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CMP402 Introduction of Anticipatory Investment (AI) principles within the User Commitment Arrangements

Workgroup 15 - Friday 10 November 2026

Online Meeting via Teams

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Agenda

Topics to be discussed	Lead
Introductions	Chair
Code Modification Process Overview • Workgroup Expectations, Roles and Membership	Chair
Objectives and Timeline • Walk-through of the timeline for the modification	Chair
Review Terms of Reference	All
Proposer presentation - Updated Solution	Proposer
Draft Legal Text Review	All
Update and agree Terms of Reference	All
Cross Code Impacts	All
Any Other Business and Next Steps	Chair

WELCOME



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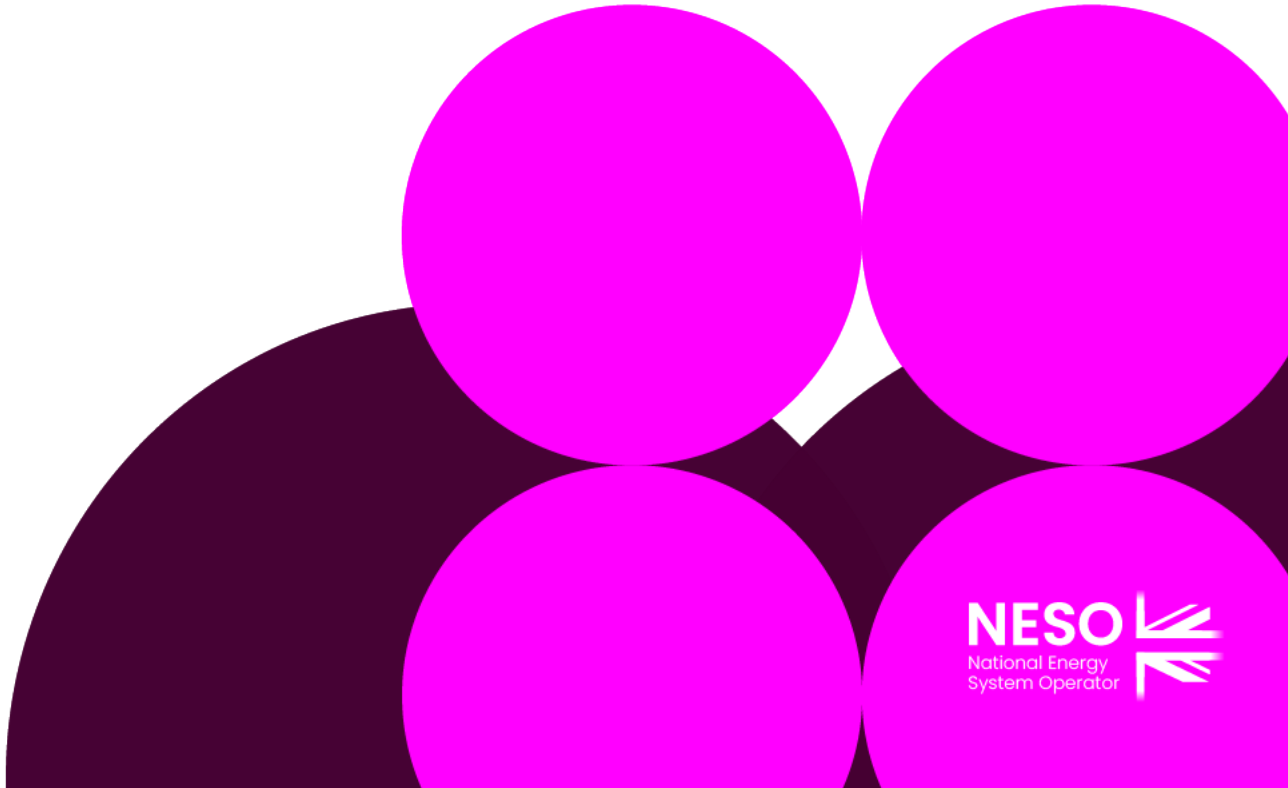
Modification Process

Claire Goult

NESO Code Administrator



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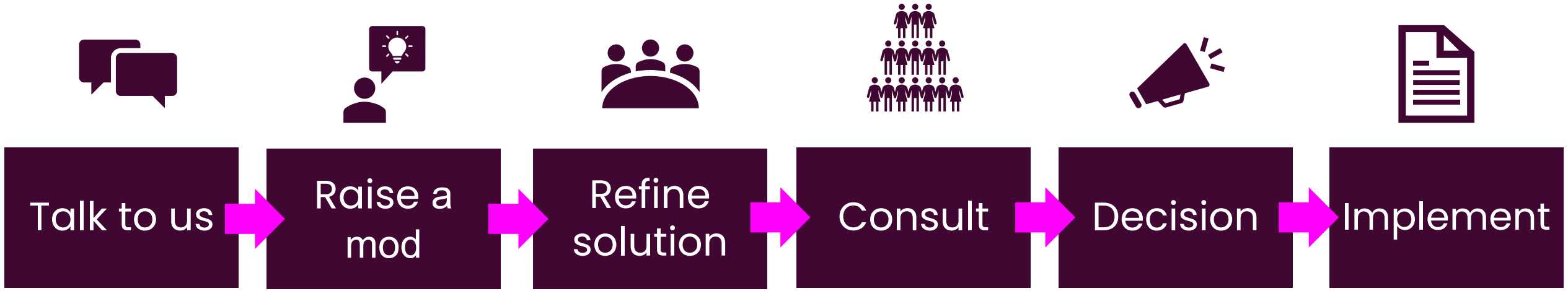
Code Modification Process Overview



Forums	Panel	Workgroups	Second Workgroup Consultation (Workgroup Report and Vote) Code Administrator Consultation	DFMR FMR Ofgem

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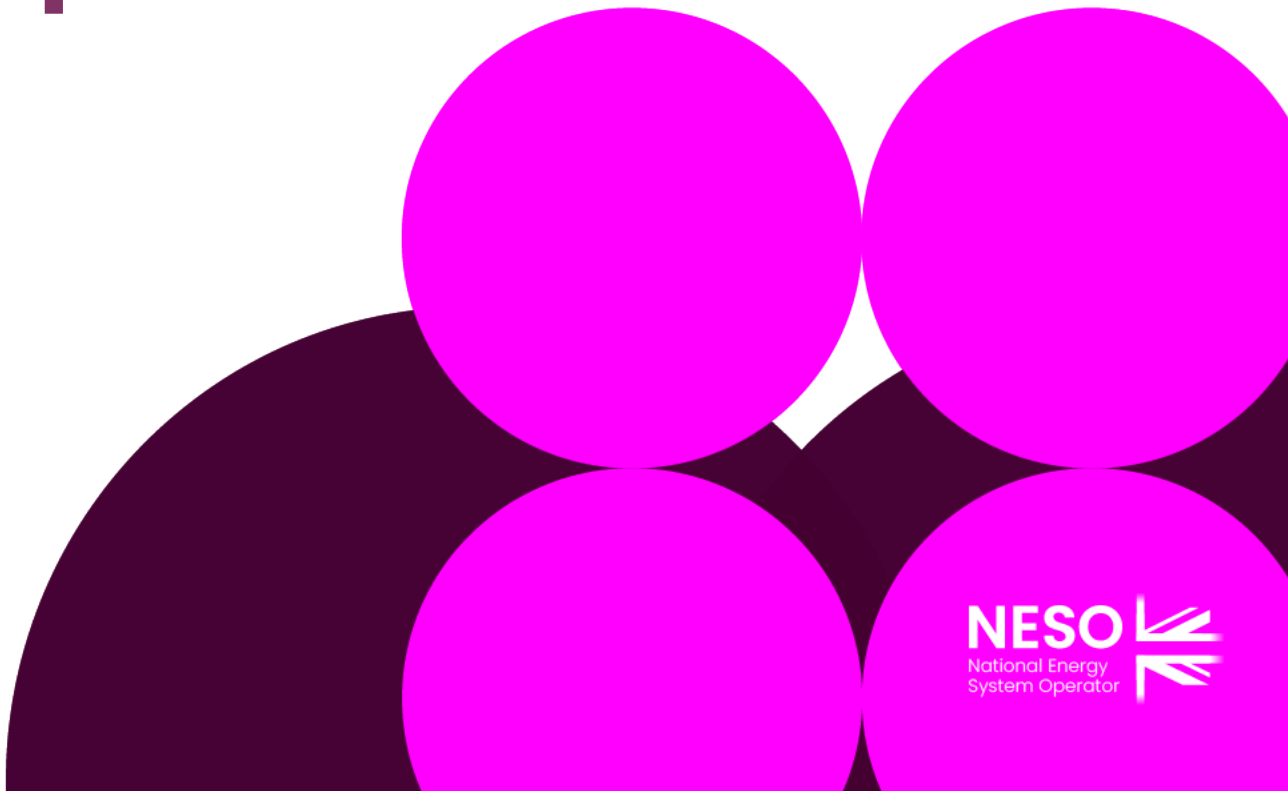
Workgroup Expectations, Roles and Membership

Claire Goult – NESO 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

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Workgroup Membership

Role	Name	Company	Industry Sector
Proposer	Stephen Dale	NESO	System Operator
Workgroup member	Claire Hynes	RWE Renewables Ltd	Generator
Workgroup Member	Damian Clough	SSE Generation Ltd	Generator
Workgroup Member	Lamin Saidy Vulart	Qair Renewables UK Limited	Generator
Workgroup Member	Matthew Paige-Stimson	National Grid Electricity Transmission	Onshore Transmission Licensee
Workgroup Member	Øyvind Bergvoll	Equinor New Energy Limited	Offshore Transmission Licensee
Workgroup Member	Umer Ameen	BP	Generator
Observer	Ayda Esfandyari	The Crown Estate	Offshore Transmission Licensee/ Seabed Leasing Authority
Observer	Joel Matthews	Diamond Transmission UK	Offshore Transmission Licensee
Observer	Jonathon Hoggarth	EDF Renewables UK	Generator
Authority Rep	Christopher Patrick	Ofgem	Authority Representative

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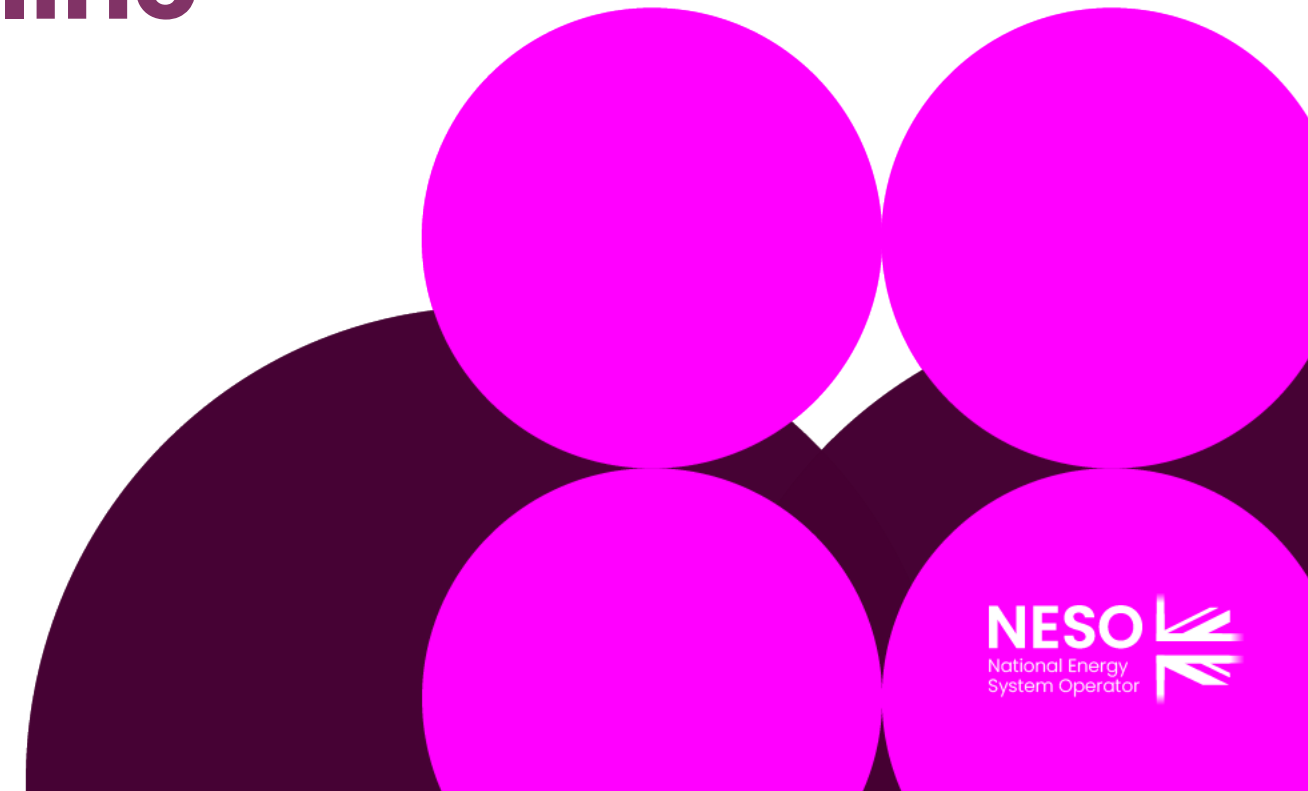
Objectives and Timeline

Claire Goult – NESO Code Administrator



Timeline

Objectives

To review the updated solution and legal text

Workgroups		
Workgroup 15	10 November 2026 (9-12)	Proposer's presentation/ Review Draft Legal Text
Workgroup 16	25 November 2026 (9-12)	Update Second Consultation
Second Workgroup Consultation	**27 November 2026 to 21 December 2026 (15 Business Days)**	
Workgroup 17	12 January 2027 (9-12)	Review consultation responses and legal text update discussion
Workgroup 18	16 February 2027 (9-12)	Review and Finalise Legal Text
Workgroup 19	03 March 2027 (9-12)	Finalise Report/Workgroup Vote
Post Workgroups		
Workgroup Report to Panel	**18 March 2027**	**Panel 24 March 2027**
Code Administrator Consultation	**01 April 2027 – 22 April 2027 (1 month Grid Code)**	
Draft Final Modification Report to Panel	20 May 2027	Panel on 28 May 2027
Final Modification Report to Ofgem	11 June 2027	Decision TBC
Implementation Date	TBC	

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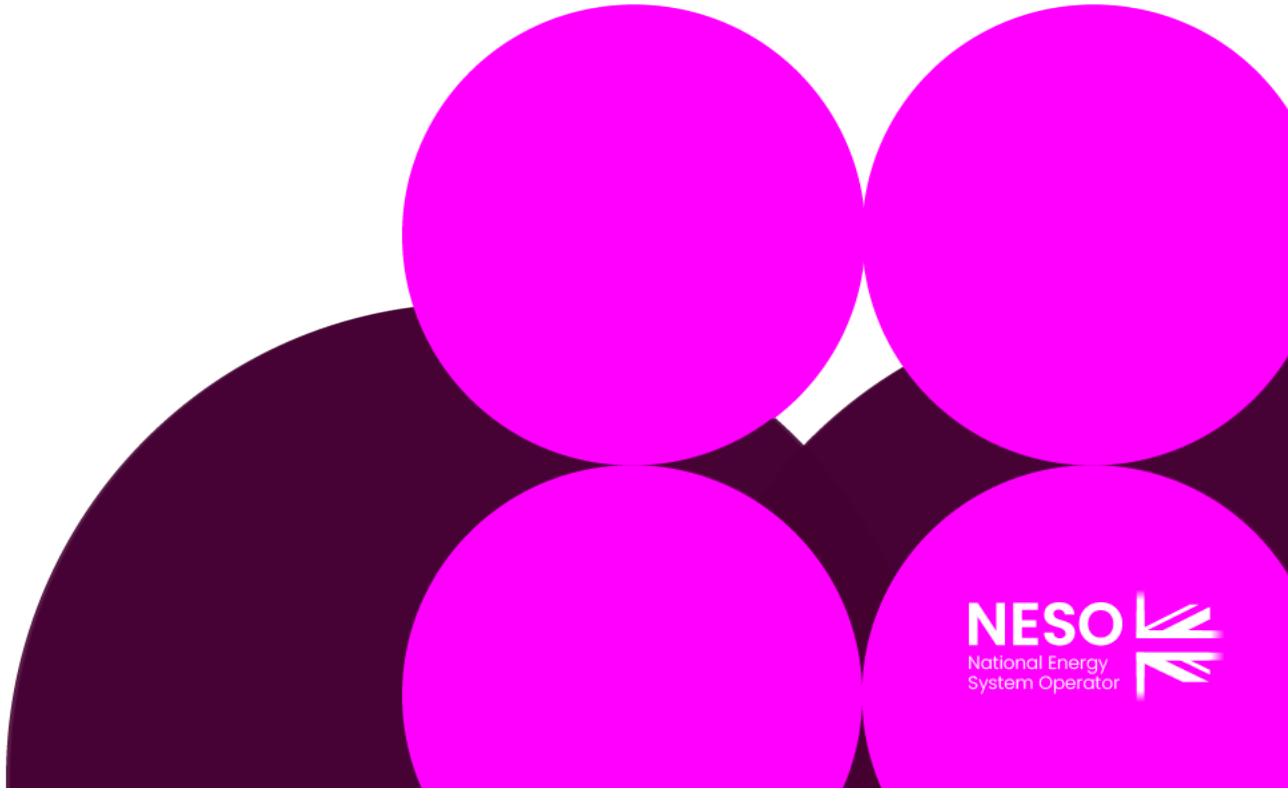
Terms of Reference Review

All



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Terms of Reference

a) Consider EBR implications
b) Consider the assumptions made to support the proposed principles for the extension to the User Commitment arrangements to incorporate the Anticipatory Investment cost liability
c) Consider how the liabilities could be calculated and passed onto the later User(s) who will be benefiting from shared offshore assets that are being developed and built by the initial generator as part of a non-radial offshore connection.
d) Consider what proportion of the Anticipatory Investment cost should be secured by the later User(s) who will be benefiting from shared offshore assets that are being developed and consider the calculation for this.
e) Consider the appropriate sharing factor that should be applied to the Anticipatory Investment cost pre and post the later User's Final Investment Decision
f) Consider if and how the sharing factor will change in the event that there is more than one generator dependent upon the Anticipatory Investment being provided by the original generator
g) Consider if the current User Commitment principles for secured amounts against liability apply in the same way for Anticipatory Investment liability i.e. 100% pre-trigger date, 42% post trigger date and 10% consented?
h) Consider cross code impacts (including CUSC Modifications that may also be raised)

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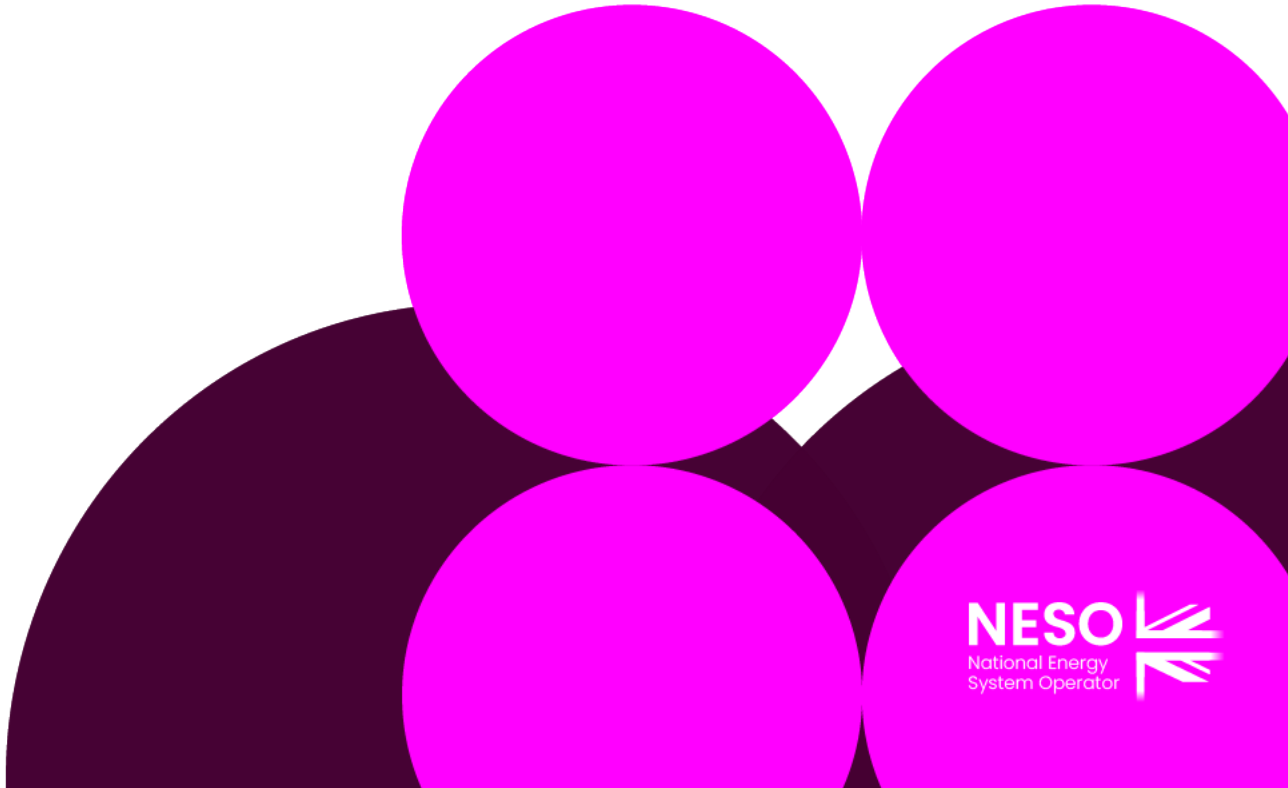
CMP402 Updated Solution

Stephen Dale – NESO



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CMP402 Background

- The aim of the modification is to introduce the principle of AI into the User Commitment arrangements via CUSC Section 15.
- The current approach to AI for offshore Generators has been reviewed because Generators have not been incentivised to undertake AI for future projects. Therefore, Ofgem has introduced a new AI concept to increase coordination between Generator projects and minimise the allocation of AI cost risk to consumers.
- Ofgem has noted that “the extension of user commitment arrangements to offshore transmission assets to cover any potential later user of offshore transmission assets funded by AI is intended to demonstrate commitment from the potential later user and demonstrates seriousness of purpose.”

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The Issue

- The initial reasoning for the scaling of the pre-trigger liabilities was to help reflect the relative size and costs of offshore assets compared to onshore assets.
- However, Ofgem and the Workgroup asked for clear rationale as to **why** these liabilities had been scaled this way.
- Whilst NESO performed some additional analysis to try to show the justification for the scaling of these values ultimately, NESO were unable to clearly define why the liabilities should be scaled this way compared to the onshore methodology.
- This led to the Workgroup being paused whilst NESO re-assessed their solution.

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CMP402 Updated Solution

Pre-trigger Date

Pre –trigger date values, the liabilities would vary according to the financial years from the date of the construction agreement to the trigger date as follows (as reflected in Section 15 3.9):

- (a) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs; **or**
- up to the end of the first Financial Year [from the AI Cost Assessment Date/date of construction agreement] (i.e., t =1), a Pre Trigger Amount of (**£1/kW**)
- Where t = 2, a Pre Trigger Amount of (**£2/kW**)
- Where t ≥ 3 up to Trigger Date, a Pre Trigger Amount = (**£3/kW**)

Previously, the solution had introduced a scaled-up version of the liabilities (£2,4,6/kW), however due to a lack of clear justification for this specific increase, the solution has been amended to reflect the liabilities already in place for the onshore methodology.

Justification for this change is to have further consistency between the onshore and offshore methodology to allow for no disparity, creating fairness. It allows a level playing field for incentivising AI for further investment.

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Solution Continued

Post trigger Date

Post trigger date liabilities, once the early stage assessment process is run by Ofgem the developer has a choice of either fixing their liabilities post trigger (option 1) or basing their liabilities on actual costs (option 2).

- **Option 1 Fixed**: 67% of the AI cost as determined at the early-stage assessment. If costs change, the liabilities would be fixed at 67% of the AI costs for each of the years post trigger.
- **Option 2 Actual**: based on actual costs (developer would provide actual costs to date and updated forecast costs going forward on a 6 monthly basis) based on profile outlined in CUSC Section 15 part 3.10:

  67% AI Cost =

  $AI\ Profile_t$ varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:

  - In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,
  - In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;
  - In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and
  - In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile, = 0. 25.

Where there is more than one later user relying on the same Offshore Transmission System Developer User Works (OTSDUW) (AI) the 67% AI costs will be adjusted by the sharing factor between the later users in the calculation of the AI (post trigger date) cancellation charge.

Sharing Factor = where the OTSDUW (AI) are also required for other Later Users the 67% AI Costs shall be shared prorata on a MW basis between the Later Users

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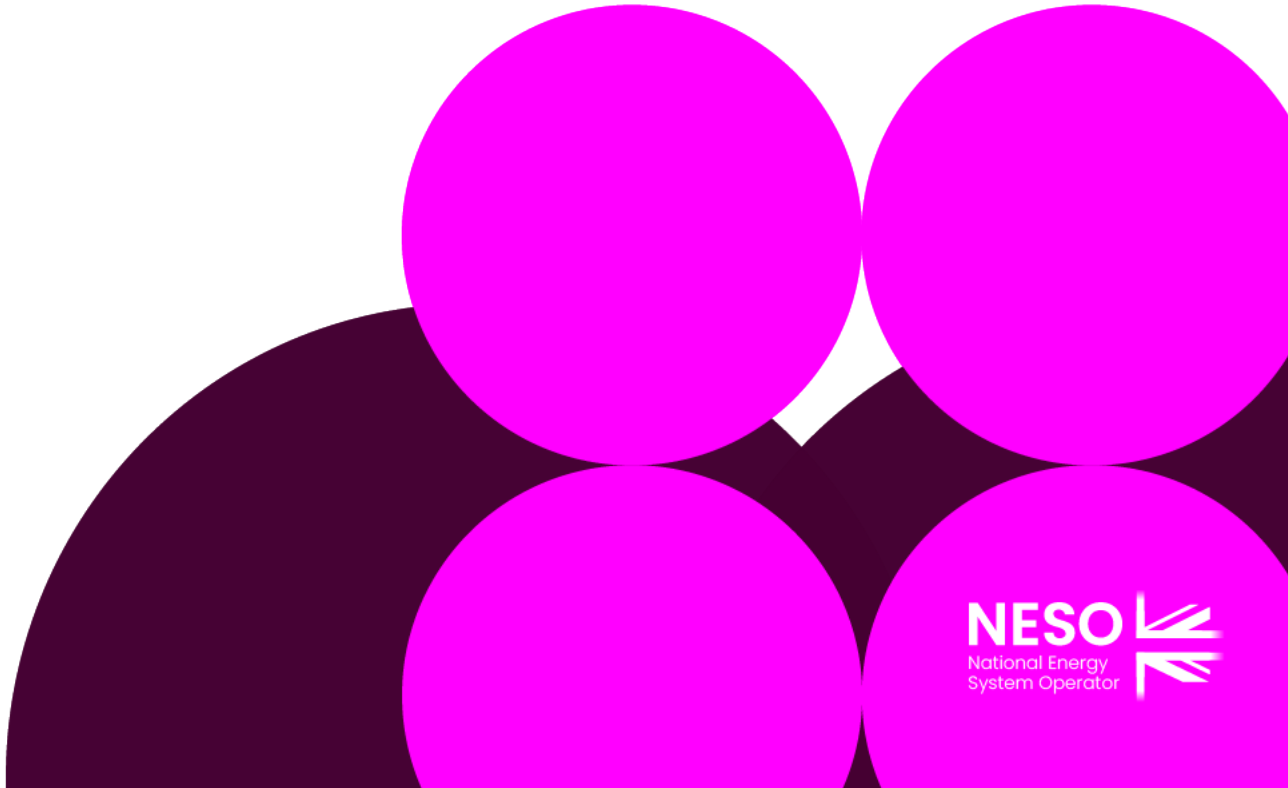
Draft Legal Text Review

Stephen Dale - NESO



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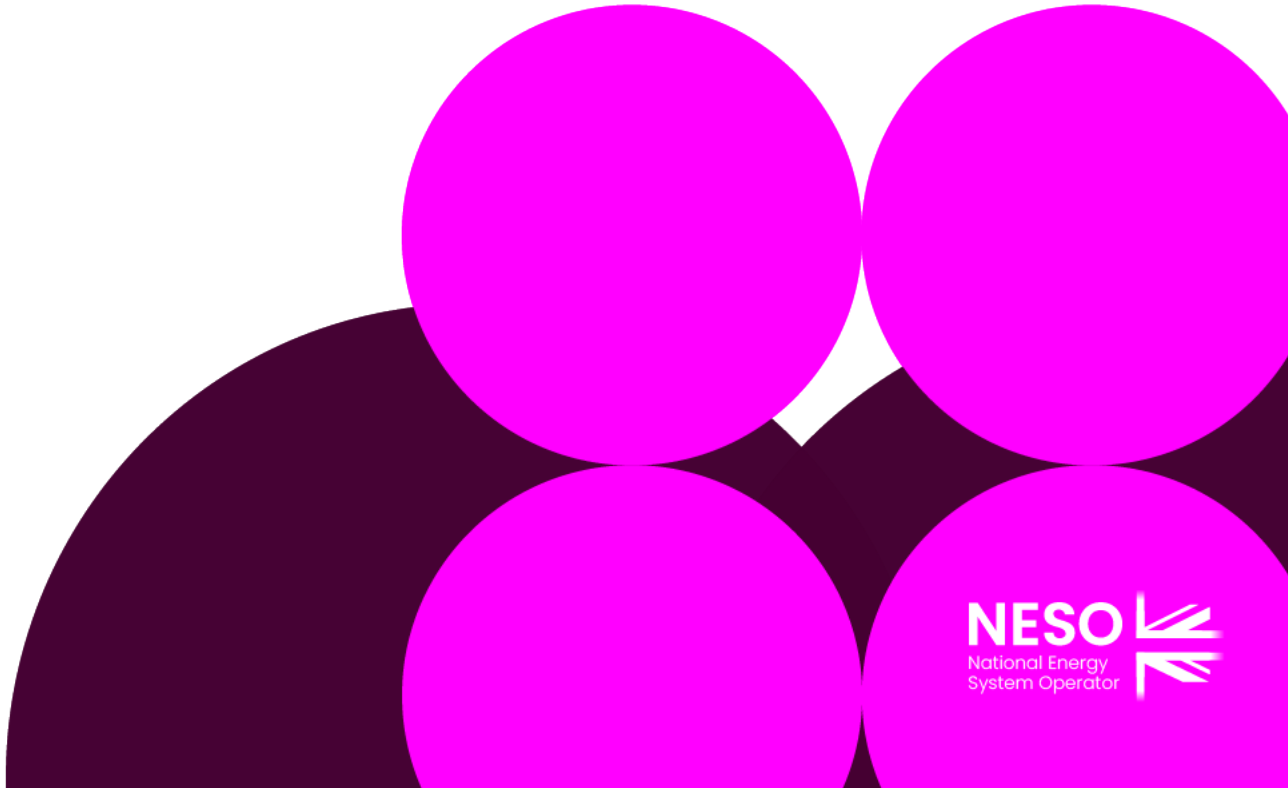
Agree Terms of Reference

Claire Goult

NESO Code Administrator



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Terms of Reference

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Cross Code Impacts

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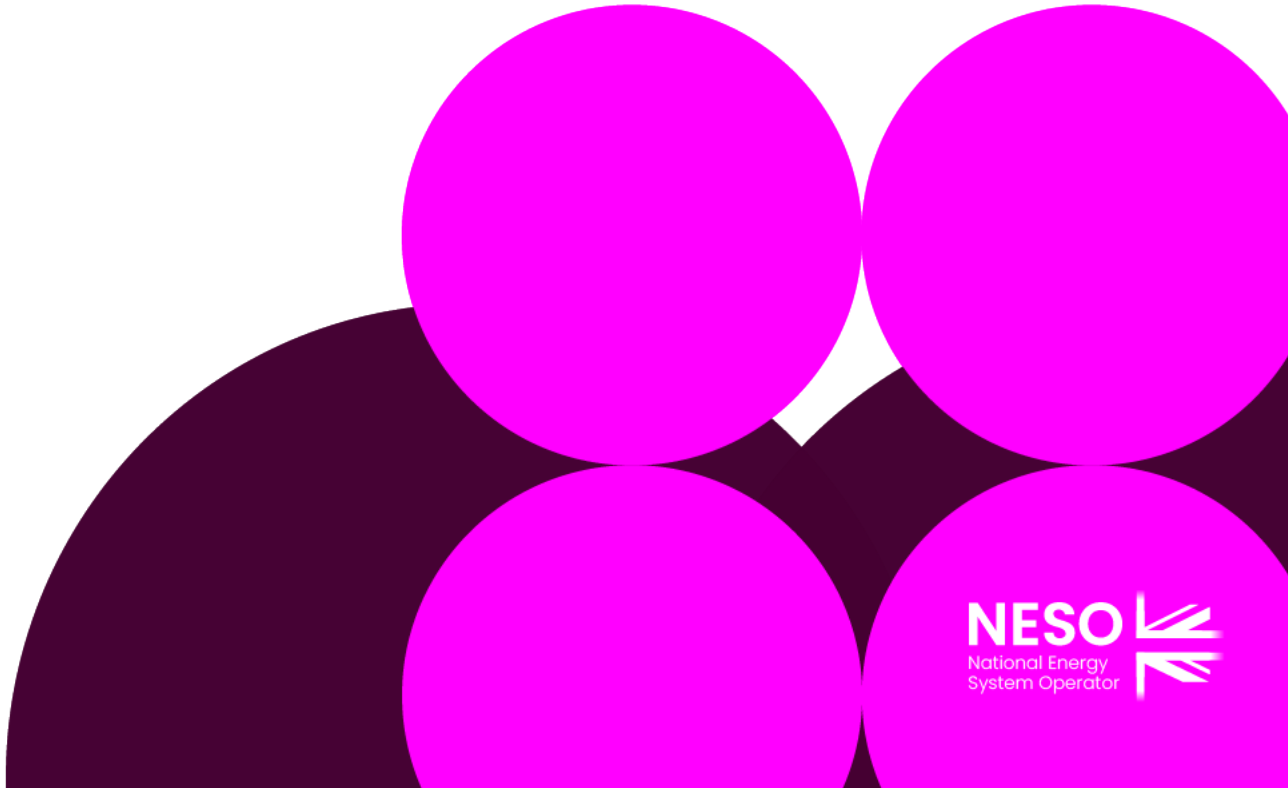

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Question for the Group

The Panel have approved the work to progress on the basis that the development of Offshore solutions is in the Ofgem Strategic direction Statement (SDS)

Currently we have no Cross Code impacts identified. Do you agree?

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AOB and Next Steps

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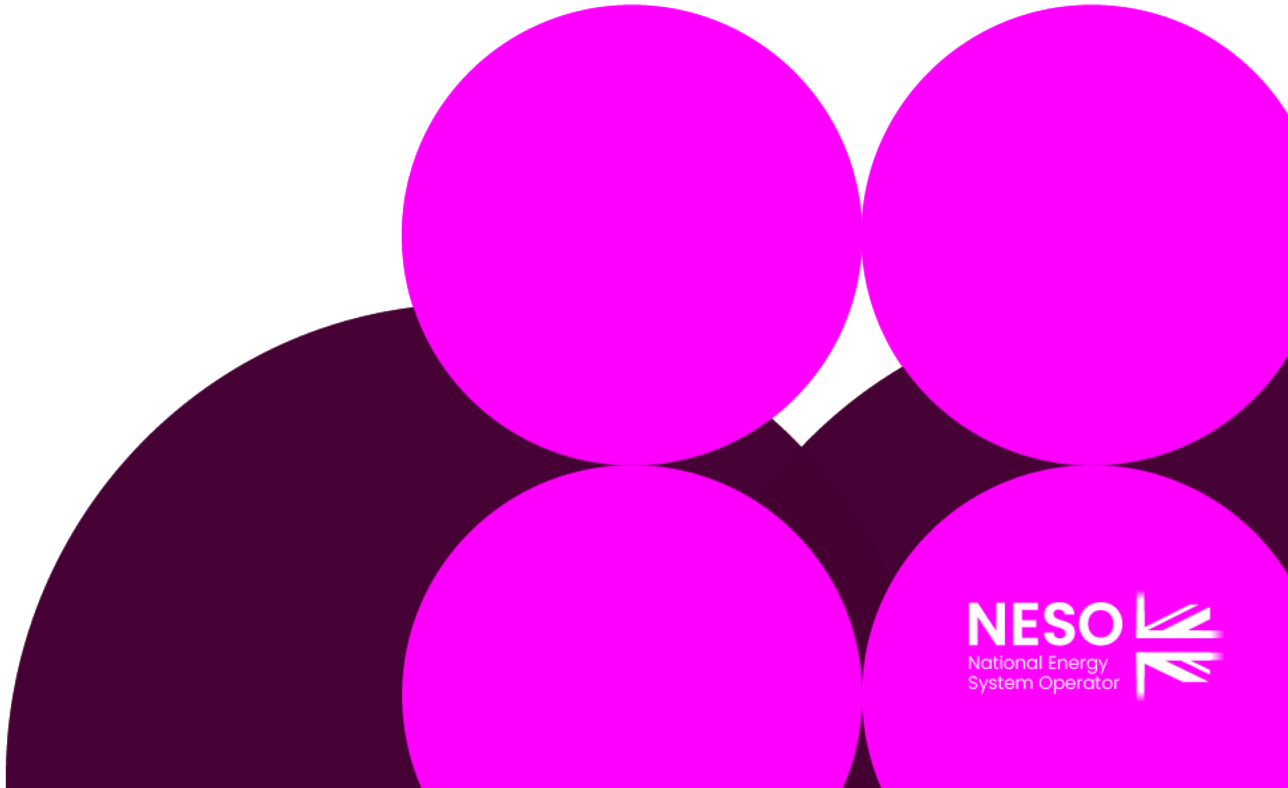
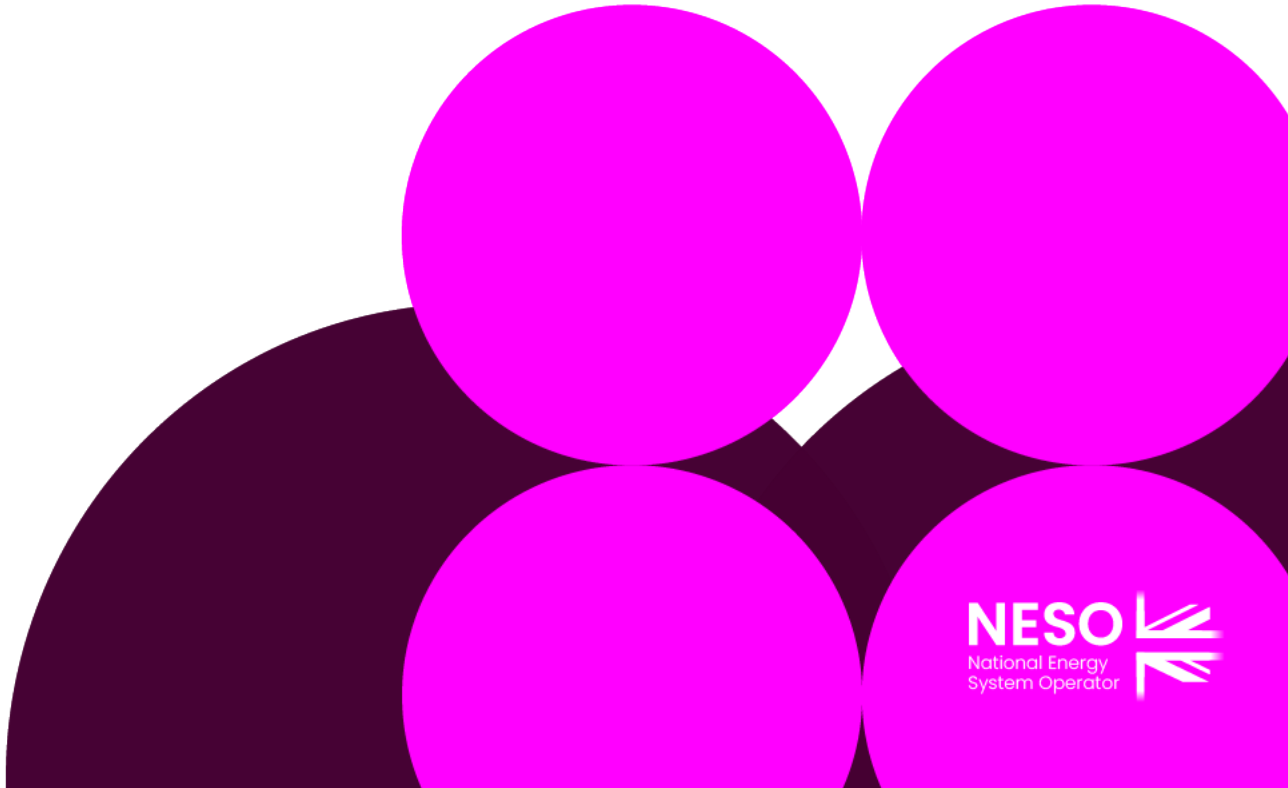


Appendix

Claire Goult – NESO Code Administrator



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Refine Solution

Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:

  further refine the solution, in their discussions and by holding a **Workgroup Consultation**

  Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification

  Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel

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Consult

Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.



Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented an appeals window is opened for 15 Business Days following the Final Self Governance Modification Report being published

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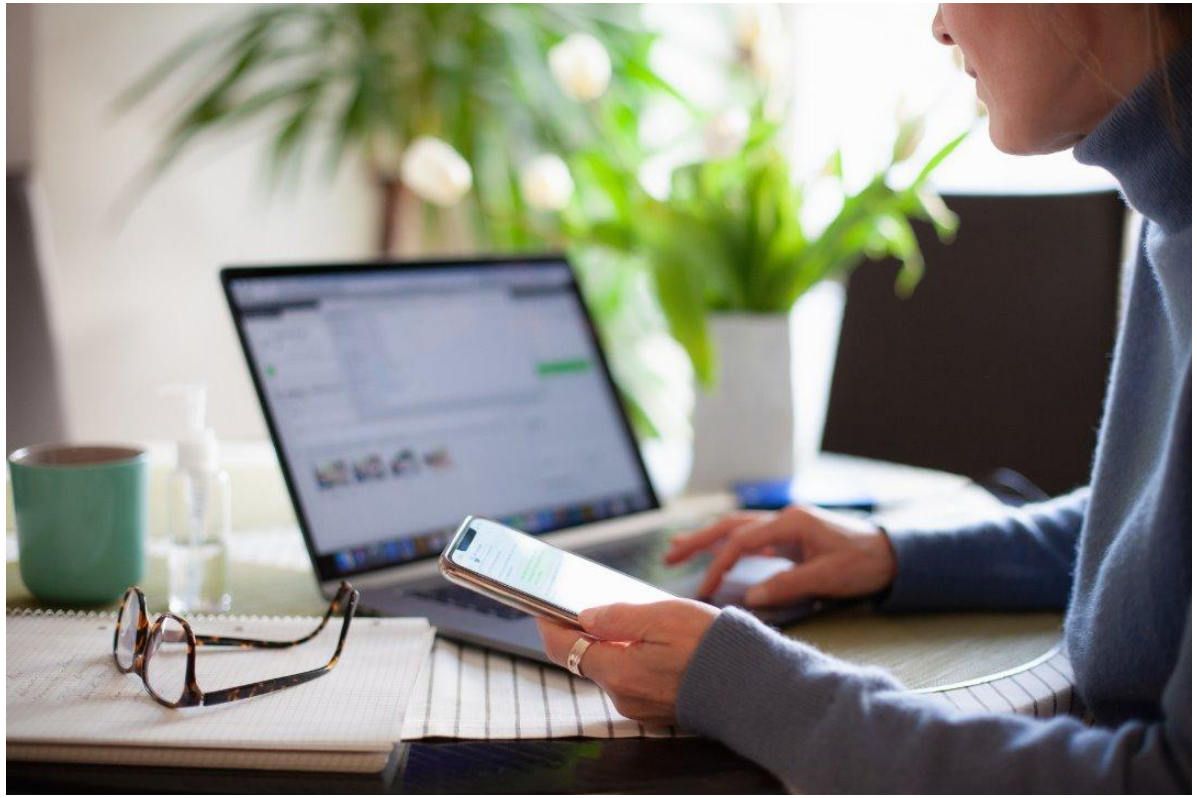
Implement

- The Code Administrator implements the final change which was decided by Ofgem on the agreed date.



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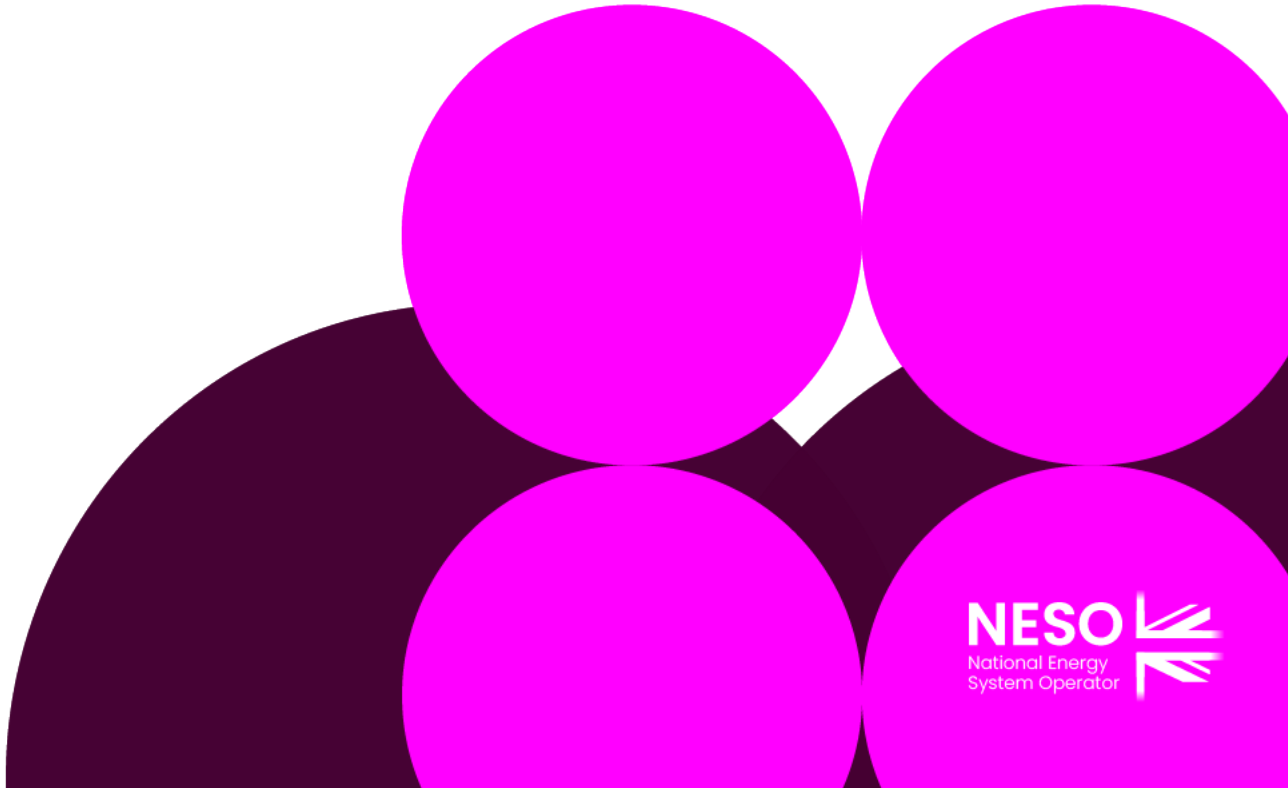
Workgroup Alternatives and Workgroup Vote

Claire Goult

NESO Code Administrator



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What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:
- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why the you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alterative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alterative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed Original solution, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

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Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided LIVE by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should 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 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.

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