

# CMP413 – Rolling 10-year wider TNUoS generation tariffs

**Wednesday 31 May 1pm**

**Online Meeting via Teams**

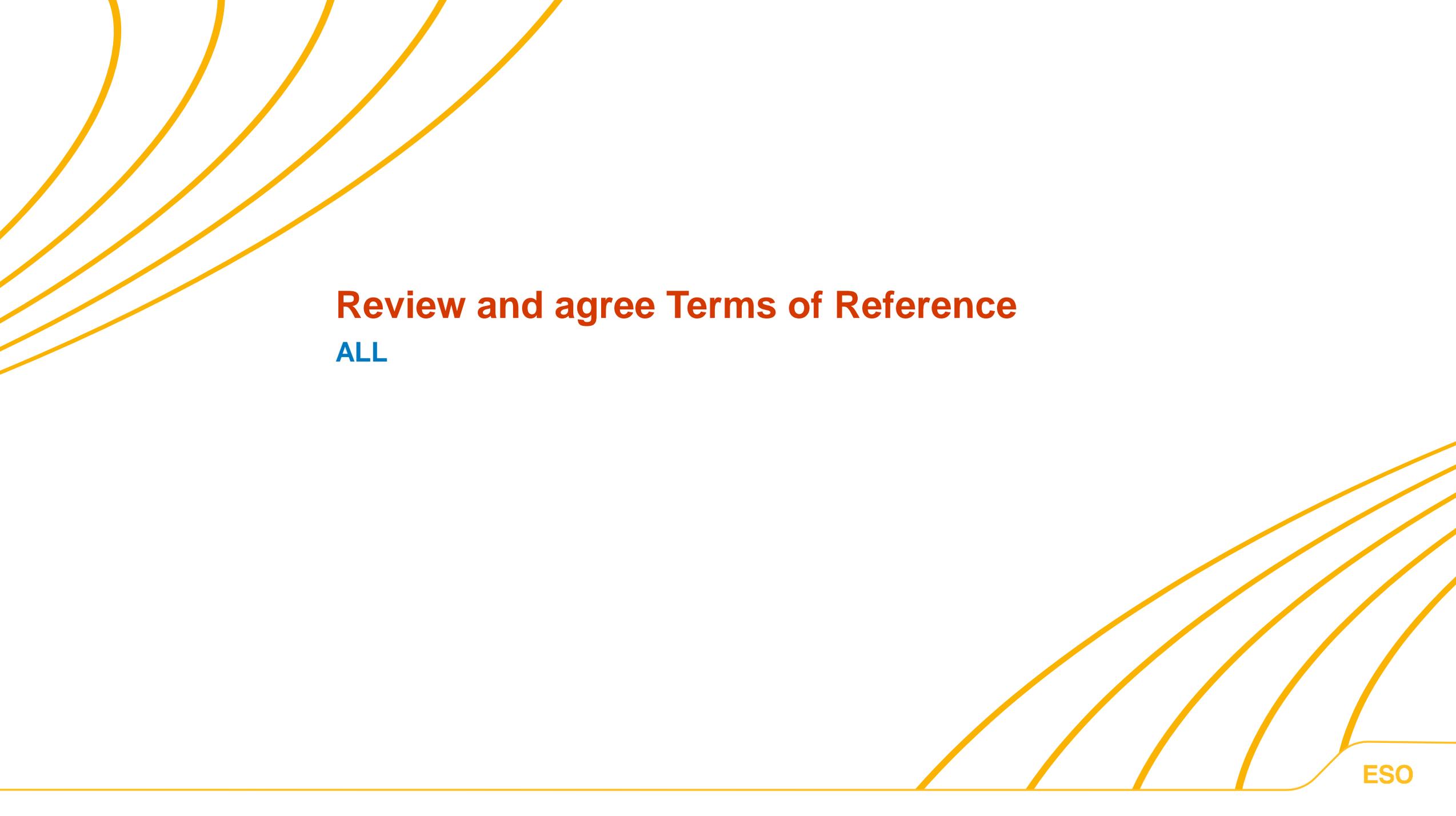


# Objectives and Timeline

Claire Goult – ESO Code Administrator

## Timeline for CMP413 – Proposed Timeline as at 11 May 2023

| Milestone  | Date  | Milestone   | Date                                       |
|--|---|---|--|
| Modification presented to Panel  | 31 March 2023   | Panel sign off that Workgroup Report has met its Terms of Reference         | 24 November 2023                           |
| Workgroup Nominations (15 Working Days)  | 3 April 2023 to 26 April 2023                             | Code Administrator Consultation (15 working days)                           | 27 November 2023 to 18 December 2023 (5pm) |
| Workgroup 1- Setting the scene – understand Modification process, roles and responsibilities, agree Terms of Reference and timeline, understand the proposed change and agree next steps   | 11 May 2023   | Draft Final Modification Report (DFMR) issued to Panel (5 working days)     | 18 January 2024                            |
| Workgroups 2 to 5 - review current / additional analysis, discuss cap/collar ranges, discuss number of years the TNUoS tariffs are fixed for, identify alternative solutions, draft legal text, draft Workgroup Consultation and questions | 31 May 2023, 21 June 2023, 11 July 2023 and 1 August 2023 | Panel undertake DFMR recommendation vote                                    | 26 January 2024                            |
| Workgroup 6 – finalise Workgroup Consultation  | 23 August 2023  | Final Modification Report issued to Panel to check votes recorded correctly | 29 January 2024                            |
| Workgroup Consultation (15 working days)   | 30 August 2023 to 20 September 2023 (5pm)                 | Final Modification Report issued to Ofgem                                   | 6 February 2024                            |
| Workgroups 7 to 9 - <i>Review Workgroup Consultation Responses and proposed alternatives, Alternative Vote, Finalise solutions and legal text, Agree that Terms of Reference have been met and Workgroup Vote</i>                          | 2 October 2023, 23 October 2023 and 13 November 2023      | Ofgem decision  | TBC  |
| Workgroup report issued to Panel (5 working days)  | 16 November 2023  | Implementation Date   | TBC  |



## Review and agree Terms of Reference

ALL

# CMP413 - Terms of Reference

## Workgroup Term of Reference

a) Consider EBR implications

b) Consider the length of time the TNUoS Generation tariffs are fixed for

c) The proposal is for charges to be capped/floored at a pre-defined range for that generation zone for each charging year. Consider the requirement for a cap and collar and consider what the pre-defined range should be?

d) Consider whether criteria need to be set to allow for the cap and collar to be waived in certain circumstances (e.g. for material changes to the TNUoS methodology)

e) Consider interaction between the Generation TNUoS charges falling outside the “pre-defined” range and ensuring that EC838/2010 (“Limiting Regulation”) is not breached.

f) The proposal is that the net difference in the TNUoS Generation tariff (if it breaches the pre-defined range) across all generation zones would be recovered through demand TNUoS. Consider the impact on demand TNUoS tariffs.

g) Consider the impact on the Transmission Demand Residual and consumers.

h) Consider interactions with wider potential TNUoS developments e.g. TNUoS Taskforce and Review of Electricity Market Arrangements (REMA).

i) Consider the trade-off between cost-reflectivity and certainty/predictability.

## CMP413 - Terms of Reference – Proposed changes for clarification

c) The proposal is for charges to be capped/floored at a pre-defined range for that generation zone for each charging year. Consider the requirement for a cap and collar and consider what the pre-defined range should be?

### Original

e) Consider interaction between the Generation TNUoS charges falling outside the “pre-defined” range and ensuring that EC838/2010 (“Limiting Regulation”) is not breached.

e) Consider interaction between the Generation TNUoS charges falling outside the “compliance” range and ensuring that EC838/2010 (“Limiting Regulation”) is not breached.

### Original

f) The proposal is that the net difference in the TNUoS Generation tariff (if it breaches the pre-defined range) across all generation zones would be recovered through demand TNUoS. Consider the impact on demand TNUoS tariffs.

f) The proposal is that the net difference in the TNUoS Generation tariff (if it breaches the pre-defined cap/collar range) across all generation zones would be recovered through demand TNUoS. Consider the impact on demand TNUoS tariffs.



# 10 Year Forecast Update

Jo Zhou – ESO Subject Matter Expert



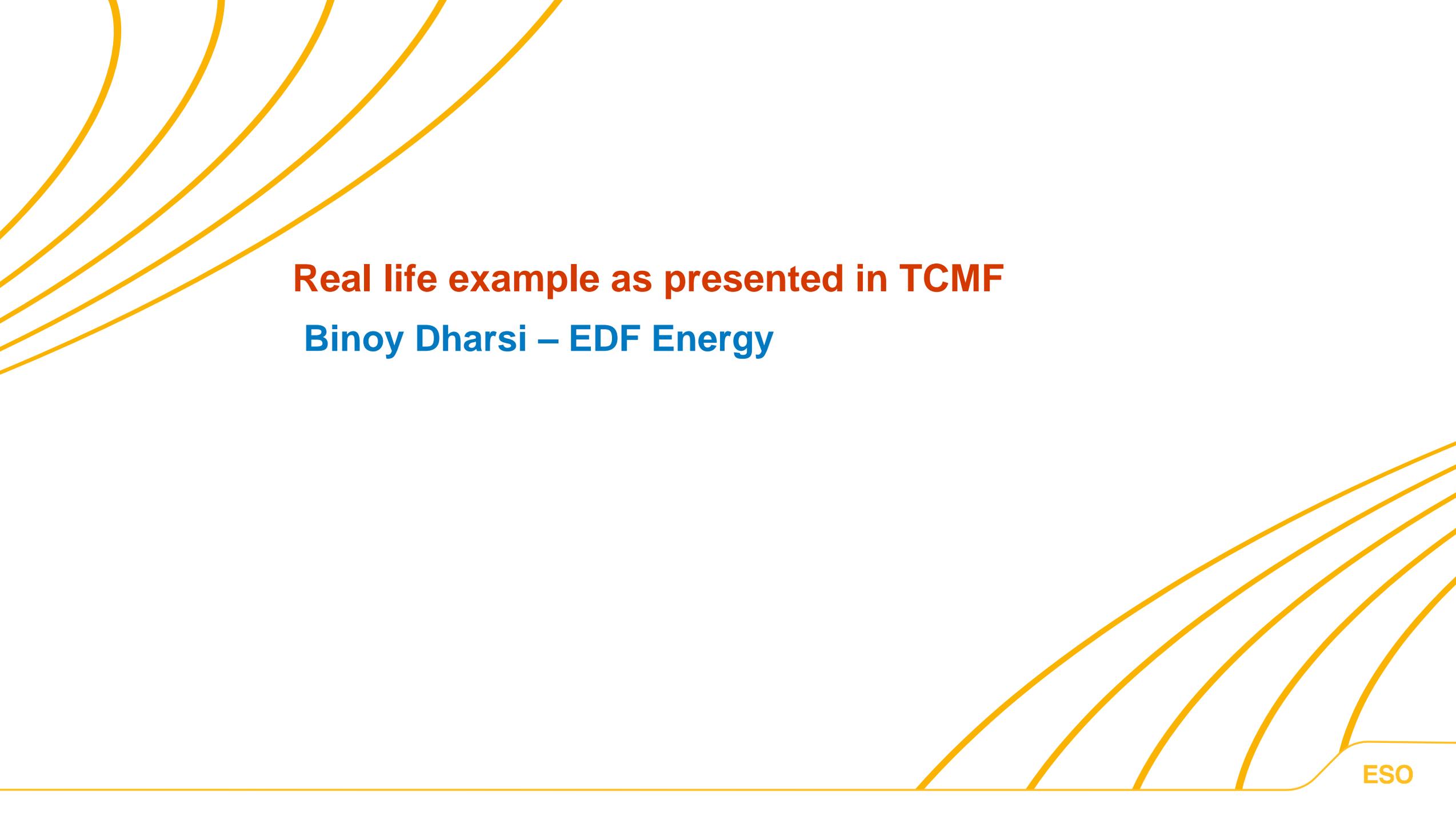
**Tariff Methodology Spreadsheet Presentation**  
**Binoy Dharsi – EDF Energy**

# Cap and Collar mechanism – Tariff methodology



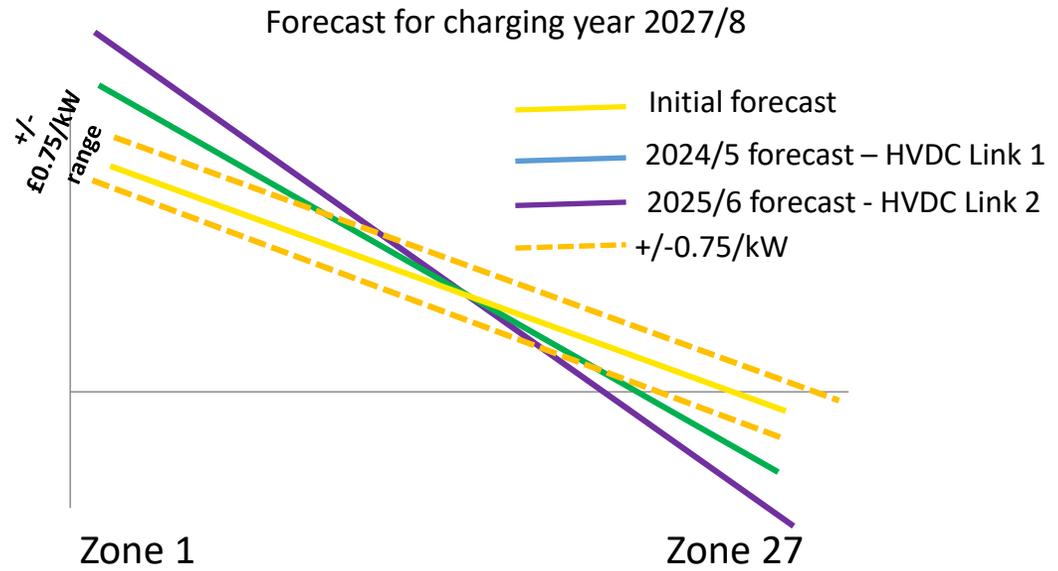
| Year | Zone 1 | Collar | Cap   | Tariff Cap | Tariff Collar | 2025/6 | 2026/7 | 2027/8 | 2028/9 | 2025/6 | Adjusted | 2026/7 | Adjusted | 2026/7 | Adjusted | 2026/7 | Adjusted |
|------|--------|--------|-------|------------|---------------|--------|--------|--------|--------|--------|----------|--------|----------|--------|----------|--------|----------|
| 1    |        | 0      | 0     |            |               |        |        |        |        | 1      |          | 2      |          | 3      |          | 4      |          |
| 2    |        | 0      | 0     |            |               |        |        |        |        | 2      |          | 3      |          | 4      |          | 5      |          |
| 3    |        | 0.25   | -0.25 |            |               |        |        |        |        | 3      |          | 4      |          | 5      |          | 6      |          |
| 4    |        | 0.25   | -0.25 |            |               |        |        |        |        | 4      |          | 5      |          | 6      |          | 7      |          |
| 5    |        | 0.75   | -0.75 |            |               |        |        |        |        | 5      |          | 6      |          | 7      |          | 8      |          |
| 6    |        | 0.75   | -0.75 | 0.75       | -0.75         |        |        |        | 56.75  | 55.25  |          | 6      |          | 7      |          | 8      |          |
| 7    |        | 1.25   | -1.25 | 1.25       | -1.25         |        |        | 57.25  | 54.75  |        |          | 7      |          | 8      |          | 9      |          |
| 8    |        | 1.25   | -1.25 | 1.25       | -1.25         |        |        | 57.25  | 54.75  |        |          | 8      |          | 9      | 51       | 54.75  | 10       |
| 9    |        | 2.50   | -2.50 | 2.50       | -2.50         | 58.50  | 53.50  |        |        |        | 58       |        | 55       |        |          |        | 11       |
| 10   | 56     | 2.50   | -2.50 | 58.50      | 53.50         |        |        |        |        |        | 59       |        |          |        |          |        | 12       |
|      |        |        |       |            |               |        |        |        |        |        |          | 11     |          | 65     |          |        | 13       |
|      |        |        |       |            |               |        |        |        |        |        |          |        |          |        |          |        | 13       |
|      |        |        |       |            |               |        |        |        |        |        |          |        |          |        |          |        | 63       |

- ESO Forecasts Zone 1 for forecast year 10 at a value of £56/kW – this is the main value in which all subsequent forecasts will be pegged to
- In the next forecast year the ESO forecasts Zone 1 (which now becomes Year 9) at £58/kW (it is in the range of £53.50/kW to £58.50/kW) so this forecast remains
- In the next subsequent forecast the ESO forecasts Zone 1 (which now becomes Year 8) at £55/kW (it is between the range of £54.75/kW and £57.25/kW) so this forecast remains
- In the next subsequent forecast the ESO forecasts Zone 1 (which now becomes Year 7) at £51/kW (is it **not** between the range of £54.75/kW and £57.25/kW) and therefore the ESO forecast is substituted with the floor of the range; £54.75/kW)
- In the next subsequent forecast the ESO forecasts Zone 1 (which now becomes Year 6) at £65/kW (is it **not** between the range of £55.25/kW and £56.75/kW) and therefore the ESO forecast is substituted with the cap of the range; £56.75/kW)



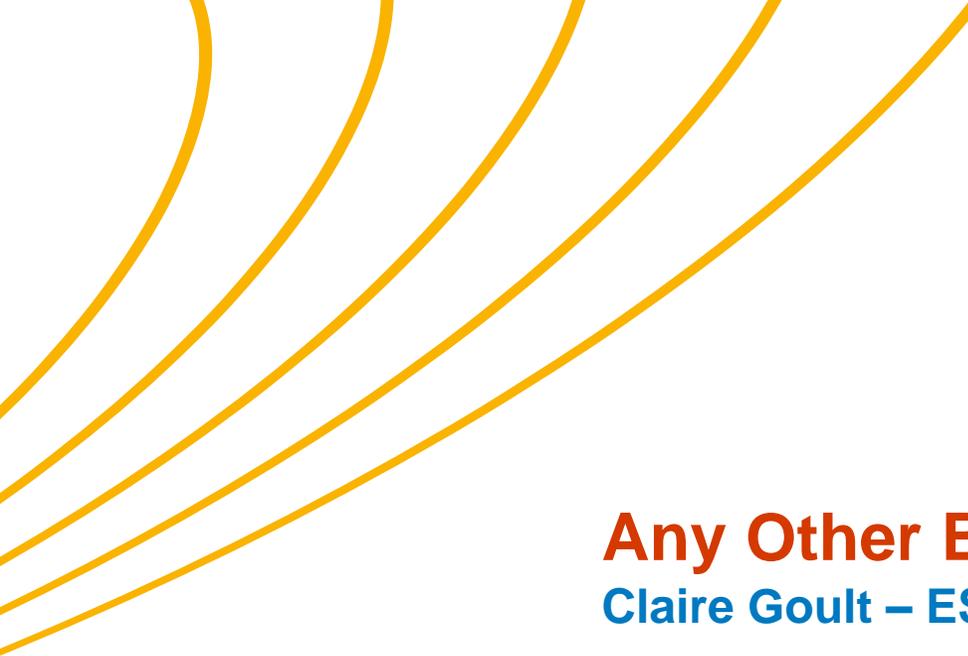
**Real life example as presented in TCMF**  
**Binoy Dharsi – EDF Energy**

# Real life example - 2027/8 charging year



| Updates to forecast | HVDC Link 1 2027/8 Adjustment to Generation tariff                 | HVDC Link 2 2027/8 Adjustment to Generation tariff                | 2027/8 Demand adjustment for any positive and negative tariffs over £1/kW | 2027/8 Demand adjustment for any positive and negative tariffs over £1/kW |
|---------------------|--|---|---|---|
| 2024/5              | Cannot collect £143m from generators, so cap is reduced by 1.39/kW |   | £31m  | +1.0%   |
| 2025/6              |  | Cannot collect £82m from generators, so cap is reduced by 0.79/kW | £82m  | 2.7%  |

Modelling a new the new Eastern HVDC link makes the curve steeper. The model tries to recover more revenue from generators than is permissible under EC838/2010. Therefore the generator residual value is reduced to ensure no breach occurs. A number of generators face either an increase or decrease in contribution but it is capped. The excess revenue is then adjusted to the demand residual tariff in the year the breach occurred.



## **Any Other Business**

**Claire Goult – ESO Code Administrator**



## **Next Steps**

**Claire Goult – ESO Code Administrator**