

Code Administrator Meeting Summary

Meeting name: CMP408 - Workgroup Meeting 3

Date: 30/05/2023

Contact Details

Chair: **Claire Goult, National Grid ESO Administrator** Claire.goult@nationalgrideso.com

Proposer: **Alice Taylor, National Grid ESO** alice.taylor@nationalgrideso.com

Key areas of discussion

Meeting Objectives and Timeline

The Chair shared an overview of the Timeline and Workgroup Consultation responses, along with a summary of the points raised. The Workgroup members were invited to read the response summary and invited to comment.

Summary Response Discussion

A Workgroup member raised a point regarding one of the responses stating the National Grid year ahead forecast was more accurate for the period than the shorter-term forecast and wanted to point out that this is not necessarily the case as it depends on several variables. The Proposer advised that the wording “potential” was used because nothing is guaranteed in terms of increased accuracy, however they felt that the evidence provided showed that there are factors going into the forecast that can increase the accuracy.

The Proposer noted some responses had indicated a preference for a longer fixed period, several referencing 12 months. From an ESO perspective they wanted to raise the potential issue of seasonality. The Proposer explained having a single set tariff within a year under some forecast scenarios, not always guaranteed, is that the ESO could significantly under recover during the summer months with this shortfall then being recovered during the winter. The Proposer suggested that given the significant increase seen in BSUoS costs from 2022 to 2023 (described in WG1) there would be a risk that ESO’s Working Capital would be fully utilised in those summer months before it is then rebuilt up over the winter leading to a mid-year tariff change. The Proposer indicated this was the reason as to why ESO have stayed with the six months fixed period to account for this risk highlighting the increased likelihood of a tariff reset within that twelve-month period.

A Workgroup member mentioned that this was an interesting point and wondered if a fixed tariff meant that there could be a summer and a winter tariff within that 12-month period fixed or does it have to be

the same rate for each month within that. The Proposer responded by clarifying the point stating that a summer and winter tariff is forecast at the beginning of the twelve months and stays the same which is different from having two different six-month tariffs. The member agreed and advised this is something for everyone to discuss.

Alternative Request (EON)

The Chair shared the Workgroup alternative request which had been raised as part of the consultation. The Workgroup member explained this had been raised as the proposed solution is to shorten the notice period and the alternative request was to extend the fixed period alongside the solution to maintain the combined 15-months fix/notice period recommended by the second BSUoS task force.

The Proposer asked if the Workgroup thought there was enough evidence provided to show that the longer fixed period would be more beneficial than the six months. One Workgroup member felt there was enough evidence for the Alternative. Another Workgroup member stated more analysis was required.

The Authority Representative highlighted that Ofgem are open to different combinations of notice periods and fixed periods but noted that the most important point is that there is a clear benefit of the combination to consumers. The Ofgem Rep stated it was essential to have evidence on how the twelve-month fixed term is more beneficial than the current six-month baseline and why the increasing the risk of a tariff reset would be more beneficial than including risk premia. The Workgroup Member who raised the Alternative took an action to provide evidence to enable the Workgroup to understand the trade-offs.

A Workgroup member highlighted that the Original proposal should also be required to present evidence to quantify what is being proposed and how it will benefit the end consumer. The Proposer explained that evidence/analysis already shown to the Workgroup had been done using current data but admitted this evidence was limited as fixed BSUoS had only been in place from 1 April 2023. The Proposer also stated that it was difficult, from an ESO perspective, to demonstrate how increased accuracy of forecasts plays into contracts for suppliers as they are not privy to how these contracts are set and therefore how this would impact end consumers.

A Workgroup member stated that this was difficult in general and that it would be unfair to levy this task on the Alternative without asking the same of the Original. Other Workgroup members agreed with this point. The Proposer agreed to take an action to speak to ESO SMEs to see if there is any further evidence they can share with the Workgroup.

Further Alternative Request

The Workgroup discussed the possibility of another Alternative request following the discussion on seasonality. A Workgroup member offered to raise a further Alternative to include a seasonal/multi seasonal fixed tariff.

Next Steps

The next Workgroup meeting was confirmed as 14 June 2023.

The Chair will circulate the draft Workgroup Report prior to the next meeting.

Actions

For the full action log, click [here](#).

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
4	WG3	Chair	Share the Summary and Template for Workgroup Consultation Responses	NA	WG4	Open
5	WG3	EON Alternative Request	Update the objectives so that they are in line with the baseline and not the original proposal	NA	WG4	Open
6	WG3	ESO/EON	Share evidence with the WG in relation benefits	NA	WG4	Open
7	WG3	EON	To Liaise with Ofgem to understand how evidence is to be presented	NA	WG4	Open
8	WG3	SSE	To raise another alternative as discussed in the Workgroup meeting	NA	WG4	Open

Attendees

Name	Initial	Company	Role
Claire Goult	CG	Code Administrator, ESO	Chair
Deborah Spencer	DS	Code Administrator, ESO	Tech Sec
Alice Taylor	AT	National Grid ESO	Proposer
Damien Clough	DC	SSE Generation	Workgroup Member
Dimuthu Wijetunga	DW	Shell Energy UK	Workgroup Member
George Moran	GM	Centrica	Workgroup Member
Kate Livesey	KL	Drax	Alternate
Kurt Braganza	KB	Cornwall Insight	Observer
Niall Coyle	NC	EON Energy	Workgroup Member
Pedro Arcain	PA	Ofgem	Authority Rep
Robert Longden	RL	Eneco Energy Trade BV	Workgroup Member
Simon Vicary	SV	EDF Energy	Workgroup Member
Tametha Meek	TM	ESO	Observer
Victoria Burkett	VB	SSE Business Energy	Observer