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Meeting Summary – Workgroup 4

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

Date: 09/01/2025

Contact Details

Chair: Catia Gomes catia.gomes@nationalenergyso.com

Proposer : Niall Coyle niall.coyle@nationalenergyso.com

Key areas of discussion

Workgroup Responsibilities and Membership

The Chair outlined the meeting agenda which included reviewing timelines, discussing updates on the proposal, focusing on the Alternative requests and voting on the alternatives if Workgroup members were comfortable to do so.

A Workgroup member expressed concerns about voting on the alternatives as sufficient time was needed to view them all fully. The Chair agreed and suggested review the alternatives then deciding on whether a vote should take place.

Proposers Updated Solution

The Proposer reiterated the feedback from Workgroup members at the previous Workgroup on the statistical assumptions made in the calculating the cap/floor in the Original solution, advising that the solution had been amended 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 represented in WG3)

Adding that the approach would preserve the original intent of the Original solution, which is to set the cap such that only the most extreme data points from the 5-year forecast are impacted by applying a cap/ floor, ensuring that 95% of the data falls within this range.

Slides showing the impact of the Proposal were shared highlighting the Peak Security, Year-Round Shared and Year-Round not shared.

Workgroup discussed the updated Original solution. As there were a number of challenges to the Proposal the Chair highlighted to the Workgroup it would be an idea to revisit the Proposal and Terms of reference to be clear on the scope of the modification.

A Workgroup member asked if it was possible to map the Original solution to the alternatives submitted for comparison as this will make it easier when voting. This was agreed by the Proposer and an action was taken for those submitting Alternative requests to share data with the Original Proposer for them to do the analysis.

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When reviewing the calculations shared by the Proposer it was highlighted by a Workgroup member that there was a discrepancy in the workbook, the Proposer agreed to make the correction and share with the group. **Action**

Proposers' Potential Alternative solution

The Proposer advised that an Alternative solution had been explored that may better retain the locational signals while still providing support through a national cap.

See Workgroup 4 slides for solution details.

The Proposer took an action to share examples of the scaling factor, it was agreed that the Proposer would share two different examples. **Action**

A further action was raised for the Proposer to articulate the methodology for the potential alternative solution. **Action**

Alternative Voting Criteria

The criteria for voting on an Alternative was shared by the Chair for the Workgroup information.

Submitted Alternative Request Presentations/Discussions

Each of the Proposer of Alternative requests shared detail of the proposed solution with the Workgroup:

Alternative 1 (Northland Power)

This Alternative Proposal seeks to set, for the 2025-2026 year, the cap as the 9th decile of the NESO 2024 5-year TNUoS forecast publication, and the floor as the 1st decile of the same forecast. Caps/Floors for following years are calculated with indexation from the 2025-2026 year, in line with the Original Solution.

Alternative 2 (SSE)

This proposed Alternative introduces a different way of calculating the various caps when compared to the original by introducing Zonal Grouping. This is designed to maintain locational differences whilst reducing the risk of TNUoS rising significantly higher than expected for all Users as opposed to just those on the extremities.

Alternative 3 (SSE)

This proposed Alternative introduces a different way of calculating the various caps when compared to the original by introducing Zonal Grouping. This is designed to maintain locational differences whilst reducing the risk of TNUoS rising significantly higher than expected for all Users as opposed to just those on the extremities. Instead of redistributing revenues and tariff risk amongst various Generators, NESO will set TNUoS tariffs assuming Generation Tariffs from a revenue perspective are not capped. This maintains the Adjustment Factor at the level it would have been set at before the cap. NESO can then determine how best to collect the Allowed Revenue. Treat as under recovery or increase the Demand Residual.

Alternative 4 (Bluefloat Nadara)

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This Alternative Request applies the 60% and 40% percentiles for the cap & floor to the mean of the 2024 5-year forecast and ensures that the cap and floor that that is applied achieves the wider policy objectives and addresses the concerns raised in the NESO Original Proposal, Ofgem Sep-24 and referenced DESNZ/HMG/Ofgem/NESO documentation.

Alternative 5 (Bluefloat Nadara)

This Alternative Request applies the 0.1 of a Standard Deviation for the cap-and-floor to the mean of the 2024 5-year forecast and ensures that the cap-and-floor that that is applied achieves the wider policy objectives and addresses the concerns raised in the NESO Proposal, Ofgem Sep-24 and referenced DESNZ/HMG/Ofgem/NESO documentation.

It was agreed that no vote would take place during this Workgroup, but the Alternative Requests would be added to the Workgroup Consultation for industry information.

Next Steps

The Workgroup consultation will be shared with members ahead of the next workgroup.

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 the 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	09/01/2025	Open
5	Explain the degree of alignment with CP30 that is included into the forecast	Proposer	04/12/2024	09/01/2025	Open
6	Consider additional modelling	Proposer	11/12/2024	09/01/2025	Open
7	Map the Original solution to the alternatives submitted for comparison as this will make it easier when voting	Proposer	16/01/2025	16/01/2025	Open
8	Check the output of the workbook to ensure it is not still looking at the wrong floor.	Proposer	16/01/2025	16/01/2025	Open

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9	Create a diagrammatic explanation of the methodology for the potential alternative solution.	Owner	16/01/2025	16/01/2025	Open
10	Reach out to the proposers to agree on a common format for presenting the results of the analysis.	Owner	16/01/2025	16/01/2025	Open

Attendees

Name	Initial	Company	Role
Catia Gomes	CG	NESO Code Governance	Chair
Deborah Spencer	DS	NESO Code Governance	Tech Sec
Niall Coyle	NC	NESO	Proposer
Will Maidment	WM	Nadara	Workgroup Member
Barney Cowin	BC	Bluefloat Energy	Workgroup Member
Ryan Ward	RW	Scottish power Renewables	Workgroup Member
Graham Pannell	GP	BayWa r.e.	Workgroup Member
Caitlin Butchart	CB	InterGen	Workgroup Member
Alan Kelly	AK	Corio Generation	Workgroup Member
Marc Smeed	MS	Corio Generation	Workgroup Alternate
Anthony Diccico	AD	ESB	Workgroup Member
James Knight	JK	Centrica	Workgroup Member
Paul Youngman	PY	Drax	Workgroup Member
Lauren Jauss	LJ	RWE Supply & Trading GmbH	Workgroup Member
Damien Clough	DC	SSE	Workgroup Member
Cameron Gail	CG	Energiekontor UK Ltd	Workgroup Alternate
Binoy Dhari	BD	EDF	Workgroup Member
Kyran Hanks	KH	Water Wye Associates	Workgroup Member
Nina Brundage	NB	Ocean Winds	Workgroup Member
Paul Jones	PJ	Uniper	Workgroup Member
Chris White	CW	Research Relay Ltd (Nominated by European Marine Energy Centre (EMAC))	Workgroup Alternate
Chiamaka Nwajagu	CN	Orsted	Workgroup Member

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Dennis Gowland	DG	Research Relay Ltd (Nominated by European Marine Energy Centre (EMEC))	Workgroup Member
Emanuele Dentis	ED	Northland Power	Workgroup Member
Simon Lord	SL	Engie	Workgroup Member
Darshak Shah	DS	BP	Workgroup Member
Aaron Priest	AP	Ocean Winds	Alternate
David Jones	DJ	Ofgem	Authority Representative
Pedro Acain	PA	Ofgem	Authority Representative
Varun Mittal	VM	TotalEnergies	Observer
Mpumelelo Hlophe	MH	Fred Olsen Renewables	Observer
Huw Morrey	HM	Savills	Observer
Dan Hickman	DH	NESO	Observer
Sarah Williams	SW	NESO	Observer