

Public

CMP444

Workgroup Meeting 2

(4th December 2024)

Online Meeting via Teams

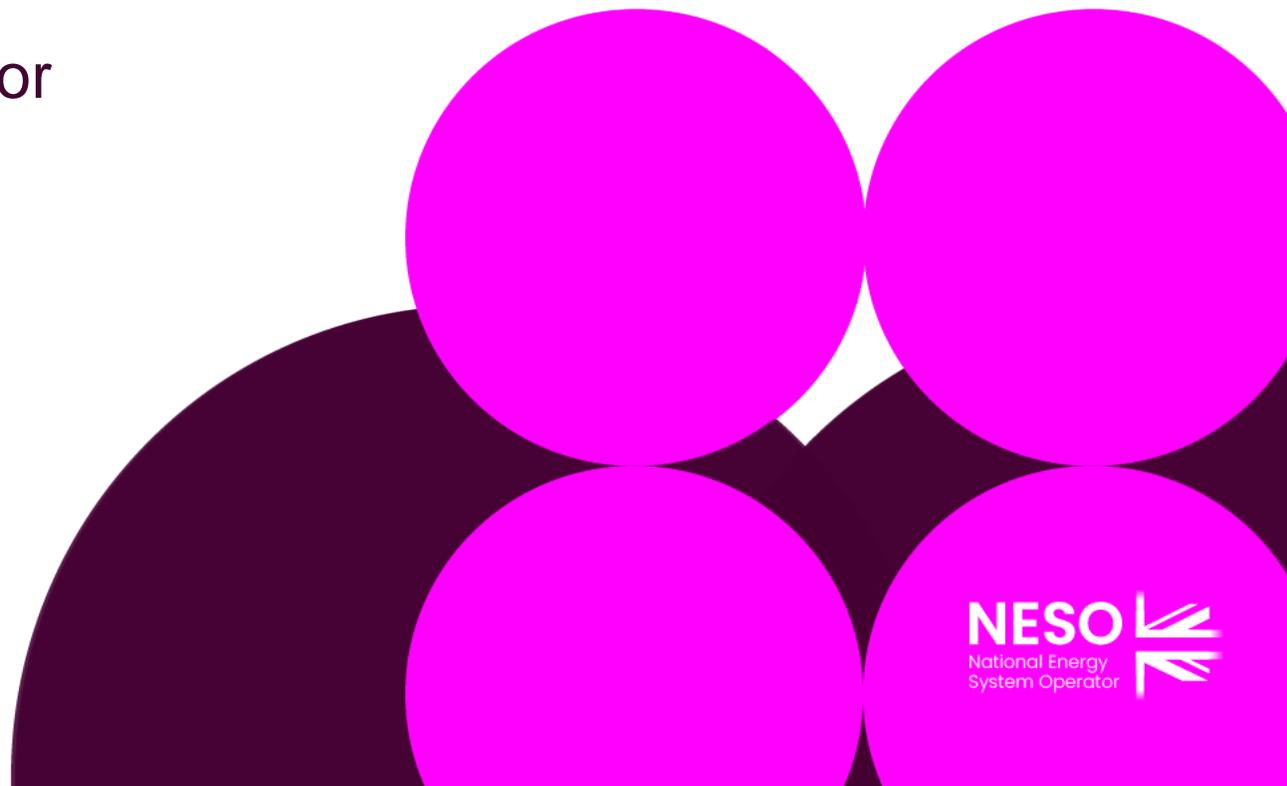
WELCOME

Agenda

Topics to be discussed	Lead
Objectives and Timeline	Chair
Workgroup Membership	Chair
Terms of Reference	All
Proposer presentation: <ul style="list-style-type: none">• Revised Methodology• Forecast Timing• Cap/Floor Duration• Analysis	Proposer
Alternative Requests Discussion	All
Any Other Business	Chair
Next Steps	Chair

Objectives and Timeline

Catia Gomes – NESO Code Administrator



Timeline for CMP444 as at 11 November 2024

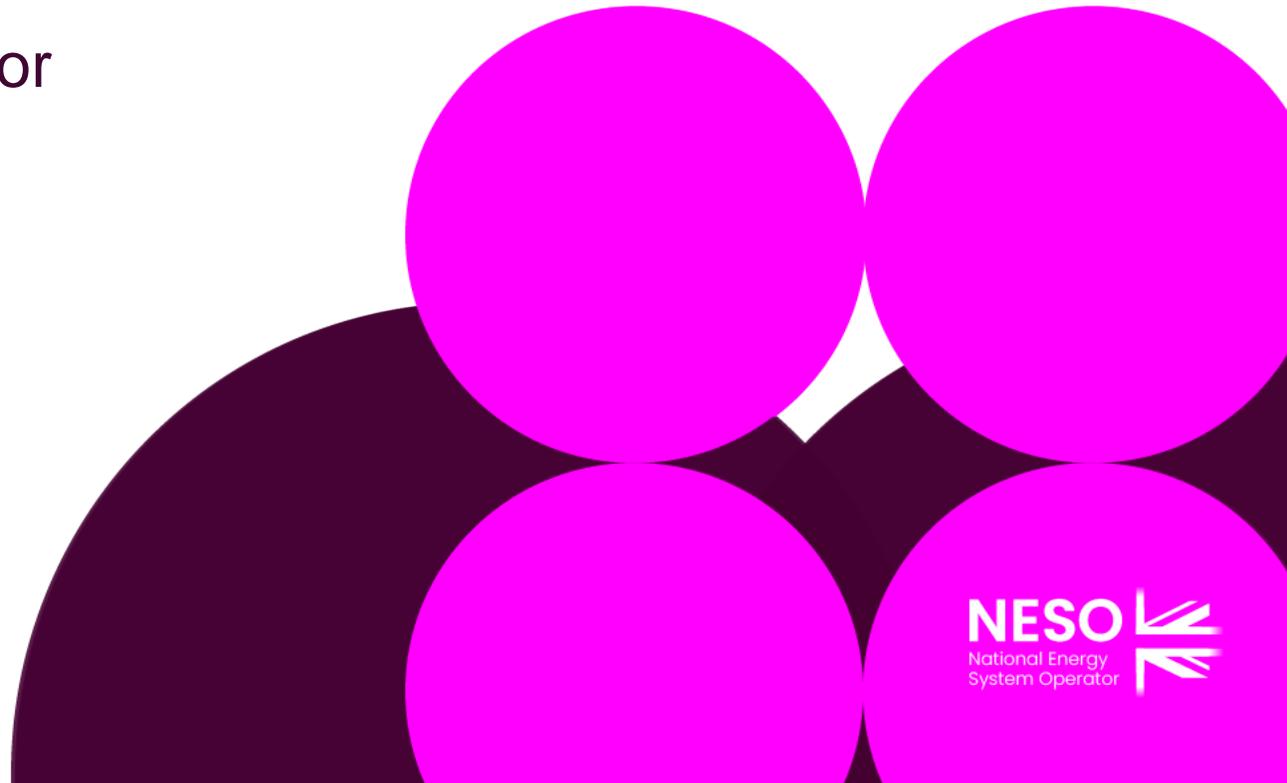
Pre-Workgroup		
Proposal raised	21/10/2024	
Proposal submitted to Panel	25/10/2024	
Workgroup Nominations	25/10/2024 - 06/11/2024	
Urgency Decision	31/10/2024	
Workgroups		
		Objectives and Timeline/Review and Agree Terms of Reference / Proposer presentation
Workgroup 1	11/11/2024	
Workgroup 2	04/12/2024	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

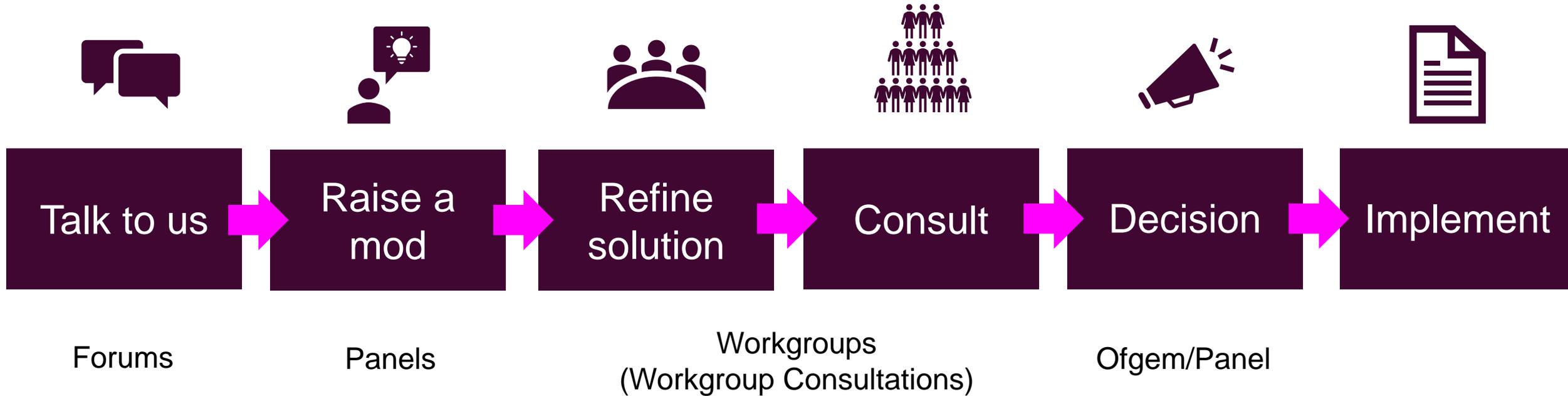
Post Workgroups		Key info
Workgroup Report submitted to Panel	03/03/2025	
Panel to agree whether ToR have been met	07/03/2025	Special Panel invites to be shared
Code Administrator Consultation	10/03/2025 – 14/03/2025	
Code Administrator Consultation Analysis and DFMR generation	17/03/2025 – 21/03/2025	
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	

Modification Process

Catia Gomes – NESO Code Administrator

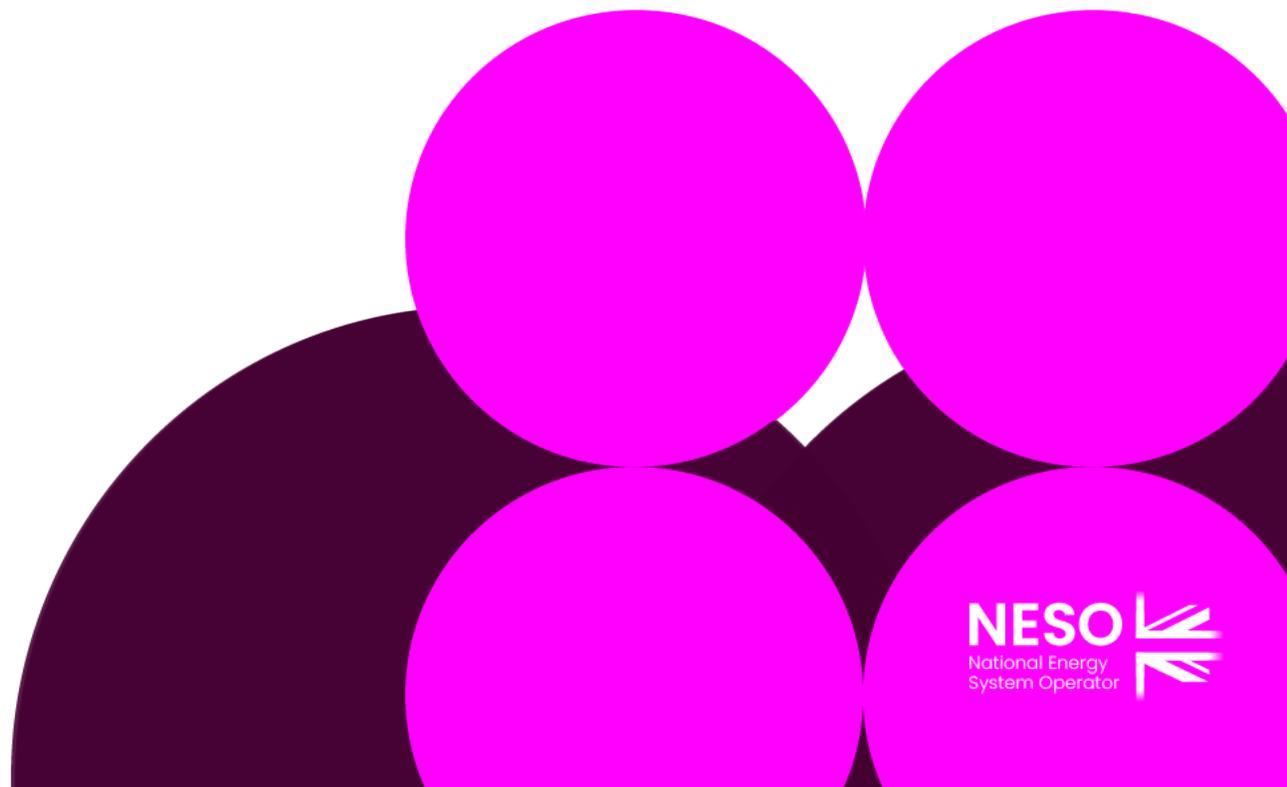


Code Modification Process Overview



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

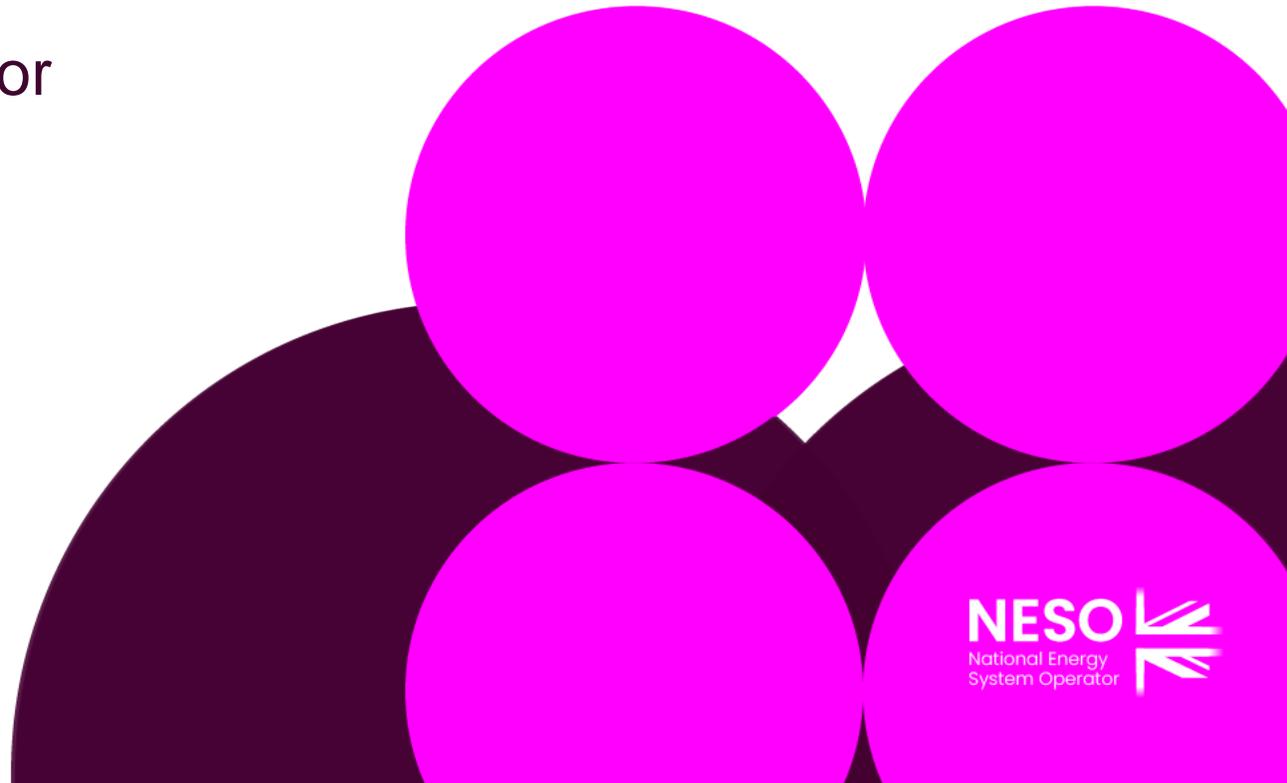
Vote on whether the solution(s) better facilitate the Code Objectives

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	Will Maidment	Nadara (nominated by Farr Windfarm Ltd)	Alternate	
Workgroup member	Barney Cowin	Bluefloat Energy	Alternate	Mark Canterbury
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 Diccico	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	Cameron Gall
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 member	Emanuele Dentis	Northland Power	Alternate	Als Scrope
Workgroup member	Darshak Shah	BP (nominated by BP Alternative Energy)	Alternate	Joao Varejao
Workgroup member	Simon Lord	Engie	Alternate	Andrew Rimmer
Workgroup member	Tom Palmer	Zenobe	Alternate	Archie Campbell

Terms of Reference

Catia Gomes – NESO Code Administrator



Proposer's Presentation

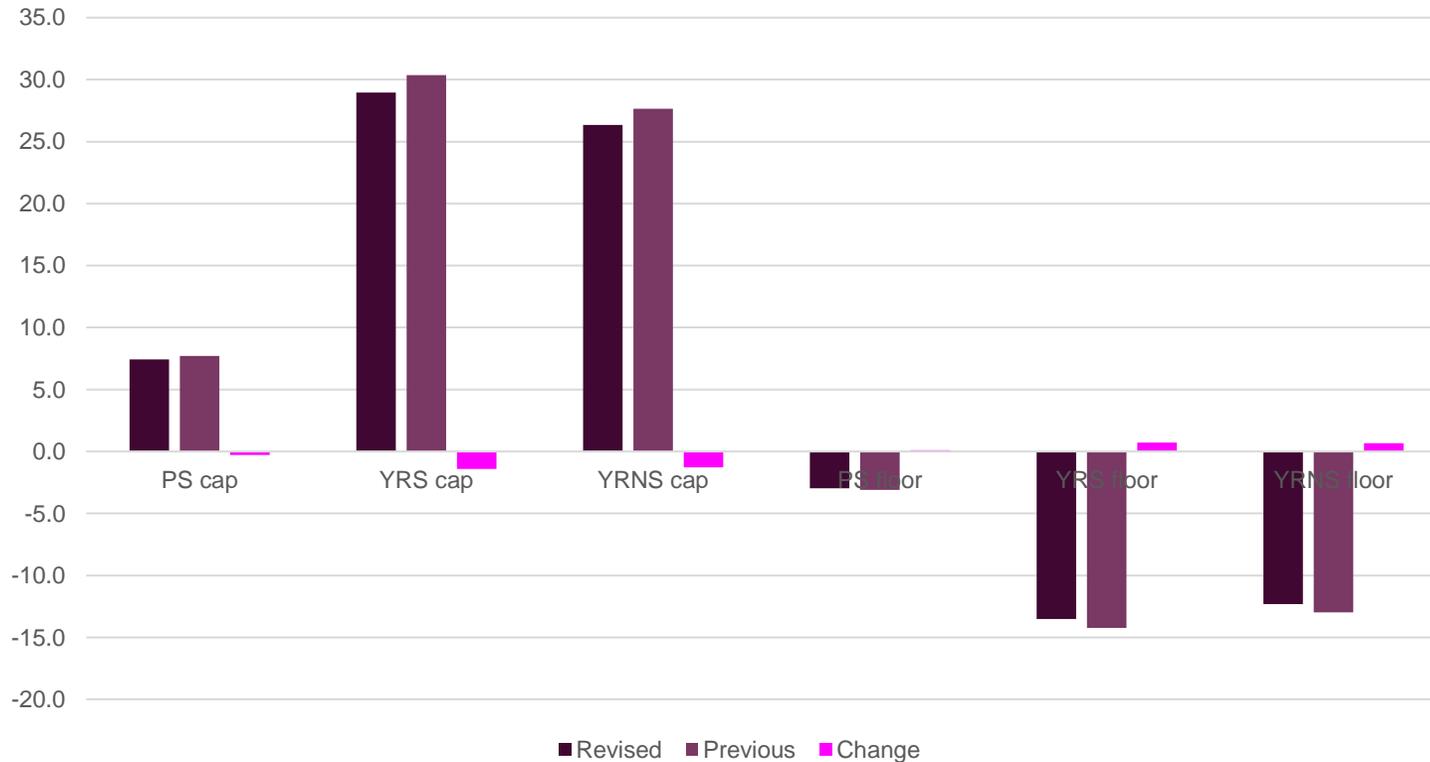
Niall Coyle – NESO

1. Revised Methodology

- Feedback from WG1 suggested that we may be double counting inflation
- Confirmed this was the case as the 5-year forecast already factored in inflation, therefore was being applied twice when the cap/floor levels are inflated
- We have revised the methodology to remove the effect of inflation from the 5-year forecast before calculating the cap/floor levels
 - Step 1 – strip inflation from 5-year forecast to give all rates in 2025/26 prices
 - Step 2 – calculate the mean and standard deviation from the adjusted rates, and therefore the initial cap/floor levels in 25/26 prices
 - Step 3 – Apply inflation to the 25/26 cap/floor levels on an ongoing basis.

Revised Methodology

- Leads to a reduction in the initial cap levels, and an increase to the initial floor levels



Initial levels (£/kW)	Revised	Previous	Change
PS cap	7.4	7.7	-0.3
YRS cap	29.0	30.4	-1.4
YRNS cap	26.4	27.6	-1.3
PS floor	-3.0	-3.1	0.1
YRS floor	-13.5	-14.2	0.7
YRNS floor	-12.3	-13.0	0.7

2. Forecast Timing

- Typically, the 5-year forecast is published at the end of April*
- WG members asked NESO to consider timing of 2025 5-year forecast – whether it can be available before Celtic seabed auctions in March, to calculate cap/floor using the latest dataset?
- NESO may be able to bring forward the forecast by up to one month, however some data would not be available.
- This is unlikely to be early enough to provide certainty ahead of the Celtic seabed auctions and the missing data may lead to the forecast being less accurate
- We are therefore proposing to use the 2024 5-year forecast to calculate the cap/floor

3. Cap/Floor Duration

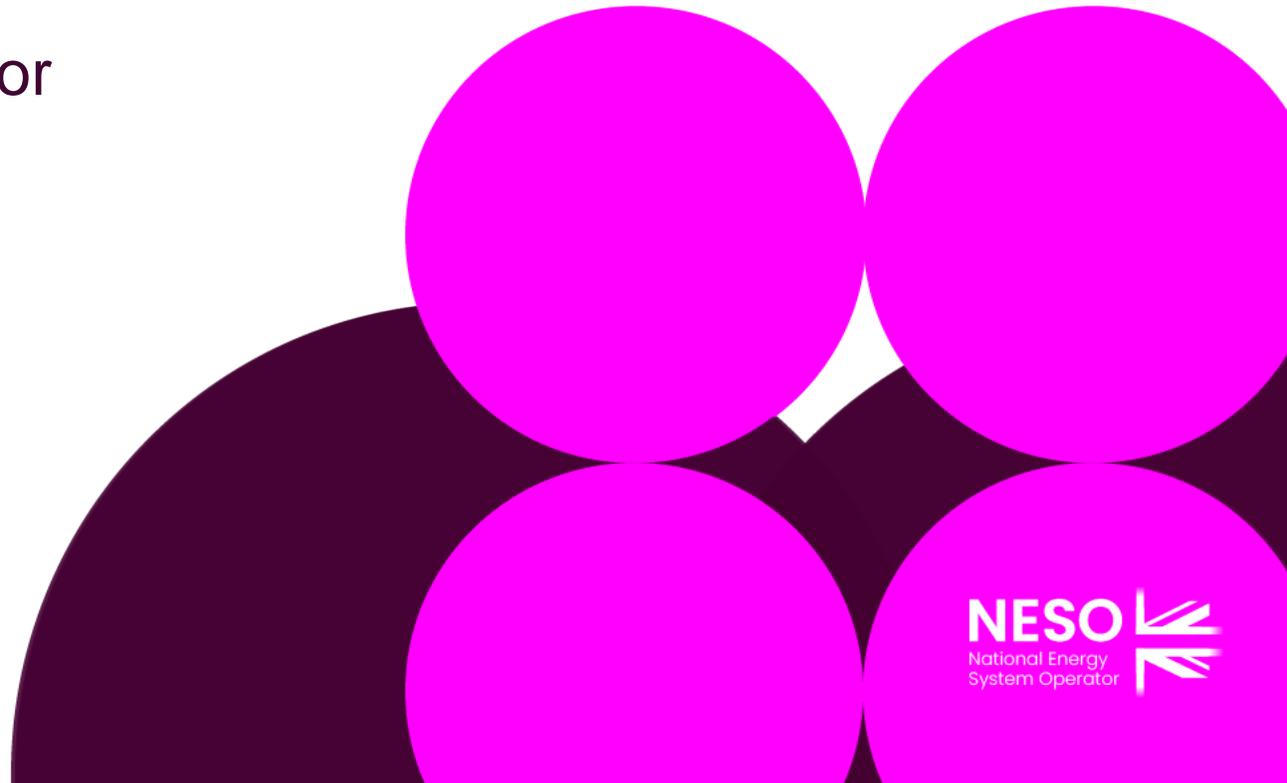
- NESO proposal is for the cap/floor to be in place until the REMA reforms are implemented, but as there has been no decisions on REMA the implementation dates are uncertain.
- To define the duration in the legal text we have two options:
 - 1. Define an exact date for the cap/floor to be removed, based on the latest available timeline
 - Con: may need further mods in the future to move the date if timelines change
 - 2. Define a trigger for when the cap/floor will be removed
 - Pro: More flexible, allows for the end date to move with the project
 - Con: We will need to link to a specific project milestone - what would be an appropriate milestone?

4. Analysis

- The workgroup report will require analysis to demonstrate how the reforms solve the problem statement in Ofgem's open letter.
- Granular analysis may be difficult due to the commercially sensitive/confidential nature of developer's projects.
- We are exploring analysis of how the cap/floor may impact TNUoS costs for representative projects vs the 5-year forecast/10-year projection, and how this may translate to impact on CfD strike prices
- Questions to the workgroup:
 - What additional analysis will we required?
 - Is the required data available in the public domain?

Alternative Requests Discussion

Catia Gomes – NESO Code Administrator



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.**

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

Can I vote? What is the Workgroup Vote?

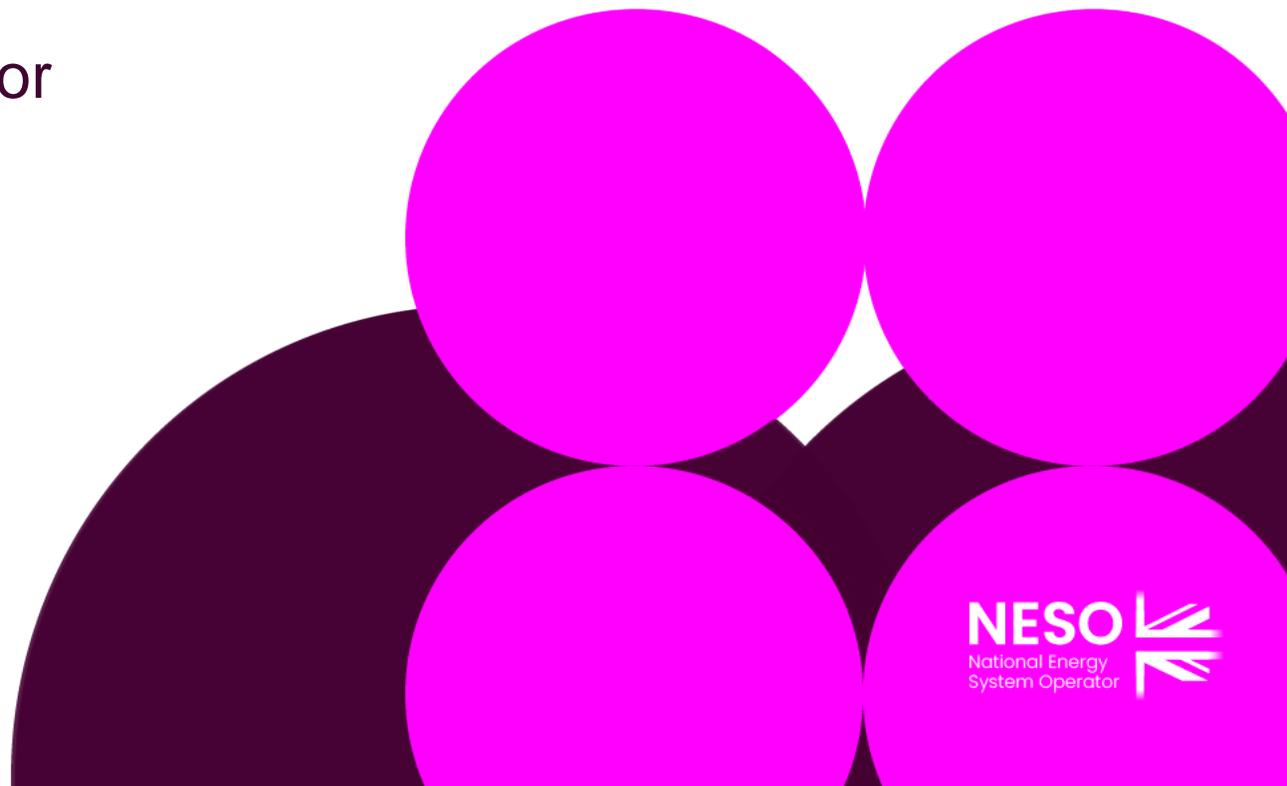
To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

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.

Any Other Business

Catia Gomes – NESO Code Administrator



Next Steps

Catia Gomes – NESO Code Administrator

