and significant financial liabilities for certain generators in the HND.
- This would not be cost reflective as developers would be securing works associated with onshore transmission circuits which serve a broader purpose for wider users.
- Therefore, a methodology change is required to ensure the User Commitment liabilities for generators connected to onshore transmission circuits in the HND are cost reflective.

Solution

- User Commitment liabilities for onshore transmission circuits in the HND or future iterations of the HND will not be classed as Attributable Works.
- To enable this, it is proposed the Attributable Works definition in CUSC section 11 is amended to create an exception for works deemed by the Authority to be wider works.
- It is suggested the Attributable Works definitions is amended as per the red text below:
 - ‘those components of the Construction Works which are required (a) to connect a Power Station or Interconnector which is to be connected at a Connection Site to the nearest suitable MITS Node or (b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node (and in any case above where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation) and which in relation to a particular User are as specified in its Construction Agreement; **but excluding in each case any [Excepted Works];**
- A new definition would then be created in CUSC section 11 for ‘Excepted Works’ as follows.
 - **‘Any Construction Works which have been designated as “onshore transmission (reinforcement)” by the Authority in its decision of 19 October 2022 on the classification of assets included in The Company’s first “holistic network design” or in any further decisions by the Authority on the classification of assets included in The Company’s subsequent “holistic network design”.**

Benefits of Solution

- The purpose of the circuit is reflected in the User Commitment methodology, helping with cost reflectivity.
- The principles outlined in this solution compliment CMP426, to provide consistency in approach.
- Future-proofs the methodology for any circuits designated not to be Attributable Works by the Authority.
- Fairly simple to implement.

CMP428 Terms of Reference

Workgroup	Term of Reference
a)	Consider EBR implications
b)	Consider if the solution creates inconsistent treatment between non-Holistic Network Design (HND) onshore transmission circuits and HND circuits with similar attributes as determined by the Authority, and if so is this acceptable
c)	Consider the impact on the calculation of the Wider Cancellation Charge within the User Commitment Methodology
d)	Consider how to best ensure transparency of the treatment of the 'Excepted Works'

Terms of Reference

a) Consider EBR implications

- No impacts on EBR.

b) Consider if the solution creates inconsistent treatment between non-Holistic Network Design (HND) onshore transmission circuits and HND circuits with similar attributes as determined by the Authority, and if so is this acceptable.

- This question is a broader consideration that falls outside the scope of the modification.
- The scope of this modification is narrow as it proposes that onshore transmission circuits in the HND are not classed as Attributable Works to ensure the purpose and use of the circuit is taken into consideration within the methodology.
- The treatment and purpose of non HND onshore transmission circuits is outside the scope of the modification.
- This broader question of whether it is 'acceptable' is a consideration for consultation responses and also form part of the Authority decision.

Terms of Reference

c) Consider the impact on the calculation of the Wider Cancellation Charge within the User Commitment Methodology

- If Works are not attributable, these should fall into the Transmission Owner's (TO) CAPEX forecast and therefore flow into the Wider Cancellation Charge.
- The cost of the reinforcement is allocated into a specific TO's CAPEX.
- The ESO receive a CAPEX forecast for wider works from the TO's.
- The Capex is allocated across the ETYS boundaries using their contracted background.
- The volume of MW to be connected in each ETYZ zone over a 4 year period (post trigger date) is considered and the CAPEX costs are spread across the zones using the proportion of the total MW contracted to connect in that zone.

d) Consider how to best ensure transparency of the treatment of the 'Excepted Works'

- Through the modification process, industry will have visibility of the changes in CUSC so transparency is a natural outcome of the modification process.
- In terms of a ongoing basis and how the industry will know what is included and excluded in Excepted Works:
 - The solution and legal text clearly define and link the Authority's publication and decision on asset classification confirming what is included in Excepted works.
 - This defines what is considered to be Excepted works.



Any Other Business

Claire Goult – ESO Code Administrator



Next Steps

Claire Goult – ESO Code Administrator

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