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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@nationalenergyiso.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@nationalenergyiso.com

| Respondent details | Please enter your details | |
|--|--|--|
| Respondent name: | Niall Coyle | |
| Company name: | NESO | |
| Email address: | Niall.coyle@nationalenergyiso.com | |
| Phone number: | 07731808968 | |
| Which best describes your organisation? | <input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector | <input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" 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 against the Applicable Objectives? | Mark the Objectives which you believe the proposed solutions better facilitates: |
| | | Original <input checked="" 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 type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | WACM2 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | WACM3 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | WACM4 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | WACM5 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |

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|---|--|---|---|
| | | WACM6 | <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | WACM7 | <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | <p>NESO raised CMP444 following Ofgem's open letter of 29th September 2024. That letter clearly outlined concerns around the trajectory and uncertainty of long term TNUoS charges. The NESO 10-year projection of TNUoS published in 2023 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 to generators in the South (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, thereby facilitating effective competition in the generation of electricity (Applicable CUSC Objective A)</p> | |
| 2 | Do you have a preferred proposed solution? | <p> <input type="checkbox"/>Original <input type="checkbox"/>WACM1 <input type="checkbox"/>WACM2 <input type="checkbox"/>WACM3 <input type="checkbox"/>WACM4 <input checked="" type="checkbox"/>WACM5 <input type="checkbox"/>WACM6 <input type="checkbox"/>WACM7 <input type="checkbox"/>Baseline <input type="checkbox"/>No preference </p> <p>Ofgem were clear in their open letter that the intervention should retain regional/locational differentials in charges. Only WACM5 introduces a</p> | |

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|---|---|---|
| | | methodology that can retain relative locational signals between generation zones in Northern GB. The Original and WACM 1-3 & 6-7 eradicate these intra-zonal price signals, as they result in flat charges across zones 1-12. While WACM4 would introduce 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 supports the implementation of WACM5 as the preferred option. |
| 3 | Do you support the proposed implementation approach? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We support the proposed implementation approach. An authority decision by Summer 2025, prior to the Contracts for Difference (CfD) Allocation Round 7 (AR7) bidding window, would allow for developers to factor the impact of the intervention into their auction bids. |
| 4 | Do you have any other comments? | Click or tap here to enter text. |
| 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. |