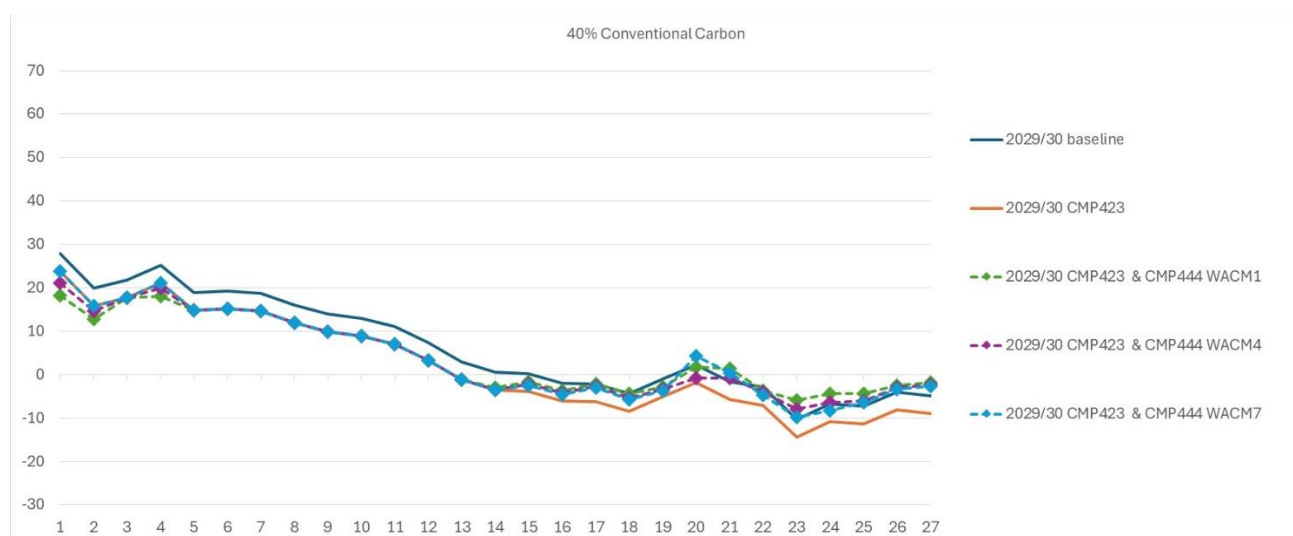
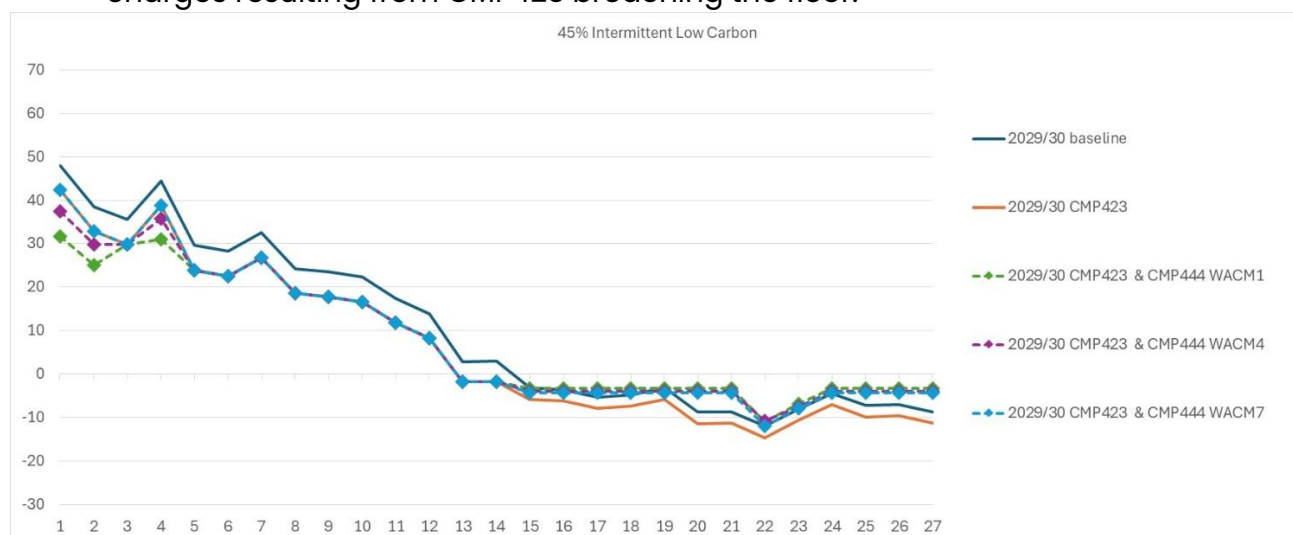


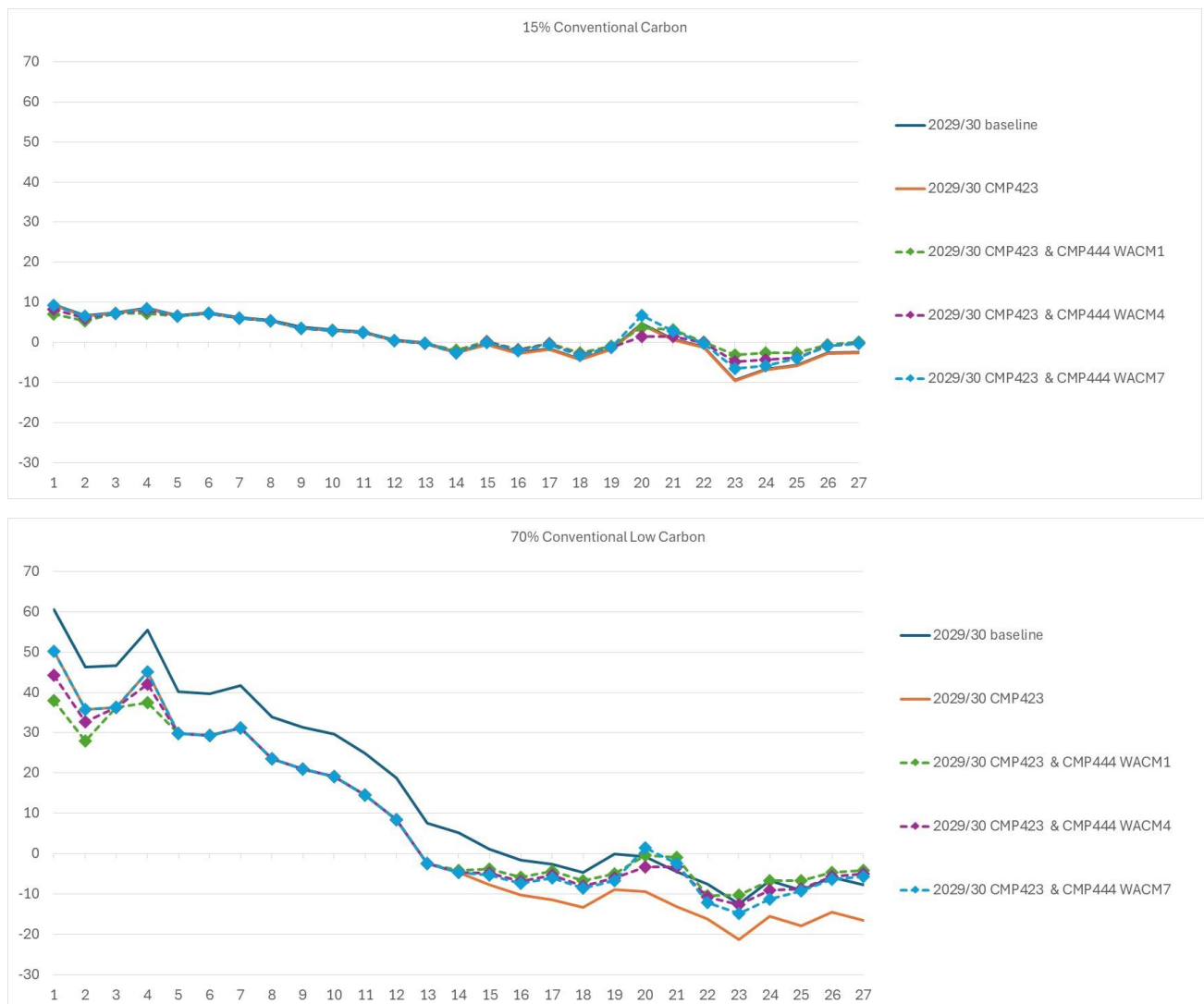
CMP423 Workgroup Discussion

Interaction of CMP423 on Generation charges with different Cap and Floor CMP444 WACMs

NESO carried out additional analysis of the interaction between CMP423 and three different WACMs of CMP444: WACM1, WACM4 and WACM7. This showed:

- **Northern Generators zone 1-4:** Combination with CMP444 WACM1 and WACM4 resulted in lower charges compared with CMP423 by itself, while CMP444 WACM7 did not result in any difference because the CMP423 tariffs resulted in charges below the cap.
- **Northern Generators zones 5-14:** None of the cap and floor WACMs made any difference to Generation TNUOS charges for CMP423, because neither the cap, or the floor were triggered in those zones.
- **Southern Generators zones 15-27:** Combination with CMP444 tended to result in smaller credits compared with CMP423 by itself. This is due to charges resulting from CMP423 breaching the floor.





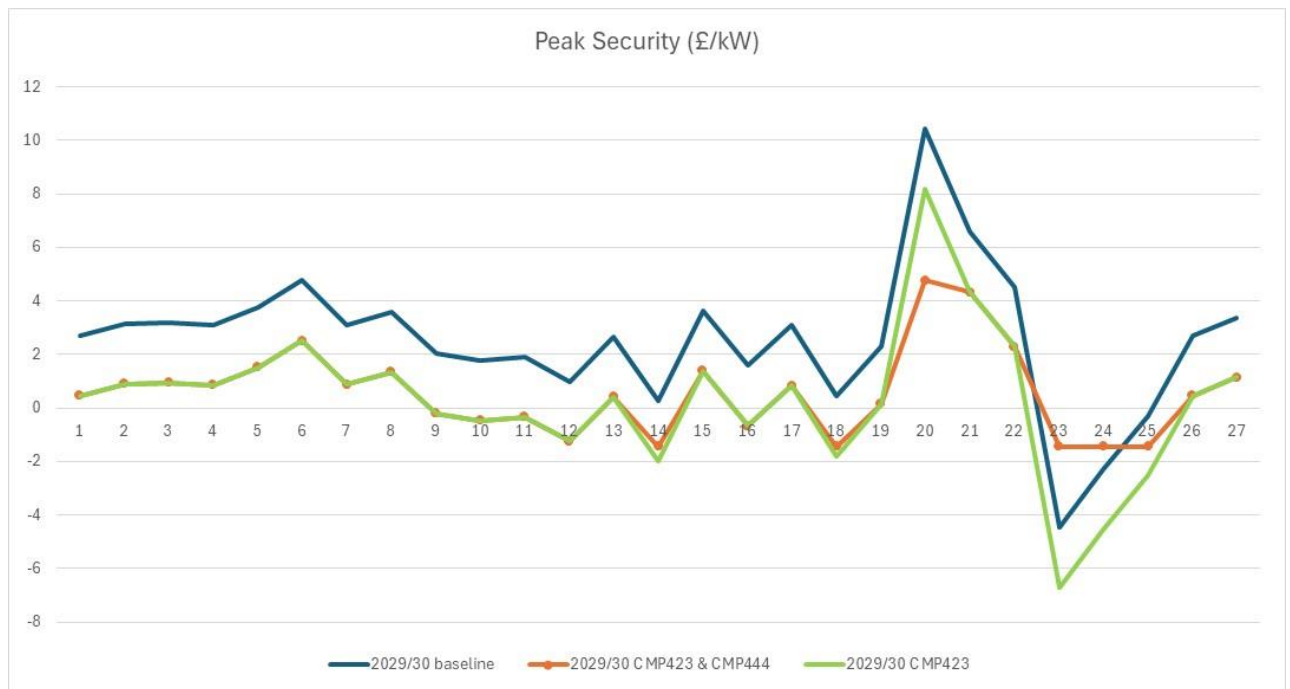
Interaction with CMP444 WACM1 (Generation TNUoS Cap and Floor): Generation tariffs

NESO carried out analysis of what the combined impact on tariffs would be in the event that both this modification CMP423 and CMP444 "Generator TNUoS cap and floor" applied in charging year 2029/30.

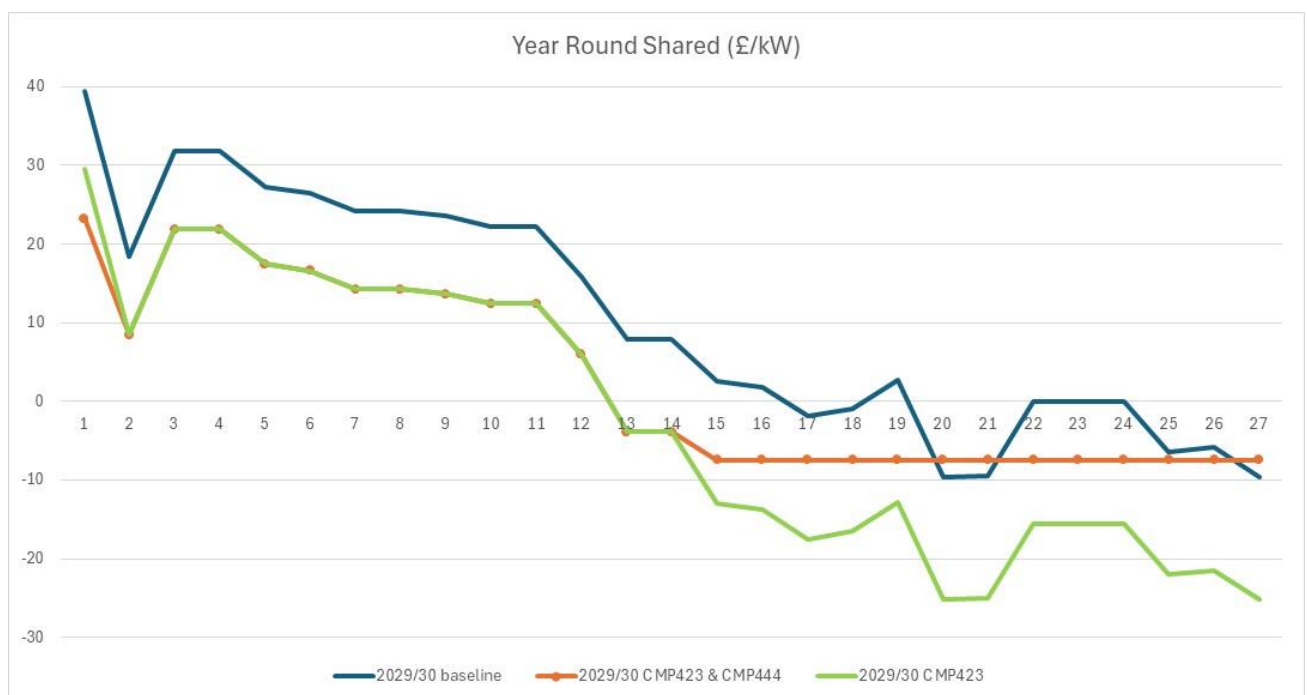
CMP444 had a number of alternatives and at the time of this analysis, it was not clear which alternative for CMP444, if any, Ofgem may approve. For the purpose of this comparison, NESO modelled the combined impact of CMP444 WACM1 because this had the largest number of votes of support in the CMP444 Workgroup. The choice of CMP444 WACM1 should not be taken as NESO recommending that alternative, or as any view of the likelihood of which CMP444 option Ofgem may approve.

The NESO analysis showed that the impact of this modification CMP423 would be limited by the presence of the cap and floor for some tariff elements for some zones.

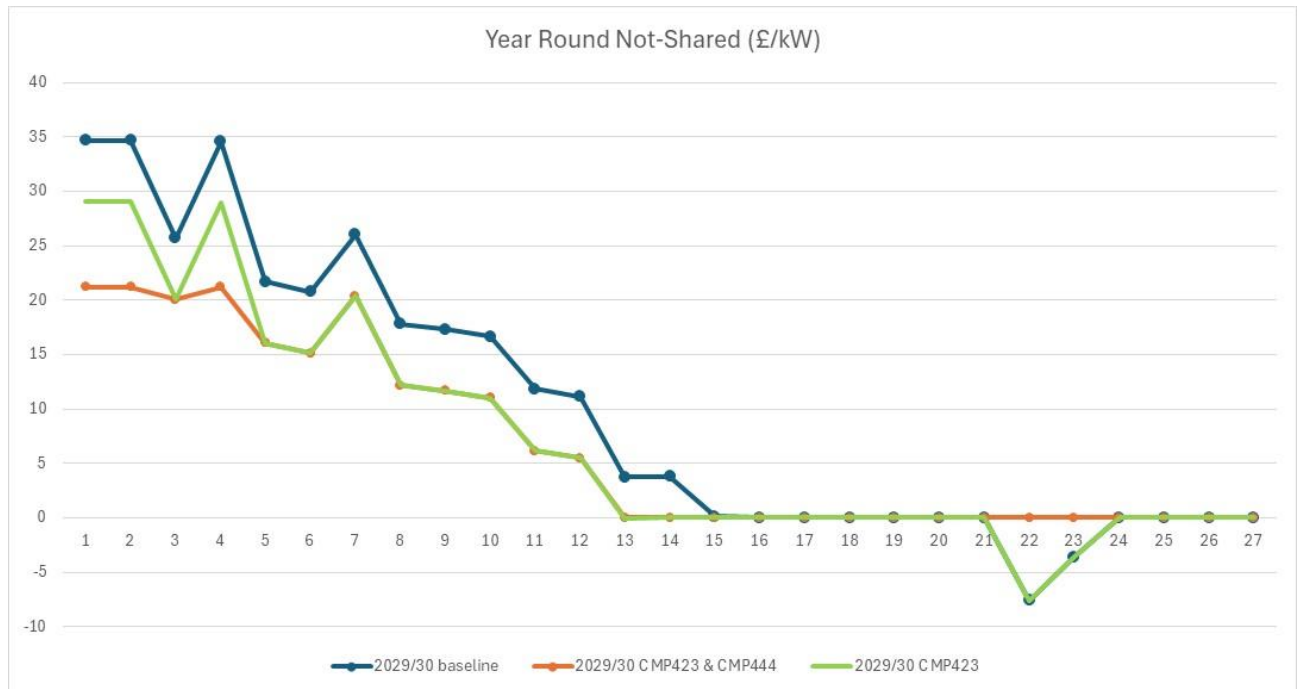
The graph below shows that for the Peak Security tariff, this tariff element would be limited by the cap for zone 20, and limited by the floor in zones 23, 24 and 25.



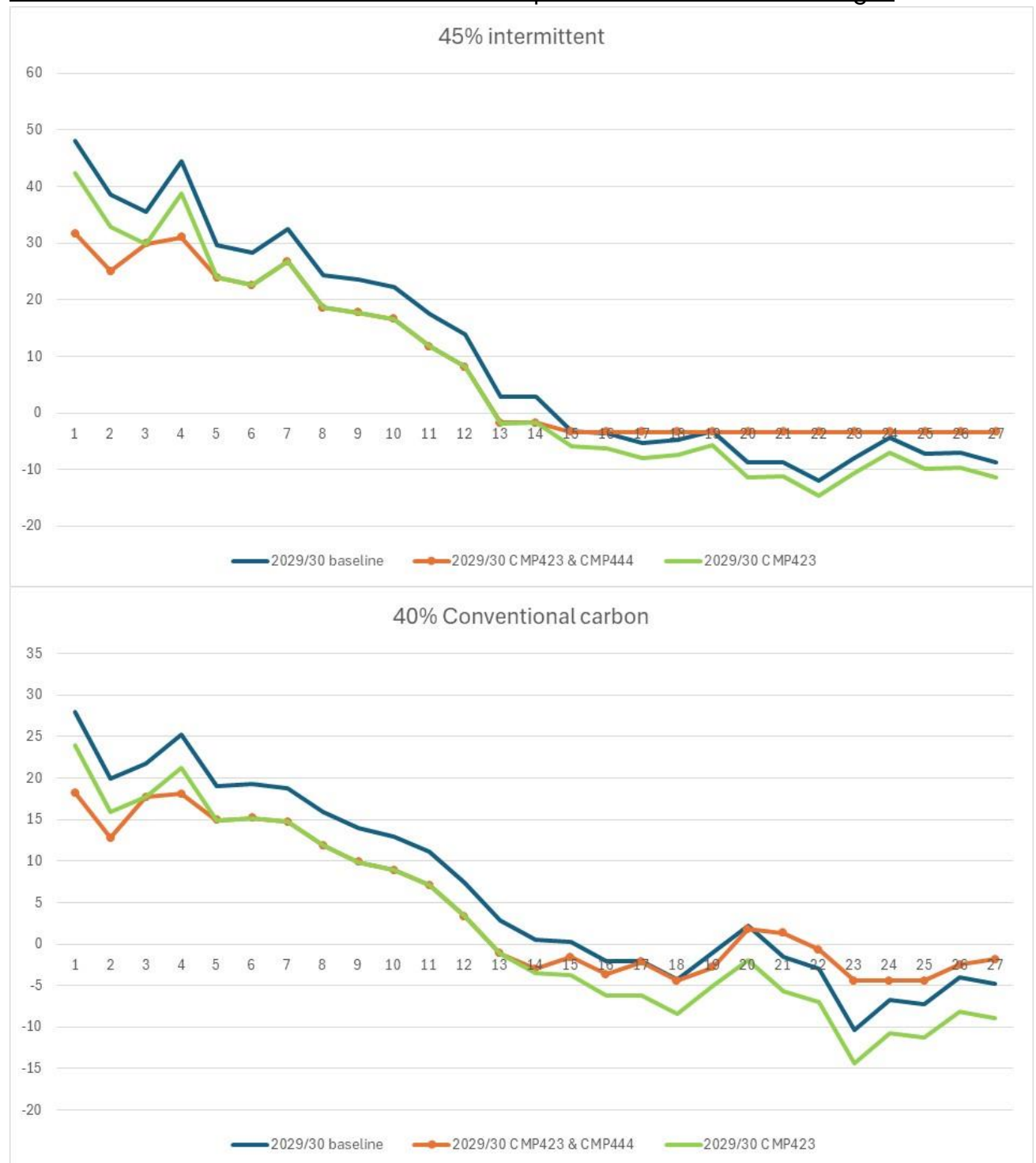
The graph below for the Year Round Shared tariff shows that this tariff element would be limited by the cap in zone 1, and limited by the floor in zones 15 to 27.

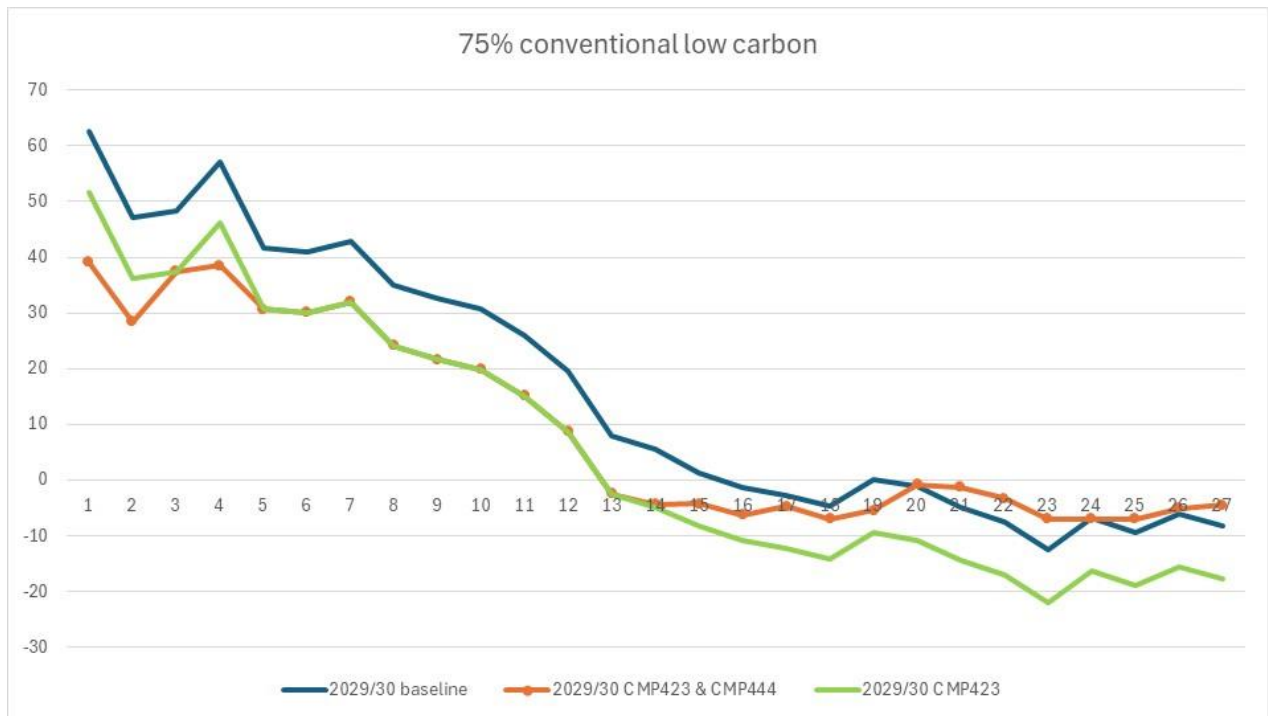


The graph below for the Year Round Shared tariff shows that this tariff element would be limited by the cap in zones 1, 2 and 3, and limited by the floor in zones 22 and 23.



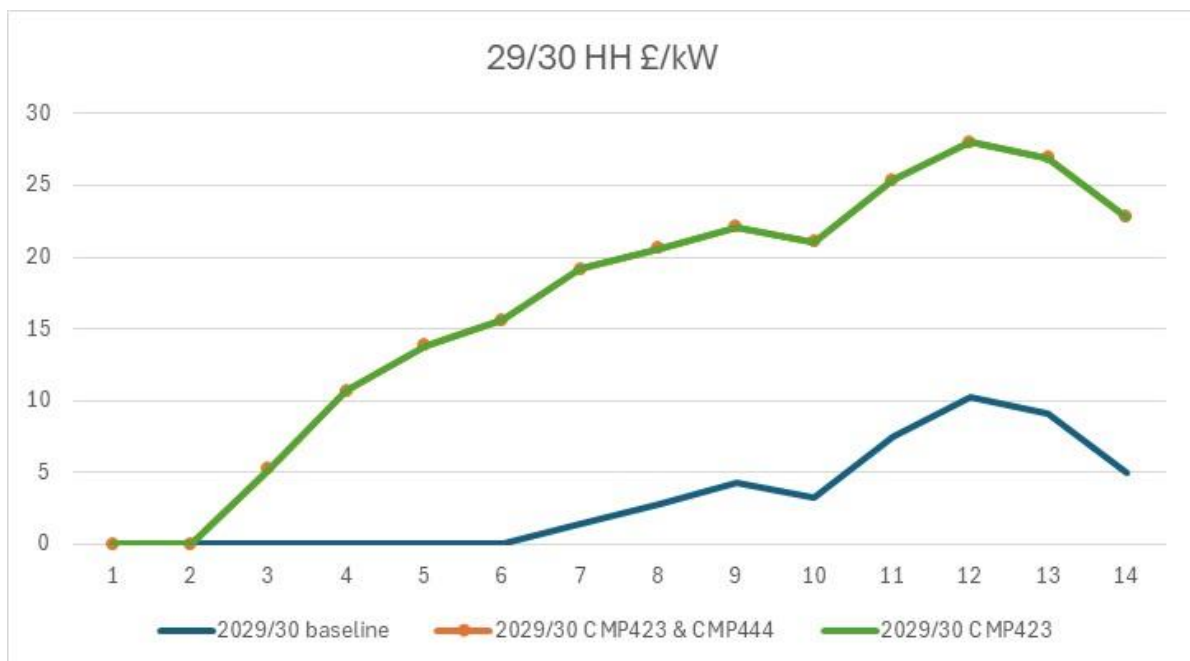
Interaction with CMP444 Generator TNUoS Cap and Floor: Generator charges

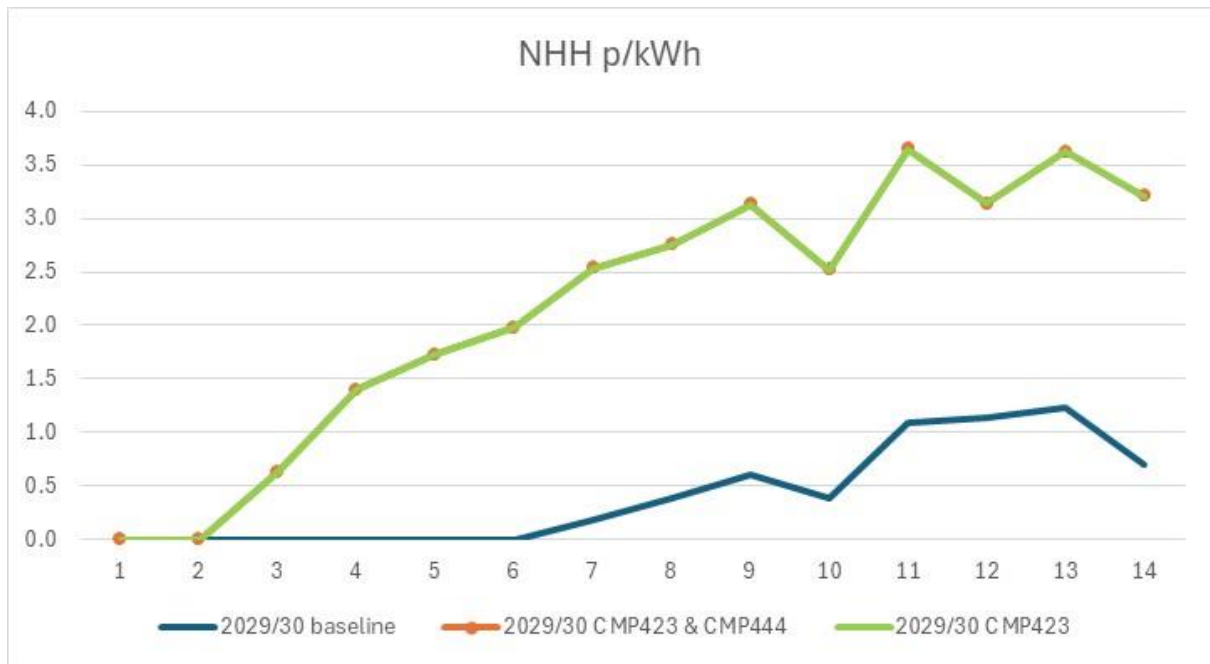




Interaction with CMP444 Generator TNUoS Cap and Floor: Demand charges

The Wider locational Demand charges are unaffected by CMP444, so combining the effect of CMP444 would have no impact on the value of Wider locational Demand charges following CMP423.





Interaction with CMP444 Generator TNUoS Cap and Floor: Demand and generation proportions

The NESO analysis showed that by combining the impact of CMP444 along with CMP423, this would increase the proportion of revenue collected from Generators and correspondingly reduce the proportion of revenue collected from Demand. This is due to the combined impact of CMP444 and CMP423 meaning the floor would have a more restrictive impact on the credits paid to southern Generators, than the cap would have a restrictive impact on the charges paid to northern Generators. This is illustrated in the graph above.

