

Public

## 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](mailto: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](mailto:cust.team@nationalenergyso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Damian Clough	
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<b>Email address:</b>	Damian.Clough@sse.com	
<b>Phone number:</b>	N/A	
<b>Which best describes your organisation?</b>	<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 against the Applicable Objectives?	Mark the Objectives which you believe the proposed solutions better facilitates:
		Original <input type="checkbox"/> A <input checked="" 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
		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 checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM5 <input type="checkbox"/> A <input checked="" 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 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><b>Original</b></p> <p>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. It feels like a token effort to address the defect and only addresses the defect for limited users.</p> <p><b>WACM1</b></p> <p>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.</p> <p><b>WACM2</b></p> <p>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.</p> <p><b>WACM3</b></p> <p>Although this does move tariffs in the right direction this is potentially a step too far.</p> <p><b>WACM4 &amp; 5</b></p> <p><b>WACM4</b> 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 on all others, creating more uncertainty. This is why this just doesn't meet the threshold in my opinion.</p>	

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		<p><b>WACM6</b></p> <p>Similar argument to WACM3</p> <p><b>WACM7</b></p> <p>By only capping at the highest tariff and after large investments have been made, this doesn't actually achieve the intent of the modification.</p>
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/> Original</p> <p><input checked="" type="checkbox"/> WACM1</p> <p><input type="checkbox"/> WACM2</p> <p><input type="checkbox"/> WACM3</p> <p><input type="checkbox"/> WACM4</p> <p><input type="checkbox"/> WACM5</p> <p><input type="checkbox"/> WACM6</p> <p><input type="checkbox"/> WACM7</p> <p><input type="checkbox"/> Baseline</p> <p><input type="checkbox"/> No preference</p> <p>WACM1 provides the most relief against the impact of strategic investment needed for CP30 but also ensures crucially, that the cap bites for all Parties in Northern England and Scotland who are facing substantial uncertainty over future TNUoS tariffs as well as the magnitude of those tariffs.</p>
3	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>

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4	Do you have any other comments?	<p>A few workgroup members pointed out the negative impact the Cap and Floor would have on certain users by reducing the Negative Adjustment factor (stop it going further negative) and flooring negative locational charges. However, it is highly doubtful that they invested on the back of an ever, increasing negative adjustment factor, when Ofgem have repeatedly expressed their concerns at this. Secondly negative locational charges are there on the premise that they reduce flows on the System. However, the Year Round Shared tariff is built on the understanding that Generators share the System so by definition operate at different times and don't prevent flows, mainly from Wind. Any negative Year Round Not Shared tariffs are the result of a mathematical anomaly as pointed out in CMP268. The only reason why they exist is because no-one has got round to removing them by raising a modification as there has been higher priorities.</p> <p>Ofgem in their Open Letter expressed concerns around how the costs of Strategic Assets are charged, and there are a number of other CUSC modifications proposed which may alter TNUoS tariffs. Therefore it is extremely prudent to give an element of tariff certainty to avoid forecasts based on the status quo, flowing through into Strike Prices and the ultimately the end consumer, especially if the forecasts are unrealistic/unreliable.</p>
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?	<div data-bbox="646 1377 1417 1579"> <input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No         </div> <div data-bbox="646 1579 1417 1780">           Click or tap here to enter text.         </div> <div data-bbox="646 1780 1417 1861">           Click or tap here to enter text.         </div>