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Code Administrator 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 cust.team@nationalenergyso.com by **5pm** on **14 March 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 cust.team@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Barney Cowin	
Company name:	BlueFloat Nadara Partnership	
Email address:	Barnaby.cowin@nadara.com	
Phone number:	07858 363966	
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 type="checkbox"/> Storage <input 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 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.

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

Standard Code Administrator Consultation questions			
1	Please provide your assessment for the proposed solutions	Mark the Objectives which you believe the proposed solutions better facilitates:	
		Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM1	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E

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	against the Applicable Objectives?	WACM2	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM3	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM4	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM5	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM6	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM7	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>To better facilitate Objectives (a) and (b), facilitating effective competition and employing charges that best reflect transmission licensee costs, the solutions need to address the defect(s) and objectives as outlined in the Proposal. Both the 30 September 2024 Ofgem Open Letter and the Proposal state that the proposal must establish appropriate, individual upper and lower limits on the £/kW charges.</p> <p>Upper Limits</p> <p>WACM1, WACM2, WACM3 and WACM 6 seek to apply an appropriate upper limit which to varying degrees seeks to address the issue. WACM1 addresses the issue most effectively by having the most effective cap.</p> <p>The two-step cap in WACM4 applies multiple limits and so does not address the issue or remain within the parameters of the Proposal which outline that there must be individual limits.</p> <p>WACM5 does not result in a cap or a floor, applies neither an effective upper or an effective lower limit, and so does not address the issue or remain within the parameters of the Proposal.</p> <p>The Upper limit proposed by WACM7 does not set an appropriate upper limit and instead seeks to apply the maximum value of the NESO forecast.</p> <p>Retention of the baseline or applying WACM5 or WACM7 would be setting an inappropriately high upper limit and would not sufficiently limit TNUoS escalation by reducing the increase in charges in the north of GB that are outlined in the proposal. This would result in a signal that is in direct</p>	

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		<p>contradiction of the Clean Power 2030 goals that the proposal explicitly seeks to enable. The escalating costs that would result would drive up CfD bids and result in increased consumer costs.</p> <p>Lower Limits</p> <p>WACM1 is the only solution that results in an effective floor (lower limit). The impact of the lack of an effective floor means that billions of pounds 'inframarginal rent' will continue to be paid to generators in the south of the UK on top of the TNUoS payments that they would continue to receive at the consumer's expense. WACM1 is the only solution which seeks to address this issue. No other solution (Original, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7) addresses the issue as outlined in the Proposal or the Ofgem Letter.</p>
2	Do you have a preferred proposed solution?	<p> <input type="checkbox"/> Original <input checked="" type="checkbox"/> WACM1 <input type="checkbox"/> WACM2 <input type="checkbox"/> WACM3 <input type="checkbox"/> WACM4 <input type="checkbox"/> WACM5 <input type="checkbox"/> WACM6 <input type="checkbox"/> WACM7 <input type="checkbox"/> Baseline <input type="checkbox"/> No preference </p> <p>WACM1 is the best solution, as from the options that are presented the cap & floor are the most appropriate for achieving the outlined objectives.</p>

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		<p>However, our view is that WACM1 does not go far enough to remedying the disproportionately high charges in the north of GB and credits in the south of GB.</p> <p>The Clean Power 2030 Plan highlights the urgency and a requirement to secure at least 12 GW across the next two to three allocation rounds – AR7, AR8 and, depending on the speed at which projects deploy, AR9. The disproportionately high charges in the north that would remain even after implementation of this cap would mean that the Clean Power 2030 Goals remain at risk even after implementation of a cap & floor. The continued presence of credits for generators in the south actively drives up consumer costs because the pay-as-clear CfD regime allows southern generators to attract the same level of subsidy as northern generators who are liable for much higher TNUoS costs. Alternatively, northern generators will not be able to compete with southern generators in the CfD auction which will impede achieving Clean Power 2030 goals. .</p> <p>However, from the options presented from this Code Modification, WACM1 is the best option.</p>
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
4	Do you have any other comments?	Click or tap here to enter text.

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5	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
		Click or tap here to enter text.
		Click or tap here to enter text.