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## Meeting Summary – Workgroup 5

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

**Date:** 16/01/2025

### Contact Details

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

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

## Key areas of discussion

### Workgroup Responsibilities and Timeline

The Chair outlined the meeting agenda, highlighting the need for members to attend at least 50% of the meetings to vote on modifications. A timeline for the Workgroup Consultation process, with key dates for Workgroups 5, 6, and 7 were also outlined.

### Terms of Reference

Terms of Reference were reviewed by the Chair who highlighted the need to consider various factors such as the appropriate level of cap and floor, indexation with regulations and additional protection for generators.

The Terms of Reference were updated in December 2024 at CUSC Panel after a discussion in Workgroup 1, where members decided they need amending. The updated version is to be uploaded to the website for reference.

### Alternative Request Update

Two of the Alternative Proposers had requested to share updates in the session of their solutions. It was agreed that due to time constraints, the documents would be shared with Workgroup members after the meeting and discussed at the next Workgroup meeting.

BayWa-re presented their Alternative Request, proposing to use data up to the financial year 28/29 and excluding 29/30, explaining the rationale behind this choice and emphasizing the need to align with strategic investments and avoid extreme projections.

### Legal text Review

The Proposer shared details of the legal text for the Original solution including the definition of the cap and floor levels, the application of the constrained transport tariff, and the decision to exclude a sunset clause for now.

### Cap and Floor Levels

The Proposer went on to define the cap and floor levels and how they are indexed, noting that the cap and floor levels are intended to provide stability and predictability for generators.

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### Constrained Transport Tariff

The application of the constrained transport tariff, which applies the constraints of the cap and floor methodology to the initial transport tariffs, were described by the Proposer who noted this ensures that the final tariffs reflect the cap and floor levels. A workgroup member raised concerns with using the word “constrained” as it could be confused with network constraints, with some alternatives suggested (such as corrected, adjusted, bounded, limited, collared). The proposer will reconsider the term used to avoid confusion.

### Sunset Clause

The proposer made the decision to exclude a sunset clause for now, as another modification would likely be required in future to amend the chosen date, but the proposer signalled their intent to raise another modification to define the end date once the decision and implementation timelines for REAM become clearer. The group discussed the possibility of revisiting this decision in the future, depending on the outcome of the consultation and further analysis.

### Draft Workgroup Consultation Review

A Workgroup member suggested changes to the Executive Summary section of the Workgroup Consultation, after discussions, it was agreed that the Proposer would update the section to reflect the members comments.

When reviewing the Workgroup Consultation, the Workgroup discussed the potential impacts on suppliers and consumers, it was suggested this should be clearly outlined in the report to show risks and benefits to both groups.

Further discussions were had on the need to include various considerations in the report, such as the level of the cap and floor, locational signals, and the impact on other generators. Workgroup members agreed to provide their views and suggestions in time for the next Workgroup.

Workgroup had a lengthy discussion around the 5-year forecast and NESO’s rationale behind it. Workgroup members felt that more detail was needed in the Workgroup Consultation for the readers understanding.

A representative from NESO shared their rationale with the Workgroup and agreed to add some wording into the Workgroup Consultation.

Members agreed that the Workgroup Consultation needed to show more of the discussions had around cap and floor, locational signal and the cost reflectivity of the TNUoS that is not a principle.

It was suggested to ensure consistency in the presentation, that Proposers of the Alternative Requests, would update the Workgroup Consultation to reflect how their solution differs from the Original. This would enable industry to assess them effectively. Alternative Proposers agreed to provide a brief summary and rationale for each alternative.

### Next Steps

Proposer to merge Members comments to reflect the focus on AR-7 and REMA

- NESO representative to add wording about the five-year forecast and the 10-year projection to clarify the level of cap and floor.

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- Alternative Request Proposers to add a few lines to the Workgroup Consultation to illustrate the differences from the Original proposal.
- Workgroup members to think of specific Workgroup Consultation questions for each Alternative or a broader question to gather industry feedback on the options.
- Proposer to correct the numbering in the legal text for the Original solution.

## 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   |
| 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   |

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## 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                 |
| Paul Mott        | PM      | NESO   | Proposer Alternate       |
| 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         |
| 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         |
| 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 |

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|                 |    |               |          |
|-----------------|----|---------------|----------|
| Varun Mittal    | VM | TotalEnergies | Observer |
| Dan Hickman     | DH | NESO          | Observer |
| Matthew Larreta | ML | NESO          | Observer |