

CMP286/287

7 December 2021

Online Meeting via Teams

WELCOME



nationalgridESO

The slide features several decorative yellow lines. In the top left, there are several thin, curved lines that sweep across the upper portion of the slide. In the bottom right, there are several thicker, parallel diagonal lines that extend from the bottom left towards the top right, creating a sense of movement and direction.

Modification Process

Paul Mullen – National Grid ESO Code Administrator

Code Modification Process Overview



Talk to us

Forums



Raise a
mod

Panels



Refine
solution

Workgroups
(Workgroup Consultations)



Consult



Decision

Ofgem/Panel



Implement



Refine solution Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
 - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
 - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
 - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel



Consult

Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.





Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
 - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published



Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.



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Objectives and Timeline

Paul Mullen – National Grid ESO Code Administrator

Timeline for CMP286/287 V1 as of 29 September 2021

Milestone	Date	Milestone	Date
Workgroup 1 (re-education of proposal (including the Workgroup Consultation Responses) and solution (what has changed), agree timeline and review terms of reference)	7 December 2021	Code Administrator Consultation	4 April 2022 to 27 April 2022
Workgroup 2 (finalise solution to be consulted on, agree alternatives and agree Workgroup Consultation questions)	13 January 2022	Draft Final Modification Report (DFMR) issued to Panel	19 May 2022
Workgroup Consultation (15 Working Days)	24 January 2022 to 14 February 2022	Panel undertake DFMR recommendation vote	27 May 2022
Workgroup 3 - Assess Workgroup Consultation Responses	24 February 2022	Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	2 June 2022
Workgroup 4 – finalise solutions, review terms of reference, hold Workgroup Vote	10 March 2022	Final Modification Report issued to Ofgem	10 June 2022
Workgroup report issued to Panel (5 working days)	17 March 2022	Ofgem decision	TBC – <i>by 31 October 2022</i>
Panel sign off that Workgroup Report has met its Terms of Reference	25 March 2022	Implementation Date	1 April 2024

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Workgroup Responsibilities

Paul Mullen – National Grid ESO Code Administrator

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

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

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Workgroup Alternatives and Workgroup Vote

Paul Mullen – National Grid ESO Code Administrator

CMP376 – Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members 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 Chairman 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.**

CMP376 – Can I vote? and What is the Workgroup Vote?

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

Stage 2 – Workgroup Vote

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC)
- 2b) Where one or more WACMs exist, does each WACM better facilitate the Applicable CUSC Objectives than the Original Modification Proposal
- 2c) Vote on which of the options is best.

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Terms of Reference

Paul Mullen – National Grid ESO Code Administrator

CMP286/287 – 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.	

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Proposer's Solution:

Niall Coyle – E.ON

The Defect

- Final TNUoS tariffs are published with a notice period of only 2 months.
- TNUoS tariffs are set by National Grid ESO by populating a number of inputs into the charging methodology models.
- Many of these inputs are difficult to predict and are not finalised until shortly before final tariff publication.
- In previous years, we have observed significant changes in both revenue and volume inputs between National Grids forecasts over a short period of time.
- This creates uncertainty around the level of final tariffs, and also results in significant changes between regions and HH/NHH Tariffs.
- Given that market participants are trying to predict TNUoS costs as accurately as possible, large and late changes of inputs which significantly affect the calculation of TNUoS prices need to be avoided

Impact on Consumers

- Final TNUoS tariffs are published with a notice period of only 2 months. Suppliers are particularly vulnerable to the short notice period and are reliant on forecasting TNUoS tariffs many months ahead to provide their customers with the fixed price contracts they require.
- A typical domestic or business customer, whose meter is settled on non-half hourly data (NHH), and agrees a two-year fixed price contract with their supplier will have TNUoS costs reflected within their contract rates.
- This will comprise a best view forecast plus an element of risk based on volatility and unpredictability of this charge for the period where final tariffs have not yet been published. If we consider a NHH two-year contract starting in October, TNUoS tariffs are only known for a quarter of the contracted period, the remaining three-quarters being reliant on a forecast.
- National Grid Quarterly Forecasts are the key source of this information for market participants, such volatility can cause unexpected price shifts across the market. This can result in customers bills which are not reflective of the costs that suppliers incur

The Solution

We are proposing a change to the solution for CMP287 as a result of the solution developed for CMP343

	CMP286	CMP287
Title	Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process.	Improving TNUoS Predictability Through Increased Notice of Inputs Used in the TNUoS Tariff Setting Process
Previous Solution	The date at which Target Revenue is fixed should be brought forward. These inputs should be fixed 15 months ahead of tariffs going live (i.e. 31st December yy for tariff year yy+2/yy+3).	The date at which forecasts of certain parameters that feed into the TNUoS tariff setting process (including but not limited to the 'tariff model peak demand MW', 'Tariff model HH demand MW' and 'Tariff model NHH demand TWh') are fixed should be brought forward so that they are fixed 15 months ahead of tariffs going live (i.e. 31st Dec yy for tariff year yy+2/yy+3).
Updated Solution	No change to "Previous Solution"	The date at which forecasts of certain parameters that feed into the TNUoS tariff setting process (including but not limited to the 'tariff model peak demand MW', 'Tariff model HH demand MW' and 'Tariff model NHH demand TWh', gross Consumption by residual charging band and site count by residual charging band (subject to approval of CMP343)) are fixed should be brought forward so that they are 15 months ahead of tariffs going live (i.e. 31st Dec yy for tariff year yy+2/yy+3).

Review Proposer's Solution:

- Cross Code Impacts (especially STC and Distribution)
- Review in the context of relevant wider changes
 - Transmission Demand Residual Modifications
 - Fixing BSUoS Modifications (CMP361/362); and
 - DNOs sought temporary deviation from the 15 month notice period
- Any Price Control/Licence Implications?
- What analysis is needed?
- Any potential alternatives?
- What did the previous Workgroup Consultation responses say?

All

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Review Timeline

Paul Mullen – National Grid ESO Code Administrator

Next Steps

Paul Mullen – National Grid ESO Code Administrator