

CMP413 – Rolling 10-year wider TNUoS generation tariffs

Monday 6 November 10.00am

Online Meeting via Teams

Objectives

- **Timeline**
- **Alternative Requests Update**
- **Review Draft Legal Text**
- **Action Update**
- **Terms of Reference**
- **Finalise Workgroup Report**
- **Workgroup Vote**
- **AOB**
- **Next steps**

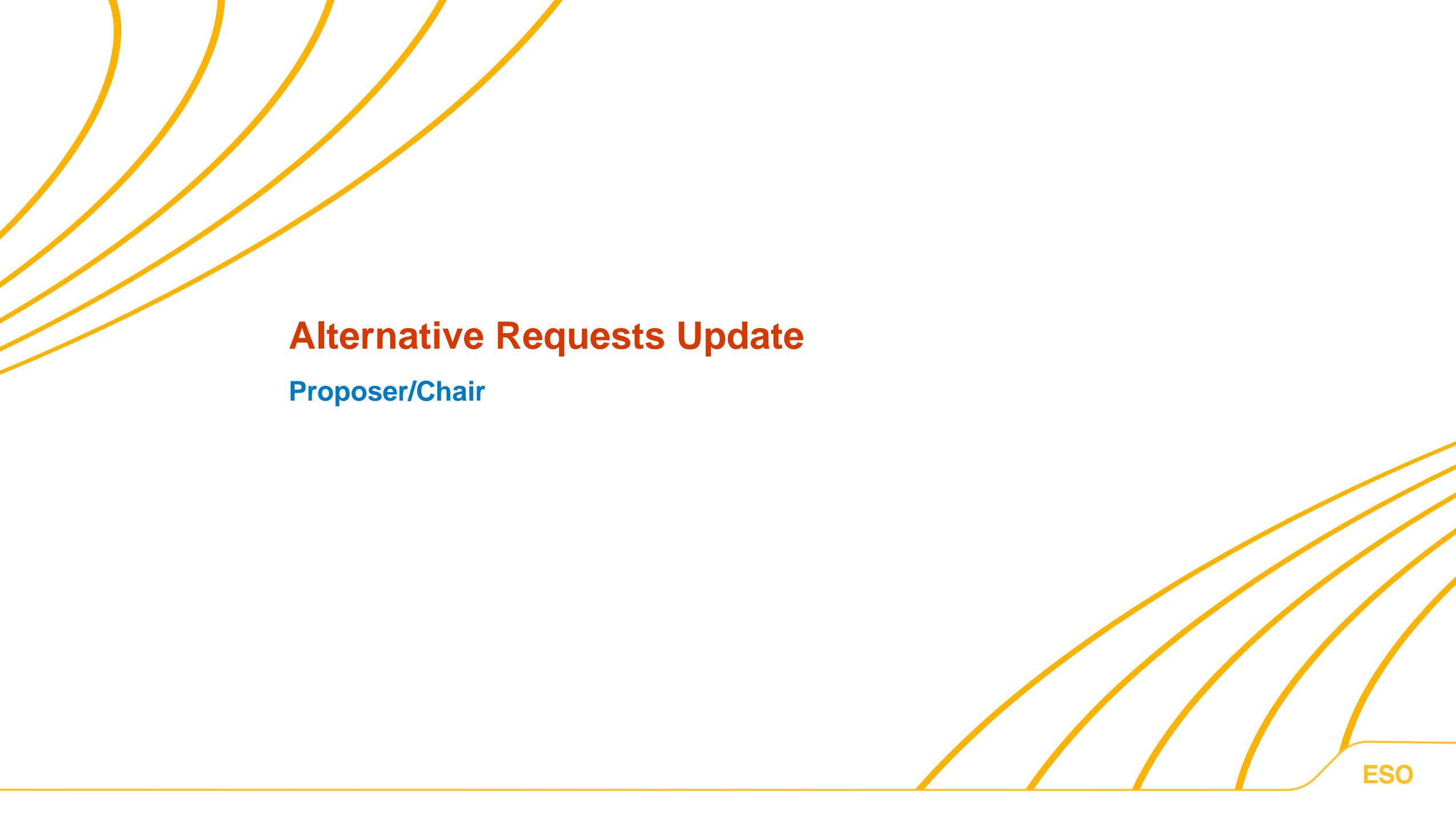


Timeline

Claire Goult – ESO Code Administrator

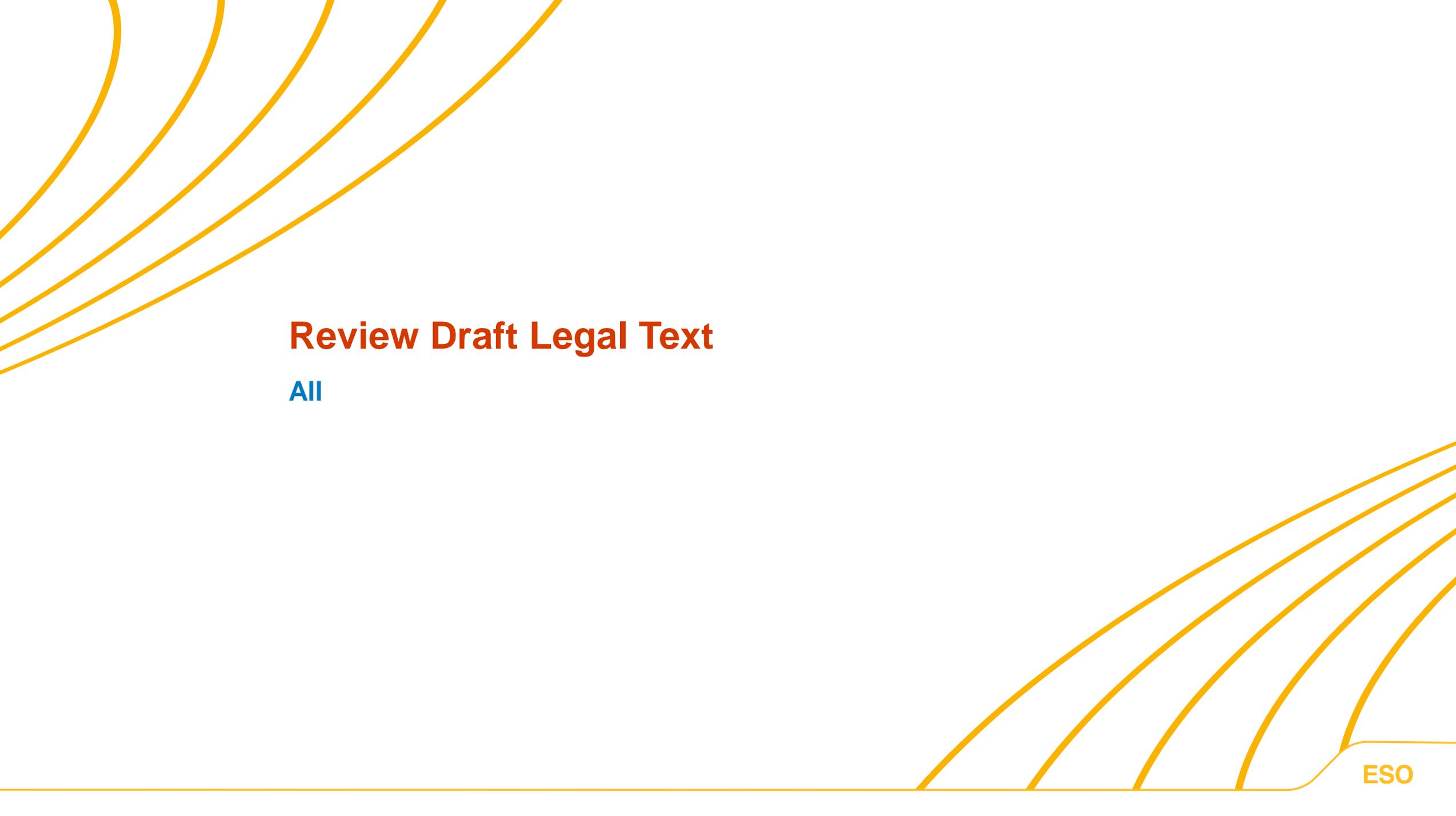
Timeline for CMP413

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 and 7 – finalise Workgroup Consultation and specific questions	23 August 2023 and 6 September	Final Modification Report issued to Panel to check votes recorded correctly	29 January 2024
Workgroup Consultation (15 working days)	11 September to 2 October	Final Modification Report issued to Ofgem	6 February 2024
Workgroups 8 to 10 - <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>	9 October, 23 October, 6 November	Ofgem decision	TBC
Workgroup report issued to Panel (5 working days)	16 November 2023	Implementation Date (10 working days after authority decision)	1 April 2024



Alternative Requests Update

Proposer/Chair



Review Draft Legal Text

All

CMP413 Draft Legal Text Section Changes

- **14.29:** Baseline references the requirements for ESO to publish a 5 year forecast of tariffs. Updated this to 10 year forecast with some additional detail
- **14.15.138:** Impact on Transmission Demand Residual Charge (introduced an additional adjustment into the calculation here to cover any shortfall from generation collection, but alternatively could combine into existing adjustment charge?)
- **14.15.144:** Included how the cap/collar system works in this section. Shown split by component to to make it a bit easier to follow
 - Introduced new term Constrained Transport Tariff – take Initial Transport Tariff and apply cap/collar
- **14.23:** Extended generation tariff example to include an example for how the cap/collar works.



Action Update

Owners

Action 16 – Share Non-Confidential Analysis – Proposer

CMP413 Cap and Collar Context & Analysis

It is noted that the recent lack of offshore wind projects participating in the CfD AR5 auction as well as the cancellation of some AR4 projects (inc. Norfolk Boreas) and delay to some AR3 projects (inc. Muaitheabhal) highlight the requirement for a predictable, long-term signal for developers while still retaining some cost reflectivity. Although TNUoS is only one cost a developer faces and other factors will have influenced the above outcomes to a greater degree, reforming TNUoS so it helps rather than hinders renewable developments is key. Putting a greater emphasis on predictability is one immediate, controllable step that can be taken to ensure this.

The Proposer suggests Cap and Collar ranges at +/- £2.5/kW in the longer term, progressively reducing to +/- £0.25/kW closer to delivery. The upper £2.50/kW limit is not immaterial to many projects currently undergoing Final Investment Decision (FID) and without the proposed cap these projects could not proceed, or only with very substantial risk margins. This risk would then flow through to consumers through mechanisms such as the CfD Supplier Levy.

In the accompanying annexes (Annex 12), the modelling of possible new cables in the latest 5-year TNUoS tariff forecast is considered. The Proposer has determined these additions represent a typical risk facing a generator 7+ years from implementation and are not a risk developers should be taking on in whole, especially as multiple additional cables are planned. Each cable will have an individual impact but under the status quo methodology a +c. £5/kW increase in TNUoS tariffs from an individual cable addition is common for various generator types and locations. The Proposer believes an upper limit for the Cap and Collar range of £2.5/kW is appropriate given this context.

The proposed Cap and Collar range then narrows closer to the implementation date. This reflects Open Governance risk from modifications and the fact that in the nearer term developers are already signed up to some degree of uncertainty. Additionally, analysis of the potential impact to TNUoS tariffs from CMP315/375 (see **Annex 18**) to highlight the risk of such a modification to developers.

For both types of risk identified above confidential information on the commercial impact to investment decisions will be provided to The Authority by the Proposer supporting the proposed ranges.

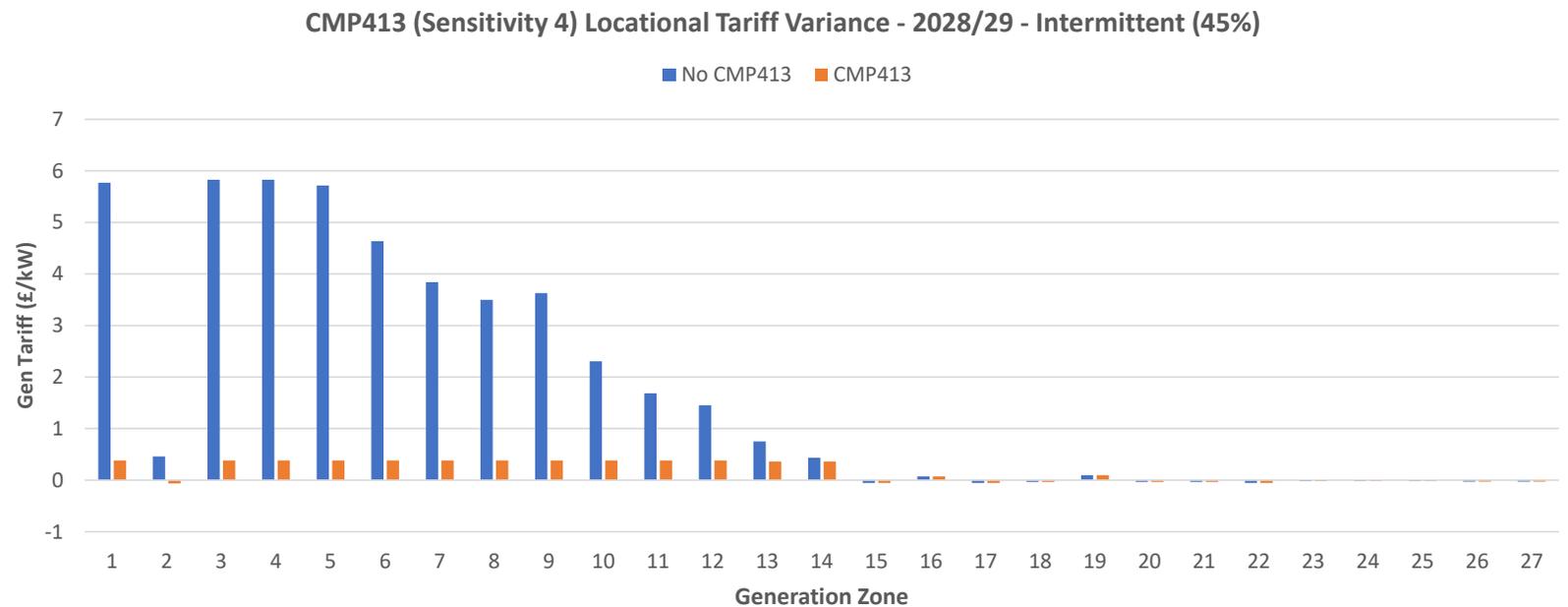
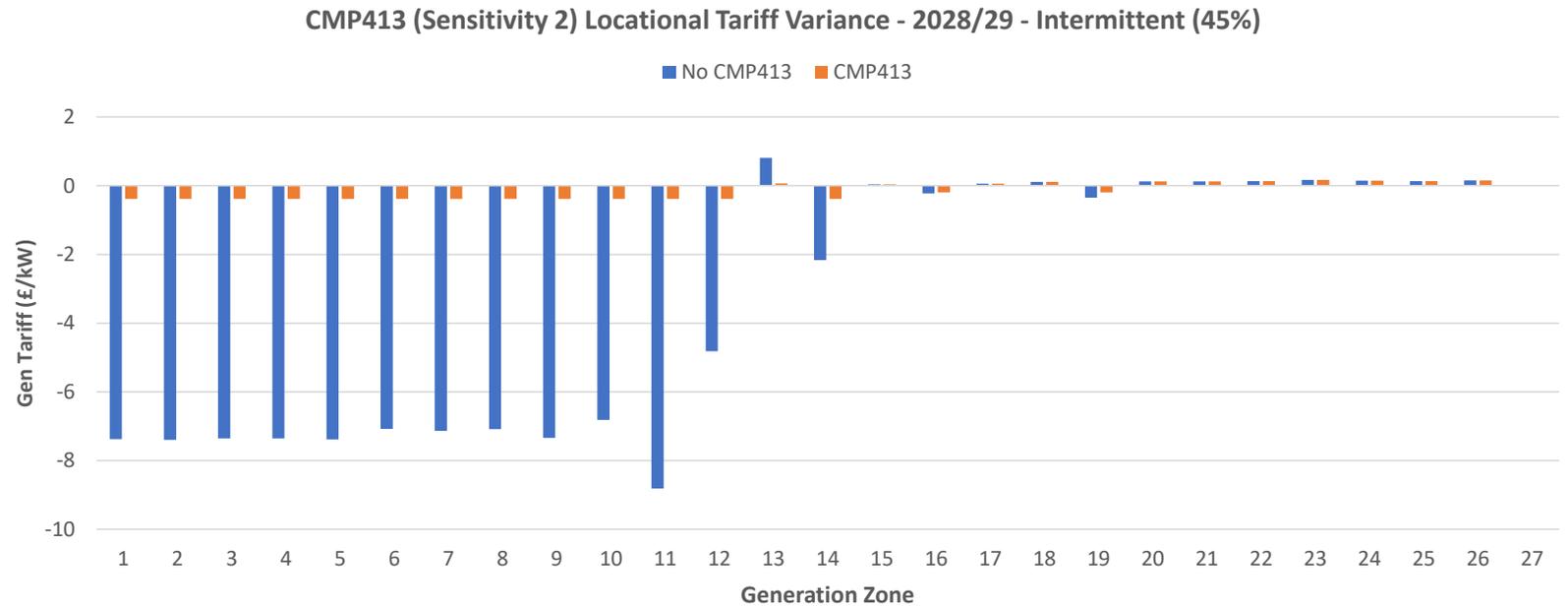
HVDC Link Cable Modelling Impact

The underlying data and assumptions for the analysis for the HVDC cable changes has already been shared with the workgroup members and alongside the workgroup consultation.

The impact shown here is for HVDC cable delays (Sensitivity 2) and additions (Sensitivity 4) for an intermittent generator at a typical load factor.

Further permutations can be modelled within Annex 12.

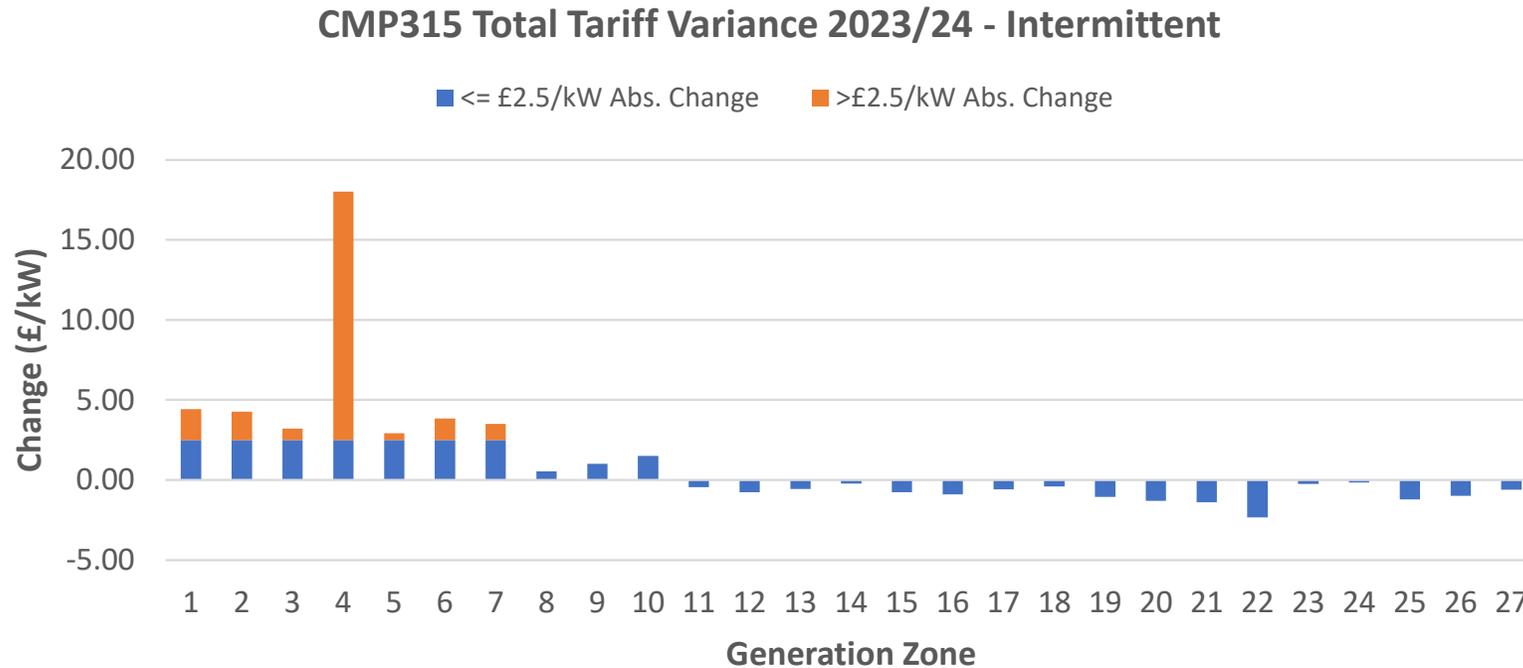
The underlying data is provided as a spreadsheet in Annex 12. On the 'Assumptions' tab, the £/kW cap level can also be updated. The technology background can be altered on the 'Total Graphs' and 'Loc. Graphs' tabs (cell B2).



CMP315/475 (Expansion Constant) Impact Analysis

The below analysis highlights the Open Governance risk from modifications, using CMP315/375 as an example.

Such modifications may individually have a lower magnitude impact on TNUoS tariffs than a cable addition or delay, though they may impact tariffs much closer to delivery.

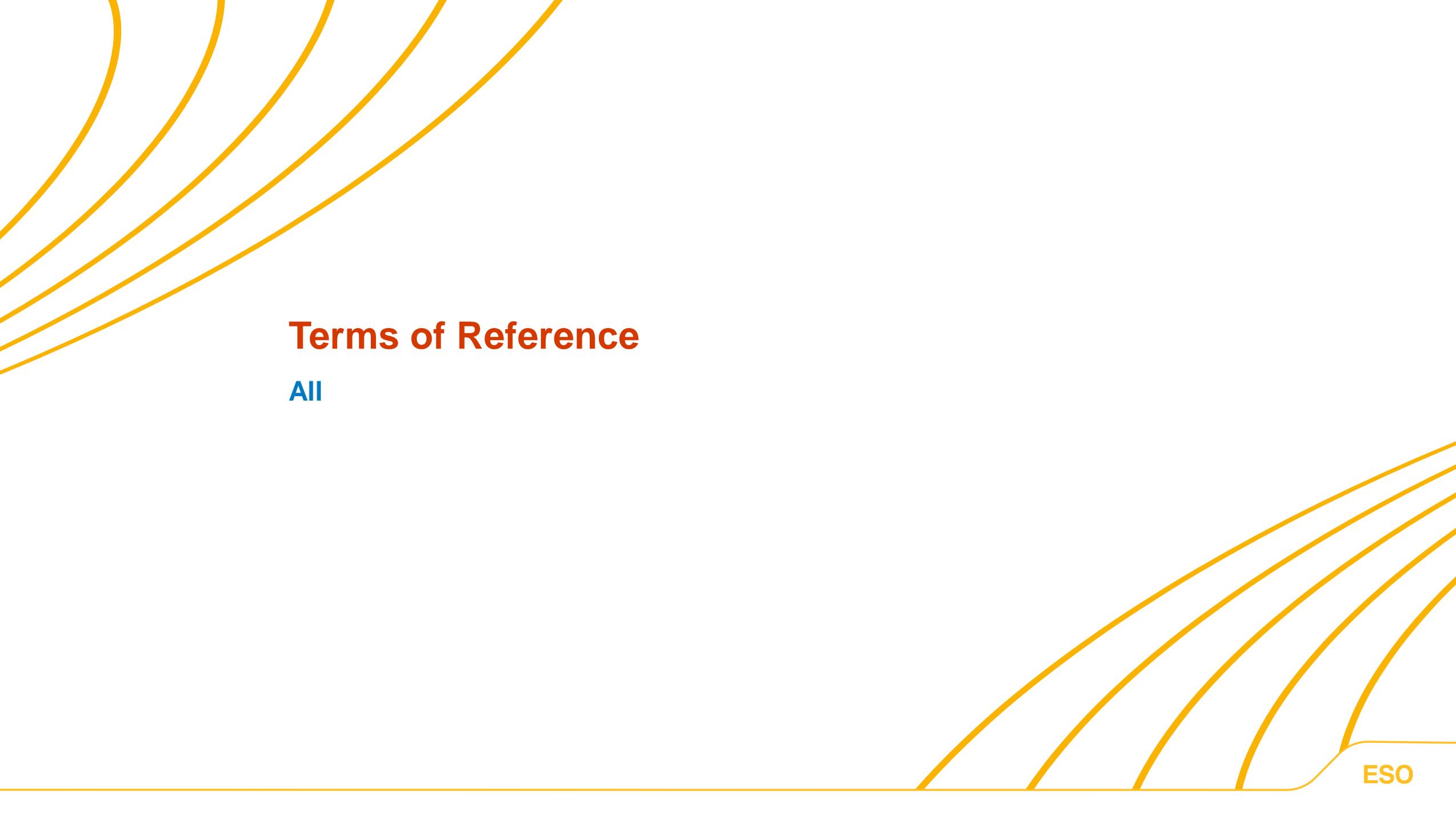


The underlying data is provided as a spreadsheet in [Annex 18](#). On the 'CMP315 vs. Base' and 'CMP375 vs. Base' tabs, the technology background can be altered (cell P1) and the £/kW cap level can also be updated for comparison purposes (cell S1)

Action 19 – Projection/Forecast – Martin Cahill

1. Generation background: we use one of the four FES **scenarios**, these are intended as scenarios in FES model rather than forecasts
2. Demand forecast – also uses FES, ideally this would be DNO forecast data which isn't available at the moment
3. TO Allowed Revenues – we don't have accurate data to base this off
4. NOA/HND are recommendations – Ofgem decides final go ahead and TOs give information on when HVDC bootstraps can be built
5. Price control parameters e.g. rate of return - Ofgem decides these figures every five years
6. Methodology and data, e.g. number of generation zones

Action number	Workgroup Raised	Owner	Action	Due
16	WG8	Proposer	Share non-confidential analysis (previously shared with developers) with the Workgroup and confidential analysis with Ofgem to provide justification for proposed values	26/10/23
17	WG8	JK	Add more detail to the Alternative Request based on feedback	24/10/23
19	WG9	MC	Look in more detail at data inputs for generation/Difference between a forecast and a projection	30/10/23
20	WG9	All	Feedback on Alternative Request and Draft Workgroup Report	26/10/23
21	WG9	Chair	Circulate feedback, Workgroup 10 Papers and non-confidential analysis	27/10/23
22	WG	MC	Meet with legal to look at how CMP413 stands regarding legal text	Open



Terms of Reference

All

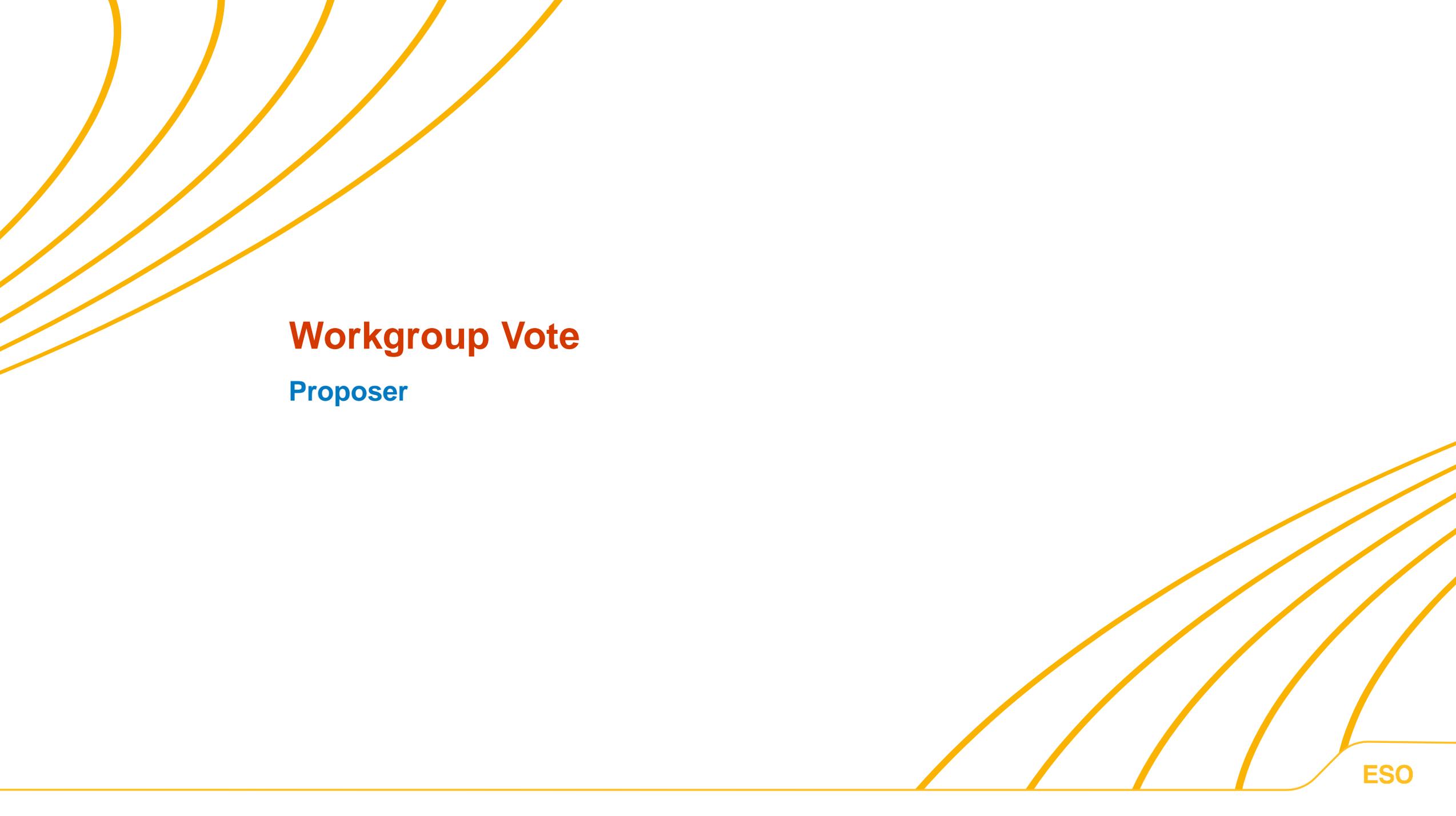
Workgroup Term of Reference

- a) Consider EBR implications
- b) Consider the length of time the TNUoS Generation tariffs are fixed for
- c) The proposal is for wider generation tariffs to be within the pre-defined cap/collar range for each generation zone and 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 the interaction between the cap/floor as set by 838/2010 ("Limiting Regulation") and the cap/collar as proposed by the modification.
- f) Consider the impact on demand TNUoS tariffs as a result of net the difference in revenue from the adjustment made to TNUoS Generation tariffs (if it breaches the pre-defined cap/collar range).
- 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.



Finalise Workgroup Report

All



Workgroup Vote

Proposer



Any Other Business

Claire Goult – ESO Code Administrator



Next Steps

Claire Goult – ESO Code Administrator