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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:	Emanuele Dentis	
Company name:	Northland Power	
Email address:	Emanuele.dentis@northlandpower.com	
Phone number:	07442 841652	
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 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 type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		We believe that the scope of this CMP extends beyond the applicable objectives of the CUSC.
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes
		<input type="checkbox"/> No
Click or tap here to enter text.		
3	Do you have any other comments?	This Modification responds to the Ofgem Open Letter that calls to consider Clean Power 2030 and transitional arrangements for generators (as also asked in one of the consultation questions). However, it is not within the remit of the CUSC to provide such arrangements. Moreover, the Workgroup has not been supplied with relevant information about Clean Power 2030 from DESNZ or Ofgem.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)
		<input checked="" type="checkbox"/> No
It is worth considering combining Alternative Proposal 6 with other Alternative Proposals.		

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5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
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 Click or tap here to enter text.

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 objective of this CMP is to lower uncertainty for generators as the electricity system transitions to REMA. By introducing an end date in the legal text, the uncertainty is introduced as to what the arrangements will be thereafter. By contrast, by not specifying an end date a further modification will be required, which would allow the industry an input into future arrangements.
8	What level of certainty would be required from this modification to best support investment decisions? Please justify any additional protection required (for example grandfathering rights or any other levels of protection).	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No To be effective, this CMP should deliver: A) Reassurance that transmission charges under REMA will not breach the caps and floors produced by this CMP. If this is not provided, this CMP will then be ineffective in reducing uncertainty for generators.

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		B) A call for government agencies to provide this reassurance. Under the Scope of Work and the terms of the CUSC, this CMP cannot provide grandfathering rights. Therefore, it is essential that the Working Group strongly recommends this to the relevant agencies.
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 Click or tap here to enter text.
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 We think that the Original Proposal does not achieve the objectives of the Ofgem letter because: <ul style="list-style-type: none"> It falls short of delivering a floor to charges in Southern zones It does not cap charges in North Scotland to a level low enough to deliver the investment required by Clean Power 2030 By contrast, out of all Alternative Proposals, Alternative 1 seems to best meet the objectives of the Ofgem letter.
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No As further explained in the evaluation of the alternatives, it is our view that only the first 4 years of the 5 year forecasts should be used. This better represents the system costs before the ASTI/HND works are delivered. Since these works are essential to deliver Clean Power 2030 and the key goal of the Ofgem Letter is to lower uncertainty for generators so that Clean Power 2030 is achieved, leaving out the ASTI works that produce this uncertainty in charges seems the most logical approach.

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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		<p>We do not support this proposal.</p> <p>As outlined in the Alternative Request 1, this proposal falls short of the Ofgem Letter's objective of protecting consumers from increasing TNUoS credits to Southern Generators. As shown in charts in the Workgroup Consultation, this Solution is ineffective in providing a meaningful floor, meaning that the 10 year projections still apply for Southern Generators post 2030.</p>
Alternative Request 1		<p>Preferred solution.</p> <p>This Alternative Request best meets the CUSC Applicable Objectives and the aim of the Ofgem Letter. It is noted that this Alternative Request does weaken the location signal within Scotland by introducing the same cap across all Scottish Zones. However, it is our view that this is a lesser objective of the Ofgem Letter and is trumped by the wider goals of reducing uncertainty, enabling Clean Power 2030 and reducing costs to consumers.</p>
Alternative Request 2		<p>The standard deviation methodology approach has been discussed by the Workgroup and proved to be unsuitable.</p> <p>This Alternative Proposal also raises some serious implementation questions. It is not clear what is the rationale for grouping some zones together and not others. Moreover, it is not clear how it would be implemented if the number or the boundaries of zones would change.</p> <p>Overall, this proposal does not promote CSUC Objective E.</p>
Alternative Request 3		The same considerations applicable to Alternative Request 2 apply here.

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	<p>Additionally, it is our view that this proposal does not well meet the points in the Ofgem letter as it does increase costs for consumers through the Demand Residual.</p>
Alternative Request 4	<p>Proposal has been withdrawn.</p>
Alternative Request 5	<p>We support this Alternative Proposal.</p> <p>We think this proposal does well in highlighting the policy objectives of the Ofgem letter.</p>
Alternative Request 6	<p>We support this Alternative Proposal.</p> <p>As outlined in question 11 above, we believe this best reflects the objectives of the Ofgem letter by effectively removing the cost of the ASTI/HND works from the calculation of the charges.</p> <p>We also believe the Workgroup should explore adopting the same logic for other Alternative Proposals.</p>
Alternative Request 7	<p>We do not support this Alternative Proposal, as we view it as not fully promoting CUSC Objective E.</p> <p>The calculation of the cap and the floor is not clear, and thus raises serious implementation questions.</p> <p>Moreover, this proposal does not go far enough in reducing TNUoS Wider Tariff for generators in Northern GB, thus falling short of the Ofgem letter objective of enabling the investment required to deliver Clean Power 2030.</p>