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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 usc.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 usc.team@nationalenergyso.com.

Respondent details	Please enter your details	
Respondent name:	Paul Youngman	
Company name:	Drax	
Email address:	paul.youngman@drax.com	
Phone number:	07738802266	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <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?	Mark the Objectives which you believe each solution better facilitates:
		Original <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>The Original Proposal may positively facilitate applicable objective (AO) (a). It may lead to more effective competition by reducing the level of uncertainty for some generation investors. This uncertainty is driven by the differences between the five-year TNUOS forecast and the ten-year TNUOS projection of charges.</p> <p>We believe there is a risk that variants could reduce effective locational signals and lead to the inefficient siting of generation. This could equally apply to any negative charging signal to locate generation assets close to demand.</p>
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		No further comment.
3	Do you have any other comments?	None.
4	Do you wish to raise a Workgroup	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)

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	Consultation Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> No
		We do not wish to raise an alternate at this time.
5	Does the draft legal text satisfy the intent of the modification?	<input type="checkbox"/> Yes
		<input checked="" type="checkbox"/> No
		Our view is the methodology used to derive the values should be incorporated into the legal text. This can then be modified to reflect changes to the ten-year projection or other developments in the future. We do not support the current legal text drafting that hard-codes specific cap and collar values within CUSC and then applies indexation for future years.
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
		<input type="checkbox"/> No
		No further comment.

Specific Workgroup Consultation questions

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
		<input checked="" type="checkbox"/> No
		The modification is a temporary measure, and we agree that an end date is not necessary as this can be implemented via subsequent modification.
8	What level of certainty would be required from this modification to best support investment	<input type="checkbox"/> Yes
		<input type="checkbox"/> No

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	decisions? Please justify any additional protection required (for example grandfathering rights or any other levels of protection).	The modification calculates the potential highest charges and most negative charges inferred from the NESO's ten-year projection and applies the cap and collar methodology against all charging zones. Under the urgent timeframe we think this is a proportionate approach.
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 <input type="checkbox"/> No No further comment.
10	Does the Original Proposal and any of the Alternatives raised achieve the objectives of the Ofgem letter?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The Original Proposal achieves the objectives of the Ofgem letter. We would caution against dilution of appropriate locational signals as the original and workgroup alternates are developed.
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 <input type="checkbox"/> No We agree with the data set used by the original proposal.
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):	
Alternative Request		Assessment
Original Solution		The original solution is our preferred proposal currently, but this may alter as alternates are taken forward as WACM's and developed by the workgroup.

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Alternative Request 1	We do not think that this alternative differs sufficiently from the original proposal to warrant further development.
Alternative Request 2	There may be further merit in exploring if this alternative is practicable and proportionate. In setting zonal based caps and collars, this option steps further away from the limited intent of the Ofgem letter and may need more significant refinement and the inclusion of other measures – for instance grandfathering rights.
Alternative Request 3	We are not convinced that this alternative would better facilitate the relevant objectives and the points in Ofgem’s letter given the potential impact on residual charges.
Alternative Request 4	No comment - option has been withdrawn.
Alternative Request 5	We do not support this modification as it effectively removes cost reflective locational charges.
Alternative Request 6	There may be further merit in exploring this alternative.
Alternative Request 7	We do not support this option as it excludes costs from 2029/30.