

Public

## Meeting Summary – Workgroup 2

**Meeting name:** CMP444 Introducing a cap and floor to wider generation TNUoS charges

**Date:** 04/12/2024

### Contact Details

**Chair:** Catia Gomes [catia.gomes@uk.nationalenergyso.com](mailto:catia.gomes@uk.nationalenergyso.com)

**Proposer :** Niall Coyle [niall.coyle@uk.nationalenergyso.com](mailto:niall.coyle@uk.nationalenergyso.com)

## Key areas of discussion

### Objectives and Timeline

The Chair advised on the timelines and process for the modification and gave a brief overview of the meeting agenda topics.

### Workgroup Membership

The Chair shared the current Workgroup membership requesting Workgroup members to confirm information held is correct. No objection was raised.

### Terms of Reference

The Chair advised the Terms of Reference were presented in November CUSC Panel and agreed. They have been updated to reflect the changes made.

### Proposer Presentation

The Proposer reiterated that feedback from Workgroup 1 in relation to double counting inflation and confirmed that the 5-year forecast already factored in inflation. Therefore, it was being applied twice when the cap and floor levels are inflated.

A Workgroup member raised a question about the 5-year forecast used in the projections, specifically why the original forecast wasn't based on the 2023 5-year forecast. The Proposer explained that using a more up-to-date forecast would be more appropriate and the choice of forecast is arbitrary.

The Workgroup discussed the importance of creating a cap/floor that gives investors' confidence, aiming to prevent extreme tariff outcomes. It was emphasized that the choice of forecast is arbitrary and that the cap is meant to stop extreme scenarios from happening.

A member highlighted that the 10-year projection had an underlying methodology that wasn't robust, leading to unrealistic elements and suggested using a set of robust figures that the NESO is comfortable with to set the tariff.

Another member pointed out that the Original Proposal did not prevent extreme tariff outcomes for many zones, as the cap is set at a high level and suggested an alternative proposal with a two-tier cap to address this issue.

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### Alternative Requests Discussion

The Chair explained the process for raising Alternative Requests, confirming Workgroup members had the opportunity to raise a request up until the Workgroup Report was completed and encouraged members to raise them as soon as possible.

SSE shared a possible Alternative Request with the Workgroup of a two-step cap to provide better risk mitigation for zones 8 to 12. Their suggestion would calculate the cap based on an average of zones 1 to 7 and zones 8 to 12, plus one standard deviation, to provide better cost reflectivity and reduce risk for investors.

### Next Steps

The Chair outlined the next steps for submitting the Alternative Request for SSE, details to be reviewed and a formally Alternative will need to be submitted.

Any Alternative Requests will be reviewed by Workgroup members in readiness for the next Workgroup meeting.

## Actions

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

Action Number	Workgroup Raised	Owner	Action	Due by	Status
3	Consider the impact of circuits flipping between peak and year-round backgrounds	Proposer	04/12/2024	11/12/2024	Open
4	What major infrastructure assets are included in the 5-year forecast	Proposer	04/12/2024	11/12/2024	Open
5	Explain the degree of alignment with CP30 that is included into the forecast	Proposer	04/12/2024	11/12/2024	Open

## Attendees

Name	Initial	Company	Role
Catia Gomes	CG	NESO Code Governance	Chair
Karen Stanton Hughes	KSH	NESO Code Governance	Tech Sec
Niall Coyle	NC	NESO	Proposer
Nina Brundage	NB	Ocean Winds	Workgroup Member
Pedro Accain	PA	Ofgem	Alternative
Barney Cowin	BC	Bluefloat Energy	Workgroup Member
Tom Palmer	TP	Zenobe	Workgroup Member

## Public

Graham Pannell	GP	BayWa r.e.	Workgroup Member
Ben Adamson	BA	Low Carbon	Workgroup Member
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Nwajagu Chaimaka	NC	Orsted	Workgroup Member
Anthony Diccico	AD	ESB	Workgroup Member
David Jones	DJ	Ofgem	Authority Representative
Lauren Jauss	LJ	RWE Supply & Trading GmbH	Workgroup Member
Binoy Dharsi	BD	EDF	Workgroup Member
Graham Pannell	GP	BayWa r. e	Workgroup Member
John Tindal	JT	SSE	Alternate
Lambert Kleinjans	LK	Energiekontor UK Ltd	Workgroup Member
Joshua Logan	BD	EDF	Alternative
Paul Jones	PJ	Uniper	Workgroup Member
Dennis Gowland	DG	Research Relay Ltd (Nominated by European Marine Energy Centre (EMEC))	Workgroup Member
Kat Higby	KH	NESO	NESO Code Admin
Roger Dayna	RD	ESB	Alternative
Loukas Papageorgiou	LP	RWE	Observer
Chiamaka Nwajagu	CN	Orsted	Observer
Martina Tully	MT	ERG UK Holding	Observer
Mittal Varun	MV	Total Energies	Observer
Ryan Ward	RW	Scottish Power Renewables	Workgroup Member
William Maidment	WM	Nadara	Workgroup Member
Dan Gilbert	DG	SSE	Alternate
Daniel Hickman	DH	NESO	NESO Representative
Anthony Diccico	AD	ESB	Workgroup Member
Chris White	CW	Emec.org	Alternate