

Public

# CMP444

Workgroup Meeting 4  
(9<sup>th</sup> January 2025)

Online Meeting via Teams

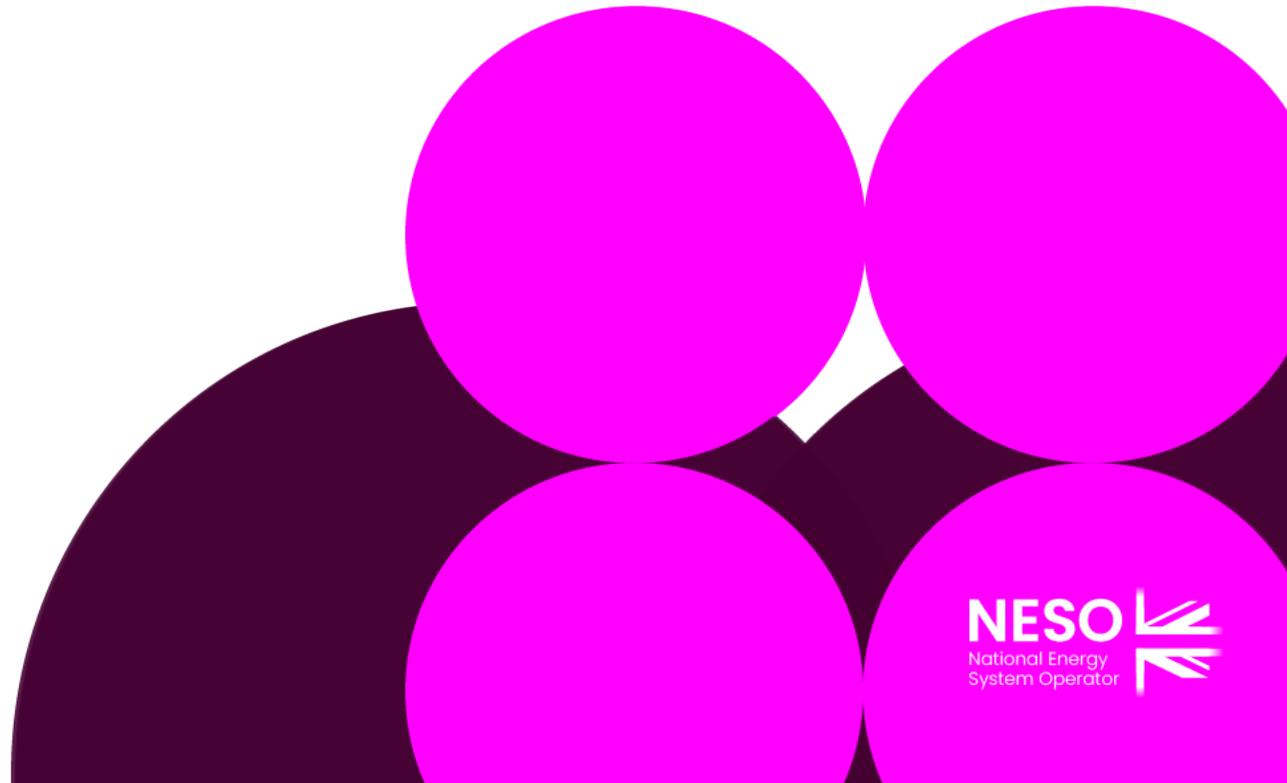
# WELCOME

# Agenda

<b>Topics to be discussed</b>	<b>Lead</b>
Workgroup Responsibilities and Membership	Chair
Objectives and Timeline	Chair
Proposers Updated Solution	Proposer
Alternative Voting Criteria	Chair
Submitted Alternative Requests Presentations/Discussions <ul style="list-style-type: none"><li>• Alternative Requests Vote</li></ul>	All
Any Other Business	Chair
Next Steps	Chair

# 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

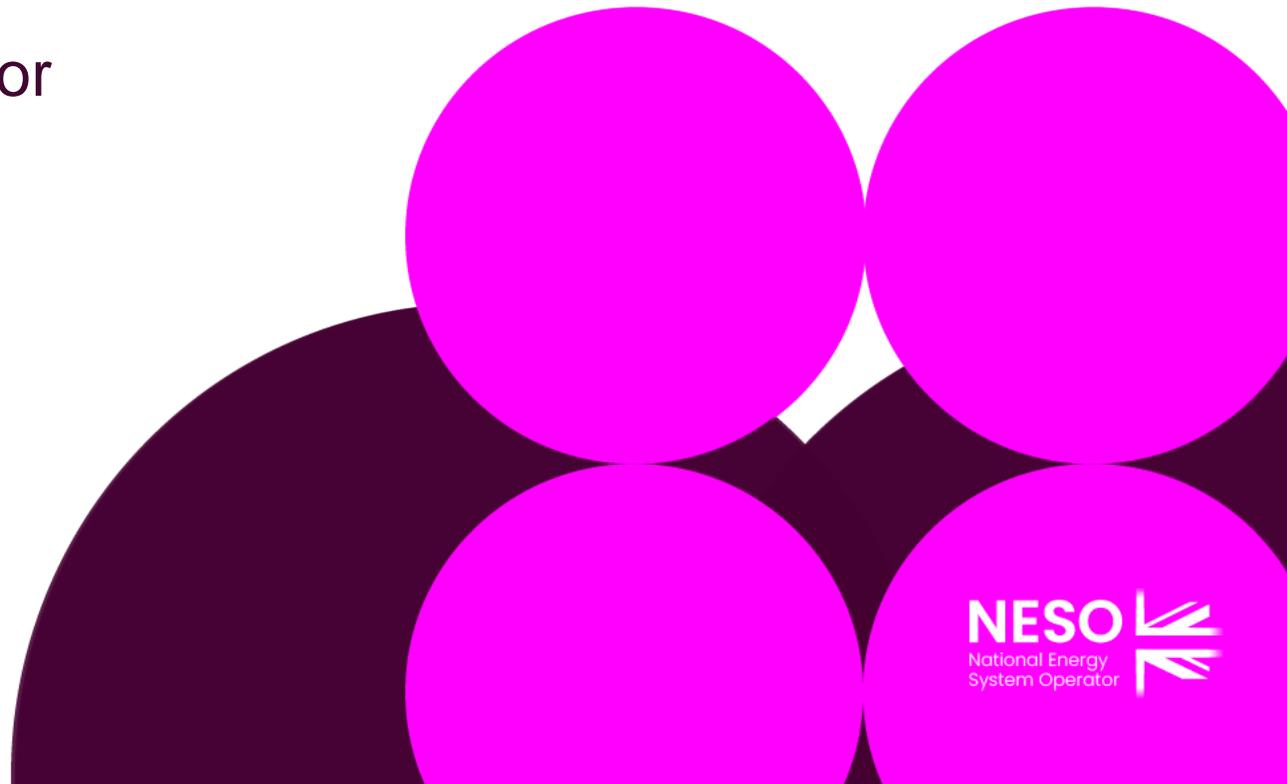
Vote on whether the solution(s) better facilitate the Code Objectives

# 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 Dicicco	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
Workgroup member	Chiamaka Nwajagu	Orsted	Alternate	James Jackson

# 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		
Workgroup 1	11/11/2024	Objectives and Timeline/Review and Agree Terms of Reference / Proposer presentation
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 / Alternative Request Voting
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	

# Proposer's Updated Solution

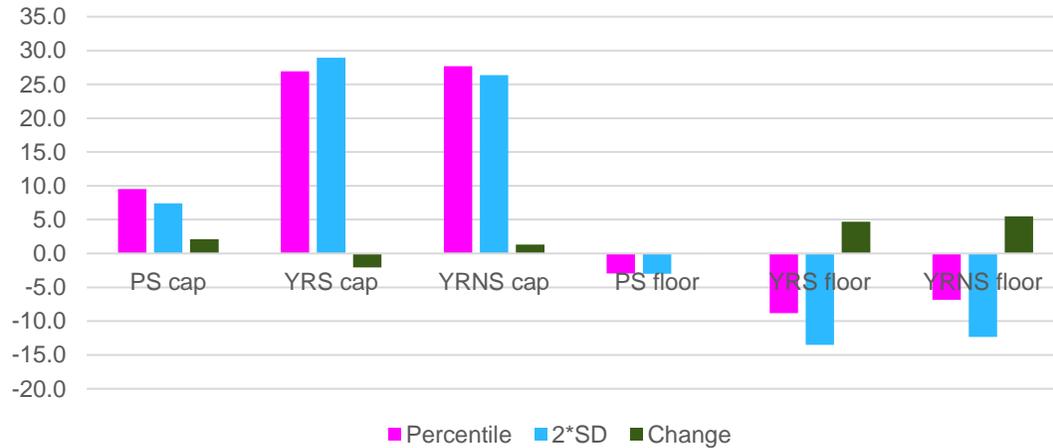
Niall Coyle – NESO

# Updated Solution

- Feedback from WG3 highlighted issues with the statistical assumptions made in calculating the cap/floor in our original solution
- The approximation of 2 standard deviations from the mean isn't appropriate for a non-normal dataset. While the PS dataset is approximately normal, the YRS/YRNS are not.
- We have therefore amended our original solution to set the cap and floor at the 97.5%ile and 2.5%ile respectively of the inflation stripped 5-year forecast, using the percentile function in excel (akin to the Northland Alternative request presented at WG3)
- This maintains the intent of the original solution to have only the most extreme datapoints from the 5-year forecast excluded by applying the cap and floor, with 95% of the data falling within the range of the cap/floor.
- All other features of the original remain unchanged

# Impact of Updated Proposal

- Impact on the cap varies by element, and the floor increases for both year-round elements



£/kW	Percentile	2*SD	Change
PS cap	9.5	7.4	2.1
YRS cap	26.9	29.0	-2.0
YRNS cap	27.7	26.4	1.3
PS floor	-3.0	-3.0	0.0
YRS floor	-8.8	-13.5	4.7
YRNS floor	-6.8	-12.3	5.5

- Generation adjustment tariff increases slightly from the standard deviation proposal

Generator adjustment tariff £/kW	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Baseline	-1.83	-2.61	-2.28	-3.00	-4.38	-19.92	-21.80	-21.70	-20.10
Updated percentile Proposal	-1.83	-2.64	-2.28	-2.98	-3.90	-11.58	-12.82	-13.21	-12.44
Initial 2xSD proposal	-1.83	-2.56	-2.23	-2.23	-3.82	-11.41	-12.56	-12.94	-12.13

# Peak Security

		2024 5-year forecast					2023 10-year projection												
		2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34									
Capped/Floor System Peak Tariff		System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff	System Peak Tariff									
Zone	Zone Name	(£/kW)	(£/kW)	(£/kW)	(£/kW)	(£/kW)	(£/kW)	(£/kW)	(£/kW)	(£/kW)									
1	North Scotland	2.886183	2.234512	2.552278	1.554953	2.704088	8.913465	9.379290	10.946830	11.165767									
2	East Aberdeenshire	3.409808	3.877520	3.983767	3.313654	3.145057	10.521751	10.732186	9.339147	11.165767									
3	Western Highlands	3.062671	2.447014	3.016121	1.814762	3.174146	8.134787	8.526779	10.946830	11.165767									
4	Skye and Lochalsh	-	2.298909	2.373868	2.993695	1.803591	3.095673	8.149116	8.542623	10.759380	11.165767								
5	Eastern Grampian and Tayside	3.550911	4.741352	5.139619	4.156255	3.756904	8.998521	8.916447	10.946830	11.165767									
6	Central Grampian	3.629184	3.970372	4.567234	3.608724	4.762040	10.521751	10.732186	10.946830	11.165767									
7	Argyll	1.918301	1.510376	2.204414	1.448787	3.113014	10.521751	10.732186	10.946830	11.165767									
8	The Trossachs	3.121054	2.925317	3.594145	2.648511	3.576953	10.521751	10.732186	10.946830	11.165767									
9	Stirlingshire and Fife	2.263388	2.038278	2.090964	1.245458	2.029380	8.750914	9.214294	10.946830	11.165767									
10	South West Scotlands	1.421883	0.896212	1.907718	1.073877	1.772587	7.528221	7.510112	9.180322	11.165767									
11	Lothian and Borders	3.247863	3.500671	1.889792	1.086695	1.903839	7.520530	7.139113	8.550153	11.165767									
12	Solway and Cheviot	0.754543	1.197377	1.206935	0.400353	0.995738	4.449997	4.647346	6.634355	9.384985									
13	North East England	3.633898	3.826843	3.221364	2.368907	2.647564	6.732432	6.113130	6.830418	7.092240									
14	North Lancashire and The Lakes	0.555542	0.830930	0.511927	-	0.293260	0.264728	3.379784	3.411594	5.042339	7.595157								
15	South Lancashire, Yorkshire and Humber	4.235012	4.406443	4.000319	3.157698	3.620191	5.879957	5.861215	6.694307	6.437014									
16	North Midlands and North Wales	2.717220	2.767136	2.451529	1.356436	1.583679	3.660006	3.554557	4.808425	4.952868									
17	South Lincolnshire and North Norfolk	2.672226	3.345387	3.063636	2.501383	3.077268	0.254650	1.358708	-	1.087767	-	0.745040							
18	Mid Wales and The Midlands	1.026442	0.600731	0.323187	0.421768	0.454556	-	1.597501	-	0.917914	-	1.200899	-	1.037757					
19	Anglesey and Snowdon	5.166624	3.525505	3.418552	2.624837	2.316916	5.434718	5.489138	7.170743	10.187875									
20	Pembrokeshire	9.413856	9.720262	9.914816	10.113209	10.315443	9.725103	9.961640	10.055906	9.355914									
21	South Wales & Gloucester	5.513650	6.146328	6.363978	6.711930	6.569170	4.490607	4.406666	4.288931	3.500172									
22	Cotswold	3.114923	3.560206	4.555295	4.572281	4.532228	3.040118	1.050810	1.482596	0.710273									
23	Central London	-	2.719243	-	3.012377	-	3.072671	-	1.789579	-	3.196828	-	3.260764	-	3.325980	-	3.392499	-	3.460349
24	Essex and Kent	-	2.747894	-	2.566339	-	2.840851	-	1.215170	-	2.291542	-	3.260764	-	3.325980	-	3.392499	-	3.460349
25	Oxfordshire, Surrey and Sussex	-	0.123273	-	0.189848	-	0.514715	-	0.551335	-	0.288259	-	3.260764	-	3.325980	-	3.392499	-	3.460349
26	Somerset and Wessex	-	2.867114	-	3.012377	-	1.638879	-	3.110101	-	2.709881	-	4.424977	-	3.993104	-	3.294740	-	3.245195
27	West Devon and Cornwall	-	1.680146	-	1.467283	-	2.841660	-	3.487359	-	3.375408	-	4.335021	-	3.945994	-	0.777180	-	0.485387

# Year-Round Shared

Capped/Floored Year Round Shared Tariffs		2024 5-year forecast					2023 10-year projection												
		Shared Year Round Tariff (£/kW)																	
Zone	Zone Name																		
1	North Scotland	24.098107	21.936661	25.127764	28.561007	29.132141	29.714784	30.309079	30.915261	31.533566									
2	East Aberdeenshire	13.959538	13.138436	13.939198	7.295128	18.335945	29.714784	30.309079	30.915261	31.533566									
3	Western Highlands	21.893176	20.711342	22.291737	22.038062	29.132141	29.714784	30.309079	30.915261	31.533566									
4	Skye and Lochalsh	21.893176	20.711342	22.291737	22.038062	29.132141	29.714784	30.309079	30.915261	31.533566									
5	Eastern Grampian and Tayside	17.024494	16.658467	18.884544	18.754106	27.316862	29.714784	30.309079	30.915261	31.533566									
6	Central Grampian	17.447343	16.477469	18.824068	18.677167	26.540473	29.714784	30.309079	30.915261	31.533566									
7	Argyll	15.160989	14.580140	17.085081	17.045052	24.123403	29.714784	30.309079	30.915261	31.533566									
8	The Trossachs	15.160989	14.580140	17.085081	17.045052	24.123403	29.714784	30.309079	30.915261	31.533566									
9	Stirlingshire and Fife	14.839326	14.584082	16.884586	16.037252	23.516178	29.714784	30.309079	30.915261	31.533566									
10	South West Scotlands	14.182942	14.032245	16.605905	16.685399	22.281069	29.714784	30.309079	30.915261	31.533566									
11	Lothian and Borders	14.182942	14.032245	16.605905	16.685399	22.281069	29.714784	30.309079	30.915261	31.533566									
12	Solway and Cheviot	9.464908	10.028135	11.847329	12.252741	15.858384	25.797864	24.510350	26.671944	24.207517									
13	North East England	7.008025	7.146517	7.907496	8.414946	7.860960	15.621567	15.629498	16.283767	15.165671									
14	North Lancashire and The Lakes	7.008025	7.146517	7.907496	8.414946	7.860960	15.621567	15.629498	16.283767	15.165671									
15	South Lancashire, Yorkshire and Humber	2.852157	3.297267	3.232664	3.877059	2.499666	9.049518	8.910977	8.892025	7.229311									
16	North Midlands and North Wales	1.222774	2.096541	1.892508	2.568040	1.841800	3.284280	3.479079	2.784275	1.799478									
17	South Lincolnshire and North Norfolk	0.455086	0.167631	0.488887	0.238931	1.934335	2.937344	3.066016	3.405709	3.242998									
18	Mid Wales and The Midlands	1.303341	0.775948	0.422909	0.373208	0.958788	5.771653	5.770752	5.528977	4.989934									
19	Anglesey and Snowdon	0.660475	3.132117	3.071357	3.773285	2.746105	1.601027	1.759002	0.750412	1.772016									
20	Pembrokeshire	-	8.479323	-	7.248085	-	7.779801	-	9.554369	-	4.926365	-	7.048977	-	6.581213	-	5.428997		
21	South Wales & Gloucester	-	8.253182	-	7.803283	-	7.630282	-	7.300407	-	9.475405	-	4.980586	-	7.131888	-	6.636057	-	5.447227
22	Cotswold	2.942068	1.709789	1.955471	0.797062	0.082885	2.126545	2.441327	2.680465	2.323526									
23	Central London	2.942068	1.709789	1.955471	0.797062	0.082885	2.126545	2.441327	2.680465	2.323526									
24	Essex and Kent	2.942068	1.709789	1.955471	0.797062	0.082885	2.126545	2.441327	2.680465	2.323526									
25	Oxfordshire, Surrey and Sussex	-	3.959465	-	4.427355	-	4.137353	-	4.327461	-	6.362016	-	5.125599	-	5.191404	-	5.203917	-	3.188030
26	Somerset and Wessex	-	5.229790	-	6.065860	-	4.002456	-	3.560044	-	5.890870	-	6.187061	-	6.729345	-	6.517560	-	3.386057
27	West Devon and Cornwall	-	12.129115	-	9.003101	-	7.634701	-	7.232414	-	9.554369	-	8.434453	-	9.037134	-	7.203532	-	2.973977

# Year-Round Not Shared

Capped/Floored Year Round Not Shared Tariffs		2024 5-year forecast					2023 10-year projection			
		Not Shared Year Round Tariff (£/kW)								
Zone	Zone Name									
1	North Scotland	18.297187	19.994369	20.323938	27.849539	29.976078	30.575600	31.187112	31.810854	32.447071
2	East Aberdeenshire	18.297187	19.994369	20.323938	27.849539	29.976078	30.575600	31.187112	31.810854	32.447071
3	Western Highlands	17.194122	19.143339	17.679014	19.509435	25.675023	30.575600	31.187112	31.810854	32.447071
4	Skye and Lochalsh	18.970947	28.246517	27.167207	29.043396	29.976078	30.575600	31.187112	31.810854	32.447071
5	Eastern Grampian and Tayside	14.012799	15.702810	13.975459	15.254923	21.691426	30.575600	31.187112	31.810854	32.447071
6	Central Grampian	14.488239	15.468240	13.882687	15.119101	20.757274	30.575600	31.187112	31.810854	32.447071
7	Argyll	21.062019	24.518808	19.803148	19.828423	26.030377	30.575600	31.187112	31.810854	32.447071
8	The Trossachs	11.875510	12.977230	11.185578	12.210346	17.819707	30.575600	31.187112	31.810854	32.447071
9	Stirlingshire and Fife	11.665368	12.980480	10.996442	11.094894	17.307168	30.575600	31.187112	31.810854	32.447071
10	South West Scotlands	11.364027	12.642999	10.795508	11.604979	16.651139	30.575600	31.187112	31.810854	32.447071
11	Lothian and Borders	5.787070	7.414309	4.655052	5.619066	11.820460	28.220952	31.002508	27.242221	31.479438
12	Solway and Cheviot	6.821293	8.148935	6.823509	7.420872	11.140306	24.932221	25.192807	22.791086	23.660843
13	North East England	4.338997	4.594915	3.161877	3.445948	3.734669	10.560216	12.342900	11.506170	12.573041
14	North Lancashire and The Lakes	1.469771	2.143403	1.013090	1.227625	3.773357	6.130679	6.726497	5.440365	5.095726
15	South Lancashire, Yorkshire and Humber	0.326714	0.252731	0.150279	0.182170	0.127485	3.958647	4.309903	4.051452	3.701064
16	North Midlands and North Wales	-	0.017818	-	-	-	0.639575	0.839459	0.484407	0.312975
17	South Lincolnshire and North Norfolk	-	0.017818	-	-	-	0.523593	0.671648	0.737940	0.989650
18	Mid Wales and The Midlands	-	0.017818	-	-	-	1.416295	1.682581	1.596797	1.853333
19	Anglesey and Snowdon	-	0.017818	-	-	-	0.639575	0.839459	0.484407	0.312975
20	Pembrokeshire	-	-	-	-	-	-	-	-	-
21	South Wales & Gloucester	-	-	-	-	-	-	-	-	-
22	Cotswold	10.695343	6.983390	7.123164	6.952882	7.410989	7.559209	7.710393	7.864601	8.021893
23	Central London	3.373883	3.134583	3.664581	3.870615	3.575907	0.332360	0.536396	0.580098	0.675690
24	Essex and Kent	-	-	-	-	-	1.998904	2.325046	1.919041	2.019955
25	Oxfordshire, Surrey and Sussex	-	-	-	-	-	0.289883	0.336332	0.306491	1.967507
26	Somerset and Wessex	-	-	-	-	-	0.193567	-	0.822353	2.780675
27	West Devon and Cornwall	-	-	-	-	-	0.193567	-	1.174580	0.008784

# Potential Alternative Solution

- We have been exploring alternative methodologies that may better retain locational signals while still providing support through a national cap
- A single national cap that is applied as a scaling factor equally to every zone to retain a locational price signal between all zones
- Sets a maximum range for each tariff component based on the maximum range in any of the first 4 years of the last NESO 5-year view, and an absolute maximum of the highest value from the same 4 years
- These calculations are done using real rather than nominal £ of the day, and would then be indexed each year to allow the range and maximum to increase in line with inflation
- It is applied in two steps
  - Firstly, if the range is too large the tariff in each zone is multiplied by the scaling factor to bring the range back within the limit
  - If the maximum is still higher than the absolute cap, then a £/kW adjustment is applied equally to all zones to bring the highest back down to the level of the absolute cap but still maintain the difference between zones

# 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.

## Submitted Alternative Requests

Northland Power - Emanuele Dentis

SSE x2 – Damien Clough

Bluefloat Nadara x2 - Barney Cowin

# Alternative Requests Vote

All

# Any Other Business

Catia Gomes – NESO Code Administrator

# Next Steps

Catia Gomes – NESO Code Administrator

