

# Code Administrator Meeting Summary

## Meeting name: CMP315 Workgroup 19/CMP375 Workgroup 16

Date: 05/04/2023

### Contact Details

**Chair:** Paul Mullen, National Grid ESO (Code Administrator) [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com)

**Proposer:** (CMP315): Nick Sillito, Peakgen [nsillito@peakgen.com](mailto:nsillito@peakgen.com)

**Proposer:** (CMP375): Paul Mott, National Grid ESO [paulmott1@nationalgrideso.com](mailto:paulmott1@nationalgrideso.com)

### Key areas of discussion

CMP315 seeks to review how the expansion constant is determined such that it best reflects the costs and CMP375 seeks to amend the calculation of the Expansion Constant & Expansion Factors to better reflect the growth of and investment in the National Electricity Transmission System (NETS). Workgroups for these changes are jointly held but the changes have not been amalgamated.

The primary aim of this meeting was to carry out a final review of the legal text and review the tariff analysis that ESO undertook for each of the proposed solutions.

### Legal Text

The Proposer of CMP375 summarised the legal text for each of the solutions and undertook to provide a V3 of each of the solutions by 19 April 2023 (**Post Meeting Note: provided for CMP315 and CMP375 Original on 24 April 2023; comments by 9am on 2 May 2023**). The Proposer clarified why a 13%/0.13 smoothing factor was applied to mitigate volatility<sup>1</sup> and explained this is the factor that aligns with the principle that the previous 5 years of data makes up 50% of cost (consistent with current methodology where 10 years historic data = 100% of cost).

### Tariff Analysis

The ESO presented slides to show the impact on TNUoS tariffs for each of the proposed solutions. The Expansion Constant for CMP375 WACM1 is higher than that for the other options as it is set based on Network Options Assessment (NOA) data. The Workgroup noted the limitations of the NOA data as:

- No 132kV and limited 275kV projects; and

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<sup>1</sup> (i.e. use previous year's data and apply a "smoothing" factor (13% weighting factor applied per year for new build and by implication 87% for the existing build)

- NOA data does not exclude civils and planning costs, which should be excluded to allow direct comparison with the Expansion Constant for CMP315 Original and CMP375 Original. This is because the NOA data is an early cost indication and will be refined later. The Proposer of WACM1 proposed that, if the data excluding civils and planning costs is not available, a % cut could be applied based on historic civils and planning costs.

ESO noted that asset life data before and after an investment in an existing asset is not always available so have applied a default 45 years of remaining life after an investment is made in an existing asset, where the Transmission Owner was not able to estimate a life, due to a mixture of components being embodied in the asset with different component lives. The default assumption for the remaining life of such existing assets immediately prior to the relevant investment, where the Transmission Owner is unable to supply this data, is 0 years. These defaults combined, mean that 45 years of additional life is assumed in the case of such investments. This matches the typical life for price control purposes of a new investment. Although, the Proposers of each of the three solutions have confirmed they are comfortable with the above approach, some Workgroup Members argued that 45 years is too high. The Workgroup asked whether or not there was other publically available data on typical asset life extensions to justify an alternative number or confirm that a defaulting rule is the only option.

**Terms of Reference**

Workgroup reviewed the Terms of Reference for CMP315 and CMP375 and proposed some minor changes to the Terms of Reference for CMP315. These will be presented to CUSC Panel on 28 April 2023 for agreement **(Post Meeting Note: issued to Panel 20 April 2023)**

**Next Steps**

Was proposed to be 1 more Workgroup to finalise solution(s), Workgroup Report, agree that Terms of Reference have been met and hold Workgroup Vote. **(Post Meeting Note: However, further possible changes to the CMP375 WACM1 will mean at least 1 more Workgroup will be needed)**

**Actions**

Action number	Owner	Action	Comment	Due by	Status
1	ESO	Provide sensitivity analysis re: materiality of defaulting rule		6 April 2023	Closed
2	ESO	Issue V3 of Legal Text for all solutions to Workgroup	CMP315 and CMP375 Original V3 issued 24 April 2023	19 April 2023 (now 9 May 2023)	Open
3	Chair	V1 of Workgroup Report to Workgroup	Held off until clarity on CMP375 WACM1	19 April 2023 (now 9 May 2023)	Open

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4	Workgroup	Provide comments on V3 of Legal Text	n/a	9am on 2 May 2023	Open
5	ESO	Update on what PCFM published data tells us re: asset lives and discussions with Transmission Owners on art of possible and is the only option a defaulting rule?	n/a	2 May 2023	Open

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