

CMP419: Generation Zoning Methodology Review

Workgroup 6, 19 February 2025

Online Meeting via Teams

WELCOME

Agenda

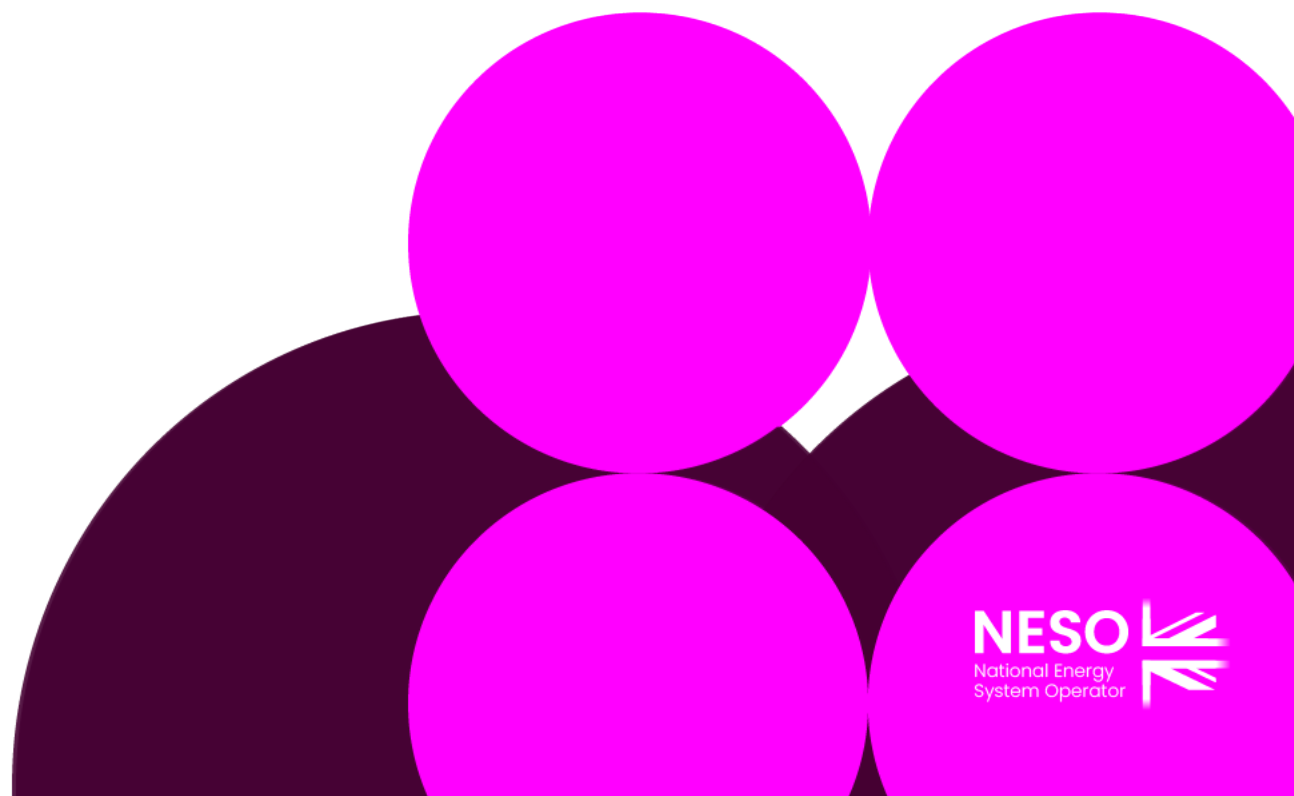
Topics to be discussed	Lead
Welcome	Chair
Actions Update	Chair / Proposer
Proposer's Update	Proposer
Timeline and Terms of Reference Review	Chair
AOB & Next Steps	Chair

Action Log for CMP419

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
14	WG3	MC/RP	ESO to liaise with the TOs to obtain coordinates for each transmission node	SSEN Data shared with workgroup previously, awaiting update on SP Energy Networks	WG4	Open
17	WG3	MC	Confirm that alongside the published analysis a copy of the transport and tariff model will be provided to WG members	This was followed up directly with members after WG5. A Licence Agreement is required to be signed (once per company) to access transport and tariff model. Licence Agreement has been included with WG6 documents for anyone who is yet to gain access	WG4	Open – propose to close
24	WG5	MC/SC	Confirm whether there is still a requirement for Transport Model access to be monitored via an NDA process	NESO position is that this is still required	WG6	Open
25	WG5	SC	To share the map they created as part of Action 19	Included in WG6 documents	WG6	Open – propose to close
26	WG5	SC	Add key and numbering to zones on the Connection Map	Included in WG6 documents	WG6	Open – propose to close
27	WG5	SC	Complete a comparison of zone profiles based on the average difference year round versus average difference peak security	Comparison included in WG6 slides	WG6	Open – propose to close
28	WG5	SC	Include generational technology impact	Need to understand request for this in more detail	WG6	Open
29	WG5	MC	Confirm to Workgroup the scope of the modification on onshore and offshore	Will be covered in WG6 discussions	WG6	Open – propose to close
30	WG5	MC	Confirm to whether changing the T'n'T model is in scope for this modification	This is currently not in scope	WG6	Open – propose to close

Proposer's Update

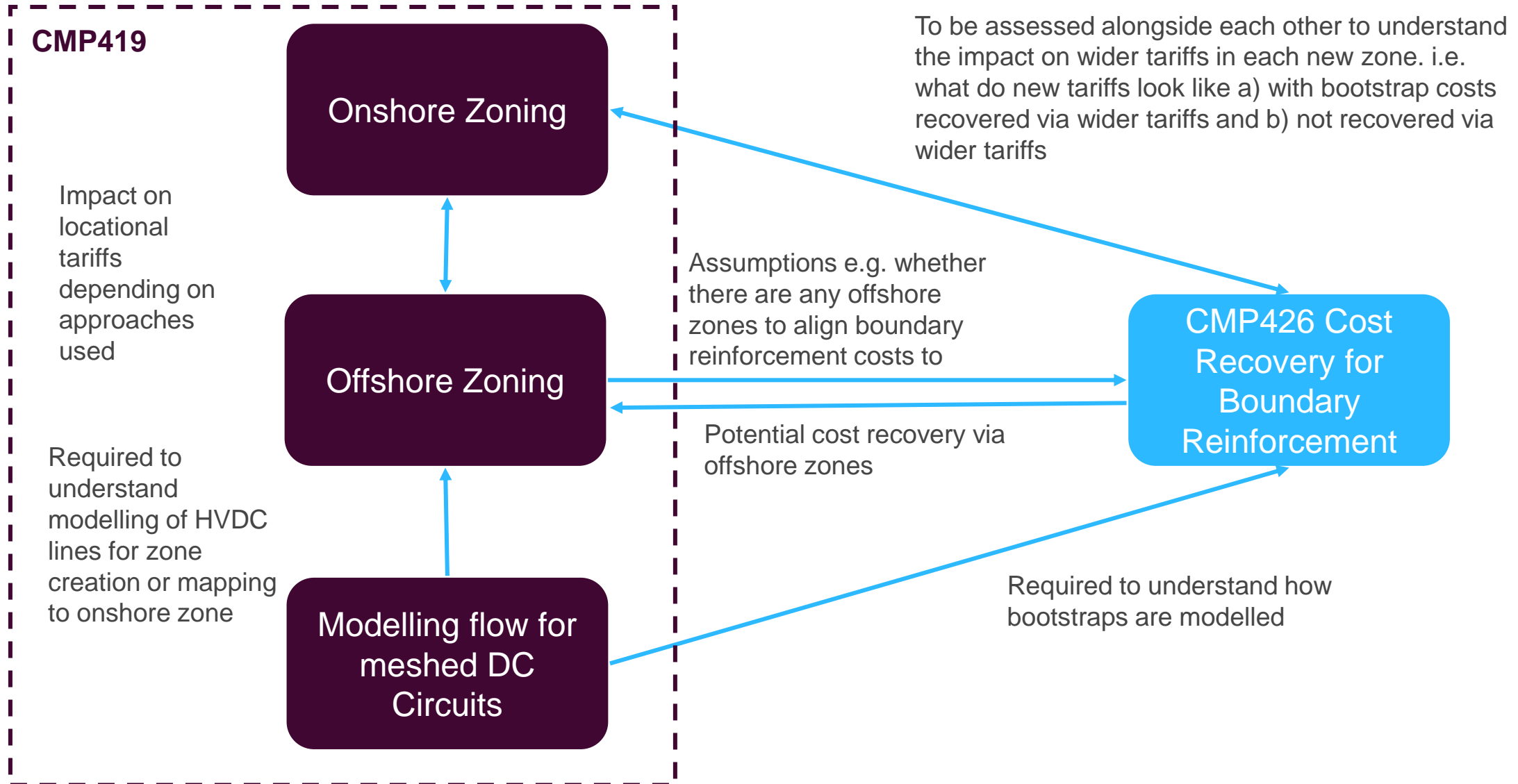
Martin Cahill – NESO



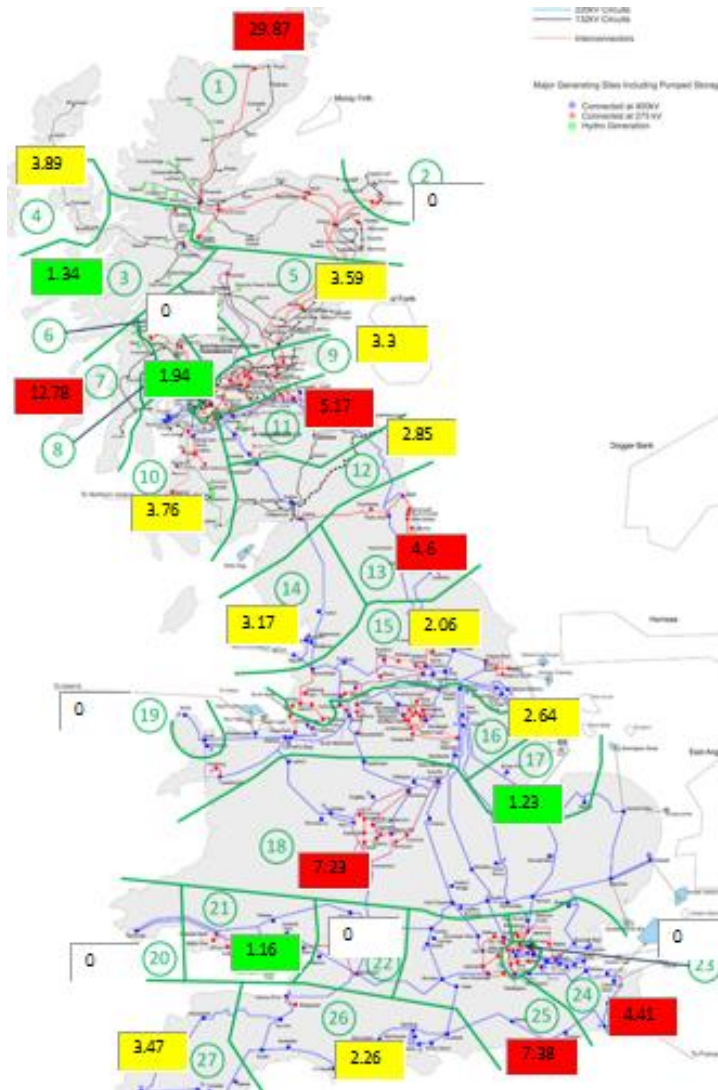
What is our current solution?

- Zones to be created which cover onshore and offshore, and are treated as similarly as possible
- Zones covering onshore areas to be based on ETYS zones (18)
- Zones covering offshore areas to be based on a yet to be determined methodology, given ETYS zones are not yet available
- Nodal analysis for offshore to be carried out first to get an idea of how different regions in HND design vary across nodes, and help identify if there are a set of zones which are logical from an operational, locational, and cost-reflectivity point of view
- While the preference is for ETYS zones to be used onshore, this isn't set in stone
 - Appreciate that with no offshore ETYS zones, this potentially introduces some level of misalignment between offshore and onshore
 - Zones 1 and 2 in proposal have a particularly wide nodal range, so there may be some benefit in considering splitting down to sub-zones
- A key consideration needs to be not increasing volatility in zonal tariffs – a key reason for the zones originally being frozen under CMP324/CMP325

What is our current solution?



Onshore – Revisiting Previous Analysis



Gen Zone	Name	Range (£/kW)
1	North Scotland	29.87
2	East Aberdeenshire	0
3	Western Highlands	1.34
4	Skye and Lochalsh	3.89
5	Eastern Grampian and Tayside	3.59
6	Central Grampian	0
7	Argyll	12.78
8	The Trossachs	1.94
9	Stirlingshire and Fife	3.3
10	South West Scotlands	3.76
11	Lothian and Borders	5.17
12	Solway and Cheviot	2.85
13	North East England	4.6
14	North Lancashire and The Lakes	3.17
15	South Lancashire, Yorkshire and Humber	2.06
16	North Midlands and North Wales	2.64
17	South Lincolnshire and North Norfolk	1.23
18	Mid Wales and The Midlands	7.23
19	Anglesey and Snowdon	0
20	Pembrokeshire	0
21	South Wales & Gloucester	1.16
22	Cotswold	0
23	Central London	0
24	Essex and Kent	4.41
25	Oxfordshire, Surrey and Sussex	7.38
26	Somerset and Wessex	2.26
27	West Devon and Cornwall	3.47

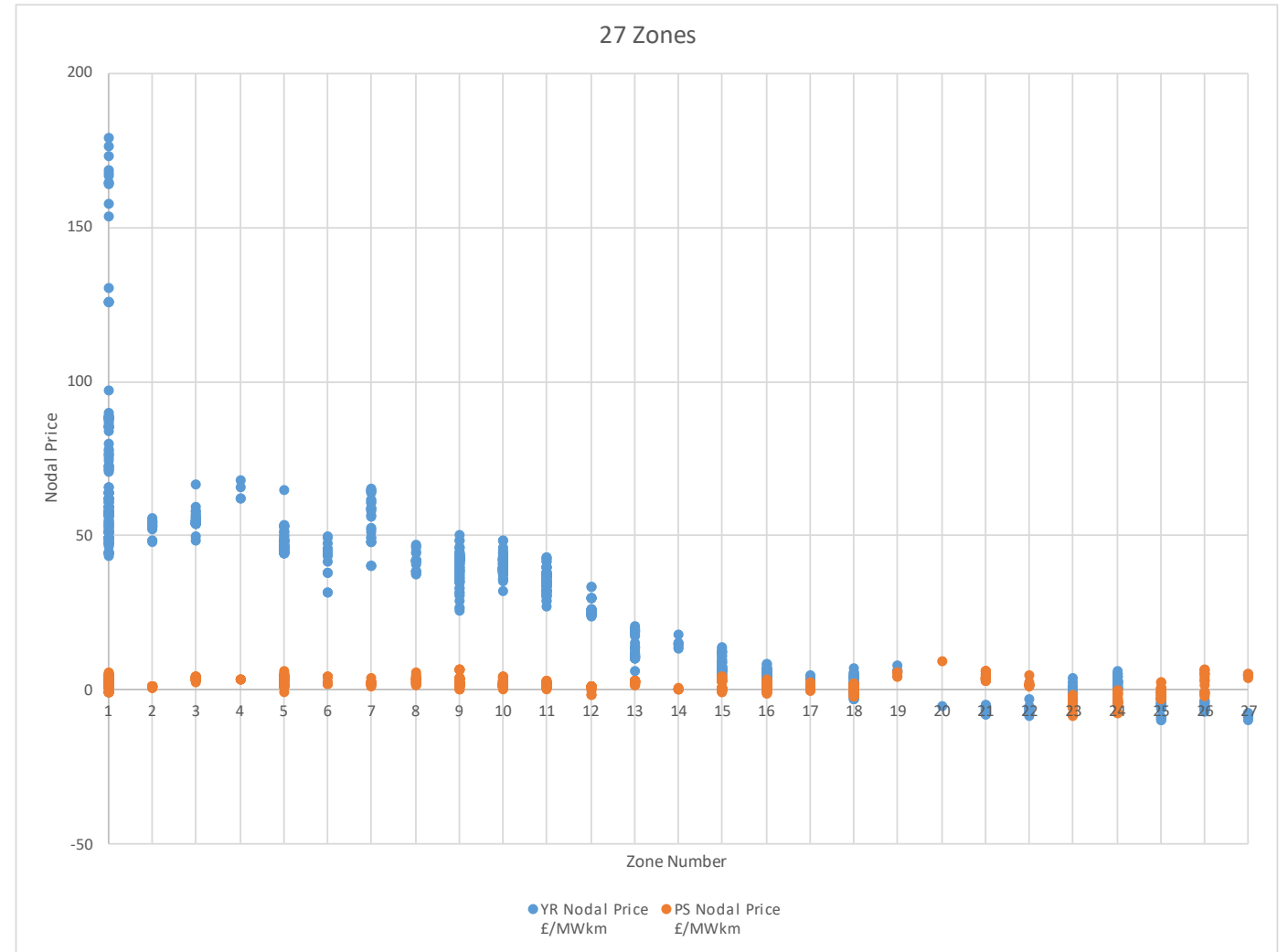
In 2019, these spreads (the most expensive Year Round node to least expensive were forecast for 2024.

Zones with range = 0: only one generator site, or no generator site within this zone.

Potentially ~60 zones were forecast using the £2/kW criteria.

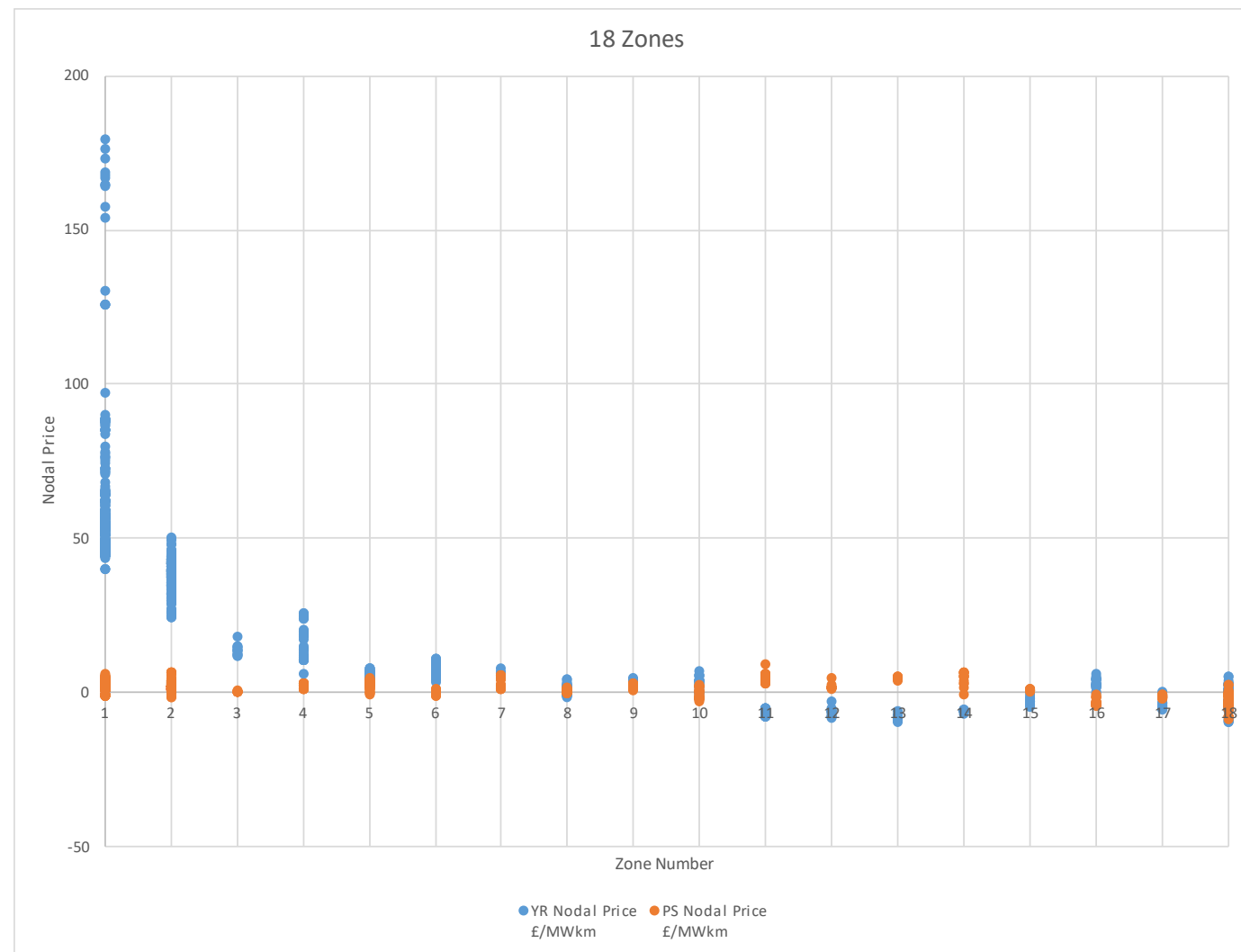
WG5 Analysis

- Workgroup 5 documents include a Nodal Analysis, including the current 27 Generation Zones and the proposed 15 zones aligned to ETYS
- Zonal tariff spread in previous version seemed extremely, so this has since been revisited
- Previous version seemed to be including some local assets
- Have references against nodes which include generation to get a more cost reflective view

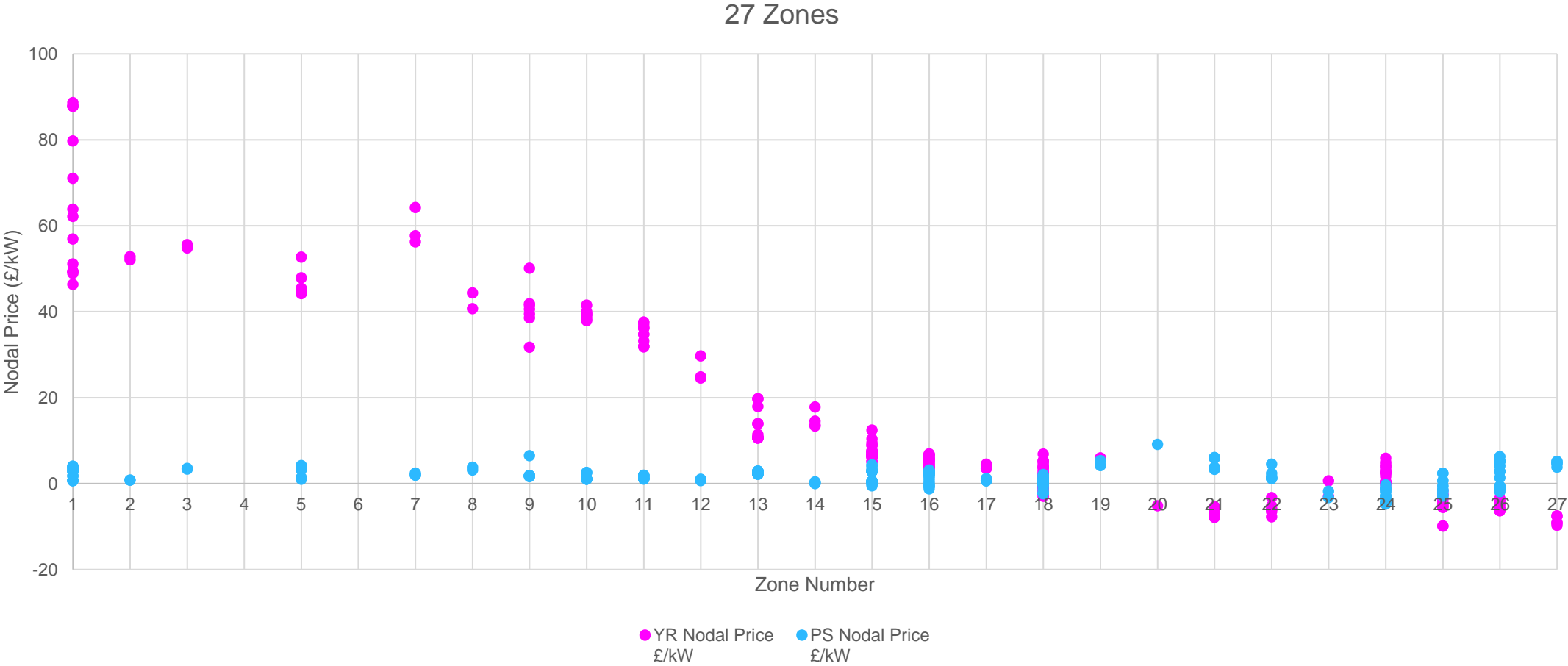


WG5 Analysis

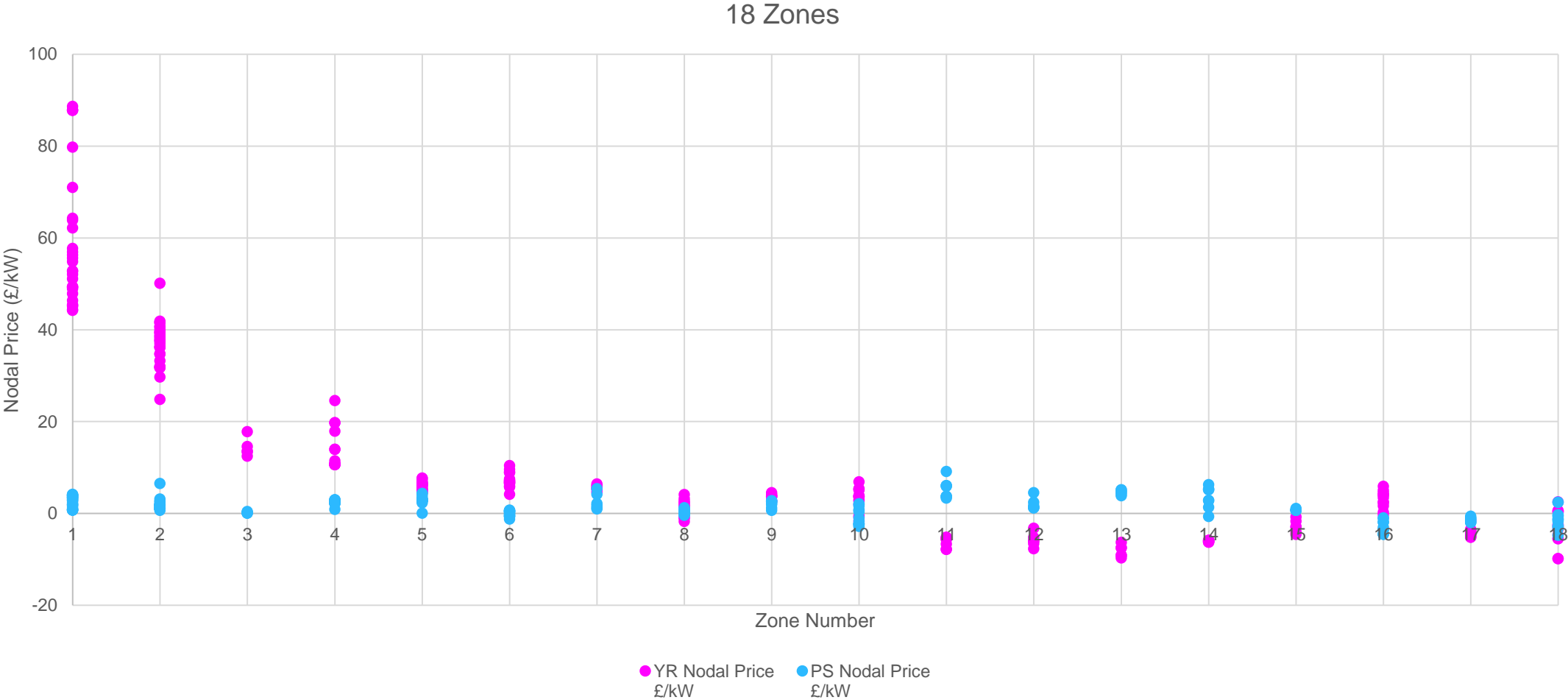
- Workgroup 5 documents include a Nodal Analysis, including the current 27 Generation Zones and the proposed 15 zones aligned to ETYS
- Zonal tariff spread in previous version seemed extremely high, so this has since been revisited
- Previous version seemed to be including some local assets
- Have references against nodes which include generation to get a more cost reflective view



Analysis Updated – 27 Zone

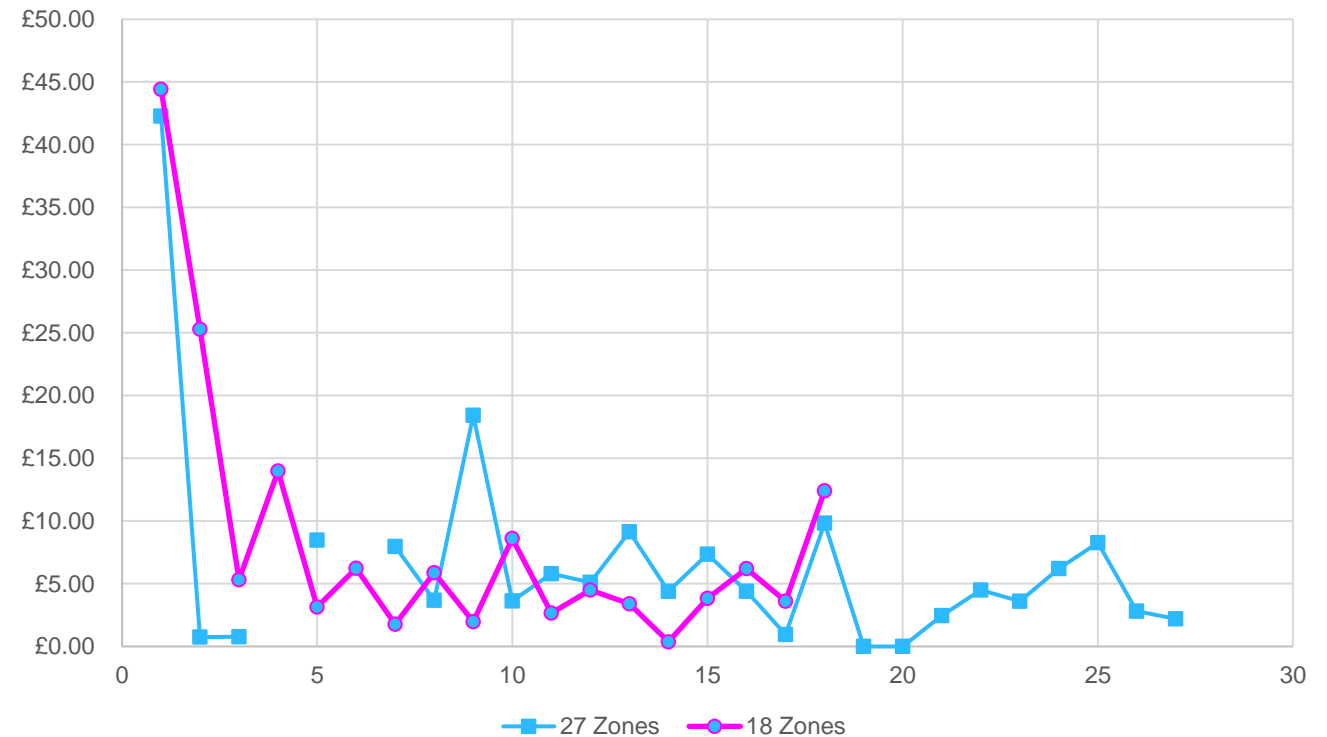


Analysis Updated – 18 Zone



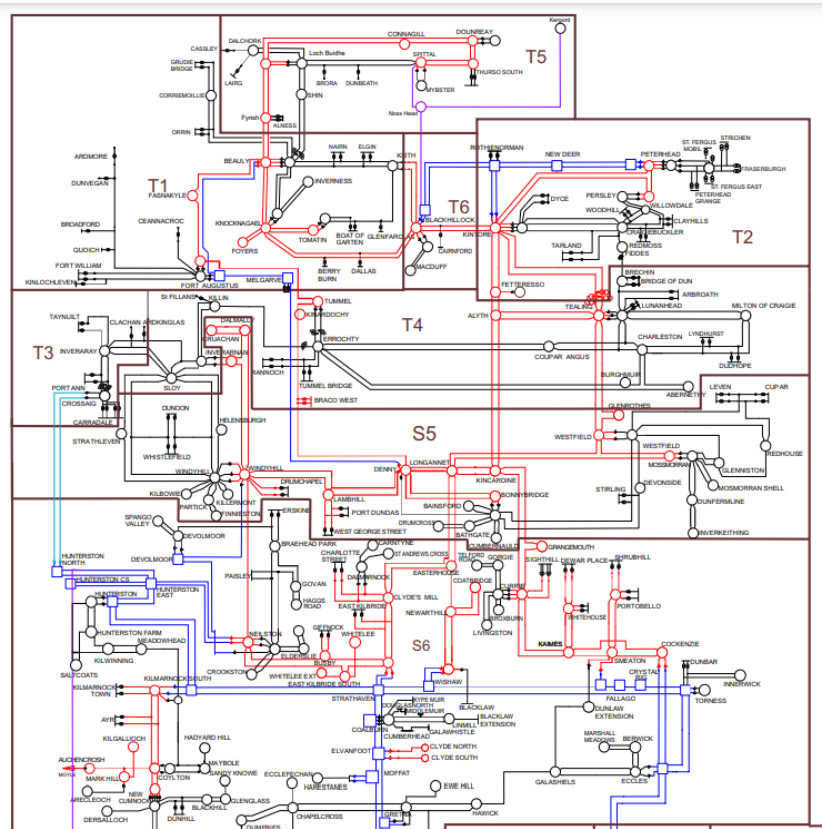
Comparison – 27 Zones vs 18

- Overall the 18 and 27 zone approaches have fairly similar outcomes in cost reflectivity
- 18 Zone approach however is far more stable
- However, zones 1 and 2 have significantly higher ranges than all other zones



Zones 1 and 2 Approach

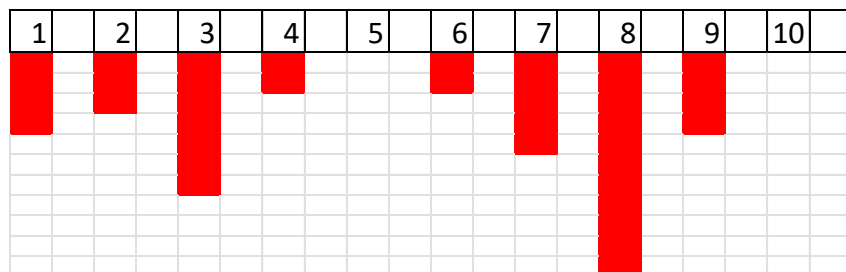
- Proposed Generation Zones are aligned to major ETYS Zones
- ETYS also includes minor zones
- Zone could be split further by:
 - Using grouped minor zones to split further – e.g. splitting zone 1 into 2. However this is then beginning to move away from a consistency ETYS zone approach
 - Split using a nodal range analysis. This would be more cost reflective, but increases the chance of moving between zones for generators located in ETYS Zones S and T



ETYS Major Zone	Mapped New Zone
A	18
B	17
C	16
D	15
E	14
F	13
G	12
H	11
J	10
K	9
L	8
M	7
N	6
P	5
Q	4
R	3
S	2
T	1

Offshore Zones - Feedback

- Timescales – 1 as soon as possible and compromise, 10 slower but prioritise designing right first time



- **Do you agree with current approach?**
Most Stakeholders agreed with approach, citing above everything else the need to keep as much alignment between onshore and offshore, effectively treating as one system. However, some considered whether the zonal approach used currently should be reconsidered.
- **What other options should be considered?**
While most thought current approach was best, some support for not discarding TEC spreading/pro-rata option, depending on challenges with current solution
- **Other considerations**
MITS definition, Expansion Constant, Demand Socialisation, impact on existing generation, ease of future mods/changes, split views on cost reflectivity

Analysis

- **Expansion Constant** – review impact of this on nodal price range
- **Nodal Analysis**
 - Recently received some refreshed circuit/nodal data from HND team
 - Revenue team to calculate an approximate price for each node in the HND
 - Review with WG to understand what ranges look like and inform approach for designing zones

Aim is to have analysis prepared for workgroup 7:

- Will need to assess which figures can be shared with workgroup etc
- Analysis to help get an idea of what spread across regions may look like, and what a cost reflective set of zones could look like

Timeline and Terms of Reference Review

Lizzie Timmins – NESO Code Administrator



Timeline for CMP419 as at 12 February 2025

Milestone	Date	Milestone	Date
Modification presented to Panel	25 August 2023	Code Administrator Consultation	20 September 2025 to 21 October 2025
Workgroup Nominations (15 Working Days)	30 August 2023 to 20 September 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	20 November 2025
Workgroup 1 – Workgroup 10 To discuss the defect, analysis required and begin refining the solution	12 October 2023 08 November 2023 12 December 2023 17 January 2024 16 April 2024 19 February 2025 12 March 2025 09 April 2025 07 May 2025 03 June 2025	Panel undertake DFMR recommendation vote	28 November 2025
Workgroup Consultation	09 June 2025 to 30 June 2025	Final Modification Report issued to Panel to check votes recorded correctly	02 December 2025 to 09 December 2025
Workgroup 11 – Workgroup 14 To review the Workgroup Consultation responses and to finalise the solution	15 July 2025 11 August 2025 04 September 2025 10 September 2025	Final Modification Report issued to Ofgem	10 December 2025
Workgroup report issued to Panel (5 working days)	18 September 2025	Ofgem decision	TBC – required by 30 September 2026
Panel sign off that Workgroup Report has met its Terms of Reference	25 September 2025	Implementation Date	01 April 2027

Terms of Reference

Workgroup Term of Reference

- a) Consider EBR implications
- b) Consider how the implementation of a new zoning methodology, its governance and associated impact of rezoning will impact the predictability, cost reflectivity, and stability of charges.
- c) Assessing the use of ETYS boundaries and/or use of other methods to develop generation zones before considering how this may or may not increase the range of nodal prices within a generation zone.
- d) Assess the frequency of reviewing the number of generation zones, factoring in the decision from [CMP324/325](#) and associated impacts on the stability of TNUoS charges.
- e) Consider relevant regulatory changes

AOB & Next Steps

Lizzie Timmins – NESO Code
Administrator

