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CUSC Alternative and Workgroup Vote

CMP444 Introducing a cap and floor to wider generation TNUoS charges

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 – Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 – Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

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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.

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Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

"Y" = Yes

"N" = No

"-" = Neutral (Stage 2 only)

"Abstain"

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Workgroup Member	Alternative 1 (Northland Power, Deciles)	Alternative 2 (SSE, 2 Tier Grouping + 1SD)	Alternative 3 (SSE, 2 Tier Grouping without the G/adjust)	Alternative 5 (BlueFloat Nadara, 60% and 40% percentiles)
Alan Kelly	Y	N	N	Y
Anthony Diccico	Y	Y	N	N
Barney Cowin	Y	Y	Y	Y
Ben Adamson	Y	N	N	N
Binoy Dharsi	Y	Y	N	N
Caitlin Butchart	Y	Y	Y	N
Chiamaka Nwajagu	N	N	ABSTAIN	N
Damien Clough	Y	Y	N	Y
Darshak Shah	N	N	Y	N
Dennis Gowland	Y	Y	N	N
Emanuele Dentis	Y	ABSTAIN	N	Y
Graham Pannell	Y	Y	N	Y

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James Knight	Y	Y	N	N
Kyran Hanks	Y	N	N	N
Lambert Kleinjans	N	N	Y	Y
Lauren Jauss	N	N	N	N
Niall Coyle	Y	N	N	N
Nina Brundage	Y	N	N	Y
Paul Jones	N	N	N	N
Paul Youngman	N	Y	N	N
	Y	Y	N	Y
Simon Lord	N	N	N	N
Will Maidment	Y	Y	N	Y
WACM?	WACM1	WACM4 Saved by the Chair	NO	NO
Date of Vote	06/02/2025	06/02/2025	06/02/2025	06/02/2025



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Workgroup Member	Alternative 6 (BayWa r.e., forecast data up until 2028/29)	Alternative 7 (NESO, maintain differential signals)	Alternative 8 (Energiekontor, 2 historic / 3 forecast years data)	Alternative 9 (Offshore Wind Power, Remove ASTI from model)	Alternative 10 (EDF, 29/30 forecast to derive cap/floor)
Alan Kelly	Y	N	Y	Y	N
Anthony Diccico	Y	N	N	N	N
Barney Cowin	Y	N	Y	Y	N
Ben Adamson	ABSTAIN	Y	ABSTAIN	ABSTAIN	N
Binoy Dharsi	Y	N	N	N	Y
Caitlin Butchart	Y	Y	N	Y	N
Chiamaka Nwajagu	N	ABSTAIN	N	N	ABSTAIN
Damien Clough	Y	Y	Y	N	Y
Darshak Shah	Y	N	N	N	Y
Dennis Gowland	Y	N	Y	Y	Y
Emanuele Dentis	Y	N	Y	Y	N
Graham Pannell	Y	Y	Y	Y	N



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James Knight	Y	Y	N	Y	Y
Kyran Hanks	N	Y	N	N	N
Lambert Kleinjans	Y	N	Y	N	N
Lauren Jauss	N	N	N	N	Y
Niall Coyle	Y	Y	Y	N	Y
Nina Brundage	Y	N	Y	Y	N
Paul Jones	Y	Y	N	N	Y
Paul Youngman	N	N	N	N	Y
Ryan Ward	Y	N	Y	Y	N
Simon Lord	N	Y	N	N	Y
Will Maidment	Y	N	Y	Y	N
WACM?	WACM2	WACM5 Saved by the Chair	WACM6 Saved by the Chair	NO	WACM7 Saved by the Chair
Date of Vote	06/02/2025	06/02/2025	06/02/2025	06/02/2025	06/02/2025



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Workgroup Member	Alternative 11 (EDF, 30/31 forecast to derive cap/floor)	Alternative 12 (RWE, phasing in Network reinforcement (2024 forecast)	Alternative 13 (RWE, phasing Network reinforcement (2025 forecast)	Alternative 14 (Offshore Wind Power, Cap/floor as max/min of tariff elements)
Alan Kelly	N	N	N	Y
Anthony Dickey	N	N	N	Y
Barney Cowin	N	N	N	Y
Ben Adamson	N	N	N	ABSTAIN
Binoy Dharsi	Y	Y	Y	N
Caitlin Butchart	N	N	N	N
Chiamaka Nwajagu	Y	Y	Y	N
Damien Clough	N	N	N	Y
Darshak Shah	Y	Y	Y	N
Dennis Gowland	N	N	N	Y
Emanuele Dentis	N	N	N	Y
Graham Pannell	N	N	N	Y



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James Knight	N	Y	N	N
Kyran Hanks	Y	N	Y	N
Lambert Kleinjans	N	N	N	Y
Lauren Jauss	Y	Y	Y	N
Niall Coyle	N	N	N	Y
Nina Brundage	N	N	N	Y
Paul Jones	Y	Y	N	N
Paul Youngman	N	Y	N	N
Ryan Ward	N	N	N	Y
Simon Lord	N	Y	N	N
Will Maidment	N	N	N	Y
WACM?	NO	NO	NO	WACM3
Date of Vote	06/02/2025	06/02/2025	06/02/2025	06/02/2025



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Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Alan Kelly – Corio Generation					
Original	Y	-	-	-	Y	Y
WACM 1	Y	-	-	-	Y	Y
WACM 2	Y	-	-	-	Y	Y
WACM3	Y	-	-	-	Y	Y
WACM4	N	-	-	-	N	N
WACM5	N	-	-	-	N	N
WACM6	Y	-	-	-	Y	Y
WACM7	N	-	-	-	Y	N
Voting Statement:						
<u>Vote 2a</u>						
Against CUSC objectives a) The Original, WACMs 1,2,3 & 6 better facilitate competition than the baseline because they set an appropriate cap and floor which mitigates the defect in the current methodology that creates uncertainty, volatility and absolute values of charges in the north that deter investment and						

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undermine competition. WACMs 4, 5 & 7 do not improve on the baseline because they do not effectively address this defect.

Against CUSC objectives b), c) & d) all the WACMs are neutral.

Against CUSC objectives e) WACMs 4 & 5 do not better facilitate this objective because they add complexity to the charging methodology and compared to the baseline which is inefficient. All other WACMs and original do better facilitate this objective because they bring more certainty and reduce volatility compared to the baseline.

Vote 2b

WACM 1 provides the best option compared to the original and other WACMs. WACM1 best facilitate CUSC objectives a) & e) because it will set the most appropriate cap and floor compared to the original and other WACMs and is neutral against CSUC objectives b), c) and e). In addition, WACM 1 was well supported in the workgroup and in workgroup consultation responses. WACM1 presents the best solution to address the defect and could lead to the better outcomes for consumers by facilitating lower energy costs through lower CfD prices.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Anthony Diccico – ESB					
Original	Y	-	-	-	Y	Y
WACM 1	Y	Y	Y	-	Y	Y
WACM 2	Y	Y	-	-	Y	Y
WACM 3	Y	Y	-	-	Y	Y
WACM 4	Y	Y	Y	-	Y	Y

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WACM5	N	N	N	-	N	N
WACM6	Y	Y	Y	-	Y	Y
WACM7	N	N	N	-	N	N

Voting Statement:

CMP444 was raised by the NESO, at Ofgem's request, to try to resolve a clear defect, highlighted by the ESO's 10-year TNUoS tariff forecast in September 2023. This showed, that given the necessary transmission network investment to meet the UK's decarbonisation objectives, TNUoS charges in Northern GB would reach a level that would deter investment in the very renewable generation required to meet those objectives. CMP444 is designed to introduce a temporary cap and floor to TNUoS charges until an enduring solution is introduced. My view is that CMP444 Original, and any alternatives developed by the WG, must deliver an effective cap and a realistic floor. I believe that the CMP444 Original and several of the WACMs (WACMs 1, 2, 3, 4 & 6) do deliver an effective cap and floor, and offer a better solution than the Baseline. WACMs 5 & 7, however, do not offer a better solution than the Baseline in my view. On balance, I believe that WACM1 is the best solution – it offers a clear rationale for the creation of a cap and floor, using an appropriate statistical evaluation, based on deciles, rather than standard deviations. Capping and flooring wider TNUoS charges using the 90th and 10th deciles, produces an appropriate range of values and addresses the identified defect. I believe that WACM1 facilitates competition in the generation of electricity and therefore meets CUSC Objective a). It also leads to a fairer recovery of costs for connection of assets to the National Electricity Transmission System and therefore meets CUSC Objective e).

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Barney Cowin – Bluefloat Energy					

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Original	Y	-	-	-	Y	Y
WACM1	Y	-	-	-	Y	Y
WACM2	Y	-	-	-	Y	Y
WACM3	Y	-	-	-	Y	Y
WACM4	Y	-	-	-	Y	Y
WACM5	N	-	-	-	N	N
WACM6	Y	-	-	-	Y	Y
WACM7	N	-	-	-	N	N

Voting Statement:

Only the Original Proposal, WACM1, WACM2 WACM3, WACM4, and WACM6 better facilitates objective (a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence, and overall. Of these WACM1 best facilitates the objectives overall and is our preferred solution.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Binoy Dharsi – EDF					
Original	N	N	-	-	N	N
WACM1	N	N	-	-	N	N
WACM2	N	N	-	-	N	N
WACM3	N	N	-	-	N	N
WACM4	N	N	-	-	N	N

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WACM5	N	N	-	-	N	N
WACM6	N	N	-	-	N	N
WACM7	Y	Y	-	-	-	Y

Voting Statement:

WACM7 marginally meets CUSC Objectives a) and b). It is the only solution that sets guardrails as per the defect identified. There is however a clear deficiency in the underlying analysis to fully determine the overall impact on all Generation Users and how distortive this could be.

This modification was raised to create greater certainty to developers who are looking to secure CfD auctions against a backdrop of uncertain TNUoS projections. Aside from the cap and floor levels, there have not been any solutions developed in this modification to allow for those certainty guarantees to reflect the temporary nature of this modification.

It is also disappointing that a wider range of alternatives were not taken forward which would have provided lesser distortive outcomes.

This is highlighted by a number of workgroup members choosing the baseline as their preferred option.

The pace at which this urgent modification has progressed has unfortunately left important areas unaddressed. Most importantly the eligibility criteria for investors which could have provided more certainty to them.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Caitlin Butchart – InterGen					
Original	Y	-	-	-	Y	Y
WACM1	Y	-	-	-	Y	Y

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WACM 2	Y	-	-	-	Y	Y
WACM3	Y	-	-	-	Y	Y
WACM4	Y	-	-	-	Y	Y
WACM5	Y	-	-	-	Y	Y
WACM6	Y	-	-	-	Y	Y
WACM7	N	-	-	-	N	N

Voting Statement:

No voting statement submitted

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Chiamaka Nwajagu – Orsted					
Original	N	N	-	-	N	N
WACM 1	N	N	-	-	N	N
WACM 2	N	N	N	-	N	N
WACM3	N	N	N	-	N	N
WACM4	N	N	-	-	N	N
WACM5	N	N	-	-	N	N
WACM6	N	N	N	-	N	N
WACM7	N	N	-	-	N	N

Voting Statement:

We have thoroughly reviewed the proposed solutions and find that none adequately address the problem statement or effectively facilitate the CUSC objectives. The solutions primarily focus on offering significant discounts rather

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than establishing necessary guardrails, which could be detrimental to generators. Those solutions that attempt to balance guardrails with cost reflectivity and minimal impact on other generators were not advanced.

Regarding the CUSC objective of better facilitating competition, the proposed solutions fall short. While they may lower generation costs in the north, they risk distorting overall competition by socialising TNUoS charges, potentially hindering projects in the south of the Scottish border (i.e. B6 boundary). This zero-sum redistribution of risk is unlikely to enhance competition and may negatively impact it.

The solutions could lead to increased CfD bids from other generators to offset higher TNUoS liabilities due to the imposition of the cap and floor. Additionally, since most Capacity Market generators are outside Scotland and bound to be negatively impacted by the cap and floor, it could lead to higher Capacity Market clearing prices, which will ultimately be borne by consumers.

Regarding the cost-reflective CUSC objective, none of the proposals, including the original and WACMs, adequately reflect the expected investment costs for network development planned from 2030. They significantly reduce cost reflectivity and weaken locational signals, which are crucial for efficient network investment and generation siting. The blunting of locational signal in this way can potentially increase consumer bills and is particularly true if it leads to a displacement of generation investments in other parts of GB necessary for an efficient operation of the system, and as a result incur greater curtailment and constraint costs on consumers.

The setting of cap and floor levels, as seen in the original proposal and WACMs, weakens cost reflectivity, shielding Scottish generators from appropriate network costs. Therefore, until comprehensive TNUoS reform is achieved, maintaining cost reflectivity remains a core CUSC objective and TNUoS principle.

For CUSC objective C, while some solutions are neutral, others, such as WACM 2, 3, and 6, fail to facilitate this objective. These alternatives do not account for inevitable transmission business developments, leading to disproportionate cost recovery from non-Scottish generators to cover necessary cost gaps.

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The proposed solutions fail to adequately address Ofgem's problem statement, which seeks to establish guardrails against extreme tariffs in 2033, particularly in Northern GB. These solutions primarily offer discounts to northern generators, resulting in a disproportionate cost recovery burden on other generators. This approach risks distorting competition by socialising TNUoS charges, leading to increased costs for non-Scottish generators.

Applying the caps and floors from the original and WACMs results in significant TNUoS charge reductions for northern generators, going against the TNUoS charging principle and providing them with unforecasted financial gains. Conversely, all other generators south of the Scottish boundary face significant unforeseen and unrecoverable financial costs, negatively impacting those with recent CfD contracts and investment decisions based on previous charges. The focus on maximising discounts for northern generators imposes additional liabilities on existing and developing generation across GB, affecting investor confidence.

To ensure balanced decision-making, proposed solutions must strike a balance between encouraging new generation and sustaining existing investments. The original proposal and WACMs do not achieve this balance, as they require existing assets to undermine their business cases to subsidise future northern GB generators. A guiding principle should be to protect the viability of existing investments while facilitating new generation deployment.

While we disagree with the proposed solutions for addressing Ofgem's problem and facilitating the CUSC objectives, we believe RWE's alternative offered a more balanced approach. This alternative suggested deriving the cap based on the highest value for each tariff component in the 5-year TNUoS forecast published in April 2024, with a fixed £/kW increase per charging year up to 2033/34. It aimed to set a cap that reflects credible network expansion plans without significantly truncating charges, thereby avoiding undue risk redistribution across other generators due to regulatory changes.

RWE's proposal provided a better alternative to the baseline, original proposal, and WACMs by applying the cap that prevent the extreme tariffs forecasted for the early 2030s while ensuring cost reflectivity and offering certainty in wider tariffs.

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When paired with ongoing CMP442, unpredictability of TNUoS tariffs could potentially be further addressed. Unfortunately, the RWE alternative was not progressed as a WACM by the workgroup, despite its potential to balance new generation incentives with the sustainability of existing investments.

Meeting CP30 has been highlighted as an objective for setting the cap and floor, and while incentivising new generation in Northern GB is part of this goal, it is essential to consider CP30 in its entirety. This includes acknowledging other necessary investments required to ensure a decarbonised electricity system and energy security at an affordable cost, which could be adversely affected by the proposed solutions. The current proposals prioritise Northern GB generation, altering charge trajectories for non-Scottish regions and potentially impacting investment decisions, leading to increased consumer costs.

The proposed solutions fail to account for the negative impact on ongoing projects, which could hinder progress towards CP30 ambitions and beyond, and damage investor confidence. This impact extends beyond Scottish generation to include repowering, life-extending assets, and new generation outside Scotland. Current investors are also future investors, and poorly developed, rushed interventions that negatively affect current investments risk significantly hindering future investment. It is vital to adopt a balanced approach that supports both new generation and the sustainability of existing assets/investments to achieve CP30 objectives effectively.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Damien Clough – SSE					
Original	N	Y	-	-	-	N
WACM 1	Y	Y	-	-	-	Y

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WACM 2	Y	Y	-	-	-	Y
WACM3	Y	Y	-	-	-	Y
WACM4	Y	Y	-	-	-	Y
WACM5	N	N	-	-	-	N
WACM6	Y	Y	-	-	-	Y
WACM7	N	N	-	-	-	N

Voting Statement:

Original

Although the Original does make future tariffs more in line with actual likely costs and the likely methodology in place, the small change only impacts upon the outliers thus impacting negatively upon competition in areas likely to bid into AR7

WACM1

By increasing the deciles, this increases the spread of the cap to more areas, thus giving protection against tariff rises if other changes to the TNUoS methodology are not made to more Users. This is crucial to encourage the investment necessary for CP30. The impact and spread of the impact is why this is my chosen WACM. It does not attempt to reduce tariffs below current levels.

WACM2

There is a lot of merit in removing 29/30 from the data as this aligns with Ofgem letter around concerns about how strategic works impact on tariffs and this is the first year when the next big tranche hit the DCLF Model.

WACM3

Although this does move tariffs in the right direction this is potentially a step too far.

WACM4 & 5

WACM4 attempts to maintain locational differences whilst at the same time ensuring the cap bites for more users. It is done in a simple way. WACM5 achieves similar but in a slightly fudged way with one Zone's tariffs determining the impact

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on all others, creating more uncertainty. This is why this just doesn't meet the threshold in my opinion.

WACM6

Similar argument to WACM3

WACM7

By only capping at the highest tariff and after large investments have been made, this doesn't actually achieve the intent of the modification.

Overall against Baseline.

It's crucial that investment costs are competitive against other countries to encourage the investment necessary. Locational signals are important within an area to try and maintain efficient investment and spend but those signals should be where renewables are being built and can be built. There are a number of potential modifications which could lessen future TNUoS tariffs. Many of the investment being made is strategic and the end consumer has decided that onshore network is not wanted. Therefore, it is not right that those extra costs created by the need to build offshore and also created by the need to meet CP30 passes onto existing and new Generators connecting so as to meet Net Zero Targets. In the inverse it is also not right that users benefit from old investment signals, especially when those users operate at different times and do not prevent North South Flows.

In terms of users arguing the impact on the adjustment tariff. Ofgem have consistently stated their concerns over the ever rising negative adjustment tariff. *I would be therefore very surprised if Users are basing investment on this number becoming ever more negative. It's a windfall from the current regime and methodology, and the need to invest and build in certain areas. Understandably Users will argue against the loss of revenue stream, but it doesn't feel justified.*

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Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Darshak Shah – BP					
Original	N	N	-	-	N	N
WACM1	N	N	-	-	N	N
WACM2	N	N	-	-	N	N
WACM3	N	N	-	-	N	N
WACM4	N	N	-	-	N	N
WACM5	N	N	-	-	N	N
WACM6	N	N	N	-	N	N
WACM7	N	N	N	-	N	N
Voting Statement: No Voting Statement submitted						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Dennis Gowland – Research Relay Ltd					
Original	Y	Y	-	-	-	Y
WACM1	Y	Y	-	-	-	Y
WACM2	Y	Y	-	-	-	Y
WACM3	Y	Y	-	-	-	Y
WACM4	Y	Y	-	-	-	Y

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WACM5	Y	-	-	-	-	Y
WACM6	Y	Y	-	-	-	Y
WACM7	Y	-	-	-	-	Y

Voting Statement:

No Voting Statement Submitted

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Emanuele Dentis – Northland Power					
Original	N	-	-	-	-	N
WACM1	Y	-	-	-	Y	Y
WACM2	Y	-	-	-	Y	Y
WACM3	Y	-	-	-	Y	Y
WACM4	Y	-	-	-	N	N
WACM5	N	-	-	-	N	N
WACM6	Y	-	-	-	Y	Y
WACM7	N	-	-	-	-	N

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Voting Statement:

The work of this CMP has been fraught with issues around the issue/defect raised by this Modification and the scope of work.

The Proposer identifies the defect as the “significant increases” in TNUoS tariffs in the baseline TNUoS 10 year projections hindering competition in the power generation market by raising barriers to investment. This CMP was then, by design, aimed at reducing the strength of the locational signal sent by TNUoS.

The workgroup disagreed extensively on the extent to which this signal is to be reduced. The task was even more complex considering the workgroup was not supplied with any information from NESO, Ofgem or DESNZ on how much the Proposer solution and the WACMs would remove the barriers to investment. Moreover, Ofgem representatives made it clear several times that the intent of this Modification was not:

- To enable the delivery of Clean Power 2030 at the least cost to consumers – even though both increased costs to consumers and the achievement of Clean Power 2030 are mentioned as issues by the Proposer; nor
- To consider the increased role of central planning from Clean Power 2030 vis a vis the locational signal of TNUoS

Nonetheless, the workgroup has come up with a number of WACMs that reflect the industry’s view on the level of cap and floor required to remove the barriers to investment caused by the baseline 10 year projections. From the workgroup vote and the consultation, clearly the industry believes that the levels of the cap and floor as set out by WACM 1 are the most appropriate ones.

I do not believe the Proposer solution goes far enough in removing such barriers to investment, nor do WACM 5 or 7. In addition, WACM 5 is not immediately clear in its working (refer to its proposed legal text to see), thus going against CUSC objective e).

On the topic of “additional protections” (Terms of Reference item i)), I believe it is not within the remit of the CUSC to provide meaningful guarantees for generators to make investment decisions. Whilst the workgroup has considered this point, I concluded that making no reference to an end date for the Cap & Floor levels is as far a “protection” as the CUSC can go. However, for generators to confidently make investment decisions, transitional arrangements can only be provided by DESNZ and Ofgem.

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Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Graham Pannell – BayWa r.e.					
Original	Y	-	-	-	-	Y
WACM1	Y	-	-	-	-	Y
WACM2	Y	-	-	-	-	Y
WACM3	Y	-	-	-	-	Y
WACM4	Y	-	-	-	-	Y
WACM5	N	-	-	-	N	N
WACM6	Y	-	-	-	-	Y
WACM7	N	-	-	-	-	N
Voting Statement: No voting statement Submitted						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Hector Perez– Scottish Power Renewables					
Original	N	-	-	-	-	N
WACM1	Y	-	-	-	-	Y
WACM2	Y	-	-	-	-	Y
WACM3	Y	-	-	-	-	Y
WACM4	Y	-	-	-	-	Y

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WACM5	N	-	-	-	-	N
WACM6	Y	-	-	-	-	Y
WACM7	N	-	-	-	-	N

Voting Statement:

WACMs 1, 2, 3, 4 and 6 better facilitate against ACO (a) by better enabling effective competition in electricity generation. They achieve this by implementing a useful cap and floor mechanism, which provides certainty to industry regarding the projected material increase in TNUoS charges in the North and increasing credits in the South. Overall, we share Ofgem's view as expressed in their open letter, that a cap & floor mechanism could mitigate against the inefficient locational signals projected by TNUoS towards the end of the decade. Consumers can expect to benefit from lower costs, resulting from reduction in risk and cost premiums, which would impact future CfD bids. WACM 1, 2, 3, 4, or 6 is likely to reduce investment uncertainty, support the achievement of CP2030, and protect consumer interests.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Lambert Kleinjans – Energiekontor Uk					
Original	Y	Y	-	-	Y	Y
WACM1	Y	Y	-	-	Y	Y
WACM2	Y	Y	-	-	Y	Y
WACM3	Y	Y	-	-	Y	Y
WACM4	Y	Y	-	-	-	Y
WACM5	Y	-	-	-	Y	N
WACM6	Y	Y	-	-	Y	Y
WACM7	N	-	-	-	-	N

Public

Voting Statement:

No voting statement submitted

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Lauren Jauss – RWE					
Original	N	N	N	N	N	N
WACM1	N	N	N	N	N	N
WACM2	N	N	N	N	N	N
WACM3	N	N	N	N	N	N
WACM4	N	N	N	N	N	N
WACM5	N	N	N	N	N	N
WACM6	N	N	N	N	N	N
WACM7	N	N	N	N	N	N

Voting Statement:

I believe Ofgem raise two key issues in their letter: firstly, an expected increase in the level of charges, and secondly the wide range of uncertainty to those charges. I believe the majority of the workgroup have focussed predominantly on the issue of an expected level of charges rather than their range of uncertainty. The Original and the selected WACMs have therefore all been designed to address and be biting on the expected level of charges by capping charges at tariff levels forecasted for the 2020s. However, as an increase in charges in the 2030s is to be expected, I do not believe it is a defect. The range of uncertainty is the only defect in my view, but this has been treated as a secondary consideration throughout the workgroup process.

Public

The proposed caps therefore cannot possibly be cost reflective of network reinforcement required in the next decade, and none of the Original or WACMs are not non-discriminatory because they are intended to benefit (or dis-benefit) specific network users by making them more commercially competitive. Cost reflectivity and non-discriminatory network charging is a key principle in Article 18 of the Electricity Regulation EU943/2019, and for this reason I believe these proposals are all negative against CUSC objective d).

Not adhering to well-established key principles would be damaging to competition and would increase regulatory uncertainty and reduce investor confidence. This modification is also at odds with DESNZ's statement that they believe TNUoS locational signals would be stronger if an enhanced national market is adopted for REMA. I believe any short term benefits for the consumer, if there are any from the proposed cap and floor, are likely to be outweighed by the longer term, higher level, regulatory uncertainty that would be introduced. I believe the workgroup may have misinterpreted Ofgem's request for a temporary cap, by proposing a cap for a temporary period, rather than making eligibility temporary.

As this modification has followed an urgent timeline, I do not believe that the workgroup has had adequate time to consider its impacts or explore other, better, solutions.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Niall Coyle – NESO					
Original	Y	-	-	-	-	Y
WACM 1	Y	-	-	-	-	Y
WACM 2	Y	-	-	-	-	Y
WACM3	Y	-	-	-	-	Y

Public

WACM4	Y	N	-	-	-	N
WACM5	Y	-	-	-	-	Y
WACM6	Y	-	-	-	-	Y
WACM7	Y	-	-	-	-	Y

Voting Statement:

NESO raised CMP444 at the request of Ofgem in their open letter from 29 September 2024. That letter clearly outlined concerns around the trajectory and uncertainty of long term TNUoS charges. The NESO 10-year projection was highlighted as a key concern, which projected significant increases in charges in Northern GB (with charges tripling in some zones from current levels) and significant increases in credits in Southern GB (due to increases required to the generator adjustment tariff to maintain compliance with the limiting regulation).

The Original proposal and WACMs 1-7 all provide an effective cap and floor to ensure that generators would be shielded from the higher charges and credits observed in the 10-year projection, if they were to materialise, therefore facilitate effective competition in the generation of electricity (Applicable CUSC Objective a).

However, Ofgem were also clear in their open letter that the intervention should retain regional/locational differentials in charges. Only WACM5 introduces a methodology that can retain relative locational signals between generation zones in Northern GB, with the Original and WACM 1-3 & 6-7 completely eroding these signals, which results in flat charges across zones 1-12. While WACM4 introduces a step change in charges between zones 1-7 and 8-12, this differential has been arbitrarily defined and is not inherently more cost reflective. Therefore, NESO support the implementation of WACM5 as the preferred option.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Nina Brundage – Ocean Winds					

Public

Original	Y	Y	-	-	-	Y
WACM1	Y	Y	-	-	-	Y
WACM2	Y	Y	-	-	-	Y
WACM3	Y	Y	-	-	-	Y
WACM4	Y	-	-	-	N	Y
WACM5	N	N	-	-	N	N
WACM6	Y	Y	-	-	-	Y
WACM7	N	N	-	-	-	N

Voting Statement:

We are evaluating these proposals' merits and impacts against the baseline of inaction. The current volatility, and predicted exponential rise, in TNUoS charges undermines competition in electricity generation and represents a barrier to entry to new participants. Barriers to market entry are, by definition, anti-competitive. Furthermore, it is not cost-reflective to burden existing generation with exponential rises in infrastructure costs that they did not trigger and could not have foreseen at the time of investment. We believe CUSC objectives (specifically A and B) are best met by proposals that limit existing assets' exposure to fluctuating locational signals and ensure future projects in high-tariff areas are not unfairly disadvantaged by higher TNUoS risks, preserving their competitiveness in the UK market.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Jones – Uniper					
Original	Y	N	-	-	N	Y
WACM1	N	N	-	-	N	N

Public

WACM 2	Y	N	-	-	N	Y
WACM3	N	N	-	-	N	N
WACM4	N	N	-	-	N	N
WACM5	N	N	-	-	N	N
WACM6	N	N	-	-	N	N
WACM7	Y	N	-	-	N	Y

Voting Statement:

No voting statement submitted

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Youngman – Drax					
Original	Y	-	-	-	-	Y
WACM 1	N	N	-	-	-	N
WACM 2	N	N	-	-	-	N
WACM3	N	N	-	-	-	N
WACM4	-	Y	-	-	-	N
WACM5	-	Y	-	-	-	N
WACM6	N	N	-	-	-	N
WACM7	Y	-	-	-	-	Y

Voting Statement:

WACM 7 is the preferred solution.

Public

Both WACM7 and the original proposal have merit compared to the baseline. Both address the defect in a proportional way without overly blunting locational differentials. In providing greater certainty of TNUOS charges to investors these modifications better facilitate ACO (a). WACM 1 2 3 and 6 are negative against ACO (b) as the outcome would be an excessive dilution of cost reflective locational signals within the TNUOS methodology. WACM 4 and WACM 5 have some merit in theoretically maintaining elements of cost reflectivity, but these are insufficient compared to the certainty provided by WACM7.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Simon Lord – First Hydro Company						
Original	Y	N	-	-	N	Y
WACM 1	N	N	-	-	N	N
WACM 2	N	N	-	-	N	N
WACM3	N	N	-	-	N	N
WACM4	N	N	-	-	N	N
WACM5	N	N	-	-	N	N
WACM6	N	N	-	-	N	N
WACM7	Y	N	-	-	N	Y

Voting Statement:

NESO has published a forecast (1-5 years) of TNUoS since [2015]. These forecast and the underlying model are readily available. The outturn level of TNUoS is well correlated to the various forecasts driven by the certainty of new plant build (TEC) and TO build that is available to NESO 1 to 5 years out.

Public

In 2023 a forecast (5 year) was produced alongside a projection (years 6-10). The projection was on a different basis to the forecast and includes a significant volume of generation and infrastructure build resulting in significantly higher TNUoS forecasts than has historically been the case. The certainty of the plant and TO build in the projection is significantly lower than that that in the forecast. With the advent of the change to the connection arrangement and other potential changes to TNUoS the values shown in the projection are unlikely to occur. This view has general agreement across the industry.

As the projection is the main publicly available forecast of TNUoS more than 5 years out there is a concern that parties may place more (undue) weight on the projected value than is appropriate when using skill and judgment in determining the approach to including TNUoS in commercial arrangement.

Given the level of the projection relative to the 2024 forecast tariffs we believe it is appropriate to cap the final tariffs at level contained in the last years of the 2024 forecasts indexed for future years. As such we support the original and WCM7 (EDF) as being better than the baseline. We do not believe that proposed caps below the level of current forecasts are better than the current baseline as they would reduce the cost reflective signal that is forecast to occur.

Of the 19 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	12
WACM1	12
WACM2	13
WACM3	12
WACM4	8
WACM5	3

Public

WACM6	12
WACM7	6

Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 or WACM7)

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Alan Kelly	Corio Generation	Generator	WACM1	a) and e)
Anthony Diccico	ESB	Generator	WACM1	a),b) and e)
Barney Cowin	Bluefloat Energy	Generator	WACM1	a)
Binoy Dharsi	EDF	Supplier	WACM7	a) and b)
Caitlin Butchart	InterGen	Generator	WACM5	a),b) and e)
Chiamaka Nwajagu	Orsted	Generator	Baseline	N/A
Damien Clough	SSE	Generator	WACM1	a) and d)
Darshak Shah	BP	Generator	Baseline	N/A
Dennis Gowland	Research Relay Ltd	Consultancy	WACM1	a) and b)

Public

Emanuele Dentis	Northland Power	Generator	WACM1	a)
Graham Pannell	BayWa r.e.	Generator	WACM1	a)
Hector Perez	ScottishPower Renewables	Generator	WACM1	a)
Lambert Kleinjans	Energiekontor UK Ltd	Generator	WACM3	a)
Lauren Jauss	RWE Supply & Trading GmbH	Generator	Baseline	N/A
Niall Coyle	NESO	System Operator	WACM5	a)
Nina Brundage	Ocean Winds	Generator	WACM1	a) and b)
Paul Jones	Uniper	Generator	WACM7	a)
Paul Youngman	Drax	Generator/Supplier	WACM7	a)
Simon Lord	First Hydro Company	Generator	WACM7	a)