

CMP435 & CM096

Application of Gate 2 Criteria to existing contracted background

Workgroup Meeting 3, 23 May 2024
Online Meeting via Teams

WELCOME



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

Email communications to/cc'ing the .box email

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

Bespoke Ways of Working

- **Collaboration space**
 - This will be an area where we will share with Workgroup Members documentation which needs to be worked on together; it will include the action log and a queries log so that we can keep these reviews to a minimum during Workgroup meetings
- **Workgroup members versus observers**
 - Due to the size of membership only Workgroup members will have the ability to present, come off mic, and have access to the collaboration space
 - Observers will be able to watch Workgroup meetings
- **2 Workstreams across 2 separate codes**
 - There will be both CUSC and STC Workgroup members in the meetings that are held; when there are topics which are purely one modification or the other this will be called out ahead of time
 - There are some variations in governance rules between the two codes and that will be made clear along the way
- **Workgroup summaries**
 - These will be short captions on agreed outputs and actions alone; the detail will be included into the Workgroup consultation (and subsequent Workgroup Report) which will be shared in the collaboration space, but may be password protected at times by the Chair
- **Preparation and alternates**
 - Due to the intense timeline we will operate on the basis that all alternates have been briefed accordingly so that debate can be focused on solution refinement (this includes Proposer's, Workgroup members and Code Administrator representatives)
- **Exiting the day clean**
 - Post the Workgroup meetings we will have a smaller session which will end no later than 16:55 for those members who have been allocated actions or next steps to ensure absolute clarity on the asks
- **Cameras and transcript**
 - To save bandwidth, please keep cameras off unless you are speaking (having raised a hand to be brought into the conversation by the Chair). The Chair will also ask if the WG agree to a transcript being recorded (for note-taking purposes only)

Agenda

Topics to be discussed

Lead

Introductions

Chair

Timeline and Topics

Chair, Proposer, SME

Action Review

Chair

Terms of Reference

Chair

Query Log Update, with a focus on:

Proposer, SME

- Exemptions from CMP435
- What costs will be reimbursed?

Project scope scenarios

Proposer

Any Other Business

Chair

Next Steps

Chair

Timings:

11:15 - 12:45 - discussion

12:45 - 13:15 – 30mins break

13:15 - 14:50 – discussion (with a short break at a suitable juncture)



Timeline and Topics

Elana Byrne – ESO Code Administrator

Timeline for CMP435 and CM096 as at 02 May 2024

Milestone	Date	Milestone	Date
Workgroup Nominations (4 Business Days)	26 April 2024 to 02 May 2024	Code Administrator Consultation (9 Business Days)	19 August 2024 to 02 September 2024
Ofgem grant Urgency	01 May 2024(5pm)	Draft Final Modification Report (DFMR) issued to Panel (3 Business Days)	09 September 2024
Assuming Ofgem have granted Urgency Workgroup meetings 1 - 6	07 May 2024 15 May 2024 23 May 2024 29 May 2024 04 June 2024 12 June 2024	Panel undertake DFMR recommendation vote (Special Panel)	13 September 2024 (by 2pm)
Workgroup Consultation (8 Business Days)	25 June 2024 – 05 July 2024	Final Modification Report issued to Panel to check votes recorded correctly	13 September 2024 (by 4pm)
Workgroup meeting 7 - 11	16 July 2024 19 July 2024 23 July 2024 31 July 2024 06 August 2024	Final Modification Report issued to Ofgem	13 September 2024 (by 5pm)
Workgroup report issued to Panel (2 Business Days)	13 August 2024	Ofgem decision	06 November 2024
Special Panel sign off that Workgroup Report has met its Terms of Reference	16 August 2024	Implementation Date	01 January 2025

Outline of Workgroup(s) Meeting Topics – CMP435 & CM096

WG meeting 1	<ul style="list-style-type: none"> • Set the scene, ToR, timeline, ways of working, context -why connections reform, what are the issues and solutions, what is and isn't scope, cross code impacts, who is impacted and how?
WG meeting 2	<ul style="list-style-type: none"> • Proposed solution and identifying the key issues we need to address in future Workgroups
WG meeting 3	<ul style="list-style-type: none"> • Exemptions from CMP435 • What costs will be reimbursed?
WG meeting 4 and WG meeting 5	<ul style="list-style-type: none"> • Financial Instruments (WG Meeting 4) and Transitional arrangements (WG Meetings 5 and 6) for both CUSC and STC
WG meeting 6	<ul style="list-style-type: none"> • NESO Designation (note is a topic for CMP434 WG6 on 5 June) • Disputes (note the content is a topic for CMP434) • Identify which sections of legal text will change (Separate CUSC and STC) • Finalise WG Consultation (Separate CUSC and STC)
WG meeting 7	<ul style="list-style-type: none"> • Assess WG Consultation responses, discuss new points • Discuss potential alternatives and agree who develops these
WG meeting 8 and WG meeting 9	<ul style="list-style-type: none"> • Finalise WG Alternatives (CUSC 1st then reflect in STC) • Legal Text (Separate CUSC and STC)
WG meeting 10	<ul style="list-style-type: none"> • Finalise Legal Text (Separate CUSC and STC) • WG Alternative Vote (Separate CUSC and STC) • This is where we are re: Alternatives (Separate CUSC and STC)
WG meeting 11	<ul style="list-style-type: none"> • Workgroup Report (Separate CUSC and STC) • Workgroup Vote (Separate CUSC and STC)



Looking at the topics for Workgroup meetings 4, 5 and 6 – have we missed anything?



Action Review

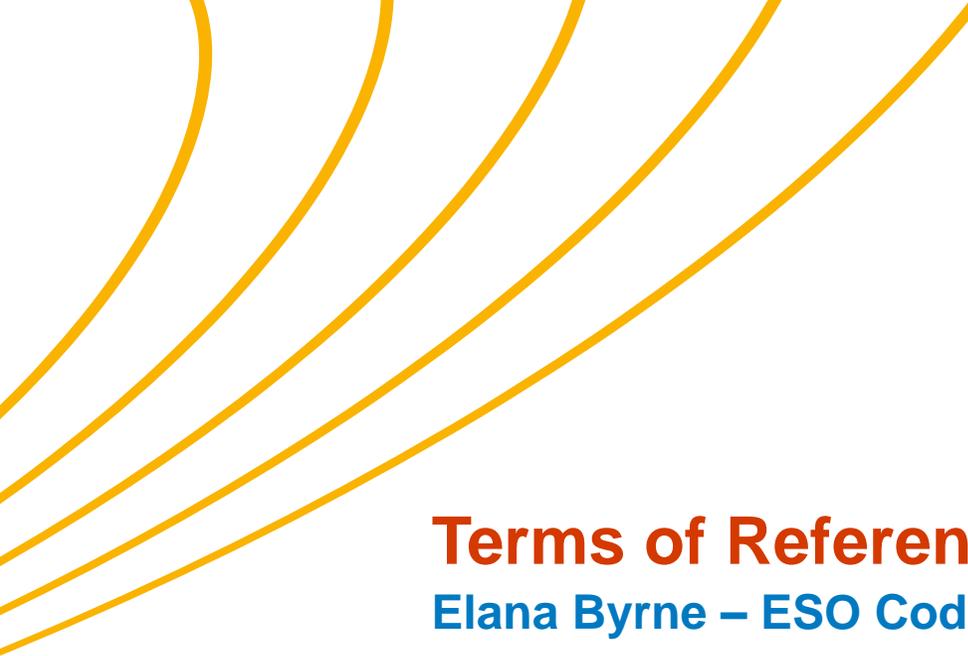
Elana Byrne – ESO Code Administrator

Actions – Application of Gate 2 Criteria to existing contracted background (CMP435 and CM096)

Action number	Workgroup	Owner	Action	Comment	Due by	Status
	Raised					
1	WG1	AT/SB	Revise Terms of Reference based on Workgroup feedback	To submit to May Panels	WG3 (23/05/24)	Open – propose to close in WG3
2	WG1	AT	Document that charging and user commitments will be out of scope for CMP435		Ongoing	Open – propose to close in WG3 (see query log)
3	WG1	AT/ SB	Proposers for CMP435 and CM096 to confirm the consequential plans in case the Connections Network Design Methodology is not in place/parties have not complied in time		Ongoing	Open – propose to close in WG3 and move to query log
4	WG1	EB	CMP435 - Workgroup discussions to cover whether NESO will designate some projects as Gate 2 (PM to confirm – TOR j can be reviewed for this if needed)		Ongoing	Open – propose to close in WG3 (to be covered by ToR I) or move to query log
5	WG1	AT	Clarification of types of projects that will be in/out of scope for CMP435		Ongoing	Open – further discussion in WG3
6	WG1	EB	Workgroup to discuss the consequences of the SO:DNO contract changes on DNO contracts with other parties	Not for the CMP435 solution but WG Report	Ongoing	Open - to be discussed in future WG
7	WG1	Code Admin	Collaboration space – access queries to be explored with IT	Members can also explore this with their IT teams	Ongoing	Open
11	WG2	AT/RW	Discuss capital contributions.	TOs to invite Proposer to discuss this prior to WG discussion	WG3	Open
12	WG2	LH/HS	Discuss possibility of further impact assessment (RFI data)		WG3	Open

Actions – Application of Gate 2 Criteria to existing contracted background (CMP435 and CM096)

Action number	Workgroup	Owner	Action	Comment	Due by	Status
	Raised					
13	WG2	AT/RW/GG	Develop scope diagram		WG3	Open – propose to close in WG3 (linked to Action 5)
14	WG2	AT/PM/EB	Update WG topics		WG3	Open – propose to close in WG3 (possibility to adapt as WG progresses)
15	WG2	AT/RW	Clarify process (WG2 slide 2 particularly the yellow box)		WG3	Open
16	WG2	LH	Look into securities for offers		Jun-24	Ongoing – to be discussed in a future WG
17	WG2	Chair	Include updated process (Annex 2 CMP434) In the slide pack for WG meetings		WG3	Open – propose to close
18	WG2	Code Admin	Add column to query log for WG members to show support for a particular query		WG3	Open – propose to close



Terms of Reference

Elana Byrne – ESO Code Administrator

Terms of Reference – CMP435 Application of Gate 2 Criteria to existing contracted background

Under review by the Proposer following feedback in Workgroup 1, including tracked changes and suggestions below.
Updates due for Workgroup 3

Workgroup Term of Reference

a) Consider [Electricity Balancing Regulation](#) implications.

b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.

~~c) Consider extending the Gate 2 concept to apply to existing connection contracts.~~

d) Consider changes to the contractual arrangements for those existing contracted parties that have not met the Gate 2 criteria by the Go-Live Date of 1 January 2025.

e) Review the transitional arrangements in relation to changes to the contractual arrangements [and any associated costs. Associated costs may include, and are not limited to, capital contributions already paid for transmission and/or distribution works, interest on payments already made, costs incurred in the provision of securities aligned to transmission contracts to date\), third party costs such as surveys, OEM costs, design costs](#) .:-

f) Consider the application of the User Commitment methodology to projects in Gate 1 and Gate 2 and the transitional arrangements that may be required for existing connections.

g) Consider how any new financial instruments associated with connections are cost reflective and predictable.

h) Consider how the solution(s) conforms with the statutory rights [in with respect to-of terms and conditions for connection. \(e.g. to 'Bilateral Connection Agreements \(BCA\), Construction Agreement, CUSC Accession and Transmission Related Agreement \(TRA\) terms and conditions' \)](#):-

~~i) Consider how to ensure that the impact of NESO designation of Gate 2 status, and ways to make this non-discriminatory. is not discriminatory.~~

~~j) Consider what criteria will apply to the NESO designation of Gate 2 status.~~

k) Consider the relevant content of Annex B of the [Ofgem Open letter on connections reform publication](#).

Terms of Reference – CM096 Application of Gate 2 Criteria to existing contracted background

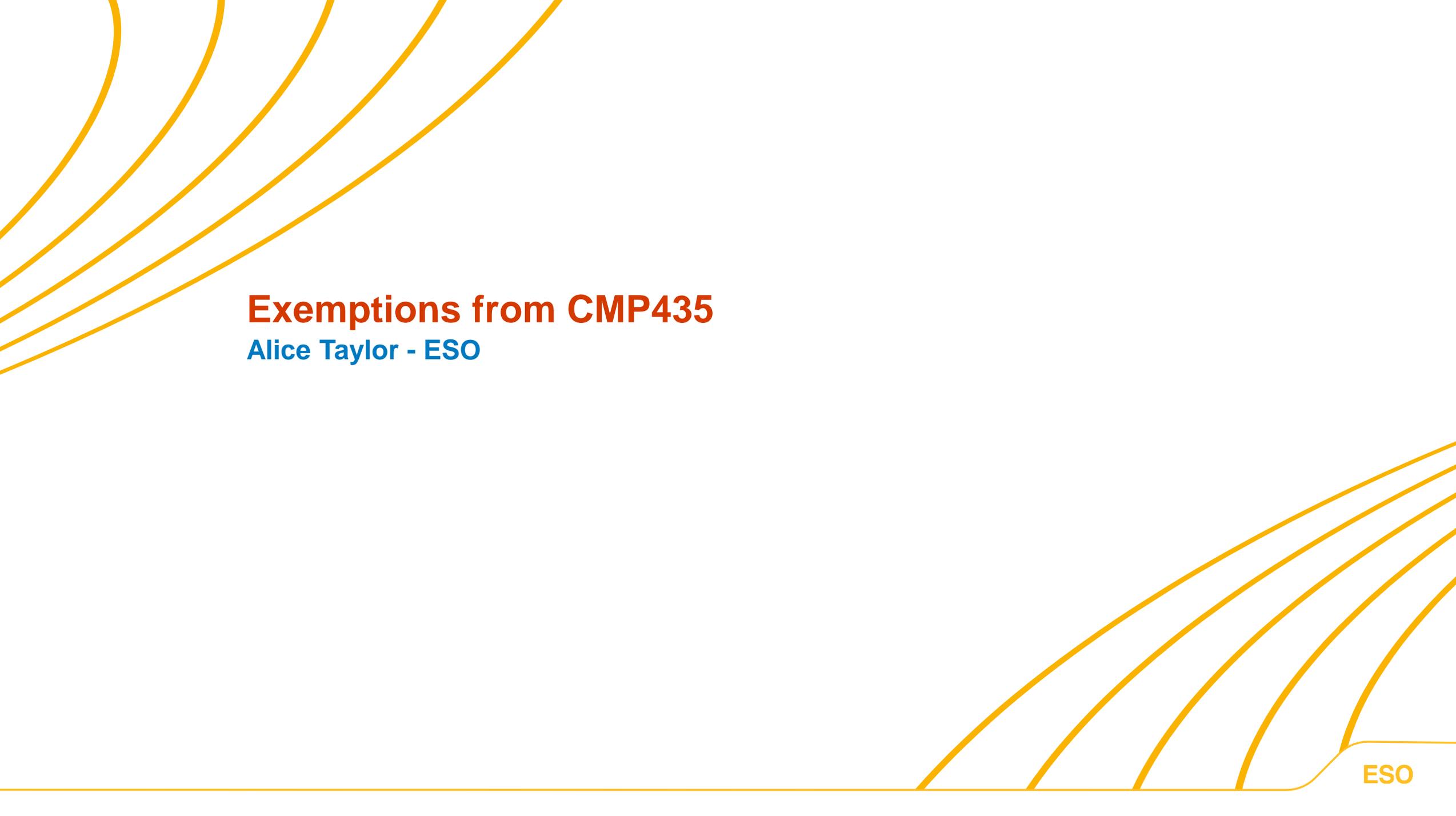
Under review by the Proposer following feedback in Workgroup 1, including the alignment of some clauses with the CUSC Terms of Reference. Updates due for Workgroup 3

Workgroup Term of Reference
a) Implementation
b) Review and support the legal text drafting;
c) Ensure the appropriate Industry experts or stakeholders are engaged in the Workgroup to ensure that all potentially affected stakeholders have the opportunity to be represented in the Workgroup
d) The cross Code impacts this modification has, in particular the CUSC and distribution arrangements (e.g. DCUSA)
e) Consider potential licence changes which may be required, liaising with The Authority as required to discuss them.
f) Confirm the scope of application for the proposed solution by technology/project type, including any acceptable criteria for any exclusions or alternative approaches which may be needed
g) Ensure adequate whole system consideration of the proposed solution
h) Consider extending the Gate 2 concept to apply to existing connection contracts
i) Consider changes to the contractual arrangements for those existing contracted parties that have not met the Gate 2 criteria by the Go-Live Date of 1 January 2025
j) Consider the transitional arrangements in relation to changes to the contractual arrangements <u>and any associated costs.</u>



Query log update

Alice Taylor – ESO



Exemptions from CMP435

Alice Taylor - ESO

Exemptions

- Workgroup queried whether Gate 2 being applied to the whole queue at go-live would have any exemptions. **Our current view remains that there will be no exemptions in relation to Gate 2 being applied to the whole queue in line with the Gate 2 criteria being developed in CMP434.**
- Therefore, if a project submits evidence of having met the Gate 2 criteria in the required time period it will be in the new queue and if not, it will move to an indicative connection point and an indicative connection date, etc.
- We however expect a fast-track dispute process (being developed in CMP434 but also applicable here) to be applicable to the Gate 2 criteria e.g. if (N)ESO rejects Gate 2 evidence and a developer wishes to challenge.
- The above will apply to all in scope projects pre-connection i.e.
 - Directly connected generation
 - Directly connected demand
 - Directly connected Interconnectors and Offshore Hybrid Assets
 - Large embedded generation
 - Relevant small and medium embedded generation (via the DNOs)



Does Gate 2 applying to the whole queue have any unintended consequence which we need to be mindful of and is it large enough to warrant action in CMP435?



What costs will be reimbursed?

Alice Taylor - ESO

Application Fees

Principles

- As application fees are a sunk cost (i.e. the cost related to the reasonable costs of the ESO and TOs in processing an application), applying Gate 2 to the Whole Queue will not result in any refund/rebate of application fees paid historically; reconciliations where not undertaken by go-live would however still be undertaken.

Application Fee scenarios

In relation to go-live:

- **Projects which do not meet Gate 2 at go live** and therefore need to apply via a Gate 2 window/batch in future will need to pay the prevailing application fee for that process.
- **For those which submit evidence as part of go-live to demonstrate they have met Gate 2 and wish to remain with their contracted connection date** there will be no application fee.
- **For those which submit evidence as part of go-live to demonstrate they have met Gate 2 and wish to advance their connection date** there is the possibility of an application fee, but this remains under consideration and we would welcome views.

Transitional arrangements

- Application fees in the context of transitional arrangements will be discussed at a subsequent Workgroup.



Do you have any views on our position on each of the Application Fee scenarios?

Capital Contributions

If met Gate 2 by go-live date

- We do not see a need to review capital contributions, unless as a result of a change in transmission reinforcement works due to an advanced connection date being offered (e.g. at a different connection point) at the request of a customer having met Gate 2 at go-live.

If not met Gate 2 by go-live date

- In respect of capital contributions paid by projects which have not met Gate 2 we need to consider the cash flow and consumer impacts of any potential rebates.
- As capital contributions prior to connection are optional there could be the possibility of rebate for such projects (i.e. to align with the proposed User Commitment liability and security relief for projects which have not met Gate 2 at go-live.)

Transitional arrangements

- Capital Contributions in the context of transitional arrangements will be discussed at a subsequent Workgroup.



Do you have any views on our position on how Capital Contributions will be treated?

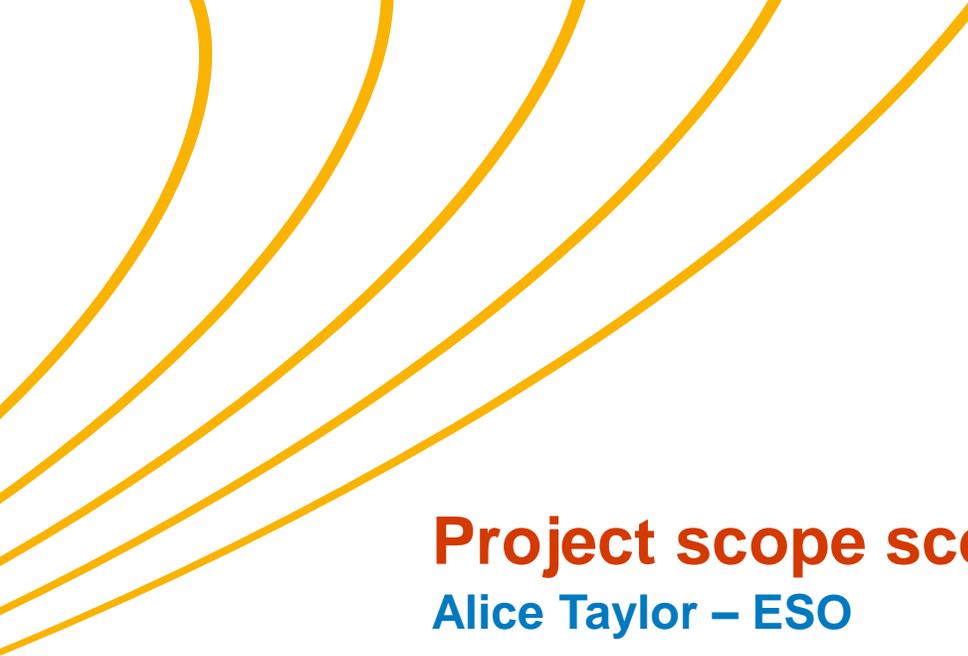
Other Development Costs

Project Development Costs

- In respect of development costs incurred by developers prior to go-live, we are not proposing any payment/compensation in the event they have not met Gate 2.



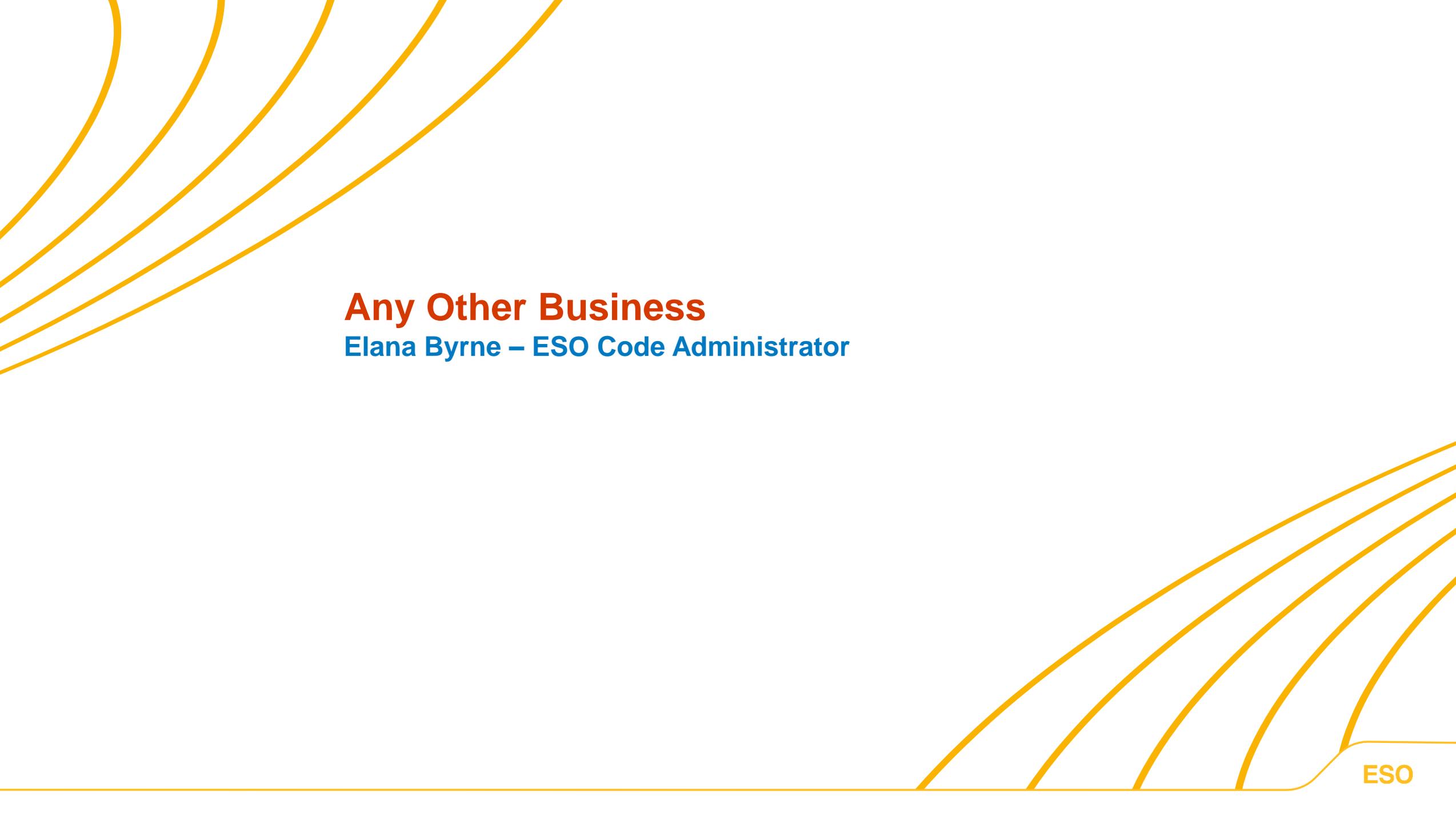
Do you have any views on our position here?



Project scope scenarios

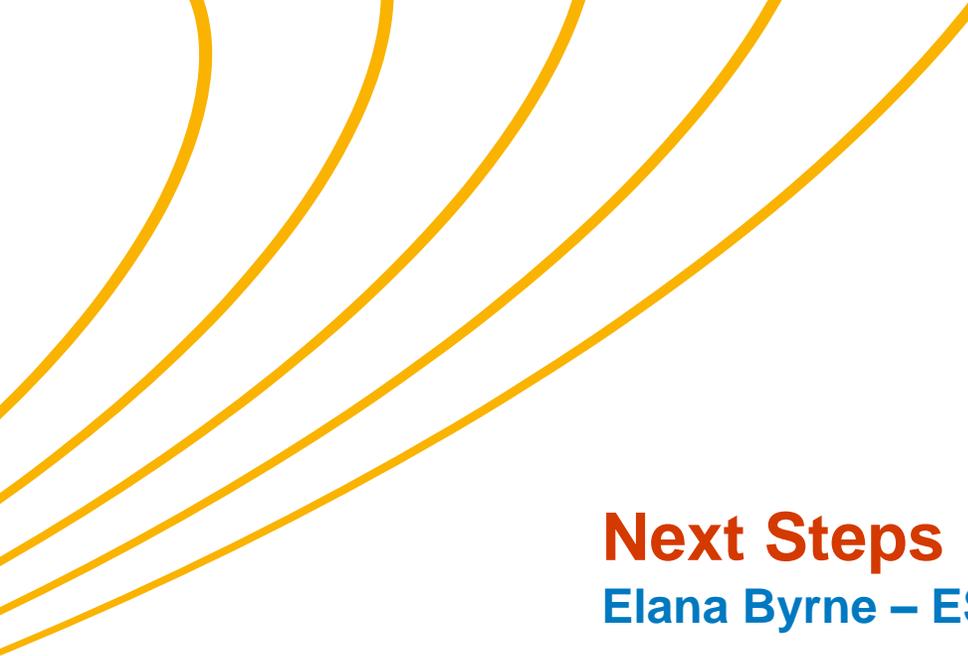
Alice Taylor – ESO

	A	B	C	D	E	F
		Transmission Connection?	Distribution Connection?	Does CMP434 Apply?	Does CMP435 Apply?	If [D] or [E] = Y, should an exemption be considered?
1				PLEASE LEAVE FOR ESO TO COMPLETE		
2	Project Scenario - what development stage is it at					
3	New potential connection project which hasn't yet applied to ESO (including embedded via DNO)	Y	Y	Y	N	
4						
5	Has made an application, but not received an offer at the Ofgem decision date	Y	Y	N	TBC	
6	Has made an application, but not received an offer before 31 December 2024	Y	Y	N	Y	
7	Has made a Modification Application, but not received an offer at the Ofgem decision date	Y	Y	N	TBC	
8	Has made a Modification Application, but not received an offer before 31 December 2024	Y	Y	N	Y	
9						
10	Has received an offer (but not signed that offer and is still open for acceptance) at the Ofgem decision date	Y	Y	N	TBC	
11	Has received an offer (but not signed that offer and is still open for acceptance) before 31 December 2024	Y	Y	N	Y	
12						
13	Has received an offer (but not signed that offer and in fact has referred the offer to Ofgem) at the Ofgem decision date	Y	Y	N	Y	
14	Has received an offer (but not signed that offer and in fact has referred the offer to Ofgem) before 31 December 2024	Y	Y	N	Y	
15	Has received an offer and accepted it but the App G hasn't been updated at the Ofgem decision date	N/A	Y	N	Y	
16	Has received an offer and accepted it but the App G hasn't been updated before 31 December 2024	N/A	Y	N	Y	
17	Has received an offer and accepts it after 31 December 2024	Y	Y	N	TBC	
18	Existing connected/operational User project with no intention of re-powering / making Modification Application	N	N	N	N	
19	Distribution-connecting customer meeting Gate 2 criteria has accepted offer from DNO but competent application has yet to be confirmed by ESO on Ofgem decision date	N	Y			
20	Distribution-connecting customer meeting Gate 2 criteria has accepted offer from DNO but competent application has yet to be confirmed by ESO by 31-Dec-2024	N	Y			
21						
22						
23						



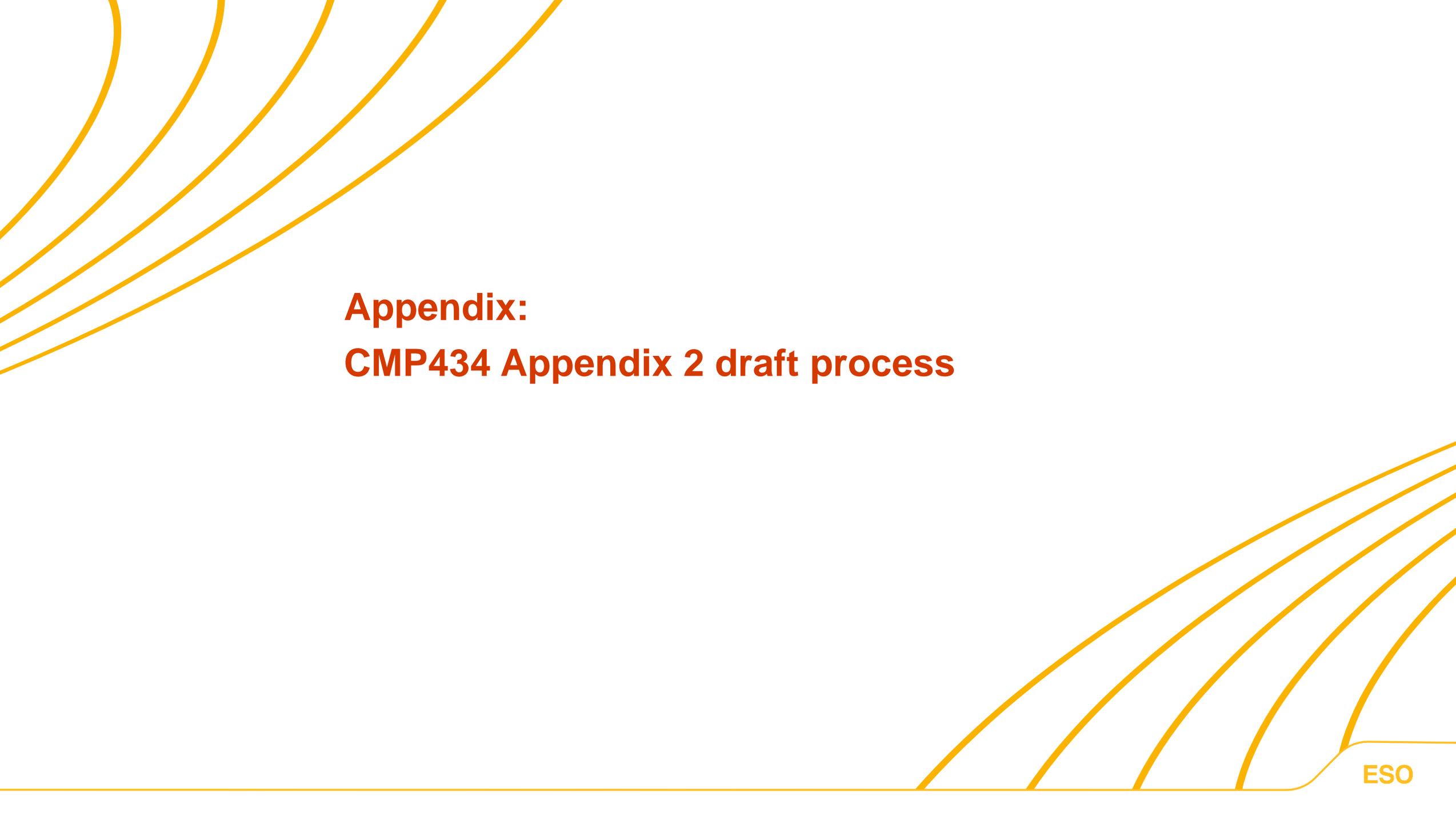
Any Other Business

Elana Byrne – ESO Code Administrator



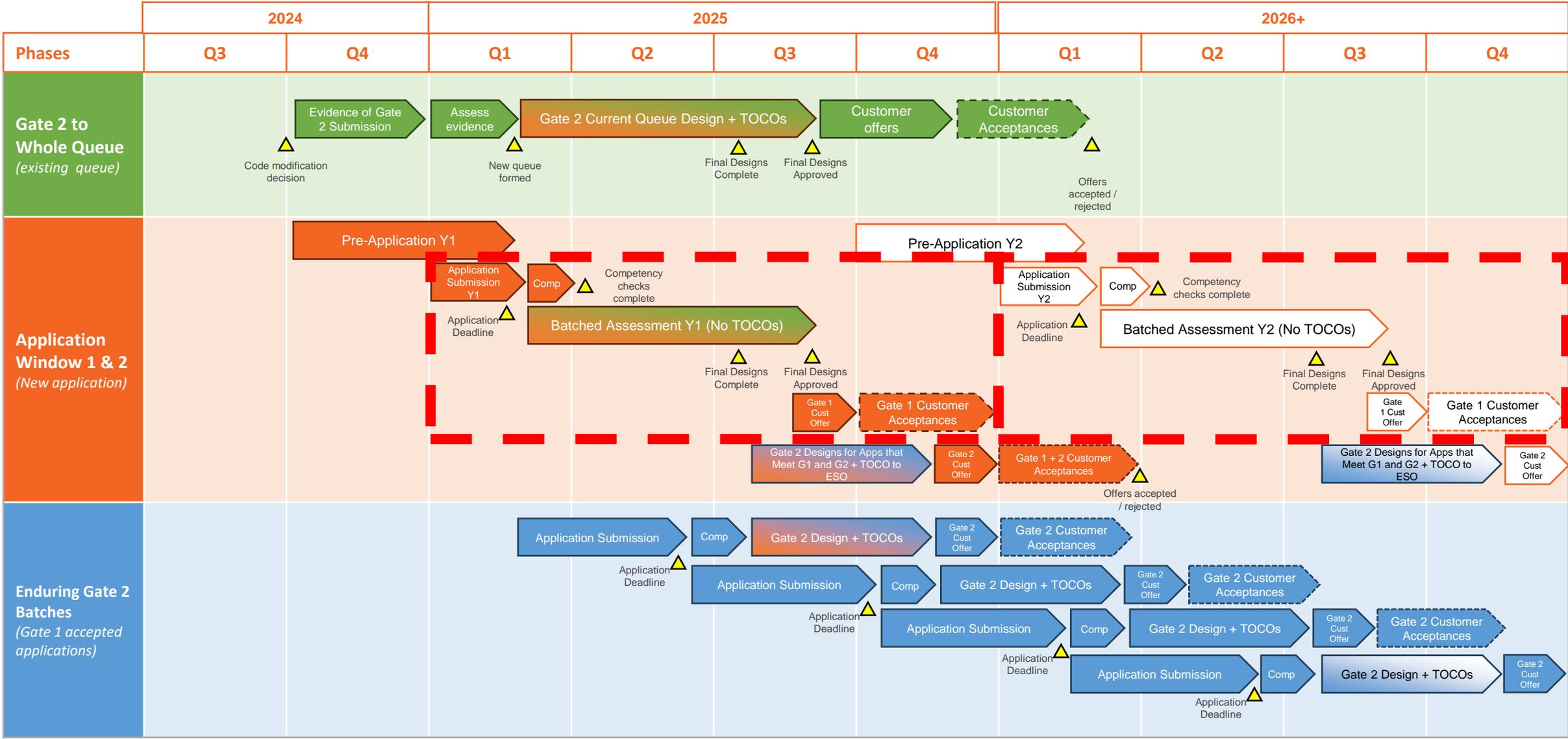
Next Steps

Elana Byrne – ESO Code Administrator



Appendix:
CMP434 Appendix 2 draft process

Gate 1 Process and Timeline



Key: Phase Interdependent activities Phase Interdependent activities Phase interdependent activities Milestone