

# Code Administrator Meeting Summary

## Meeting name: CMP361 & CMP362 Workgroup 3

Date: 4 May 2021

### Contact Details

Chair: Jennifer Groome

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### Key areas of discussion (CMP361-focused)

- The Workgroup recapped the notice and fixed periods for the original solution and potential alternative discussed in Workgroup 2, before a third potential solution was presented to the Workgroup. The three variations of notice and fixed periods undergoing discussion are:
  - The original solution of 3 months' notice and 12 months' fixed
  - A potential alternative solution of 9 months' notice and 6 months' fixed
  - A potential alternative solution of 12 months' notice and 3 months' fixed
- Frontier Economics presented an overview of their proposed analytical methodology. This included the considerations they are making to estimate the benefit of the proposal, how they will estimate the scale of the risk transferred, and consideration of different fixed and notice periods for suppliers. They requested that Workgroup members share any information they can with them to help inform their analysis. Frontier will follow up with any specific information requests.
- ESO financeability options were presented to the Workgroup for feedback.
  - The principles for funding risk was firstly presented, which included the tariffs being set at the median outcome (where there is an equal chance of over of under recovery).
    - The Workgroup fed back that the mean should be considered for this rather than the median, because the certainty of fixed prices is considered to be more important.
  - Possible buffer fund solutions and processes for exceptional circumstances were presented to the Workgroup. More detail can be found in the presentation slides.
    - There was some concern that a buffer fund might undermine the benefits of what the modification is set to achieve. This concern was addressed by an explanation on the difference between the buffer method and the current

practise. Currently risk premia are effectively lost to the end consumer, whereas a buffer fund would be guaranteed money back through the K-factor process.

- A Workgroup member suggested that a no-buffer option should be considered.
- A case study on the Low Carbon Contracts Company (LCCC) was presented to the Workgroup for inspiration on the levies that are used to fund the payments to Contracts for Difference (CfD) generators.
- A presentation was given by Ofgem on their developing thinking on the set of changes that would need to be made to the licence. This included discussion of the below areas:
  - Introduction of a K correction term in the licence
  - Flexibility to set charges higher than the “expected” costs?
  - Right of ESO to revise tariffs?
- The Chair suggested changing the modification timeline in order to correspond with the timing of Frontier’s draft analysis. The Workgroup agreed to revise the Workgroup dates to facilitate this.
- The Workgroup confirmed the new actions taken at the meeting and updated the open actions (listed below).

## Actions

Action Number	Workgroup raised	Owner	Action	Comment	Due by	Status
5	WG1	KB/JW	Share ESO financeability and working capital analysis	Update to be given WG2  Further update to be given WG4 with further detail on timeline and numbers	WG4	Open
7	WG2	AR/LA	Ofgem to confirm what analysis can be shared at the next Workgroup meeting		WG4	Open
8	WG2	All	Share mitigation strategies at next Workgroup	Any new concepts to be discussed at next WG	WG4	Open
9	WG2	KB/JG	Draft legal text for fixed BSUoS - consider how earlier implementation might affect this	Get clarity on alternatives with different baseline text	WG4	Open
10	WG3	KB	Consider a 3.5 month notice period		WG4	Open
11	WG3	JG/RW	Circulate additional slides presented		WG4	Open
12	WG3	GMO	To consider the following ToR: Consider interactions with the Consumer Price Cap		WG4	Open
13	WG3	JG/RW	Revise the Workgroup timeline and send out new Workgroup dates		WG4	Open

### Next steps

- The next Workgroup meeting is on 15 June 2021.

For further information, please contact Jennifer Groome.