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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:	Stephen McKellar	
Company name:	Scottish Renewables	
Email address:	smckellar@scottishrenewables.com	
Phone number:	07736 966151	
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 checked="" 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 checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		WACM1 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		WACM2 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		WACM3 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" 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

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		WACM6	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		WACM7	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		<p>Against CUSC objective a) The Original, WACMs 1, 2, 3 and 6 better facilitate competition than the baseline because they set an appropriate cap and floor. This mitigates the defect in the current methodology that creates uncertainty, volatility and absolute values of charges in the north that deter investment and undermine competition. In contrast, WACMs 4, 5 and 7 do not improve on the baseline because they do not effectively address this defect.</p> <p>Against CUSC objectives b), c) & d) all the WACMs are neutral.</p> <p>Against CUSC objectives e) WACMs 4 and 5 do not better facilitate this objective because they add complexity to the charging methodology, which is inefficient compared to the baseline. All other WACMs and the original better facilitate this objective because they bring more certainty and reduce volatility compared to the baseline.</p> <p>Retaining the baseline or applying WACM5 or WACM7 would set an inappropriately high upper limit. It would not sufficiently limit TNUoS escalation by reducing the increase in charges in the north of GB outlined in the proposal. This would result in a signal that is in direct contradiction of the Clean Power 2030 (CP30) goals that the proposal explicitly seeks to enable. The escalating costs would drive up CfD bids and increase consumer costs.</p> <p>WACM1 is the only solution that results in an effective floor. A low floor would not address the market distortions that result in billions of pounds of disproportionate TNUoS credits being paid to southern projects. This also results in higher consumer energy bills because the pay-as-clear CfD regime allows southern projects to achieve the same subsidy level as northern projects.</p>	

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2	Do you have a preferred proposed solution?	<div> <input type="checkbox"/> Original <input checked="" type="checkbox"/> WACM1 <input type="checkbox"/> WACM2 <input type="checkbox"/> WACM3 <input type="checkbox"/> WACM4 <input type="checkbox"/> WACM5 <input type="checkbox"/> WACM6 <input type="checkbox"/> WACM7 <input type="checkbox"/> Baseline <input type="checkbox"/> No preference </div> <p>WACM 1 offers the best option in comparison to the original and other WACMs. WACM1 best facilitates CUSC objectives a) & e) because it will set the most appropriate cap and floor compared to the original and other WACMs and is neutral against CUSC objectives b), c) and e).</p> <p>We note that WACM 1 was well supported in the workgroup consultation responses and was also the workgroup's most preferred option in the final vote before consultation.</p> <p>WACM1 aims to provide a viable solution for the defect, potentially improving consumer outcomes by enabling lower energy costs through reduced CfD prices.</p> <p>WACMs 5 and 7 are the least effective in applying a cap and floor.</p>
3	Do you support the proposed implementation approach?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div>

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		<p>To effectively implement this proposal, it must fully address the issue, as outlined in this report which states “<i>the uncertainty of long term TNUoS (Transmission Network Use of System) Generator charges, and the risks posed by TNUoS unpredictability caused by the NESO’s 10-year generation TNUoS projection. This uncertainty was deemed to raise significant concerns to HM Government’s ambition of achieving a clean power system by 2030.</i>”</p> <p>A temporary fix that lasts only until REMA, without appropriate assurances, would not provide the long-term certainty needed to secure the necessary investment. This investment is crucial for meeting the targets outlined in CP30. There is a need to ensure long-term certainty for projects impacted by the introduction of REMA, which could adversely affect charges.</p>
4	Do you have any other comments?	<p>While all the solutions will provide a cap and floor that will limit future increases in charges in northern Scotland, the baseline and WACMs 5 and 7 will leave Northern projects facing significant additional costs compared to their southern competitors.</p> <p>Ofgem must apply appropriate impact assessment modelling to all solutions regarding CfD strike prices and their consequential impact on consumer bills.</p> <p>Scottish Renewables is calling for a more ambitious and meaningful cap and floor. This is essential to protect investment in Scotland by significantly reducing the difference in transmission charges between the north and south of the UK, thereby achieving the necessary outcomes and benefiting consumers in GB.</p>

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		Therefore, we support the WACMS that would best achieve this, i.e. WACMS 1, 2 or 3.
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.