

CMP286/287

5 August 2022

Online Meeting via Teams

WELCOME



nationalgridESO



Objectives and Timeline

Paul Mullen – National Grid ESO Code Administrator

Timeline for CMP286/287 V6 as of 7 July 2022

Milestone	Date	Milestone	Date
Workgroups 7 – 10	7 December 2021, 13 January 2022, 24 February 2022 and 23 March 2022	Panel sign off that Workgroup Report has met its Terms of Reference	30 September 2022
Workgroup Consultation (20 Working Days)	6 April 2022 to 9 May 2022	Code Administrator Consultation (20 Working Days)	4 October 2022 to 25 October 2022
Workgroup 11 and 12 - Assess Workgroup Consultation Responses, alternatives (including vote), legal text, consider licence implications and review additional analysis	18 May 2022 and 10 June 2022	Draft Final Modification Report (DFMR) issued to Panel	17 November 2022
Workgroup 13 – Review legal text, discuss what other analysis / numbers can be provided to support case for change. Showstopper comments on Workgroup Report, Alternative Vote	7 July 2022	Panel undertake DFMR recommendation vote	25 November 2022
Workgroup 14 - Review updated analysis, finalise solutions and legal text	5 August 2022	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	29 November 2022
Workgroup 15 - Finalise Workgroup Report, have Terms of Reference been met, Workgroup Vote	9 September 2022	Final Modification Report issued to Ofgem	7 December 2022
Workgroup report issued to Panel (5 working days)	22 September 2022	Ofgem decision	TBC – <i>ideally by 1 October 2023</i>
		Implementation Date	Effective Date: 1 April 2025 so needs to be implemented on 31 December 2023

Outstanding Action Updates

Paul Mullen – National Grid ESO Code Administrator

Action Number	Action	Owner	Due by	Comments	Status
1	<p>Update analysis, refresh assumptions applied to risk premia and add sensitivities to core assumptions</p> <p><i>In parallel, Transmission Owner representatives to review the current Annex 5 and flag any questions/request for clarifications to Niall directly</i></p> <p><i>Also to help Niall, Nicola White to confirm if the excel workbooks originally used by the ESO are available to be sent to Niall</i></p>	Niall Coyle	29 July 2022	Niall advised on 29 July 2022 that analysis will be sent w/c 1 August 2022	Ongoing
2	Provide updated legal text	Nicola White	29 July 2022	To be provided by Nicky 3 August 2022	Ongoing
3	Provide more clarity on what “excluding costs borne by the Company” actually entails costs and consider what will be included in CUSC Legal Text – <i>more granularity including thoughts on what the range of costs could be is needed before we can vote as to whether or not this should become a formal alternative</i>	Nicola White	29 July 2022	See slides 10-12	Completed
4	Issue papers for Workgroup on 5 August 2022, which will include a V3 of the Workgroup Report	Paul Mullen	29 July 2022	<p>Papers to be issued 2 August 2022</p> <p>Workgroup Report to be provided 8 August as beneficial to include commentary to cover off actions 1, 3, 5 and 6 first to allow an informed further review.</p>	Ongoing
5	Confirm if there is a link / document to the licence change process that can be shared as part of the Workgroup Report	Shannon Murray	5 August 2022	Confirmed 1 August 2022 that there is no external document on licence change process that can be shared	Completed
6	Email Shannon Murray with their response/question to Ofgem view that minimal changes required to the transmission licence	Shannon Murray	5 August 2022	Email sent 18 July 2022 setting out the list of licence/Price Control Financial Model changes TOs foresee to implement CMP286/7– awaiting response	Ongoing

The background of the slide features several thick, vibrant yellow lines. Some lines are curved and sweep across the top left, while others are straight and parallel, running diagonally from the bottom left towards the top right. The overall effect is a modern, minimalist design.

Review updated analysis and assumptions

Niall Coyle

The background of the slide features several abstract, flowing yellow lines. Some lines are thick and curve across the top and bottom of the slide, while others are thinner and more delicate, creating a sense of movement and energy.

Review Legal Text

Nicola White

Review Workgroup Alternative – specifically what the “ESO pass through costs” include

Nicola White

Actions from last Workgroup

- Legal text to be updated to say
 - “costs borne by the Company these include but not limited to DIS_t , TSt , $NICF_t$, $SIFF_t$, LF_t , ITC_t , BD_t as defined in Chapter 3: Transmission Revenue Restriction of Electricity Transmission Licence for National Grid Electricity System Operator Limited”
- For information, definitions within the licence:

DIS_t	means the amount derived as a result of: (a) the total amount charged to the licensee in Regulatory Year t by Scottish Hydro Electric Transmission Plc, SP Transmission Ltd and National Grid Electricity Transmission Plc in respect of Site-Specific Charges (as such charges are set out in schedule ten of the STC), minus (b) the total income received by the licensee in respect of Site Specific Connection Charges calculated and applied in accordance with the Statement of the Connection Charging Methodology as set out in Section 14 of CUSC in Regulatory Year t from customers in the respective Transmission Areas of Scottish Hydro Electric Transmission Plc and SP Transmission Ltd and National Grid Electricity Transmission Plc;	TSt	means the amount (for the avoidance of doubt, including any amounts that are treated as capital contribution) derived as a result of: (a) the total amount charged to the licensee in Regulatory Year t by Scottish Hydro Electric Transmission Plc, SP Transmission Ltd, National Grid Electricity Transmission Plc and any Offshore Transmission Owner in respect of Transmission Owner Final Sums (as such charges are defined in schedule nine of the STC), minus (b) an amount equal to the income received by the licensee in Regulatory Year t in respect of users who reduce Transmission Entry Capacity or Developer Capacity or who terminate relevant bilateral agreements for connection access rights to the National Electricity Transmission System in the respective Transmission Areas of each of Scottish Hydro Electric Transmission Plc, SP Transmission Ltd, National Grid Electricity Transmission Plc and any Offshore Transmission Owner;
LF_t	means the net payments made by the licensee under paragraph 3 of Standard Condition A4 (Payments by the Licensee to the Authority);	$NICF_t$	is derived in accordance with Special Condition 3.3 (RIIO-1 Network Innovation Competition);
ITC_t	means the amount equal to invoices in respect of participation in the inter-transmission system operator compensation mechanism arising from the participation by Great Britain in the inter-transmission system operator compensation mechanism as provided for in Article 49 of the Electricity Regulation (EU) 2019/943;	$SIFF_t$	is derived in accordance with Special Condition 3.4 (Strategic Innovation Fund);

Actions from last Workgroup

- Legal text to be updated to say
 - “costs borne by the Company these include but not limited to DIST, TSt, NICFt, SIFFt, Lft, ITct, BDt as defined in Chapter 3: Transmission Revenue Restriction of Electricity Transmission Licence for National Grid Electricity System Operator Limited”
- For information, definitions within the licence (continued):

$$BD_t = BDA_t - RBD_t$$

where:

BDA_t means the aggregate value of Bad Debt the licensee has incurred or expects to incur, inclusive of RIIO-1 Bad Debt and COVID-19 Bad Debt, with respect to Transmission Network Charges owed to the licensee by one or more Defaulting Connection and Use of System Code Party, less the interest income accrued at the default rate set out in the CUSC net of the STC late payment rate of interest with respect to the COVID-19 Scheme; and

RBD_t means the aggregate value of monies received with respect to Bad Debt, inclusive of RIIO-1 Bad Debt and COVID-19 Bad Debt, previously recovered by the licensee via the BDA_t term, where the licensee has received cash through either the Defaulting Connection and Use of System Code Party or through the administrator or liquidator of a Defaulting Connection and Use of System Code Party.

Actions from last Workgroup

- Costs as published for the [2022/23 final tariffs](#)

Term	NGESO TNUoS Other Pass-Through			
	Initial Forecast	August Forecast	November Draft	January Final
Embedded Offshore Pass-Through (OFETt)	0.58	0.58	0.58	0.70
Network Innovation Competition Fund (NICFt)	30.89	30.89	0.00	9.68
Strategic Innovation Fund (SIFt)	0.00	0.00	18.04	18.04
The Adjustment Term (ADJt)	0.00	0.00	63.04	65.11
Offshore Transmission Revenue (OFTOt) and Interconnectors Cap&Floor Revenue Adjustment (TICFt)	552.85	557.23	568.05	594.51
Interconnectors CACM Cost Recovery (ICPt)	0.00	0.00	0.00	0.00
Site Specific Charges Discrepancy (DIST)	0.00	0.00	0.37	0.00
Termination Sums (TSt)	0.00	0.00	0.00	0.00
NGET revenue pas-through (NGETTOt)*	1,764.46	1,764.46	1,863.63	1,795.07
SPT revenue pass-through (TSPt)	348.71	371.85	350.45	357.86
SHETL revenue pass-through (TSHT)	632.65	632.61	652.85	673.24
ESO Bad debt (BDt)	3.30	3.30	7.20	3.60
ESO other pass-through items (LFt + ITCt etc)	32.56	32.56	42.53	38.90
ESO legacy adjustment (LART)	0.00	41.13	37.55	37.55
Total	3,366.00	3,434.62	3,604.29	3,594.25

Workgroup Alternative Vote

All Workgroup

Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members or alternates need to have attended at least 50% of meetings

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.**

Next Steps

- *Workgroup Report V3 8 August 2022*

Paul Mullen – National Grid ESO Code Administrator

Annex: Terms of Reference

All Workgroup

Terms of Reference

Workgroup	Term of Reference	Location in Workgroup Report
a)	Consider the decision rationale for rejecting CMP244 and how CMP286/287 will address these	
b)	Understand the level of fixing in the marketplace and identify those consumers that would benefit and those that would end up paying more	
c)	Consider any consequential impacts on other Codes	
d)	Consider the impacts on the outcome of the SCR and what the impacts may be in the way that demand is charged and this needs to be factored in and how fits into the TCR and the wider Charging Futures Forum	
e)	Consider any if there are any wider issues to consider e.g. any potential Licence changes	
f)	Consideration of whether or what the transitional arrangements should be put in place.	