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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:	Binoy Dharsi	
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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 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 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 type="checkbox"/> A <input 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 type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM3	<input type="checkbox"/> A <input 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 type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		WACM7	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>EDF supports reforms that can improve predictability to investors whilst minimising the distortion to other Users.</p> <p>The intention for raising CMP413 was to primarily protect renewable investors who faced unpredictable tariffs resulting from the significant network investments planned over the next decade.</p> <p>The intention of CMP444 is to provide temporary tariff certainty, imposing a tariff cap and floor. With TNUoS uncertainty, amplified by future decisions on locational pricing through REMA, it is crucial to provide investor certainty particularly ahead of the forthcoming CfD AR7.</p> <p>We have evaluated the solutions developed and have assessed them against the Applicable CUSC Objectives.</p> <p>Our expectation is that reforms developed should provide the necessary predictability to investors, have a proportionate impact on other Users, not materially affect locational signals nor be discriminatory.</p> <p>The urgency of this modification has led to crucial analysis, required to assess the impacts of each of the solutions on Users, not being undertaken.</p> <p>CMP444 was expected to create a hard cap and floor. Every solution fails to achieve this objective which instead exposes Users to an unquantifiable level of risk, through the generation adjustment tariff.</p>	

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		<p>The NESO have publicly confirmed their 2029/30 forecast (published in April 2024) is a credible and "best view" forecast.</p> <p>Aside from WACM7, all other solutions developed sets a discount to the 2029/30 forecast tariffs for some regions.</p> <p>This creates a distortion in the costs borne by generators located across the network, and siting signals for new generators. This impacts effective competition between generators. We have therefore assessed that the Original, WACM1, WACM2, WACM3, WACM4, WACM5 and WACM6 are all negative against Applicable CUSC Objective a)</p> <p>Imposing a very restrictive cap and floor which is the case for all the solutions apart from WACM7, would materially impact the cost reflectivity of TNUoS and could send signals to market participants that encourages inefficient generation investment in locations which would ultimately increase consumers costs materially.</p> <p>We have therefore assessed that the Original, WACM1, WACM2, WACM3, WACM4, WACM5 and WACM6 are all negative against Applicable CUSC Objective b)</p> <p>For WACM7, there are similar but smaller unquantified risks to Users through the generation adjustment tariff. These risks need to be balanced with the certainty the cap would provide to new generation and investors at this time. WACM7 is the best solution to find that balance.</p> <p>That said, the limited analysis and specifically how long this modification will be effective for are crucial to assess its overall effectiveness. While modifications have to be assessed as standalone changes, given the very advanced stages of the Govt's REMA it is very hard to consider this proposal in isolation. It will clearly interact materially with REMA decisions on locational signals and any legacy arrangements developed. Given these unknowns and given the nature of the proposals (cap / discount on TNUoS paid for by all generators)</p>
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		<p>the degree of competitive market distortion and extent of misleading investment locationally means it is very hard to make these balanced judgements.</p> <p>At this stage our assessment is that WACM7 is marginally positive against Applicable CUSC Objective a) and b)</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 type="checkbox"/> WACM5 <input type="checkbox"/> WACM6 <input checked="" type="checkbox"/> WACM7 <input type="checkbox"/> Baseline <input type="checkbox"/> No preference </p> <p>The main objective for CMP444 is to provide tariff certainty to investors in the near term through a cap and floor. None of the solutions developed achieves this objective. The Generation Adjustment Tariff provides an unforecastable risk to all Generators. This makes it impossible for generators to accurately calculate what further adjustments may need to be factored in when bidding for a CfD.</p> <p>From the workgroup deliberations, it is clear that those seeking an aggressive (low) cap and floor are doing so to ensure as many developers are successful in progressing projects that would otherwise be unlikely to be viable based on projected TNUoS charges. WACM7, which aligns with a credible forecast by the NESO, may deter</p>

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		<p>some of these unviable projects, which in turn will reduce the impact of the generation adjustment tariff and generally costs to consumers through the over provision of transmission infrastructure and/or very high transmission constraints costs.</p> <p>We therefore support WACM7.</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>
4	Do you have any other comments?	<p>Click or tap here to enter text.</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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p>