

## Workgroup Terms of Reference and Membership

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

#### Responsibilities

1. The Workgroup is responsible for assisting the CUSC Modification Panel in the evaluation of CUSC Modification Proposal **CMP411** raised by **National Grid ESO** at the Modifications Panel meeting on **24 February 2023**. The proposal must be evaluated to consider whether it better facilitates achievement of the Applicable CUSC Objectives.

#### Applicable CUSC (charging) Objectives

- 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;
- 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);
- 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;
- 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.

#### Applicable CUSC (non-charging) Objectives

- a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
- b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
- c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and

- d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

\*The Electricity Regulation referred to in objective (c) 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.

2. It should be noted that additional provisions apply where it is proposed to modify the CUSC Modification provisions, and generally reference should be made to the Transmission Licence for the full definition of the term.

## Scope of work

3. The Workgroup must consider the issues raised by the Modification Proposal and consider if the proposal identified better facilitates achievement of the Applicable CUSC Objectives.
4. In addition, the Workgroup shall consider and report on the following specific issues:

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBR implications	
b) Consider Ofgem's decision on Anticipatory Investment (AI) (published 18 October 2022) and any further decisions/policy	
c) Consider application of the solution to the Holistic Network Design (HND) and Early Opportunities Projects to ensure principles can be applied to actual designs/offshore windfarm projects	
d) Consider how the AI Cost Gap* is recovered prior to and post the subsequent generator(s) connecting to the National Electricity Transmission System  <i>*The difference between what is payable to the OFTO by the subsequent generator(s) and cannot be recovered from them is referred to as the 'AI Cost Gap'</i>	
e) Consider how 'non- AI' and 'AI' values (determined by the early-stage assessment process for projects incurring any AI expenditure) would be	

recovered from both the initial and subsequent generator(s).	
f) Consider how stakeholders would get visibility of how the AI Cost Gap gets calculated and early visibility of the value.	
g) Consider the application of inflation and interest to relevant parties in terms of the cost to consumers and the cost to subsequent generator(s).	
h) Consider the potential duration of the AI Cost Gap.	
i) Consider the understanding of “known” as per Ofgem’s policy decision.	
j) Consider the impact on consumers including if subsequent generator(s) don’t connect to the National Electricity Transmission System.	

5. The Workgroup is responsible for the formulation and evaluation of any Workgroup Alternative CUSC Modifications (WACMs) arising from Group discussions which would, as compared with the Modification Proposal or the current version of the CUSC, better facilitate achieving the Applicable CUSC Objectives in relation to the issue or defect identified.
6. The Workgroup should become conversant with the definition of Workgroup Alternative CUSC Modification which appears in Section 11 (Interpretation and Definitions) of the CUSC. The definition entitles the Group and/or an individual member of the Workgroup to put forward a WACM if the member(s) genuinely believes the WACM would better facilitate the achievement of the Applicable CUSC Objectives, as compared with the Modification Proposal or the current version of the CUSC. The extent of the support for the Modification Proposal or any WACM arising from the Workgroup’s discussions should be clearly described in the final Workgroup Report to the CUSC Modifications Panel.
7. Workgroup members should be mindful of efficiency and propose the fewest number of WACMs possible.
8. All proposed WACMs should include the Proposer(s)’s details within the final Workgroup report, for the avoidance of doubt this includes WACMs which are proposed by the entire Workgroup or subset of members.

9. There is an obligation on the Workgroup to undertake a period of Consultation in accordance with CUSC 8.20. The Workgroup Consultation period shall be for a period of 15 working days as determined by the Modifications Panel.
10. Following the Consultation period, the Workgroup is required to consider all responses including any WG Consultation Alternative Requests. In undertaking an assessment of any WG Consultation Alternative Request, the Workgroup should consider whether it better facilitates the Applicable CUSC Objectives than the current version of the CUSC.

As appropriate, the Workgroup will be required to undertake any further analysis and update the original Modification Proposal and/or WACMs. All responses including any WG Consultation Alternative Requests shall be included within the final report including a summary of the Workgroup's deliberations and conclusions. The report should make it clear where and why the Workgroup chairperson has exercised his right under the CUSC to progress a WG Consultation Alternative Request or a WACM against the majority views of Workgroup members. It should also be explicitly stated where, under these circumstances, the Workgroup chairperson is employed by the same organisation who submitted the WG Consultation Alternative Request.

11. The Workgroup is to submit its final report to the Modifications Panel Secretary on **TBC** for circulation to Panel Members. The final report conclusions will be presented to the CUSC Modifications Panel meeting on **TBC**

## Membership

12. It is recommended that the Workgroup has the following members:

Role	Name	Representing
Chair		
Technical Secretary		
Proposer		
Workgroup Member		
Workgroup Member (Alternate)		
Workgroup Member		
Workgroup Member		
Workgroup Member (Alternate)		

Authority Representative		
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NB: A Workgroup must comprise at least 5 members (who may be Panel Members). The roles identified with an asterisk (\*) in the table above contribute toward the required quorum, determined in accordance with paragraph 14 below.

13. The chairperson of the Workgroup and the Modifications Panel Chairperson must agree a number that will be quorum for each Workgroup meeting. The agreed figure for this modification is that at least 5 Workgroup members must participate in a meeting for quorum to be met.
14. A vote is to take place by all eligible Workgroup members on the Modification Proposal and each WACM. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference). The Workgroup chairperson shall not have a vote, casting or otherwise. There may be up to three rounds of voting, as follows:

**Vote 1:** whether each proposal better facilitates the Applicable CUSC Objectives;

**Vote 2:** where one or more WACMs exist, whether each WACM better facilitates the Applicable CUSC Objectives than the original Modification Proposal;

**Vote 3:** which option is considered to BEST facilitate achievement of the Applicable CUSC Objectives. For the avoidance of doubt, this vote should include the existing CUSC baseline as an option.

The results from the vote and the reasons for such voting shall be recorded in the Workgroup report in as much detail as practicable.

15. It is expected that Workgroup members would only abstain from voting under limited circumstances, for example where a member feels that a proposal has been insufficiently developed. Where a member has such concerns, they should raise these with the Workgroup chairperson at the earliest possible opportunity and certainly before the Workgroup vote takes place. Where abstention occurs, the reason should be recorded in the Workgroup report.
16. Workgroup members or their appointed alternate are required to attend a minimum of 50% of the Workgroup meetings to be eligible to participate in the Workgroup vote.
17. The Technical Secretary shall keep an Attendance Record for the Workgroup meetings and circulate the Attendance Record with the Action Notes after each meeting. This will be attached to the final Workgroup report.
18. The Workgroup membership can be amended from time to time by the CUSC Modifications Panel