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Meeting Summary – Workgroup 9

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

Date: 12/02/2025

Contact Details

Chair: Catia Gomes catia.gomes@nationalenergyso.com

Proposer : Niall Coyle niall.coyle@nationalenergyso.com

Key areas of discussion

The Chair welcomed members to Workgroup 9 and noted that only three additional Workgroups remain, emphasising the substantial amount of work that still needs to be completed.

Action Update

The Proposer provided an update on the current outstanding actions. Of the four remaining actions, only action 6 was considered for completion. The remaining three actions are scheduled to be addressed at a later date.

Alternative Requests Review

The details of the four additional WACMs saved by the Chair were shared with the Workgroup, along with the rationale for each one. It was confirmed that there were now seven WACMs, in addition to the Original proposal, for consideration. Legal text would need to be completed for all of them.

WACM 1 – Alternative 1 Northland Power

WACM 2 – Alternative 6 BayWa-re

WACM 3 – Alternative 14 West of Orkney

WACM 4 – Alternative 2 SSE

WACM 5 – Alternative 7 NESO

WACM 6 – Alternative 8 Energiekontor

WACM 7 – Alternative 10 EDF

Members were informed that, during the consideration of the additional WACMs, the Chair had reviewed all remaining alternatives against the Applicable CUSC Objectives, industry feedback, and internal and external discussions before making a decision. The aim was to provide a range of options for the Authority to consider when making their decision. The Chair agreed to add details into the Workgroup Report in relation to the saved WACMs and the rationale for the decision.

WACMs Legal Text

Legal text for the three WACMs voted in by the Workgroup members during the last meeting was shared. All three WACMs had no end date or considerations for grandfathering rights.

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WACM 1 (alternative 1)

The WACM 1 Proposer advise that their solution was the same as the Original with the only change being the replacement of values in the table in relation to cap and floor.

WACM 2 (alternative 6)

Again, the WACM 2 Proposer confirmed the only difference from the Original was the replacement of values in the table, adding that further discussion was needed around grandfathering rights and a specific end date.

WACM 3 (alternative 14)

The Proposer of WACM 3 indicated that they had updated the data tariff from 2024/2025 to 2025/2026 for their solution following discussions during the last Workgroup and in light of the publication of the tariffs for 2025/2026. The cap and floor values have also been revised to align with the new tariff, and references to indexation have been removed from the legal text. Additionally, further discussions are required regarding the grandfathering provisions and the end date.

A member inquired if WACM 3 had been altered from what was initially voted on last week. The Proposer confirmed that while there were technical changes, the essence of the proposal remained consistent, as it simply incorporated the most recent data set. The Chair confirmed that the data set had been updated, but the underlying rationale of the proposal had not been modified.

The Original Proposer clarified that, prior to the vote, it was understood that any chosen WACM would be fully refined by the Workgroup. Therefore, such changes are in line with those expectations.

An action was given to the WACM 3 Proposer to explain why the data set had been changed and the impacts of this change; this is to be shared at the next Workgroup.

Several Workgroup members expressed concerns that reviewing the legal text before discussing grandfathering provisions might be premature. It was suggested that it would make more sense to have the grandfathering discussion first. However, the Chair clarified that discussing the legal text at this stage would allow Proposers to incorporate the Workgroup's feedback and comments, which could then be further reviewed and discussed.

Terms of Reference

The Workgroup Terms of Reference were shared with the Workgroup, the Chair highlighted that further discussion was needed in some areas, mainly TOR (f) and (i).

Analysis Discussion

The Original Proposer presented the updated comparison sheet which included the renamed WACMs and the removal of alternatives not being taken forward, highlighting that the data would be made clearer and shared with Workgroup members.

The proposer agreed to undertake additional analysis to show the impact of the WACMs on charges in different zones and for different technologies versus the baseline. The Proposer suggested grouping zones together to make the data easier to understand and considering the impact on average charges in the north and south of GB. Some workgroup members disagreed with grouping zones and instead asked for the analysis to be presented at a zonal level.

Commented [CC1]: @Niall Coyle (NESO) as this shared or was it a suggestion to what could be done further? I was under the impression it was suggested by Tom Palmer.

Commented [N(2R1): This in the update to be shared today.



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Workgroup members suggested including technology-specific analysis, ensuring clear labelling of the Y-axis on graphs, and explicitly calling out the generation background used for the analysis. They also recommended showing the impact of the WACMs on the baseline and considering the Original proposal in the comparisons.

Grandfathering provisions discussion/extra measures

The Workgroup had an in-depth discussion on grandfathering rights and end dates, with various Workgroup members sharing their views. The Authority representative shared clarification of the intent of the open letter and the temporary nature of the cap and floor intervention.

A Workgroup member asked what grandfathering means and how it relates to end dates. Another member explained that grandfathering rights keeps the current rules for existing projects, even if changes happen in the future.

The Workgroup discussed the feasibility of including grandfathering provisions in the CUSC, noting that it may not provide the desired long-term protection due to the open Governance nature of the CUSC. It was suggested that any enduring protections would need to come from primary legislation or DESNZs decisions.

The Workgroup debated the pros and cons of including an end date for the cap and floor. Some Workgroup members supported an end date to reduce uncertainty, while others, argued that an end date without a replacement could create more uncertainty and a step change in charges.

The Workgroup engaged in a detailed discussion on the implications of including an end date for the cap and floor mechanism. Some members, advocated for the inclusion of an end date to mitigate uncertainty. Equally, others stated that an end date without a well-defined replacement could exacerbate uncertainty and result in abrupt changes in charges.

The Authority representative clarified that the cap and floor intervention is intended to be temporary, providing guardrails to prevent extreme charges while awaiting further reforms from REMA. Emphasising the need to focus on the locational signal for the next few years to support critical investments.

Workgroup Report Discussions

The Chair shared a draft version of the Workgroup Report, highlighting sections that need updates and input from the Proposers. Workgroup members were encouraged to review and comment on the report before the next meeting.

Next Steps

The Chair outlined the plan for the next three meetings, focusing on finalising the legal text, reviewing the Workgroup Report, and preparing for the final vote, emphasising the importance of collaboration and timely input from all members.

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Actions

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

| Action Number | Workgroup Raised | Owner | Action | Due by | Status |
|---------------|--|--------------------|------------|------------|--------|
| 4 | What major infrastructure assets are included in the 5-year forecast | Proposer | 04/12/2024 | 12/02/2025 | Open |
| 5 | Explain the degree of alignment with CP30 that is included into the forecast | Proposer | 04/12/2024 | 12/02/2025 | Open |
| 6 | Consider additional modelling | Proposer | 11/12/2024 | 12/02/2025 | Closed |
| 9 | Create a diagrammatic explanation of the methodology for the potential alternative solution. | Proposer | 16/01/2025 | 12/02/2025 | Open |
| 14 | What are the impacts of the data set change in WACM 3, to be shared at next Workgroup | MS WACM 3 Proposer | 12/02/2025 | 17/02/2025 | 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 |
| Barney Cowin | BC | Bluefloat Energy | Workgroup Member |
| Ryan Ward | RW | Scottish power Renewables | Workgroup Member |
| Hector Perez | HP | Scottish power Renewables | Workgroup Alternate |
| Graham Pannell | GP | BayWa r.e. | Workgroup Member |
| Ben Adamson | BA | Low Carbon | 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 |

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|-------------------|----|--|--------------------------|
| Lauren Jauss | LJ | RWE Supply & Trading GmbH | Workgroup Member |
| Kyran Hanks | KH | Water Wye Associates | Workgroup Member |
| Damien Clough | DC | SSE | Workgroup Member |
| Paul Youngman | PY | Drax | Workgroup Member |
| Lambert Kleinjans | LK | Energiekontor UK Ltd | Workgroup Member |
| Cameron Gall | CG | Energiekontor UK Ltd | Workgroup Alternate |
| Binoy Dhari | BD | EDF | Workgroup Member |
| Paul Jones | PJ | Uniper | Workgroup Member |
| Dennis Gowland | DG | Research Relay Ltd (Nominated by European Marine Energy Centre (EMAC)) | Workgroup Member |
| Chris White | CW | Research Relay Ltd (Nominated by European Marine Energy Centre (EMAC)) | Workgroup Member |
| Emanuele Dentis | ED | Northland Power | Workgroup Member |
| Nina Brundage | NB | Ocean Winds | Workgroup Member |
| Aaron Priest | AP | Ocean Winds | Workgroup Alternate |
| Chiamaka Nwajagu | CN | Orsted | Workgroup Member |
| Pedro Acain | PA | Ofgem | Authority Representative |
| David Jones | DJ | Ofgem | Authority Representative |
| Ghulam Haider | GH | Ofgem | Authority Representative |
| Tom Palmer | TP | Zenobe | Workgroup Member |
| Varun Mittal | VM | TotalEnergies | Observer |
| Dan Hickman | DH | NESO | Observer |