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Code Administrator Meeting

Summary

Workgroup Meeting 2: CMP442: Introducing the option to fix Generator TNUoS charges

Date: 3 February 2025

Contact Details

Chair: Jess Rivalland: Jessica.Rivalland@nationalenergyiso.com

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

Key areas of discussion

The Chair noted that the primary objectives of Workgroup 2 would be to:

- Discuss indicative impacts and decide on data requirements for analysis
- Review the timeline and Terms of Reference

The Chair noted that, due to tight decision dates, it may be necessary to push the implementation of this Modification to April 2027. This will depend on progress that is made in the current and next Workgroup meetings.

The Chair noted that the Terms of Reference have been amended and approved by the CUSC Panel following feedback from Workgroup 1.

Indicative impacts

The NESO Representative provided Workgroup members with an overview of indicative impacts on revenue in three scenarios, where the average generator charges were above, within, and below the limiting regulation range.

The NESO Representative noted the role of generation adjustment tariffs in maintaining compliance with limiting regulations, explaining how they would be adjusted based on whether fixed tariffs are higher or lower than the final tariffs at tariff setting.

It was highlighted that when within the regulation range, any change in revenue due to fixed tariffs would impact demand users, as no generation adjustment tariffs would be needed to maintain compliance.

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NESO forecasting

The Proposer considered whether there has historically been a bias in over or under forecasting tariffs. The NESO Representative responded that there is no intentional bias, and forecasts aim for a central view, though historical data could be reviewed for any unintentional bias.

The NESO Representative took an action to confirm whether NESO currently completes ongoing analysis of forecasting.

A Workgroup member noted that it would be useful to include scenarios where average generator charges were in range, but applying a fixed tariff meant that they went either above or below the range, and what the impact would be on demand. The NESO Representative took an action to add these scenarios.

Risk Premia

The Proposer noted the need to consider risk premia in future quantitative analysis, suggesting that greater certainty with fixed tariffs could lower CFD bids. Workgroup members agreed on the importance of including risk premia in the analysis.

Workgroup members noted the potential challenges in quantifying risk premia due to its project-specific nature, suggesting that an RFI or external consultant might be needed to gather relevant data.

The NESO Representative took an action to consider conducting an RFI or whether an external consultant could be used to analyse the risk premia.

Additional Considerations for Analysis

The Proposer summarised that the following will be required for additional considerations for the analysis:

- **Historical NESO forecasts and the latest NESO 5-year forecast**, which can be used to compare with actual outturns, helping to understand forecasting accuracy and its impact on tariffs
- **Sensitivity analysis** to account for variations in fixed tariffs, generator types, and infrastructure delivery timelines, ensuring a comprehensive understanding of potential impacts

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- **Infrastructure Impact:** to consider the impact of infrastructure delivery on tariffs, suggesting scenarios where infrastructure is delivered earlier or later than expected to understand its effect on revenue recovery.

The NESO Representative took an action to speak to the Revenue Team about the data requirements and resources needed for additional analysis to support this Modification.

Fixing Tariffs and Project Timelines

Workgroup members discussed the implications of fixing tariffs for different project timelines, including the need to consider the impact on existing and new generators. It was noted that:

- New projects could fix tariffs based on the forecast at the time of taking FID, starting payments when the project becomes operational, ensuring no charges during the development phase.
- Existing generators could fix tariffs for future delivery years. Concerns were raised over the implications of fixing for specific periods and the potential need for flexibility in the fixing process.

The Proposer took an action to consider the implications of existing generation fixes over their lifetime and how it affects the analysis.

Keeping Generators on the hook

Workgroup members discussed the potential benefits and challenges of keeping generators on the hook for fixed tariffs, including the impact on project timelines and market certainty.

It was noted that a specific workgroup consultation question should be included regarding the TEC change risks and potential gaming of the system.

The proposer took an action to evaluate the implications of keeping people on the hook for TEC charges and present findings at the next Workgroup

Next Steps

The Chair summarised the outstanding actions and noted that the next Workgroup meeting will be held on 6 March 2025. This will be subject to availability of the data that will be required to continue with the required analysis ahead of the next meeting.

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Actions

Action Number	Workgroup Raised	Owner	Action	Due by	Status
4	2	NESO Representative	The NESO Representative took an action to confirm whether NESO currently completes ongoing analysis of forecasting.	06/03/2025	Open
5	2	NESO Representative	A Workgroup member noted that it would be useful to include scenarios where average generator charges were in range, but applying a fixed tariff meant that they went either above or below the range, and what the impact would be on demand. The NESO Representative took an action to add these scenarios	06/03/2025	Open
6	2	NESO Representative	The NESO Representative took an action to consider conducting an RFI or whether an external consultant could be used to analyse the risk premia.	06/03/2025	Open
7	2	NESO Representative	The NESO Representative took an action to speak to the Revenue Team about the data requirements and resources needed for additional analysis to support this Modification.	06/03/2025	Open

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8	2	Proposer	The Proposer took an action to consider the implications of existing generation fixes over their lifetime and how it affects the analysis.	06/03/2025	Open
9	2	Proposer	The proposer took an action to evaluate the implications of keeping people on the hook for tech charges and present findings at the next workgroup	06/03/2025	Open

Attendees

Name	Initial	Company	Role
Jess Rivalland	JR	Chair	NESO
Kat Higby	KH	Tech Sec	NESO
Niall Coyle	NC	NESO Rep	NESO
Tom Steward	TS	Proposer	RWE
Alan Kelly	AK	Corio Generation	Workgroup member
Caitlin Butchart	CB	Intergen	Workgroup member
Caoimhe McCusker	CM	Ocean Winds	Workgroup member
Chiamaka Nwajagu	CN	Orsted	Observer
Damien Clough	DC	SSE	Workgroup member
Hector Perez	HP	Scottish Power Renewables	Alternate
James Knight	JK	Centrica	Workgroup member
Kyran Hanks	KH	Waters Wye Associates	Workgroup member
Paul Jones	PJ	Uniper	Workgroup member

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Ryan Ward

RW

Scottish Power Renewables

Workgroup
member
