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Code Administrator Meeting Summary

Workgroup Meeting 3: CMP440 Re-introduction of Demand TNUoS locational signals by removal of the zero-price floor

Date: 27 February 2025

Contact Details

Chair: Teri Puddefoot, Terri.Puddefoot@nationalenergyso.com
Proposer : Lauren Jauss, lauren.jauss@rwe.com

Key areas of discussion

The Chair welcomed the Workgroup, confirmed quoracy, gave a brief overview of the objectives for the meeting, reminded the Workgroup of the responsibilities and presented the current timeline for discussion for the modification.
The Chair updated the Workgroup of the change in NESO representative for the modification.

Actions Reviewed

The following actions were discussed:
Action 5: This action involved looking at party profiles ahead of the work group. The Proposer and NESO Representative to look at examining different profile shapes of possible customer types.
Action 6: NESO were requested to provide the data for this action, but it will now use estimated data and go through the methodology.
Action 7: The proposer and NESO Representative are reviewing section 14.16.2 of the legal text.

Proposers Update

The proposer updated the Workgroup on their understanding for the current approach in deriving pence per kWh tariffs and how it relates to the legal text in section 14.16.2. The key points of this are:
Current Approach for Deriving Pence per kWh Tariffs

- The methodology used to derive pence per kWh tariffs is based on converting pounds per Kilowatt tariffs from the transport model
- Non-half-hourly users are charged on a pence per kWh basis, and this equivalent tariff is derived from the pounds per kilowatt tariff
- Currently, non-half-hourly users are charged from 4:00 to 7:00 PM all year round.

- The proposal suggests adopting the same conversion for negative tariffs from pounds per kilowatt to pence per kWh, as the charging periods are being widened.
- The pence per kWh tariff is set to collect the same amount of revenue from non-half-hourly customers in each GSP group as if they were charged based on their consumption at Triad.
- The calculation involves forecasting demand at Triad, multiplying it by the pounds per kilowatt tariff, and dividing by the actual charging base in kilowatt hours.

The proposer gave an example calculation involving forecasting demand at Triad, multiplying it by the pounds per Kilowatt tariff, and dividing by the actual charging base in Kilowatt hours. This ensures that the pence per kWh tariff collects the same amount of revenue as if the customers were charged based on their consumption at Triad.

The Workgroup discuss market-wide half-hourly settlement, many non-half-hourly users would eventually transition to half-hourly settlement. The key factor would suggest, how users are charged, whether on a half-hourly or non-half-hourly basis. Currently, non-half-hourly users are charged on a pence per kWh basis. For negative periods, the proposal suggests widening the charging period so that even half-hourly users are charged on a pence per kWh basis.

The Workgroup discussed the methodology and considerations for charging non-half-hourly (NHH) and half-hourly (HH) customers. Covering the following key points:

- The transition from NHH to HH methodology and its implications for small customers.
- The use of measurement indicators in the market half-hourly world and the continuation of charging whole current metered customers on the NHH methodology.
- Concerns about double charging when switching from NHH to HH and the need to avoid this issue.
- The proposal to charge small users based on a new methodology while maintaining the current NHH methodology for certain customer classes.
- The importance of the ratio between demand at Triad and average demand during the charging period in determining tariffs.
- The impact of different charging periods on the average demand and the resulting tariffs.
- The need to balance the signal sent to customers through tariffs to avoid over or under-incentivizing certain behaviours.

The Workgroup discussed concerns with regard to double charging arise when transitioning from non-half-hourly (NHH) to half-hourly (HH) methodology:

Avoiding Double Charging: When switching from NHH to HH, there is a risk of customers being charged both an NHH charge and a triad charge. This issue needs to be avoided to ensure fair billing.
Status Quo for Small and Domestic Consumers: The transition aims to avoid small and domestic consumers being billed on Triad, which is not considered appropriate.

Maintaining Separate Methodologies: The proposal includes maintaining a large user methodology and a small user methodology based on domestic premise indicators and whether the site is whole current metered.

The use of measurement indicators: The market half-hourly world, specifically, states that some measurement indicators will be used to charge domestic customers. Additionally, whole current metered customers will continue to be charged on the non-half-hourly methodology.

The various charging periods: For non-half-hourly (NHH) and half-hourly (HH) customers.

- The current methodology charges NHH customers from 4:00 to 7:00 PM all year round1.
- The proposed changes include maintaining the 4:00 to 7:00 PM charging period for NHH customers but also introducing a year-round charging period for both NHH and HH customers.
- The ratio between demand at Triad and average demand during the charging period, which is crucial for determining tariffs.
- The different charging periods, such as 4:00 to 7:00 PM all year, and how they impact the average demand and resulting tariffs.

These charging periods are designed to balance the signal sent to customers through tariffs, avoiding over or under-incentivizing certain behaviours, the importance of ensuring that customers are not unfairly charged during the transition and that the methodology remains appropriate for different customer classes.

Terms of Reference

The Workgroup discussed the methodology and considerations for charging non-half-hourly (NHH) and half-hourly (HH) customers and covered the following key points:

- The transition from NHH to HH methodology and its implications for small customers.
- The use of measurement indicators in the market half-hourly world and the continuation of charging whole current metered customers on the NHH methodology.
- Concerns about double charging when switching from NHH to HH and the need to avoid this issue.
- The proposal to charge small users based on a new methodology while maintaining the current NHH methodology for certain customer classes.
- The importance of the ratio between demand at Triad and average demand during the charging period in determining tariffs.
- The impact of different charging periods on the average demand and the resulting tariffs.
- The need to balance the signal sent to customers through tariffs to avoid over or under-incentivizing certain behaviours.

The Chair suggested that the observations made during the Workgroup can be included in the consultation questions to get a broader industry perspective if needed.

The Workgroup discussed various aspects of consultation and proposals related to charging periods, profiles, and legal text.

Timeline and Consultation Overview

The Workgroup review the timeline for Workgroup before going out to work group consultation. It was noted that there were two more Workgroups planned before the consultation, and the dates needed to be adjusted due to some pushback. The Workgroup emphasised the importance of including terms of reference in the slide pack and being mindful of how they are being covered.

Charging Periods and Triad Discussion

The Proposer suggested considering different charging periods, specifically proposing to charge both peak and year-round from 4 to 7 PM to simplify the process. Discussion raised concerns about the operational impact of spreading charges over a longer period, particularly in Scotland, where it might affect demand and power prices. The Workgroup discussed the importance of moving away from the triad to provide a better operational signal and reduce costs to consumers.

Year-Round Approach

The year-round approach for generators was discussed, noting that it is related to the sharing approach and constraints and load factors. The Chair advised that these observations could form part of the consultation questions to get a wider view from the industry.

Workgroup Consultation and WACMs

The Chair asked if two more Workgroups would be sufficient to pull together the consultation document. The proposer suggested that two Workgroups would be enough to develop the report and document it. A procedural question was raised about how WACMs (Workgroup Alternative CUSC Modifications) are handled, with the Chair explaining that WACMs should be raised as soon as possible and before the Workgroup Report is submitted to Panel.

Consultation Document Development

The Workgroup discussed the development of the consultation document, including the need to look at profiles and legal text. Suggestion was made that the Workgroup members provide feedback on whether to retain the base load approach or use the actual average profile forecast. The Chair emphasized the importance of raising any WACMs early to avoid delaying the process.

Reference Node and Modelling

The discussion touched on the reference node and its potential impact on the locational signal. It was noted that changing the reference node could make this pot much bigger and increase the locational signal's strength. The Workgroup also discussed the importance of aligning the proposal with the principles of the CUSC and ensuring that the numbers are illustrative.

Final Thoughts on Base Load Approach

The Proposer concluded that there was no strong support for retaining the base load approach and suggested changing the original proposal to use the forecast average profile, which is simpler and more straightforward. The Workgroup agreed that any changes should be reflected in the consultation questions to gather industry views.

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Any Other Business

No AOB was discussed.

Next Steps

Chair and Proposer to review proposal with a view to progressing to Consultation document.
Proposer to review data

Actions

Action Number	Workgroup Raised	Owner	Action	Due by	Status
8	WG 3	LJ	To work through equation for understanding of example for 20 million by the 4 to 7 demands, splitting up into 4 to 7 for peak and year-round using different volume.	WG 4	Open
9	WG3	DH	Provide confirmation of the charging year the data was analysed from	WG4	Open
10	WG3	TP	Schedule time for proposer and self to review document	WG4	Open

Attendees

Name	Initial	Company	Role
Teri Puddefoot	TP	NESO	Chair, Code Administration
Karen Stanton-Hughes	KSH	NESO	Tech Secretary, Code Administration
Lauren Jauss	LJ	RWE	Proposer
Alex Savvides	AS	Statkraft	Workgroup Member
Damian Clough	DC	SSE	Workgroup Member
Daniel Hickman	DH	NESO	NESO Representative
David Tooby	DT	Ofgem	Authority Representative
George Douthwaite	GD	SLR Consulting	Workgroup Member
John Tindall	JT	SSE	Workgroup Member

Karl Maryon	KM	Drax	Workgroup Member
Louis Sandiford	LS	Ofgem	Authority Representative
Niall Coyle	NC	NESO	NESO Representative
Paul Mott	PM	NESO	NESO Representative
Robert Longden	RL	Cornwall Insight	Workgroup Member
Ruby Pelling	RP	NESO	NESO Representative
Simon Vicary	SV	EDF Energy	Workgroup Member