

CMP417: Extending principles of CUSC Section 15 to all Users – Workgroup 2

25 October 2023

Online Meeting via Teams

WELCOME



Agenda

#	Topics to be discussed	Lead
1.	Objectives and Timeline	Chair
2.	Terms of Reference Update	Chair
3.	Actions Review	Chair
4.	Final Sums Methodology	Tony Cotton
5.	Proposer Presentation and Questions	Proposer
6.	Timeline	Chair
7.	Cross Code Impacts	All
8.	Any Other Business	Chair
9.	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

Lizzie Timmins – ESO Code Administrator



Terms of Reference

Lizzie Timmins – ESO Code Administrator

Updated 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

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- d) Consider interactions with ESO connections reform recommendations
- e) Consider financial consequences to Users
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Actions Review

All

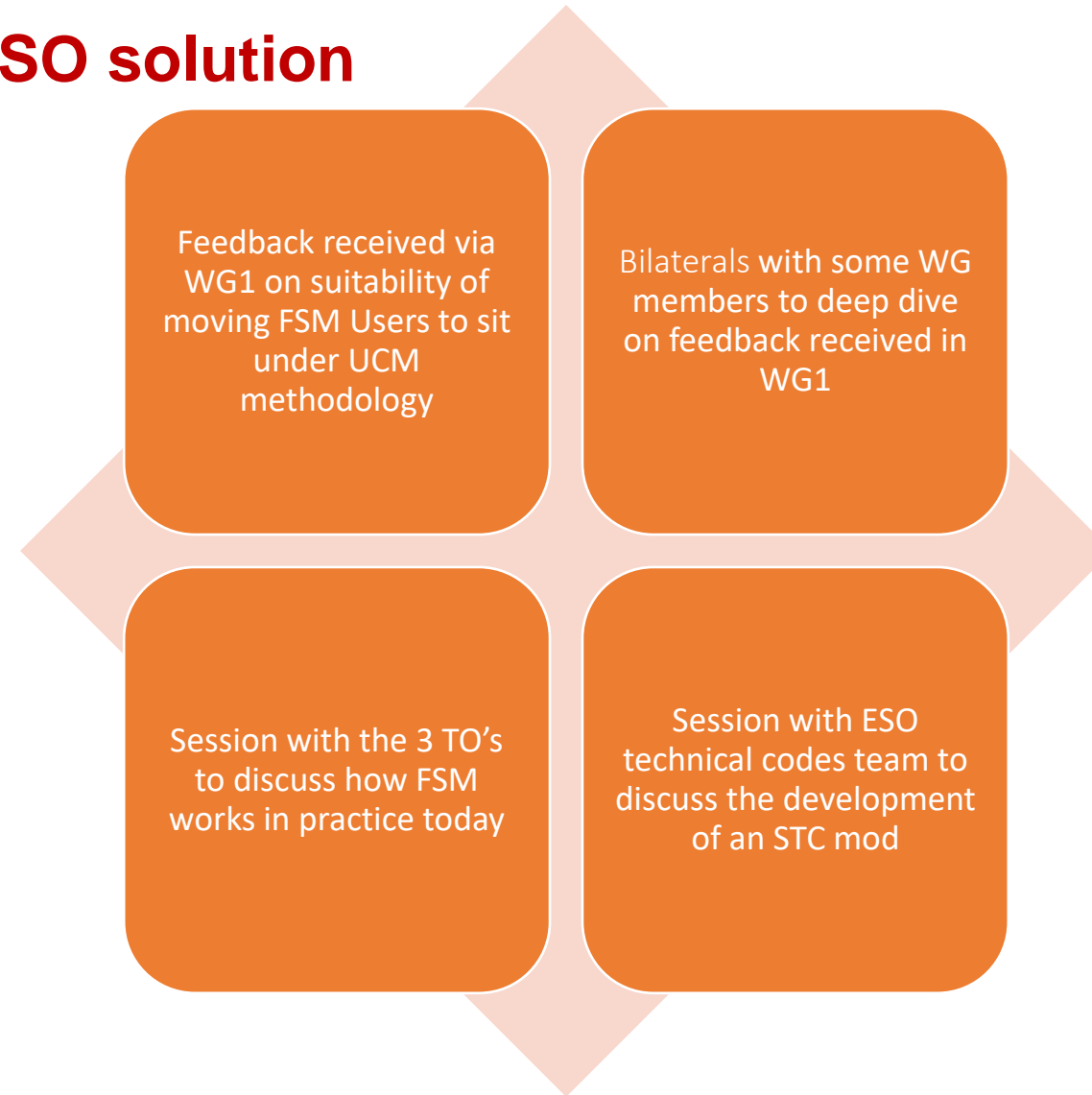
Actions Review

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG1	EW	Provide data on the difference between amount secured under CMP192 and actual cancellations	To be provided at Workgroup 3	WG2	Open
2	WG1	EW	Provide information on the amount of connections triggering transmission works	Still awaiting data	WG2	Open
3	WG1	EW/TC	Catch up offline regarding new works triggering Final Sums	Completed	WG2	Open – propose to close
4	WG1	AP	Investigate potential STC changes	Update to be provided within Workgroup 2	WG2	Open – propose to close
5	WG1	EW	Investigate the potential for negative costs if Demand is applied to wider works	Update to be provided within Workgroup 2	WG2	Open – propose to close

Actions Review

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
6	WG1	EW	Provide update on interim arrangements	Still being developed and reviewed internally	WG2	Open
7	WG1	AP	Look into definitions for attributable works for Demand and TIC	To be discussed during Workgroup 2	WG2	Open
8	WG1	EW	Provide justification for Workgroup Consultation that extending Section 15 is the correct solution	No longer relevant, due to solution being amended	WG2	Open – propose to close
9	WG1	AP	Provide draft legal text	To be provided by legal after solution is agreed within the Workgroup	WG2	Open
10	WG1	LT	Provide Terms of Reference update to CUSC Panel	Update approved by Panel and provided to Workgroup in Papers	21/09/23	Open – propose to close

Development of ESO solution





Final Sums Methodology

Tony Cotton - Energy Technical & Renewable Services Ltd

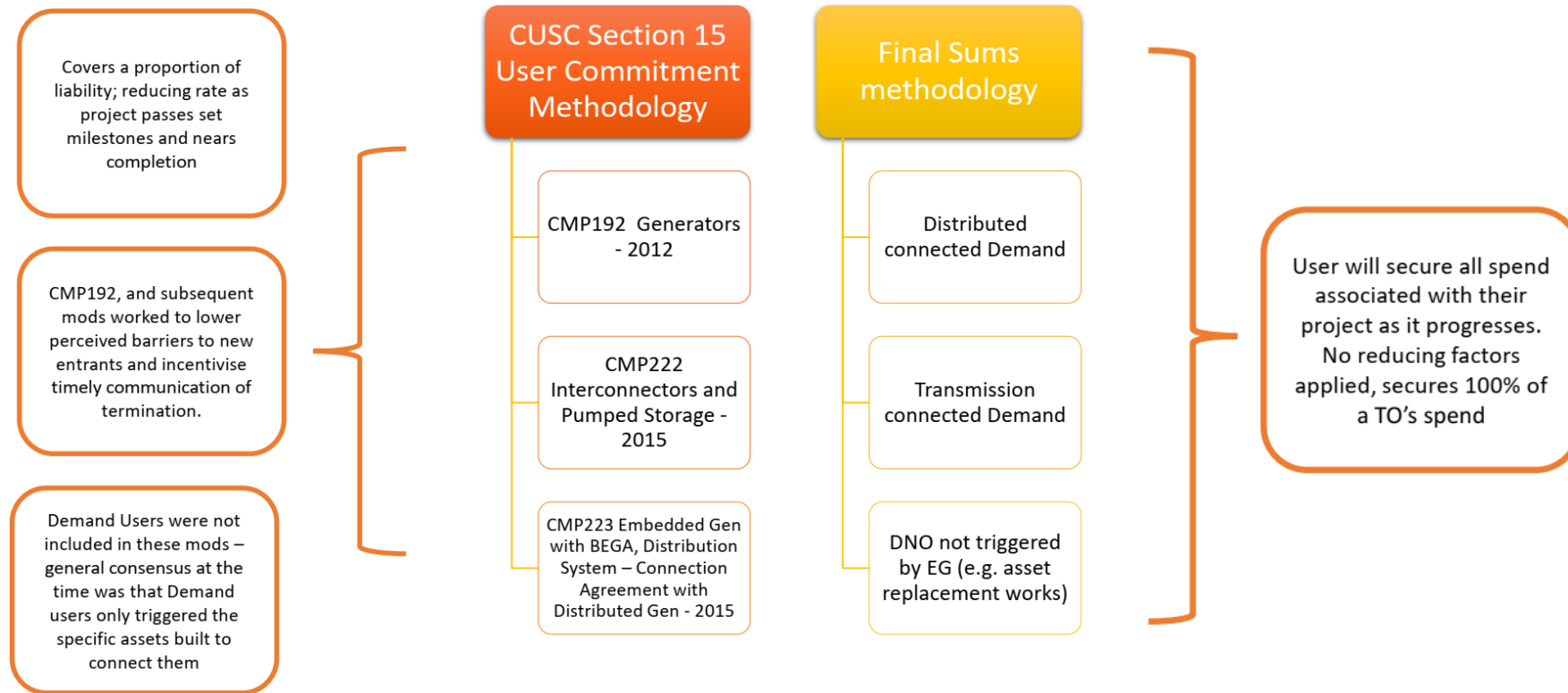
Final Sums Liabilities and Securities – An Overview

Tony Cotton

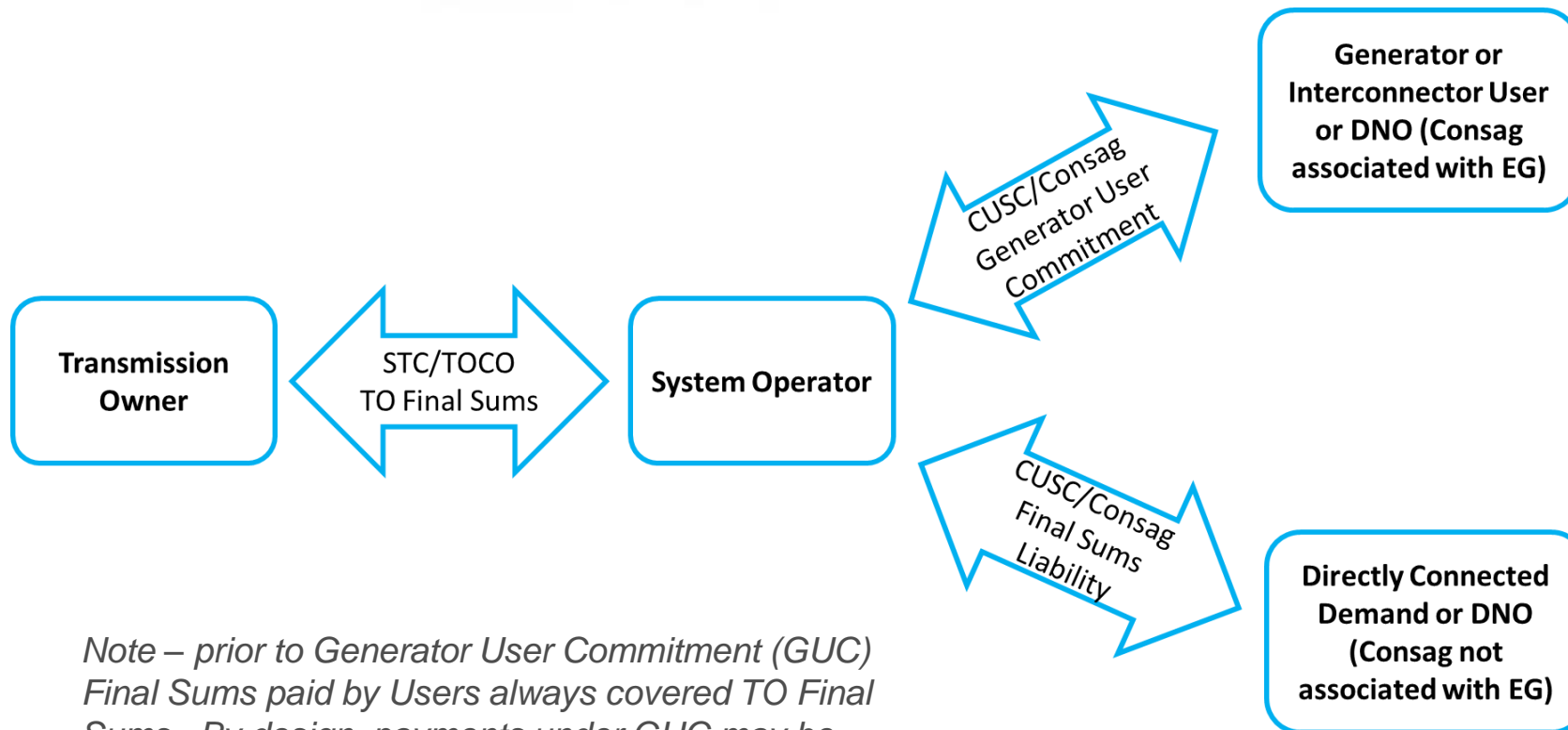
**Director, Energy Technical &
Renewable Services Ltd**



Context (1)



Context (2)



Note – prior to Generator User Commitment (GUC) Final Sums paid by Users always covered TO Final Sums. By design, payments under GUC may be less than or more than TO Final Sums, with the difference going into TNUoS

Final Sums Definitions (1)

- TO Final Sums (as defined in the STC and used in each TOCO):

the amount payable by The Company on termination of a TO Construction Agreement being the aggregate from time to time and for the time being of:

- (a) all Engineering Charges arisen prior to the date of termination as well as any associated financing costs (e.g. Interest During Construction);
- (b) Any other fees, expenses and costs (excluding costs on account of interest charges incurred by the Transmission Owner) of whatever nature reasonably and properly incurred or due by the Transmission Owner in respect of any part of the Transmission Construction Works;

- Final Sums (as defined the CUSC):

in relation to a particular **User**, as defined in its **Construction Agreement**;

Final Sums Definitions (2)

- Final Sums (as defined in each Construction Agreement):

the amount payable by the **User** on termination of this **Construction Agreement** being the aggregate from time to time and for the time being of:-

- (1) all **The Company Engineering Charges** arisen prior to the date of termination;
- (2) fees, expenses and costs (excluding costs on account of interest charges incurred by The Company) of whatever nature reasonably and properly incurred or due by **The Company** in respect of any part of the **Construction Works** carried out prior to the date of termination of this **Construction Agreement**;

- 3) *fees expenses and costs in relation to termination of any contract (including under the **STC**)*
- 4) *reasonable costs of removing any **Transmission Connection Assets** and making good; and*
- 5) *interest on such amounts.*

Provided that no sum shall be due in respect of **Final Sums** in respect of fees, expenses and costs associated with (a) the **Seven Year Statement Works** and/or (b) **Transmission Reinforcement Works** and specified in **Part 2 of Appendix H.**

Note – text in italics paraphrased for brevity

Final Sums Definitions (3)

- Seven Year Statement Works:

the works set out in Table B7 of the statement prepared by **The Company** pursuant to Standard Condition C11 of the **Transmission Licence** and issued by **The Company** in [] which in **The Company's** reasonable opinion (and in the absence of the **Connect and Manage Derogation** are required to be completed before the **Completion Date** to ensure that the **National Electricity Transmission System** complies with the requirements of Standard Condition C17 of the **Transmission Licence** and Standard Condition D3 of any **Relevant Transmission Licensee's** transmission licence prior to the **Connection** of the **User's Equipment** in terms of Clause 7.1 [or 7.2] of this **Construction Agreement**.

- Transmission Reinforcement Works:

those works other than the **Transmission Connection Asset Works, Seven Year Statement Works** and **One Off Works**, which in the reasonable opinion of **The Company** are all necessary to extend or reinforce the **National Electricity Transmission System** to ensure that the **National Electricity Transmission System** complies with the requirements of Standard Condition C17 of the **Transmission Licence** and Standard Condition D3 of any **Relevant Transmission Licensee's** transmission system in relation to and prior to the connection of the **User's Equipment** at the **Connection Site** and which are specified in Appendix H to this **Construction Agreement**, where Part 1 is works required for the **User** and Part 2 is works required for wider system reasons

Final Sums – the Mechanism (1)

- Whilst Generator User Commitment is set out in the CUSC and implemented in Construction Agreements (Consags), User's Final Sums are only defined in Consags (and there are no up to date or detailed guidance notes on how the methodology works)
- Termination of a Consag may result in termination of a TOCO, triggering TO Final Sums (as well as other costs incurred by the SO)
- If the terminating User is under GUC, clear rules are applied as set out in CUSC section 15 and guidance notes
- If the terminating User is under Final Sums, the User is invoiced for the prevailing estimate of Final Sums, with a reconciliation later

Final Sums – the Mechanism (2)

- Before GUC, all Users were on Final Sums, but not everyone was liable
- In the original form of Final Sums only the first User triggering a piece of work had that work in its Consag Appendix H Part 1
- As there was likely to be spare capacity, Users who needed it but for a later Completion Date, had the work in Appendix H Part 2
- If the first User (“A”) mod-apped to a later Completion Date, the work would be moved to Part 2 and National Grid used a “2.11 Notice” to reassign work from Part 2 to Part 1 in the next User’s Consag (“B”)
- User B might then mod-app to a date later than A, to avoid the liability
- This is documented in National Grid papers (see reference on next slide)

Final Sums – the Mechanism (3)

- As a result, the arrangements became unmanageable and the system of “clustering and sharing” was introduced for generators in 2006*
- Users who collectively triggered the same work were clustered and faced a shared liability based on their MW share of the cluster, termed “Shared User Final Sums”
- Any User work which was only for that customer was “Sole User Final Sums”
- Consag Appendix H Part 1 was divided into Shared User Works and Sole User Works
- Any work classed as Seven Year Statement Works could be in either Part 1 or Part 2, but there was no liability in either case

*See <https://www.nationalgrid.com/sites/default/files/documents/24883-Principles of Clustering%2C Final Sums and Termination March 2006.pdf>

Final Sums – the Mechanism (4)

- Security is required to cover liabilities for Final Sums based on the estimated liability
- Under clustering and sharing, the estimate covered
 - the forthcoming six-month period for Sole User Final Sums
 - the forthcoming twelve-month period for Shared User Final Sums
- The longer period for the latter was to allow time for the sharing percentage of the works to be reallocated if a User terminated its share of the Shared User Works

Final Sums Today

- Applies only to Directly Connected Demand or DNO/IDNOs where the Consag is not associated with embedded generation
- Given the large amount of works already triggered by generation users it is likely that most reinforcement work needed for demand should be in Appendix H Part 2 (or regarded as today's equivalent of "Seven Year Statement Works")
- Nevertheless, some demand users will have Connection Asset Works, or will trigger specific reinforcement works or have the earliest Completion Date for it
- In such cases demand users are fully liable, whereas a generation user in the same situation would only face a share of the liability and would not necessarily secure it 100% either

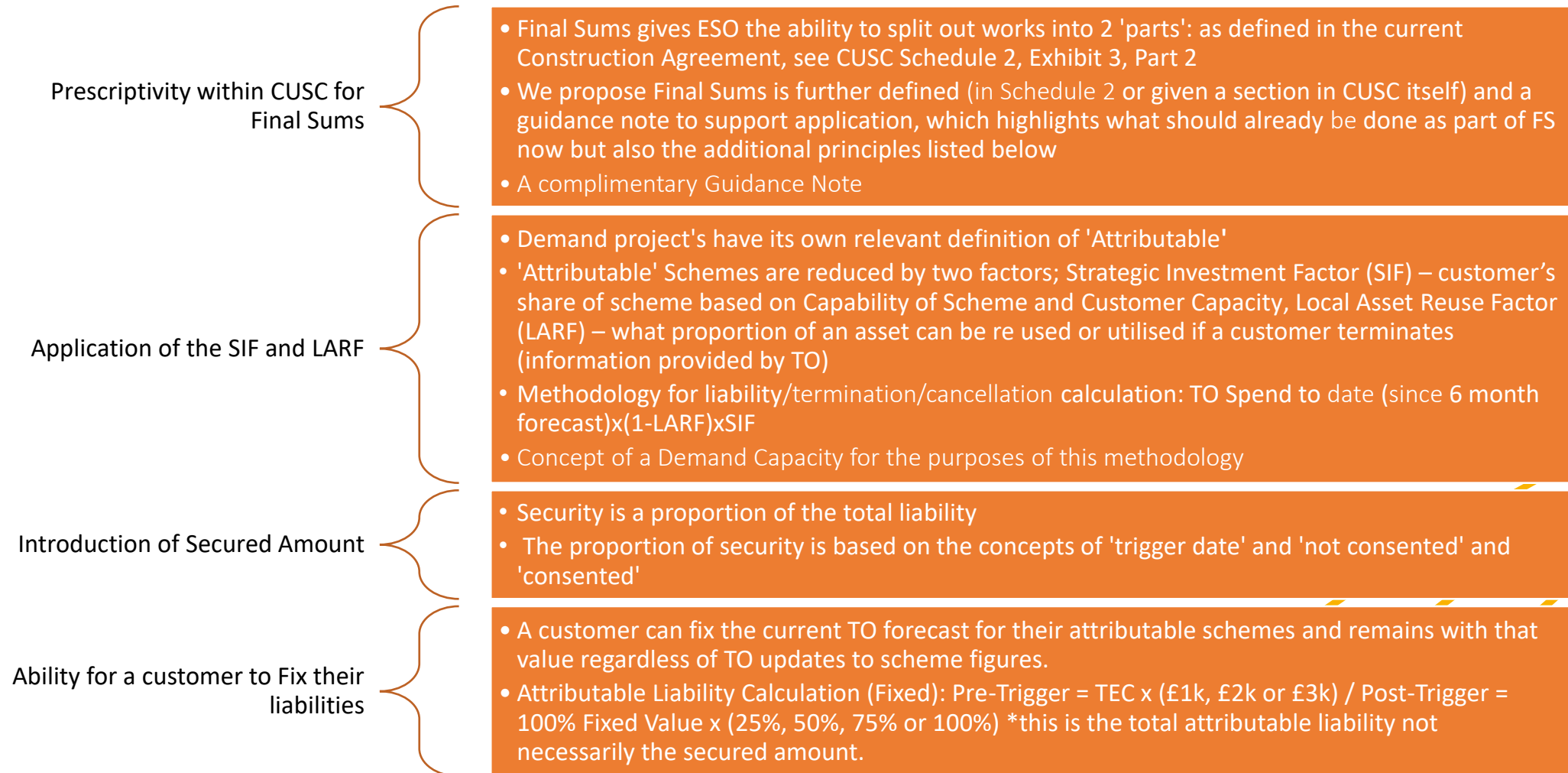


Proposer's Solution

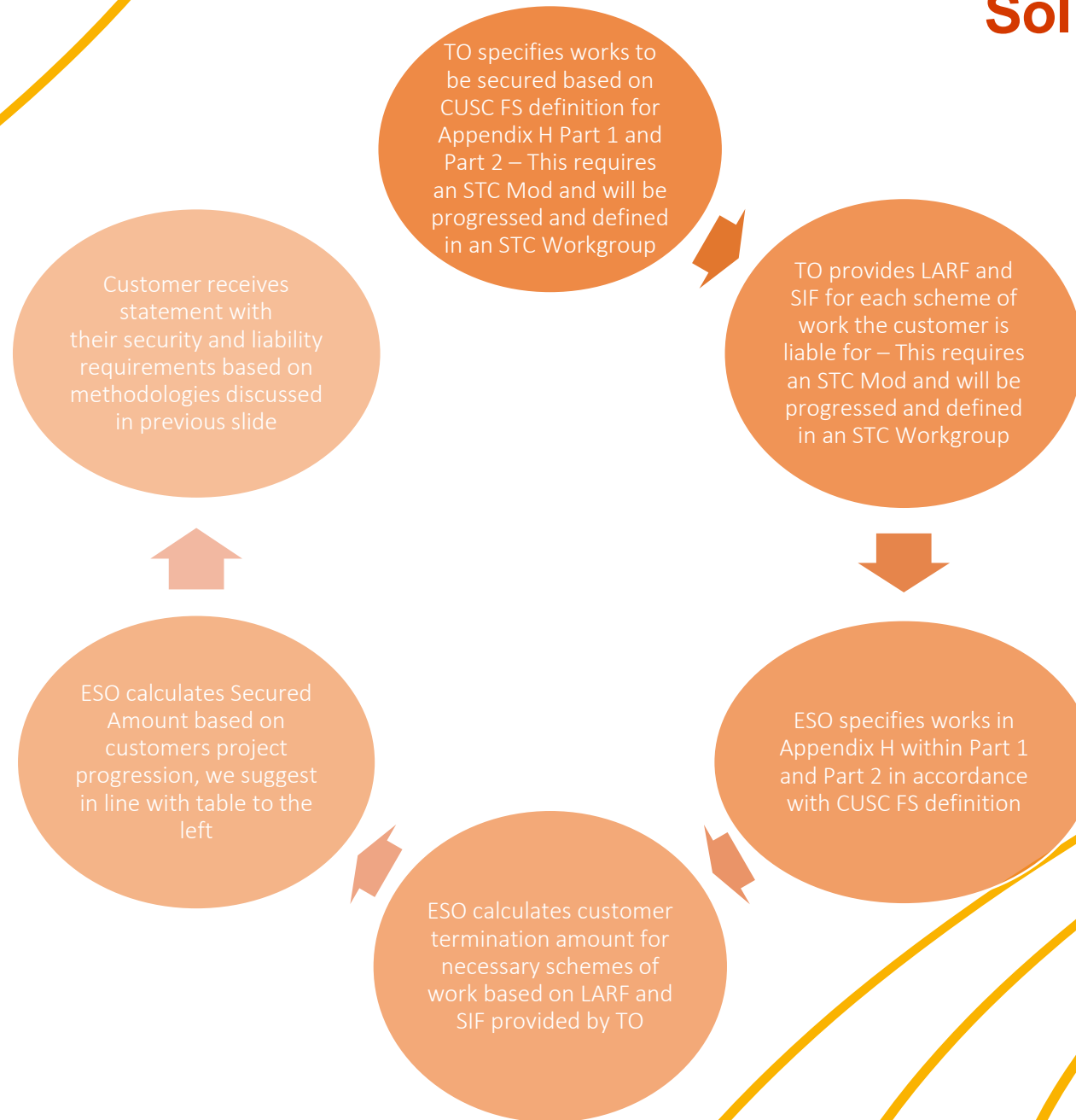
Alison Price – ESO

Emily Watson – ESO

Solution

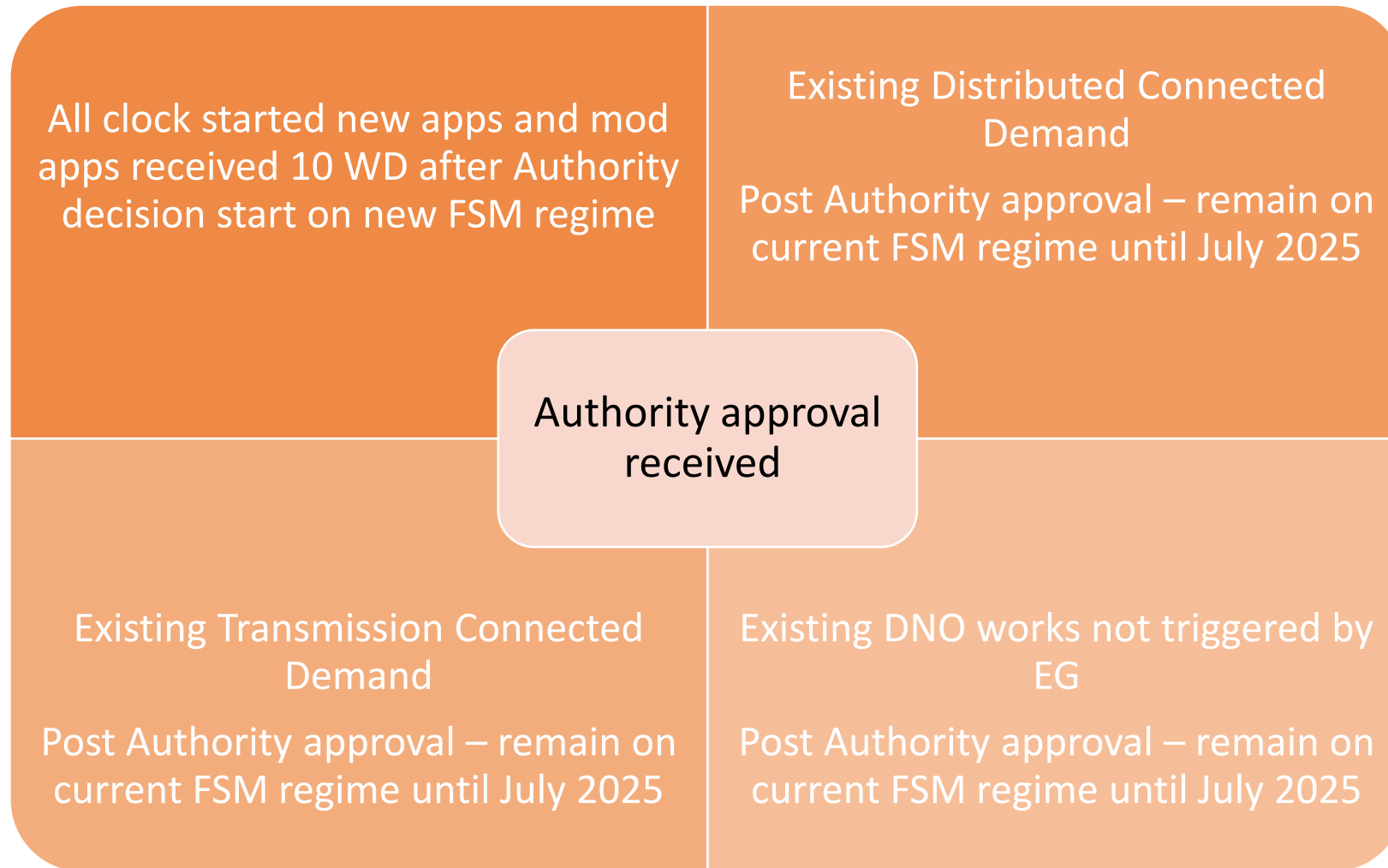


Solution



Security Requirement		Transmission Connected	Distribution Connected
Pre-Trigger	Not Consented	100%	100%
	Consented	100%	100%
Post-Trigger	Not Consented	42%	45%
	Consented	10%	26%

Implementation – transition plan



UCM principles

UCM principles being taken forward via Final sums

- Calculation of '**Cancellation Charge**' or **similar**, and '**Attributable Works**' or **similar** for these users. Not currently used as users termination invoice is based on 100% TO FS.
- Calculation of '**Security Amount**'. Ability to apply a % reduction to a users liability using their consenting status and completion date/trigger. Not currently used as users security amount is based on 100% TO FS.
- Demand capacity to be created as a concept for FSM Users
- Ability for customer to fix their cancellation charge or termination amount

UCM principles not taken forward

- *Wider cancellation charge* - With reference to CUSC Schedule 2, Exhibit 3, Part 2 - Seven Year Statement works (now known as ETYS), or Transmission Reinforcement Works, or works required for wider system reasons will not form part of the solution. These user groups do not have the same impact on **Wider Reinforcement Works** as generation and demand already pay 50% via their TNUOS charges.

Elements of UCM we're taking forward into Final Sums

Clarity on categorisation of works for liability and security

Proportionate liability for users, giving them a cancellation charge or termination amount with the application of SIF and LARF

Reducing amount of security as a project progresses

Ability for customer to fix their cancellation charge or termination amount

Further detail of Final Sums methodology within CUSC and STC

Additional guidance notes to accompany CUSC and STC

What are the benefits of this?

The solution looks to clearly define the works needed to connect the user, and makes sure they are only liable for those works.

The solution gives the ESO the ability to apportion the customers liability based on the methodology described and further reduce their security amount based on progression and viability of their project.

It prevents the ESO from over-securing where works are shared across Users groups

The above points are inline with CUSC Section 15 – User Commitment Methodology, applicable to Generators, and therefore provides for a consistent approach to both user groups.

Solution next steps

1. STC Mod to be raised

Consideration of how works should be structured in the TOCA and flow through to Construction Agreement.

Clarity of what Attributable works are for Demand

2. WG considerations

See next slide

3. Legal Text

Clarity from point 1 and point 2 will allow for legal text to be drafted

WG considerations

Would this solution be considered a subset amendment to Section 15 – UCM or FSM itself?

How should the solution be captured, i.e. a change to FS should have a Section within CUSC (e.g. Section 17) or an update to CUSC Schedule 2, Exhibit 3 – the Construction Agreement

Should the definition of Attributable works be extended to or amended for this group of Users, or should a separate definition be created?

Further considerations of implementation with the interim solution in mind, should implementation be applicable to New and modification Applications rather than applied retrospectively?



Timeline Chair

Timeline for CMP417

Milestone	Date	Milestone	Date
Modification presented to Panel	28 July 2023	Workgroup 9 <i>Workgroup Vote, finalise Workgroup Report</i>	04 June 2024
Workgroup Nominations (15 Working Days)	01 August 2023 to 29 August 2023	Workgroup report issued to Panel (5 working days)	20 June 2024
Workgroup 1 <i>Agree timeline, Terms of Reference and discuss solution</i>	06 September 2023	Panel sign off that Workgroup Report has met its Terms of Reference	28 June 2024
Workgroup 2 <i>Agree new timeline, discuss solution</i>	25 October 2023	Code Administrator Consultation (15 working days)	03 July 2024 to 24 July 2024
Workgroup 3 <i>Refine solution</i>	30 November 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	15 August 2024
Workgroup 4 <i>Refine solution</i>	09 January 2024	Panel undertake DFMR recommendation vote	23 August 2024
Workgroup 5 <i>Review legal text, refine solution</i>	14 February 2024	Final Modification Report issued to Panel to check votes recorded correctly	27 August 2024 to 03 September 2024
Workgroup 6 <i>Review legal text, draft Workgroup Consultation</i>	07 March 2024	Final Modification Report issued to Ofgem	05 September 2024
Workgroup 7 <i>Finalise Workgroup Consultation</i>	28 March 2024	Ofgem decision	TBC
Workgroup Consultation (15 working days)	03 April 2024 to 24 April 2024	Implementation Date	10WD following Authority decision for new Users. July 2025 for existing Users.
Workgroup 8 <i>Review Workgroup Consultation responses and any alternatives</i>	01 May 2024		



Cross Code Impacts

All



Any Other Business

Lizzie Timmins – ESO Code Administrator



Next Steps

Lizzie Timmins – ESO Code Administrator