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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](mailto: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](mailto:usc.team@nationalenergyso.com).

Respondent details	Please enter your details	
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<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 checked="" 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;*

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- 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.*

### 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 checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		SPR is supportive of the proposal in principles, as this provides certainty & signal to industry around the long-term TNUoS charges, particularly on assurance that the 10-year projections extremes won't be reached. As mentioned in Ofgem's open letter, this proposal can mitigate risks around investments, particularly those necessary for CP2030, and protect consumers.
2	Do you support the proposed	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No

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	implementation approach?	<p>The proposed implementation is supported, along with the urgent basis timeline. As Ofgem's Urgency Decision letter suggests, the sooner the decision on implementation is made, the better investment risks (including, and in particular those for CfD AR7 and CP2030) and cost to consumer risks are mitigated.</p> <p>We recognise timing constraints but believe it's achievable.</p>
3	Do you have any other comments?	Better coordination between the workgroups, NESO and Ofgem is needed to address the urgency and implement the proposal on time.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>At this stage we do not wish to raise an alternative but are supportive of other potential options.</p>
5	Does the draft legal text satisfy the intent of the modification?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The draft legal text provides the cap and floor values for each tariff component and the process to identify when to apply them. This succeeds in providing certainty to limit the increase of future charges.</p> <p>There is a potential challenge with defining the values explicitly, as the proposal has no end date defined, hence it is unclear if the values would need to be updated after 2030 – which is the last year covered in the 5-Year View data used for the Cap &amp; Floor calculation.</p>
6	Do you agree with the Workgroup's assessment that the modification does not	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<p>The proposal does not impact Article 18 terms and conditions.</p> <p>The Adjustment tariff in place keeps ensuring compliance with the €2.5MWh cap for transmission revenue that can be recovered from generators, as set by the EU regulation.</p>
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### 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.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No - we believe this should remain to provide certainty until electricity market reform can be defined and delivered. An assessment of the market reform impact should be made to then update the implemented proposal with an end date, through a new CMP.</p>
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).	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Grandfathering investments' TNUoS charges that have been made under the scheme, to ensure a justifiable &amp; reasonable tariff can be expected. This would further aid in reducing investment uncertainty and facilitate achievement of CP2030, as per Ofgem's letter.</p>
9	Does the Original proposal with no specific end date provide Developers with sufficient confidence to make an investment decision? Please justify.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>This alone does not provide the certainty required for an investment decision to be made. However, it will provide more certainty than what is currently in place, where charge increases in the TNUoS 10-Year Projection were particularly high and did not align with Ofgem's long-term TNUoS policy direction.</p>

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		Current arrangements do not provide an investable signal and create challenges for investment decisions to be made soon to reach CP2030.
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 <p>Yes. We believe all proposals better deliver the objectives within the letter.</p> <ol style="list-style-type: none"> <li>1. Establishes appropriate, individual, upper and lower limits on the £/kW charges paid by generators through the Year-Round Shared, Year-Round Not Shared and/or Peak Tariffs;</li> <li>2. Retains regional/locational differentials in charges and between technology types through a single GB cap and floor;</li> <li>3. Maintains a procedure for ensuring compliance with the requirements on generator annual average transmission charges as provided for in Regulation 838/2010 (as assimilated);</li> <li>4. Is capable of implementation without requiring NGESO to change its TNUoS forecasting approach or timetable; and</li> <li>5. Is capable of implementation from April 2026, if approved.</li> </ol> <p>The key difference between the proposals is the statistical approach used to derive the cap and floor values, with two of the proposals also using a 4-year forecast rather than 5.</p> <p>This will help reduce investment uncertainty, facilitate achievement of CP2030, and ultimately protect the interests of consumers.</p>
11	Do you agree with the data set proposed for the calculation of the	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	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?	We support the best available information for the Cap & Floor calculation. Using April 2024 NESO's 5-year view without the charging year 2029/30 better addresses the objectives stated in Ofgem's letter, as this avoids uncertainty regarding large increases in TNUoS charges from delivery of network investments.
12	<p>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):</p> <p>In our assessment, we consider that all proposals have a positive impact against CUSC objective A.</p> <p>Please consider the following order priority as preferred solution: 3, 7, 6, 2, 5, 1, original.</p>	
Alternative Request		Assessment
Original Solution		This proposal looks to address Ofgem's open letter objectives but is not successful in establishing an appropriate lower limit.
Alternative Request 1		This proposal addresses the Original Solution's issue by effectively providing a floor and making the thresholds narrower with more appropriate deciles.
Alternative Request 2		As opposed to Ofgem's letter, this proposal raises the question on whether a single GB cap might not be compatible with regional/location differential and provides with effective upper and lower limits through all of GB.
Alternative Request 3		Provides with effective upper and lower limits through all of GB. There might be a challenge in the additional complexity for determining the best way to collect allowed revenue.
Alternative Request 4		Withdrawn

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Alternative Request 5	This proposal impacts a wider set of zones with a cap and floor, looking to incentivise the investment required for CP2030.
Alternative Request 6	Using April 2024 NESO's 5-year view without the charging year 2029/30 avoids uncertainty regarding large increases in TNUoS charges from delivery of network investments.
Alternative Request 7	Using April 2024 NESO's 5-year view without the charging year 2029/30 avoids uncertainty regarding large increases in TNUoS charges from delivery of network investments. It also looks to improve the locational signal from the original proposal.