

Workgroup Report

**CMP337 - Impact of
DNO Contributions on
Actual Project Costs
and Expansion Factors**

&

**CMP338 – Impact of
DNO Contributions on
Actual Project Costs
and Expansion Factors
– New Definition of
Cost Adjustment**

CMP337/338 Background

- CMP337 and CMP338 were raised by SHEP-D on 16 January 2020 and presented to the CUSC Panel on 31 January 2020. The Panel concluded that further analysis was required before they could determine the governance route. This analysis was presented to the CUSC Panel on 28 February 2020, where the Panel determined that CMP337 and CMP338 should follow the standard governance route, be reviewed by a Workgroup and be sent to the Authority for a decision.
- On the 9 March 2020, the Proposer requested that these modification be treated as Urgent. A Special CUSC Panel was arranged for the 18 March, where the Panel unanimously agreed that the modifications should be treated as Urgent, and agreed an Urgent timeline. The Panel's recommendations were sent to the Authority on the 23 March 2020.
- Ofgem agreed with the Panel's recommendation and granted Urgency Status on the 1 April 2020.

CMP337/338 Workgroup Consultation & Vote

- The Workgroup Consultation was published on the 30 April 2020 and closed at 9am on the 11th May 2020.
- Severn responses were received to the Workgroup Consultation.
- Six respondents believed that the Original Proposal better facilitated the Applicable CUSC Objectives over the Baseline. One respondent recommended changes to the legal text. The workgroup were supportive of some of these changes and incorporated them into the legal text.
- No alternatives were raised as part of the Workgroup process.
- The Workgroup unanimously agreed that the Original Proposal better facilitates the applicable CUSC objectives and should be implemented

CMP337/338 Legal Text

Legal Text CMP338 – New definition of cost adjustment

The Workgroup considered the Workgroup Consultation responses and agreed to carry out the following amendments :

1. Clarify that the contribution only applies to the cost of “a Transmission” infrastructure investment.
2. Remove the reference to “a different Licensed Distribution Network Operator or”.

"Cost Adjustment" a payment whose value and timing has been approved by the Authority and which is made by a Licensed Distribution Network Operator as a contribution to the cost of a Transmission infrastructure investment made by a different Licensed Distribution Network Operator or Licensed Transmission Owner that recognises the shared value to the different parties.

CMP337/338 Legal Text

The Workgroup did not agree that the legal text needed to explain:

- The process undertaken to ascertain the level of “Cost Adjustment” as this would be recommended by a DNO and determined by the Authority following a consultation outside of the CUSC processes.
- How the methodology would deal with subsequent additional infrastructure e.g. a second phase. It was the workgroup’s understanding that the TNUoS methodology would deal with link costs and translate these into TNUoS charges on a link-by-link basis, further to the requirements of CUSC Section 14.

Additional commentary, can be found within the Workgroup Consultation Summary of the Workgroup Report.

No amendments were made to the legal text for CMP337.

CMP337/338 Terms of Reference

- The Workgroup conclude that they have met their Terms of Reference and the references can be located below:

Terms of Reference	Location in Workgroup Report
Consider interactions of the Proposal with the baseline charging methodology with respect to: <ul style="list-style-type: none">• MITS Nodes on Islands; and• Allowing the contribution to be reflected appropriately on generators.	Workgroup considerations section
Consider the impacts on Users and Consumers.	Workgroup considerations section

Next steps

- **Code Administrator Consultation to be issued later today**
- **Panel recommendation vote to take place on the 29 May 2020**
- **Urgent timetable below:**

Stage gate	Date
Code Administrator Consultation	20 May 2020 – 26 May 2020
Draft Final Modification Report presented to the CUSC Panel for their Recommendation Vote	27 May 2020
CUSC Modification Panel Recommendation Vote	29 May 2020
Circulation of Final Modification Report for Panel review ahead of submission to Authority (5 working days)	1 June 2020
Final Modification Report submitted to Authority for decision	2 June 2020
Ofgem Decision Date (<i>allowing 1 week for a decision</i>)	9 June 2020
Implementation date	1 April 2024

CMP337/338 – Asks of the Panel

The Panel is invited to:

- Consider whether the Workgroup has met its terms of reference.
- Agree for CMP337/338 to proceed to Code Administrator Consultation.