Public

Meeting Summary – Workgroup 1

Meeting name: CMP442: Introducing the option to fix Generator TNUoS charges

Date: 16 December 2024

Contact Details

Chair: Jess Rivalland, NESO: Jessica.Rivalland@nationalenergyso.com

Proposer : Tom Steward, RWE: tom.steward@rwe.com

Key areas of discussion

Modification Process

The Chair talked through key elements of the Modification process and the role and expectations of the Workgroup.

The Chair reminded Workgroup members they needed to attend 50% of the meetings to be eligible for voting, adding an explanation about the Alternative Requests and their purpose.

The Chair presented the timeline of the Modification, noting that it is likely that additional Workgroup meetings will be required to develop the solution ahead of consultation.

Terms of Reference

The Chair shared the agreed Terms of Reference with the Workgroup and noted that these should be considered during the Proposer's presentation. The Chair noted that any further Terms of Reference can be added should they be required.

The Proposer noted that another Term of Reference was proposed by the CUSC Panel for consideration, relating to whether there should there be a specific window in which Generators can apply to fix their TNUoS charges.

Proposer's solution

The Proposer shared slides giving the background, principles and proposed solution with Workgroup members for discussion. These can be found on the webpage for CMP442.

The Proposer provided a high level summary of the Modification, which was first developed as a possible WACM for Modification CMP413 and was discussed at the TNUoS Taskforce.

- The objective of the Modification is to limit TNUoS risk to minimise cost to the consumer.
- A Generator would have the option to fix their TNUoS against a forecast that would be produced by NESO. TNUoS charges would be on a fixed profile for each Generator that had opted to fix their TNUoS.
- The maximum fix length being considered is 15 years, however the length of the fix would be determined by NESO, based on what would be achievable. It was noted that the fix length could be increased over time.

- Towards the end of an agreed fixed period, a Generator would have the option of fixing again, or moving back to a variable TNUoS tariff.
- It was noted that future Modifications could potentially change the TNUoS charges of a Generator with a fix, and that it would be a matter for Ofgem to determine how future Modifications would be applied and how the potential impacts should be managed.

The Proposer noted that the solution will be developed in recognition of the wider policy context, specifically Modification CMP444: Introducing a cap and floor to wider generation TNUoS charges, REMA and the Modification CMP413 rejection decision.

A Workgroup member questioned whether a Generator would be exposed to more risk should the connection be delayed following opting in for a fix, and whether there should be a get out clause if this was the case. The Proposer noted that the Generator would be able to apply for the fix at any point, which could be closer to the point of connection.

A Workgroup member questioned whether inflation would be applied to TNUoS after the fix had been applied. The NESO Rep noted that inflation should be taken into account within the forecast that would be produced by NESO.

The Proposer noted that if Modification CMP316 is approved before CMP442, there could be an issue with the implementation of this solution. It was agreed that the implementation of CMP316 (if approved) should be considered within the Terms of Reference of this Modification.

A Workgroup member noted that the NESO forecast accuracy should improve following the Connections Reform, when NESO will be able to know which projects will connect and when.

A Workgroup member suggested applying a range for the fix (e.g. +/- 10%) rather than fixing to an absolute number. The Proposer noted that this would make the solution significantly more complex. The Proposer recommended that this solution be discussed in future Workgroups and suggested that Workgroup members could consider it as a potentially better option.

A Workgroup member proposed that the Workgroup should consider the possibility of fixing TNUoS for all sites. The Proposer noted that the solution has been developed to give the option to investors to fix the charges if appropriate for specific projects. It was agreed that the Workgroup should look at modelling of scenarios where all sites decide to fix, and what the impact of that would be.

The NESO Rep agreed that modelling and analysis should be undertaken in order for the Workgroup to see different scenarios, including in which situations the Transmission Demand Residual (TDR) would be affected and how. An action was taken for NESO and the Proposer to produce this ahead of the next Workgroup.

The Proposer confirmed that the length of the fix and the percentage of the site that would be fixed, would be determined by the Generator at the time of application. It would be possible for multi-technology sites to fix a portion of the site on certain technologies. It was agreed that further work would need to be done to understand the impact of this.

The Proposer confirmed that the generation adjustment charge would be outside of the scope of the fix. The Proposer also noted that local charges would be excluded from the fix due to the difference in onshore and offshore calculations. It was noted that this should be discussed further in future Workgroups.

The Chair summarised that the actions that had been considered during the discussions included:

- Modelling to understand scenarios where the TDR could be affected;
- Making the agreed updates to the Modification Terms of Reference; and
- That the legal text for modification CMP413 should be sent out to Workgroup members to be considered as a starting point for the legal text for this modification.

Any Other Business

Workgroup members discussed how the 15-year projection may be delivered by NESO, and whether the methodology for the current 5-year forecast would be extended, or whether any changes would be required. The NESO Rep advised that the NESO Revenue Team are actively looking at options to get more data from TOs to assist with the projection. This will be discussed further at future Workgroups.

Workgroup members discussed who would be best placed to manage the risk of the forecast being inaccurate. The Workgroup members agree that NESO would be in the best place to manage the risk due to having more information available in comparison to the wider industry.

A Workgroup member commented that the solution to this modification would be impacted by the implementation of REMA. The Proposer noted that the Workgroup could request comment from Ofgem on this once further information on REMA has been released, in terms of Ofgem expectations of this Modification. The Ofgem Rep noted that it would be a positive step to note REMA considerations within the Final Modification Report (FMR).

A further discussion, was help regarding the Modification timeline. The Chair proposed that the timeline is updated once the Revenue Team has been contacted regarding availability to provide support on developing the solution.

With regards to the frequency of Workgroup meetings being changed to fortnightly, it was agreed that there may be a lack of availability considering Workgroup members may also be required to attend the Workgroup meetings for urgent Modification CMP444. The timeline will be revisited at future Workgroup meetings.

Next Steps

Actions

For the full action log, click here.

Action Number	Workgroup Raised	Owner	Action	Due by	Status
1	1	NESO and Proposer	Undertake analysis to understand at a high level in which scenarios the TDR will be affected, and what the impact would be	15/01/2025	Open

2	1	Chair	Send out the legal text for Modification CMP413, which can be used as a starting point for drafting the legal text for this Modification. Workgroup members to consider the legal text ahead of the next Workgroup meeting.	15/01/2025	Open
3	1	Proposer	Update the Terms of Reference to include consideration of CMP316 (if approved) and to consider TDR impacts and error margins.	15/01/2025	Open

Attendees

Name	Initial	Company	Role
Jess Rivalland	JR	NESO Code Governance	Chair
Kat Higby	KH	NESO Code Governance	Tech Sec
Niall Coyle	NC	NESO	NESO Rep
Tom Steward	TS	RWE	Proposer
Caitlin Butchart	CB	Intergen	Workgroup member
Caoimhe McCusker	CM	Ocean Winds	Workgroup member
Calum Duff	CD	Thistle Wind Partners	Workgroup member
Damien Clough	DC	SSE	Workgroup member
Dennis Gowland	DG	Research Relay Ltd (Nominated by European Marine Energy Centre (EMEC))	Workgroup member
James Knight	JK	Centrica	Workgroup member
Kyran Hanks	KH	Waters Wye Associates	Workgroup member
Paul Jones	PJ	Uniper	Workgroup member
Ryan Ward	RW	Scottish Power Renewables	Workgroup member
Simon Lord	SL	Engie	Workgroup member
Alan Kelly	AK	Corio Generation	Observer
Chiamaka Nwajagu	CN	Orsted	Observer
Will Maidment	WM	Nadara	Observer
David Tooby	DT	OFGEM	Authority rep
E Lian Diong	ELD	Thistle Wind Partners	Alternate

Varun Mittal	VM	Corio Generation	Observer
David Wellard	DW	Orsted	Observer