

Code Administrator Meeting Summary

CMP413 - Workgroup 11 - Rolling 10-year wider TNUoS generation tariffs.

Date: 22/11/2023

Contact Details

Chair: Claire Goult, ESO Code Administrator claire.goult@nationalgrideso.com

Proposer: Hugh Boyle – EDF Energy hugh.boyle@edfenergy.com

Details of the objectives for this Workgroup were shared by the Chair:

Timeline

Changes to the timeline were highlighted by the Chair noting that further Workgroups had been added. The Chair reiterated the importance of making good use of the additional Workgroups to ensure the target of December Panel is met for the Workgroup Report.

Action Update

The ESO representative shared updates on the actions below:

Action 24 - Consider the appropriate decimal point required for the new Charging Year table.

- Confirmation of 2 decimal places and agreed by members to be appropriate.

Action 26 - Feasibility to what extent a future 10-year/15-year robust forecast is achievable.

- The majority of data sources should be able to go out further and therefore can be scaled up from 10 to 15 years but there is no view at the moment on data reliability for that length of time.
- FES data should be able to be scaled up to 15 years.
- It was noted, one of the biggest differences would be on network development. The ESO representative pointed out to members that this is currently on a 10-year cycle.
- It was explained to the Workgroup a longer-term view may be provided by the upcoming Centralised Strategic Network Plan (CSNP). However, this is originally planned to only have a three-year refresh.
- No confirmation was given on the length of time it would take to produce the forecast/projection.

Action 27 - Why are assumptions around TO Allowed Revenue and Price Control required to set the forecast for the wider locational charge.

- It was clarified that this question was specifically around the wider locational charge and how it linked to TO venue and price control data.
- The ESO representation described how the main concern was around the financial parameters i.e., rate of return that are reviewed by Ofgem every five years. It was explained that these parameters go into the makeup of the wide locational charges in the forecast/ projection.

Action 25 - Confirm if the Proposer is still required to share confidential analysis with Ofgem to provide justification for the proposed values.

- Workgroup members agreed it would be useful for the Proposer to share confidential information directly with Ofgem to support their decision making. The Proposer is to confirm when the action is complete.

Review WACM1

Action 23 - Proposer of WACM1 to share worked example for the solution possibly using Annex 12 of the Original to assist.

Then Proposer advised the Workgroup that the 2 scenarios within Annex 12 had been used for their examples and pointed out that the Locational tariffs in WACM1 are the same as in the Original proposal to avoid any unnecessary complexity. The Proposer of WACM1 talked through each scenario explaining how they worked.

Review WACM2

The Proposer of WACM2 shared their presentation with the Workgroup highlighting there were a number of points they would like to raise and discuss with the group:

- Other forms of generation make regular investments and therefore it might be more cost efficient to offer a fix to all generation, rather than only newbuild.
- Fixes should/could also be for a shorter length, below the proposed 15 years.
- Alternative to a FID trigger, new developers can take the option to fix against the latest forecast, and then “join the curve” when they connect.
- Role of inflation – should the fix adjust for inflation?
- Should generators with a fix continue to face these charges irrespective of if the station closes?
- Rather than placing the maximum length of the fix on the face of the WACM, should it be tied to the maximum that ESO can deliver (with a 15 year+ aspiration)?

Having discussed all the above points with the members the WACM2 Proposer advised they had further work to do on their solution.

Review Alternative Request 3

ESO's Proposer shared details of the Alternative request and advised the group that ESO are yet to be convinced that fixing for such a long period of time is the right thing to do. Thinking of other options this alternative takes the current obligation in CUSC to provide a 5-year indication of future tariffs and update it to be 10 years. Members were encouraged to give feedback.

One Workgroup member responded to say they appreciated the goodwill from the ESO and although it goes some way to helping the defect, it does not solve it completely. Part of the problem is that the 10-year projection would be heavily caveated making it unreliable. The member did not see how this Alternative request would improve reliability, noting ESO could do this without being obligated to it and was not sure if this request became a WACM if it would be meaningful in terms of addressing the defect.

Another member agreed that there is a need for it but was not sure whether it should be part of the modification process. The member added, it might be an idea for the other WACM's and the Original to use this as part of their proposals.

The ESO SME pointed out to the Workgroup that one example in relation to the caveats on the 10-year projection was not having revenue numbers out 10 years which was a key input to the process, this made it is very difficult to come up with sensible numbers in terms of tariffs that need to be set each year. The starting point is how much revenue recovery is required to cover costs of the network. The SME pointed out that this is very challenging for TO's to come up with numbers going out 10 years.

The ESO representative clarified the reason for codifying the 10-year projection would be to have subsequent changes to the STC ensuring revenue numbers could be acquired for the relevant period required, otherwise it will be heavily caveated.

A Workgroup member questioned whether the ESO could extend the projection to 15 years or further to which ESO responded to say the members question was quite an open one. Elements being used at present can be scaled up to further years out but how accurate is this, it all depends on the level of data you have.

Workgroup members agreed that although they did not think the request was suitable for a WACM they did think aspects should be included in the original solution.

Alternative Vote

The Chair asked members if they were happy to vote on the Alternative Request, members requested a 15-minute break to consider the Alternative request, the Chair shared details of the Alternative vote requirements highlighting expectations from the group and confirmed a 15-minute break.

On returning Workgroup members voted on the Alternative Request and agreed not to put the Alternative through as a WACM.

AOB

The Proposer of WACM 2 advised Workgroup they were not confident in having all updates ready for the next Workgroup which was early the following week. The Chair commented the Workgroup Report might not be ready to submit to the December CUSC Panel if actions are outstanding.

Next Steps

New Timeline to be presented to November CUSC Panel for approval.

Actions

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

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
28	WG11	MC	ESO to investigate how their Alternative Request could sit within the Original and WACM1 and WACM2	NA	WG12	Open
29	WG11	TS	WACM2 Proposer to update feedback into their WACM and share details at next WG	NA	WG12	Open
30	WG11	TS	WACM2 Proposer to consider non-Charging mods in relation to their WACM	NA	WG12	Open
31	WG11	HB	Proposer to share confidential analysis to provide justification for proposed values with Ofgem	NA	TBC	Open

Attendees

Name	Initial	Company	Role
Claire Goult	CG	Code Administrator, ESO	Chair
Deborah Spencer	DB	Code Administrator, ESO	Tec Sec
Hugh Boyle	HB	EDF	Proposer
Chiamaka Nwajagu	CN	Orsted Wind Power	Observer
Damian Clough	DC	SSE Generation	Workgroup Member
David Tooby	DT	Ofgem	Authority Rep
Giulia Licocci	GL	Ocean Winds	Workgroup Member
Grace March	GM	Sembcorp	Workgroup Member

George Moran	GM	Centrica	Workgroup Member
James Knight	JK	Centrica	Alternate
Lucas Saaveda Murillo	LSM	Scottish Power Renewables	Alternate
Martin Cahill	MC	ESO Rep	Workgroup Member
Nick Everitt	NE	ESO SME	Observer
Matthew Paige Stimson	MPS	NGET	Workgroup Member
Paul Jones	PJ	Uniper Energy	Workgroup Member
Rowan Hazel	RH	Cornwall Insights	Alternate
Simon Vicary	SV	EDF	Alternate
Tom Steward	TS	RWE Renewables Ltd	Workgroup Member