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## Workgroup Consultation Response Proforma

### CMP444: Introducing a cap and floor to wider generation TNUoS Charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cusc.team@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com) by **5pm** on **29 January 2025**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact [cusc.team@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com).

| Respondent details                      | Please enter your details   |   |
|---|---|---|
| Respondent name:                        | Paul Jones  |   |
| Company name:                           | Uniper  |   |
| Email address:                          | paul.jones@uniper.energy  |   |
| Phone number:                           | 07771975782   |   |
| Which best describes your organisation? | <input type="checkbox"/> Consumer body<br><input type="checkbox"/> Demand<br><input type="checkbox"/> Distribution Network Operator<br><input checked="" type="checkbox"/> Generator<br><input type="checkbox"/> Industry body<br><input type="checkbox"/> Interconnector | <input type="checkbox"/> Storage<br><input type="checkbox"/> Supplier<br><input type="checkbox"/> System Operator<br><input type="checkbox"/> Transmission Owner<br><input type="checkbox"/> Virtual Lead Party<br><input type="checkbox"/> Other |

### I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

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### For reference the Applicable CUSC (charging) Objectives are:

- a) *That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- b) *That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);*
- c) *That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business\*;*
- d) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- e) *Promoting efficiency in the implementation and administration of the system charging methodology.*

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

### For reference, (for consultation question 6) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

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### What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the ESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

**Please express your views in the right-hand side of the table below, including your rationale.**

### Standard Workgroup Consultation questions

|          |  |   |          |  |
|----------|--|---|----------|--|
| 1        | Do you believe that the Original Proposal better facilitate the Applicable Objectives?   | <p>Mark the Objectives which you believe each solution better facilitates:</p> <table border="1"> <tr> <td data-bbox="571 1077 922 1137">Original</td><td data-bbox="930 1077 1404 1137"> <input type="checkbox"/>A   <input type="checkbox"/>B   <input type="checkbox"/>C   <input type="checkbox"/>D   <input type="checkbox"/>E </td></tr> </table> <p>Yes, it seems a proportionate approach to ensuring that TNUoS cannot move to extreme values in the short to medium term in order to provide time for longer term TNUoS modification proposals to be considered, allowing for proper scrutiny of such proposals. The original approach maintains a degree of room within the cap and floor for charges to move in accordance with the current methodology maintaining a level of cost reflectivity.</p> | Original | <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| Original | <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |   |          |  |
| 2        | Do you support the proposed implementation approach?   | <p><input checked="" type="checkbox"/>Yes</p> <p><input type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>   |          |  |
| 3        | Do you have any other comments?  | <p>Click or tap here to enter text.</p>   |          |  |
| 4        | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?                                       | <p><input type="checkbox"/>Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>   |          |  |

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| 5 | Does the draft legal text satisfy the intent of the modification?   | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br>It sets out clear values for the caps and floors and how they are applied. |
| 6 | Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code? | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br>Click or tap here to enter text.   |

## Specific Workgroup Consultation questions

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|---|--|--|
| 7 | Do you believe the cap and floor should have an end date? If so, how long or what is the appropriate trigger.  | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No<br>It is likely to be unnecessary. A subsequent modification could be raised to remove or change the value of the cap and floors. If there is a concern that the cap may be allowed to continue for too long without alternative arrangements being implemented in the meantime, then this would be reason to introduce a sunset clause. Any such sunset date would have to take into account that the purpose of the modification is to protect users from the extreme values in the 10 year projection for a while, so presumably would need to be sufficient away so as not to undermine that purpose. |
| 8 | What level of certainty would be required from this modification to best support investment decisions? Please justify any additional protection required (for example grandfathering | <input type="checkbox"/> Yes<br><input type="checkbox"/> No<br>It's not clear that grandfathering is necessary for this modification. That would be more appropriately be covered by CMP442 by allowing parties to fix their tariffs.  |

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|    | rights or any other levels of protection).   |  |
| 9  | Does the Original proposal with no specific end date provide Developers with sufficient confidence to make an investment decision? Please justify. | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br><p>It would be inaccurate to say that this is needed in order for investment decisions to be taken in general. Uncertainty in TNUoS adds to the risk of some projects, affecting the cost assessments of those projects, influencing their perceived competitiveness. It is likely to change the combination of projects that go ahead, rather than affecting whether projects are go ahead in general.</p>  |
| 10 | Does the Original Proposal and any of the Alternatives raised achieve the objectives of the Ofgem letter?  | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br><p>This is the case for the original. It:</p> <ol style="list-style-type: none"> <li>1. establishes appropriate, individual, upper and lower limits on the £/kW charges paid by generators through the Year-Round Shared, Year-Round Not Shared and/or Peak Tariffs;</li> <li>2. retains regional/location differential in charges and between technology types through a single GB cap and floor;</li> <li>3. maintains a procedure for ensuring compliance with the requirements on generator annual average transmission charges as provided for in Regulation 838/2010 (as assimilated);</li> <li>4. is capable of implementation without requiring NGESO to change its TNUoS forecasting approach or timetable; and;</li> <li>5. is capable of implementation from April 2026, if approved.</li> </ol> <p>It also restricts prices only so much as to prevent them reaching the sorts of extreme values that appeared to occur during the latter years of the 10 year projection.</p> |

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|                            |  | The others meet this to lesser extents as set out in our response to question 12 below.  |
| 11                         | Do you agree with the data set proposed for the calculation of the cap and floor? If not, what data set would you propose? What is your view on the use of NESO's 5-year forecast of April 2024?         | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br><br>Yes, this uses the values of the 5 year forecast before tariffs become far more extreme in the less robust latter years of the 10 year projection.   |
| 12                         | Please provide your assessment of the Original Solution and the 7 Alternative Requests discussed by the Workgroup (additionally, please indicate your preferred solution with associated justification): |  |
| <b>Alternative Request</b> |  | <b>Assessment</b>  |
| Original Solution          |  | Preferred. Most proportionate response that meets all of the objectives raised in the Ofgem letter.  |
| Alternative Request 1      |  | Seeks a single cap and floor for GB in each tariff, but seeks to constrain the range beyond what is needed to address the concerns around the 10 year projection. Seems a disproportionate response.   |
| Alternative Request 2      |  | Does not seek a single cap and floor for GB in each tariff. Whilst understanding the rationale for limiting the movements for a wider range of parties, other generation parties have to suffer a greater movement in their charges as a consequence compared with the original modification. The choice of each group of participants to be covered by each cap and floor is largely arbitrary. |
| Alternative Request 3      |  | Does not seek a single cap and floor for GB in each tariff. The approach to recover from the demand residual does limit the impact on other generation parties, but of course by definition moves it to demand customers. The choice of each group of participants to be covered by each cap and floor is still largely arbitrary.   |

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| Alternative Request 4 | n/a - withdrawn.   |
| Alternative Request 5 | Seeks a single cap and floor for GB in each tariff but constrains the range beyond what is needed to address the concerns around the 10 year projection to an even greater extent than alternative request 1. Seems a disproportionate response.   |
| Alternative Request 6 | Second preferred option. Same approach as original with the data set truncated by one year. Projection values appear to become erratic after and not within this discarded year, so the rationale for removing it is not obvious to us. Nevertheless, the impact appears modest compared with the original.  |
| Alternative Request 7 | Does not seek a single cap and floor for GB in each tariff. However, in seeking to set a cap and floor in each zone it removes concerns about setting arbitrary groups and does maintain locational differentials at similar levels to now. Arguably, does not allow charges to move much within the current methodology as the scope for flex is very constrained in each zone. Could be a useful option to put to Ofgem to offer an option that prioritises predictability over cost reflectivity. |