

# CMP286/287

## 24 February 2022

Online Meeting via Teams

# WELCOME

**nationalgrid**ESO



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# Objectives and Timeline

**Paul Mullen – National Grid ESO Code Administrator**

# Timeline for CMP286/287 V1 as of 13 December 2021

| Milestone   | Date                                 | Milestone  | Date  |
|---|--------------------------------------|--|---|
| Workgroup 1 (re-education of proposal (including the Workgroup Consultation Responses) and solution (what has changed), agree timeline and review terms of reference) | 7 December 2021                      | Code Administrator Consultation  | 6 June 2022 to 27 June 2022   |
| Workgroup 2 and 3 (finalise solution to be consulted on, flesh out impacts, review legal text, agree alternatives and agree Workgroup Consultation questions)         | 13 January 2022 and 24 February 2022 | Draft Final Modification Report (DFMR) issued to Panel                                       | 21 July 2022  |
| Workgroup Consultation (15 Working Days)  | 5 March 2022 to 24 March 2022        | Panel undertake DFMR recommendation vote   | 29 July 2022  |
| Workgroup 4 - Assess Workgroup Consultation Responses   | 6 April 2022                         | Final Modification Report issued to Panel to check votes recorded correctly (5 working days) | 2 August 2022   |
| Workgroup 5 – finalise solutions, review terms of reference, hold Workgroup Vote  | 3 May 2022                           | Final Modification Report issued to Ofgem  | 10 August 2022  |
| Workgroup report issued to Panel (5 working days)   | 19 May 2022                          | Ofgem decision   | TBC – <i>by 31 October 2022</i>   |
| Panel sign off that Workgroup Report has met its Terms of Reference   | 27 May 2022                          | Implementation Date  | Effective Date: 1 April 2024 so needs to be implemented by 1 January 2023 |

# Timeline for CMP286/287 V2 as of 24 February 2022

| Milestone  | Date  | Milestone  | Date   |
|--|---|--|--|
| Workgroup 1 (re-education of proposal (including the Workgroup Consultation Responses) and solution (what has changed), agree timeline and review terms of reference)                          | 7 December 2021                                     | Code Administrator Consultation  | 27 June 2022 to 18 July 2022                                 |
| Workgroup 2 and 3 (finalise solution to be consulted on, flesh out impacts, review legal text, agree alternatives, agree Workgroup Consultation questions and finalise Workgroup Consultation) | 13 January 2022, 24 February 2022 and 23 March 2022 | Draft Final Modification Report (DFMR) issued to Panel                                       | 21 July 2022   |
| Workgroup Consultation (20 Working Days)   | 6 April 2022 to 9 May 2022                          | Panel undertake DFMR recommendation vote   | 29 July 2022   |
| Workgroup 4 - Assess Workgroup Consultation Responses  | 18 May 2022   | Final Modification Report issued to Panel to check votes recorded correctly (5 working days) | 2 August 2022  |
| Workgroup 5 – finalise solutions, review terms of reference, hold Workgroup Vote   | 1 June 2022   | Final Modification Report issued to Ofgem  | 10 August 2022   |
| Workgroup report issued to Panel (5 working days)  | 16 June 2022  | Ofgem decision   | TBC – <i>by 31 October 2022</i>                              |
| Panel sign off that Workgroup Report has met its Terms of Reference  | 24 June 2022  | Implementation Date  | Effective Date: 1 April 2024 so needs to be implemented by 1 |

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# Workgroup Responsibilities

Paul Mullen – National Grid ESO Code Administrator

## Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

## Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives

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# Action Updates

**Paul Mullen – National Grid ESO Code Administrator**



| Action Number | Action   | Owner  | Due by                | Status |
|---------------|--|--|-----------------------|--------|
| 1             | Proposer to update their analysis and cover previous years not impacted by Covid-19 and share with Workgroup – <b>Issued by Niall 23 February 2022</b> | Niall Coyle                                    | 21 January 2022       | Open   |
| 2             | Confirm initial view that CMP286/287 Original solution does not change to ESO tariff setting process- <b>Please see slide 9</b>                        | Nicola White / Jo Zhou                         | 17 February 2022      | Open   |
| 3             | Share draft legal text ahead of the next workgroup Meeting - <b>Please see slide 15</b>  | Nicola White                                   | 17 February 2022      | Open   |
| 4             | Provide clarity on any process changes, licence changes and price control implications - <b>Please see slide 10</b>                                    | Shannon Murray                                 | 17 February 2022      | Open   |
| 5             | Proposer to provide wording to clarify how CMP343 interacts with CMP287 – <b>Provided 23 February 2022</b>   | Niall Coyle                                    | 17 February 2022      | Open   |
| 6             | ESO and TOs to meet to discuss STC changes<br><br><b>Please see slide 11</b>   | Nicola White<br>Richard Woodward/Craig Pollock | Ahead of next meeting | Open   |

## Action 2

- **Confirm initial view that CMP286/287 Original solution does not change the ESO tariff setting process**
  - Process mapping to be presented later in this pack
  - The solution fixes inputs rather than tariffs
  - Inputs are not materially changing (they will be set earlier) we consider no changes to current processes are required
  - Tariffs will continue to be provided at the same time but accuracy of some inputs will be reduced
  - The solution moves some of the forecasting risk from suppliers to TOs

## Action 4

- **Provide clarity on any process changes, licence changes and price control**
  - As with all Ofgem processes, we will consider any requests for process change alongside a clear statement of the potential benefits of the changes. We recognise within the code modification framework we need to give the workgroup time to fully establish impacts, cost and benefits. That said, our initial view on this case is that Ofgem consideration of the proportionality of process changes needs to be supported with a clearly set out qualitative explanation of how benefits will arise from the process changes, and we would also ask for a plan for how these benefits might be assessed quantitatively. We also welcome feedback on this from WG participants.

## Action 6

- **ESO and TOs to meet to discuss STC changes**
  - Meeting TBA
  - Nicky liaising with contacts to continue the solution from STC k factor Mod to build on work completed Summer 2021

# Finalise Proposer's Solution

Niall Coyle – E.ON



# The Solution

We are proposing a change to the solution for CMP287 as a result of the solution developed for CMP343

|                   | CMP286   | CMP287   |
|-------------------|--|--|
| Title             | Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process.  | Improving TNUoS Predictability Through Increased Notice of Inputs Used in the TNUoS Tariff Setting Process   |
| Previous Solution | The date at which Target Revenue is fixed should be brought forward. These inputs should be fixed 15 months ahead of tariffs going live (i.e. 31st December yy for tariff year yy+2/yy+3). | The date at which forecasts of certain parameters that feed into the TNUoS tariff setting process (including but not limited to the 'tariff model peak demand MW', 'Tariff model HH demand MW' and 'Tariff model NHH demand TWh') are fixed should be brought forward so that they are fixed 15 months ahead of tariffs going live (i.e. 31st Dec yy for tariff year yy+2/yy+3).   |
| Updated Solution  | No change to "Previous Solution"   | The date at which forecasts of certain parameters that feed into the TNUoS tariff setting process (including but not limited to the 'tariff model peak demand MW', 'Tariff model HH demand MW' and 'Tariff model NHH demand TWh', gross Consumption by residual charging band and site count by residual charging band (subject to approval of CMP343)) are fixed should be brought forward so that they are 15 months ahead of tariffs going live (i.e. 31st Dec yy for tariff year yy+2/yy+3). |

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# Review Legal Text

Nicola White

# Action 3

- **Draft legal text overview**

- Draft legal text is in progress, examples of (wide ranging) necessary changes to CUSC:
  - Tariffs remain published at the end of January for the next Financial Year
  - The Principle of Maximum Allowed Revenue is captured in 14.14; New concept of Forecast MAR to be introduced (and how this feeds into k)
  - To state that forecast inputs will be required to be provided 15mths ahead rather than with actuals 3mths ahead
  - Review of CUSC following the licence change Summer 2021 (if within the scope of this mod / potential for further Housekeeping Mod?) and consideration of detail to be captured in the CUSC or, alternatively, to simplify CUSC text and refer to the licence.
  - Recognition of differing onshore/offshore processes to reflect
- Principles to be mirrored within STC
  - To progress and develop STC changes using Summer 2021 k factor STC Mod as a starting point to develop

14.14.13 The Company will typically calculate **TNUoS tariffs** annually, publishing final tariffs in respect of a Financial Year by the end of the preceding January. However The Company may update the tariffs part way through a Financial Year.

## **Part 2 - The Statement of the Use of System Charging Methodology**

### **Section 1 – The Statement of the Transmission Use of System Charging Methodology**

#### **14.14 Principles**

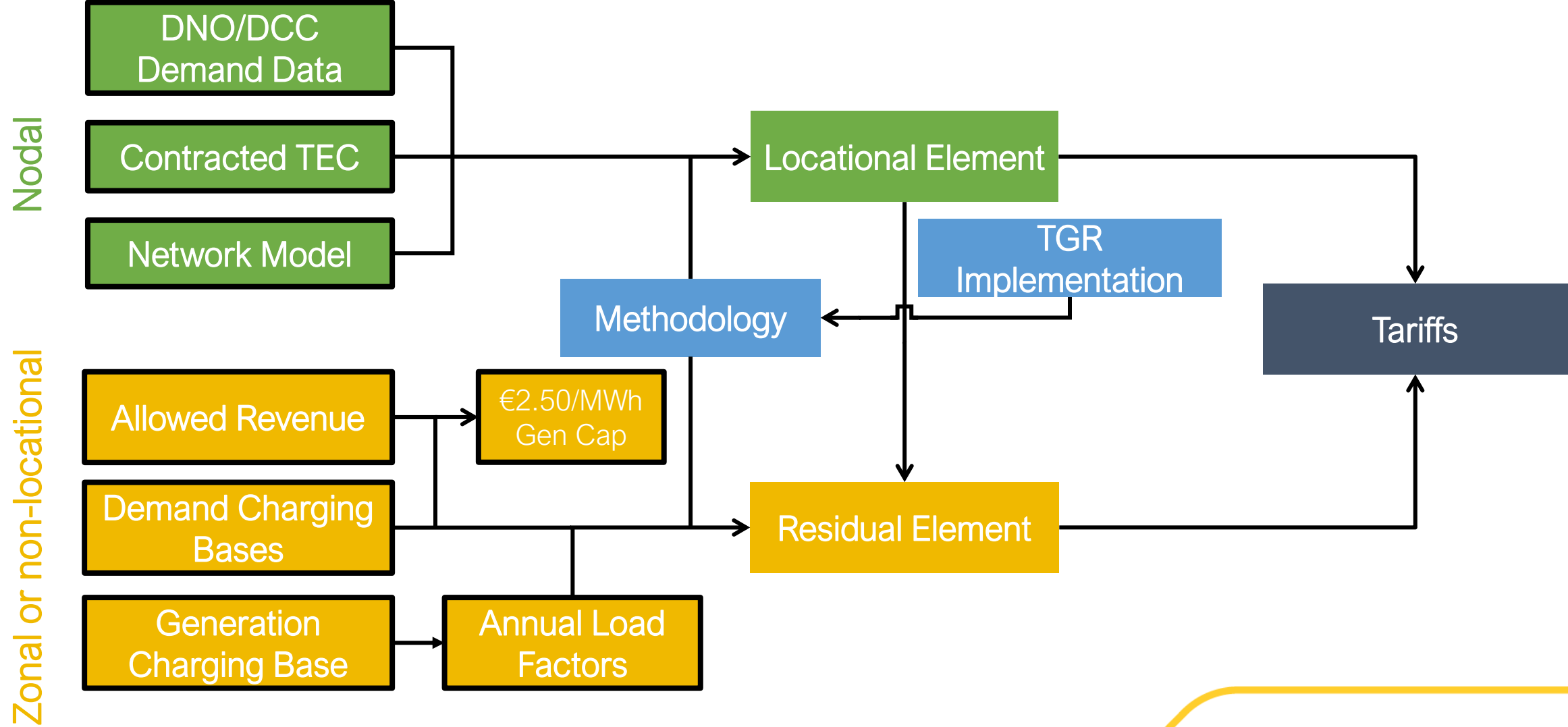
14.14.1 Transmission Network Use of System charges reflect the cost of installing, operating and maintaining the transmission system for the Transmission Owner (TO) Activity function of the Transmission Businesses of each Relevant Transmission Licensee. These activities are undertaken to the standards prescribed by the Transmission Licences, to provide the capability to allow the flow of bulk transfers of power between connection sites and to provide transmission system security.

14.14.2 A Maximum **Allowed Revenue** (MAR) defined for these activities and those associated with pre-vesting connections is set by the Authority at the time of the Transmission Owners' price control review for the succeeding price control period. Transmission Network Use of System Charges are set to recover the Maximum **Allowed Revenue** as set by the Price Control (where necessary, allowing for any K<sub>i</sub> adjustment for under or over recovery in a previous year net of the income recovered through pre-vesting connection charges).

# Proposed TNUoS Tariff Setting Process

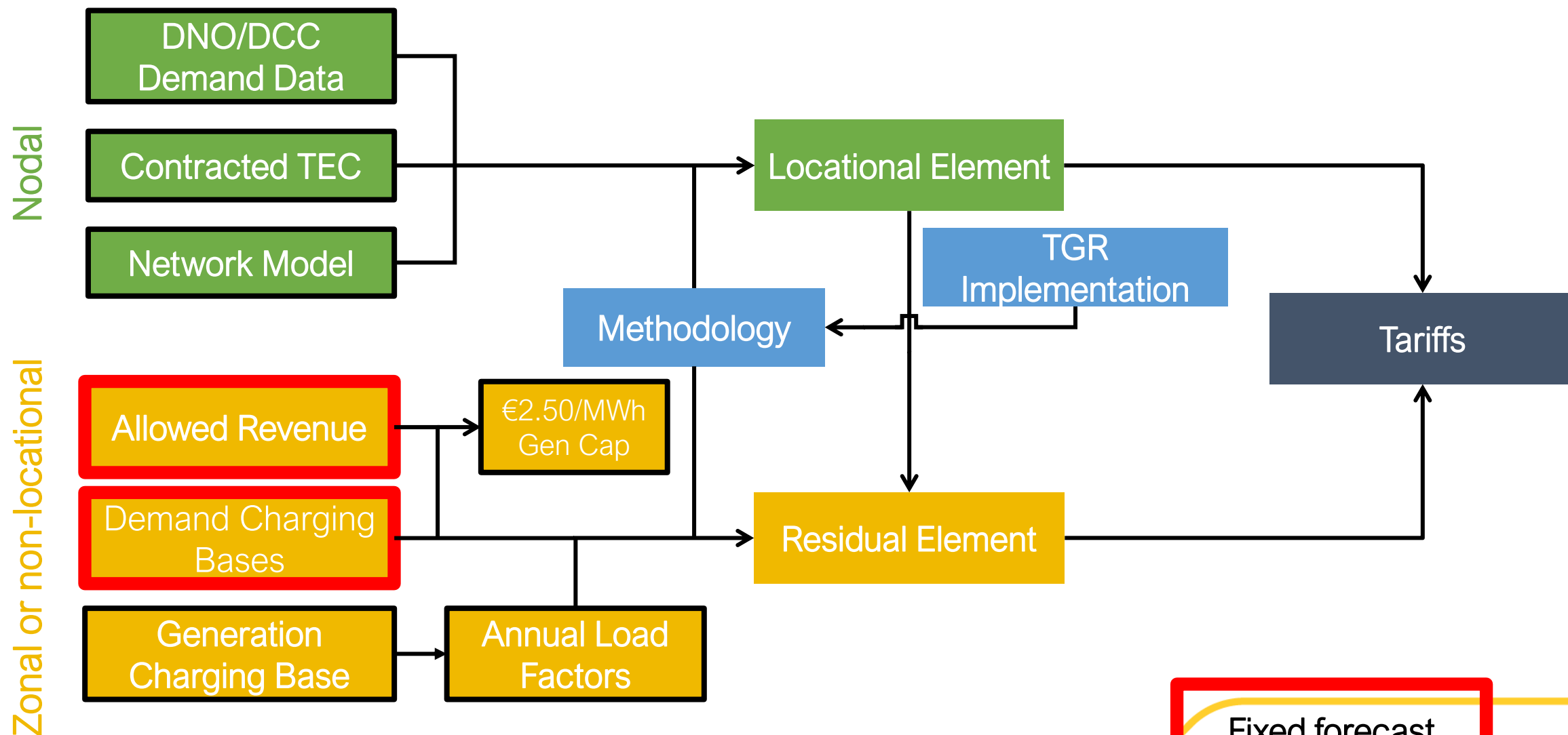
Jo Zhou

# Baseline - Key Inputs for TNUoS Tariffs





## Proposed change – certain inputs will be “locked down” by 15 months ahead



Fixed forecast

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# Baseline: Key Inputs for 2024/25 TNUoS Tariffs – refined quarterly

|                    |  | April 2023  | August 2023                 | Draft Tariffs<br>November 2023    | Final Tariffs<br>January 2024 |
|--------------------|--|---|-----------------------------|-----------------------------------|-------------------------------|
| Methodology        |  | Open to industry governance   |                             |                                   |                               |
| Nodal              | DNO/DCC nodal Demand Data                  | Initial update using previous year's data source  |                             | Week 24 updated                   |                               |
|                    | Contracted TEC                             | Latest TEC Register   | Latest TEC Register         | TEC Register Frozen at 31 October |                               |
|                    | Network Model                              | Initial update using previous year's data source (except local circuit changes which are updated quarterly) |                             | Latest version based on ETYS      |                               |
|                    | Inflation                                  | Forecast  | Forecast                    | Forecast                          | Actual                        |
| Zonal or non-local | New OFTO Revenue (part of allowed revenue) | Forecast  | Forecast                    | Forecast                          | NGESO best view               |
|                    | Allowed Revenue (existing TOs)             | Initial update using previous year's data source  | Update financial parameters | Latest TO forecasts               | From TOs                      |
|                    | Demand Charging Bases by zones             | Initial update using previous year's data source  | Revised forecast            | Revised forecast                  | Revised by exception          |
|                    | Generation Charging Base                   | NGESO best view   | NGESO best view             | NGESO best view                   | NGESO final best view         |
|                    | Generation ALFs                            | Previous year's data source   |                             | Draft ALFs published              | Final ALFs published          |
|                    | Generation Revenue (G/D split)             | Forecast  | Forecast                    | Forecast                          | Generation revenue £m fixed   |

- Green highlighting indicates that these parameters are fixed from that forecast onwards.

# Proposal: Key Inputs for 2024/25 TNUoS Tariffs – revised timeline

|                    |  | Dec 2022                         | March 2023 – January 2024             | Jan 2024 (final tariffs)                           |
|--------------------|--|----------------------------------|---------------------------------------|--|
| Methodology        |  |                                  |                                       |  |
| Nodal              | DNO/DCC nodal Demand Data  |                                  |                                       |  |
|                    | Contracted TEC   |                                  | Quarterly updates as per the baseline | Locked down since Draft tariffs                    |
|                    | Network Model  |                                  |                                       |  |
|                    | Inflation  |                                  |                                       |  |
| Zonal or non-local | New OFTO Revenue (part of allowed revenue), other ESO pass-through | NGESO best view for 2024/2025    |                                       |  |
|                    | Allowed Revenue (existing TOs)                                     | Best view from TOs for 2024/2025 | No change                             | Using the Dec 2022 data to calculate final tariffs |
|                    | Demand Charging Bases (by zones), plus site bands post TDR         | NGESO forecast for 2024/2025     |                                       |  |
|                    | Generation Charging Base   |                                  |                                       |  |
|                    | Generation ALFs  |                                  | Quarterly updates as per the baseline | Finalised  |
|                    | Generation Revenue (G/D split)                                     |                                  |                                       |  |

Fixed by 15 months ahead

The nodal inputs are not locked down, and will still drive locational variations;  
The generation and demand tariffs will still change across those quarterly forecasts

# Other relevant processes

TNUoS five-year view data inputs



STCP change (STCP24-1)

Transmission licence change (post financial year “Adjustment”)

# Workgroup Alternatives and Consultation questions

- Any potential alternatives?
- Any potential questions?

**Paul Mullen – National Grid ESO Code Administrator**





# Next Steps

Paul Mullen – National Grid ESO Code Administrator