

Public

CMP444

Workgroup Meeting 1
(11th November 2024)

Online Meeting via Teams

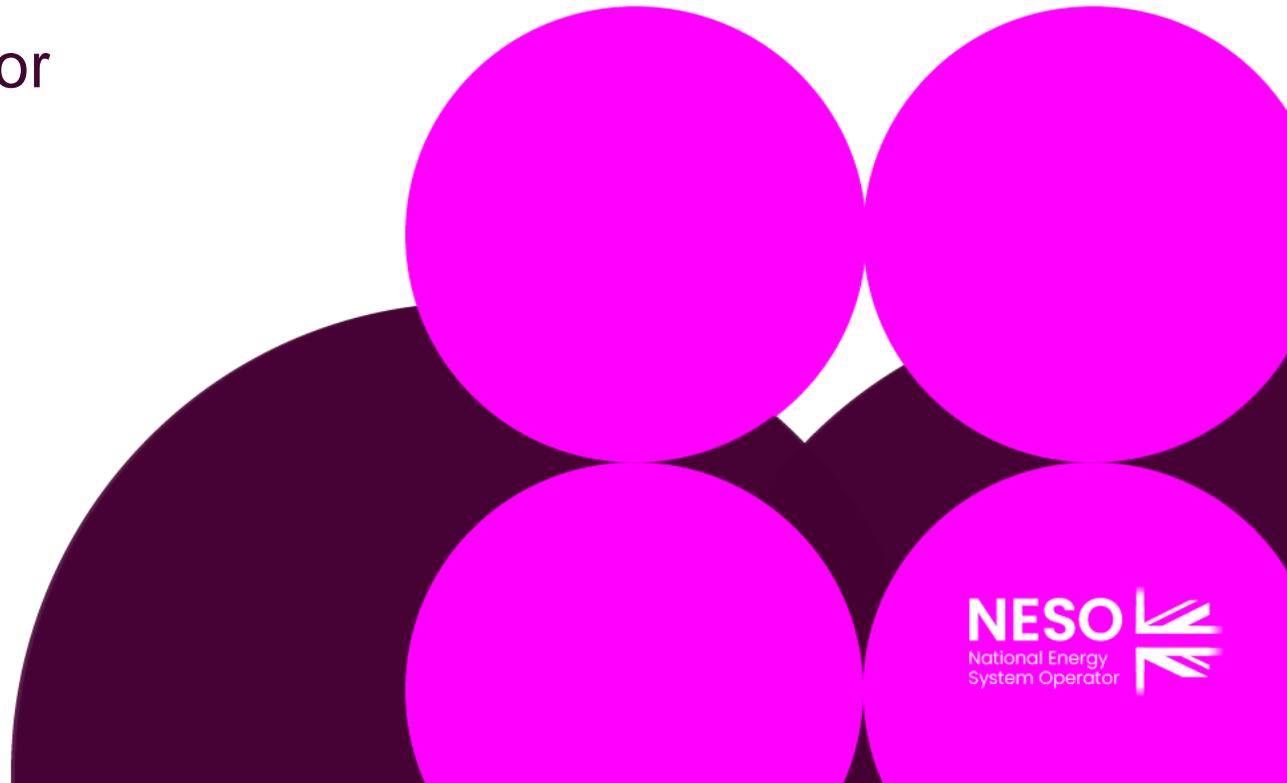
WELCOME

Agenda

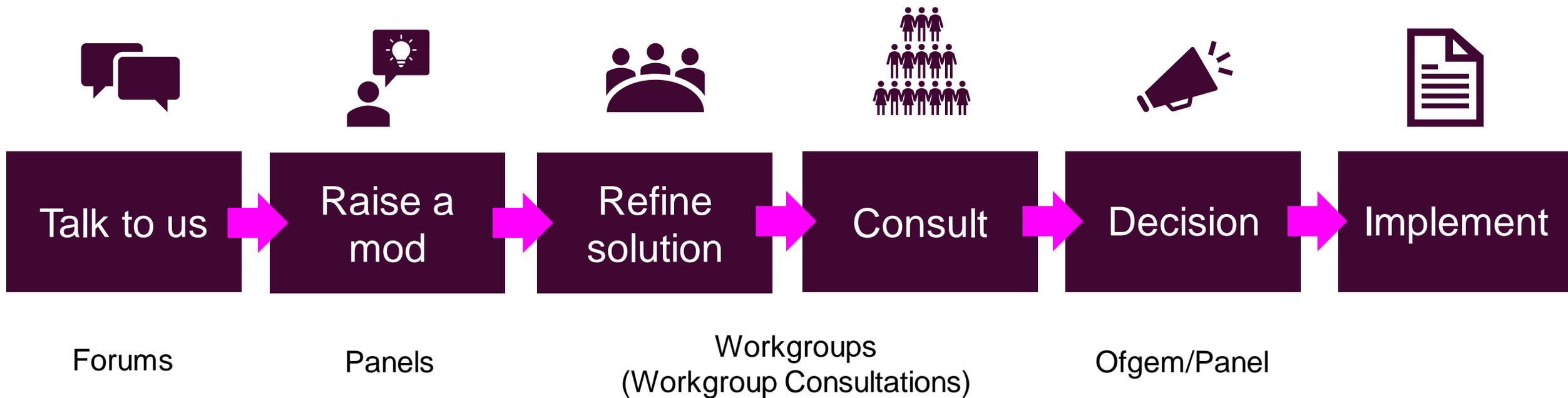
Topics to be discussed	Lead
Introductions	Chair
Code Modification Process Overview <ul style="list-style-type: none"> • Workgroup Responsibilities • Workgroup Alternatives and Workgroup Vote 	Chair
Objectives and Timeline <ul style="list-style-type: none"> • Walk-through of the timeline for the modification 	Chair
Review Terms of Reference	All
Proposer presentation	Proposer
Questions from Workgroup Members	All
Agree Terms of Reference	All
Cross Code Impacts	All
Any Other Business	Chair
Next Steps	Chair

Modification Process

Catia Gomes – NESO Code Administrator



Code Modification Process Overview



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

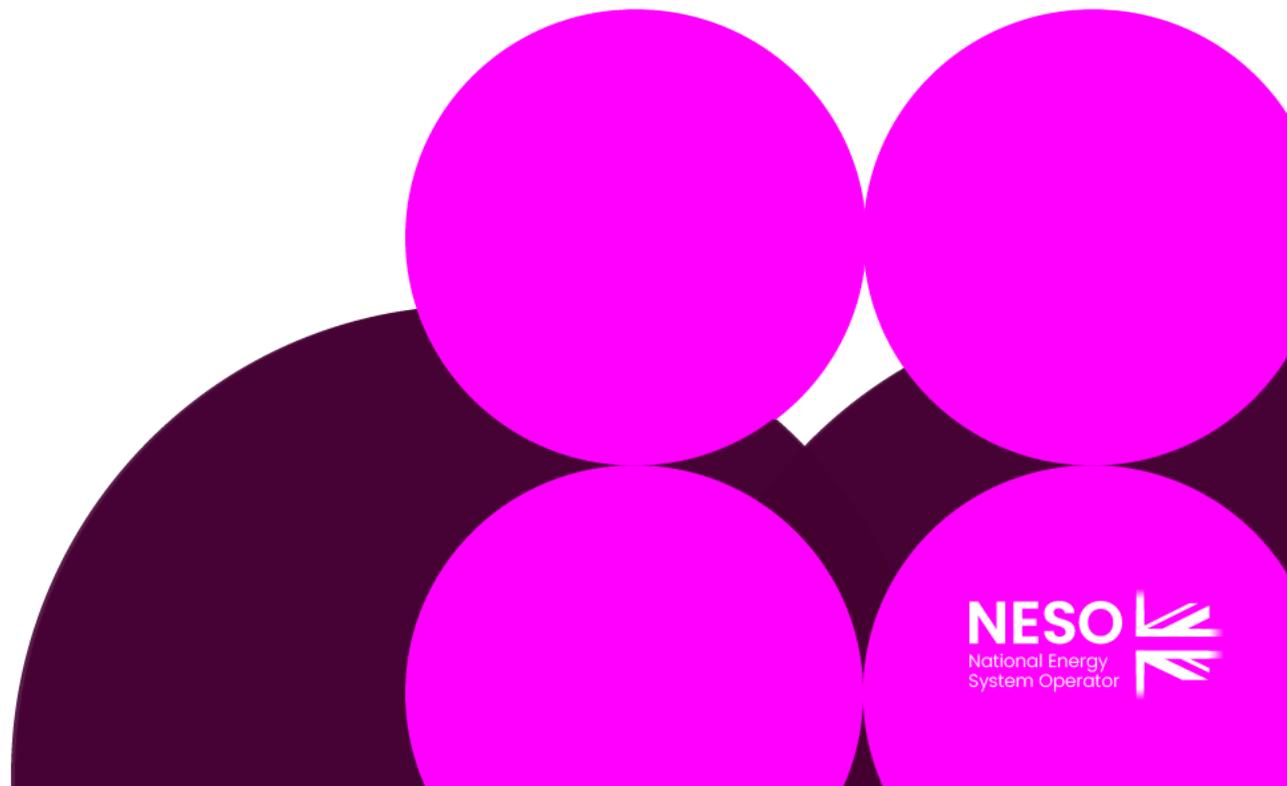
Implement

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



Workgroup Responsibilities and Membership

Catia Gomes – NESO Code Administrator



Public

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

Workgroup Membership

Role	Name	Company	Alternate	Name
Chair	Catia Gomes	NESO Code Administrator		
Tech Sec	Deborah Spencer	NESO		
Proposer	Niall Coyle	NESO	Alternate	Paul Mott
Workgroup member	Barney Cowin	Nadara Bluefloat Partnership (Nomination by NESO)	Alternate	Will Maidment
Workgroup member	Ryan Ward	ScottishPower Renewables	Alternate	Joe Dunn
Workgroup member	Graham Pannell	BayWa r.e.	Alternate	James Brown
Workgroup member	Ben Adamson	Low Carbon	Alternate	Ed Birkett
Workgroup member	Caitlin Butchart	InterGen	Alternate	Robin Dunne
Workgroup member	Alan Kelly	Corio Generation	Alternate	Dan Gilbert
Workgroup member	Anthony Diccio	ESB	Alternate	Dayna Rodger
Workgroup member	James Knight	Centrica	Alternate	Gregory Edwards
Workgroup member	Paul Youngman	Drax	Alternate	Joshua Logan
Workgroup member	Lauren Jauss	RWE Supply & Trading GmbH	Alternate	Tom Steward
Workgroup member	Joe Colebrook	Innova Renewables	Alternate	
Workgroup member	Kyran Hanks	Waters Wye Associates (Nominated by Saltend Cogeneration Company Ltd)	Alternate	Graz Macdonald
Workgroup member	Damian Clough	SSE	Alternate	John Tindal
Workgroup member	Lambert Kleinjans	Energiekontor UK Ltd	Alternate	Richard Lill
Workgroup member	Binoy Dharsi	EDF	Alternate	Simon Vicary
Workgroup member	Paul Jones	Uniper	Alternate	Sean Gauton
Workgroup member	Dennis Gowland	Research Relay Ltd (Nominated by European Marine Energy Centre (EMEC))	Alternate	Chris White
Workgroup member	Nina Brundage	Ocean Winds	Alternate	Aaron Priest

Workgroup Alternatives and Workgroup Vote

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What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:

- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alternative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alternative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed solution(s), the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? ESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

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. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

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 Chair 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.**

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. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

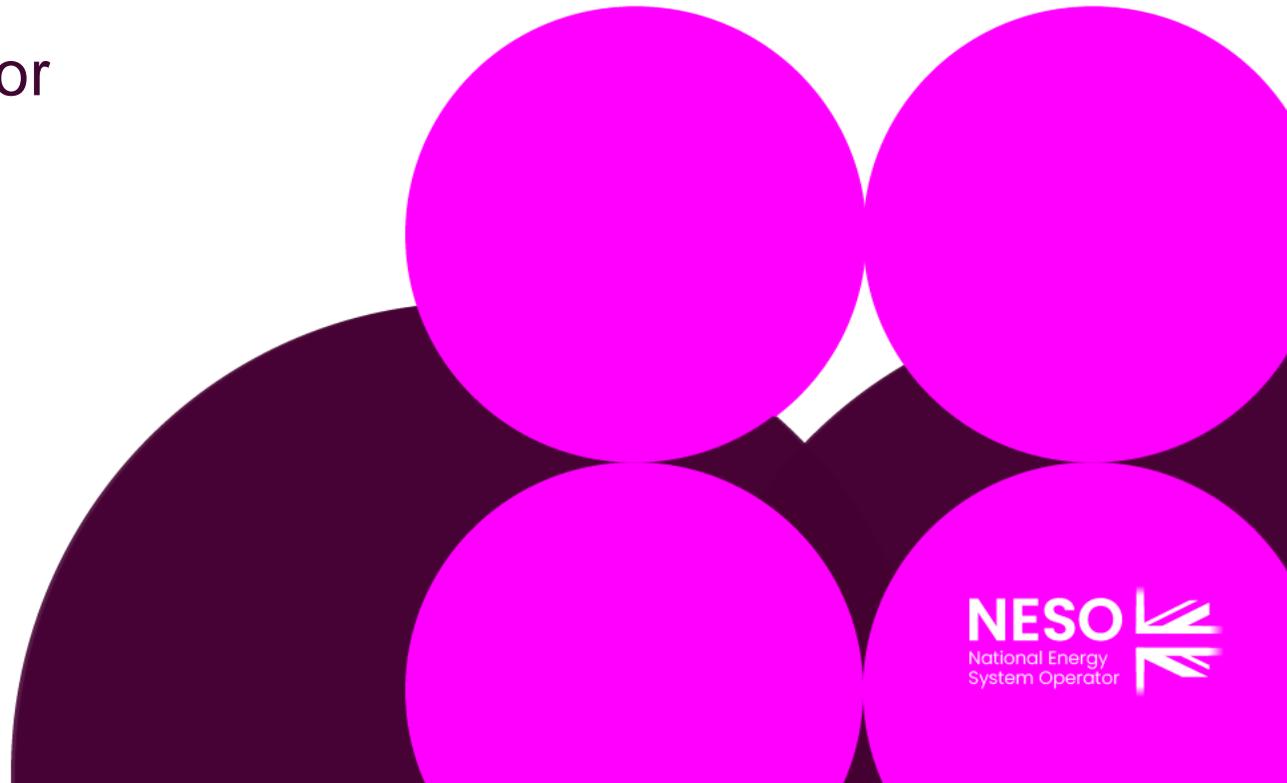
Stage 2 – Workgroup Vote

- 2a) Assess the original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.

Alternate Requests cannot be raised after the Stage 2 – Workgroup Vote

Objectives and Timeline

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Timeline for CMP444 as at 11 November 2024

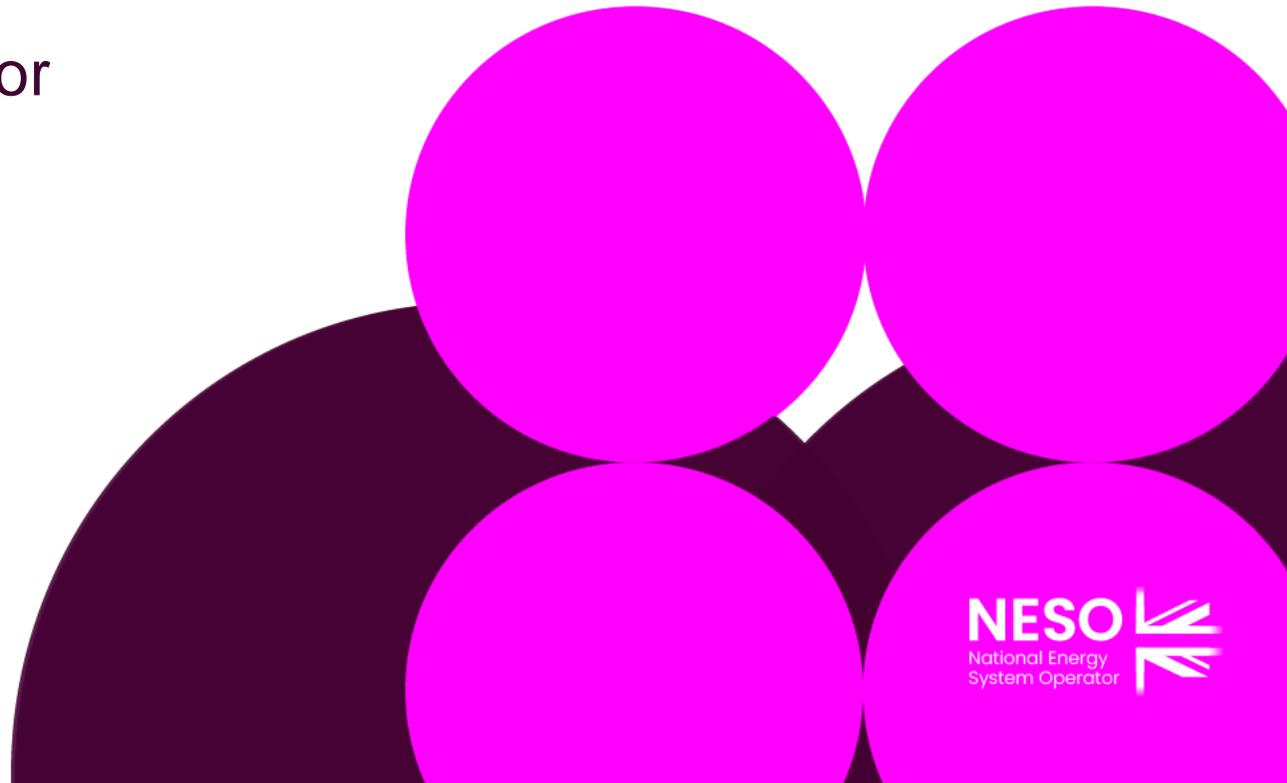
Pre-Workgroup		
Proposal raised	21/10/2024	
Proposal submitted to Panel	25/10/2024	
Workgroup Nominations	25/10/2024 - 06/11/2024	
Urgency Decision	31/10/2024	
Workgroups		
		Objectives and Timeline/Review and Agree Terms of Reference / Proposer presentation
Workgroup 1	11/11/2024	
Workgroup 2	04/12/2024	Solution Development / Workgroup Discussions
Workgroup 3	11/12/2024	Solution Development / Workgroup Discussions
Workgroup 4	09/01/2025	Solution Development/ Legal Text / Draft Workgroup Consultation
Workgroup 5	16/01/2025	Draft Workgroup Consultation Review / Specific Questions / Draft Legal Text Review
Workgroup 6	21/01/2025	Final Workgroup Consultation Review
Workgroup Consultation	23/01/2025 – 29/01/2025	
Workgroup 7	04/02/2025	Review of Workgroup Consultation Responses / Alternative Requests Discussion
Workgroup 8	06/02/2025	Review Solution Position /Alternative Requests Presentations and Vote (if required)
Workgroup 9	12/02/2025	ToR Discussion/ Draft Legal text and WACMs Legal text (if required) review
Workgroup 10	17/02/2025	Draft Workgroup Report review / Draft Legal text Review (WACMs legal text)
Workgroup 11	20/02/2025	Final Workgroup Report Review / ToR Sign-off / Final Legal Text Review (WACMS legal text)
Workgroup 12	25/02/2025	Finalising any outstanding points on legal text and WG Report – Workgroup Vote

Timeline for CMP444 as at 11 November 2025

Post Workgroups		Key info
Workgroup Report submitted to Panel	03/03/2025	
Panel to agree whether ToR have been met	07/03/2025	Special Panel invites to be shared
Code Administrator Consultation	10/03/2025 – 14/03/2025	
Code Administrator Consultation Analysis and DFMR generation	17/03/2025 – 21/03/2025	
Draft Final Modification Report to Panel	24/03/2025	
Panel Recommendation Vote	28/03/2025	
Final Modification to Ofgem	28/03/2025	
Decision Date	01/07/2025	
Implementation Date	01/04/2026	

Review Terms of Reference

Catia Gomes – NESO Code Administrator



Public Terms of Reference

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
1. Consider EBR implications	
2. Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency letter.	
3. Consider the appropriate levels of the cap and floor for each element of wider generation TNUoS	
4. Consider appropriate indexation for the cap and floor levels	
5. Consider interaction with EC 838/2010 and ongoing compliance with the "limiting regulation"	
6. Consider the duration of the cap and floor	
7. Consider which five year forecast should be used and the timing of the 2025 forecast	
8. Consider the Open Letter on Seeking industry action to mitigate the investment impacts of very high projected TNUoS charges	

Proposer's Solution: Background; Proposed Solution; Scope; and Assessment vs Terms of Reference

Niall Coyle – NESO

CMP444 - Introducing a cap and floor to generator TNUoS charges

Niall Coyle, NESO

CMP444 - Introducing a cap and floor to generator TNUoS charges

Niall Coyle, NESO

Background

- On 30 September 2024 Ofgem published an open letter outlining their concerns around the uncertainty of long term TNUoS charges
- The 10-year projection of TNUoS published in 2023 signalled significant potential tariff increases, with those in northern GB projected to triple in some zones.
- This impact on generator TNUoS charges may:
 - Deter new investment in generation projects
 - Drive up generator CfD administrative strike prices, as well as wholesale prices and balancing costs
 - Increase costs for consumers
- Unprecedented levels of investment will be required to reach Clean Power by 2030, therefore urgent attention is required to address these investment risks.
- Ofgem consider that a cap and floor on generator TNUoS can address these uncertainties and ultimately reduce overall costs borne by consumers

Principles

Ofgem has encouraged NESO to develop a proposal that takes account of the below principles:

- Establishes appropriate, individual, upper and lower limits on the £/kW charges paid by generators through the Year-Round and/or Peak Tariffs.
- Retains regional/locational differentials in charges and between technology types through a single GB cap and floor.
- Maintains a procedure for ensuring compliance with the requirements on generator annual average transmission charges as provided for in Regulation 838/2010.
- Is capable of implementation without requiring NESO to change its TNUoS forecasting approach or timetable.
- Is capable of implementation from April 2026.

We intend to limit the scope of the modification to these parameters only and leave other types of cap/floor mechanisms (such as zonal) and broader TNUoS charging reforms (including fixing charges) out of scope.

Modification Proposal (1)

Cap

- Apply a single GB cap to each of the year-round shared (YRS), year-round not-shared (YRNS) and Peak Security (PS) £/kW charges
- The £/kW cap value for each element shall be calculated as 2 standard deviations above the 5-year simple (unweighted) average (mean) of the respective tariff element across all generation zones from the latest NESO 5-year view TNUoS tariff publication.

Floor

- Apply a single GB floor to each of the YRS, YRNS and PS £/kW charges
- The £/kW floor value for each element shall be calculated as 2 standard deviations below the 5-year simple (unweighted) average (mean) of the respective tariff element across all generation zones from the latest NESO 5-year view TNUoS tariff publication.

Modification Proposal (2)

Indexation

- Propose annual indexation of the cap/floor, by applying CPI-H inflation to stop the cap/floor contracting in real terms over time
- We considered other measures of inflation (e.g. TOPI) but settled on CPI-H as this method is already used to uplift generator local circuit tariffs

Which 5-year forecast to use?

- Either calculate the cap/floor from the 2024 5-year forecast available during workgroup considerations, or the 2025 forecast, utilising the latest data available at implementation
- We are exploring the possibility of bringing forward the 2025 forecast, and identifying any additional risk that this may introduce (e.g. potential data availability)

Modification Proposal (3)

Maintain gencap compliance

- Any under-collection in revenue because of the cap/floor will be collected via the generation adjustment tariff
- In practice this will offset against the negative generation adjustment tariff

Duration of the cap/floor

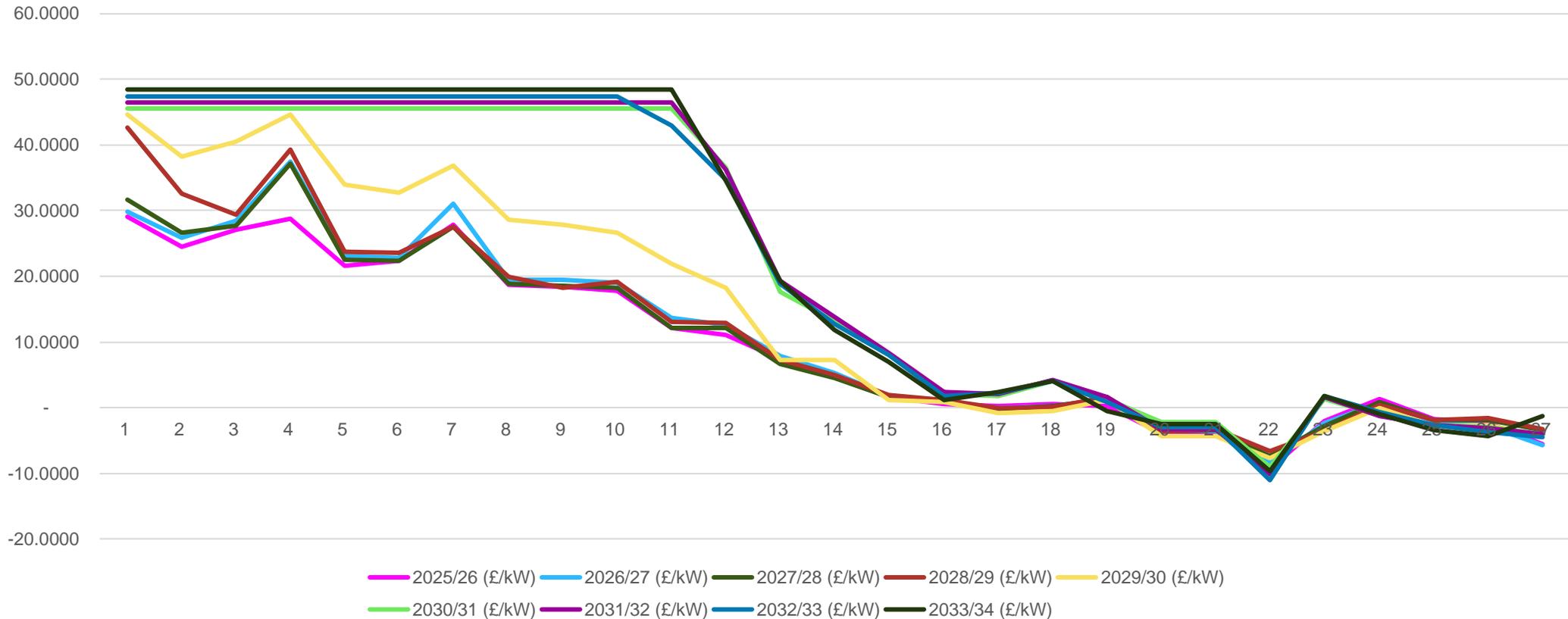
- Propose for the cap/floor to be in place until reforms through the REMA programme are implemented
- A longer cap/floor may dampen the reformed locational signals put in place by REMA
- Further protection for generators making investment decision while the cap is in place/transitional arrangements to REMA may need to be considered

Analysis

- Using April 2024 ESO 5-year forecast

	PS	YRS	YRNS
Cap	7.72	30.36	27.65
Floor	-3.09	-14.24	-12.99

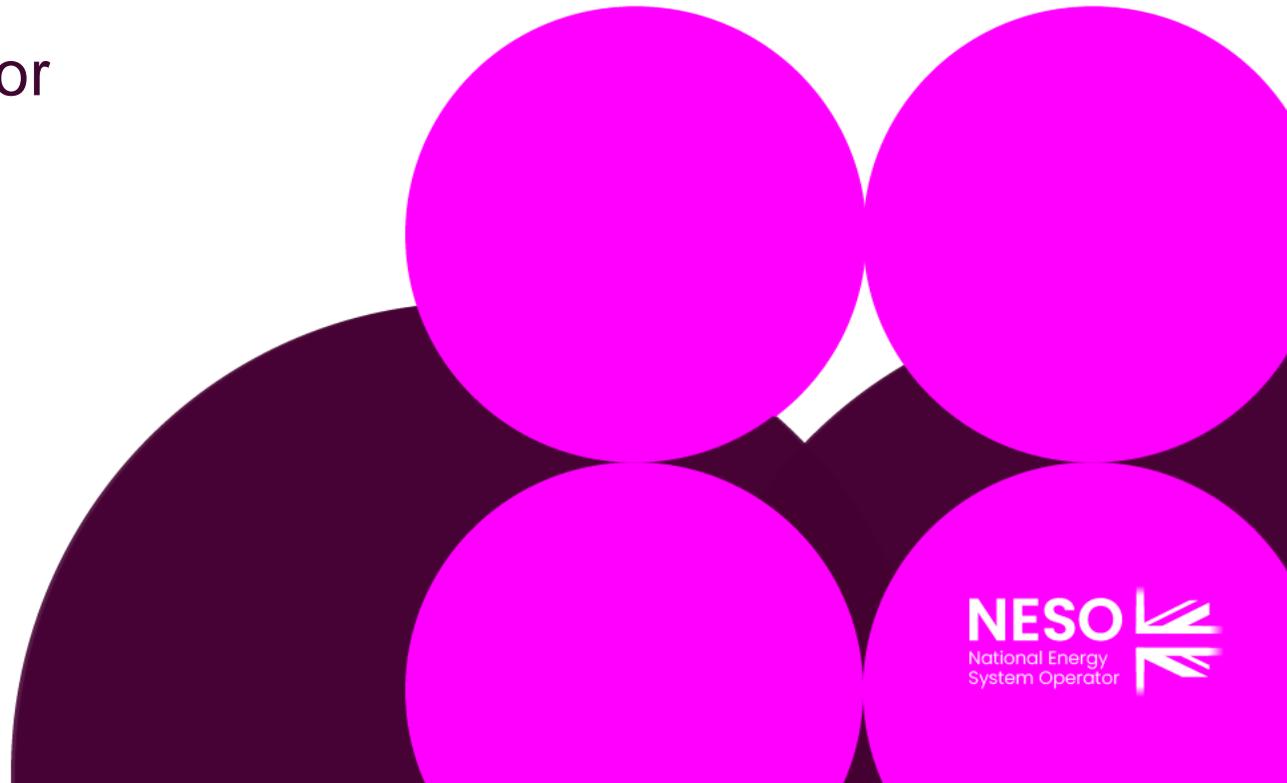
Wider tariff - Intermittent Generator (45% ALF)



*Excludes the generator adjustment tariff

Agree Terms of Reference

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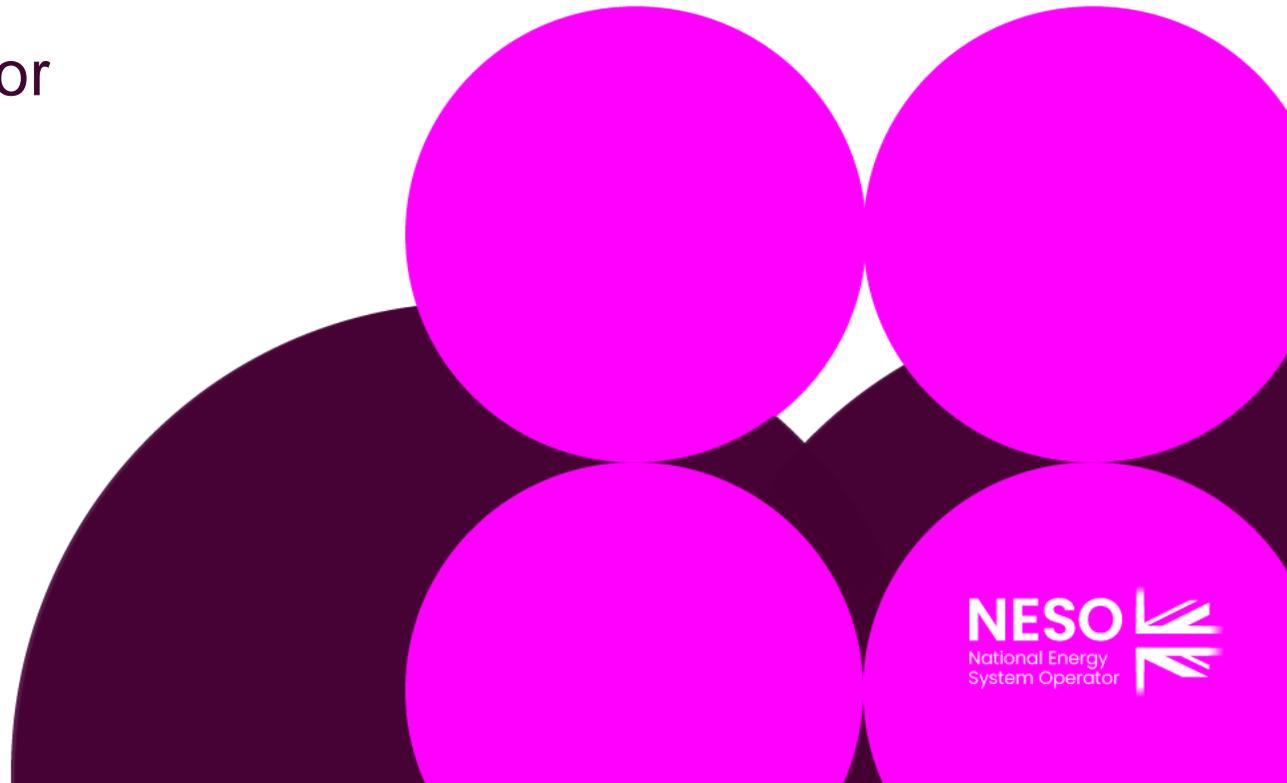
Public Terms of Reference

Workgroup Terms of Reference

- a) Consider EBR implications
- b) Consider the scope of work identified and whether this is achievable with the timeframe outlined in the Ofgem Urgency letter
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- e) Consider interaction with EC 838/2010 and ongoing compliance with the “limiting regulation”
- f) Consider the duration of the cap and floor
- g) Consider which five year forecast should be used and the timing of the 2025 forecast
- h) Consider the the Open Letter on Seeking industry action to mitigate the investment impacts of very high projected TNUoS charges

Cross Code Impacts

Catia Gomes – NESO Code Administrator



Any Other Business

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Next Steps

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