

Public

Special CUSC Panel

Friday 07 March 2025

Online Meeting via Teams

Public

WELCOME

Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification (8.3.3)

The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- With a view to ensuring that the CUSC facilitates **achievement of the Applicable CUSC Objectives**.

Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC**; and
2. Shall not have any **conflicts of interest**.

Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom he/she was appointed as Panel Member and any Related Person from time to time.

Inflight Modification Updates

- CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Request to change Terms of Reference

Context

The CMP448 workgroup would like to request amendments to the Terms of Reference.

The reasons for this are as follows:

- Grammatical amendments
- Addressing impacts for distribution connected and embedded generation
- Consideration of how the PCF would not incentivise inefficient behaviours
- Structure of the PCF and how this responds to the identified defect
- Consideration of application technology types and regions, and to which elements of the queue.

CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Request to change Terms of Reference

The Workgroup would like reflect the following within their Terms of Reference:

Amended Workgroup Terms of Reference

- f) Consider whether ~~if~~ the period that the Progression Commitment Fee applies to, Gate 2 entry to Milestone 1, is appropriate.
- g) Consider whether ~~if~~ not applying the fee to all users will be duly or unduly discriminatory.
- h) Consider the impacts to distribution connected, embedded and directly connected projects of the implementation of a PCF
- i) Consider whether the PCF would or would not incentivise efficient behaviours within the GB Connections Process
- j) Consider the form, value and operation of the PCF to ensure that the PCF best responds to the defect identified
- k) Consider whether the PCF should or should not take into account technology types and/or or regions in relation to queue health (in the context of ToR (c) and (d)); and which part of the whole GB Connections queue the PCF should or should not apply to

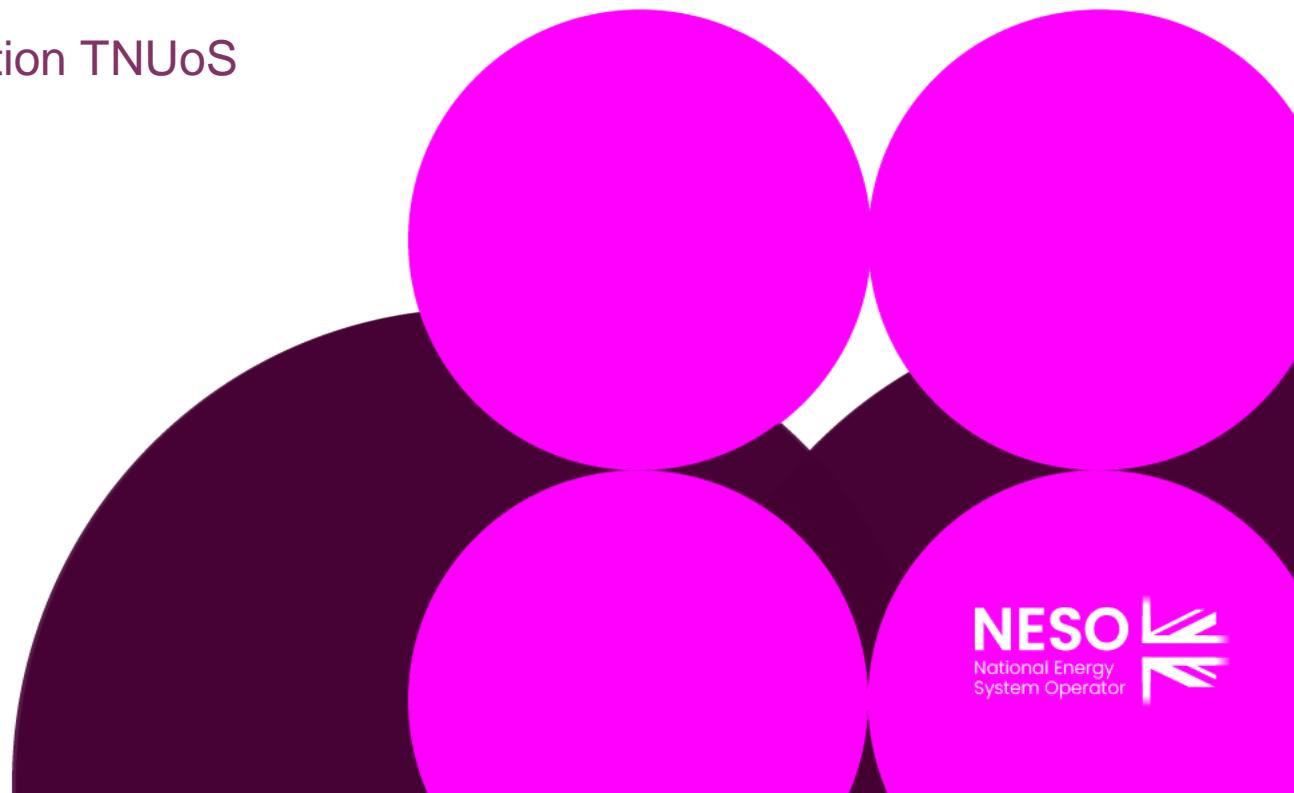
Ask of Panel

AGREE the amended and additional points within Terms of Reference

Workgroup Report

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

Catia Gomes (Workgroup Chair)



Key points to note

- Some Workgroup members expressed concerns regarding the modification being on an urgent timeline as, in their view, it doesn't allow adequate time to consider impacts or explore other better solutions.
- One Workgroup Consultation respondent suggested that CMP444 impacted EBR regulations. It was clarified during the Workgroup meetings that the Workgroup does not believe this modification impacts EBR regulations and that the proposed changes to the CUSC do not affect the CUSC sections that trigger EBR impacts.
- 14 Alternative Requests were raised, 3 were voted by the Workgroup to become WACMs and 4 were saved by the Chair.

Solutions

Proposer's solution:

Apply a single £/kW cap and floor for the whole of GB to each of the YRS (year-round shared), YRNS (year-round not shared) and PS (Peak Security) tariff elements of the wider generation TNUoS charge. The initial £/kW cap and floor values for each element shall be calculated as the 97.5th and 2.5th percentile respectively for each of the different tariff elements across all generation zones and years from the NESO 5-year view TNUoS tariff publication published in April 2024, in 2025/2026 prices.

Ofgem's open letter stated that the cap and floor intervention should be temporary. Although no specific end date has been defined in this modification, NESO believe the cap and floor should remain in place until the reforms through REMA are implemented. Transitional arrangements and/or additional ongoing protection may be required for generators who make an investment decision while the temporary arrangements are effective.

Requested implementation date for the Proposer's solution: 01 April 2026

Solutions

Summary of the WACMs

- **WACM1: Deciles TNUoS Cap & Floor** - WACM1 seeks to set the initial cap and floor for the 2025/2026 year for each of the tariffs as the 90th and 10th percentile, respectively, of the NESO 5-year view TNUoS tariff publication published in April 2024. Other elements of the calculation are the same as the Original solution.
- **WACM2: Removal of the data set for 2029/30** - The calculation of the cap and floor as per the Original solution uses data representing financial years up to and including 2028/29. The difference from WACM2 to the Original solution is that forecast data for 2029/30 is not used.
- **WACM3: Cap and Floor fixed values based on current charging year 2025/26** - WACM3 seeks to fix the cap and floor values using actual tariffs rather than forecast tariffs, specifically the prevailing tariff extremes for charging year 2025/26.
- **WACM4: Two-step cap. Zone 1 to 7 and Zones 8 to 27 based on existing zones and using 1SD** - WACM4 introduces a different way of calculating the various caps when compared to the Original solution by introducing a 2 Tier Zonal Grouping as well as 1 Standard Deviation as opposed to a decile.
- **WACM5: Scaling factor to all tariffs** - WACM5 looks to set a maximum range between the highest and lowest TNUoS zone and an explicit maximum cap for each of the Peak Security, Year-Round Shared and Year-Round Not Shared tariff components. The maximum range and cap for each component will be the highest of the first four years of the latest NESO 5-year view of TNUoS publication, published in April 2024.
- **WACM6: Use of data set 2023/24 to 2027/28** - WACM6 uses the Original solution cap and floor, however, proposes to use for the data set years 2023/24 – 2027/28 instead of the 5-year forecast.
- **WACM 7: Cap set at the maximum value from the 2029/30 tariffs and the Floor set at the minimum value from the 2029/30 tariffs** - In WACM7 the cap and floor are derived from the existing 5 year TNUoS forecast of tariffs published by NESO in April 2024. For each of the following components, the cap is set at the maximum value from the 2029/30 tariffs. For each of the following components, the floor is set at the minimum value from the 2029/30 tariffs.

Legal Text Update – All Solutions

Clause Impacted	Action	Applicable Solution
14.15.142	Uncapitalized “wider generation tariffs”	All solutions
	Formatted “TOPI” as bold – Section 11 defined term	Original, WACM1, WACM2, WACM5, WACM6
	Removed reference to ESO licence in TOPI application – this is in the Transmission Licence only	Original, WACM1, WACM2, WACM5, WACM6
14.15.143	Added “to the Initial Transport Tariff” after “will be equal” (not essential but would add clarity while not changing the intent)	Original, WACM1, 2, 3, 4, 6 & 7
14.15.144	Removed “wider” from “restricted transport wider tariffs”	All solutions

Legal Text Update – All Solutions

14.15.142

“To aid with predictability of tariffs, a cap and floor system is applied to wider generation tariffs. Individual cap and floors will be applied to each of the Peak Security, Year Round Shared and Year Round Not Shared tariff components.”

*“The individual cap and floor levels will be inflated each year by **TOPI**, as defined in the ~~ESO Licence and/or~~ Transmission Licence.”*

Legal Text Update – All Solutions

14.15.143

“A Restricted Transport Tariff (RTT) is identified for each tariff component in every generation zone by applying any cap and floor restrictions as per 14.15.142. If the Initial Transport Tariff component is within the cap and floor, the associated Restricted Transport Tariff will be equal to the Initial Transport Tariff.”

Legal Text Update – All Solutions

14.15.144

“The effective Transmission Network Use of System tariff (TNUoS) for generation can now be calculated as the sum of the Restricted Transport ~~Wider~~ Tariffs (...)”

Legal Text – WACM5

Clause Impacted	Action	Applicable Solution
14.15.142	Changed “initial cap” to “initial Tariff Cap” for consistency with the table	WACM5
	Capitalised “Maximum Tariff Range”	WACM5
14.15.143	Added “creating a Scaled Transport Tariff” for clarity	WACM5
	Added “the highest resulting” for clarity	WACM5
	Rearranged terms below formulae to improve readability	WACM5

Legal Text Update – WACM5

14.15.142

“A table showing the initial **Tariff Cap** and **Maximum Tariff Range** values for each tariff component is shown below. ”

“The individual **Tariff Cap** levels and **Maximum Tariff Ranges** will be inflated each year by TOPI , as defined in the ESO Licence and/or Transmission Licence.”

Legal Text Update – WACM5

14.15.143

“A Restricted Transport Tariff (RTT) is ~~identified~~ **calculated** for each tariff component in every generation zone by applying any tariff restrictions as per in a two-step process (...)”

“Firstly, if the range between the highest and lowest zonal Initial Transport Tariff for a given tariff component is greater than the Maximum Tariff Range as per 14.15.142, the Initial Transport Tariff in each zone will be multiplied by a scaling factor between 0 and 1, **creating a Scaled Transport Tariff**, so that the tariff range equals the Maximum Tariff Range. Secondly, if ~~this~~ **the highest resulting** Scaled (...)”

Workgroup Vote

Summary of Workgroup Vote:

The Workgroup concluded by majority that the Original and WACM1, WACM2, WACM3 and WACM6 better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters that voted this option as better than the Baseline (Out of 19)
Original	12
WACM1	12
WACM2	13
WACM3	12
WACM4	8
WACM5	3
WACM6	12
WACM7	6

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	p.34
b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency letter.	p.24,30,35
c) Consider the appropriate levels of the cap and floor for each element of wider generation TNUoS	p.24-25,28-29,35-38
d) Consider appropriate indexation for the cap and floor levels	p.24,46
e) Consider interaction with EC 838/2010 and ongoing compliance with the "limiting regulation"	p.24-26,28,30
f) Consider the duration of the cap and floor	p.27-28,34-35
g) Consider what TNUoS data set should be used for CMP444	p.24-26,28-30,35,45-46
h) Consider the Open Letter on Seeking industry action to mitigate the investment impacts of very high projected TNUoS charges	p.21,24,29,33,35-36
i. Consider any additional protection required for Generators who make an investment decision while the Cap and Floor are in place.	27-28,34-35,45

CMP444 Asks of Panel

- AGREE** that the Workgroup have met their Terms of Reference
- AGREE** that this Modification can proceed to Code Administrator Consultation
- NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- NOTE** the ongoing timeline

CMP444 Next Steps

Milestone	Date
Code Administrator Consultation (4 business days)	10 March 2025 - 14 March 2025 at 5pm
Draft Final Modification Report issued to Panel	24 March 2025
Draft Final Modification Report presented to Panel	28 March 2025
Final Modification Report issued to Panel to check votes recorded correctly	28 March 2025
Submission of Final Modification Report to Ofgem	28 March 2025
Ofgem decision date	01 July 2025
Implementation Date	01 April 2026

Any other business

Activities ahead of the next Panel Meeting

Special CUSC Papers Day – CMP446	05 March 2025
Special CUSC Panel Meeting – CMP446	10 March 2025 / Teams

Close

Penny Garner

Acting Independent Chair