



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 <u>catia.gomes@nationalenergyso.com</u>

Proposer: Niall Coyle <u>niall.coyle@nationalenergyso.com</u>

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

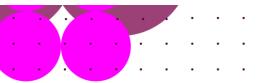
WACM 6 - Alternative 8 Energiekontor

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.





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.

 $\label{lem:commented} \textbf{[N(2R1]:} \ \ \text{This in the update to be shared today}.$

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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.

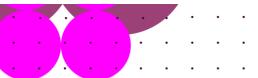
The Authority representative clarified that the cap and floor intervention is intended to be temporary, providing guardrails to prevent extreme charges while awaiting further reforms from REMA. Emphasising the need to focus on the locational signal for the next few years to support critical investments.

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.





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	СВ	InterGen	Workgroup Member
Alan Kelly	AK	Corio Generation	Workgroup Member
Marc Smeed	MS	Corio Generation	Workgroup Alternate
Anthony Dicicco	AD	ESB	Workgroup Member
James Knight	JK	Centrica	Workgroup Member





Fublic			
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